

ECONOMIC DEVELOPMENT AUTHORITY OF STAFFORD COUNTY, VIRGINIA

FINANCIAL AND COMPLIANCE REPORTS

YEAR ENDED JUNE 30, 2024



ASSURANCE, TAX & ADVISORY SERVICES

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

TABLE OF CONTENTS

| | |
|---|---------|
| <hr/> | |
| INTRODUCTORY SECTION | |
| <hr/> | |
| Members | i |
| <hr/> | |
| FINANCIAL SECTION | |
| <hr/> | |
| Independent Auditor's Report | 1 – 3 |
| Management's Discussion and Analysis | 4 – 7 |
| <i>Basic Financial Statements</i> | |
| Statements of Net Position | 8 |
| Statements of Revenues, Expenses and Changes in Net Position | 9 |
| Statements of Cash Flows | 10 |
| Notes to Financial Statements | 11 – 15 |
| <hr/> | |
| COMPLIANCE SECTION | |
| <hr/> | |
| 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 <i>Government Auditing Standards</i> | 16 – 17 |
| <hr/> | |

INTRODUCTORY SECTION

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

June 30, 2024

Members

Howard Owen, Chairman
Price Jett
Jeff Roosa
John F. Rowley III (Jack), Treasurer
Marlon Wilson
Heather Hagerman, Vice-Chair
Jeanette Holland
Charles W. Payne, Jr., Esquire, Counsel

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 years ended June 30, 2024 and 2023, 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, 2024 and 2023, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (*Government Auditing Standards*); 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.

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 twelve 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards and Commissions* 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, *Government Auditing Standards*, and the *Specifications for Audits of Authorities, Boards and Commissions*, 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 GAAS, 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024 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.

PBMares, LLP

Harrisonburg, Virginia
October 24, 2024

Stafford County Economic Development Authority

Management Discussion and Analysis Fiscal Year 2024

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, 2024. 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 \$1,501,103 for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,232,601.

The unrestricted net position balance of \$1,501,103 and \$2,232,601 represent the portion available to maintain the Authority's continuing operations as of June 30, 2024 and 2023, respectively.

Net position decreased \$731,498 to \$1,539,430 for June 30, 2024.

The following represents the Authority's financial position for the years ended June 30, 2024 and 2023:

Summary of Net Position

| | 2024 | 2023 |
|---------------------------|---------------------|---------------------|
| ASSETS | | |
| Current assets | \$ 864,359 | \$ 1,473,685 |
| Noncurrent assets | 675,730 | 770,404 |
| Total Assets | 1,540,089 | 2,244,089 |
| LIABILITIES | | |
| Long-term liabilities | 38,986 | 11,488 |
| Total Liabilities | 38,986 | 11,488 |
| NET POSITION | | |
| Unrestricted | 1,501,103 | 2,232,601 |
| Total Net Position | \$ 1,501,103 | \$ 2,232,601 |

Summary of Change in Net Position

| | 2024 | | 2023 | |
|--------------------------------------|---------------------|----------------|---------------------|----------------|
| | Amount | % Total | Amount | % Total |
| REVENUES | | | | |
| Sponsorship revenue | \$ 102,663 | 17.87% | \$ 90,293 | 3.42% |
| Bond issuance and loan fees | 17,885 | 3.11% | 11,156 | 0.42% |
| Assistance and grants | 381,068 | 66.32% | 2,492,136 | 94.28% |
| Interest income | 72,957 | 12.70% | 49,860 | 1.89% |
| Total Revenues | 574,573 | 100.00% | 2,643,445 | 100.00% |
| EXPENSES | | | | |
| Local industry assistance and grants | 1,018,748 | 78.00% | 2,776,062 | 92.72% |
| Administration and marketing | 212,916 | 16.30% | 161,170 | 5.38% |
| Professional fees | 66,420 | 5.09% | 51,790 | 1.73% |
| Bank and service fees | 7,987 | 0.61% | 4,847 | 0.16% |
| Total Expenses | 1,306,071 | 100.00% | 2,993,869 | 100.00% |
| Change in Net Position | \$ (731,498) | | \$ (350,424) | |

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 Business Appreciation Reception and other events, whereas non-operating include revenue and expenses on property sales and incentive passthroughs, as approved in collaboration with Stafford County Board of Supervisors.

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, 2024, cash decreased due to the commitment to Germanna Community College in the amount of \$550,000.

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 Strategies and Plans.

- In 2024, the Authority continued to offer businesses support through convening and networking opportunities through its annual business appreciation reception (BAR) for local businesses and quarterly events. The Authority raised over \$20,000 in sponsorship revenues for these events (some of these were previously committed or secured in prior fiscal years). The sponsorships covered approximately 95% of the direct costs of the events.
- The Authority also made significant investments in 2024 to community events and organizations to provide opportunities for workforce training, business services, and increase economic activity. A specific example of this is the EDA contribution of \$25,000 to support an annual tournament with the American Junior Golf Association. These funds contributed to over \$190,000 in local economic impact and over \$24,000 in contributions to local charities through the event.
- The Authority had pledged and signed an agreement for \$750,000 in matching funds to support the establishment and expansion of the Germanna Community College campus in Stafford County. The EDA updated its commitment when Germanna announced its expansion to a new campus on Center Drive in North Stafford in 2022. The pledge and commitment were finalized in 2024.
- ***Loan programs:*** In July 2019, the Stafford Economic Development Authority Loan Program was approved with a Memorandum of Understanding (MOU) with Virginia Community Capital (VCC), now known as Locus Capital, to manage the Stafford Economic Development Authority (Authority) Loan Program. The purpose of the program is to encourage the expansion of new and existing businesses in Stafford County. The Authority and Locus Capital will work in coordination and collaboration to accept loan applications, review, underwrite, close, and service loans. The loan program offers three loan types to qualified borrowers: Business Growth Loans, Micro Loans and Smart Technology Innovation Loans. In July 2020, the Authority entered into the first loan agreement under this program. As of June 30, 2024, there are seven loan agreements under this program, and \$73,754 remains available for loan programs. Future loan servicing and underwriting will be managed by Bridging Virginia in lieu of Locus Capital.
- The EDA has engaged with Stafford County to request a transition of the County's parcel at RV Parkway be transferred to the EDA. The EDA would then redevelop the parcel through partnerships or grants. This former landfill is a prime location for industrial use. The County recently rezoned the property and the EDA is willing to accept this parcel and has budgeted for this parcel to be transferred in 2025.

- The EDA serves as a conduit for several state and local incentives. In 2024 this accounted for more than \$400,000 in the EDA's cash flow. It is anticipated that these passthrough incentives will continue and increase in the future.
- As part of two Go Virginia Grants, spanning fiscal years 2022, 2023, and 2024 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 EDA is a Founding Partner of the Testbed. To date, the activities in the Testbed have resulted in supporting over 80 technology-based businesses and have directly resulted in attracting new companies to Stafford County. The grant in FY24 centered around smart technology implementation within the region's local governments. Participating technology-based entrepreneurs had the ability to present their products and services to participating localities and potentially create a pilot project for localities.

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 "J Rowley". The signature is fluid and cursive, with the first letter "J" being large and stylized.

Jack Rowley, Chairman
Economic Development Authority of Stafford County, Virginia

BASIC FINANCIAL STATEMENTS

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

**STATEMENTS OF NET POSITION
June 30, 2024 and 2023**

| | 2024 | 2023 |
|--------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 381,639 | \$ 1,414,755 |
| Restricted cash | 15,770 | - |
| Other assets | 4,950 | 4,002 |
| Prepaid items | 1,456 | - |
| Notes receivable - current | 85,544 | 54,928 |
| Certificates of deposit - current | 375,000 | - |
| | <hr/> | <hr/> |
| Total current assets | 864,359 | 1,473,685 |
| Noncurrent Assets | | |
| Notes receivable - noncurrent | 675,730 | 520,404 |
| Certificates of deposit - noncurrent | - | 250,000 |
| | <hr/> | <hr/> |
| Total noncurrent assets | 675,730 | 770,404 |
| | <hr/> | <hr/> |
| Total assets | 1,540,089 | 2,244,089 |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Accounts Payable | 23,216 | 11,488 |
| Unearned Revenue | 15,770 | - |
| | <hr/> | <hr/> |
| Total liabilities | 38,986 | 11,488 |
| | <hr/> | <hr/> |
| NET POSITION | | |
| Unrestricted | 1,501,103 | 2,232,601 |
| | <hr/> | <hr/> |
| Total net position | \$ 1,501,103 | \$ 2,232,601 |
| | <hr/> | <hr/> |

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

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2024 and 2023**

| | 2024 | 2023 |
|--------------------------------------|--------------------|--------------------|
| Revenues: | | |
| Operating revenue: | | |
| Sponsorship revenue | \$ 102,663 | \$ 90,293 |
| Bond issuance and loan fees | 17,885 | 11,156 |
| Total operating revenues | 120,548 | 101,449 |
| Expenses: | | |
| Operating expenses: | | |
| Local industry assistance and grants | 1,018,748 | 2,776,062 |
| Administration and marketing | 212,916 | 161,170 |
| Professional fees | 66,420 | 51,790 |
| Bank and service fees | 7,987 | 4,847 |
| Total operating expenses | 1,306,071 | 2,993,869 |
| Operating loss | (1,185,523) | (2,892,420) |
| Non-operating revenue: | | |
| Interest income | 72,957 | 49,860 |
| Intergovernmental revenue | 381,068 | 2,492,136 |
| Total nonoperating revenues | 454,025 | 2,541,996 |
| Change in net position | (731,498) | (350,424) |
| Net Position, beginning | 2,232,601 | 2,583,025 |
| Net Position, ending | \$ 1,501,103 | \$ 2,232,601 |

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

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023**

| | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from economic development activities | \$ 135,370 | \$ 97,611 |
| Payment to suppliers and grant recipients | (1,295,799) | (2,996,013) |
| Net cash used in operating activities | (1,160,429) | (2,898,402) |
| Cash Flows from Noncapital and Related Financing Activities: | | |
| Contributions from governments | 381,068 | 2,492,136 |
| Net cash provided by noncapital and related financing activities | 381,068 | 2,492,136 |
| Cash Flows from Investing Activities: | | |
| Interest and other income | 72,957 | 49,860 |
| Notes receivable issued | (251,000) | (138,000) |
| Payments received on notes receivable | 65,058 | 82,182 |
| Purchase of investments | (625,000) | - |
| Sale of investments | 500,000 | 250,000 |
| Net cash provided by (used in) investing activities | (237,985) | 244,042 |
| Net decrease in cash and cash equivalents | (1,017,346) | (162,224) |
| Cash and Cash Equivalents: | | |
| Beginning | 1,414,755 | 1,576,979 |
| Ending | \$ 397,409 | \$ 1,414,755 |
| Reconciliation of Operating Loss to Net Cash Used in Operating Activities | | |
| Operating loss | \$ (1,185,523) | \$ (2,892,420) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Other assets | (948) | (3,838) |
| Prepaid itemes | (1,456) | - |
| Increase (decrease) in: | | |
| Accounts payable | 11,728 | (2,144) |
| Unearned revenue | 15,770 | - |
| Net cash used in operating activities | \$ (1,160,429) | \$ (2,898,402) |

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 vested 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. Restricted cash is comprised of unspent grant proceeds.

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, 2024, the Authority did not have ownership of any capital assets.

Net position: Net position is the difference between assets and deferred outflows of resources and 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.

Reclassification: Certain amounts have been reclassified on the 2023 financial statements. This resulted in no impact on the net position.

Subsequent events: The Authority has evaluated subsequent events through October 24, 2024, 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, 2024:

- Certificates of deposit totaling \$250,000 and \$375,000, valued using quoted market prices (level 1 inputs), are classified as short-term investments as of June 30, 2023 and 2024, respectively. The certificates bear interest at 5.10% and 5.30% and mature in 9 to 12 months.
- Money market account totaling \$127,402 and \$205,821, valued using quoted market prices (level 1 inputs), is classified as cash equivalents as of June 30, 2023 and 2024, respectively. The account bears interest ranging from 1.00% to 5.00%.

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Notes Receivable

As of June 30, 2023 and 2024, notes receivable totaled \$575,332 and \$761,274, respectively. 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.

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, 2023 and 2024, the note balance was \$417,048 and \$406,185, respectively.

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. The loan was fully paid off in June 2023.

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, 2023 and 2024, the note balances were \$38,227 and \$24,260, respectively. One of these loans was fully paid off in March 2023.

During fiscal year 2023, in accordance with the Authority's loan program, three Micro Loans were made totaling \$95,000 with interest ranging from 4.25% to 7.50% and monthly payments ranging from \$249 to \$1,619. The loans mature in April 2026 and September 2027. At June 30, 2023 and 2024, the note balances were \$120,057 and \$93,639, respectively.

During fiscal year 2024, in accordance with the Authority's loan program, three Micro Loans were made totaling \$251,000 with interest of 8.50% and monthly payments ranging from \$1,026 to \$1,935. The loans mature in November 2027, November 2028, and July 2033. At June 30, 2024, the note balances were \$237,190. 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. There are no such agreements for the Authority as of June 30, 2024.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitments

Loan programs: The loan program is managed by Locus Capital, formerly Virginia Community Capital (VCC), through a Memorandum of Understanding (MOU) dated in 2019. The purpose of the program is to encourage the expansion of new and existing businesses in Stafford County. The Authority, Stafford County economic development department staff, and Locus Capital work in coordination and collaboration to accept loan applications, review, underwrite, close and service loans. The loan program offers three loan types to qualified borrowers: Business Growth Fund, Micro Loan Program, and the Smart Technology Innovation Loan Fund. As of June 30, 2024, there are eight loan agreements under this program, and \$73,754 remains available for loan programs.

Marketing contract: In July 2020, the Authority entered into a one-year marketing contract that has been renewed annually. The contract was renewed for another year commencing August 1, 2024 with a monthly fee of \$3,470.

Note 7. Related Parties

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

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.

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Pending GASB Statements

At June 30, 2024, 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. 102, *Certain Risk Disclosures*, requires all state and local governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. Statement No. 102 will be effective for fiscal years beginning after June 15, 2024.

GASB Statement No. 103, *Financial Reporting Model Improvements*, improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Statement 103 will be effective for fiscal years beginning after June 15, 2025.

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

Note 10. Subsequent Events

The EDA received an additional GO Virginia reimbursement for the Entrepreneurial Ecosystem expansion program in August 2024. The reimbursement was in the amount of \$70,000.

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), a discretely presented component unit of Stafford County, Virginia, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 24, 2024.

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 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 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.

PB Marcus, LLP

Harrisonburg, Virginia
October 24, 2024