

**ECONOMIC DEVELOPMENT AUTHORITY OF
STAFFORD COUNTY, VIRGINIA**

REPORT TO THE BOARD OF DIRECTORS

NOVEMBER 29, 2022



ASSURANCE, TAX & ADVISORY SERVICES



November 29, 2022

To the Members of the Board of Directors
Economic Development Authority of Stafford County, Virginia
Stafford, Virginia

We are pleased to present this report related to our audit of the basic financial statements of the Stafford County Economic Development Authority (Authority) as of and for the year ended June 30, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial and compliance reporting process.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Authority.

PBMares, LLP

PBMares, LLP

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards, and Commissions*; provided by the Auditor of Public Accounts of the Commonwealth of Virginia have been described to you in our arrangement letter dated August 17, 2022. Our audit of the basic financial statements does not relieve management or those charged with governance of that responsibility, which is also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated August 17, 2022 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* in the current year.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit. We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Authority, including the representation letter provided to us by management, are attached as Exhibit A.

SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Authority's June 30, 2022 basic financial statements.

Investments

| | |
|---|--|
| Accounting policy | Investment valuation |
| Management's estimation process | The fair value of investments are recorded based on reporting provided by the custodian. The Authority relies upon the custodian to determine fair value based on the highest quality of inputs available. |
| Basis for our conclusion on the reasonableness of the estimate | Management's approach to recognizing investments appears reasonable and consistent with accepted practice. Management should continue to monitor and evaluate the quality of information used to develop fair value estimates and risks inherent to such measures. |

EXHIBIT A

Significant Written Communications Between Management and Our Firm

Stafford County Economic Development Authority

November 29, 2022

PBMares, LLP
558 South Main Street
Harrisonburg, Virginia 22801

This representation letter is provided in connection with your audit of the basic financial statements of the Economic Development Authority of Stafford County, Virginia (the Authority) as of and for the year ended June 30, 2022 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of November 29, 2022:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 17, 2022, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. The methods and data used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
7. Risk disclosures associated with deposit and investment securities are presented in accordance with GASB requirements.
8. Components of net position (net investment in capital assets, restricted, and unrestricted) are properly classified and, if applicable, approved.
9. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.

10. We have complied with all aspects of laws, regulations and provisions of contracts and agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

11. We have reviewed the GASB Statements effective for the fiscal year ending June 30, 2022, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:

a. GASB Statement No. 87, Leases

12. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

13. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

a. Additional information that you have requested from us for the purpose of the audit;

b. Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence; and

c. Minutes of the meetings of the Economic Development Authority Board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

14. All transactions have been recorded in the accounting records and are reflected in the financial statements.

15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

16. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

17. We have no knowledge of allegations of fraud or suspected fraud affecting the Authority's financial statements involving:

a. Management.

- b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, or others.
19. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
20. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
21. We have disclosed to you the identity of the Authority's related parties and all the related-party relationships and transactions of which we are aware.
22. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Authority's ability to record, process, summarize and report financial data.
23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
25. With respect to Required Supplementary Information presented as required by the Governmental Accounting Standards Board, to supplement the basic financial statements:
- a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

In connection with your audit conducted in accordance with Government Auditing Standards, we confirm that management:

26. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

27. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
28. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
29. Is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
30. Acknowledges its responsibility for the design, implementation and maintenance of controls to prevent and detect fraud.
31. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
32. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

Stafford County Economic Development Authority

John Holden,
Secretary

A handwritten signature in blue ink, appearing to read 'John Holden', is written over a faint, illegible stamp or watermark.

EXHIBIT B

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of November 29, 2022 but are not yet effective and may affect the future financial reporting by the Authority.

| Pronouncement | Summary |
|--|--|
| <p>GASB Statement No. 96, <i>Subscription-Based Information Technology Arrangements</i></p> | <p>This Statement requires entities to recognize a right-to-use subscription asset and corresponding subscription liability for certain subscription-based information technology arrangements (SBITAs). The Authority should recognize amortization of the asset and related discount on the subscription as an outflow of resources over the subscription term. The Authority will be required to disclose essential information related to the SBITA. Statement 96 will be effective for the Authority beginning with its year ending June 30, 2023.</p> |
| <p>GASB Statement No. 99, <i>Omnibus 2022</i></p> | <p>This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees.</p> <p>The portion of Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The portion of the Statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023.</p> |
| <p>GASB Statement No. 100, <i>Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62</i></p> | <p>This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Statement 100 will be effective for the Authority beginning with its year ending June 30, 2024.</p> |