INDUSTRIAL DEVELOPMENT AUTHORITY
of the
COUNTY OF STAFFORD
and the
CITY OF STAUNTON, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2020

Industrial Development Authority of the
County of Stafford and the City of Staunton, Virginia

TABLE OF CONTENTS

Industrial Development Authority of the County of Stafford and the City of Staunton

Principal Officials
Year Ended June 30, 2020

Board of Directors

Ray Griffin, Chairman
City of Staunton

Terry Payne, Vice Chairman
County of Stafford

Gary G. Adkins
County of Stafford

Debbie Irwin
City of Staunton

Michael H. Lovitt
County of Stafford

Michael D. Norris
City of Staunton

Henry S. Thomassen
County of Stafford

Administrative Staff

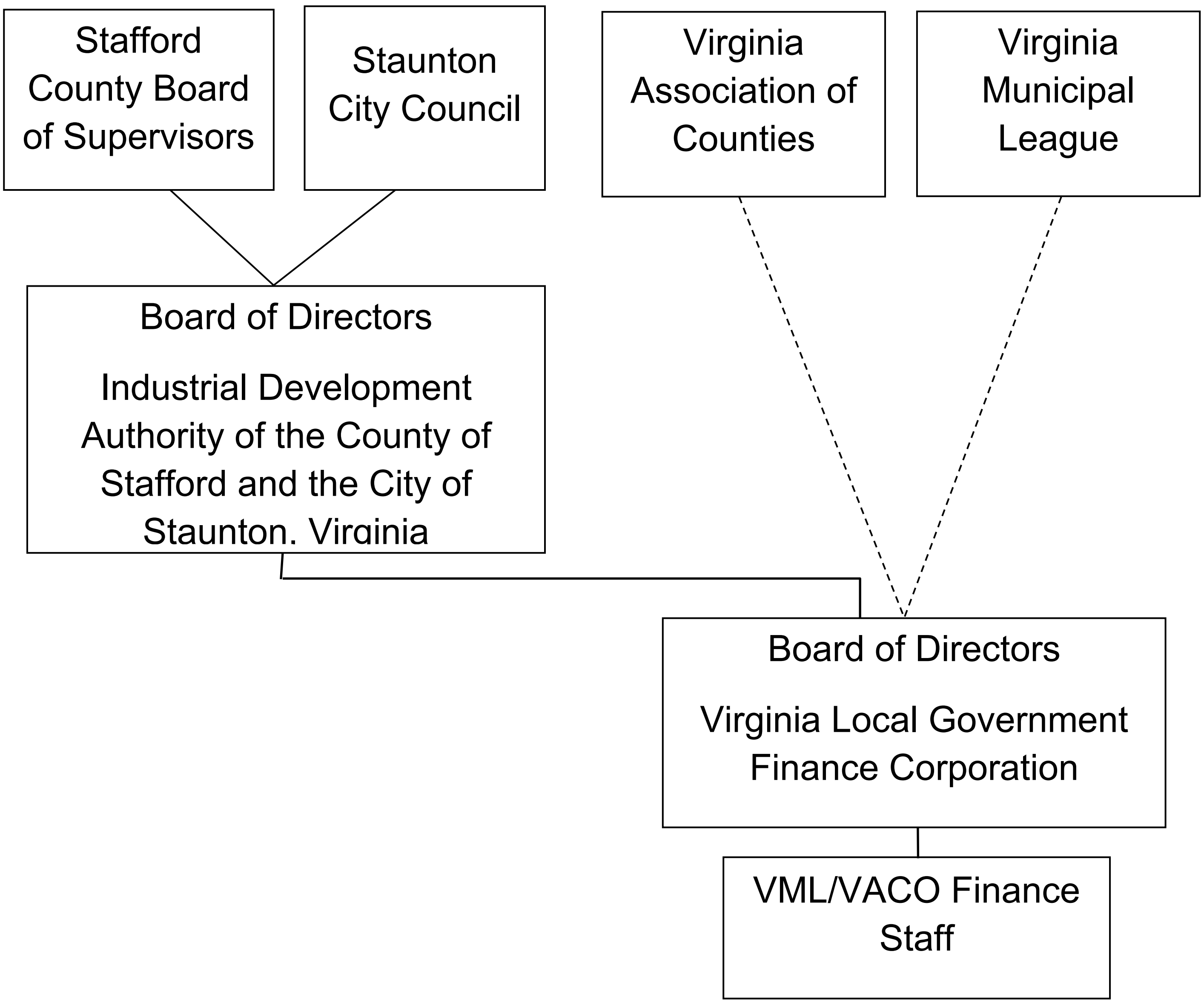
Robert W. Lauterberg, Secretary-Treasurer
Managing Director
VML/VACo Finance

Steven C. Mulroy, Assistant Secretary
Managing Director
VML/VACo Finance

Melissa A. Burke, CPA
Controller
VML/VACo Finance

Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia

Organization Chart



Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia

LETTER OF TRANSMITTAL

April 2, 2021

Honorable Board of Directors
IDA of the County of Stafford and the City of Staunton, Virginia
Richmond, Virginia

It is our pleasure to submit the *Annual Financial Report* (AFR) of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (IDA) for the fiscal year ended June 30, 2020. The AFR presents a compilation of financial data that details the IDA's financial status. Information contained in this report was prepared in strict conformance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The report is intended to provide comprehensive and reliable information about the IDA and its component unit, the Virginia Local Government Finance Corporation (VLGFC), and allow for the evaluation of the stewardship of the funds of both entities.

Responsibility for the accuracy of the data and the completeness and reliability of the presentation, including all disclosures, rests with the management of the IDA. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the activities of the IDA.

The AFR is presented in two sections:

1) *Introductory Section* – includes this letter of transmittal, identification of the IDA's administrative organization, and descriptions of administrative responsibilities.

2) *Financial Section* – consists of the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements, supplementary information, and the Report on Internal Control over Financial Reporting.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements, and should be read in conjunction with, this letter of transmittal.

Background

The Industrial Development Authority of the County of Stafford and the City of Staunton (IDA) was established in 2003 for the purpose of issuing municipal bonds and other debt instruments for VML/VACo Finance, a financial services program sponsored by the Virginia Municipal League (VML) and the Virginia Association of Counties (VACo). VML/VACo Finance's mission is to pool resources on behalf of local governments in order to provide high quality financial services at reduced cost.

The IDA is governed by a seven-member Board of Directors, three members of which are appointed by the Stafford County Board of Supervisors and three of which are appointed by the Staunton City Council. The final member is appointed by one of these two entities, with the responsibility for appointment alternating between the two governing bodies at the end of each four-year term.

Virginia Local Government Finance Corporation (VLGFC), a component unit of the IDA, is a 501(c)(4) non-profit corporation that serves as administrator for the IDA and its programs and, in addition, provides other financial services directly to local governments and public officials in the areas of financing and Municipal Advisory services, investment administration, accounting services, and association management. VLGFC's Board of Directors is appointed by the IDA Board of Directors from among nominees submitted by VML and VACo.

IDA Programs

The IDA continued during the year to administer various outstanding publicly traded bond issues in connection with the following programs. (See Notes 6 and 7 for additional information).

Pooled Loan Bond Program:

- *Series 2005 -2007* are insured pooled municipal bond issues with fixed rates and include reserve funds at the program level. IDA bonds issued for participants in the Series 2005B, 2007A, and 2007C issues remained outstanding as of June 30, 2020. IDA bonds issued to fund a reserve fund in the Series 2007E issue also remain outstanding as of June 30, 2020.

- *Series 2008* is a pooled municipal bond issue with fixed interest rates, which is not insured. This bond issue included reserve funds at the borrower level not the program level. IDA bonds issued to fund a loan to one participant in Series 2008B remained outstanding as of June 30, 2020.

- *Series 2010* are pooled Build America Bond issues with fixed rates, none of which are insured. Certain of these bond series include reserve funds at the program level, not the borrower level. IDA bonds issued to fund loans to participants and reserve funds, as applicable, in the following Series 2010 issues: 2010A, B, C, D, E, G, I, and K, remained outstanding as of June 30, 2020.

Commercial Paper Program: Established in 2005, this ongoing program features variable rate demand bonds traded in commercial paper mode. Participants are able to access the program for short- and long-term variable rate financing, especially interim and construction loans.

Commonwealth Loan Program: Established in 2009 and now closed to new participants, this program features weekly-remarketed variable rate bonds, combined with a floating-to-fixed interest rate hedge agreement. As of June 30, no loans remained outstanding and the program is no longer in effect as of May 2020.

VLGFC (Component Unit) Programs

In addition to supporting the IDA's mission of providing financing for local governments, VLGFC is a registered Municipal Advisor that assists local governments in financing through vehicles not limited to IDA programs; administers two governmental investment programs; provides accounting services to local governments, and serves as Program Administrator to the Virginia Government Finance Officers Association:

Financing and Municipal Advisory Services: VLGFC is registered as a Municipal Advisor (MA) with the Municipal Securities Rulemaking Board (MSRB) and the U.S. Securities and Exchange Commission (SEC). As an MA, VLGFC assists clients with developing and implementing a plan of finance, whether through bank loans, equipment leasing, municipal bond issues, the IDA Commercial Paper program, or one of the state bond pools. VML/VACo Finance offers localities that finance with bank loans several optional programmatic features through its "Fixed Rate Loan Program," including arbitrage monitoring for no additional cost, an online payment portal, and an annual fee structure at a lower present value cost than a traditional upfront fee. Municipal Advisory activities also include development and presentation of credit and debt affordability analyses, local government financial policies, etc.

Virginia Pooled OPEB Trust Fund ("OPEB Trust"): The OPEB Trust was established in 2008 under the Joint Exercise of Powers statute of the Commonwealth of Virginia. It operates pursuant to a trust agreement as an irrevocable trust to receive, invest, and disburse funds set aside by political subdivisions of the Commonwealth of Virginia to defray future expenses related to post-employment benefits other than pensions (OPEB). Income of the Trust is tax-exempt under Section 115 of the Internal Revenue Code. The OPEB Trust is jointly sponsored by VACo and VML and operates as the "VACo/VML Pooled OPEB Trust." Primary benefits of participation in the OPEB Trust include professional management of trust assets in two diversified investment portfolios: one with a targeted rate of return of 7.5% and the other with a targeted rate of return of 6.0%. Participants hold individual trust accounts wherein they can monitor the performance of their investments without the burden and expense of directing separately managed trust accounts. The OPEB Trust issues separate financial statements which are available upon request.

The net position of the OPEB Trust increased in fiscal year 2020 from $1.17 billion on June 30, 2019, to $1.32 billion on June 30, 2020.

Virginia Investment Pool Trust Fund ("VIP Trust"): The VIP Trust was established in 2013 under the Joint Exercise of Powers statute of the Commonwealth of Virginia. It operates pursuant to a trust agreement, providing political subdivisions of the Commonwealth with a vehicle to pool their funds for investment in portfolios under the direction and daily supervision of a professional fund manager. Income of the VIP Trust is tax-exempt under Section 115 of the Internal Revenue Code. The VIP Trust is jointly sponsored by VACo and VML and operates as the "VACo/VML Virginia Investment Pool." Primary benefits of participation in the VIP Trust include professional management of trust assets, competitive rates of return, and convenient, secure access. The VIP Trust offers two investment portfolios, one designed for daily cash liquidity, and the other designed for surplus funds that can be invested in longer duration securities. Participants hold individual trust accounts wherein they can monitor the performance of the investments. The VIP Trust issues separate financial statements which are available upon request.

The net position of the VIP Trust increased in fiscal year 2020 from $1.53 billion on June 30, 2019, to $2.37 billion on June 30, 2020.

Accounting Services: Since 2009, VLGFC has placed experienced CPAs and other local government accountants on temporary assignments with local governments. The program assists local governments in filling staff vacancies on an interim basis; provides advice and expertise on maintaining their records and transactions in compliance with Generally Accepted Accounting Principles; and assists in annual audit preparation.

Virginia Government Finance Officers' Association (VGFOA): VLGFC serves as the program administrator for VGFOA, a state-wide professional organization with over 500 active members. VGFOA holds two conferences and hosts a number of educational and training events for governmental financial professionals across the state each year. As program administrator, VLGFC acts as VGFOA's staff, assisting members and the Executive Board with day-to-day activities, coordination of conference activities, and financial administration.

Independent Audit

For the fiscal year ended June 30, 2020, the IDA's financial statements were audited by the certified public accounting firm of Robinson Farmer Cox Associates to provide reasonable assurance that the financial statements of the IDA were free of material misstatement. The audit: a) examined activities, documents, and disclosures used to create the financial statements, b) assessed the accounting principles used by management, and c) evaluated the overall financial statement presentation.

Acknowledgments

The completion of this report reflects the combined oversight and efforts of the Board of Directors of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, the Board of Directors of the Virginia Local Government Finance Corporation, and the staff of VML/VACo Finance. We express our gratitude to the members of the Boards, the participating localities and authorities, our sponsoring organizations, and the many people who work so diligently to ensure the successful operation of VML/VACo Finance.

Respectfully submitted,

Robert W. Lauterberg
Managing Director
VML/VACo Finance

Melissa A. Burke, CPA
Controller
VML/VACo Finance

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

CPAs | CONSULTANTS

Independent Auditors' Report

To the Honorable Members of the Board of Directors
Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia
Richmond, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, as of June 30, 2020, and the 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.

Restatement of Beginning Balances

As described in Note 1d to the financial statements, the IDA restated beginning balances to reflect separation of the previously blended component unit into a discrete presentation and to correct previously reported balances for accrued liabilities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's basic financial statements. The introductory section is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, on our consideration of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia'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 Industrial Development Authority of the County of Stafford and City of Staunton, Virginia's internal control over financial reporting or on compliance. That report is an integral part of

Other Reporting Required by *Government Auditing Standards (Continued)*

an audit performed in accordance with *Government Auditing Standards* in considering the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's internal control over financial reporting and compliance.

Richmond, Virginia
February 5, 2021

The following discussion of the financial performance of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (IDA) provides an overview of the IDA's financial activities for the fiscal year ended June 30, 2020. The Virginia Local Government Finance Corporation (VLGFC) is a component unit of the IDA, and both entities provide financial services to local governments as "VML/VACo Finance." Please review this financial analysis in conjunction with the transmittal letter at the beginning of this report and the financial statements, which begin after this analysis.

FINANCIAL HIGHLIGHTS

- The assets of the IDA exceeded the liabilities at June 30, 2020 by $544,860. This represents a decrease from the prior year unrestricted net position of $742,304. The IDA's unrestricted net position decreased by $197,444 during the fiscal year ending June 30, 2020. This decrease largely reflects the following:

    1) the Commonwealth Loan Program was closed out effective May 2020; and,
    2) an arbitrage rebate liability was incurred related to the investments held in the reserve funds.

- The IDA experienced positive cash flow during fiscal year ended June 30, 2020. The net increase in cash for fiscal year 2020 was $781,368 as compared to the positive cash flow of $16,344 for fiscal year 2019. The increase for fiscal year 2020 was mainly due to the sale of investments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report contains financial statements designed to provide a comprehensive look at the use of the IDA's and VLGFC's financial resources throughout fiscal year 2020 and the status of those financial resources at June 30, 2020. The financial statements contained in this report are separated into two sections:

- **Basic financial statements** are prepared on the full accrual basis of accounting. Unlike the fund financial statements of other governmental entities, these statements include long-term liabilities, capital assets, and depreciation.

- **Notes to the financial statements** are an integral part of the basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These notes provide explanations of the amounts in the basic financial statements, and offer the reader information that is essential to a full understanding of the data provided therein.

During fiscal year 2020, certain reclassifications were made to the presentation of the financial statements, and the fiscal year 2019 information was adjusted for comparative purposes. The changes included reporting VLGFC as a discretely presented component unit and other changes to enhance readability. As described in Note 1, the beginning balance was restated for the IDA to correct prior year errors to arrive at a restated beginning balance of $742,304.

Statement of Net Position

Net position, when analyzed over time, may serve as a useful indicator of the entity's financial position. The following table is a summary of the IDA's net position as of June 30 for 2020 and 2019, as restated.

Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia

Virginia Local Government Finance Corporation
Summary Schedule of Assets, Liabilities and Net Position

	IDA		Component Unit VLGFC	
	2020	**2019 As Restated**	**2020**	**2019 As Restated**
Current assets	$ 259,771	$ 380,038	$ 1,218,298	$ 993,639
Non-current assets	4,742,847	4,694,288	78,170	99,912
Non-current assets				
Total assets	$ 5,002,618	$ 5,074,326	$ 1,296,468	$ 1,093,551
Current liabilities	$ 310,863	$ 189,082	$ 480,983	$ 481,890
Non-current liabilities	4,146,895	4,142,940	-	-
Total liabilities	$ 4,457,758	$ 4,332,022	$ 480,983	$ 481,890
Net position:				
Unrestricted	$ 544,860	$ 742,304	$ 815,485	$ 611,661
Total net position	$ 544,860	$ 742,304	$ 815,485	$ 611,661

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position illustrates the cost of governmental activities net of related revenue. A summary of the statement of activities for the fiscal years 2020 and 2019, as restated, ending June 30 is provided below.

Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia

Virginia Local Government Finance Corporation
Summary Schedule of Revenues, Expenses and Changes in Net Position

	IDA		Component Unit VLGFC	
	2020	2019 As Restated	2020	2019 As Restated
Operating Revenue	$ 399,521	$ 433,609	$ 2,569,578	$ 2,009,538
Net appreciation in fair value of investments	23,598	80,204	2,052	1,615
Total Operating Revenues	$ 423,119	$ 513,813	$ 2,571,630	$ 2,011,153
Operating Expenses				
Expenses related to program administration	$ 193,010	$ 48,851	$ 2,314,937	$ 1,979,590
Expenses related to debt	427,553	252,084	-	-
General operating expenses	-	-	52,869	65,800
Total Operating Expenses	$ 620,563	$ 300,935	$ 2,367,806	$ 2,045,390
Operating Income (Loss)	$ (197,444)	$ 212,878	$ 203,824	$ (34,237)
Change in Net Position	$ (197,444)	$ 212,878	$ 203,824	$ (34,237)

The remainder of this page left blank intentionally

OUTLOOK FOR FISCAL YEAR 2021

VML/ VACo Finance, the most widely-used financial services program focused on Virginia local governments, is made possible by the IDA and its component unit, Virginia Local Government Finance Corporation (VLGFC).

VLGFC is a registered Municipal Advisor with the Municipal Securities Rulemaking Board (MSRB) and has a fiduciary duty to its municipal advisory clients. While working with clients, we consider a range of financing options for capital projects, including the issuance of municipal bonds, bank loans, and state bond pools. In addition, VML/VACo Finance offers two in-house programs: the Fixed Rate Loan Program and the IDA's Commercial Paper program. When appropriate and in the client's best interest, VLGFC staff may recommend using the IDA as a conduit issuer in a lease revenue structure when a general obligation pledge is not appropriate or available.

The IDA serves as a loan paying agent for participants in the Fixed Rate Loan Program. When serving in this capacity, the IDA maintains an account in the Virginia Investment Pool for each Fixed Rate Loan Program participant and collects loan debt service payments as well as an annual administrative fee. The debt service payments are remitted to the financial institution providing the loan to the participant. The program also provides arbitrage monitoring services at no additional cost to clients.

VLGFC recommends the Commercial Paper Program when appropriate and in a client's best interest. The Commercial Paper Program is a flexible financing program of which participants can take advantage for interim financing, construction projects, grant anticipation financing, and for other purposes. In this program, variable rate demand notes are re-marketed in a Commercial Paper mode approximately every 30 days.

In addition to serving as a Municipal Advisor and providing staffing to the IDA, VLGFC offers an Equipment Leasing Program, administers two investment programs, and provides Accounting Services. The Equipment Leasing Program complements the Municipal Advisory business and financing of capital projects through the IDA. It provides lease purchase financing for vehicles (such as fire engines, school buses, and police cars) and moveable equipment (such as communication systems, information technology, and refuse equipment). Investment programs comprise a large and growing share of VLGFC's revenues and expenses. The successful Virginia Pooled OPEB Trust managed $1.32 billion in net assets as of June 30, 2020, while the Virginia Investment Pool ended the fiscal year with net assets of $2.37 billion. VLGFC receives management fees in connection with its role as administrator of these two investment programs.

REQUESTS FOR INFORMATION

This financial report is designed to provide the IDA Board of Directors, VLGFC Board of Directors, program participants, creditors of the IDA and the general public with an overview of the IDA's and VLGFC's finances. For additional information, please contact the Managing Director, VML/VACo Finance, 8 E. Canal Street, Suite 100, Richmond, VA 23219, (804) 648-0635.

Exhibit 1

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Statement of Net Position
At June 30, 2020

	Industrial Development Authority of the County of Stafford and the City of Staunton Virginia	Component Unit: Virginia Local Government Finance Corporation
ASSETS		
Current assets:		
Cash and cash equivalents	$ 188,489	$ 687,626
Short-term investments	-	100,996
Accounts receivable	4,987	429,676
Interest receivable	57,305	-
Prepaid expenses	8,000	-
Due from federal government	990	-
Total current assets	$ 259,771	$ 1,218,298
Noncurrent assets:		
Restricted cash and cash equivalents	$ 1,090,787	$ -
Long-term investments	3,652,060	78,170
Total noncurrent assets	$ 4,742,847	$ 78,170
Total assets	$ 5,002,618	$ 1,296,468
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	$ 39,330	$ 450,983
Accrued liabilities	28,002	-
Arbitrage rebate liability	157,448	-
Interest payable	86,083	-
Customer deposits	-	30,000
Total current liabilities	$ 310,863	$ 480,983
Noncurrent liabilities:		
Long-term debt	$ 4,146,895	$ -
Total noncurrent liabilities	$ 4,146,895	$ -
Total liabilities	$ 4,457,758	$ 480,983
Net position:		
Unrestricted	$ 544,860	$ 815,485
Total net position	$ 544,860	$ 815,485

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 2

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2020

	Industrial Development Authority of the County of Stafford and the City of Staunton Virginia	Component Unit: Virginia Local Government Finance Corporation
Operating revenues:		
Fees earned from the issuance and administration of debt	$ 159,764	$ -
Fees earned from financial and accounting services	-	1,169,363
Fees earned from investment program administration	-	1,388,278
Build America Bonds (BABs) Rebate	12,856	-
Investment income	226,901	11,937
Net appreciation in fair value of investments	23,598	2,052
Total operating revenues	$ 423,119	$ 2,571,630
Operating expenses:		
Debt issuance costs	$ 65,695	$ -
Debt service - interest	204,410	-
Arbitrage rebate expense	157,448	-
Costs incurred from the issuance and administration of debt	193,010	-
Costs incurred from financial and accounting services	-	989,709
Costs incurred from investment program administration	-	1,325,228
General operating expenses	-	52,869
Total operating expenses	$ 620,563	$ 2,367,806
Operating income (loss)	$ (197,444)	$ 203,824
Change in net position	$ (197,444)	$ 203,824
Net position, beginning of year as restated	742,304	611,661
Net position, end of year	$ 544,860	$ 815,485

The accompanying notes to financial statements are an integral part of this statement.

Exhibit 3

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Statement of Cash Flows
Year Ended June 30, 2020

	Industrial Development Authority of the County of Stafford and the City of Staunton Virginia	Component Unit: Virginia Local Government Finance Corporation
Cash flows from operating activities:		
Receipts from customers and users	$ 159,764	$ 2,506,512
Receipts from other activities	217,937	11,937
Payments for operating activities	(502,827)	(2,383,713)
Net cash provided by (used for) operating activities	$ (125,126)	$ 134,736
Cash flows from investing activities		
Purchase of investments	$ -	$ (77,202)
Sale of investments	906,494	-
Net cash provided by (used for) investing activities	$ 906,494	$ (77,202)
Net increase (decrease) in cash and cash equivalents	$ 781,368	$ 57,534
Cash and cash equivalents, beginning of year, including restricted	497,908	630,092
Cash and cash equivalents, end of year, including restricted	$ 1,279,276	$ 687,626
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (197,444)	$ 203,824
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Amortization of bond premium	(425)	-
Amortization of bond discount	4,380	-
Realized and unrealized losses (gains) on investments	(45,577)	(2,052)
(Increase) decrease in:		
Receivables	159	(66,129)
Prepaid expenses	(8,000)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	121,781	(15,907)
Customer deposits	-	15,000
Net cash provided by (used for) operating activities	$ (125,126)	$ 134,736

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Organization and Purpose:

The Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (IDA) was created as a political subdivision of the Commonwealth of Virginia on June 3, 2003 by action of the Board of Supervisors of the County of Stafford, Virginia and by the action of the City Council of the City of Staunton, Virginia. The IDA is governed by a seven member Board of Directors, three appointed by the Board of Supervisors of Stafford County and three appointed by the City Council of the City of Staunton. The remaining position is appointed on a rotational basis by the Board of Supervisors of Stafford County and then by the City Council of the City of Staunton. The primary purpose of the IDA is to assist governmental units throughout the Commonwealth of Virginia in financing their capital and other project needs in accordance with a program established and promoted by the Virginia Association of Counties (VACo) and the Virginia Municipal League (VML). The IDA was established for the purpose of issuing notes and bonds for the program. The program, operating as VML/VACo Finance, was established in 2003 to provide low-cost financing options and other financial services to member organizations.

B. Financial Reporting Entity:

For financial reporting purposes, the IDA includes all organizations for which it is considered financially accountable. The component unit included in these financial statements has a year end of June 30.

C. Accounting Pronouncements:

In May 2020, in light of the COVID-19 pandemic, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (Statement No. 95). This standard is intended to provide relief to governments. The IDA adopted this standard and will delay implementation of the relevant statements included in Statement No. 95 until the revised effective dates.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (Statement No 91). This standard is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The IDA is evaluating the impact this standard will have on its financial statements.

D. Restatement of Beginning Net Position:

The VLGFC is no longer considered a blended component unit of the IDA. The financial statement presentation for fiscal year 2020 has been adjusted to reflect IDA's component unit, VLGFC, as discretely presented. In addition, beginning net position for the IDA was restated to reduce accrued liabilities for Build America Bond subsidies deferred, $83,073, and commercial paper, $84,378. As a result, prior year net position of $1,186,514 was restated to $742,304 for the primary government and $611,661 for the discretely presented component unit.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Individual Component Unit Disclosures:

Blended Component Units. The Board has no blended component units at June 30, 2020.

Discretely Presented Component Units. The Board has the following discretely presented component unit:

The Virginia Local Government Finance Corporation (VLGFC) is a non-stock, not-for-profit 501(c)(4) corporation organized to administer the programs of VML/VACo Finance. The VLGFC is governed by an eleven member Board of Directors of ex officio members and others appointed by the IDA. The purpose of the VLGFC is to provide cost-effective financial and advisory services to political subdivisions throughout the Commonwealth, including carrying out certain tasks of the IDA in its efforts to assist governmental units in financing capital and other projects to be owned, leased, operated, or financially supported by such governmental units.

F. Financial Statement Presentation:

Enterprise Fund Accounting

The IDA is required to follow the accounting and reporting practices of the GASB. For financial reporting purposes the Board utilizes the enterprise fund method of accounting on an accrual basis.

For the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred, regardless of when the related cash flows take place.

VLGFC does not issue a separate financial report. The financial statement presentation for VLGFC follows the format for enterprise fund accounting similar to the IDA.

Cash and Cash Equivalents

Cash and cash equivalents are reported at cost, which approximates fair value. Cash and cash equivalents include amounts in demand deposits and when applicable, short-term investments with a maturity date within three months of the date acquired by the IDA. For purposes of the statement of cash flows the IDA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. As of June 30, there were no investments in repurchase agreements, nonnegotiable CDs, or external investment pools.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management uses the direct write-off method for known uncollectible accounts. All receivable balances at June 30, 2020 were expected to be collected by management.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Financial Statement Presentation (continued):

American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 permitted the IDA to issue federally taxable bonds known as Build America Bonds ("BABs") or Recovery Zone Economic Development Bonds ("RZEDBs") to finance authorized projects.

Under the BABs program the IDA issued taxable bonds and elected to receive a subsidy payment from the federal government equal to 35% of each interest payment due semiannually. The subsidy is subject to reductions in the subsidy payment pursuant to federal spending cut requirements commonly known as sequestration.

Under the RZEDBs program the IDA issued taxable bonds and elected to receive a subsidy payment from the federal government equal to 45% of each interest payment due semiannually. The subsidy is subject to reductions in the subsidy payment pursuant to federal spending cut requirements, i.e., sequestration.

IDA issued taxable BABs and RZEDBs under the pooled series of bonds in calendar year 2010 including the pooled bonds under 2010A, B, D, E, and G. Under this program IDA calculates the interest payment net of the subsidy for the pool participants on the participants' behalf. The interest payments provided by participants are paid at net.

The pooled bonds under 2010G included debt incurred by the IDA which includes BABs and are reported on the financial statements. The interest expense incurred by the IDA is reported at gross and the subsidy is reported as a revenue. The IDA accrues a receivable from the federal government for the subsidy payments for the August semiannual interest payment.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Premiums and Discounts on Bonds

Premiums and discounts on bonds are amortized over the life of the bond on the straight-line method. Long-term debt is reported net of related discounts and premiums.

Debt Issuance Costs

Debt issuance costs are expensed in the period incurred.

Arbitrage Rebate Liability

The reserve bonds reported on the Statement of Net Position are direct obligations of the IDA and are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage, interest, and income tax regulations. Rebatable arbitrage involves the investment of proceeds from the sale of tax-exempt debt in a taxable investment that yields a higher rate than the rate of the debt. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

F. Financial Statement Presentation (continued):

The excess earnings are determined through arbitrage rebate calculations that are performed every five years or at the maturity of the debt, whichever is earlier. For financial reporting purposes the potential liability is calculated every five years and separately reported on IDA's financial statements. IDA contracts with an arbitrage rebate specialist to perform the arbitrage rebate calculations.

Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are defined as those items that result from providing services. As the IDA and its component unit were organized to assist Virginia localities obtain long-term financing of projects, it is appropriate that both interest revenue and interest expense be included with operations. Nonoperating revenues and expenses would consist of other income and other expenses.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The IDA and VLGFC do not have any deferred outflows of resources as of June 30, 2020.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The IDA and VLGFC do not have any deferred inflows of resources as of June 30, 2020.

Net Position

Net position is the difference between assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any. Net investment in capital assets, if any, represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. The net position is unrestricted for IDA and VLGFC as of June 30, 2020.

Net Position Flow Assumption

Sometimes the IDA will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the IDA's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

Custodial credit risk is the risk, in the event of the failure of a depository financial institution or financial counterparty, the IDA will not be able to recover the value of its deposits, investments, or recover collateral securities that are in the possession of an outside party. IDA 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 IDA deposits are considered fully collateralized.

The IDA generally does not hold cash deposits except for pending debt service payments or unless an investment is sold and the proceeds are held as cash to meet the IDA's debt service reserve requirement. Funds are typically held in money market mutual funds. As of June 30, 2020, the IDA had funds totaling $928,073 held as deposits.

VLGFC deposits with banks are covered by FDIC but are not subject to the Act Section 2.2-4400 et. seq. of the Code of Virginia. The VLGFC deposit policy requires that a deposit with a single institution shall not exceed FDIC coverage. VLGFC's management evaluates each financial institution with which VLGFC deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories or custodians.

As of June 30, 2020, the bank balance of deposits for VLGFC was $733,889 and the carrying amount of deposits was $685,139. The difference between the bank and carrying amount represents funds in transit. At June 30, 2020 the deposit balances exceeded the FDIC coverage by $8,176.

Investments:

The IDA's investment policy that governs the reserve accounts limits investments to those allowed by the Code of Virginia. Pursuant to section 2.2-4501.A-5 of the Code of Virginia, it is the IDA's policy to allow investment of reserve accounts in obligations of the United States or agencies thereof and obligations of any state of the United States or political subdivisions thereof. The IDA may, however, restrict investments beyond the limits imposed by the Code of Virginia as such restrictions serve the purpose of further safeguarding IDA funds or are in the best interest of the IDA.

The VLGFC's investment policy permits only investments in U.S. Treasury instruments, U.S. Agency Securities, and negotiable certificates of deposit. The maturities on these investments are not to exceed five years. Non-FDIC money market funds are limited to Government and Prime Obligation Funds with a rating in the highest category by at least two of the following three rating agencies: S&P (AAAm), Moody's (Aaa-mf) and/or Fitch (AAAmmf).

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED):

Debt Service Reserve Fund:

The restricted cash and the investments are segregated and designated for the purpose of the debt service reserve funds and to pay future interest and principal payments on the debt incurred by the IDA associated with the debt service reserve funds. Under the bond agreements, the IDA does not have any obligation to make further contributions or commitments. Accordingly, the IDA's financial responsibility will not exceed the amounts currently on deposit in the debt service reserve funds.

Custodial Credit Risk (Investments)

The IDA's investment policy that governs the reserve accounts requires that all securities purchased for the IDA be held by the IDA or by the IDA's designated custodian. The IDA's investments at June 30, 2020 were held by the IDA or in the IDA's name by the IDA's custodial banks.

The VLGFC's investments in negotiable certificates of deposit (CDs) are held in the VLGFC's brokerage account and covered by the FDIC to protect the value of the securities. The custodian for the CDs is a member of the Securities Investor Protection Corporation (SIPC) which protects the custody function of the broker and provides coverage up to $500,000. The custodian provides additional coverage in excess of the SIPC limits to protect against the loss of the securities.

Fair Value Measurements:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The IDA and VLGFC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The IDA and VLGFC maximize the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date

- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED):

The IDA and VLGFC has the following recurring fair value measurements as of June 30, 2020:

	Fair Value Measurement Using		
Investment	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
IDA:			
Municipal/Public Bonds	$ -	$ 3,652,060	$ -
VLGFC:			
Certificates of Deposit	$ -	$ 179,166	$ -

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and disclosure is not required. The IDA's rated debt investments as of June 30, 2020, were rated by Moody's and Standard and Poor's or Fitch, and the ratings are presented below using the noted rating scale.

Rated Debt Investments	**Fair Quality Ratings - S&P / Moody's***				
Investment type	**AAA / Aaa**	**AA+ / Aa1**	**AA / Aa2**	**AA- / Aa3**	**Total**
IDA:					
Municipal/Public Bonds	$ -	$ 1,423,544	$ 1,003,270	$ 1,225,246	$ 3,652,060

* The negotiable CDs held by VLGFC are unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The IDA's and the VLGFC's investment policy establishes certain restrictions on investments. The limitations include a policy that is structured in a manner which requires diversification and investing solely in high-quality fixed income securities. Generally accepted accounting principles require disclosure of investments which exceed 5% of the total investment balance. However, the nature of the investments, including the portfolio sizes and performance volatility, for IDA and VLGFC limit the exposure of concentration risks.

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED):

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. IDA manages the risk for fixed income securities using the segmented time distribution methodology. According to the IDA's investment policy that governs the reserve accounts, investments cannot be invested longer than the debt the investment is securing.

The following is maturity of investments as of June 30, 2020:

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
IDA:					
Municipal/Public Bonds	$ 3,652,060	$ 1,003,270	$ 1,423,544	$ -	$ 1,225,246
VLGFC:					
Certificates of Deposit	$ 179,166	$ 100,996	$ 78,170	$ -	$ -

NOTE 3 - CONTINGENT LIABILITIES:

At June 30, 2020 there were no matters of litigation involving the IDA which would materially affect the Authority's financial position should any court decision or pending matter that would not be favorable to the IDA.

NOTE 4 – RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2020, the IDA expensed $1,697,903 for marketing, management, and administrative services from VLGFC Management Services, Inc. under a program administration agreement dated May 5, 2008 (along with subsequent addenda). VLGFC Management Service Inc. serves as third-party administrator and marketing agent for the Finance Program designed to enable local governments to achieve savings through pooled finance-related opportunities.

The President of VLGFC Management Services, Inc. is Robert W. Lauterberg who is also the Secretary – Treasurer of the IDA and a Managing Director of VML/VACO Finance. At June 30, 2020 the IDA had related party payables included in the above payments owed to VLGFC Management Services Inc. in the amount of $178,055.

NOTE 5 - RISK MANAGEMENT:

The IDA and VLGFC are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The IDA and VLGFC each carry commercial insurance for all these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6 - LONG-TERM OBLIGATIONS:

The IDA acts as a conduit issuer and issues municipal securities on behalf of borrowing localities allowing the borrowers to gain access to capital markets and finance projects with tax-exempt and taxable bonds. Certain debt issuances may require the IDA to extend additional commitments as defined in the bond agreements. The additional commitments require that the IDA establish a reserve fund at the program level that must maintain balances in accordance with the requirements established in the bond documents for each issuance, which varies by series. The IDA issued revenue bonds to fund debt service reserve funds. The debt service for the revenue bonds associated with the debt service reserve funds are special limited obligations of the IDA and payable solely from and secured by amounts originally deposited to each debt service reserve fund and respective investment earnings thereon.

The payment of the principal and interest on the 2007E revenue bonds are insured by an insurance policy from to Syncora Guarantee Inc.

Details of the long-term obligations incurred by the IDA in association with the debt service reserve funds are below as of June 30, 2020:

	Balance at July 1, 2019	Increases	Decreases	Balance at June 30, 2020	Due Within One Year
Business-type Activities					
Obligations:					
Incurred by IDA:					
Public offerings:					
Revenue bonds	$ 4,175,000	$ -	$ -	$ 4,175,000	$ -
Add deferred amounts:					
Issuance premium	7,650	-	425	7,225	-
Less deferred amounts:					
Issuance discount	(39,710)	-	(4,380)	(35,330)	-
Total Business-type Activities	$ 4,142,940	$ -	$ (3,955)	$ 4,146,895	$ -

The remainder of this page left blank intentionally.

NOTE 6 - LONG-TERM OBLIGATIONS: (Continued)

Annual requirements to amortize long-term debt are as follows:

	Business-type Activities	
	Public Offerings	
Year Ending	Bonds	
June 30	Principal	Interest
2021	$ -	$ 206,598
2022	-	206,598
2023	-	206,598
2024	-	206,598
2025	-	206,598
2026	-	206,598
2027	-	206,598
2028	1,925,000	206,598
2029	-	124,786
2030	-	124,786
2031	550,000	124,786
2032	-	88,700
2033	-	88,700
2034	-	88,700
2035	-	88,700
2036	-	88,700
2037	-	88,700
2038	960,000	64,700
2039	-	40,700
2040	-	40,700
2041	740,000	40,700
Total	$ 4,175,000	$ 2,746,142

Details of long-term obligations:

Incurred by the IDA:		Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Public offerings:							
Revenue Bonds:							
	2007E	5.00%	12/19/2007	8/1/2037	$ 20,415,000	$ 960,000	$ -
	2010G	6.56%	11/10/2010	2/1/2031	5,465,000	550,000	-
	2010I	4.25%	11/10/2010	2/1/2028	19,445,000	1,925,000	-
	2010K	5.00%	11/10/2010	2/1/2041	8,960,000	740,000	-
	Total Revenue Bonds					$ 4,175,000	$ -
	Bond issuance premium					$ 7,225	$ -
	Bond issuance discount					$ (35,330)	$ -
	Total long-term obligations incurred by the IDA					$ 4,146,895	$ -

NOTE 7 – CONDUIT DEBT:

The IDA acts in an agency capacity and serves as a financing conduit. As a conduit issuer, the IDA issues tax-exempt and taxable debt instruments. Although the conduit debt obligations bear the name of the IDA, the IDA makes a limited obligation. The IDA appoints an independent bond trustee (the Trustee). The proceeds of the financings are conveyed to the Trustee and the Trustee arranges the disbursements of the proceeds to the borrowers.

The conduit debt is non-recourse and the IDA does not have a general liability for the obligations. The debt instruments are limited obligations of the IDA and are payable solely from payments made by the borrowing localities and the related assets held by the Trustee. The conduit debt is secured by a collateral interest in the security pledges of the borrowers. The IDA assigns its interests in the underlying pledges to the Trustee and does not have a beneficial interest in the assets held by the Trustee. As such, the debt obligations and the related assets held by the Trustee are excluded from the financial statements.

The IDA may act as a conduit issuer on behalf of municipalities with taxing authority or political subdivisions that do not having taxing authority. The legal structure of the entity and the structure of the debt determines how the debt is secured.

Under arrangements where the IDA issues revenue bonds to borrowing municipalities as a conduit and for those municipalities with taxing authority the borrower pledges are typically general obligations and the borrower will leverage taxing authority to secure the debt. Under these arrangements, a borrowing municipality issues general obligation debt as a direct placement to the IDA. The IDA issues revenue bonds as a conduit for the municipality and the borrower’s debt to the IDA is secured by the general obligation pledge.

Under arrangements where the IDA issues revenue bonds to borrowing political subdivisions that do not have taxing authority the debt is secured by revenues from the financed projects or lease revenue pledges. For those issuances secured by a lease revenue pledge, the IDA, as the lessor, conveys the collateral to the Trustee and in effect does not have the risks and rewards of the financing lease.

The IDA may require a debt service reserve fund for some borrowers as a cash reserve to provide additional security measures and reduce the risk and ensure payment in the event of default. The debt service reserve funds are financed as part of the bond issuance proceeds and the reserve requirement generally must equal 5% of the original aggregate par amount of the borrowers’ loan.

The remainder of this page left blank intentionally.

NOTE 7 – CONDUIT DEBT: (Continued)

The conduit debt outstanding as of June 30, 2020, for bond issuances totaled $32,520,000. This total excludes the portion incurred by the IDA as reflected in Note 6.

The following issues represent the fixed rate conduit bond issuances of the IDA, totaling $32,520,000, plus the $4,175,000 incurred by the IDA as reflected in Note 6, with a portion remaining outstanding as of June 30, 2020 and are listed with the original amount issued by series:

Detail of Long-Term Indebtedness

	Dated Date	True Interest Cost ("TIC")	Par Amount	Outstanding July 1, 2019	Principal Retired During Year	Outstanding June 30, 2020	Original Maturity
Series 2005B	12/1/2005	4.53%	$53,100,000	$1,610,000	$585,000	$1,025,000	8/1/2035
Series 2007A	3/8/2007	4.03%	6,260,000	2,060,000	660,000	1,400,000	8/1/2021
Series 2007C	8/8/2007	4.73%	2,500,000	1,925,000	65,000	1,860,000	8/1/2037
Series 2007E	12/19/2007	4.62%	20,415,000	960,000	-	960,000	8/1/2037
Series 2008B	2/28/2008	6.74%	2,145,000	1,370,000	100,000	1,270,000	8/1/2028
Series 2010A	3/15/2010	3.15%	13,305,000	9,625,000	455,000	9,170,000	2/15/2030
Series 2010B	3/15/2010	3.84%	2,475,000	2,475,000	-	2,475,000	2/15/2028
Series 2010C	3/15/2010	2.99%	7,965,000	2,925,000	685,000	2,240,000	2/15/2023
Series 2010D	3/15/2010	3.54%	12,260,000	10,420,000	6,035,000	4,385,000	2/15/2040
Series 2010E	3/15/2010	4.07%	4,850,000	4,485,000	1,515,000	2,970,000	2/15/2030
Series 2010G	12/7/2010	3.97%	5,465,000	5,465,000	2,385,000	3,080,000	2/1/2031
Series 2010I	12/7/2010	3.51%	19,445,000	5,850,000	890,000	4,960,000	2/1/2028
Series 2010K	12/7/2010	5.31%	8,960,000	3,595,000	2,695,000	900,000	2/1/2041

The IDA issued variable rate obligations on behalf of local government participants. The IDA has the capacity to issue up to $225 million in variable rate demand bonds through a letter of credit with Bank of America. In May 2020 the IDA terminated the variable rate loan program that had the authorization to issue up to $50 million through a letter of credit with U.S. Bank. As of June 30, 2020, the IDA had a total of $1,925,000 in variable rate demand bonds outstanding, split between two series.

NOTE 8 – SUBSEQUENT EVENTS:

The IDA has performed an evaluation of subsequent events through February 5, 2021, the date the basic financial statements were available to be issued. On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the "COVID-19 outbreak"). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. Management is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

On January 25, 2021, the IDA sold an investment in a reserve fund with a fair value on the trade date of $851,997 and realized a gain on the sale of S40,434. The cash received from the sale was used to partially redeem bonds in the 2010I Series on February 1, 2021.

On January 29, 2021, VLGFC purchased an investment using deposits held in excess of the FDIC insured amounts. The investment was made in a negotiable certificate of deposit with a cost basis of $81,197 which matures on August 14, 2023 and receives interest payments semi-annually.

The remainder of this page left blank intentionally.

ROBINSON, FARMER, COX ASSOCIATES, PLLC
Certified Public Accountants

RFC CPAs | CONSULTANTS

Independent Auditors' 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*

To the Honorable Members of the Board of Directors
Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia
Richmond, Virginia

We have audited, in accordance with the 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 business-type activities and the discretely presented component unit of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's basic financial statements and have issued our report thereon dated February 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia'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 entity'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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia'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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richmond, Virginia
February 5, 2021