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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ LOUISA □ BLACKSBURG



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INTRODUCTORY SECTION

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

Principal Officials
Year Ended June 30, 2016

Board of Directors

Jane T. Pietrowski, Ph.D. Chairmain
City of Staunton

Michael H. Lovitt, Vice Chairman
County of Stafford

Gary G. Adkins
County of Stafford

Ray Griffin
City of Staunton

Patrick J. Kelly
City of Staunton

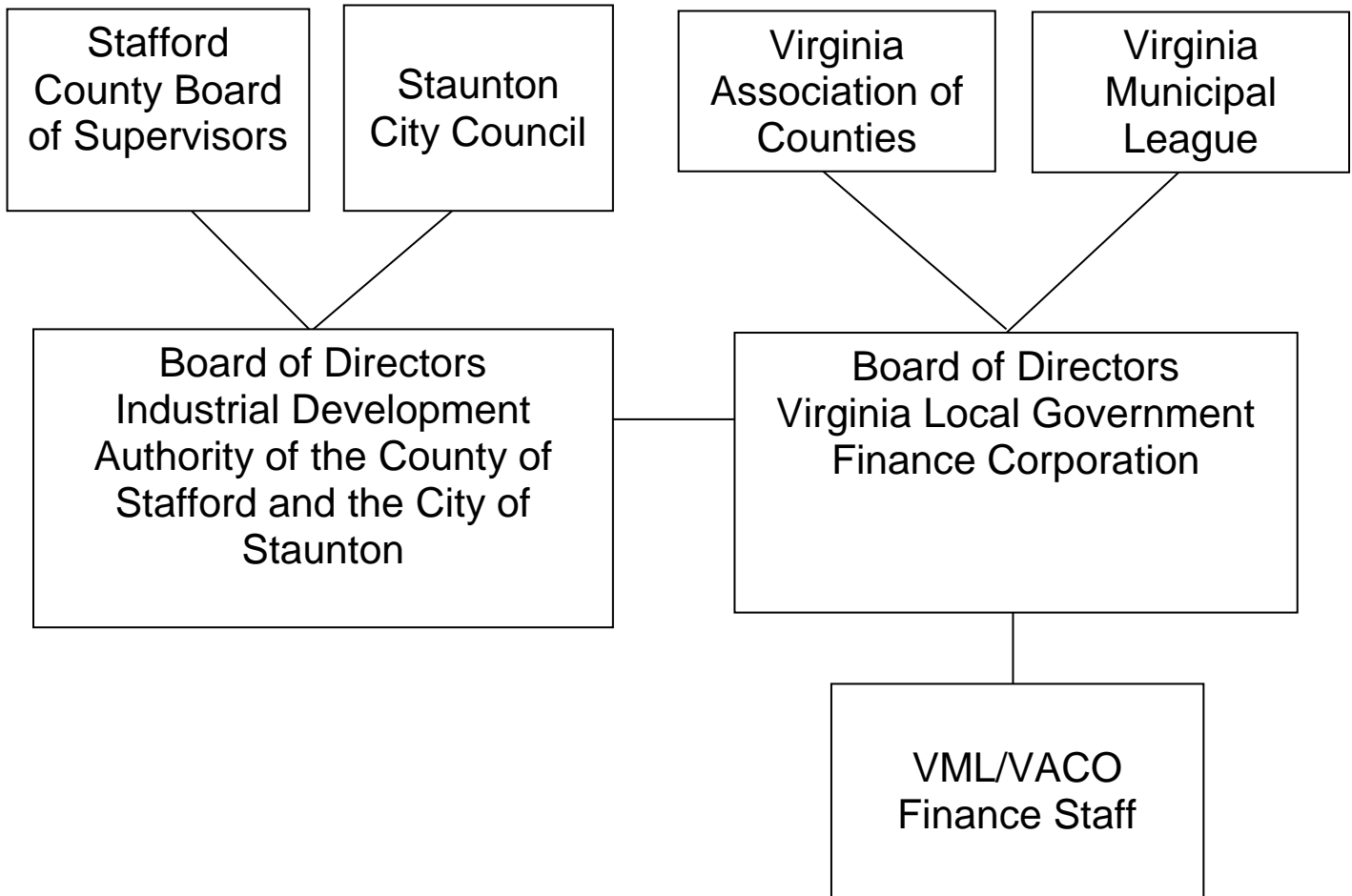
Terry Payne
County of Stafford

Administrative Staff

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

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

**Industrial Development Authority
of the County of Stafford
and the City of Staunton
Organization Chart**



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

LETTER OF TRANSMITTAL

October 27, 2016

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 *Comprehensive Annual Financial Report* (CAFR) of the Industrial Development Authority of the County of Stafford and the City of Staunton (IDA) for the fiscal year ended June 30, 2016. The CAFR 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). It is intended to provide readers with a clearly articulated, user-friendly reporting of the IDA's financial affairs.

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 CAFR 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, 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 established to serve as program administrator for the IDA and further its purposes. VLGFC's Board of Trustees is appointed by the IDA Board of Directors from among nominees submitted by VML and VACo.

In addition to supporting the IDA's mission of providing financing for local governments, VLGFC administers investment and accounting services programs:

- The **Virginia Pooled OPEB Trust Fund**, formed in 2008, provides Virginia local governments and authorities with an investment vehicle for assets they accumulate to offset the long-term liabilities associated with post-employment benefits other than pensions (OPEB). An accounting standard issued by the Governmental Accounting Standards Board in 2004 requires governments to report as a liability the costs of providing health care and other non-pension benefits to their retired employees. To offset this liability on their statements of net assets, many local governments are choosing to set aside funds and invest them in irrevocable trusts such as the Virginia Pooled OPEB Trust Fund. The Virginia Pooled OPEB Trust, one of the largest pooled OPEB trust funds in the nation, provides localities with a professionally managed investment portfolio at less cost than establishing similar individual trust accounts. The Virginia Pooled OPEB Trust has separate financial statements which may be accessed at valocalfinance.org.
- The **Virginia Investment Pool (VIP) Trust Fund** was established in September 2013 through the joint exercise of powers of two founding members, the Cities of Chesapeake and Roanoke. The VIP was created with the purpose of enabling Virginia local governments and authorities to jointly invest assets in one or more investment portfolio under the direction and daily supervision of a professional fund manager. Income of the Trust is tax-exempt under Section 115 of the Internal Revenue Code. The initial portfolio of the Trust, for which the expected investment horizon is one year or longer, has the primary benefit of potentially generating a greater return than would be received investing in a traditional money market fund. The assets of the initial portfolio, named the VIP 1-3 Year High Quality Bond Fund (the "VIP 1-3 Year"), are invested in high-quality corporate and government fixed income securities, most with maturities of 1-3 years. The VIP 1-3 Year is rated AAf/S1 by Standard & Poor's. Investors in the VIP 1-3 Year have access to semi-monthly liquidity. The VIP Trust Fund is governed by a Board of Trustees which comprises Treasurers or Chief Investment Officers of participating political subdivisions. The VLGFC acts as administrator of the VIP Trust. Since its inception, nearly four dozen additional political subdivisions have joined

the VIP through trust joinder agreements. The Virginia Investment Pool has separate financial statements which may be accessed at valocalfinance.org.

- Since 2009, the VLGFC has offered **Accounting Services** to local governments, providing accounting assistance through CPAs and experienced governmental accountants. The Program aids local governments in maintaining their records and transactions in compliance with Generally Accepted Accounting Principles.
- VLGFC also serves as the **Program Administrator** for the Virginia Government Finance Officers' Association (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 representative, assisting members and the Executive Board with day-to-day activities, coordination of conference activities, and financial administration.

FY 2016 Highlights

The IDA and VLGFC continued during the year to administer various outstanding publicly traded bond issues in connection with the following programs. (See Note 5 for further information).

Pooled Loan Bond Program:

- *Series 2004 -2007* are insured pooled municipal bond issues with fixed rates and include reserve funds at the program level. All of the outstanding Series 2004A, 2004B, and 2004C Bonds either matured or were called and redeemed prior to July 1, 2015. The Series 2005A and 2005BC Bonds issued to fund the Program-level debt service reserve funds were called for early redemption on August 1, 2015, which was the optional call date. A portion of the Series 2006A Bonds issued to fund the Program-level debt service reserve fund were called for early redemption on August 1, 2016. The Series 2006B Bonds issued to fund the Program-level debt service reserve fund were called for early redemption on October 1, 2016. As of October 27, 2016, the Series 2005, 2006 and 2007 Bonds have not been fully retired and redeemed.
- *Series 2008* is a pooled municipal bond issue with a fixed rate, but is not insured. This bond series includes reserve funds at the borrower level not the program level.
- *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.

Commercial Paper Program: The Commercial Paper Program consists of variable rate demand bonds traded in commercial paper mode. Bond proceeds are loaned to participants in the Program at a variable tax-exempt or taxable rate. Commercial paper's flexibility and low closing costs, the Program does not charge a closing fee, make this Program ideal for construction projects or grant anticipation loans.

Direct Loan Program: These are weekly-remarketed variable rate bonds combined with interest rate hedge agreements. The final direct loan remaining in the program was refunded subsequent to June 30, 2015. Funds were deposited to prepay the direct loan (and fees) on September 29, 2015. The related interest rate hedge agreement was terminated on September 29, 2015, as well. The related Variable Rate Demand Bonds were redeemed on November 2, 2015. There have been no participants in the Program since November 2, 2015, as the Program is no longer active.

Commonwealth Loan Program: These are weekly-remarketed variable rate bonds, combined with interest rate hedge agreements. During FY 2016, two loans with interest rate hedge agreements remained outstanding.

Fixed Rate Loan Program: This is a low-cost, long-term financing option for capital projects of \$1.0 million and more. Program staff identifies the most cost effective funding source for local government projects through the issuance of a request for proposal, which is distributed to financial institutions interested in providing loans to local governments and authorities in Virginia. With low costs of issuance, the flexible financing schedule, and a streamlined process, the Fixed Rate Loan Program has many advantages over the traditional public bond sale.

Equipment Leasing Program: This is a complement to the Fixed Rate Loan Program. This program issues requests for proposals and manages the lending process on behalf of client local governments for equipment leases.

VLGFC continued in its role as program administrator for the Virginia Pooled OPEB Trust, which managed 47 accounts in two separate investment portfolios at June 30, 2016. Net assets of the Trust at year-end were \$791 million.

VLGFC also continued in its role as program administrator for the VIP 1-3 Year portfolio which managed 38 participant accounts at June 30, 2016. Net assets of the VIP Trust at year-end were \$376 million.

VLGFC also continued offering Accounting Services to local government clients. During FY2016, the Accounting Services program assisted Virginia localities with interim personnel placements and accounting support.

Independent Audit

For the fiscal year ended June 30, 2016, 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

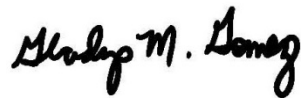
The completion of this report reflects the combined oversight and efforts of the Board of Directors of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, the Board of Directors of the Virginia Local Government Finance Corporation, and the staff of VML/VACo Finance. The report is intended to provide comprehensive and reliable information about the IDA and VLGFC and allow for the evaluation of the stewardship of the funds of both entities.

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



Gladys M. Gomez, CPA, CGMA
Comptroller
VML/VACo Finance

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY CORPORATION

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, 2016, 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 respective 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, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

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 October 25, 2016, 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 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 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 the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "R. F. Clark", followed by a long horizontal line.

Richmond, Virginia
October 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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

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

Statement of Net Position

- The assets of the IDA exceeded the liabilities at June 30, 2016 by \$909,875. This represents a substantial increase from the prior year unrestricted net position of \$559,926.
- The IDA's unrestricted net position increased by \$349,949 during fiscal year end June 30, 2016. This increase largely reflects unrealized gains on long term investments. Since these assets are intended to be held to maturity, these unrealized gains on investments may not necessarily become realized gains. Additionally, several bond issues, along with their reserve fund investments, matured or were redeemed during the fiscal year which reduced both sides of the ledger. (See Transmittal Letter for more detail.)
- Accrued liabilities include amounts paid by participants to bank accounts controlled by the IDA for the payment of principal and interest due on their outstanding obligations. These liabilities offset cash receipts in various accounts that do not represent revenue of the IDA, but are instead amounts held on behalf of participants for upcoming debt service payments. The total amount of debt service payable on behalf of participants at June 30, 2016, was \$260,559.

Statement of Revenues, Expenses, and Changes in Net Position

- The operating revenues of the IDA exceeded operating expenses by \$349,949. Reflected in this amount are unrealized gains on investments due to changing market conditions.

Statement of Cash Flows

- The IDA experienced negative cash flow during fiscal year ended June 30, 2016. The net decrease in cash for FY 2016 was \$2,932,930, which represents a substantial decrease from the prior year cash flow increase of \$5,189,998. This is due to the redemption of the bonds.

Virginia Local Government Finance Corporation

Statement of Net Position

- The assets of VLGFC exceeded its liabilities at June 30, 2016 by \$686,350. This is an increase of \$73,060 from the unrestricted net position of \$613,290 at June 30, 2015. The only liabilities of VLGFC were accounts payable of \$188,020.
- All of the accounts payable at year end were related to expenses incurred in the second half of FY 2016 and paid during the first quarter of FY 2017.

Statement of Revenues, Expenses and Changes in Net Assets

- The operating revenues of VLGFC exceeded its operating expenses by \$73,060 for fiscal year ended June 30, 2016. In FY 2015, operating expenses exceeded operating revenues by \$416,979. In comparison to the FY15 operating income of \$416,979, the FY16 operating income represents a year-to-year decline due to a reduction in the distributions from the IDA to VLGFC related to optional early bond redemptions.

Statement of Cash Flows

- VLGFC experienced positive cash flow during fiscal year ended June 30, 2016. Cash and cash equivalents increased by \$103,991 in FY 2016 as compared to the increase in cash and cash equivalents of \$397,897 in FY 2015. Again, this year-to-year decline is related to a reduction in the distributions from the IDA to VLGFC related to optional early bond redemptions.

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 2016 and the status of those financial resources at June 30, 2016. 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.

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.

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 assets as of June 30, 2016 and 2015.

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		VLGFC	
	2015-2016	2014-2015	2015-2016	2014-2015
Current and other assets	\$ 3,226,648	\$ 6,239,511	\$ 874,370	\$ 757,119
Investments	8,494,526	10,483,023	-	-
Total assets	\$ 11,721,174	\$ 16,722,534	\$ 874,370	\$ 757,119
Current liabilities	\$ 3,313,486	\$ 784,839	\$ 188,020	\$ 143,829
Long-term obligations	7,497,813	15,377,769	-	-
Total liabilities	\$ 10,811,299	\$ 16,162,608	\$ 188,020	\$ 143,829
Net position:				
Unrestricted	\$ 909,875	\$ 559,926	\$ 686,350	\$ 613,290
Total net position	\$ 909,875	\$ 559,926	\$ 686,350	\$ 613,290

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Assets illustrates the cost of governmental activities net of related revenue. A summary of the statement of activities for the fiscal years ending June 30, 2016 and 2015 follows.

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		VLGFC	
	2015-2016	2014-2015	2015-2016	2014-2015
Operating Revenue	\$ 809,438	\$ 1,051,764	\$ 1,205,582	\$ 1,197,639
Distribution from IDA	-	-	212,201	484,668
Unrealized gain (loss) on Investments	594,750	(51,338)	-	-
Total Operating Revenues	\$ 1,404,188	\$ 1,000,426	\$ 1,417,783	\$ 1,682,307
Operating Expenses				
Cost of Issuance/Loan				
Program Administration	\$ -	\$ -	\$ 315,385	\$ 335,767
Financial & Acctg Svcs	-	-	953,827	868,510
Debt Service- Interest	455,159	843,368	-	-
Distribution to VLGFC	212,201	484,668	-	-
Other Operating Expenses	386,879	344,053	75,511	61,051
Total Operating Expenses	\$ 1,054,239	\$ 1,672,089	\$ 1,344,723	\$ 1,265,328
Operating Income (Loss)	\$ 349,949	\$ (671,663)	\$ 73,060	\$ 416,979
Change in Net Position	\$ 349,949	\$ (671,663)	\$ 73,060	\$ 416,979

OUTLOOK FOR FISCAL YEAR 2017

The IDA will focus its financing efforts in FY 2017 on the Commercial Paper Program, in which the IDA provides financing to local governments and authorities. 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 addition, the IDA will continue to identify opportunities to refund existing IDA bond issues, on or near their 10-year call dates, at lower interest rates.

As program administrator for VML/VACo Finance, the VLGFC manages the financing programs of the IDA as well as other loan and leasing programs in which the IDA does not serve as a conduit issuer. In addition, VLGFC administers VML/VACo Finance's various investment and accounting services programs. Investment programs will continue to comprise a large and growing share of VLGFC revenues and expenses. The successful Virginia Pooled OPEB Trust managed \$791 million in assets as of June 30, 2016. The Virginia Investment Pool ended the year with assets of \$376 million and on September 23, 2016 established a second investment portfolio, the VIP Stable NAV Liquidity Pool. 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, 919 E. Main St., Suite 1100, Richmond, VA 23219, (804) 648-0635.

BASIC FINANCIAL STATEMENTS

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Statement of Net Position
At June 30, 2016

	Primary Government	Component Unit
	Business-type Activities	Virginia Local Government Finance Corporation
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 3,069,760	\$ 667,867
Accounts receivable	-	206,503
Interest receivable	156,888	-
Total current assets	<u>\$ 3,226,648</u>	<u>\$ 874,370</u>
Noncurrent assets:		
Investments	\$ 8,494,526	\$ -
Total noncurrent assets	<u>\$ 8,494,526</u>	<u>\$ -</u>
Total assets	<u>\$ 11,721,174</u>	<u>\$ 874,370</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 166,756	\$ 188,020
Accrued liabilities	260,559	-
Interest payable	211,171	-
Current portion of long-term obligations	2,675,000	-
Total current liabilities	<u>\$ 3,313,486</u>	<u>\$ 188,020</u>
Noncurrent liabilities:		
Long-term obligations	\$ 7,497,813	\$ -
Total noncurrent liabilities	<u>\$ 7,497,813</u>	<u>\$ -</u>
Total liabilities	<u>\$ 10,811,299</u>	<u>\$ 188,020</u>
Net position:		
Unrestricted	\$ 909,875	\$ 686,350
Total net position	<u>\$ 909,875</u>	<u>\$ 686,350</u>

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

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, 2016

	Primary Government	Component Unit
	Business-type Activities	Virginia Local Government Finance Corporation
Operating revenues:		
Fees resulting from the issuance and administration of debt	\$ 252,897	\$ -
Interest on deposits	884	5,131
Interest on investments	555,657	-
Distribution from IDA	-	212,201
Fees resulting from financial and accounting services	-	1,200,451
Unrealized gain (loss) on investments	594,750	-
Total operating revenues	\$ 1,404,188	\$ 1,417,783
Operating expenses:		
Cost of issuance/loan program administration	\$ -	\$ 315,385
Financial and accounting services	-	953,827
Debt service - interest	455,159	-
Distribution to VLGFC	212,201	-
Other operating expenses	386,879	75,511
Total operating expenses	\$ 1,054,239	\$ 1,344,723
Operating income (loss)	\$ 349,949	\$ 73,060
Change in net position	\$ 349,949	\$ 73,060
Net position, beginning of year	559,926	613,290
Net position, end of year	\$ 909,875	\$ 686,350

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Statement of Cash Flows
Year Ended June 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Business-type Activities</u>	<u>Virginia Local Government Finance Corporation</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 252,897	\$ 1,187,191
Receipts from other activities	581,280	217,332
Payments for operating activities	(1,160,548)	(1,300,532)
Net cash provided by (used for) operating activities	<u>\$ (326,371)</u>	<u>\$ 103,991</u>
Cash flows from noncapital financing activities:		
Sale of investments	\$ 2,638,441	\$ -
Redemption of bonds	(5,245,000)	-
Net cash provided by (used for) noncapital financing activities	<u>\$ (2,606,559)</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,932,930)	\$ 103,991
Cash and cash equivalents, beginning of year	6,002,690	563,876
Cash and cash equivalents, end of year	<u><u>\$ 3,069,760</u></u>	<u><u>\$ 667,867</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 349,949	\$ 73,060
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Amortization of bond premium	(79,336)	-
Amortization of bond discount	4,380	-
Realized and unrealized losses (gains) on securities	(594,750)	-
(Increase) decrease in:		
Receivables	24,739	(13,260)
Increase (decrease) in:		
Accounts payable and accrued liabilities	76,058	44,191
Interest payable	(107,411)	-
Net cash provided by (used for) operating activities	<u><u>\$ (326,371)</u></u>	<u><u>\$ 103,991</u></u>

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

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

Notes to Financial Statements
At June 30, 2016

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 to member organizations.

B. Financial Reporting Entity:

The basic criteria for including organizations within the reporting entity, as set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the activity and functions of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia (the IDA) as well as its component unit. The component unit discussed below is reported separately from the IDA's reporting entity.

Virginia Local Government Finance Corporation

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 VLGFC is included as part of the business-type activities because it is organized to carry out certain purposes of the IDA in its efforts to assist governmental units throughout the Commonwealth of Virginia in financing capital and other projects to be owned, leased, operated or financially supported by such governmental units. The VLGFC does not issue separate financial statements.

C. Financial Statement Presentation:

Management's Discussion and Analysis

GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statement Presentation (Continued):

Enterprise Fund Accounting

The IDA is required to follow the accounting and reporting practices of the GASB. For financial reporting purposes both the IDA and VLGFC utilizes the enterprise fund method of accounting using the 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.

Cash and Cash Equivalents

Cash and cash equivalents are reported at cost, which approximates market. 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

Money market 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.

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 being amortized over the life of the bond on the straight-line method.

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, 2016 were expected to be collected by management.

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 grants, other income and other expenses.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Financial Statement Presentation (Continued):

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, 2016.

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, 2016.

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.

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.

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 2 - 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.

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.

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, 2016 were held by the IDA or in the IDA's name by the IDA's custodial banks.

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

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 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 maximizes 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.

(If there has been a change in valuation technique that has a significant effect on the result (e.g., changing from an expected cash flow technique or the use of an additional valuation technique), document that specific change, and the reason(s) for making it.)

The IDA has the following recurring fair value measurements as of June 30, 2016:

Investment	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase Agreements - Underlying:			
Municipal/Public Bonds	\$ 7,411,200	\$ -	\$ -
Tax Pension Obligations	1,083,326	-	-
Totals	<u>\$ 8,494,526</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Credit Risk of Debt Securities

The IDA's rated debt investments as of June 30, 2016 were rated by Moody's and Standard and Poor's and the ratings are presented below using the noted rating scale.

Rated Debt Investments Investment type	Fair Quality Ratings (Standards & Poor's)*			
	AAA	AA	A	Unrated
Repurchase Agreements - Underlying:				
Municipal/Public Bonds	\$ -	\$ 7,411,200	\$ -	\$ -
Taxed Pension Obligations	-	1,083,326	-	-
Totals	\$ -	\$ 8,494,526	\$ -	\$ -

* - For investments that did not have a Standard & Poor's rating, categorization was achieved based on the equivalent Moody's Investors Service rating.

Interest Rate Risk

According to the IDA's investment policy that governs the reserve accounts, investments cannot be invested longer than the debt the investment is securing.

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Municipal/Public Bonds	\$ 7,411,200	\$ -	\$ 1,132,710	\$ 1,553,605	\$ 4,724,885
Taxed Pension Obligations	1,083,326	-	-	-	1,083,326
Total	\$ 8,494,526	\$ -	\$ 1,132,710	\$ 1,553,605	\$ 5,808,211

NOTE 3 - CONTINGENT LIABILITIES:

At June 30, 2016 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 not be favorable to the IDA.

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 4 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the IDA for the year ended June 30, 2016.

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016	Amounts Due Within One Year
Incurring by IDA:					
Reserve bonds	\$ 15,290,000	\$ -	\$5,245,000	\$ 10,045,000	\$ 2,675,000
Issuance premium	260,000	-	79,336	180,664	-
Issuance discount	(57,231)	-	(4,380)	(52,851)	-
Total incurred by IDA	<u>\$ 15,492,769</u>	<u>\$ -</u>	<u>\$5,319,956</u>	<u>\$ 10,172,813</u>	<u>\$ 2,675,000</u>

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

Year Ending June 30	Reserve Bonds	
	Principal	Interest
2017	\$ 2,675,000	\$ 443,604
2018	-	367,648
2019	-	367,648
2020	-	367,648
2021	-	367,648
2022	-	367,648
2023	-	367,648
2024	-	367,648
2025	-	367,648
2026	-	367,648
2027	-	367,648
2028	1,925,000	367,648
2029	-	285,836
2030	-	285,836
2031	550,000	285,836
2032	-	249,750
2033	-	249,750
2034	-	249,750
2035	-	249,750
2036	-	249,750
2037	1,585,000	236,100
2038	2,570,000	104,950
2039	-	40,700
2040	-	40,700
2041	740,000	40,700
Total	<u>\$ 10,045,000</u>	<u>\$ 7,057,140</u>

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 4 - LONG-TERM OBLIGATIONS (Continued):

Details of long-term obligations:

	<u>Year Issued</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Obligations:			
Incurred by IDA:			
Reserve Bonds payable			
\$59,490,000 Revenue Bonds, 2006A reserve, matures August 1, 2036	2006	4.000%-5.250%	\$ 2,685,000
\$10,750,000 Revenue Bonds, 2006B reserve, matures August 1, 2036	2006	5.000%	510,000
\$23,490,000 Revenue Bonds, 2006C reserve, matures August 1, 2036	2006	3.500%-5.250%	1,065,000
\$35,890,000 Revenue bonds, 2007BCD reserve, matures February 1, 2037	2007	5.000%	1,610,000
\$20,415,000 Revenue bonds, 2007E reserve, matures August 1, 2037	2007	5.000%	960,000
\$5,465,000 Revenue Bonds, 2010G reserve, matures February 1, 2031	2010	6.561%	550,000
\$19,445,00,000 Revenue Bonds, 2010I reserve, matures February 1, 2028	2010	4.250%	1,925,000
\$8,960,000 Revenue bonds, 2010K reserve, matures February 1, 2041	2010	5.000%	740,000
Unamortized premiums			180,664
Unamortized discounts			(52,851)
Total incurred by IDA			\$ <u><u>10,172,813</u></u>

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 5 - CONDUIT DEBT:

The IDA can authorize the issuance of revenue bonds for the purpose of obtaining and constructing facilities. Such debt is payable solely from the revenues derived from structured liens or pass-through leases of the facilities constructed for the related enterprises. Collections of revenues pledged to liquidate the bonds are assigned to a trustee. Such debt does not constitute a debt or pledge of the faith and credit of the IDA. Accordingly, such debt and related assets are not presented in the financial statements.

The following issues represent fixed rate conduit debt or pass-through debt of the IDA:

	Original Amount	Date Due	Obligation Series
\$	22,650,000	8/1/2035	2005A Series
	53,100,000	8/1/2034	2005B Series
	34,795,000	8/1/2035	2005C Series
	59,490,000	8/1/2036	2006A Series
	10,750,000	8/1/2036	2006B Series
	23,490,000	8/1/2036	2006C Series
	6,260,000	8/1/2021	2007A Series
	35,890,000	8/1/2037	2007BCD Series
	20,415,000	8/1/2037	2007E Series
	6,145,000	8/1/2038	2008AB Series
	13,305,000	2/15/2030	2010A Series
	2,475,000	2/15/2028	2010B Series
	7,965,000	2/15/2023	2010C Series
	12,260,000	2/15/2040	2010D Series
	4,850,000	2/15/2030	2010E Series
	4,775,000	2/15/2018	2010F Series
	5,465,000	2/1/2031	2010G Series
	1,125,000	2/1/2016	2010H Series
	19,445,000	2/1/2028	2010I Series
	8,960,000	2/1/2041	2010K Series

The IDA has also 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 and up to \$50 million through a letter of credit with U.S. Bank, although U.S. Bank is no longer accepting applications. As of June 30, 2016, the IDA had a total of \$30,390,000 in variable rate demand bonds outstanding, split between four series.

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 5 - CONDUIT DEBT (Continued):

2008 Series A bonds have variable interest rates that reset for periods not to exceed thirty-one days. The interest rates on these bonds outstanding at June 30, 2016 was 0.42% (tax-exempt) and 0.50% (taxable) maturing on July 1, 2016.

2009 Series A bonds have variable interest rates that reset on a weekly basis. The two participants in the 2009 Series A bonds have fixed rate obligations that are financed by the Series A bonds with interest rate hedge agreements. The fixed rates for the participants in the Series A program ranged from 4.84% to 4.89% including fees, at June 30, 2016.

NOTE 6 - RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2016, the IDA and the VLGFC expensed \$46,029 and \$775,294 respectively 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 the Managing Director of VML/VACO Finance. At June 30, 2016 the IDA and VLGFC had related party payables included in the above payments owed to VLGFC Management Services Inc. in the amount of \$7,275 and \$132,907, respectively.

NOTE 7 - RISK MANAGEMENT:

The IDA is 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 carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

Notes to Financial Statements
At June 30, 2016 (Continued)

NOTE 8 - INTEREST RATE HEDGE AGREEMENT:

At June 30, 2016 the IDA held one floating-to-fixed interest rate swap with Bank of America N.A. and two floating-to-fixed interest rate swaps with US Bank. The purpose of these agreements was to provide fixed rate financing to borrowers of the IDA through the use of underlying variable rate demands bonds which reset on a weekly basis. As such, the IDA pays monthly fixed rate payments (as received from participant borrowers) to US Bank. US Bank pays a variable rate based on the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA). One of the loans from US Bank is taxable. For this taxable loan, US Bank pays a variable rate based on the London Interbank Offered Rates (LIBOR) with a 90 day maturity. Information on the interest rate agreement is as follows:

Description	Notional Amount	Change in Fair Value from 6/30/15	Fair Value on 6/30/16
Fixed/Float Swaps - US Bank	4,675,000	31,793	(373,687)

For the Swaps noted above, all are conduit debt of the IDA and therefore are not presented in the financial statements.

NOTE 9 - LINE OF CREDIT:

On August 11, 2010 the IDA signed a revolving term note agreement not to exceed \$500,000 with TD Bank, N.A., to be drawn upon as needed in connection with administration of the IDA's outstanding Recovery Act Bonds issued in calendar year 2010. The note is secured by all property of the IDA whether real or personal. The interest rate on the note is equal to 1% above the Wall Street Journal prime rate, payable each month. The line of credit was renewed November 30, 2015. At June 30, 2016, there were no funds drawn down on this line of credit.

NOTE 10 SUBSEQUENT EVENTS:

As of August 1, 2016, the optional call date of the Series 2006A Bonds, the bonds related to the reserve fund of the Series 2006A Bond issue have been partially redeemed at \$2,165,000. As of October 25, 2016, this series of bonds has not been fully retired or redeemed.

On October 1, 2016, the bonds related to the reserve fund of the Series 2006B Bond issue were fully redeemed at \$510,000. As of October 25, 2016, this series of bonds has been fully retired and redeemed.

OTHER SUPPLEMENTARY INFORMATION

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Commonwealth Loan Program
Schedule of Net Position
At June 30, 2016

	<u>Commonwealth Loan Program</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ <u>94,560</u>
<u>LIABILITIES AND NET POSITION</u>	
Current liabilities:	
Accrued liabilities	\$ 4,611
Accounts payable	5,559
Total current liabilities	\$ <u>10,170</u>
Net position:	
Unrestricted	\$ <u>84,390</u>

Commonwealth Loan Program is accounted for within the primary government.

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Commonwealth Loan Program
Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

	Commonwealth Loan Program
Operating revenues:	
Fees resulting from the issuance and administration of debt	\$ 21,761
Total operating revenues	\$ 21,761
Operating expenses:	
Other operating expenses	\$ 17,326
Total operating expenses	\$ 17,326
Operating income (loss)	\$ 4,435
Change in net position	\$ 4,435
Net position, beginning of year	79,955
Net position, end of year	\$ 84,390

Commonwealth Loan Program is accounted for within the primary government.

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Commonwealth Loan Program
Schedule of Cash Flows
Year Ended June 30, 2016

	<u>Commonwealth Loan Program</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 21,761
Payments for operating activities	(21,899)
	<u> </u>
Net cash provided by (used for) operating activities	\$ (138)
	<u> </u>
Net increase (decrease) in cash and cash equivalents	\$ (138)
	<u> </u>
Cash and cash equivalents, beginning of year	94,698
Cash and cash equivalents, end of year	<u><u>\$ 94,560</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 4,435
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in:	
Accounts payable and accrued liabilities	(4,573)
Net cash provided by (used for) operating activities	<u><u>\$ (138)</u></u>
Commonwealth Loan Program is accounted for within the primary government.	

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2016 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 October 25, 2016.

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) to determine the 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.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a long horizontal line.

Richmond, Virginia
October 25, 2016