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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ STAUNTON □ LOUISA □ BLACKSBURG



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

Principal Officials
Year Ended June 30, 2018

Board of Directors

Gary G. Adkins, Chairman
County of Stafford

Ray Griffin, Vice Chairman
City of Staunton

Michael H. Lovitt
County of Stafford

Michael D. Norris
City of Staunton

Terry Payne
County of Stafford

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

Courtland Robinson
City of Staunton

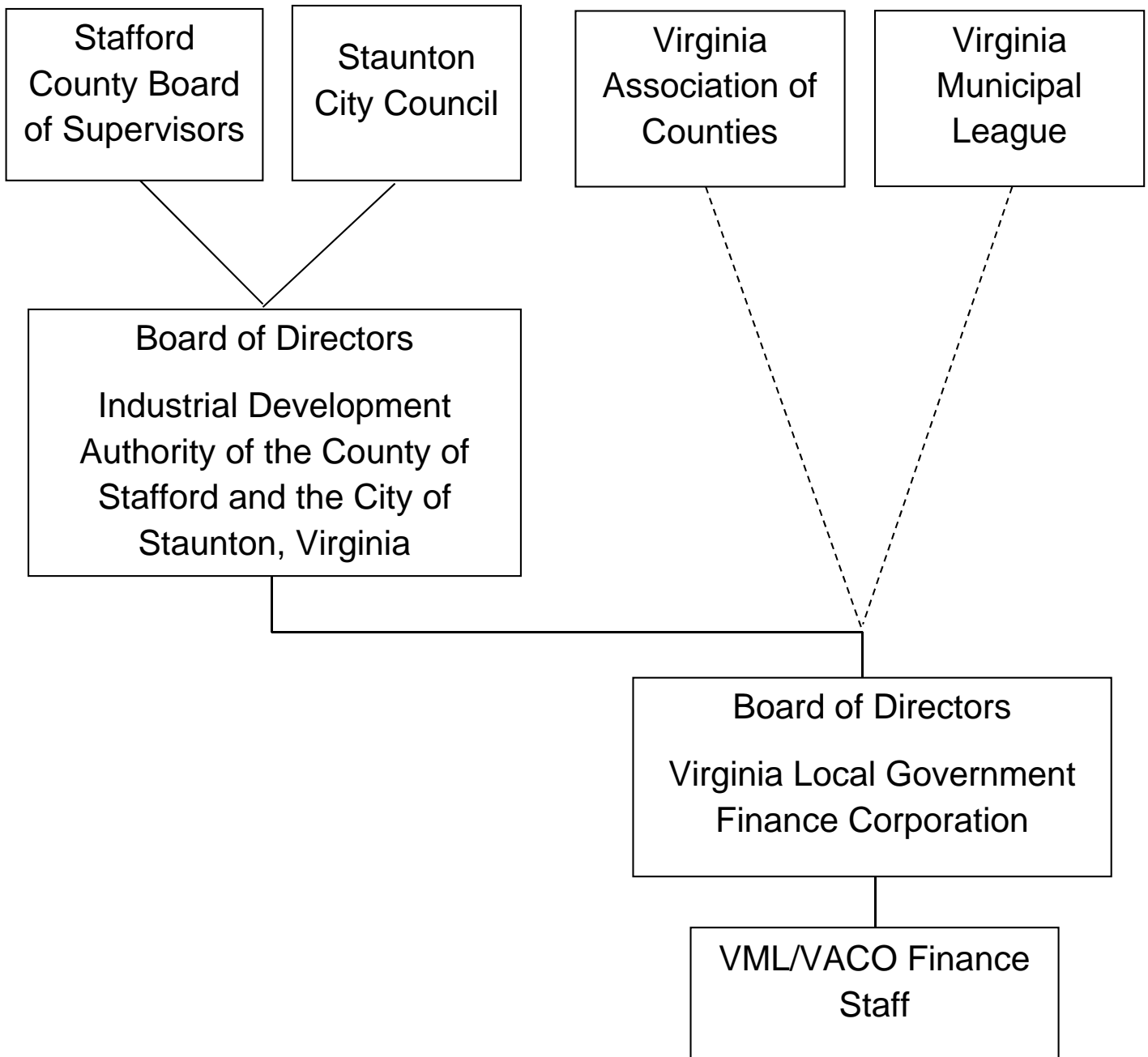
Administrative Staff

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

Steven C. Mulroy, Assistant Secretary
Managing Director
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

October 31, 2018

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, Virginia (IDA) for the fiscal year ended June 30, 2018. 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, Virginia (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 Directors 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, and serves as the Program Administrator for the Virginia Government Finance Officers' Association:

- The **Virginia Pooled OPEB Trust Fund** ("OPEB Trust"), operating pursuant to the Virginia Pooled OPEB Trust Fund Agreement, was established on April 11, 2008, 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 OPEB Trust is tax-exempt under Section 115 of the Internal Revenue Code. The OPEB Trust is jointly sponsored by the Virginia Association of Counties (VACo) and the Virginia Municipal League (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 privately managed individual trust accounts. The OPEB Trust has separate financial statements which are available upon request.
- The **Virginia Investment Pool Trust Fund** ("VIP Trust") was established in 2013 under the Joint Exercise of Powers statute of the Commonwealth of Virginia by founding participants the City of Chesapeake and the City of Roanoke. The VIP Trust operates under the Virginia Investment Pool Trust Fund Agreement, which was adopted by the Trust Fund Board on September 13, 2013. The VIP Trust is an Internal Revenue Code Section 115 governmental trust and was created to provide political subdivisions of the Commonwealth of Virginia with an investment vehicle to pool their funds and to invest such funds in one or more investment 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 the Virginia Association of Counties (VACo) and the Virginia Municipal League (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, two highly-rated portfolios, and convenient, secure online 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 their investments. The VIP Trust has separate financial statements which are available upon request.

- 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, and provides assistance with preparing for audits.
- 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 2018 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 2005 – 2007* are insured pooled municipal bond issues with fixed interest rates which generally include a reserve fund at the Program level. The IDA bonds related to the last remaining participants in the Series 2005A and Series 2005C issues were redeemed in December 2017. In February 2018, the IDA bonds issued to fund the Series 2006A reserve fund were redeemed. There are no remaining outstanding bonds, including at the Program level for reserve funds, in these three series (2005A, 2005C and 2006A). In February 2018, the IDA bonds issued to fund the Series 2007BC reserve fund were redeemed. IDA bonds issued for participants in the Series 2005B, 2007A, and 2007BCD issues remain outstanding as of October 31, 2018. IDA bonds issued to fund a reserve fund in the Series 2007E issue also remain outstanding as of October 31, 2018.
- *Series 2008* is a pooled municipal bond issue with a fixed rate, which is not insured. This bond issue includes reserve funds at the borrower level, not the program level. IDA bonds issued to fund loans to participants in the Series 2008 issue remain outstanding as of October 31, 2018.
- *Series 2010* are pooled Build America Bond issues with fixed interest 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 in each of the Series 2010 issues (2010A, B, C, D, E, F, G, H, I and K) remain outstanding as of October 31, 2018.

Commercial Paper Program: These are variable rate demand bonds traded in commercial paper mode with the interest rate reset approximately every 30 days.

Commonwealth Loan Program: These are weekly-remarketed variable rate bonds, combined with interest rate hedge agreements. During FY 2018, two loans to participants with interest rate hedge agreements remained outstanding.

VLGFC also offered the following programs during FY 2018 which were not necessarily connected to publicly traded bond issues:

- **Municipal Advisory Services:** VLGFC is registered as a Municipal Advisor (MA) with the Municipal Securities Rulemaking Board (MSRB) and the Securities Exchange Commission (SEC). As an MA, VLGFC assists clients with developing a plan of finance, implementing the plan of finance, whether through bank loans, equipment leasing, municipal bond issues, the Fixed Rate Loan Program, Commercial Paper, or one of the state bond pools, and provides credit and debt affordability analyses.
- **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 proposals, which is distributed to financial institutions interested in providing loans to local governments and authorities in Virginia. With low costs of issuance, a 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 is a lease-purchase financing program that offers Virginia localities, school divisions, and authorities a hassle-free, cost-effective way to finance the acquisition of vehicles, moveable equipment, and energy savings building upgrades. VML/VACo Finance issues requests for proposals and manages the lending process on behalf of client local governments to finance equipment purchases.
- **VACo/VML Pooled OPEB Trust Fund:** VLGFC continued to serve as the program administrator for the Pooled OPEB Trust Fund, which offers two investment portfolios for political subdivisions to set aside funds for other post-employment benefits (OPEB) such as retiree health care. Fiscal Year 2018 was the tenth year of operations for the OPEB Trust. The net position of the OPEB Trust increased substantially during the year, growing from \$940 million on June 30, 2017, to \$1.06 billion on June 30, 2018. As of June 30, 2018, the OPEB Trust had 52 participant accounts.
- **Virginia Investment Pool Trust Fund:** VLGFC continued to serve as the program administrator for the VIP Trust Fund, which offers two investment portfolios, the Stable NAV Liquidity Pool

and the 1-3 Year High Quality Bond Fund. Fiscal Year 2018 was the fifth year of operations for the VIP Trust. The net position of the VIP Trust increased during the year, growing from \$962.5 million on June 30, 2017, to \$1.3 billion on June 30, 2018. As of June 30, 2018, the VIP Trust had 89 participant accounts.

- **Accounting Services:** VLGFC continued offering Accounting Services to local government clients. During FY2018, the Accounting Services program assisted Virginia localities with interim personnel placements and accounting support.

Independent Audit

For the fiscal year ended June 30, 2018, 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

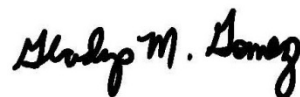
The completion of this report reflects the combined oversight and efforts of the Board of Directors of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, the Board of Directors of the Virginia Local Government Finance Corporation, and the staff of VML/VACo 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

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 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, 2018, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, as of June 30, 2018, 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.

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 an opinion 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 is 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.

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 30, 2018, 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 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
October 30, 2018

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, 2018. 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

Statement of Net Position

- The assets of the IDA exceeded the liabilities at June 30, 2018 by \$1,175,324. This represents a decrease from the prior year unrestricted net position of \$1,295,104. The decrease in unrestricted net position by \$119,780 during the fiscal year ending June 30, 2018, largely reflects the following:
 - 1) unrealized losses on long-term investments; and,
 - 2) grants awarded by VLGFC's Board of Directors to VLGFC's Municipal Advisory Services clients and participants in the Fixed Rate Loan Program.

Since the long-term investments are intended to be held to maturity, unrealized losses on investments may not necessarily become realized losses. The VLGFC Board awarded \$35,000 in grants in FY 2018.

- The IDA's bonds issued to fund two reserve funds were redeemed during the fiscal year, resulting in a reduction in long-term obligations of \$2,186,920. The related reserve fund investments were liquidated and the proceeds were used, in part, to redeem the IDA bonds. This was a major contributing factor in the decline in Total Assets of \$2,313,000 during the fiscal year.

Statement of Revenues, Expenses, and Changes in Net Position

- The operating expenses of the IDA exceeded operating revenues by \$119,780. Reflected in this amount are unrealized losses on investments due to changing market conditions, and grants authorized by VLGFC’s Board of Directors awarded to Municipal Advisory Services Clients and participants in the Fixed Rate Loan Program.

Statement of Cash Flows

- The IDA experienced positive cash flow during fiscal year ended June 30, 2018. The net increase in cash for FY2018 was \$225,246 as compared to the negative cash flow of \$2,932,754 for FY2017. The increase for FY2018 was mainly due to the sale of investments while the negative cash flow for FY2017 was due, in part, to the redemption of bonds with proceeds of investments liquidated in FY2016.

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 2018 and the status of those financial resources at June 30, 2018. 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 position as of June 30 for 2018 and 2017.

Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia		
<u>Summary Schedule of Assets, Liabilities and Net Position</u>		
	<u>2017-2018</u>	<u>2016-2017</u>
Current and other assets	\$ 1,399,982	\$ 1,181,515
Investments	<u>4,633,070</u>	<u>7,164,537</u>
Total assets	<u>\$ 6,033,052</u>	<u>\$ 8,346,052</u>
Current liabilities	\$ 718,743	\$ 725,043
Long-term obligations	<u>4,138,985</u>	<u>6,325,905</u>
Total liabilities	<u>\$ 4,857,728</u>	<u>\$ 7,050,948</u>
Net position:		
Unrestricted	<u>\$ 1,175,324</u>	<u>\$ 1,295,104</u>
Total net position	<u><u>\$ 1,175,324</u></u>	<u><u>\$ 1,295,104</u></u>

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 2018 and 2017 ending June 30 is provided below.

**Industrial Development Authority of the County of Stafford
and the City of Staunton, Virginia**
Summary Schedule of Revenues, Expenses and Changes in Net Position

	<u>2017-2018</u>	<u>2016-2017</u>
Operating Revenues	\$ 2,272,202	\$ 1,995,617
Unrealized gain (loss) on Investments	<u>(85,255)</u>	<u>(184,366)</u>
Total Operating Revenues	\$ <u>2,186,947</u>	\$ <u>1,811,251</u>
Operating Expenses		
Program Administration	\$ 222,234	\$ 201,470
Financial & Acctg Svs	1,594,548	1,337,353
Debt Service- Interest	217,948	260,907
Other Operating Expenses	<u>271,997</u>	<u>312,642</u>
Total Operating Expenses	\$ <u>2,306,727</u>	\$ <u>2,112,372</u>
Operating Income (Loss)	\$ <u>(119,780)</u>	\$ <u>(301,121)</u>
Change in Net Position	\$ <u><u>(119,780)</u></u>	\$ <u><u>(301,121)</u></u>

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OUTLOOK FOR FISCAL YEAR 2019

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 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 servicing agent for participants in the Fixed Rate Loan Program. When serving in this capacity, the IDA will maintain an account in the Virginia Investment Pool for each Fixed Rate Loan Program participant and collect 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 will continue to recommend 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 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 \$1.06 billion in assets as of June 30, 2018, while the Virginia Investment Pool ended the fiscal year with assets of \$1.34 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.

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Statement of Net Position
At June 30, 2018

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,030,119
Accounts receivable	306,422
Interest receivable	63,441
Total current assets	\$ <u>1,399,982</u>
Noncurrent assets:	
Investments	\$ <u>4,633,070</u>
Total noncurrent assets	\$ <u>4,633,070</u>
Total assets	\$ <u>6,033,052</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 423,926
Accrued liabilities	208,734
Interest payable	86,083
Total current liabilities	\$ <u>718,743</u>
Long-term liabilities:	
Long-term debt	\$ <u>4,138,985</u>
Total long-term liabilities	\$ <u>4,138,985</u>
Total liabilities	\$ <u>4,857,728</u>

NET POSITION

Unrestricted	\$ <u>1,175,324</u>
Total net position	\$ <u><u>1,175,324</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
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

Operating revenues:

Fees resulting from the issuance and administration of debt	\$ 94,132
Interest on deposits	15,099
Interest on investments	260,535
Fees resulting from financial and accounting services	1,902,436
Unrealized gain (loss) on investments	(85,255)
Total operating revenues	<u>\$ 2,186,947</u>

Operating expenses:

Cost of issuance/loan program administration	\$ 222,234
Financial and accounting services	1,594,548
Debt service - interest	217,948
Other operating expenses	271,997
Total operating expenses	<u>\$ 2,306,727</u>
Operating income (loss)	<u>\$ (119,780)</u>

Change in net position	\$ (119,780)
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Net position, beginning of year	1,295,104
Net position, end of year	<u><u>\$ 1,175,324</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
Statement of Cash Flows
Year Ended June 30, 2018

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,945,581
Receipts from other activities	333,400
Payments for operating activities	(2,369,947)
Net cash provided by (used for) operating activities	<u>\$ (90,966)</u>
Cash flows from noncapital financing activities:	
Sale of investments	\$ 2,448,212
Redemption of bonds	(2,130,000)
Net cash provided by (used for) noncapital financing activities	<u>\$ 318,212</u>
Cash flows from investing activities	
Purchase of investments	<u>\$ (2,000)</u>
Net increase (decrease) in cash and cash equivalents	\$ 225,246
Cash and cash equivalents, beginning of year	804,873
Cash and cash equivalents, end of year	<u><u>\$ 1,030,119</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (119,780)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Amortization of bond premium	(61,300)
Amortization of bond discount	4,380
Realized and unrealized losses (gains) on securities	85,255
(Increase) decrease in:	
Receivables	6,779
Increase (decrease) in:	
Accounts payable and accrued liabilities	38,616
Interest payable	(44,916)
Net cash provided by (used for) operating activities	<u><u>\$ (90,966)</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, 2018

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:

For financial reporting purposes, in conformance with GASB Statement 14, The Reporting Entity, as amended by GASB Statement 39, Determining Whether Certain Organizations are Component Units and GASB Statement 61, The Financial Reporting Entity, 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. Individual Component Unit Disclosures:

Blended Component Units - The Board has the following blended 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 carry out certain tasks 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.

In the prior year, VLGFC was reported as a discretely presented component unit.

D. 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):

D. 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 the Board 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, 2018 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):

D. 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, 2018.

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, 2018.

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, 2018 (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 IDA 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, 2018 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, 2018 (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 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.

The IDA and VLGFC has the following recurring fair value measurements as of June 30, 2018:

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)
IDA:			
Municipal/Public Bonds	\$ -	\$ 4,432,773	\$ -
VLGFC:			
Certificates of Deposit	\$ 200,297	\$ -	\$ -

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

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Credit Risk of Debt Securities

The IDA's rated debt investments as of June 30, 2018 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 (Standards & Poor's)*			
Investment type	AAA	AA	A	Unrated
IDA:				
Municipal/Public Bonds	\$ -	\$ 4,432,773	\$ -	\$ -

* For one investment that did not have a Standard & Poor's or Fitch'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.

The following is maturity of investments as of June 30, 2018:

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	\$ 4,432,773	\$ -	\$ 1,633,161	\$ 1,717,491	\$ 1,082,121
VLGFC:					
Certificates of Deposit	\$ 200,297	\$ 101,902	\$ 98,395	\$ -	\$ -

NOTE 3 - CONTINGENT LIABILITIES:

At June 30, 2018 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, 2018 (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, 2018:

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amounts Due Within One Year
Incurring by IDA:					
Reserve bonds	\$ 6,305,000	\$ -	\$ 2,130,000	\$ 4,175,000	\$ -
Issuance premium	69,375	-	61,300	8,075	-
Issuance discount	(48,470)	-	(4,380)	(44,090)	-
Total incurred by IDA	<u>\$ 6,325,905</u>	<u>\$ -</u>	<u>\$ 2,186,920</u>	<u>\$ 4,138,985</u>	<u>\$ -</u>

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

Year Ending June 30	Reserve Bonds	
	Principal	Interest
2019	\$ -	\$ 206,598
2020	-	206,598
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	<u>\$ 4,175,000</u>	<u>\$ 3,159,338</u>

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

Notes to Financial Statements
At June 30, 2018 (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			
\$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
\$19,445,000 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			8,075
Unamortized discounts			(44,090)
Total incurred by IDA			<u>\$ 4,138,985</u>

NOTE 5 - 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. At the January 2017 Board meeting of VLGFC, the Board approved a motion to eliminate the line of credit at November 30, 2017.

NOTE 6 - 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.

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

Notes to Financial Statements
At June 30, 2018 (Continued)

NOTE 6 - CONDUIT DEBT (Continued):

The following issues represent fixed rate conduit debt or pass-through debt of the IDA with a portion outstanding as of June 30, 2018:

	Original Amount	Date Due	Obligation Series
\$	53,100,000	8/1/2034	2005B 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, 2018, the IDA had a total of \$19,395,000 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, 2018 (Continued)

NOTE 7 - RELATED PARTY TRANSACTIONS:

During the year ended June 30, 2018, the IDA expensed \$1,387,008 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, 2018 the IDA had related party payables included in the above payments owed to VLGFC Management Services Inc. in the amount of \$234,361.

NOTE 8 - 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.

NOTE 9 - INTEREST RATE HEDGE AGREEMENT:

At June 30, 2018 the IDA held 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 6/30/17	Fair Value on 6/30/18
Fixed/Float Swaps - US Bank	\$ 3,780,000	\$ 113,493	\$ (78,204)

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

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Combining Statement of Net Position
At June 30, 2018

	<u>IDA</u>	<u>VLGFC</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 481,564	\$ 548,555	\$ -	\$ 1,030,119
Accounts receivable	-	306,422	-	306,422
Interest receivable	63,441	-	-	63,441
Total current assets	<u>\$ 545,005</u>	<u>\$ 854,977</u>	<u>\$ -</u>	<u>\$ 1,399,982</u>
Noncurrent assets:				
Investments	\$ 4,432,773	\$ 200,297	\$ -	\$ 4,633,070
Total noncurrent assets	<u>\$ 4,432,773</u>	<u>\$ 200,297</u>	<u>\$ -</u>	<u>\$ 4,633,070</u>
Total assets	<u>\$ 4,977,778</u>	<u>\$ 1,055,274</u>	<u>\$ -</u>	<u>\$ 6,033,052</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 14,550	\$ 409,376	\$ -	\$ 423,926
Accrued liabilities	208,734	-	-	208,734
Interest payable	86,083	-	-	86,083
Total current liabilities	<u>\$ 309,367</u>	<u>\$ 409,376</u>	<u>\$ -</u>	<u>\$ 718,743</u>
Long-term liabilities:				
Long-term debt	\$ 4,138,985	\$ -	\$ -	\$ 4,138,985
Total long-term liabilities	<u>\$ 4,138,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,138,985</u>
Total liabilities	<u>\$ 4,448,352</u>	<u>\$ 409,376</u>	<u>\$ -</u>	<u>\$ 4,857,728</u>
<u>NET POSITION</u>				
Unrestricted	\$ 529,426	\$ 645,898	\$ -	\$ 1,175,324
Total net position	<u>\$ 529,426</u>	<u>\$ 645,898</u>	<u>\$ -</u>	<u>\$ 1,175,324</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2018

	<u>IDA</u>	<u>VLGFC</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
Operating revenues:				
Fees resulting from the issuance and administration of debt	\$ 94,132	\$ -	\$ -	\$ 94,132
Interest on deposits	5,401	9,698	-	15,099
Interest on investments	260,535	-	-	260,535
Fees resulting from financial and accounting services	-	1,908,808	(6,372)	1,902,436
Unrealized gain (loss) on investments	(82,302)	(2,953)	-	(85,255)
Total operating revenues	<u>\$ 277,766</u>	<u>\$ 1,915,553</u>	<u>\$ (6,372)</u>	<u>\$ 2,186,947</u>
Operating expenses:				
Cost of issuance/loan program administration	\$ -	\$ 222,234	\$ -	\$ 222,234
Financial and accounting services	-	1,594,548	-	1,594,548
Debt service - interest	217,948	-	-	217,948
Other operating expenses	119,192	159,177	(6,372)	271,997
Total operating expenses	<u>\$ 337,140</u>	<u>\$ 1,975,959</u>	<u>\$ (6,372)</u>	<u>\$ 2,306,727</u>
Operating income (loss)	<u>\$ (59,374)</u>	<u>\$ (60,406)</u>	<u>\$ -</u>	<u>\$ (119,780)</u>
Income (loss) before transfers	\$ (59,374)	\$ (60,406)	\$ -	\$ (119,780)
Transfers:				
Interfund transfers	<u>\$ 52,400</u>	<u>\$ (52,400)</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net position	\$ (6,974)	\$ (112,806)	\$ -	\$ (119,780)
Net position, beginning of year	536,400	758,704	-	1,295,104
Net position, end of year	<u><u>\$ 529,426</u></u>	<u><u>\$ 645,898</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,175,324</u></u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Combining Statement of Cash Flows
Year Ended June 30, 2018

	<u>IDA</u>	<u>VLGFC</u>	<u>Inter- Company Eliminations</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 94,132	\$ 1,857,821	\$ (6,372)	\$ 1,945,581
Receipts from other activities	323,702	9,698	-	333,400
Payments for operating activities	(469,226)	(1,907,093)	6,372	(2,369,947)
Net cash provided by (used for) operating activities	<u>\$ (51,392)</u>	<u>\$ (39,574)</u>	<u>\$ -</u>	<u>\$ (90,966)</u>
Cash flows from noncapital financing activities:				
Sale of investments	\$ 2,148,212	\$ 300,000	\$ -	\$ 2,448,212
Redemption of bonds	(2,130,000)	-	-	(2,130,000)
Interfund transfers	52,400	(52,400)	-	-
Net cash provided by (used for) noncapital financing activities	<u>\$ 70,612</u>	<u>\$ 247,600</u>	<u>\$ -</u>	<u>\$ 318,212</u>
Cash flows from investing activities				
Purchase of investments	\$ -	\$ (2,000)	\$ -	\$ (2,000)
Net increase (decrease) in cash and cash equivalents	\$ 19,220	\$ 206,026	\$ -	\$ 225,246
Cash and cash equivalents, beginning of year	462,344	342,529	-	804,873
Cash and cash equivalents, end of year	<u>\$ 481,564</u>	<u>\$ 548,555</u>	<u>\$ -</u>	<u>\$ 1,030,119</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,974)	\$ (112,806)	\$ -	\$ (119,780)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Amortization of bond premium	(61,300)	-	-	(61,300)
Amortization of bond discount	4,380	-	-	4,380
Realized and unrealized losses (gains) on securities	82,302	2,953	-	85,255
(Increase) decrease in:				
Receivables	57,766	(50,987)	-	6,779
Increase (decrease) in:				
Accounts payable and accrued liabilities	(30,250)	68,866	-	38,616
Interest payable	(44,916)	-	-	(44,916)
Net cash provided by (used for) operating activities	<u>\$ 1,008</u>	<u>\$ (91,974)</u>	<u>\$ -</u>	<u>\$ (90,966)</u>

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF STAFFORD
AND THE CITY OF STAUNTON, VIRGINIA
Commonwealth Loan Program
Schedule of Net Position
At June 30, 2018

	<u>Commonwealth Loan Program</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ <u>92,809</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accrued liabilities	\$ 4,208
Accounts payable	<u>2,732</u>
Total current liabilities	\$ <u>6,940</u>
<u>NET POSITION</u>	
Unrestricted	\$ <u>85,869</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, 2018

	Commonwealth Loan Program
Operating revenues:	
Fees resulting from the issuance and administration of debt	\$ 16,465
Total operating revenues	\$ 16,465
Operating expenses:	
Other operating expenses	\$ 7,707
Total operating expenses	\$ 7,707
Operating income (loss)	\$ 8,758
Change in net position	\$ 8,758
Net position, beginning of year	77,111
Net position, end of year	\$ 85,869

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, 2018

	Commonwealth Loan Program
Cash flows from operating activities:	
Receipts from customers and users	\$ 16,465
Payments for operating activities	(16,688)
Net cash provided by (used for) operating activities	\$ (223)
Net increase (decrease) in cash and cash equivalents	\$ (223)
Cash and cash equivalents, beginning of year	93,032
Cash and cash equivalents, end of year	\$ 92,809
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 8,758
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Increase (decrease) in:	
Accounts payable and accrued liabilities	(8,981)
Net cash provided by (used for) operating activities	\$ (223)

Commonwealth Loan Program is accounted for within the primary government.

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 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, 2018 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 30, 2018.

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 opinion 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
October 30, 2018