

REGULAR MEETING MINUTES

December 09, 2022

The regular meeting of the Economic Development Authority (EDA), of Stafford County, Virginia, was held at the Virginia Smart Community Testbed with Webex option on Friday, December 09, 2022.

1. **CALL TO ORDER**

This meeting was called to order by Mr. Newlin at 9:00 AM. A quorum was present and accounted for. There were no conflicts of interest declared by members.

Members Present

Joel Griffin, Chairman	In-person
Don Newlin, Vice Chairman	In-person
Howard Owen, Treasurer	In-person
Danielle Davis	Virtual (phone)
Heather Hagerman	In-person
Jack Rowley	In-person
Marlon Wilson	In-person

ED&T/EDA Staff Present

John Holden	Secretary, EDA; Director, ED&T
Linzy Browne	Marketing & Events Coordinator; EDA
Tammy Guseman	Administrative Assistant, ED&T
Dale Hendon	Specialist, ED&T
Josh Summits	Business Development Officer, ED&T

ED&T/EDA Staff Absent

Linzy Browne	Marketing & Events Coordinator; EDA
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Also Present

Charles Payne	Legal Counsel
Jennifer Morgan	RIoT
Mikal Manchester	Rivere
Andrea Nichols	Audit Manager, PB Mares
Michael Kiraly	Senior Accountant, PB Mares
Henry Thomassen	Citizen, Thomassen Consulting
John Davis	Germanna Community College
Bruce Davis	Germanna Community College

2. APPROVAL OF MINUTES

A. November 04, 2022 Regular Meeting Minutes

Mr. Rowley motioned to approve the November Regular Meeting Minutes. Mr. Owen seconded.

VOTE: 7-0 Approved

3. PUBLIC PRESENTATIONS

A. At the request of EDA Member, Heather Hagerman, a presentation was made by Rivere. Ms. Manchester, Executive Director, presented and stated the following:

- Rivere is a 501©(3) non-profit corporation has proposed an ecological center (“Center”, on property it owns) and has requested an option to lease a portion of county property (the Duff McDuff property) to develop an botanical gardens (“Gardens”)
- The Center that will serve as a regional magnet for watershed research and conservation and has been in development for six years and has had \$2 million invested in the project.
- Rivere’s desire is to be located in Stafford County
- Rivere seeks an option to lease 26-29 acres of additional land adjacent to their already purchased property (a portion of the Duff McDuff parcel). They are seeking the option to allow them three years to raise the needed funds for the center and gardens—the option would only be exercised if they raised the required funds.
- Funding for the Rivere project would come from fundraising, public gifts, center memberships, rentals, grants
- Ms. Manchester request the EDA’s support and recommendations.
- Rivere now proposes a three percent (3%) surcharge on tickets to the Gardens that will support a fund to develop additional park land in the County

Ms. Hagerman noted she met with Ms. Manchester and Mr. Cox last month and believes this project is a great opportunity for Stafford County. She understands that there are talks underway to partner with Microsoft to support the Center and that this project will bring another tourism asset to the County. She understands that this project will be in collaboration and incorporates desires of the Patawomeck Tribe.

Mr. Wilson asked why turf is not looked upon favorably for use in the Parks & Recreation’s (ballfield) property. Ms. Manchester stated turf is not recommended due to the amount of chemicals needed to keep it growing and the chemicals will eventually drain into the river creating pollution. Rivere’s desire is to showcase native grasses that require no chemicals for the County and its residents to use.

Mr. Holden noted he met with Mr. Cox 2 years ago but so far Board support for

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project has not been attained, possibly due to future park land concerns. Mr. Holden noted that the surcharge fee is a good idea but that it may need restructured in order to get to the next committee level.

Ms. Manchester stated that Rivere wants to collaborate with the Patowomeck and Stafford County to come up with the best use for the proposed project and space.

Mr. Rowley asked if Microsoft had made a financial commitment to Rivere. Ms. Manchester stated they had not but noted Microsoft has grants available that Rivere could apply for in future.

Ms. Hagerman motioned to discuss some potential solutions to navigate this process between Rivere, Parks & Recreation, and the BOS/County. Mr. Newlin seconded. Upon Mr. Payne's recommendation, Mr. Griffin asked that this motion be tabled until closed session.

- B. Mr. Thomassen, a resident of Stafford County, stated his disappointment that Germanna Community College has purchased property on Center Street in North Stafford for their expansion and will not be using the previously proposed 25-acre lot near Stafford hospital. He questioned what influenced Germanna's decision and asked whether anyone at Germanna has a financial interest in the new property that they recently acquired. Mr. Rowley stated they did not. Mr. Thomassen inquired why the original Germanna contract was discarded. Mr. Owen stated it was not a contract, only a Memo of Understanding. Mr. Griffin thanked Mr. Thomassen for attending the meeting and suggested that he attend as many meetings of the BOS as he can and state his views each time as the main decisions of Stafford County are decided by the Board, not the EDA.

4. TREASURER'S REPORT

A. Annual Audit Presentation

Mr. Owen introduced Ms. Nichols (audit manager) and Mr. Kiraly of PB Mares. Ms. Nichols reviewed both Audit documents (Report to the Board of Supervisors and the Financial Report) and stated that the EDA received an 'unmodified opinion' which is the highest rating available to be issued for an audit. The Audit report for the Board of Supervisors states there are no apparent concerns with EDA finances. Mr. Owen asked Ms. Nichols for any suggestions on improving the EDA's processes or procedures Ms. Nichols stated since this was a first-year audit they did a 'deep-dive' and found the EDA is operating extremely well. Mr. Rowley stated his appreciation for the timeliness of the audit completion and Mr. Owen thanked Ms. Nichols and Mr. Kiraly for their hard work.

Mr. Newlin motioned to approve the Audit as presented. Mr. Owen seconded.

VOTE: 7-0 Approved

B. Current Financials

Mr. Owen noted EDA total assets are \$2.48 million and all loans are current. Mr. Owen asked Mr. Holden if the DHL transfer had gone through. Mr. Holden stated they are awaiting the final sign-off from VDOT. Mr. Owen noted that the check to Germanna will not go through until after the DHL transfer. Mr. Owen asked staff to provide a narrative update on all EDA loan recipients for the January 2023 regular meeting. Mr. Griffin inquired how the UpNorth Kutz barber shop was doing. Mr. Summits replied they appear to be doing well as they have several barbers now and each are booking a week out.

Mr. Rowley motioned to accept the Treasurer's Report. Mr. Newlin seconded.

VOTE: 7-0 Approved

5. **CHAIRMAN'S REPORT**

Mr. Holden stated that Ms. Browne was unable to attend today's meeting due to a last-minute Wawa grand opening event. Mr. Griffin praised Ms. Browne's resourcefulness and work ethic as she coordinated this event and provided talking points for the Supervisors that attended.

6. **SECRETARY'S REPORT**

A. Marketing & Events Update

Mr. Holden referenced the EDA 2023 Calendar of Events that was included in Agenda Package.

B. Other Updates

1. Ms. Morgan gave the following RIoT update:

- How to Use Data to Drive Business Growth event last week was great event though low turn-out (targeted 25 only had 12)
Mr. Owen suggested having these events around breakfast as turnout may be better at that time instead of the usual after-work timeframe.
- Pitch Night for the Stafford cohort will be January 26
- Planning a Developer Day in March

2. Mr. Holden stated that he will have an update on the County property list at the EDA January 13 meeting.

3. Mr. Holden shared that due to the reorganization of the County, Tourism will be moved to Parks and Recreation and ED&T staff are working through this. It is likely that at least three staff members will no longer be in the department, but will still work closely with Economic Development. Mr. Owen asked if the Board voted to approve this decision. Mr. Holden stated that no voting was necessary it is and was an administrative decision and the new Administration decided that Tourism fits better with Parks and Recreation. Mr. Griffin questioned how the County plans to seek funding for tourism related initiatives such as the American Junior Golf Tournament. Would that responsibility move to another authority? Mr. Holden encouraged the EDA to review the AJGA event and continue its support.

7. COMMITTEE AND WORKING GROUP REPORTS

A. Loan Committee (*H Owen, D Davis, J Summits*)

Mr. Owen stated the following:

- One loan application is still pending. Mr. Summits noted he also has two additional applications on his desk. He stated the Embrey Mill loan holder has asked for their January and February loan payments be deferred until practice is able to bring in some revenue and noted they are on schedule for January opening.
- Revised loan policy has had a third category added for the Smart Technology Innovation Loan (STIL). Mr. Summits noted the Board's recommendation to change term from 5 years to 3 has been incorporated into policy. Mr. Rowley stated the \$500 non-refundable application fee seems a little high for smaller, start-up businesses. Mr. Summits replied that it was \$250, but was raised due to EDA receiving no due-diligence fees from this program. Mr. Summits stated that the Policy could be approved today and the fee changed (Program Guidelines) at a later date.

Mr. Griffin motioned to approve the Revised Loan Policy as is and the Program Guidelines as stated. Mr. Rowley seconded.

VOTE: 7-0 Approved

B. Germanna Group (*J Rowley*)

Mr. Rowley thanked members who attended Germanna's Check Presentation.

C. Property Group (*D Hendon, H Hagerman, J Rowley*)

Mr. Holden noted the following:

- RV Parkway/Firstline item is still in the works due to zoning mistake; hoping this project will move quicker in January
- The terms of agreement for sewer extension will be decided later this month

Mr. Griffin requested this RV Parkway/Firstline project be publicized in the papers once completed. Mr. Holden agreed.

D. Broadband Expansion (*D Hendon, M Wilson*)

The County is currently awaiting review and an award decision on the current VATI grant application by DHCD.

8. OLD BUSINESS

A. TPOF Grant Update: Close Out Plan

Mr. Holden stated this is awaiting the final sign-off from VDOT, finalization of paperwork, and the scheduling of a closing event. TPOF grant needs final documentation from DHL.

Mr. Summits noted that VDOT gave assurance that this document will be expedited.

B. VBSRP Application Update and Possible Agreement with UMWF

Mr. Holden the EDA's application for "site ready" funds was received favorably, but likely will not be funded. Most applications for these funds are "locally" or EDA owned and although EDA sought a partnership for this particular site and application, a new buyer (developer) has not yet been secured. Mr. Holden hopes to work with the agent representing the sale of the land to encourage a partnership with the new owner that will provide the EDA some land to develop in exchange for securing some of the VBSRP funds.

9. NEW BUSINESS

A. EDA and VIPC Agreement (MOU) for Testbed

Mr. Holden stated this agreement will set the EDA to be the financial holder of direct cash assets for the Testbed. This has been reviewed at the last EDA meeting. Verbal commitments have been received and documents sent out to secure additional \$25,000 in 1-year sponsorships from two companies and an ask from another company. These funds could be used to support Ms. Browne's work, loan fund, allow the EDA to seek grants for the Testbed, and the Testbed work in general.

Mr. Griffin motioned to proceed with the EDA and VIPC Agreement (MOU). Mr. Owen seconded.

VOTE: 7-0 Approved

10. EXECUTIVE SESSION

The EDA Board went into closed session in accordance with Section 2.2- 3711.A.3 and 5, et al. of the Code of Virginia 1950, as amended. Members of the EDA present at the meeting were in the closed session.

After Executive Session, Mr. Holden shared a handout, as requested by the EDA Chairman, showing other Virginia counties' ED&T organizational structure and staffing levels. He acknowledged that some counties have Tourism as part of Economic Development, some separately, some are staffed by their EDA.

11. ATTORNEY'S REPORT

None

12. ADJOURNMENT

The next Regular EDA Meeting will be in-person at the Testbed and is scheduled for January 13, 2023, from 9-11am with a Special Meeting (lunch provided) following from 11:30am-1pm. There being no further business brought before the Economic Development Authority, Mr. Griffin adjourned the meeting at 10:48 AM.

MINUTES APPROVED BY:



Joel Griffin
EDA Chairman

MINUTES SUBMITTED BY:



John Holden
EDA Secretary

Agenda 2A

REGULAR MEETING MINUTES

November 04, 2022

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1. CALL TO ORDER

This meeting was called to order by Mr. Newlin at 9:04 AM. A quorum was present and accounted for. There were no conflicts of interest declared by members.

Members Present

Joel Griffin, Chairman
Don Newlin, Vice Chairman
Howard Owen, Treasurer
Danielle Davis
Jack Rowley

Member Absent

Heather Hagerman
Marlon Wilson

ED&T/EDA Staff Present

John Holden	Secretary, EDA; Director, ED&T
Linzy Browne	Marketing & Events Coordinator; EDA
Tammy Guseman	Administrative Assistant, ED&T
Dale Hendon	Specialist, ED&T
Josh Summits	Business Development Officer, ED&T
Uma Marques	Technology Specialist, EDA

Also Present

Charles Payne	Legal Counsel
Jennifer Morgan	RIoT
Robert Pinkas	CEO, Vision Craft
Michal Prochazka	CTO, Vision Craft

2. APPROVAL OF MINUTES

A. October 14, 2022 Regular Meeting Minutes

Mr. Owen motioned to approve the October Regular Meeting Minutes. Ms. Davis seconded.

VOTE: 5-0 Approved

3. PUBLIC PRESENTATIONS

A. RIoT Accelerator Program Update, Ms. Morgan presented and stated the following:

- RIoT's economic development focused programs target technology business or how businesses can use technology. RIoT programs and have contributed to the creation of over 200 jobs nationwide. The premiere program is the RIoT Accelerator Program. There is no cost for start-ups to participate in the Accelerator. Mr. Rowley asked if leaders/owners of the companies usually attend. Ms. Morgan stated that as most start-ups are small, the CEO or owners attends.
- Each participant in the Accelerator program is matched with a mentor.
- RIoT's Annual Demo Night was held this week with 500 attendees.
- From the first Virginia cohort (funded by the EDA and Go Virginia) RIoT is still working with several participants, one of which is Cocoflo. Mr. Holden noted that Cocoflo is starting a US operation in Stafford that will employ two persons and will use the Testbed for nine months or term of pilot project. Mr. Rowley inquired if Cocoflo employees will vacate the Testbed when meetings occur there in which they are not involved. Mr. Holden replied they will vacate if necessary and also noted there is a small private room in the back available to them as well.
- RIoT is currently running another 12-week cohort (Accelerator) and January 24, 2023 is Pitch Night for this cohort.
- Ms Morgan reviewed the outline and plans of companies participating in the new cohort. Mr. Hendon remarked that one of these companies, Advanced Radio Mapping (ARM), has great use case in the Falmouth area. Mr. Holden noted how networking at the Smart Cities Connect Conference helped connect RIoT and ARM.
- Their next event at the Testbed will be 'Understanding the Tech In Your Business' on December 6 at 5:30pm and Ms. Morgan will email this information to the members.
- Mr. Holden inquired if EDA members can sit in on a cohort meeting. Ms. Morgan affirmed this. Mr. Rowley asked, for mentoring purposes, how long each session is. Ms. Morgan stated each session is 4 hours plus another 4 hours of off-site mentoring for a total of 8 hours per week for mentors. Mr. Griffin noted there is a real need for mentors and suggested a breakfast be added to the graduation ceremony.

Mr. Griffin welcomed Supervisor Yeung.

4. TREASURER'S REPORT

A. Current Financials

Mr. Owen stated the following:

- Current assets \$2.5 million
- \$750K will soon be given to Germanna and will cut cash reserves in half
- EDA needs property from County to develop and generate more revenue
- EDA has monthly income of \$440 from current loans

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Mr. Rowley asked why the VCC Money Market account now has \$112,000 versus last year at this time it had only \$47,000. Mr. Holden replied the EDA moved funds from Operating into this account to recap the loan fund. Mr. Owen stated the bank balance will climb once another source of revenue is acquired.

Mr. Griffin explained to Supervisor Yeung that the County has previously given properties to EDA and in return, the EDA works to develop them as revenue-generating sources for the County. Mr. Owen gave examples of EDA taking dormant County properties (cookie factory, abandoned property on Route 1, property by airport was sold and portion was given to VDOT for easement) and developing them. Mr. Griffin noted that currently the County has around 60+ properties. Mr. Holden stated last property assessment was several years ago and it will be updated. Supervisor Yeung noted she is pro-development and is looking for ways to improve Garrisonville District and the former Moncure school property.

Mr. Rowley noted that on Route 1 there are 2 properties that total 35 acres near the hospital on Route 1 and suggested the County consider giving these to the EDA for development instead of to the school board for another school. Supervisor Yeung replied that 2 middle schools are needed in Stafford County. Mr. Griffin stated that having a school on a major thoroughfare is not the best use of these 2 properties and businesses would be a wiser choice. Supervisor Yeung suggested offering the school board another better-suited location based on the updated property list. Mr. Rowley noted that the school board already owns 100 acres at the Cliff Farms site. Mr. Holden stated that ED&T will work on updating the property list.

Mr. Griffin wrapped up by stating the EDA has a proven track record of successfully taking County properties not viable for sale and converting them into sources that generate revenue for the County. Mr. Owen noted that the EDA receives no money for their services and is a self-supporting establishment. Supervisor Yeung inquired how the EDA funds itself. Mr. Owen replied the EDA is funded through the sale of properties given to them and stated that all EDA monies go directly back into the community. Supervisor Yeung asked what EDA's balance is. Mr. Owen replied that after the gift to Germanna, EDA will have \$1.6 million left. Supervisor Yeung suggested the next time EDA comes to the Board of Supervisors, that EDA tells their success stories as Mr. Owen did today.

Mr. Owen stated that EDA also operates as a conduit (i.e.-Tree Lighting) for many County funds. Mr. Owen referenced the Budget and stated EDA is 3 months into the fiscal year. Mr. Holden noted that the Go Virginia grant is a reimbursement grant and monies that have gone out in the first quarter will return.

Supervisor Yeung stated she understands that EDA provides ribbon-cutting ceremonies for new businesses upon opening, but asked how the businesses are supported by EDA for the long-term.

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- Mr. Owen noted EDA is there to help the business launch, not stay open.
- Mr. Holden stated that EDA partners with the University of Mary Washington and the Small Business Development Center and shares these resources with businesses.
- Ms. Browne commented that a portion of EDA's website is dedicated to small business resources as well as monthly emails sent showcasing upcoming business events.
- Mr. Griffin noted that EDA holds Veteran Business Boot Camps twice a year and Beer & Business events once a quarter to connect entrepreneurs.

Mr. Owen asked for audit update. Mr. Hendon stated audit interview has been completed, audit is winding down and the auditor anticipates presenting to EDA in December.

Mr. Owen noted that a Free-Lance Star article questioned the EDA giving \$150,000 to the Langley Foundation for the aerodrome model and suggested a rebuttal letter in guest form to explain what the EDA does and why these monies were donated to Langley. Mr. Rowley suggested ED&T draft said letter of rebuttal with Mr. Griffin's signature. Mr. Holden requested EDA members send some bullet points for letter due to ED&T being short-staffed at present. Mr. Griffin volunteered to do the rebuttal letter and also a guest column to showcase EDA's success stories.

Mr. Newlin moved to accept the Treasurer's Report. Mr. Rowley seconded.

VOTE: 5-0 Approved

5. **CHAIRMAN'S REPORT**

Mr. Griffin noted the following:

- Rick Cobert has left Stafford County's ED&T department
- Appreciation for Ms. Morgan's hard work and report on the Testbed
- EDA wants to be more involved with the Testbed and promoting RIoT
- Huge number of businesses flow through the Testbed
- Number of small businesses get started here and produce revenue

Mr. Holden stated that the Testbed is not a legal entity but a partnership with Virginia Innovative Partnership Corporation, OST and the County and suggested EDA consider having a separate account in the Budget for the EDA/Testbed to help fund a variety of project and Linzy's work and other associated costs. Mr. Holden reminded the EDA that Ms. Marquez's position is a contractor at present with the intent of becoming a County employee position. The Virginia grant brought the Testbed and RIoT to Stafford County and has sustained both, so this is a transition period as the grant will end June 30, 2023. Mr. Holden stated the Testbed Executive Committee and County staff held a meeting a month or two ago and devised a business plan for the Testbed in which the EDA can play the role of fiscal

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owner of operations. Mr. Griffin noted that with this new account and role, the EDA can encourage more sponsorships and donations and may even qualify for more grants. Mr. Holden stated the EDA has more opportunity now to keep the Testbed going and that long-term the Testbed will need more stability and the EDA can provide that. Mr. Griffin asked for clarification of the EDA's non-profit status. Mr. Payne stated EDA is a state-charter organization that can receive grants and proffers and enjoys much flexibility. He cautioned the EDA to be careful about perception in regards to the venture with VIPC, VIPC should be independent of the EDA, and acknowledged this could be beneficial to both parties financially.

Mr. Griffin shared that EDA officer elections usually are held in July. Mr. Payne suggested a nomination to formalize this vote. Mr. Rowley moved to re-elect three offices: Chairman, Vice-Chairman, and Treasurer. Mr. Newlin seconded.

VOTE: 5-0 Approved

Mr. Griffin also noted that two EDA member are up for re-appointments (Mr. Griffin's and Mr. Newlin's) this June. Mr. Griffin inquired if members felt the need for the annual strategy meeting. Mr. Owen suggested a two-hour meeting should suffice. Mr. Holden suggested extending the regular January EDA Meeting to include strategizing. Mr. Rowley noted the agenda needs to be decided on. Mr. Griffin said the regular January meeting will be extended as suggested and include lunch and shared his goal of setting EDA's top three priorities for the new year. Supervisor Yeung asked what the EDA's vision is. Mr. Griffin stated a priority of the EDA is now restaurant attraction per the Board of Supervisor's request but reminded all that business doesn't happen overnight.

Supervisor Yeung noted that with restaurants also comes business, parks, trails, and communities. These communities come with families that want less traffic.

Mr. Griffin replied the types of restaurants the Board wants will not come to Stafford without residential density. He stated there is an on-going cycle of EDA trying to bring business and restaurants to Stafford, going to the Board requesting help with proffers, zoning, etc. and receiving little help. Supervisor Yeung stated that she will champion for more resources to go to the EDA. Mr. Griffin thanked Supervisor Yeung for attending the meeting.

Mr. Griffin inquired if Vision Craft was going to present today. Mr. Holden stated they will present later in the meeting and remarked that Vision Craft is a Czech Republic business attracted to Stafford County through the Testbed and they are considering establishing their business here.

6. SECRETARY'S REPORT

Mr. Holden shared the 2023 EDA Meetings Calendar and proposed moving the October 13, 2023 meeting date to October 6, 2023, due to his being out of town the week of the 13th. Mr. Holden noted ED&T will revise and post on EDA website.

A. Marketing and Events Update

Ms. Browne noted the following:

1. Beer & Business
 - November 9 at 6 Bears & A Goat
 - Sponsored by Matern Staffing
 - 43 registered
2. Veterans Business Bootcamp
 - Event well received by veterans
 - 44 in attendance
 - Next Bootcamp will be held Spring 2023 and will focus on Business Startup
3. Airport Marketing
 - Goal is to eventually attract corporate hangar sales and drone partnership in future
 - Requested EDA members follow Stafford Airport on LinkedIn and like them on Facebook

Mr. Summits shared that the EDA paid for half (\$2,070) of the flight data subscription costs which will help build up the business plan for hangars and that check will go out within the week. Mr. Holden reminded EDA members that they will be reimbursed for Ms. Browne's work on the airport marketing.

B. Monthly Update

Mr. Holden shared that per EDA and other requests, the Department is changing the frequency of "updates" or "reports" from quarterly to monthly starting in December and noted that the new reports will have informational graphics, be easier to read, shorter at only 1-2 pages, and will be sent to the Board of Supervisors each month. Mr. Rowley suggested making the new reports one 2-sided documents at most due to amount of reading material that the Board of Supervisors receives.

Mr. Holden noted the EDA approved a sponsorship of \$1500 last month for the County's Tree Lighting event and shared the Board voted to not have alcohol at the event. EDA will act as ED&T and EDA will start accepting outside sponsorships for this event. Mr. Owen suggested upping the EDA's sponsorship up to \$5,000. Mr. Rowley stated the County needs EDA's support.

Mr. Rowley moved to increase EDA's sponsorship of the Tree Lighting event from \$1,500 to \$5,000. Mr. Newlin seconded.

VOTE: 5-0 Approved

Mr. Holden distributed the EDA Recommendations for ARPA Allocation handout and gave brief update on status of ARPA funds:

- Langley funds were approved by the Board
- RIoT funds – Board requested more information; This will go back to Committee in December
- ARPA Workshop will be held to discuss distribution of remaining funds
- Will know more of what EDA items will be supported by Board after November 15

Mr. Rowley asked for explanation of the Anticipated funded Project Funds (\$477,000) and To be determined (RIoT) funds (\$300,000). Mr. Holden stated the \$477,000 contained items that seemed to receive a nod from the Board and these are listed as number 1 on right side of document and the \$300,000 was for RIoT and is listed as number 3 on right side. Items listed as number 4 on right side did not receive a nod from the Board.

Mr. Griffin noted that this EDA ARPA document is a good example of conflicting guidance and no support from the Board. The cyber security is the fastest-growing job market in the County, nation, and world and yet funding this program received no support from the Board. Supervisor Yeung expressed her interest and support in cyber security and technology. Mr. Owen asked why the Board did not support the Cyber Program. Supervisor Yeung asked when the EDA ARPA budget was brought to the Board. Mr. Holden stated it was brought to the CEDC on November 15 and was not passed. Mr. Rowley inquired why the \$20,000 to go to Stafford schools was not passed and stated that the distribution of \$29 million in ARPA funds given to County, of which EDA was given \$2.9 million, still has not been decided and it has been over a year. Mr. Griffin stated again that EDA is the only entity that doesn't receive budget resources from County and feels that the EDA \$2.9 million of ARPA funds should not be held after continually providing the information requested by the Board. Ms. Davis noted that the EDA carefully chose funds to distribute to the community, gave the list to the Board, and the list just gets whittled down. Supervisor Yeung requested an updated list of EDA ARPA funds to be distributed and she will go to bat for the EDA the next time this is brought before the Board. Mr. Griffin and Mr. Holden will update the list and send to Supervisor Yeung.

7. COMMITTEE AND WORKING GROUP REPORTS

A. Loan Committee (*H Owen, D Davis, J Summits*)

Mr. Owen stated the following:

- Revised Loan Credit Policy Program and Manual is being edited.
- New \$25,000 forgivable loan fund is being proposed – Smart Technology Innovation Fund (STIF). Mr. Rowley advised not requiring businesses to have to complete RIoT's Accelerator Program (page 5 item d). Mr. Summits noted that this is a draft and they will take that comment to the loan committee for revision.

Supervisor Yeung asked how companies find out about EDA loan programs. Mr. Holden shared EDA is working on an updated marketing plan for smart technology and is also hoping to see some of the startups that RIoT works benefit from the EDA loan programs

B. Germanna Group (*J Rowley*)

Mr. Rowley asked members who will be attending Germanna's Check Presentation event and lunch on November 29 at noon in Center Street location. Mr. Griffin, Mr. Owen, Mr. Holden, Mr. Newlin, and Ms. Davis will be there. Mr. Holden inquired who will be running this event. Mr. Rowley stated Germanna is in charge of event. Ms. Browne stated she will write a press release for the Check Presentation event.

Mr. Rowley reminded members of the Donor Event (reception and dinner) on November

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17 from 6:30-8:30pm. Mr. Griffin, Mr. Owen, Mr. Newlin, Ms. Davis all will attend. Mr. Holden will not attend due to being out of town.

C. Property Group (D Hendon, H Hagerman, J Rowley)

Mr. Holden noted RV Parkway/Firstline item is still in the works. Mr. Hendon stated the following:

- Looking for permission to apply for up to \$550,000 in brownfield remediation grants. There are two separate programs: Assessment and Remediation fund (up to \$50,000) or General Remediation fund (\$500,000), both state grants provided by the Virginia Economic Development Partnership in coordination with the Department of Environmental Quality
- EDA would serve as the prime on these grants
- This would be to mitigate some known lead-based issues on RV Parkway in order to get the property environmentally clean

Mr. Holden stated Firstline will provide a match. Ms. Davis asked if EDA would start off with the Assessment grant. Mr. Holden noted the assessments on the property have already been completed so EDA could move directly to the General Remediation grant. Funds from both grants may be used for remediation.

Mr. Griffin moved to grant permission to apply for up to \$550,000 for these two grants. Ms. Davis seconded.

VOTE: 5-0 Approved

D. Broadband Expansion (*D Hendon, M Wilson*)

None

8. OLD BUSINESS

A. TPOF Grant Update

Mr. Holden stated the TPOF grant needs final documentation from DHL. Mr. Summits noted that VDOT gave assurance that this document will be expedited.

B. Retail Action Plan Update

Mr. Holden noted this is in transition due to Rick Cobert's departure. Mr. Holden noted a commercial realtor that presented Stafford to Top Golf had the following response: "Stafford is a smaller market than company is targeting."

Mr. Holden added that he is getting additional inquiries about Downtown Stafford as a destination for new upscale retail.

Mr. Rowley suggested offering a \$50,000 incentive to help bring in restaurants. Supervisor Yeung asked what algorithms EDA is using to find restaurants. Mr. Holden stated it is not rooftops, but density that counts. Mr. Griffin stated that restaurants must have two solid hits a day of revenue in order to survive. A community investment seems to work every single time. Mr. Griffin stated this is what EDA is trying to do with

Stafford County Economic Development Authority

Downtown Stafford concept...create the density that Stafford needs. Mr. Holden stated the incentive for restaurants is viable and should be structured as being for new and also improving restaurants through Tourism Zones.

Mr. Owen inquired if ARPA funds can be used for restaurant incentives. Supervisor Yeung recommended listing EDA's successes under the bullet points on ARPA funding document and noted that she will support items that show EDA past successes. Mr. Payne stated two challenges Stafford faces: density and traffic issues and that it takes leadership to change mentality. Large businesses have difficulty retaining employees due to lack of quality of life here...people want arts, live music, food, entertainment. Mr. Griffin noted he has been making this point for five years and the Board will not act. Mr. Rowley noted that Geico is restructuring and this may not be good news for the County. Mr. Griffin supports the idea of inviting large businesses to a spring forum and ask them what they need.

C. Germanna Grant Transaction and 'Big Check' Presentation
Previously discussed in meeting

D. VBSRP Application Update and Possible Agreement with UMWF

Mr. Holden stated the following:

- ATTAIN Grant application in progress
- Applied for up to \$6million
- Money may or may not be available to EDA to develop the property

9. NEW BUSINESS

A. EDA and VIPC Agreement (MOU) for Testbed

Mr. Holden stated this will be discussed further in December

B. Virginia Department of Agriculture and Consumer Services offers and Agriculture and Forestry Industries Development Fund (AFID) Infrastructure Grant

Mr. Summits noted the following:

- Chorizo sausage company with 25-30 employees
- Would be dollar for dollar match grant
- EDA would be the applicant

Mr. Newlin motioned to apply for this grant as appropriate. Mr. Rowley seconded.

VOTE: 5-0 Approved

Mr. Hendon introduced Mr. Pinkas and Mr. Prochazka, both of Vision Craft. Mr. Prochazka stated the following:

- They are a Czech Republic entity looking to expand in the US market.
- Vision Craft will explore using the Testbed as their startup location
- Product is a street-monitoring/counting car volume system that is 90% ready and has already been deployed in Stafford through the Testbed.

Stafford County Economic Development Authority

- Product consumes data from various sensors and compiles it together for easy use
- Only raw data uploads, not video uploads and no personally identifiable information is uploaded or kept.
- Shows real time data to predict planning of construction work, widening of roads
- Deployable in a matter of minutes with a 4-hour battery charge

Mr. Griffin thanked Mr. Pinkas and Mr. Prochazka for their presentation.

10. EXECUTIVE SESSION

The EDA Board went into closed session in accordance with Section 2.2- 3711.A.3 and 5, et al. of the Code of Virginia 1950, as amended. Members of the EDA present at the meeting were in the closed session.

11. ATTORNEY'S REPORT

None

12. ADJOURNMENT

The next regular EDA Meeting will be in-person at the Testbed and is scheduled for December 09, 2022, from 9-11am. There being no further business brought before the Economic Development Authority, Mr. Newlin adjourned the meeting at 11:42 AM.

MINUTES APPROVED BY:

Joel Griffin
EDA Chairman

MINUTES SUBMITTED BY:



John Holden
EDA Secretary

Agenda 4A

**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>

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

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2022



ASSURANCE, TAX & ADVISORY SERVICES

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

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INTRODUCTORY SECTION

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

June 30, 2022

Members

Joel Griffin, Chairman
Donald H. Newlin, Vice Chairman
Howard Owen, Treasurer
Danielle Davis
John F. Rowley III (Jack)
Marlon Wilson
Heather Hagerman
Charles W. Payne, Jr., Esquire, Counsel
John Holden, Secretary

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Economic Development Authority of Stafford County, Virginia (Authority), a discretely presented component unit of Stafford County, Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of June 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Our responsibilities under those standards and specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Authority, as of and for the year ended June 30, 2021, were audited by other auditors, whose report dated February 21, 2022, expressed an unmodified opinion on those statements. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

YB Marcus, LLP

Harrisonburg, Virginia
November 29, 2022

**Management Discussion and Analysis
Fiscal Year 2022**

The Members
Economic Development Authority of Stafford County, Virginia
Stafford County, Virginia

As management of the Economic Development Authority of Stafford County, Virginia, we offer the readers of the Authority’s financial statements this narrative overview and analysis of the financial activities of the Economic Development Authority of Stafford County, Virginia for the fiscal year end June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information presented in the financial statements and notes to the financial statements.

Financial Highlights

The Authority's assets exceeded its liabilities by \$2,583,025 for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,690,777.

The unrestricted net position balance of \$2,583,025 and \$2,690,777 represent the portion available to maintain the Authority’s continuing operations as of June 30, 2022 and 2021 respectively.

Net position decreased \$107,752 to \$2,583,025 for June 30, 2022.

The following represents the Authority's financial position for the years ended June 30, 2022, and 2021:

Summary of Net Position

Summary of Net Position		
	2021	2022
Current assets	\$ 1,475,010	\$ 1,637,100
Non-current assets - capital assets	\$ 1,236,051	\$ 959,557
Total Assets	\$ 2,711,061	\$ 2,596,657
Long term liabilities	\$ 10,284	\$ 13,632
Other liabilities	\$ 10,000	\$ -
Total Liabilities	\$ 20,284	\$ 13,632
Net Position:		
Unrestricted	\$ 2,690,777	\$ 2,583,025
Total Net Position	\$ 2,690,777	\$ 2,583,025

Summary of Change in Net Position

Summary of Change to Net Position				
	2021		2022	
	Amount	% Totals	Amount	% Totals
REVENUES				
Sponsorship revenue	\$ -	0.00%	\$ 20,500	10.11%
Bond issuance fees	\$ 5,201	0.23%	\$ 11,590	5.71%
Assistance and grants	\$ 2,167,755	94.21%	\$ 155,977	76.91%
Investment income	\$ 30,015	1.30%	\$ 14,739	7.27%
Gain (loss) on property sale	\$ 98,001	4.26%	\$ -	0.00%
Total Revenues	\$ 2,300,972	100%	\$ 202,806	100.00%
EXPENSES				
Local industry assistance	\$ 2,192,119	94.58%	\$ 136,810	44.05%
Administration and marketing	\$ 75,567	3.26%	\$ 132,921	42.80%
Bank and service fee	\$ 1,462	0.06%	\$ 4,905	1.58%
Professional fees	\$ 48,668	2.10%	\$ 35,922	11.57%
Total Expenses	\$ 2,317,816	100.00%	\$ 310,558	100.00%
Change in Net Position	\$ (16,844)		\$ (107,752)	

Overview of the Financial Statement

The Authority is an independent political subdivision of the Commonwealth, with such public and corporate powers as are set forth in this chapter § 15.2 established by Stafford County. The financial statements are reported on accrual basis of accounting. Operating revenue and expenses are distinguished from non-operating revenue and expenses. Examples of operating revenue and expenses include sponsorships and expenses on the Annual Appreciation Reception and other events, whereas non-operating include revenue and expenses on property sales.

Following the Management's Discussion and Analysis are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The *Statement of Net Position* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the Authority's financial position.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Authority's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods.

The *Statements of Cash Flows* relates to the cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income. In the fiscal year ended June 30, 2022, cash increased by \$161,044 primarily due to the Go Virginia grant.

Economic Factors

The Authority acts in the capacity of the economic development organization, separate from Stafford County government. However, the Authority works to implement the strategic economic development goals of the County as promulgated by the Stafford County Board of Supervisors in their Strategic Plan and the associated Economic Development and Tourism Strategies and Plans.

- Following the Covid-19 Pandemic, in 2022, the Authority reinstated and will continue its annual business appreciation reception (BAR) for local businesses. In 2022, the Authority raised \$15,000 in sponsorship revenues for the event (some of these were previously committed or secured in FY2020 or FY2021). The sponsorships covered approximately 95% of the direct costs of the event. Further, the Authority will continue hosting quarterly networking events for which it will raise sponsorship funds to cover the costs.
- The Authority had pledged and signed an agreement for \$750,000 in matching funds to support the establishment the expansion of the Germanna Community College campus in Stafford County. This commitment was associated with Parcel 38-29, an undeveloped tract of land approximately 14.75 acres in size which is located along US Route 1 near the Stafford Regional Airport. This pledge is documented under an MOU dated September 11, 2022. In October, 2022, Germanna announced its expansion to a new campus on Center Drive in North Stafford. The pledge and commitment will be honored in fiscal year 2023.
- In Fiscal Year 2022, the Authority approved a proposed budget for operations. Budgetary controls and expenditure tracking began in FY2022 and will continue in FY2023, reported quarterly to the Board of Directors.
- The Authority was issued \$2,036,000 in funds from Stafford County in fiscal year 2021 to assist in business recovery due to the Coronavirus Pandemic (so called "CARES Act Funds"). These funds were used to pay back the \$427,000 of EDA funds it granted to businesses in FY2020 and provide the balance as grants to impacted businesses. The balance of the funds, less \$36,000, was granted to impacted businesses through a series of grant programs during the fiscal year.
- The EDA was granted a property in the Centreport Area from Stafford County in 2020 and sold that property in fiscal year 2021. The Virginia Department of Transportation acquired a portion of the lot for \$149,380. The balance of the lot was sold for \$400,000, with the Authority financing the buyer \$304,000 at 4.0% annually and quarterly payments of \$6,762. The note on that property was paid off in FY2022.
- As part of its Go Virginia Grant, spanning fiscal years 2022 and 2023, the EDA has helped establish the Virginia Smart Community Testbed. The Testbed is a location for a statewide program that fosters and encourages new "smart" technologies to improve public infrastructure and public services. Stafford County is a Founding Partner of the Testbed and the EDA has taken on organizational development and ownership in regards to its role in fostering new business in Stafford County. To date, the activities in the Testbed have resulted in supporting over 80 technology-based businesses and has directly resulted in attracting new companies to Stafford County. The EDA secured office equipment and specific supplies for the Testbed through the Grant and a portion of its own financial resources. Additionally, the EDA took on contractual responsibility for the Grant and sub-contracts for a Technology Specialist and contractual work on entrepreneurship with RIoT, LLC. The EDA intends to continue to act in its capacity to sustain the work of the Virginia Smart Community Testbed. The Authority plans to aggressively pursue partnerships and seek grant funding to do so.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives and generates. The Authority does not receive any direct funding from Stafford County. If you have questions about this report or need additional information, contact the Authority's office in Stafford, Virginia.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Howard Owen". The signature is written in a cursive style with a large initial "H" and "O".

Howard Owen, Treasurer
Economic Development Authority of Stafford County, Virginia

BASIC FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

As of June 30, 2022 with Comparative Totals for June 30, 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,576,979	\$ 1,415,935
Other assets	164	12,218
Notes receivable - current	59,957	46,857
Total current assets	1,637,100	1,475,010
Noncurrent Assets		
Notes receivable - noncurrent	459,557	702,503
Certificates of deposit	500,000	533,548
Total noncurrent assets	959,557	1,236,051
Total assets	2,596,657	2,711,061
LIABILITIES		
Accounts Payable	13,632	10,284
Other Liabilities	-	10,000
Total liabilities	13,632	20,284
NET POSITION		
Unrestricted	2,583,025	2,690,777
Total net position	\$ 2,583,025	\$ 2,690,777

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2022 with Comparative Total for the
Year Ended June 30, 2021**

	2022	2021
Revenues:		
Operating revenue:		
Sponsorship revenue	\$ 20,500	\$ -
Bond issuance and loan fees	11,590	5,201
Total operating revenues	32,090	5,201
Expenses:		
Operating expenses:		
Local industry assistance and grants	136,810	2,192,119
Administration and marketing	132,921	75,567
Professional fees	35,922	48,668
Bank and service fees	4,905	1,462
Total operating expenses	310,558	2,317,816
Operating loss	(278,468)	(2,312,615)
Non-operating revenue (expense):		
Unrealized loss on investment	(33,548)	(12,460)
Interest income	48,287	42,475
Gain on sale of property	-	98,001
Intergovernmental revenue	155,977	2,167,775
Total nonoperating revenues, net	170,716	2,295,791
Change in Net Position	(107,752)	(16,844)
Net Position, beginning	2,690,777	2,707,621
Net Position, ending	<u>\$ 2,583,025</u>	<u>\$ 2,690,777</u>

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

STATEMENTS OF CASH FLOWS

**For the Year Ended June 30, 2022 with Comparative Totals for the
Year Ended June 30, 2021**

	2022	2021
Cash Flows from Operating Activities:		
Receipts from economic development activities	\$ 44,144	\$ (2,186,917)
Payment to suppliers and grant recipients	(317,210)	(139,306)
Net cash used in operating activities	(273,066)	(2,326,223)
Cash Flows from Noncapital and Related Financing Activities:		
Contributions from governments	155,977	2,674,755
Net cash provided by noncapital and related financing activities	155,977	2,674,755
Cash Flows from Investing Activities:		
Interest and other income	48,287	43,562
Payments received on notes receivable	229,846	18,712
Cash payments for assets transferred to VPA	-	198,014
Loans	-	(15,000)
Net cash provided by investing activities	278,133	245,288
Net increase in cash and cash equivalents	161,044	593,820
Cash and Cash Equivalents:		
Beginning	1,415,935	822,115
Ending	\$ 1,576,979	\$ 1,415,935
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (278,468)	\$ (2,312,615)
Changes in operating assets and liabilities:		
Decrease in:		
Other assets	12,054	86
Unrealized loss	-	12,460
Increase (decrease) in:		
Accounts payable	3,348	2,359
Other liabilities	(10,000)	(28,341)
Net cash used in operating activities	\$ (273,066)	\$ (2,326,223)
Schedule of noncash investing activities		
Unrealized loss on investments	\$ 33,548	\$ -

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business

The Economic Development Authority of Stafford County, Virginia (Authority) is a component unit of Stafford County, Virginia (County). The Authority was established under the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373 et. seq.) of the *Code of Virginia* (1950, as amended). The Authority has the responsibility to promote industry and develop trade by inviting manufacturing, industrial and commercial enterprises to locate to or remain in the County. The Authority has been determined to be a component unit of the County in accordance with Governmental Auditing Standards. Component units are legally separate entities. The Authority has no direct financial commitment from the County. Per statute, “upon dissolution of the Authority, its assets shall [be] vest[ed] in Stafford County and possession of such funds and properties shall forthwith be delivered to the County.”

Note 2. Significant Accounting Policies

Measurement focus, basis of accounting and financial statement presentation: The Authority’s financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations. The principal operating revenues of the Authority arise from bond issuance fees and sponsorships. Operating expenses include various program costs and contractual services. All revenues and expenses not meeting this definition are reported as nonoperating. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first.

Cash and cash equivalents: The Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Capital assets: Capital assets are reported at cost or fair value at time of donation or purchase. Buildings are depreciated using the straight-line method over a useful life of 30 years. At June 30, 2022, the Authority did not have ownership of any property assets.

Net position: Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events: The Authority has evaluated subsequent events through November 29, 2022, the date on which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments

Deposits: Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the Act), Section 2.2-4400 et seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Custodial credit risk (deposits): Custodial credit risk (deposits) is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires all deposits to be insured under FDIC or comply with the Act. At year-end, none of the Authority's deposits were exposed to custodial credit risk.

Investment policy: State statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, bankers' acceptances, repurchase agreements, and the LGIP.

An investment policy has been adopted by the Authority which states that the funds of the Authority can only be invested in AAA-rated debt instruments or federally insured certificates of deposit.

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The Authority has the following investment subject to recurring fair value measurement as of June 30, 2022:

- Certificates of deposit totaling \$500,000, valued using quoted market prices (level 1 inputs), are classified as long-term investments as of June 30, 2022. The certificates bear interest ranging from 3.05% to 3.30% and have maturities ranging from 54 to 60 months.

Note 4. Notes Receivable

As of June 30, 2022, notes receivable totaled \$519,514 with a current portion reported in the amount of \$59,957. The notes are the result of property sale financing and the Authority's loan programs. The Authority considers the notes receivable to be collectible; therefore, no allowance for losses has been reported.

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Notes Receivable (Continued)

Property sales financing: The Authority has entered into various property sale agreements and as a result, has agreed to finance the following sales:

In June 2019, the Authority sold 1318 Jefferson Davis Highway in Stafford County for the amount of \$650,000. A note was executed in the amount of \$455,000 with interest of 5.5% per annum and monthly payments of \$2,794. The note is amortized over a 25-year period and matures on June 1, 2026. The note is secured by a deed of trust on the property designated as Stafford County, Virginia Tax Map Parcel A, 38-29. At June 30, 2022, the note balance was \$427,331.

In March 2021, the Authority sold a portion of the Centreport Parkway property, Parcel 14G, for the amount of \$400,000. A note was executed in the amount of \$304,000 with interest of 4% per annum and quarterly payments of \$6,762. The note is payable in 20 quarterly payments and matures May 31, 2026. The note is secured by a deed of trust on the property designated as Stafford County, Virginia Tax Map Parcel 38-14G. The loan was fully paid off in March 2022.

Micro Loans: During fiscal year 2021, in accordance with the Authority's loan program, a Micro Loan was made in the amount of \$15,000 with interest of 2% and monthly payments of \$513. The loan matures in July 2023. At June 30, 2022, the note balance was \$6,090.

During fiscal year 2022, in accordance with the Authority's loan program, three Micro Loans were made totaling \$95,000 with interest of 4.25% and monthly payments ranging from \$443 to \$699. The loans mature in April 2025, August 2026, and June 2027. At June 30, 2022, the note balances were \$86,093. See Note 6 for more detail on the Micro Loans program.

Note 5. Conduit Debt

Periodically, the Authority issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments

Go Virginia grant: The authority has been awarded a grant from Go Virginia in the amount of \$215,000 to establish a RIoT Accelerator Program in the Rappahannock Regional Entrepreneur Ecosystem. In July 2021, the Authority partnered with RIoT to launch the two-year accelerator program. As a part of this grant, in September 2021 the Authority entered into a two-year agreement with the Center for Innovative Technology (CIT) to launch a new Smart and Cyber Tech Entrepreneur Development Program with the Virginia Smart Community Testbed. The Authority will pay for one-half of the cost for the specialist contractor up to \$130,000 over a two-year program, with that amount, up to \$65,000 of that cost reimbursed by the Go Virginia Grant. CIT (now VIPC) will pay for the other half of the cost to the contractor up to \$65,000.

Germanna Community College grant: In September 2020, the Authority pledged a grant to Germanna Community College in the amount of \$750,000 to be paid over a five-year period in equal annual installments. The grant will be used to expand the Barbara J. Fried Center located in Stafford County. The terms of the pledge require Germanna Community College to provide the Authority various project information including a project budget, expansion plans and project approvals before the first grant installment is paid. The first installment continues to be pending as of June 30, 2022.

Loan programs: In July 2019, the Stafford Economic Development Authority Loan Program was approved with a Memorandum of Understanding (MOU) with Rappahannock Economic Development Corporation (REDCO), Virginia Community Capital (VCC) and the University of Mary Washington Small Business Development Center (UMWSBDC) to manage the Stafford Economic Development Authority (Authority) Loan Program. The purpose of the program is to encourage expansion of new and existing business in Stafford County. The Authority, REDCO, and VCC will work in coordination and collaboration to accept loan applications, review, underwrite, close and service loans.

In November 2019, the Authority transferred \$100,000 to VCC for the loan program. The loan program offers three loan types to qualified borrowers: Business Growth Loans, Micro Loans and COVID-19 Loans. In July 2020, the Authority entered into the first loan agreement under this program. As of June 30, 2022, there are four loan agreements under this program and \$10,783 remains available for loan programs.

The Authority authorized the recapitalization of the loan fund by transferring an additional \$200,000 from its operating account to VCC. The transfer of these funds took place on July 21, 2022.

Marketing contract: In July 2020, the Authority entered into a one-year marketing contract with a monthly fee of \$6,417. The contract was extended for an additional year commencing August 1, 2022 with a monthly fee of \$6,609.

Note 7. Related Parties

Various Board Members of the Authority provide services to the Authority in the normal course of business.

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

NOTES TO FINANCIAL STATEMENTS

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To reduce insurance costs and the need for self-insurance, the Authority has coverage with the Virginia Association of Counties Group Self Insurance Association (Association) for liability insurance. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The Authority pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 9. Pending GASB Statements

At June 30, 2022, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the Authority. The statements which might impact the Authority are as follows:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). Statement No. 96 will be effective for fiscal years beginning after June 15, 2022.

GASB Statement No. 99, *Omnibus 2022*, 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. 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.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Statement No. 100 will be effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

Management has not determined the effect these new Statements may have on prospective financial statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Subsequent Events

The EDA anticipates acquiring a parcel of land in south Stafford, referred to as “RV Parkway” from Stafford County and selling it to an expanding Stafford business, First Line Technologies.

The EDA will revise its commitment to Germanna Community College, in terms of its use and term, and make the full payment of \$750,000 in Fiscal Year 2023. See Note 6 for more details.

COMPLIANCE SECTION



**INDEPENDENT AUDITOR’S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Economic Development Authority of Stafford County, Virginia (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

P. B. Mares, CPA

Harrisonburg, Virginia
November 29, 2022

Agenda4B

EDA
Balance Sheet Prev Year Comparison
As of October 31, 2022

	Oct 31, 22	Oct 31, 21	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
10000 · Checking-Stifel	139,629.38	123,602.78	16,026.60	13.0%
10100 · Checking-VPB Operating	1,118,577.67	1,125,342.50	-6,764.83	-0.6%
10200 · Checking-VPB Cares Act	0.00	15,770.11	-15,770.11	-100.0%
10900 · Money Market - VCC 502	116,714.76	48,444.15	68,270.61	140.9%
Total Checking/Savings	1,374,921.81	1,313,159.54	61,762.27	4.7%
Other Current Assets				
11500 · Other Accounts Receivable	0.00	5,024.10	-5,024.10	-100.0%
13000 · Prepaid Expense	0.00	941.32	-941.32	-100.0%
Total Other Current Assets	0.00	5,965.42	-5,965.42	-100.0%
Total Current Assets	1,374,921.81	1,319,124.96	55,796.85	4.2%
Other Assets				
17700 · CD7-Discover Bank	250,000.00	250,000.00	0.00	0.0%
17800 · CD8-Goldman Sachs Bank USA	250,000.00	250,000.00	0.00	0.0%
18000 · Long Term Note Recv-1318 JD Hwy	423,965.61	433,878.89	-9,913.28	-2.3%
18100 · Long Term Note-Milde	0.00	296,476.10	-296,476.10	-100.0%
18200 · Long Term Note - Ace Flight	34,628.47	42,969.96	-8,341.49	-19.4%
18900 · VCC Bank Loans				
18901 · Adventure Brewing Co	4,073.55	10,083.03	-6,009.48	-59.6%
18902 · Vitale Visual	12,586.11	0.00	12,586.11	100.0%
18903 · UpNorth Kutz	32,358.47	0.00	32,358.47	100.0%
18904 · Embry Mill Primary Urgent Care	104,745.40	0.00	104,745.40	100.0%
Total 18900 · VCC Bank Loans	153,763.53	10,083.03	143,680.50	1,425.0%
Total Other Assets	1,112,357.61	1,283,407.98	-171,050.37	-13.3%
TOTAL ASSETS	2,487,279.42	2,602,532.94	-115,253.52	-4.4%
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
Accounts Payable				
20000 · Accounts Payable	2,070.00	694.00	1,376.00	198.3%
Total Accounts Payable	2,070.00	694.00	1,376.00	198.3%
Total Current Liabilities	2,070.00	694.00	1,376.00	198.3%
Total Liabilities	2,070.00	694.00	1,376.00	198.3%

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Accrual Basis

EDA
Balance Sheet Prev Year Comparison
As of October 31, 2022

	<u>Oct 31, 22</u>	<u>Oct 31, 21</u>	<u>\$ Change</u>	<u>% Change</u>
Equity				
32000 · Retained Earnings	633,254.57	743,750.54	-110,495.97	-14.9%
33000 · Undesignated Fund Balance	1,947,026.76	1,947,026.76	0.00	0.0%
Net Income	-95,071.91	-88,938.36	-6,133.55	-6.9%
Total Equity	<u>2,485,209.42</u>	<u>2,601,838.94</u>	<u>-116,629.52</u>	<u>-4.5%</u>
TOTAL LIABILITIES & EQUITY	<u><u>2,487,279.42</u></u>	<u><u>2,602,532.94</u></u>	<u><u>-115,253.52</u></u>	<u><u>-4.4%</u></u>

EDA
Profit & Loss Prev Year Comparison
October 2022

	Oct 22	Oct 21	\$ Change	% Change
Ordinary Income/Expense				
Income				
43000 · Business Appreciation sponsors	0.00	2,000.00	-2,000.00	-100.0%
45550 · Other Event Sponsors	1,000.00	0.00	1,000.00	100.0%
46400 · Bank Interest	211.29	7.21	204.08	2,830.5%
46500 · Micro Loan Income				
46501 · Micro Loan Interest Income	549.77	172.22	377.55	219.2%
Total 46500 · Micro Loan Income	549.77	172.22	377.55	219.2%
47000 · Property Interest Income				
47100 · Interest Inc-1318 JD Hwy	1,947.06	1,992.29	-45.23	-2.3%
Total 47000 · Property Interest Income	1,947.06	1,992.29	-45.23	-2.3%
Total Income	3,708.12	4,171.72	-463.60	-11.1%
Expense				
63500 · Insurance				
63501 · General Insurance	0.00	117.67	-117.67	-100.0%
Total 63500 · Insurance	0.00	117.67	-117.67	-100.0%
65000 · Legal Fees				
65003 · Project Representation	1,341.50	1,308.00	33.50	2.6%
65004 · General Retainer Matters	1,000.00	1,476.00	-476.00	-32.3%
Total 65000 · Legal Fees	2,341.50	2,784.00	-442.50	-15.9%
66000 · Accounting	900.00	700.00	200.00	28.6%
66500 · Professional Services	2,070.00	0.00	2,070.00	100.0%
71750 · GO VA Grant Expenses				
71752 · Go VA Grant Reimb Expenses 2	18,146.85	220.02	17,926.83	8,147.8%
Total 71750 · GO VA Grant Expenses	18,146.85	220.02	17,926.83	8,147.8%
73000 · Marketing	13,218.32	6,416.66	6,801.66	106.0%
Total Expense	36,676.67	10,238.35	26,438.32	258.2%
Net Ordinary Income	-32,968.55	-6,066.63	-26,901.92	-443.4%
Net Income	-32,968.55	-6,066.63	-26,901.92	-443.4%

EDA
Profit & Loss
 July through October 2022

	Jul - Oct 22
Ordinary Income/Expense	
Income	
45550 · Other Event Sponsors	1,000.00
46400 · Bank Interest	4,565.23
46500 · Micro Loan Income	
46501 · Micro Loan Interest Income	1,873.71
46502 · Micro Loan Fees	4,530.00
	6,403.71
Total 46500 · Micro Loan Income	6,403.71
47000 · Property Interest Income	
47100 · Interest Inc-1318 JD Hwy	7,811.35
	7,811.35
Total 47000 · Property Interest Income	7,811.35
48751 · GO VA Grant Income 2	16,250.00
	16,250.00
Total Income	36,030.29
Expense	
65000 · Legal Fees	
65003 · Project Representation	2,686.00
65004 · General Retainer Matters	4,000.00
	6,686.00
Total 65000 · Legal Fees	6,686.00
66000 · Accounting	3,600.00
66001 · Audit (Annual Financial)	8,000.00
66500 · Professional Services	2,070.00
69000 · Fees & Charges	
69004 · Service Fee	20.00
69006 · Loan Servicing Fees	2,031.16
	2,051.16
Total 69000 · Fees & Charges	2,051.16
71000 · Local Industry Support	5,000.00
71750 · GO VA Grant Expenses	
71752 · Go VA Grant Reimb Expenses 2	74,980.32
	74,980.32
Total 71750 · GO VA Grant Expenses	74,980.32
73000 · Marketing	26,244.14
73050 · EDA Meetings/Meals	741.85
73100 · Other Events	1,182.24
	130,555.71
Total Expense	130,555.71
Net Ordinary Income	-94,525.42
Net Income	-94,525.42

EDA
Profit & Loss Prev Year Comparison
July through October 2022

	Jul - Oct 22	Jul - Oct 21	\$ Change	% Change
Ordinary Income/Expense				
Income				
43000 · Business Appreciation sponsors	0.00	3,000.00	-3,000.00	-100.0%
45550 · Other Event Sponsors	1,000.00	1,000.10	-0.10	0.0%
45560 · County ARPA Funds	0.00	6,190.69	-6,190.69	-100.0%
46400 · Bank Interest	4,565.22	983.11	3,582.11	364.4%
46500 · Micro Loan Income				
46501 · Micro Loan Interest Income	1,491.21	546.41	944.80	172.9%
46502 · Micro Loan Fees	4,530.00	1,730.00	2,800.00	161.9%
Total 46500 · Micro Loan Income	6,021.21	2,276.41	3,744.80	164.5%
47000 · Property Interest Income				
47100 · Interest Inc-1318 JD Hwy	7,811.35	7,991.04	-179.69	-2.3%
47110 · Interest Inc-Milde	0.00	2,023.33	-2,023.33	-100.0%
Total 47000 · Property Interest Income	7,811.35	10,014.37	-2,203.02	-22.0%
47500 · Unrealized Gain/Loss on Invstmt	0.00	-33,547.50	33,547.50	100.0%
48750 · GO VA Grant Income 1	0.00	23,258.18	-23,258.18	-100.0%
48751 · GO VA Grant Income 2	16,250.00	0.00	16,250.00	100.0%
48800 · County Incentive Tax Reimburse				
48801 · First Line Incentive	0.00	10,190.91	-10,190.91	-100.0%
Total 48800 · County Incentive Tax Reimburse	0.00	10,190.91	-10,190.91	-100.0%
Total Income	35,647.78	23,366.27	12,281.51	52.6%
Expense				
62000 · Administration	0.00	332.21	-332.21	-100.0%
63500 · Insurance				
63501 · General Insurance	0.00	470.68	-470.68	-100.0%
Total 63500 · Insurance	0.00	470.68	-470.68	-100.0%
65000 · Legal Fees				
65003 · Project Representation	2,686.00	5,848.50	-3,162.50	-54.1%
65004 · General Retainer Matters	4,000.00	3,476.00	524.00	15.1%
Total 65000 · Legal Fees	6,686.00	9,324.50	-2,638.50	-28.3%
66000 · Accounting	3,600.00	2,800.00	800.00	28.6%
66001 · Audit (Annual Financial)	8,000.00	0.00	8,000.00	100.0%
66500 · Professional Services	2,070.00	0.00	2,070.00	100.0%
69000 · Fees & Charges				
69002 · Bank Fee	0.00	0.02	-0.02	-100.0%
69004 · Service Fee	20.00	0.00	20.00	100.0%
69006 · Loan Servicing Fees	2,031.16	2,039.35	-8.19	-0.4%
Total 69000 · Fees & Charges	2,051.16	2,039.37	11.79	0.6%

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11/29/22

Accrual Basis

EDA
Profit & Loss Prev Year Comparison
July through October 2022

	<u>Jul - Oct 22</u>	<u>Jul - Oct 21</u>	<u>\$ Change</u>	<u>% Change</u>
71000 · Local Industry Support	5,000.00	0.00	5,000.00	100.0%
71750 · GO VA Grant Expenses				
71752 · Go VA Grant Reimb Expenses 2	74,980.32	55,995.97	18,984.35	33.9%
Total 71750 · GO VA Grant Expenses	<u>74,980.32</u>	<u>55,995.97</u>	<u>18,984.35</u>	<u>33.9%</u>
71775 · County ARPA Expenses	0.00	6,190.69	-6,190.69	-100.0%
71800 · First Line Incentive	0.00	8,152.73	-8,152.73	-100.0%
73000 · Marketing	26,244.14	26,196.63	47.51	0.2%
73050 · EDA Meetings/Meals	741.85	0.00	741.85	100.0%
73100 · Other Events	1,182.24	801.85	380.39	47.4%
81000 · 204 Thompson Ave Exp (CBE Mgt)				
81100 · Rental Property Utilities (CBE)	163.98	0.00	163.98	100.0%
Total 81000 · 204 Thompson Ave Exp (CBE Mgt)	<u>163.98</u>	<u>0.00</u>	<u>163.98</u>	<u>100.0%</u>
Total Expense	<u>130,719.69</u>	<u>112,304.63</u>	<u>18,415.06</u>	<u>16.4%</u>
Net Ordinary Income	<u>-95,071.91</u>	<u>-88,938.36</u>	<u>-6,133.55</u>	<u>-6.9%</u>
Net Income	<u><u>-95,071.91</u></u>	<u><u>-88,938.36</u></u>	<u><u>-6,133.55</u></u>	<u><u>-6.9%</u></u>

EDA
General Ledger
As of October 31, 2022

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
10000 · Checking-Stifel									139,593.81
Deposit	10/31/2022				Interest	46400 · Bank Interest	35.57		139,629.38
Total 10000 · Checking-Stifel							35.57	0.00	139,629.38
10100 · Checking-VPB Operating									1,187,640.24
Bill Pmt -Check	10/03/2022	2059		Rachel Linzy Browne	Sept. Invoice #210 and Oct. Invoice #211	20000 · Accounts Payable		13,218.32	1,174,421.92
Deposit	10/03/2022				Deposit	11500 · Other Accounts Receivable	2,794.10		1,177,216.02
Deposit	10/04/2022				Deposit	45550 · Other Event Sponsors	1,000.00		1,178,216.02
Bill Pmt -Check	10/17/2022	2061		Uma Marques	sept 1-30,2022	20000 · Accounts Payable		9,516.44	1,168,699.58
Bill Pmt -Check	10/17/2022	2062		Wireless Research Center	Completion of RAP VA Cycle 1 and	20000 · Accounts Payable		38,250.00	1,130,449.58
Bill Pmt -Check	10/17/2022	2063		Uma Marques	Oct 1-30,2022	20000 · Accounts Payable		8,630.41	1,121,819.17
Bill Pmt -Check	10/17/2022	2065		Stafford Regional Airport	VOID: 1 year Subscription for TraqPak Software	20000 · Accounts Payable	0.00		1,121,819.17
Bill Pmt -Check	10/19/2022	2064		Hirschler Fleischer		20000 · Accounts Payable		2,341.50	1,119,477.67
Bill Pmt -Check	10/25/2022	2066		Not Just Numbers LLC	Oct 2022 MSP	20000 · Accounts Payable		900.00	1,118,577.67
Total 10100 · Checking-VPB Operating							3,794.10	72,856.67	1,118,577.67
10200 · Checking-VPB Cares Act									0.00
Total 10200 · Checking-VPB Cares Act									0.00
10510 · Checking-Owner Operating (CBE)									0.00
Total 10510 · Checking-Owner Operating (CBE)									0.00
10900 · Money Market - VCC 502									112,216.00
Deposit	10/04/2022			Adventure Brewing	Deposit	11500 · Other Accounts Receivable	513.02		112,729.02
Deposit	10/04/2022			ACE Flight Solutions Co.	Deposit	11500 · Other Accounts Receivable	833.83		113,562.85
Deposit	10/04/2022			Vitae Visual	Deposit	11500 · Other Accounts Receivable	442.96		114,005.81
Deposit	10/04/2022			Upnorth Kutz	Deposit	11500 · Other Accounts Receivable	648.53		114,654.34
Deposit	10/04/2022			Embrey Mill	Deposit	11500 · Other Accounts Receivable	2,001.19		116,655.53
Deposit	10/31/2022				Interest	46400 · Bank Interest	59.23		116,714.76
Total 10900 · Money Market - VCC 502							4,498.76	0.00	116,714.76
10901 · Sweep Acct - VCC 0312									0.00
Total 10901 · Sweep Acct - VCC 0312									0.00
10902 · Distribution Acct - VCC 0305									0.00
Total 10902 · Distribution Acct - VCC 0305									0.00
11000 · Accounts Receivable									0.00
Total 11000 · Accounts Receivable									0.00
11500 · Other Accounts Receivable									2,165.17
General Journal	10/01/2022	NJN-sk075	√		10/01/22 Note Receivable Pymt on 1318 JD Highwa -SPLIT-		2,794.10		4,959.27
General Journal	10/01/2022	NJN-sk076	√	Adventure Brewing	to record Oct 2022 loan payment	18901 · Adventure Brewing Co	513.02		5,472.29
General Journal	10/01/2022	NJN-sk077	√	Vitae Visual	to record Oct 2022 loan payment	18902 · Vitale Visual	442.96		5,915.25
General Journal	10/01/2022	NJN-sk078	√	ACE Flight Solutions Co.	to record Oct 2022 loan payment	18200 · Long Term Note - Ace Flight	833.83		6,749.08
General Journal	10/01/2022	NJN-sk076	√	Upnorth Kutz	to record Oct 2022 loan payment	18903 · UpNorth Kutz	648.54		7,397.62
General Journal	10/01/2022	NJN-sk078	√	Embrey Mill	to record Oct 2022 loan payment	18904 · Embry Mill Primary Urgent Care	2,001.19		9,398.81
Deposit	10/03/2022	280		Julio E Montano-Fernandez	Deposit	10100 · Checking-VPB Operating		2,794.10	6,604.71
Deposit	10/04/2022			Adventure Brewing	Deposit	10900 · Money Market - VCC 502		513.02	6,091.69
Deposit	10/04/2022			ACE Flight Solutions Co.	Deposit	10900 · Money Market - VCC 502		833.83	5,257.86
Deposit	10/04/2022			Vitae Visual	Deposit	10900 · Money Market - VCC 502		442.96	4,814.90
Deposit	10/04/2022			Upnorth Kutz	Deposit	10900 · Money Market - VCC 502		648.53	4,166.37
Deposit	10/04/2022			Embrey Mill	Deposit	10900 · Money Market - VCC 502		2,001.19	2,165.18
Total 11500 · Other Accounts Receivable							7,233.64	7,233.63	2,165.18
17700 · CD7-Discover Bank									250,000.00
Total 17700 · CD7-Discover Bank									250,000.00
17800 · CD8-Goldman Sachs Bank USA									250,000.00

EDA
General Ledger
As of October 31, 2022

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
Total 17800 · CD8-Goldman Sachs Bank USA									250,000.00
18000 · Long Term Note Recv-1318 JD Hwy									424,812.65
General Journal	10/01/2022	NJN-sk075	√		10/01/22 Note Receivable Pymt on 1318 JD Highwa 11500 · Other Accounts Receivable			847.04	423,965.61
Total 18000 · Long Term Note Recv-1318 JD Hwy									0.00
18200 · Long Term Note - Ace Flight									35,337.15
General Journal	10/01/2022	NJN-sk078	√	ACE Flight Solutions Co.	to record Oct 2022 loan payment	-SPLIT-		708.68	34,628.47
Total 18200 · Long Term Note - Ace Flight									0.00
18900 · VCC Bank Loans									155,209.44
18901 · Adventure Brewing Co									4,578.94
General Journal	10/01/2022	NJN-sk076	√	Adventure Brewing	to record Oct 2022 loan payment	-SPLIT-		505.39	4,073.55
Total 18901 · Adventure Brewing Co									0.00
18902 · Vitale Visual									12,983.09
General Journal	10/01/2022	NJN-sk077	√	Vitae Visual	to record Oct 2022 loan payment	-SPLIT-		396.98	12,586.11
Total 18902 · Vitale Visual									0.00
18903 · UpNorth Kutz									32,890.52
General Journal	10/01/2022	NJN-sk076	√	Upnorth Kutz	to record Oct 2022 loan payment	-SPLIT-		532.05	32,358.47
Total 18903 · UpNorth Kutz									0.00
18904 · Embry Mill Primary Urgent Care									104,756.89
General Journal	10/01/2022	NJN-sk078	√	Embrey Mill	to record Oct 2022 loan payment	-SPLIT-		1,630.18	103,126.71
Total 18904 · Embry Mill Primary Urgent Care									0.00
Total 18900 · VCC Bank Loans									0.00
20000 · Accounts Payable									-38,250.00
Bill	10/03/2022	211		Rachel Linzy Browne	Sept. Invoice #210 and Oct. Invoice #211	-SPLIT-		13,218.32	-51,468.32
Bill Pmt -Check	10/03/2022	2059		Rachel Linzy Browne	Sept. Invoice #210 and Oct. Invoice #211	10100 · Checking-VPB Operating	13,218.32		-38,250.00
Bill	10/05/2022	4873913		Hirschler Fleischer		-SPLIT-		2,341.50	-40,591.50
Bill	10/06/2022	107		Uma Marques	sept 1-30,2022	-SPLIT-		9,516.44	-50,107.94
Bill	10/10/2022	108		Uma Marques	Oct 1-30,2022	-SPLIT-		8,630.41	-58,738.35
Bill Pmt -Check	10/17/2022	2061		Uma Marques	sept 1-30,2022	10100 · Checking-VPB Operating	9,516.44		-49,221.91
Bill Pmt -Check	10/17/2022	2062		Wireless Research Center	Completion of RAP VA Cycle 1 and	10100 · Checking-VPB Operating	38,250.00		-10,971.91
Bill Pmt -Check	10/17/2022	2063		Uma Marques	Oct 1-30,2022	10100 · Checking-VPB Operating	8,630.41		-2,341.50
Bill	10/17/2022	2022-10		Stafford Regional Airport	1 year Subscription for TraqPak Software	66500 · Professional Services		2,070.00	-4,411.50
Bill Pmt -Check	10/17/2022	2065		Stafford Regional Airport	VOID: 1 year Subscription for TraqPak Software	10100 · Checking-VPB Operating	0.00		-4,411.50
Bill	10/17/2022			Stafford Regional Airport		66500 · Professional Services	0.00		-4,411.50
Bill Pmt -Check	10/19/2022	2064		Hirschler Fleischer		10100 · Checking-VPB Operating	2,341.50		-2,070.00
Bill	10/25/2022	3404		Not Just Numbers LLC	Oct 2022 MSP	66000 · Accounting		900.00	-2,970.00
Bill Pmt -Check	10/25/2022	2066		Not Just Numbers LLC	Oct 2022 MSP	10100 · Checking-VPB Operating	900.00		-2,070.00
Total 20000 · Accounts Payable									72,856.67
32000 · Retained Earnings									-633,254.57
Total 32000 · Retained Earnings									-633,254.57
33000 · Undesignated Fund Balance									-1,947,026.76
Total 33000 · Undesignated Fund Balance									-1,947,026.76
45550 · Other Event Sponsors									0.00
Deposit	10/04/2022	1013		Matern Staffing Inc	Beer and Business	10100 · Checking-VPB Operating		1,000.00	-1,000.00
Total 45550 · Other Event Sponsors									0.00
46400 · Bank Interest									-4,353.94
General Journal	10/01/2022	NJN-sk076	√	Upnorth Kutz	to record Oct 2022 loan payment	18903 · UpNorth Kutz		116.49	-4,470.43
Deposit	10/31/2022				Interest	10900 · Money Market - VCC 502		59.23	-4,529.66
Deposit	10/31/2022				Interest	10000 · Checking-Stifel		35.57	-4,565.23
Total 46400 · Bank Interest									0.00

EDA
General Ledger
As of October 31, 2022

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
46500 · Micro Loan Income									-5,853.94
46501 · Micro Loan Interest Income									-1,323.94
General Journal	10/01/2022	NJN-sk076	√	Adventure Brewing	to record Oct 2022 loan payment	18901 · Adventure Brewing Co		7.63	-1,331.57
General Journal	10/01/2022	NJN-sk077	√	Vitae Visual	to record Oct 2022 loan payment	18902 · Vitale Visual		45.98	-1,377.55
General Journal	10/01/2022	NJN-sk078	√	ACE Flight Solutions Co.	to record Oct 2022 loan payment	18200 · Long Term Note - Ace Flight		125.15	-1,502.70
General Journal	10/01/2022	NJN-sk078	√	Embrey Mill	to record Oct 2022 loan payment	18904 · Embry Mill Primary Urgent Care		371.01	-1,873.71
Total 46501 · Micro Loan Interest Income							0.00	549.77	-1,873.71
46502 · Micro Loan Fees									-4,530.00
Total 46502 · Micro Loan Fees									-4,530.00
Total 46500 · Micro Loan Income							0.00	549.77	-6,403.71
47000 · Property Interest Income									-5,864.29
47100 · Interest Inc-1318 JD Hwy									-5,864.29
General Journal	10/01/2022	NJN-sk075	√		10/01/22 Note Receivable Pymt on 1318 JD Highwa 11500 · Other Accounts Receivable			1,947.06	-7,811.35
Total 47100 · Interest Inc-1318 JD Hwy							0.00	1,947.06	-7,811.35
Total 47000 · Property Interest Income							0.00	1,947.06	-7,811.35
48751 · GO VA Grant Income 2									-16,250.00
Total 48751 · GO VA Grant Income 2									-16,250.00
65000 · Legal Fees									4,344.50
65003 · Project Representation									1,344.50
Bill	10/05/2022	4873913		Hirschler Fleischer	Review of EDA/DHL and EDA/Merritt Agreements	20000 · Accounts Payable	1,341.50		2,686.00
Total 65003 · Project Representation							1,341.50	0.00	2,686.00
65004 · General Retainer Matters									3,000.00
Bill	10/05/2022	4873913		Hirschler Fleischer	Sept Monthly Meeting	20000 · Accounts Payable	1,000.00		4,000.00
Total 65004 · General Retainer Matters							1,000.00	0.00	4,000.00
Total 65000 · Legal Fees							2,341.50	0.00	6,686.00
66000 · Accounting									2,700.00
Bill	10/25/2022	3404		Not Just Numbers LLC	Oct 2022 MSP	20000 · Accounts Payable	900.00		3,600.00
Total 66000 · Accounting							900.00	0.00	3,600.00
66001 · Audit (Annual Financial)									8,000.00
Total 66001 · Audit (Annual Financial)									8,000.00
Bill	10/17/2022	2022-10		Stafford Regional Airport	1 year Subscription for TraqPak Software	20000 · Accounts Payable	2,070.00		2,070.00
Bill	10/17/2022			Stafford Regional Airport		20000 · Accounts Payable	0.00		2,070.00
Total 66500 · Professional Services							2,070.00	0.00	2,070.00
69000 · Fees & Charges									2,051.16
69004 · Service Fee									20.00
Total 69004 · Service Fee									20.00
69006 · Loan Servicing Fees									2,031.16
Total 69006 · Loan Servicing Fees									2,031.16
Total 69000 · Fees & Charges									2,051.16
71000 · Local Industry Support									5,000.00
Total 71000 · Local Industry Support									5,000.00
71750 · GO VA Grant Expenses									56,833.47
71752 · Go VA Grant Reimb Expenses 2									56,833.47
Bill	10/06/2022	107		Uma Marques	-MULTIPLE-	20000 · Accounts Payable	9,516.44		66,349.91
Bill	10/10/2022	108		Uma Marques	-MULTIPLE-	20000 · Accounts Payable	8,630.41		74,980.32
Total 71752 · Go VA Grant Reimb Expenses 2							18,146.85	0.00	74,980.32
Total 71750 · GO VA Grant Expenses							18,146.85	0.00	74,980.32
73000 · Marketing									13,025.82
Bill	10/03/2022	211		Rachel Linzy Browne	-MULTIPLE-	20000 · Accounts Payable	13,218.32		26,244.14

EDA
General Ledger
 As of October 31, 2022

Type	Date	Num	Adj	Name	Memo	Split	Debit	Credit	Balance
Total 73000 · Marketing							13,218.32	0.00	26,244.14
73050 · EDA Meetings/Meals									741.85
Total 73050 · EDA Meetings/Meals									741.85
73100 · Other Events									1,182.24
Total 73100 · Other Events									1,182.24
TOTAL							<u>125,095.41</u>	<u>125,095.41</u>	<u>0.00</u>

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Accrual Basis

EDA
Account QuickReport
As of October 31, 2022

<u>Type</u>	<u>Date</u>	<u>Num</u>	<u>Name</u>	<u>Memo</u>	<u>Split</u>	<u>Amount</u>	<u>Balance</u>
10000 · Checking-Stifel							139,593.81
Deposit	10/31/2022			Interest	46400 · Bank In...	35.57	139,629.38
Total 10000 · Checking-Stifel						35.57	139,629.38
TOTAL						35.57	139,629.38

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11/28/22

Accrual Basis

EDA
Account QuickReport
As of October 31, 2022

Type	Date	Num	Name	Memo	Split	Amount	Balance
10100 · Checking-VPB Operating							1,187,640.24
Bill Pmt -Check	10/03/2022	2059	Rachel Linzy Browne	Sept. Invoice #...	20000 · Accoun...	-13,218.32	1,174,421.92
Deposit	10/03/2022			Deposit	11500 · Other ...	2,794.10	1,177,216.02
Deposit	10/04/2022			Deposit	45550 · Other ...	1,000.00	1,178,216.02
Bill Pmt -Check	10/17/2022	2061	Uma Marques	sept 1-30,2022	20000 · Accoun...	-9,516.44	1,168,699.58
Bill Pmt -Check	10/17/2022	2062	Wireless Research C...	Completion of ...	20000 · Accoun...	-38,250.00	1,130,449.58
Bill Pmt -Check	10/17/2022	2063	Uma Marques	Oct 1-30,2022	20000 · Accoun...	-8,630.41	1,121,819.17
Bill Pmt -Check	10/17/2022	2065	Stafford Regional Air...	VOID: 1 year ...	20000 · Accoun...	0.00	1,121,819.17
Bill Pmt -Check	10/19/2022	2064	Hirschler Fleischer		20000 · Accoun...	-2,341.50	1,119,477.67
Bill Pmt -Check	10/25/2022	2066	Not Just Numbers LLC	Oct 2022 MSP	20000 · Accoun...	-900.00	1,118,577.67
Total 10100 · Checking-VPB Operating						-69,062.57	1,118,577.67
TOTAL						-69,062.57	1,118,577.67

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11/28/22

Accrual Basis

EDA
Account QuickReport
As of October 31, 2022

Type	Date	Num	Name	Memo	Split	Amount	Balance
10900 · Money Market - VCC 502							112,216.00
Deposit	10/04/2022		Adventure Brewing	Deposit	11500 · Other ...	513.02	112,729.02
Deposit	10/04/2022		ACE Flight Solutions ...	Deposit	11500 · Other ...	833.83	113,562.85
Deposit	10/04/2022		Vitae Visual	Deposit	11500 · Other ...	442.96	114,005.81
Deposit	10/04/2022		Upnorth Kutz	Deposit	11500 · Other ...	648.53	114,654.34
Deposit	10/04/2022		Embrey Mill	Deposit	11500 · Other ...	2,001.19	116,655.53
Deposit	10/31/2022			Interest	46400 · Bank In...	59.23	116,714.76
Total 10900 · Money Market - VCC 502						4,498.76	116,714.76
TOTAL						4,498.76	116,714.76

Agenda 6A1



Stafford County Economic Development Authority

2023

EDA MEETING CALENDAR

All meetings are in-person at the Virginia Smart Community Testbed,
2143 Richmond Highway, Stafford, VA 22554

JANUARY 13TH – REGULAR MEETING

9-11 A.M.

JANUARY 13TH – SPECIAL MEETING (ANNUAL STRATEGIC PRIORITIES)

11:30 A.M.-1:30 P.M.

FEBRUARY 10TH – REGULAR MEETING

9-11 A.M.

MARCH 10TH – REGULAR MEETING

9-11 A.M.

APRIL 14TH – REGULAR MEETING

9-11 A.M.

MAY 12TH – REGULAR MEETING

9-11 A.M.

JUNE 9TH – REGULAR MEETING

9-11 A.M.

JULY 14TH – REGULAR MEETING

9-11 A.M.

AUGUST 11TH – REGULAR MEETING

9-11 A.M.

SEPTEMBER 8TH - REGULAR MEETING

9-11 A.M.

OCTOBER 6TH - REGULAR MEETING

9-11 A.M.

NOVEMBER 3RD - REGULAR MEETING

9-11 A.M.

DECEMBER 8TH - REGULAR MEETING

9-11 A.M.

Special Meetings as needed and location changes will be noticed accordingly.

Agenda 7A1

**SMART TECHNOLOGY INNOVATION LOAN
Program Guidelines**

I. Statement of Purpose

The Smart Technology Innovation Loan (STIL) is designed to stimulate the growth of new and innovative technology-based businesses in Stafford County. The STIL provides early stage capital to technology companies and businesses as a forgivable loan.

The Program is part of the Stafford County Economic Development Authority's (EDA) strategy to create new jobs, encourage new business start-ups and expansion, and grow Stafford County's tax base by assisting entrepreneurs and stimulating business growth in the County.

II. Source of Program Funds

Smart Technology Innovation Loan funds are borrowed directly through the Stafford County Economic Development Authority.

III. Eligibility

The following criteria will be used to determine whether an applicant is eligible for a STIL:

- A. Area Eligibility: The business applying for STIL must be starting or have existing operations in Stafford County.

Types of Businesses: Eligible businesses must be operating within the "smart technology" field as defined, reviewed, and acknowledged by the Virginia Smart Community Testbed Executive Committee.

- B. Other Eligibility Requirements:

1. Business must be starting or have existing operations in Stafford County and must remain in Stafford for the term of the loan
2. The applicant must not be delinquent or in default on federal, state or local taxes or any existing private or publicly financed loan and will be required to sign an affidavit to that effect.

3. Businesses must be registered and current with Stafford County. To register visit <https://staffordefiling.virginiainteractive.org/>.

IV. Eligible Activities

- A. Machinery, furniture, fixtures, and equipment, including acquisition, delivery and installation.
- B. Working capital for new sales growth, employee retention & expansion, technological research & development.

Loan proceeds may not be used for: distribution or payment to the owners, partners, shareholders, or beneficiaries of the applicant or members of their families, exclusive of reasonable developer's fees acceptable to the EDA.

V. Parameters of Loan

- A. Loan Size: The maximum loan amount shall be \$25,000. The EDA may on a case-by-case basis consider an increased maximum loan dollar amount for projects with significant economic development impact.
- B. Equity Requirements: Equity requirement for the program include a 1:1 match via the business through equity (cash) investment, state and/or federal Loans, or private equity using Stafford County Opportunity Loan(s).
- C. Loan Security: Loans may be secured with a pledge of assets, which include but are not limited to, lien positions on land, buildings, personal residence, Intellectual Property and/or any other assets. Typically, personal guarantees are required.
- D. Term: Three (3) years. The loan principle shall be forgiven at a pro rata rate per year. Businesses must be starting or have operations in Stafford and must remain in Stafford for the term of the loan. The total principle calculated at the start of the loan shall be paid 100% and retained by the EDA at the conclusion of the loan term.

Interest Rate: The interest rate shall be calculated at 15% fee on outstanding principle. If the business does not maintain operations in Stafford as per loan terms the loan and all interest at the date of relocation is repayable.

E. Fees:

1. Application Fee: Application to the Smart Technology Innovation Loan requires a \$500 Application Fee, which is due a time of application submission and is non-refundable.
2. Filing Fees: All filing fees will be the responsibility of the applicant (i.e., Mortgages, UCCs, Assignment of Leases and Rents).

VI. Loan Application Processing

The EDA has established written application processes and procedures that will facilitate the application process and will best serve the objective of the STIL. The procedures may be amended from time to time and shall be binding upon all Borrower/Applicants.

All loan applications shall be made using EDA forms. The Borrower/Applicant shall submit all information that the EDA requires, including any documentation needed to establish the eligibility and worthiness of the Borrower/Applicant, Borrower/Applicant's principals and guarantors, if any, and the feasibility of the proposed use.

A. Loan Approval and Disapproval:

1. The EDA, Loan Committee, or Virginia Smart Community Testbed Executive Committee in its sole discretion, may approve or disapprove loan applications in accordance with these guidelines.
2. The Borrower/Applicant must meet EDA deadlines for submission of documents at each stage of the application process. The Borrower/Applicant's failure to meet the stated deadlines may result in the cancellation of the application.
3. All loan applications for a STIL will be processed through an internal review and approval process. At the EDA's sole discretion, loan review and approvals shall be conducted by a/the Loan Review Committee as well as Virginia Smart Community Testbed Executive Committee. Upon affirmative recommendation from EDA designated review committee, final loan approval will be made by the EDA Board of Directors.

4. Approval shall be evidenced by a written commitment to the Borrower/Applicant. Further action may not be taken toward closing the STIL loan until the Borrower/Applicant executes and returns to the EDA a copy of the commitment letter with the acceptance fee.
 5. If a loan application is disapproved, the EDA shall notify the Borrower/Applicant in writing. If appropriate, the rejection letter shall state the reason for the rejection of the loan application.
- B. Withdrawal of Application: Any Borrower/Applicant may withdraw the loan application at any time before closing by giving written notice to the EDA. The Borrower/Applicant shall bear any costs incurred including, but not limited to, credit reports, appraisals, and application fees.
 - C. Loan Closing: The loan closing will be scheduled at a time acceptable to the EDA and to the Borrower/Applicant.
 - D. Taxes and Assessments: All taxes and assessments against the business which are due and payable shall be paid before or at closing, where applicable, and the Borrower/Applicant shall provide evidence satisfactory to the EDA that such payments have been made.
 - E. Assumption: Loans may be assumed only if approved by the EDA in writing prior to the assumption. The EDA may charge an assumption fee. In the event of a transfer of all or part of the business or property, the EDA may accelerate the balance of the loan.

VII. Conditions of the Loan

- A. EDA maintains the right to require the business and/or business ownership into (a) completion of the RIoT Accelerator Program, comparable business-launch and/or accelerator program or (b) enter into a technical assistance agreement with the University of Mary Washington Center for Economic Development (or University of Mary Washington Small Business Development Center (“UMWSBDC”)). Said technical assistance shall include though not be limited too;

1. Business plan writing
 2. Business start-up assistance
 3. Cash-flow management
 4. Marketing
 5. Business loan application assistance
- B. The Borrower/Applicant must agree to all other terms and conditions set forth in the loan documents provided by the EDA.
- C. Applicants/Borrowers are required to acknowledge the EDA's investment, and press opportunities, as relevant.

VIII. Standard Application Evaluation Criteria

- A. Business Evaluation: The EDA, typically, evaluates applications utilizing standard loan underwriting criteria, including the 5 'c's of commercial credit: cash flow, capital, collateral, character and credit.

Specifically, this evaluation will include, but is not limited to the following;

1. Financial Performance of the Business: If applicable, this involves an evaluation of the prior three (3) years financial performance, including an examination of tax returns, balance sheets, income statements and cash flow statements.
2. Market Performance: This involves an evaluation of the relevant local and national markets and a demonstration of the expectation for a strong potential market for the product or service.
3. Management Ability: This involves an evaluation of the experience and skills of the proprietor, partners, or directors. This includes general business experience as well as specialized experience in the particular industry.
4. Business and Personal Credit: This involves an evaluation of the credit history of the business and its principals. This includes review of business and personal credit history.

5. Public Record Review: This involves an evaluation of public records of the business and its principals. This includes review of prothonotary records, tax checks, federal excluded party database, and other public record sources.

B. Project Evaluation

The merits of the proposed uses of the Loans will also be assessed to determine the ability to repay the loan. Early stage companies must demonstrate sufficient cash flow in order to repay the loan. Specifically, this evaluation will include:

1. Projected Income and Expenses: This involves an assessment of the validity and risk of the income and expense projections.
2. Changes in Market Strategy and/or Management Strategy: A complete business plan will be required. Any proposed significant changes in the business plan, market strategy, or management team will be reviewed.

IX. Waiver of Provisions

The Executive Director, Lending Director, or the Board of Directors of the EDA may waive certain provisions of these guidelines based on a determination of the private and public benefits of the project.

X. Notification

EDA reserves the right to:

- A. Announce all loan commitments publicly.

The Stafford County Economic Development Authority does not discriminate on the basis of race, color, sex, religion, marital status, disability, age, sexual orientation or national origin. No person, solely on the basis of any of the above factors, shall be excluded from participation in, be denied the benefits of, or otherwise be subjected to discrimination under the loan programs operated by the Stafford County Economic Development Authority.

(EFFECTIVE – January 2023)

STAFFORD ECONOMIC DEVELOPMENT AUTHORITY

BUSINESS FINANCING & INCENTIVES

CREDIT POLICY PROGRAM & MANUAL

~~Revised (Proposed)~~

January 8, 2021 _____

Proposed Revisions

DATE

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1 Introduction

The Credit Policy Manual (“CPM”) is designed to provide guidance to interested parties on Stafford Economic Development Authority’s (the “EDA”) lending philosophies as well as to establish policies and procedures for the EDA’s Loan Programs. EDA policies and procedures, at a minimum, reflect requirements related to eligibility, loan approval, closing and servicing of the EDA’s financing & incentives program. The CPM also documents procedures for ongoing credit and loan portfolio decisions including but not limited to risk grade changes, non-accrual status and charge off status as well as policies around managing all aspects of the work-out process and all aspects of the collection process. As a standard procedure, EDA lending policies and procedures will meet federal fair lending requirements.

The CPM is intended to provide a framework to ensure that lending decisions comply with regulatory and legal requirements, and that sound credit decisions are made. In keeping with EDA’s economic development mission, it is imperative that each business loan is evaluated on its merits so that each eligible small business demonstrating repayment ability is provided access to the program.

2 Program Overview

This CPM applies to the EDA’s financing (loan) programs. The EDA has established an overall Incentive Program (and policies) that describe the EDA’s grant programs, policies, and application procedures. This CPM applies directly to EDA lending programs. The EDA Grant and Major Investment Programs have their own policies and procedures outlined within the Incentive Program Policy.

2.1 Fair Lending Policy

In keeping with its economic development mission, the EDA is committed to the principles of fair and equal opportunity lending. All applicants will be considered equally without respect to equal opportunity and all borrowers will receive the same services and assistance without respect to business owners regardless of race, national origin, religion, sex, age, marital status, disability, and receipt of public assistance or other factors. Underwriting standards will be applied fairly and consistently, permitting access to credit for a broad range of business customers. The EDA will not discriminate on a prohibited basis.

Applicants will be informed of the EDA’s fair lending policy through marketing materials and the application agreement executed by the applicant at the time of loan application.

2.2 Program Goals

The EDA lending program has three primary economic development goals. Applicants must meet at least one of these goals to be eligible for the program. These include:

1. New job creation or job retention;
2. Technology research or innovation;
3. New market expansion or bringing new income to the community

Loan funds must be used for the economic development project (financing project) as defined and approved in the loan application. In general, loan funds may be used for property acquisition, operating capital, and leveraging other private investments. Refinancing is not an eligible use of loan funds.

3 General Policies

General program policies are outlined in this Section.

3.1 Eligibility

Each -business applicant must meet the basic eligibility criteria of the program for which they are applying, as detailed with their respective Program Guidelines:

1. The applicant business may be a for or not-for-profit operating company located in Stafford County and engaged in an eligible, legitimate business. The applicant must be Stafford County registered business entity and have all necessary permits in place before any loan may be executed. Applicants may not be engaged in the following:
 - a. Those that sell any products or provide services of a prurient sexual nature;
 - b. Businesses involved in passive or speculative real estate ventures (e.g., flipping properties);
 - c. Businesses engaged in gambling;
 - d. Any business activity that is prohibited by Stafford County, the Commonwealth of Virginia, or federal law.
2. The applicant business owner(s) and any guarantors must have sufficient management capacity and be of good character. Applicant must complete a 1-page character evaluation document as part of the application. The borrower shall disclose the following factors:
 - a. Any pending criminal charges, or if they are currently on parole or probation (businesses could be impacted if the owner is on parole or probation and violates those terms).
 - b. Any past due debts including but not limited to child support, personal loans, automobile loans, mortgages, etc.
 - c. Any past due county taxes (e.g., real estate, personal property, etc.).

*Any “yes” answers require additional detail and explanation for further character evaluation by EDA program staff to determine eligibility and may result in rejection of application at the discretion of the loan committee.

~~d. —.~~

3. The business -may be required to enter into a technical assistance agreement with University of Mary Washington Center for Economic Development (or University of Mary Washington Small Business Development Center (“UMWSBDC”)). Located in Fredericksburg and serving all of Planning District 16, the UMWSBDC is a resource center that assists the small

business community via management training, industrial and demographic research, and free, confidential one-on-one consulting with a focus on capital access and management planning.

While the UMWSBDC can provide a variety of information about resources and best practices regarding operations, the organization has four main areas of focus that are considered critical to a small business's success:

- a. business plan writing;
- b. start-up assistance;
- c. cash-flow management;
- d. marketing; and
- e. business loan proposal assistance.

During its loan review process, the EDA will determine if assistance through UMWSBDC is required and, if possible, what assistance will be required (e.g., business plan, projections, marketing, or other seminar attendance such as QuickBooks training). Once that determination is made, the borrower will be connected to the center to begin that process. Records of attendance at seminars or meetings with UMWSBDC staff may be required as part of the loan approval and servicing.

3.2 Borrowing Limits

The EDA loan program offers ~~two~~three lending opportunities.

3.2.1 Micro-Loan

- a. Micro Loans are available from of a minimum loan of \$5,000 and a maximum loan of \$ 50,000 or 90% of the total project costs, whichever is less
- b. Micro Loans above \$15,000 require additional cash (financing) contribution by the applicant or another lender of at least 10% of the total project cost/purchase.

3.2.2 Business Growth Fund

- a. Ranges from a minimum loan of \$15,000 and a maximum of \$ \$500,000 or 40% of the total project costs, whichever is less.
- b. Requires additional applicant cash or additional commercial financing of at least 50 percent of the total project costs, including minimum applicant contribution of 10 percent.

3.2.3 Smart Technology Innovation Loan Fund (STILF)

- a. Up to \$25,000 forgivable loan if the following conditions are met.
- b. Loan terms will be for three (3) years. The principle shall be forgiven proportionally per year. The total principle calculated at the start of the loan shall be paid 100% and retained by the EDA at the conclusion of the term.
- c. Business must provide a 1:1 match amount of equity, cash investment, or other financing

a.d. The EDA reserves the right to limit the number of STIL loans to four per year, but may loan additional projects.

3.3 Loan Terms and Pricing

The interest rate will be fixed for the term of the loan, there shall be no pre-payment penalty. The interest rate shall be determined based on loan underwriting and the overall risk associated with the loan. Loan interest rates shall not exceed the Wall Street Journal Prime Rate (WSJ Prime Rate) +1.05%.

One time or monthly fees may be set by the EDA or its designated loan servicing contractors for loan origination, due diligence, or loan servicing.

3.4 Application

Each application shall include, though not be limited to:

1. Standard EDA Loan Application Form;
2. Business Plan;
3. Business tax returns
4. Most recent interim business financial statements (P&L and Balance Sheet), no older than -30 days; This may be waived for STIL loans but EDA reserves the right to secure other financial documents showing owner(s) financials
5. Personal Financial statement from each business owner of 20% or more and/or providing a guaranty;
6. Personal tax returns from each business owner of 20% or more and/or providing a guaranty;
7. Personal History/Character Evaluation Form;
8. Affirmation of Intent for business to remain within Stafford County, VA for the life of the loan.
9. Any other information deemed necessary to fully underwrite the loan/grant request.

3.5 Underwriting

The EDA staff, or its designated third-party underwriter, will underwrite each loan application using an established credit memo template. The underwritten package will then be submitted to Stafford County Director of Economic Development & Tourism (“ED&T”) for review. Upon said review ED&T may request additional information or terms from the applicant. ED&T will present a completed loan application to the EDA Loan Review Committee (the “Loan Committee”) for recommendation to the EDA Board of Directors for the final decision. ED&T may, at the discretion of the Director, determine that an application does not meet necessary conditions for submission and will work with the applicant to improve the application. The Loan Committee may, at their discretion approve Micro Loans less than \$15,000 without full Board approval.

The decision to extend a loan is based on exercising due diligence in analyzing the borrower's ability to repay the proposed loan over its term. The primary source of repayment for loans is the cash flow generated by the operating company. "Due diligence" means appropriate analysis of the operating company's overall financial condition, including profitability trends, cash flow and balance sheet (including contingent liabilities), industry, management, economic trends, and other factors that may affect the strength and stability of the operating company's cash-generating sources. Due diligence also means the review and analysis of the owner's individual financial and credit strength, including a review of the individual's credit report.

For an existing business, historical cash flow must be sufficient to meet all obligations, including the proposed debt service for at least the most recent year-end. For a new business, projections and/or forecasts must demonstrate the ability to service debt, and projections and/or forecasts must be analyzed for reasonableness and completeness. Additional collateral or guarantees may be required for start-up businesses.

Other underwriting policies include, without limitation:

1. *Guarantors:* All loans must have at least one personal guarantor regardless of ownership interest. All owners of 20% or more of the operating company may be required to provide a full personal guaranty. Credit underwriting issues may require the guarantee of an owner with between 5% and 19% ownership. An owner with less than 5% ownership shall not be required to personally guarantee to guarantee unless that 5% represents a controlling interest of the company.
2. *Collateral:* Security shall be required when feasible. In the case of fixed asset loans, security may be in the form of liens on the assets financed. Liens upon other non-project assets of the applicant may also serve to secure the loan.

For loans that are secured by equipment and/or machinery, a list of equipment and/or machinery and serial numbers on items with liquidation value over \$5,000 must be obtained for completion and recordation of the UCC lien.

As noted elsewhere, the EDA may contract for loan servicing or administration, and in that case, it is expected that the EDA or ED&T will be responsible for collecting collateral documents and other borrower required reporting documents and notifying the loan servicing or administration when received. The loan servicing administrator will log the receipt of said documentation and produce a tracking report accordingly.

The EDA will be responsible for filing and maintaining UCC filings and other collateral documentation.

3. *Bankruptcy:* Extensions of credit to operating companies or individuals who have filed for bankruptcy will be evaluated on a case-by-case basis.

3.6 Credit Approval and Loan Authority

The Loan Review Committee shall review all completed and underwritten loan applications. Prior to LRC review all loans packages shall —be reviewed by ED&T Staff prior to recommendation for review by the Loan Review Committee..

3.6.1 Loan Review Committee

The Loan Review Committee will consist of not less than two EDA Board members and a third member appointed by the two EDA Board Loan Review Committee members. The Loan Review Committee may have up to seven members, but the two EDA Members of the Committee shall have power to veto any application for explained and noted reason. The Director of ED&T shall also serve on the Loan Review Committee. The Loan Review Committee may conduct its meetings, including voting on loan approvals or recommendations by telephonic or electronic (e-mail) communications. Loan committee will have the following authority:

- a. It may provide credit approval for Micro Loans -under \$15,000.
- b. All approved loans must be reported to the EDA Board at the Board's next regular Board Meeting.

3.6.2 Board of Directors

The EDA Board of Directors must approve all loans over- \$15,000 or other loans the Loan Review Committee would like to refer to the Board for additional review and approval.

3.7 Loan Commitment Letter

The loan commitment letter -will not be provided to the applicant until the Loan Review Committee process has been completed, and final Board approval has been obtained, as required. The loan commitment letter will outline the terms and conditions of the loan.

4 Closing

A loan administrator will be assigned to manage the closing needs of both the EDA and client. The loan administrator or program analyst will ensure that the closing process is timely, the closing file is appropriately and thoroughly documented, and the terms of the closed loan are properly approved.

5 Servicing

The EDA or its designated loan servicing administrator shall service all loans programs.

5.1 Account Management

An organization designated by -the EDA will be assigned who will act as the loan administrator. The loan administrator will be assigned to manage the servicing needs of both the EDA and of the client. The loan administrator will receive all loan documents and client information from the EDA, in electronic format. The loan administrator will ensure the closing file is properly and thoroughly documented, and the terms of the closed loan are correctly approved. The EDA will promptly correct any discrepancies which are brought to its attention in writing by the loan administrator and loans will not be boarded onto the system with missing required information. The loan administrator will also oversee prompt compliance with the loan documents and assure completeness and accuracy of servicing files. The EDA will conduct an annual portfolio review that includes an analysis and recommendations of the repayment patterns and other performance indicators of the portfolio to consider any adjustments to mitigate risk.

The EDA may contract with a commercial lending organization as the depository of the loan fund and to serve as the servicing administrator and provide the following services:

- a. Monthly payment notices to borrowers;
- b. Past due notices; one past due notice per amount past due;
- c. Calculation of interest and principal payment due each month;
- d. Receive and process payments from borrowers to process the electronic payments, the EDA will provide the administrator with all necessary documentation from the borrower to make electronic payments;
- e. Disburse loan funds to borrowers as directed and approved by the EDA;
- f. Quarterly (or monthly) accounting to the EDA of principal and interest received on all accounts together with an accounting of unpaid balance remaining;
- g. Delinquent account reports;
- h. Annual ledger listing on each account;
- i. Track collateral documents with borrower reporting requirements in an arrangement where the EDA is responsible for collecting these documents and notifying the loan administrator when received;
- j. Any additional any ongoing financial reporting requirements required by the EDA from a borrower will be the responsibility of the EDA; and
- k. Any other responsibilities as agreed to by the EDA and the servicing organization.

5.2 Loan Files

The loan application and servicing file constitutes a complete loan file for a borrower. A complete file shall be maintained for each customer. *No exceptions are permitted.* ED&T will hold the original load documents for the EDA with electronic copies provided to the loan administrator. Any partial or fully approved loan applications must be retained for two years. Once a loan has closed, the complete loan file must be retained indefinitely by the EDA.

5.3 Loan Reviews and Management System

The EDA's loan servicing administrator will create ticklers to track all required information for the life of the loan, to include:

- a. Updated insurances;
- b. Current UCC filings (must be renewed every five years);
- c. Any quarterly or annual financial reporting;
- d. Any ongoing loan risk rating requirements;
- e. the EDA is responsible for collecting financial reporting and collateral documents from the borrowers and notifying the loan administrator;

The Loan Servicing administer is not responsible for ensuring insurance, UCC filings or any other documentation is correct, perfected, and up to date.

6 Other Program Policies

6.1 Litigation

If a borrower is involved in or anticipates being involved in any lawsuits, care must be taken to analyze the potential risk to the business and its ability to continue to generate sufficient cash flow to repay debt service.

If legal action is threatened against the EDA or its employees or directors, the Executive Director must notify corporate counsel immediately.

If any employee is served a subpoena to testify in a matter involving the EDA, a copy of the subpoena should be forwarded to the executive director immediately.

If a borrower threatens to file or files bankruptcy, the Chairman of the Stafford EDA must be notified immediately.

6.2 Conflicts of Interest

Conflicts of interest are strictly prohibited. Credit officers shall not be involved in any transaction that could be construed as including anything less than a fully objective evaluation of the merits of a credit request. All employees, directors, and Loan Committee members are required to sign a conflict of interest statement—these may be in addition to standard EDA agreements (Stafford County COI Statements).

6.2.1 Exchange of Credit Information

If the borrower consents, credit information may be shared with organizations that are contracted with the EDA to perform any function within this program, to include underwriting, approval, funding, and ongoing servicing during the life of the loan. All information is to be treated as highly confidential. All employees, directors, and Loan Committee members are required to execute a Non-Disclosure Agreement.

6.2.2 Concentrations of Credit

Prudent portfolio risk management requires that concentrations of credit be actively diversified and managed. No more than 20% of loans outstanding will be made to a particular industry segment (as determined by NAICS Code) unless approved by the EDA board or designated committee. In its sole discretion, the EDA can limit its exposure to additional lending in a specific industry if that industry, or closely related industries, have proven to be problematic within the existing loan portfolio. As market conditions dictate, specific industry concentrations will be periodically reviewed, and policies established.

6.2.3 Exceptions to Credit Policy

It is expected in the normal course of business that exceptions to this policy will occur.

The intent of the CPM is to define the boundaries of acceptable degrees of risk. Accordingly, deviations from policy are justified if they result in risk consistent with the policy intent. The policy exceptions must be clearly outlined in the loan package with mitigating factors explained.

Agenda Item 9A

Memorandum of Understanding

This Memorandum of Understanding (“MOU”), dated this December ____, 2022 (the “Effective Date”), is made by and between the **Economic Development Authority of Stafford County, Virginia**, a political subdivision of the Commonwealth of Virginia (the “EDA”) and the **Virginia Innovation Partnership Corporation**, a Virginia nonstock corporation, (“VIPC”) (collectively, “the Parties” and individually the “Party”).

RECITALS

- A. The EDA supports economic development opportunities in Stafford County, Virginia (the “County”), including without limitation support and funding for the Virginia Smart Community Testbed (the “Testbed”);
- B. The Testbed is VIPC’s statewide program with its primary office and operations located in the County;
- C. The Testbed has become a successful enterprise attracting federal funding and interest from the technology-based business community around the world;
- D. VIPC and the EDA desire to provide certain management, support, and assistance initiatives for the Testbed statewide programs;
- E. The EDA and VIPC further desire to expand the number of pilot projects and programs initiated and developed by the Testbed; and
- F. The EDA and VIPC further desire to set forth the basic terms and conditions relating to their mutual interest to support and expand the Testbed, all as provided more particularly below.

NOW THEREFORE, in consideration of the foregoing recitals, the mutual promises provided herein and other valuable consideration, the receipt of which is hereby acknowledged, the Parties hereby agree and understand as follows:

- 1. **Testbed Management.** The Testbed is organized and managed by an executive committee that includes VIPC’s Director of Strategic Initiatives, an appointee made by OST, Inc., the Stafford County Chief Technology Officer (or appointee), and the Stafford County Director of Economic Development and Tourism (or appointee) (all of the foregoing being known as the “Executive Committee”). The Testbed will continue to be managed by the Executive Committee with the following conditions:
 - A. All minutes of Executive Committee meetings will be recorded and reported to the EDA during EDA regular meetings by the Stafford County Director of Economic Development and Tourism (ED&T”);
 - B. The EDA will establish a separate account within the EDA account

ledger designated as the “Testbed Account” for purposes of depositing and holding revenues generated by the Testbed. All Testbed deposits will be recorded in the EDA Testbed Account and utilized only for Testbed purposes.

- C. The ED&T or Executive Committee may utilize and single expense up to \$5,000 from the Testbed Account for reasonable expenses relating solely to Testbed operations and activities, all in accordance with EDA finance and accounting policies and procedures; and
- D. The ED&T will report monthly to the EDA on all material activities of the Testbed, and further provide an accounting of the Testbed Account.

2. **ED&T Staff.** The Office of the ED&T, subject to the mutual agreement of the EDA and VIPC, which may be modified from time to time, will provide the following staff support to the Testbed:

- A. Provide a Testbed Manager, whose salary will be subject to available funding in part from the Stafford County Board of Supervisors or other sources, except at least 50% of said salary will be paid by the VIPC;
- B. Serve in an organizational management and executive leadership capacity, with guidance provided by the Executive Committee and EDA;
- C. Manage the Testbed and the ED&T’s office will serve as the physical office location and public point of contact for the Testbed, including reception, phone, and any other public interface;
- D. Manage and recommend marketing and servicing of the Testbed digital presence and implement the same with approval of the EDA, some of said marketing and service actions may be provided by the EDA’s marketing and event contractor;
- E. Assist with general marketing and advertising of Testbed activities, programs, events, meetings, and work performed in conjunction with the County;
- F. With direction and approval from the Executive Committee and EDA, provide oversight, assist in the drafting and preparation of grants and other business projects and programs on behalf of the Testbed and EDA;
- G. Reconcile the Testbed Account to the general ledger;

- H. Provide necessary information to EDA auditors regarding the Testbed Account; and
- I. Advise and assist on general practices and reporting, notably for any reporting to the County, VIPC, or EDA, all as required by applicable law, regulation or policy.

3. **Virginia Innovation Partnership Corporation.** The VIPC will:

- A. Provide for any contractual and budgetary requirements relating to all Testbed activities outside of the County;
- B. In its sole discretion and for purposes of securing state or federal funds for Testbed projects or programs, provide the EDA a 10% facility or management fee of the total state or federal program grants that will, if secured and funded, be applied to and assist the EDA in recovering costs expended under this MOU; and
- C. Provide for additional staff, from time to time, to support activities of the Testbed.

4. **Economic Development Authority of Stafford County.** The EDA will:

- A. Subject to the terms herein and applicable law, be responsible for fiscal oversight and management of EDA resources, as per EDA chartered purpose and mission, including the Testbed Account;
- B. As necessary, allow ED&T and VIPC access to the Testbed Account, all in accordance with EDA policies and procedures;
- C. Be responsible for all EDA banking activities, which will include, but not limited to, signing and mailing disbursement checks and depositing any funds received into the Testbed Account;
- D. Invoice for any receivables, if applicable, for the Testbed;
- E. Provide the County's ED&T and VIPC with copies of all deposits made into the Testbed Account;
- F. Provide the County's ED&T and VIPC with copies of all accounts payable invoices for the Testbed Account when disbursement checks are requested;
- G. Provide the ED&T, VIPC, and the County with a fixed asset ledger and

depreciation expenses for the Testbed Account, if applicable; and

- H.** Provide and report Testbed financial activities, including the Testbed Account and other related financial activity to the EDA's annual financial auditor and to the County, as may be required.
5. **Contracts.** All EDA purchasing, bidding and contracting activities for the Testbed will be implemented and overseen by the EDA and in accordance with applicable laws and requirements. The Director of the ED&T and ED&T staff may assist the EDA and VIPC with the implementation and management of VIPC contracting or procurement requirements.
6. **Conflicts.** Such mutual support and services contemplated by this MOU may not be provided by either the ED&T, VIPC, or EDA when interests between VIPC and EDA conflict or are likely to become conflicted. In such event, each Party will consult with their respective counsels to determine if a conflict does exist and how best to address the same.
7. **Term and Termination.** Except in the event of breach or default of this MOU by either party and such breach or default is not cured within ten (10) days of written notice from the non-defaulting or non-breaching party, the term of this MOU commences on the Effective Date and remains in effect until amended or terminated by either Party upon thirty (30) days prior written notice. In the event of an uncured breach or default, the non-defaulting or non-breaching party may immediately terminate this MOU.
8. **Jurisdiction and Venue.** This MOU is governed by the laws of the Commonwealth of Virginia.
9. **Notices.** Any notice required by this MOU will be in writing at the addresses provided below, which may be changed from time to time by giving the other party prior notice, and will be deemed given when sent, postage prepaid, through the United States Postal Service by certified mail, return receipt requested, or by overnight mail:

Virginia Innovation Partnership Corporation:

Virginia Innovation Partnership Corporation
313 East Broad Street
Richmond, VA 23219

Economic Development Authority:

Economic Development Authority of Stafford County
ATTN: Chairman

1300 Courthouse Road
Stafford, Virginia 22555-0339

10. **Amendments.** This MOU constitutes the entire understanding of the Parties with respect to the subject matter herein and supersedes all prior oral or written agreements. This MOU may be modified or amended only by a writing signed by both Parties.
11. **Severability.** If any clause, provision, section or paragraph of this MOU is invalid, the invalidity of the clause, provision, section or paragraph will not affect any of the remaining clauses, provisions, sections or paragraphs.
12. **Headings.** The headings contained in this MOU are for reference purposes only and will not affect the meaning or interpretation of the MOU.

[AUTHORIZED SIGNATURES TO FOLLOW]

WITNESS the following authorized signatures to this MOU:

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

By: _____
Joel Griffin, Chairman

Date: _____

VIRGINIA INNOVATION PARTNERSHIP CORPORATION

By: _____

Date: _____

Print Name: _____

Title: _____