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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

Prepared by:

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

TABLE OF CONTENTS

INTRODUCTORY SECTION
Principal Officials 2
Organization Chart 3

FINANCIAL SECTION
Independent Auditor's Report 4
Management's Discussion and Analysis (unaudited) 6
Basic Financial Statements:
Statement of Net Position 14
Statement of Revenues, Expenses, Changes in Net Position 15
Statement of Cash Flows 16
Notes to Financial Statements 17

COMPLIANCE SECTION
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* 30

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

Principal Officials
Year Ended June 30, 2021

Board of Directors

Terry Payne, Chairman
County of Stafford

Michael D. Norris, Vice Chairman
City of Staunton

Gary G. Adkins
County of Stafford

Debbie Irwin
City of Staunton

Zachary Long
City of Staunton

Michael H. Lovitt
County of Stafford

Henry S. Thomassen
County of Stafford

Administrative Staff

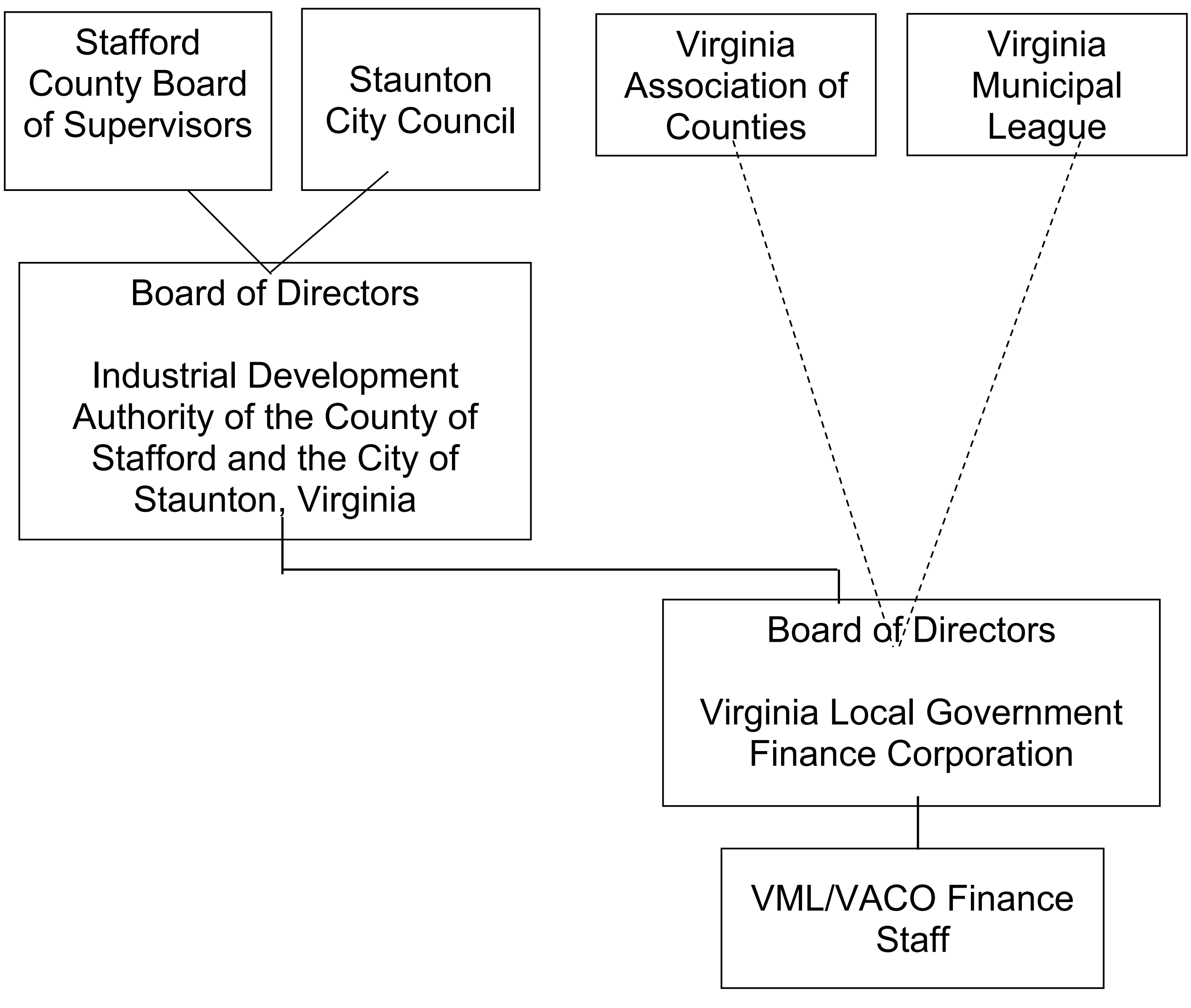
Robert W. Lauterberg, Secretary-Treasurer
Managing Director
VML/VACo Finance

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

Christine L. Lopilato, CGFM
Controller
VML/VACo Finance

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

Organization Chart



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, 2021, and the related notes to the financial statements, which collectively comprise the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards, and Commissions,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia, as of June 30, 2021, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Beginning Balances

As described in Note 9 to the financial statements, the discretely presented component unit restated beginning balances to reflect proper balance of the VIP Stable NAV Liquidity Pool funds.

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 6-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022, 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
January 7, 2022

This discussion and analysis provides an overview of the financial position and the results of activities of the Industrial Development Authority of the County of Stafford and the City of Staunton, Virginia ("IDA") as of and for the fiscal year ended June 30, 2021. 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." Management offers the following discussion and analysis as a narrative introduction to the basic financial statements, which includes comparative information as of and for the fiscal year ended June 30, 2020, where applicable. This narrative is intended as a supplement and should be read in conjunction with the basic financial statements and accompanying notes.

VML/VACo Finance is the most widely-used financial services program focused on Virginia local governments. 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 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 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).

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.

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

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, a range of financing options for capital projects are considered, including the issuance of municipal bonds, bank loans, and state bond pools. In addition, VML/VACo Finance offers two in-house programs: the Fixed Rate Loan Program and the IDA's Commercial Paper program. When appropriate and in the client's best interest, VLGFC staff may recommend using the IDA as a conduit issuer in a lease revenue structure when a general obligation pledge is not appropriate or available.

IDA Programs

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

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

Pooled Loan Bond Program:

- Series 2005 -2007 are insured pooled municipal bond issues with fixed rates and include reserve funds at the program level. IDA bonds issued for participants in the Series 2005B, 2007A, and 2007C issues remained outstanding as of June 30, 2021. IDA bonds issued to fund a reserve fund in the Series 2007E issue also remain outstanding as of June 30, 2021.

- Series 2008 is a pooled municipal bond issue with fixed interest rates, which is not insured. This bond issue included reserve funds at the borrower level not the program level. IDA bonds issued to fund a loan to one participant in Series 2008B remained outstanding as of June 30, 2021.

- Series 2010 are pooled Build America Bond issues with fixed rates, none of which are insured. Certain of these bond series include reserve funds at the program level, not the borrower level. IDA bonds issued to fund loans to participants and reserve funds, as applicable, in the following Series 2010 issues: 2010A, B, C, D, G, and I, remained outstanding as of June 30, 2021.

Commercial Paper Program: Established in 2005, this ongoing program features variable rate demand bonds traded in commercial paper mode. Participants are able to access the program for short- and long- term variable rate financing, especially for interim and construction loans. VLGFC recommends the Commercial Paper Program when appropriate and in a client's best interest. The Commercial Paper Program is a flexible financing program which participants can take advantage for interim financing, construction projects, grant anticipation financing, and for other purposes. In this program, variable rate demand notes are re-marketed to investors in a commercial paper mode approximately every 30 days.

VLGFC (Component Unit) Programs

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

Financing and Municipal Advisory Services: VLGFC is registered as a Municipal Advisor (MA) with the Municipal Securities Rulemaking Board (MSRB) and the U.S. Securities and Exchange Commission (SEC). As an MA, VLGFC assists clients with developing and implementing a plan of finance, whether through bank loans, equipment leasing, municipal bond issues, the IDA Commercial Paper program, or one of the state bond pools. VML/VACo Finance offers localities that finance with bank loans several optional programmatic features through its "Fixed Rate Loan Program," including arbitrage monitoring for no additional cost, an online payment portal, and an annual fee structure at a lower present value cost than a traditional upfront fee. Municipal Advisory activities also include, but are not limited to, development and presentation of credit and debt affordability analyses, local government financial policies, and financial forecasts.

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

The net position of the OPEB Trust increased in fiscal year 2021 from $1.32 billion on June 30, 2020, to $1.72 billion on June 30, 2021.

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

The net position of the VIP Trust decreased in fiscal year 2021 from $2.37 billion on June 30, 2020, to $2.27 billion on June 30, 2021.

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

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

FINANCIAL HIGHLIGHTS

- The assets of the IDA exceeded the liabilities at June 30, 2021 by $454,171. This represents a decrease from the prior year unrestricted net position of $544,860. The IDA's unrestricted net position decreased by $90,689 during the fiscal year ending June 30, 2021. This decrease was a result of a partial redemption of 2010 I Bond Series and full redemption of 2010K Bond Series during fiscal year 2021.
- Total current assets of the IDA as of June 30, 2021 were $252,311 compared to June 30, 2020 at $259,771. Total noncurrent assets decreased significantly from $4.74 million as of June 30, 2020 to $1.87 million as of June 30, 2021 due to the redemption of bonds.
- Total current labilities of the IDA as of June 30, 2021 were $109,549 compared to June 30, 2020 at $310,863. As a result of the redemption of bonds in fiscal year 2021, total noncurrent liabilities (long-term debt) decreased from $4.15 million as of June 20, 2020 to $1.56 million as of June 30, 2021.
- Total operating revenues of the IDA were $290,732 for the fiscal year ending June 30, 2021 compared to $423,119 for the fiscal year ending June 30, 2020. The decline in revenues in 2021 was chiefly a result of decreased investment income stemming from lower interest rates during the fiscal year 2021.
- Total operating expenses of the IDA were $381,421 for the fiscal year ending June 30, 2021 compared to $620,563 for the fiscal year ending June 30, 2020. The reduction in expenses was primarily due to arbitrage rebate expenses occurring in fiscal year 2020 that did not occur in fiscal year 2021.
- The IDA experienced negative cash flow during the fiscal year ended June 30, 2021. The net decrease in cash for fiscal year 2021 was ($1,059,333) compared to positive cash flow of $781,368 for fiscal year 2020. The decrease for fiscal year 2021 was due to the redemption of bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The components of the financial statements and the required supplementary information are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board ("GASB").

This overview serves as an introduction to the IDA'S basic financial statements. The IDA's basic financial statements include the following:

- The *Statement of Net Position* present the IDA's assets and liabilities. The difference between the assets and liabilities is reported as the net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the IDA is improving or deteriorating.

- The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how the IDA's net position changed during the period. This statement includes revenues and expenses that occurred during the fiscal year.

- The *Statement of Cash Flows* present the cash from operating activities, investments and financing activities. This statement is useful in determining short-term viability, and can be a valuable measure of strength, profitability, and long-term future outlook.

- The *Notes to Financial Statements* provide additional information that is essential for understanding the financial data provided in the financial statements and are an integral part of the financial statements.

The summarized financial information as of and for fiscal years ended June 30, 2021 and 2020 is as follows:

	IDA		Component Unit VLGFC	
	2021	2020	2021	2020
Total Assets	$ 2,120,520	$ 5,002,618	$ 1,838,093	$ 1,313,892
Total Liabilities	1,666,349	4,457,758	918,889	480,983
Net Position, June 30	$ 454,171	$ 544,860	$ 919,204	$ 832,909
Total Revenues	$ 290,732	$ 423,119	$ 2,750,648	$ 2,589,054
Total Expenses	381,421	620,563	2,664,353	2,367,806
Change in Net Position, June 30	$ (90,689)	$ (197,444)	$ 86,295	$ 221,248
Net position, July 1	544,860	742,304	832,909	611,661
Change in Net Position	$ (90,689)	$ (197,444)	$ 86,295	$ 221,248
Net Position, June 30	$ 454,171	$ 544,860	$ 919,204	$ 832,909

FINANCIAL ANALYSIS

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 comparative financial information for fiscal year 2021 to fiscal year 2020 is as follows:

Summary Schedule of Assets, Liabilities and Net Position

	IDA			
	2021	**2020**	**Increase (Decrease)**	**% Change**
ASSETS				
Current assets				
Cash and cash equivalents	$ 169,698	$ 188,489	$ (18,791)	-9.97%
Accounts receivables	41,592	4,987	36,605	734.01%
Interest receivables	25,961	57,305	(31,344)	-54.70%
Prepaid expenses	8,000	8,000	-	0.00%
Due from federal government	7,060	990	6,070	613.13%
Total current assets	$ 252,311	$ 259,771	$ (7,460)	-2.87%
Noncurrent assets:				
Restricted cash and cash equivalents	$ 50,245	$ 1,090,787	$ (1,040,542)	-95.39%
Long-term investments	1,817,964	3,652,060	(1,834,096)	-50.22%
Total noncurrent assets	1,868,209	4,742,847	(2,874,638)	-60.61%
TOTAL ASSETS	2,120,520	5,002,618	(2,882,098)	-57.61%
LIABILITIES				
Current liabilities:				
Accounts payable	$ 10,492	$ 39,330	$ (28,838)	-73.32%
Accrued debt service payable	63,313	28,002	35,311	126.10%
Interest payable	35,744	86,083	(50,339)	-58.48%
Arbitrage rebate liability	-	157,448	(157,448)	-100.00%
Total current liabilities	$ 109,549	$ 310,863	$ (201,314)	-64.76%
Noncurrent liabilities:				
Long-term debt payable from restricted assets, net	$ 1,556,800	$ 4,146,895	$ (2,590,095)	-62.46%
Total noncurrent liabiilities	1,556,800	4,146,895	(2,590,095)	-62.46%
TOTAL LIABILTIES	1,666,349	4,457,758	(2,791,409)	-62.62%
NET POSITION	$ 454,171	$ 544,860	$ (90,689)	

The remainder of this page left blank intentionally.

Summary Schedule of Revenues, Expenses and Changes in Net Position

	IDA			
	2021	2020	Increase (Decrease)	% Change
OPERATING REVENUE				
Fees earned from the issuance and administration of debt	$ 138,874	$ 159,764	$ (20,890)	-13.08%
Build America Bonds (BABs) Rebate	18,958	12,856	6,102	47.46%
Investment income	155,433	226,901	(71,468)	-31.50%
Net appreciation / (depreciation) in fair value of investments	(22,533)	23,598	(46,131)	-195.49%
Total Operating Revenues	$ 290,732	$ 423,119	$ (132,387)	-31.29%
OPERATING EXPENSES				
Debt issuance costs	$ 58,100	$ 65,695	$ (7,595)	-11.56%
Debt service - interest	193,465	204,410	(10,945)	-5.35%
Arbitrage rebate expense	-	157,448	(157,448)	-100.00%
Costs incurred from the issuance and administration of debt	129,856	193,010	(63,154)	-32.72%
Total Operating Expenses	$ 381,421	$ 620,563	$ (239,142)	-38.54%
CHANGE IN NET POSITION	$ (90,689)	$ (197,444)	$ 106,755	-54.07%
Net position, beginning of year	544,860	742,304	(197,444)	
Net position, end of year	$ 454,171	$ 544,860	$ (90,689)	

The remainder of this page left blank intentionally.

Summary Schedule of Assets, Liabilities and Net Position

	Component Unit VLGFC			
	2021	**2020**	**Increase (Decrease)**	**% Change**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 972,343	$ 705,050	$ 267,293	37.91%
Short-term investments	76,288	100,996	(24,708)	-24.46%
Accounts receivables	507,438	429,676	77,762	18.10%
Total current assets	$ 1,556,069	$ 1,235,722	$ 320,347	25.92%
Noncurrent assets:				
Long-term investments	282,024	78,170	203,854	260.78%
Total noncurrent assets	282,024	78,170	203,854	260.78%
TOTAL ASSETS	1,838,093	1,313,892	524,201	39.90%
LIABILITIES				
Accounts payable	$ 918,889	$ 450,983	$ 467,906	103.75%
Customer deposits	-	30,000	(30,000)	-100.00%
Total current liabilities	$ 918,889	$ 480,983	$ 437,906	91.04%
TOTAL LIABILTIES	918,889	480,983	437,906	91.04%
NET POSITION	$ 919,204	$ 832,909	$ 86,295	

Summary Schedule of Revenues, Expenses and Changes in Net Position

	Component Unit VLGFC			
	2021	**2020**	**Increase (Decrease)**	**% Change**
OPERATING REVENUE				
Fees earned from financial and accounting services	$ 1,143,524	$ 1,186,787	$ (43,263)	-3.65%
Fees earned from investment program administration	1,601,280	1,388,278	213,002	15.34%
Investment income	9,232	11,937	(2,705)	-22.66%
Net appreciation / (depreciation) in fair value of investments	(3,388)	2,052	(5,440)	-265.11%
Total Operating Revenues	$ 2,750,648	$ 2,589,054	$ 161,594	6.24%
OPERATING EXPENSES				
Costs incurred from financial and accounting services	$ 1,088,212	$ 989,709	$ 98,503	9.95%
Costs incurred from investment program administration	1,514,450	1,325,228	189,222	14.28%
General operating expenses	61,691	52,869	8,822	16.69%
Total Operating Expenses	$ 2,664,353	$ 2,367,806	$ 296,547	12.52%
CHANGE IN NET POSITION	$ 86,295	$ 221,248	$ (134,953)	-61.00%
Net position, beginning of year	832,909	611,661	221,248	
Net position, end of year	$ 919,204	$ 832,909	$ 86,295	

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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

JUNE 30, 2021

	Development Authority of the County of Stafford and the City of Staunton Virginia	Component Unit: Virginia Local Government Finance Corporation
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 169,698	$ 972,343
Short-term investments	-	76,288
Accounts receivables	41,592	507,438
Interest receivables	25,961	-
Prepaid expenses	8,000	-
Due from federal government	7,060	-
Total current assets	$ 252,311	$ 1,556,069
Noncurrent Assets:		
Restricted cash and cash equivalents	$ 50,245	$ -
Long-term investments	1,817,964	282,024
Total noncurrent assets	$ 1,868,209	$ 282,024
Total assets	$ 2,120,520	$ 1,838,093
LIABILITIES		
Current Liabilities:		
Accounts payable	$ 10,492	$ 918,889
Other accrued liabilities	63,313	-
Current liabilities payable from restricted assets:		
Interest payable	35,744	-
Total current liabilities	$ 109,549	$ 918,889
Noncurrent Liabilities:		
Long-term debt payable from restricted assets, net	$ 1,556,800	$ -
Total noncurrent liabilities	$ 1,556,800	$ -
Total liabilities	$ 1,666,349	$ 918,889
NET POSITION		
Unrestricted	$ 454,171	$ 919,204
Total net position	$ 454,171	$ 919,204

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, 2021

				Component Unit
		Industrial Development Authority of the County of Stafford and the City of Staunton Virginia		Virginia Local Government Finance Corporation
OPERATING REVENUES				
Fees earned from the issuance and administration of debt	$	138,874	$	-
Fees earned from financial and accounting services		-		1,143,524
Fees earned from investment program administration		-		1,601,280
Build America Bonds (BABs) Rebate		18,958		-
Investment income		155,433		9,232
Net appreciation / (depreciation) in fair value of investments		(22,533)		(3,388)
Total operating revenues	$	290,732	$	2,750,648
OPERATING EXPENSES				
Debt issuance costs	$	58,100	$	-
Debt service - interest		193,465		-
Costs incurred from the issuance and administration of debt		129,856		-
Costs incurred from financial and accounting services		-		1,088,212
Costs incurred from investment program administration		-		1,514,450
General operating expenses		-		61,691
Total operating expenses	$	381,421	$	2,664,353
NET OPERATING INCOME (LOSS)	$	(90,689)	$	86,295
Net position, beginning of year, as restated		544,860		832,909
Net position, end of year	$	454,171	$	919,204

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, 2021

	Industrial Development Authority of the County of Stafford and the City of Staunton Virginia	Component Unit: Virginia Local Government Finance Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$ 138,874	$ 2,637,042
Receipts from other activities	122,626	9,233
Payments for operating activities	(547,830)	(2,196,447)
Net cash provided (used) in operating activities	$ (286,330)	$ 449,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of bonds	$ (2,625,000)	$ -
Sale/(purchase) of investments	1,851,997	(182,535)
Net cash provided (used) in investing activities	$ (773,003)	$ (182,535)
Net increase (decrease) in cash and cash equivalents, including restricted	$ (1,059,333)	$ 267,293
Cash and cash equivalents, beginning of year, including restricted, as restated	1,279,276	705,050
Cash and cash equivalents, end of year, including restricted	$ 219,943	$ 972,343
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH		
Operating income (loss)	$ (90,689)	$ 86,295
Adjustments to reconcile operating income (loss) to net cash		
Amortization of bond premium	(425)	-
Amortization of bond discount	35,330	-
Realized and unrealized losses (gains) on investments	(17,902)	3,390
(Increase) decrease in:		
Receivables	(11,330)	(77,762)
Increase (decrease):		
Accounts payable and accrued liabilities	(201,314)	467,906
Customer deposits	-	(30,000)
Net cash provided by (used for) operating activities	$ (286,330)	$ 449,828

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared in conformance with the accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

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

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

Component Unit Disclosures

Blended Component Units. The Board has no blended component units at June 30, 2021.

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

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

Measurement Focus and Basis of Accounting – The financial statements are presented utilizing the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when incurred regardless of timing of the cash flows.

VLGFC does not issue a separate financial report. The financial statement presentation for VLGFC follows the same measurement focus and basis of accounting as the IDA.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statements – There were no new pronouncements issued by the GASB that affected the IDA for fiscal year ended June 30, 2021.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021. The IDA is currently evaluating the potential impact of the standard on financial reporting at the time of adoption.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (Statement No 91). This standard is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The IDA is evaluating the impact this standard will have on its financial statements.

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

Investments – Participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value. As of June 30, 2021, there were no investments in repurchase agreements or nonnegotiable CDs. The IDA holds investments in the VIP Liquidity Pool on behalf of its component unit, VLGFC, related to providing paying agent services. As of June 30, 2021, this investment in the VIP Liquidity Pool totaled $36,527.

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, 2021 were expected to be collected by management.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates and assumptions.

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

Debt Issuance Costs – Debt issuance costs are expensed in the period incurred.

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

The excess earnings are determined through arbitrage rebate calculations that are performed every five years or at the maturity of the debt, whichever is earlier. For financial reporting purposes the potential liability is calculated every five years and separately reported on IDA's financial statements. IDA contracts with an arbitrage rebate specialist to perform the arbitrage rebate calculations. As of June 30, 2021, there was no arbitrage rebate liability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The IDA and VLGFC do not have any deferred outflows of resources as of June 30, 2021.

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, 2021.

Net Position – Net position is the difference between assets and deferred outflows of resources, if any, and liabilities and deferred inflows of resources, if any. Net investment in capital assets, if any, represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. The net position is unrestricted for IDA and VLGFC as of June 30, 2021.

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

NOTE 2 – DEPOSITS AND INVESTMENTS RISK

Deposits and Investment Risk – The following information regarding disclosures of risks are designed to inform financial statement users about the IDA's various risks.

Custodial Credit Risk – Custodial credit risk is the risk, in the event of the failure of a depository financial institution or financial counterparty, the IDA will not be able to recover the value of its deposits, investments, or recover collateral securities that are in the possession of an outside party. The IDA's deposit policy states that collateral for savings and time deposits shall be pledged according to the provisions of the Virginia Security for Public Deposits Act, Section 2.2- 4400 et seq. of the Code of Virginia (Deposit Act) and the requirements of the State Treasury Board ("Treasury Board") regulations.

NOTE 2 – DEPOSITS AND INVESTMENTS RISK (continued)

Funds held as deposits in financial institutions are secured in accordance with the provisions of the Deposit Act, which requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to federally insured limits. 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. All IDA deposits are considered fully collateralized.

The IDA generally does not hold cash deposits except for pending debt service payments or unless an investment is sold and the proceeds are held as cash to meet the IDA's debt service reserve requirement. Funds are typically held in money market mutual funds. As of June 30, 2021, the IDA had funds totaling $0 held as cash deposits.

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

As of June 30, 2021, the bank balance of deposits for VLGFC was $935,988 and the carrying amount of deposits was $935,816. The difference between the bank and carrying amount represents funds in transit. At June 30, 2021 the deposit balances exceeded the FDIC coverage by $9,531.

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

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

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

Custodial Credit Risk (Investments) – The IDA's investment policy that governs the reserve accounts requires that all securities purchased for the IDA be held by the IDA or by the IDA's designated custodian. The IDA's investments at June 30, 2021 were held by the IDA or in the IDA's name by the IDA's custodial banks.

NOTE 2 – DEPOSITS AND INVESTMENTS RISK (continued)

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

Credit Risk of Debt Securities – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and disclosure is not required. The IDA's rated debt investments as of June 30, 2021, were rated by Moody's and Standard and Poor's or Fitch, and the ratings are presented below using the noted rating scale.

Rated Debt Investments	Fair Quality Ratings - S&P / Moody's*				
Investment type	**AAAm**	**AA+ / Aa1**	**AA / Aa2**	**AA- / Aa3**	**Total**
IDA:					
Municipal/Public Bonds	$ -	$ 571,767	$ -	$ 1,246,197	$ 1,817,964
VLGFC:					
Virginia Investment Pool	$ 36,527	$ -	$ -	$ -	$ 36,527

* The negotiable CDs, bond funds, and fixed income ETPs held by VLGFC are unrated.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS RISK (continued)

The following is the maturity of investments as of June 30, 2021:

		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	$ 1,817,964	$ -	$ 571,767	$ -	$ 1,246,197
Total	$ 1,817,964	$ -	$ 571,767	$ -	$ 1,246,197
VLGFC:					
Certificates of Deposit	$ 155,759	$ 76,288	$ 79,472	$ -	$ -
Fixed Income Securities	202,553	-	202,553	-	-
Virginia Investment Pool	36,527	36,527	-	-	-
	$ 394,839	$ 112,815	$ 282,025	$ -	$ -

NOTE 3 – FAIR VALUE MEASUREMENT

Fair value, as defined under GAAP, is an exit price representing 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. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and are generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. Treasury securities, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

NOTE 3 – FAIR VALUE MEASUREMENT (continued)

There have been no changes in the methodologies used as of June 30, 2021. There were no transfers between levels in the fair value hierarchy during the period. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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 minimize the use of unobservable inputs. 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, 2021:

	Fair Value Measurement Using		
Investment	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
IDA:			
Municipal/Public Bonds	$ -	$ 1,817,964	$ -
VLGFC:			
Certificates of Deposit	$ -	$ 155,759	$ -
Fixed Income Securities	-	202,553	-
	$ -	$ 358,312	$ -

Redemption Restrictions – Virginia Investment Pool

VLGFC has access to withdraw funds from the Virginia Investment Pool on a daily basis, as needed.

Fair Value Measurements – Virginia Investment Pool

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 VLGFC has reported the investment in the Virginia Investment Pool at fair value.

NOTE 4 – RELATED PARTY TRANSACTIONS

Under a program administration agreement dated May 5, 2008 (along with subsequent addenda), VLGFC Management Services serves as third-party administrator and marketing agent for the VML/VACo Finance Program, which was originally designed to enable local governments to achieve savings through pooled finance-related opportunities.

NOTE 4 – RELATED PARTY TRANSACTIONS (continued)

During the year ended June 30, 2021, the IDA expensed $1,867,193 for marketing, management, and administrative services provided by VLGFC Management Services.

The President of VLGFC Management Services is Robert W. Lauterberg who is also the Secretary – Treasurer of the IDA and a Managing Director of VML/VACO Finance. At June 30, 2021, the IDA had related party payables included in the above payments owed to VLGFC Management Services in the amount of $681,049.

NOTE 5 - RISK MANAGEMENT

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

NOTE 6 - LONG-TERM OBLIGATIONS

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

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

Details of the long-term obligations incurred by the IDA in association with the debt service reserve funds are below as of June 30, 2021:

	Balance at July 1, 2020	Increases	Decreases	Balance at June 30, 2021	Amounts Due Within One Year
Business-type Activities					
Obligations:					
Incurred by IDA:					
Public offerings:					
Revenue bonds	$ 4,175,000	$ -	$ 2,625,000	$ 1,550,000	$ -
Add deferred amounts:					
Issuance premium	7,225	-	425	6,800	-
Less deferred amounts:					
Issuance discount	(35,330)	-	(35,330)	-	-
Total Business-type Activities	$ 4,146,895	$ -	$ 2,590,095	$ 1,556,800	$ -

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

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

	Business-type Activities	
Year	Public Offerings	
Ending	Bonds	
June 30	Principal	Interest
2022	$ -	$ 85,786
2023	-	85,786
2024	-	85,786
2025	-	85,786
2026	-	85,786
2027	-	85,785
2028	40,000	85,785
2029	-	84,085
2030	-	84,085
2031	550,000	84,085
2032	-	48,000
2033	-	48,000
2034	-	48,000
2035	-	48,000
2036	-	48,000
2037	-	48,000
2038	960,000	24,000
Total	$ 1,550,000	$ 1,164,755

The remainder of this page left blank intentionally.

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Details of long-term obligations:

Incurred by the IDA:		Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-type Activities	Amount Due Within One Year
Public offerings:							
Revenue Bonds:							
	2007E	5.00%	12/19/2007	8/1/2037	$ 20,415,000	$ 960,000	$ -
	2010G	6.56%	12/7/2010	2/1/2031	5,465,000	550,000	-
	2010I	4.25%	12/7/2010	2/1/2028	19,445,000	40,000	-
	Total Revenue Bonds					$ 1,550,000	$ -
	Bond issuance premium					$ 6,800	$ -
	Total long-term obligations incurred by the IDA					$ 1,556,800	$ -

NOTE 7 – CONDUIT DEBT

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

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

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

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

NOTE 7 – CONDUIT DEBT (continued)

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

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

The conduit debt outstanding as of June 30, 2021, for bond issuances totaled $13,175,000; this total excludes the portion incurred by the IDA as reflected in Note 6.

The following issues represent the fixed rate conduit bond issuances of the IDA, totaling $13,175,000, plus the $1,550,000 incurred by the IDA as reflected in Note 6, with the portion remaining outstanding as of June 30, 2021 and are listed with the original amount issued by series:

	Dated Date	True Interest Cost ("TIC")	Par Amount	Outstanding July 1, 2020	Principal Retired During Year	Outstanding June 30, 2021	Original Maturity
Series 2005B	12/1/2005	4.53%	$ 53,100,000	$ 1,025,000	$ 550,000	$ 475,000	8/1/2035
Series 2007A	3/8/2007	4.03%	6,260,000	1,400,000	685,000	715,000	8/1/2021
Series 2007C	8/8/2007	4.73%	2,500,000	1,860,000	70,000	1,790,000	8/1/2037
Series 2007E	12/19/2007	4.62%	20,415,000	960,000	-	960,000	8/1/2037
Series 2008B	2/28/2008	6.74%	2,145,000	1,270,000	105,000	1,165,000	8/1/2028
Series 2010A	3/15/2010	3.15%	13,305,000	9,170,000	5,140,000	4,030,000	2/15/2030
Series 2010B	3/15/2010	3.84%	2,475,000	2,475,000	2,385,000	90,000	2/15/2028
Series 2010C	3/15/2010	2.99%	7,965,000	2,240,000	1,680,000	560,000	2/15/2023
Series 2010D	3/15/2010	3.54%	12,260,000	4,385,000	2,000,000	2,385,000	2/15/2040
Series 2010E	3/15/2010	4.07%	4,850,000	2,970,000	2,970,000	-	2/15/2030
Series 2010G	12/7/2010	3.97%	3,080,000	3,080,000	1,320,000	1,760,000	2/1/2031
Series 2010I	12/7/2010	3.51%	19,445,000	4,960,000	4,165,000	795,000	2/1/2028
Series 2010K	12/7/2010	5.31%	8,960,000	900,000	900,000	-	2/1/2041
			$ 156,760,000	$36,695,000	$ 21,970,000	$ 14,725,000	

The IDA issues 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 secured by a letter of credit from Bank of America. As of June 30, 2021, the IDA had a total of $23,590,000 in variable rate demand bonds outstanding.

NOTE 8 - CONTINGENT LIABILITIES:

At June 30, 2021 there were no matters of litigation involving the IDA which would materially affect the IDA's financial position should any court decision or pending matter not be favorable to the IDA.

NOTE 9 – RESTATEMENT OF NET POSITION:

The following adjustment was made to beginning balances to properly report VIP Stable NAV Liquidity Pool funds and beginning net position at June 30, 2021.

		Net Position
		Component Unit
		Virginia Local Government Finance Corporation
Net Position, June 30, 2020, as previously stated	$	815,485
Restatement:		
VIP Pool Funds		17,424
Net Position, July 1, 2020, as restated	$	832,909

NOTE 10 – SUBSEQUENT EVENTS:

The IDA has performed an evaluation of subsequent events through January 7, 2022, the date the basic financial statements were available to be issued.

COVID-19 continues to be a concern, with the latest coronavirus variant, Omicron, rapidly spreading throughout the United States. Management cannot predict what impact this will ultimately have on the economy and the IDA's financial position. However, based on its experience since the pandemic was declared by the World Health Organization in March 2020, Management believes the IDA and VLGFC are well positioned to respond to an economic downturn caused by the latest, or any future, coronavirus variant, if one should occur.

The remainder of this page left blank intentionally.

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, 2021 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 January 7, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Richmond, Virginia
January 7, 2022