



Sheryl D. Bailey, Ph.D.
Executive Director

December 1, 2009

The Honorable Timothy M. Kaine
Governor of Virginia
Patrick Henry Building, Third Floor
Richmond, VA 23219

The General Assembly of Virginia
Clerk, House of Delegates
Clerk, Senate of Virginia
State Capitol
Richmond, VA 23219

Dear Governor Kaine and Members of the General Assembly:

This has been an extraordinary year for VRA. The Authority closed more than \$837 million in loans for essential projects for 61 localities across the Commonwealth, marking the *quadrupling* of the annual volume of assistance provided to localities during fiscal year 2006 through fiscal year 2009. The Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009, is attached and includes the complete operating and financial statements of the Authority as well as supplemental information relating to the Water Facilities, Water Supply, Dam Safety, and Airports Revolving Loan Funds.

VRA serves as a major economic engine for the Commonwealth, generating critical jobs and economic growth in Virginia's communities, while also producing millions of dollars of savings for taxpayers. In total, over \$2 billion of infrastructure funding was provided in the four fiscal years ending in 2009, greatly enhancing the health, safety and vitality of localities statewide.

Virginia has continued to turn to VRA for key policy initiatives, recognizing the ongoing value that VRA can and does provide to the Commonwealth. The 2009 General Assembly approved an increase in VRA's moral obligation allocation from \$900 million to \$1.5 billion. Additionally, the Authority's project areas were expanded to include Site Acquisition and Development for Economic and Community Development, and Administrative and Operations Systems and the Authority saw the establishment of a Broadband Revolving Loan Fund.

A summary of VRA's key FY2009 accomplishments is listed below:

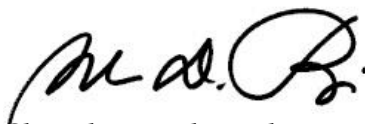
- Committed to fund over \$1 billion of critical infrastructure projects, enhancing the vitality and quality of life of Virginia's communities, while also saving taxpayers over \$130 million in financing costs;
- Closed over \$837 million in loans and grants by fiscal year end 2009 reflecting a very strong rate of project starts and funding assistance flowing into local communities;
- Maintained VRA's *AAA/AA credit ratings* with all three rating agencies despite financial market turmoil;
- Successfully issued over \$451 million of bonds for infrastructure projects statewide in the Virginia Pooled Financing Program in a turbulent market environment, exceeding the annual target by more than 200%;
- Committed to fund over \$496 million of wastewater treatment plant upgrades, primarily for the Chesapeake Bay restoration, with over 70% closing by fiscal year end 2009;
- Achieved an increase in the moral obligation allocation of the Commonwealth from \$900 million to \$1.5 billion with an effective date of July 1, 2009;
- Added Site Acquisition and Development for Economic and Community Development, and Administrative and Operations Systems as project areas, and a Broadband revolving loan fund;
- Conducted three regional workshops statewide, with several state and federal funding agencies participating, and launched an extensive Financial Sustainability Workshop series;
- Strengthened our existing and forged new state agency partnerships;
- Completed the FY2009 Comprehensive Annual Financial Report (CAFR) totally in-house;
- Received the Government Finance Officers Association award for the FY 2008 CAFR.

VRA is committed to continually improving its programs and operations to meet the expectations of the Governor and General Assembly as well as the needs of our existing and future customers.

Sincerely,



William G. O'Brien
Chairman



Sheryl D. Bailey, Ph.D.
Executive Director



Richmond, Virginia

Comprehensive Annual Financial Report of the Virginia Resources Authority – A Component
Unit of the Commonwealth of Virginia

Year Ended June 30, 2009

VIRGINIA RESOURCES AUTHORITY

VIRGINIA RESOURCES AUTHORITY

Financial Statements for the Year Ended June 30, 2009

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
Organizational Structure	6
Directory of Principal Officials	7
Certificate of Achievement for Excellence in Financial Reporting	8
FINANCIAL SECTION	
Independent Auditors' Report.....	10
Management's Discussion and Analysis.....	12
Basic Financial Statements	
Statement of Net Assets	17
Statement of Revenues, Expenses and Changes in Net Assets	18
Statement of Cash Flows.....	19
Notes to Financial Statements	21
Required Supplementary Information	
Schedule of Funding Progress	48
Supplementary Information	
Combining Schedule of Net Assets.....	49
Combining Schedule of Revenues, Expenses and Changes in Net Assets.....	50
Combining Schedule of Cash Flows	51
Combining Schedule of Net Assets – Virginia Revolving Loan Fund Accounts – Water Facilities	53
Combining Schedule of Revenues, Expenses and Changes in Net Assets – Virginia Revolving Loan Fund Accounts – Water Facilities	54
Combining Schedule of Cash Flows – Virginia Revolving Loan Fund Accounts – Water Facilities	55
Combining Schedule of Net Assets – Virginia Revolving Loan Fund Accounts – Water Supply.....	57
Combining Schedule of Revenues, Expenses, and Changes in Net Assets Virginia Revolving Loan Fund Accounts – Water Supply	58
Combining Schedule of Cash Flows – Virginia Revolving Loan Fund Accounts – Water Supply	59

VIRGINIA RESOURCES AUTHORITY

Financial Statements for the Year Ended June 30, 2009

TABLE OF CONTENTS

STATISTICAL SECTION

Table 1 Net assets by component	61
Table 2 Changes in net assets	62
Table 3 Operating revenues by source	63
Table 4 Operating expenses	64
Table 5 Schedule of Outstanding Loans Receivable	65
Table 6 Schedule of Outstanding Debt.....	66
Table 7 Virginia Principal Employers	67
Table 8 Virginia Demographic and Economic Statistics.....	68
Table 9 Operating Indicators	69
Table 10 Authorized Employee by Identifiable Activity	70

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 <i>Government Auditing Standards</i>	72
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A -133	74
Schedule of Expenses of Federal Awards	76
Notes to Schedule of Expenses of Federal Awards	77
Schedule of Findings and Questioned Costs	78

Prepared by the Virginia Resources Authority, Finance and Administration Department

INTRODUCTORY SECTION



September 14, 2009

Board of Directors
Virginia Resources Authority
1111 East Main Street, Suite 1920
Richmond, VA 23219

I am pleased to present the Virginia Resources Authority (Authority) Fiscal Year 2009 Financial Statements. State law requires that the Authority publish, at the close of each fiscal year, a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with Governmental Accounting Auditing Standards.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

In fiscal year 2009, the Authority is being audited by PBGH, LLP, a licensed certified public accounting firm. As a result of an audit of the Authority's financial records and transaction of all funds, PBGH has issued an unqualified opinion on the Authority's financial statements for the year ended June 30, 2009.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Fiscal Year 2009 Accomplishments

In addition to the significant financial performance described below, VRA is proud of many additional accomplishments in fiscal year 2009. These accomplishments included many that support the Authority's Strategic Plan goals to Support Local Community & Economic Development Initiatives, Strengthen and Expand State Partnerships, Refine Financial Programs to Meet Customer Needs and Strengthen & Sustain VRA's Ability to Provide Affordable Financing Options.

VRA had a very successful year in *closing over \$837 million in loans for essential projects for 61 localities* across the Commonwealth in its various program areas, marking the quadrupling of the annual volume of assistance provided to localities during fiscal year 2006 through fiscal year 2009.

Virginia's Governor and General Assembly have continued to turn to VRA for key policy initiatives, recognizing the ongoing value that VRA can and does provide to the Commonwealth. The 2009 General Assembly approved an increase in VRA's moral obligation allocation from \$900 million to \$1.5 Billion along with the addition of Site Acquisition and Development for Economic and Community Development, and Administrative and Operations Systems to VRA's program areas, as well as the establishment of a Broadband revolving loan fund.

VRA is committed to continually improving its programs and operations to meet the expectations of the Governor and General Assembly as well as the needs of our existing and future customers. During fiscal year 2009, management launched several initiatives and achieved many accomplishments to streamline operational procedures to enhance efficiency and effectiveness and accomplish the Authority's strategic objectives. A brief summary of the Authority's key 2009 accomplishments is listed below:

- Committed to fund over \$1 billion of critical infrastructure projects enhancing the vitality and quality of life of Virginia's communities;
- Closed over \$837 million in loans and grants by FYE 2009 reflecting a very strong rate of project starts and funding assistance flowing into the local communities;
- Maintained VRA's *outstanding credit ratings* with all three rating agencies despite financial market turmoil;
- Successfully issued over \$451 million for infrastructure projects statewide in the VFPF bond program in a turbulent market environment, exceeding the annual target by more than 200%;
- Committed to fund over \$496 million of wastewater treatment plant upgrades, primarily for the Chesapeake Bay restoration, with over 70% closing by fiscal year end 2009;
- Achieved an increase in the moral obligation of the Commonwealth from \$900 million to \$1.5 billion with an effective date of July 1, 2009;
- Added two new project areas (Site Acquisition and Development for Economic and Community Development, and Administrative and Operations Systems), and a Broadband revolving loan fund;
- Conducted three regional workshops statewide; including several state & federal funding agencies;
- Strengthened our existing and forged new state agency partnerships;
- Greatly increased the visibility of the Authority's programs;
- Completed the FY2009 CAFR totally in-house;
- Received GFOA award for FY 2008 CAFR;
- Continued to improve our internal operations.

Fiscal Year 2009 Financial Results

VRA had another strong year in fiscal year 2009. The Authority surpassed \$1.223 billion in net assets, an increase of 4.7% from the prior year. Total assets increased by \$769.2 million (25.8%) and total liabilities increased by \$713.9 million (39.5%) in comparison to the June 30, 2008 balances. The Authority surpassed \$10.7 million in net operating income during the fiscal year. The Authority's operating revenue increased \$1.4 million and operating expenses increased \$15.5 million in comparison to the prior fiscal year. The significant increase in operating expenses is due to increased interest on bonds, largely driven by the leverages of the Water Facilities Fund and increased grants to localities from the Combined Sewer Overflow Fund.

The Authority's net assets increased by approximately \$55.2 million primarily as a result of contributions from federal and state governments, interest on loans and investment earnings.

VRA Profile

VRA was created in 1984 as a political subdivision of the Commonwealth of Virginia pursuant to the Virginia Resources Authority Act, being Chapter 21 of Title 62.1 of the "*Code of Virginia*" of 1950, as amended. VRA is governed by an eleven member Board of Directors (the "Board"), appointed by the Governor of Virginia. VRA's Executive Director (the "Executive Director"), who is also appointed by the Governor of Virginia, administers, manages and directs the affairs of VRA, subject to the policies, control and direction of the Board.

VRA works for the cities, towns, counties, service authorities, and people of Virginia. VRA financing helps clean and restore the Chesapeake Bay, provide public safety facilities and equipment, ensure safe and healthy drinking water, expand airports, local roads and transit, and move other essential projects forward. Since its creation in 1984, VRA has funded more than 879 critical projects across the Commonwealth, representing more than \$4.2 billion of investment in Virginia's communities.

VRA Programs

The Authority's bond program includes stand-alone bond issuances and pooled bond issuances. The Virginia Pooled Financing Program (VPPF) credit ratings, natural AAA for the senior bonds and natural AA for the subordinate bonds based in part on the Commonwealth's moral obligation, result in favorable access to the credit markets for Virginia's communities without the need for costly bond insurance or other credit enhancements. Since each loan is customized to meet the needs and financial policies of each locality or regional authority, the VPPF supports community advancement statewide with critical infrastructure financing. Bonds are issued at least twice each year to provide flexibility for individual borrower's project timing requirements.

The Authority also currently serves as co-administrator for four revolving funds: the Virginia Water Facilities Revolving Fund (VWFRF), the Virginia Water Supply Revolving Fund (VWSRF), the Virginia Airports Revolving Fund (VARF) and the Virginia Dam Safety and Flood Prevention Fund (VDSFPF). In each case, the Authority serves as financial manager while its state-agency partners, the Virginia Department of Environmental Quality, the Virginia Department of Health, the Virginia Department of Aviation, and the Virginia Department of Conservation and Recreation, respectively, perform the programmatic and regulatory functions for the funds.

Two funds, the VWFRF and the VWSRF, receive capitalization grants each year from the U.S. Environmental Protection Agency and a state match from the Commonwealth of Virginia. The VARF and VDSFPF are solely funded by the Commonwealth. In all four revolving funds, the initial grant monies are invested and, along with the investment earnings and loan repayments, then loaned to local governments in Virginia. The loan repayments and investment earnings create a self-perpetuating financing vehicle. Revolving fund borrowers achieve significant savings through discounted interest rates, payment waivers during construction and cost of issuance waivers. As program demand justifies, these funds can be, and have been, leveraged. Fund assets are placed in a reserve and bonds are issued to meet program financing demand levels. The bonds are secured by the fund reserves.

The Equipment and Term Financing Program (ETF) was authorized in July 2007 to enhance financing options for terms under fifteen years. Ideally suited for equipment purchases, any eligible VRA project area can be funded in this program. Several local governments took advantage of this program in fiscal year 2009 to meet their needs. The program is funded with a banking partner selected through a rigorous procurement process. The Authority offers the banking partner VRA's unique credit enhancement to obtain the most competitive rates.

Economic Information

General conditions for the Commonwealth of Virginia, which is served by the Authority's operation, include:

- Average unemployment rate for Virginia in June 2009 was 7.1%, a 3.1% increase from June 2008 as reported by the U.S. Department of Labor, Bureau of Labor Statistics. Virginia's rate compares favorably to the national rate of 9.5%.
- Virginia's 2008 per capita personal income of \$42,876 is ranked 11th among the states, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. This compares favorably to the \$39,751 per capita for the United States.

Fiscal Year 2010 Key Goals & Initiatives

VRA management also recognizes that we operate in an ever-changing, highly competitive global marketplace with constantly increasing expectations for all business sectors, including government. Given this dynamic environment, VRA is committed to continually identifying areas for improved performance to better serve our customers. Therefore, VRA management and staff recommended additional program advancements and process improvements during the fiscal year 2010 budget process. The Board approved Fiscal Year 2010 Budget funded a series of goals and initiatives to further augment VRA's programs and operational efficiencies, based on the adopted strategic plan goals:

Support local community & economic development initiatives through value-added programs that maximize economic impact & community benefit

- Collaborate with the Governor's Office and executive and legislative branch officials on key initiatives
- Collaborate with other economic development entities (state, regional, local & non-profit)
- Engage the VRA Community Investment Advisory Group to enhance programs
- Implement Board approved reorganization
- Forge working relationships with organizations supporting community and economic development in urban and rural communities
- Explore public-private partnership opportunities to advance Authority and Commonwealth goals

Strengthen & expand State partnerships

- Collaborate with existing state partners to create unified goals
- Assist state partners in implementing and refining programs
- Work with the Department of Aviation to continue to enhance the sustainability of VARF
- Work with the Administration and Executive Branch agencies to augment state and federal programs with innovative financing options

Refine financial programs to meet customer needs & increase the economic impact & community benefit of VRA projects

- Increase access for customers through enhanced community service and outreach efforts
- Increase revenues to refine existing programs and develop programs in newly assigned areas
- Develop additional financing options for local and state projects through innovative funding strategies
- Launch plan to increase revenues through new and refined programs based on value added outcomes produced for localities and the Commonwealth
- Provide concrete data to localities and the Commonwealth on the direct, indirect and induced impact of VRA-financed projects
- Strengthen the financial security of local obligations

Strengthen & sustain VRA's ability to provide affordable financing options

- Continue to enhance investor relations program
- Establish and track Authority performance benchmarks to measure performance
- Update Authority policies and procedures to support strategic direction
- Increase organization efficiency and capacity through continued process improvement
- Develop a comprehensive risk management system
- Explore opportunities to integrate systems

Long-term Financial Planning

VRA has been working with our agency partners, Department of Environmental Quality, and the Virginia Department of Health, along with the Environmental Protection Agency, on exploring a 20-year financial model for the Water Supply Revolving Fund.

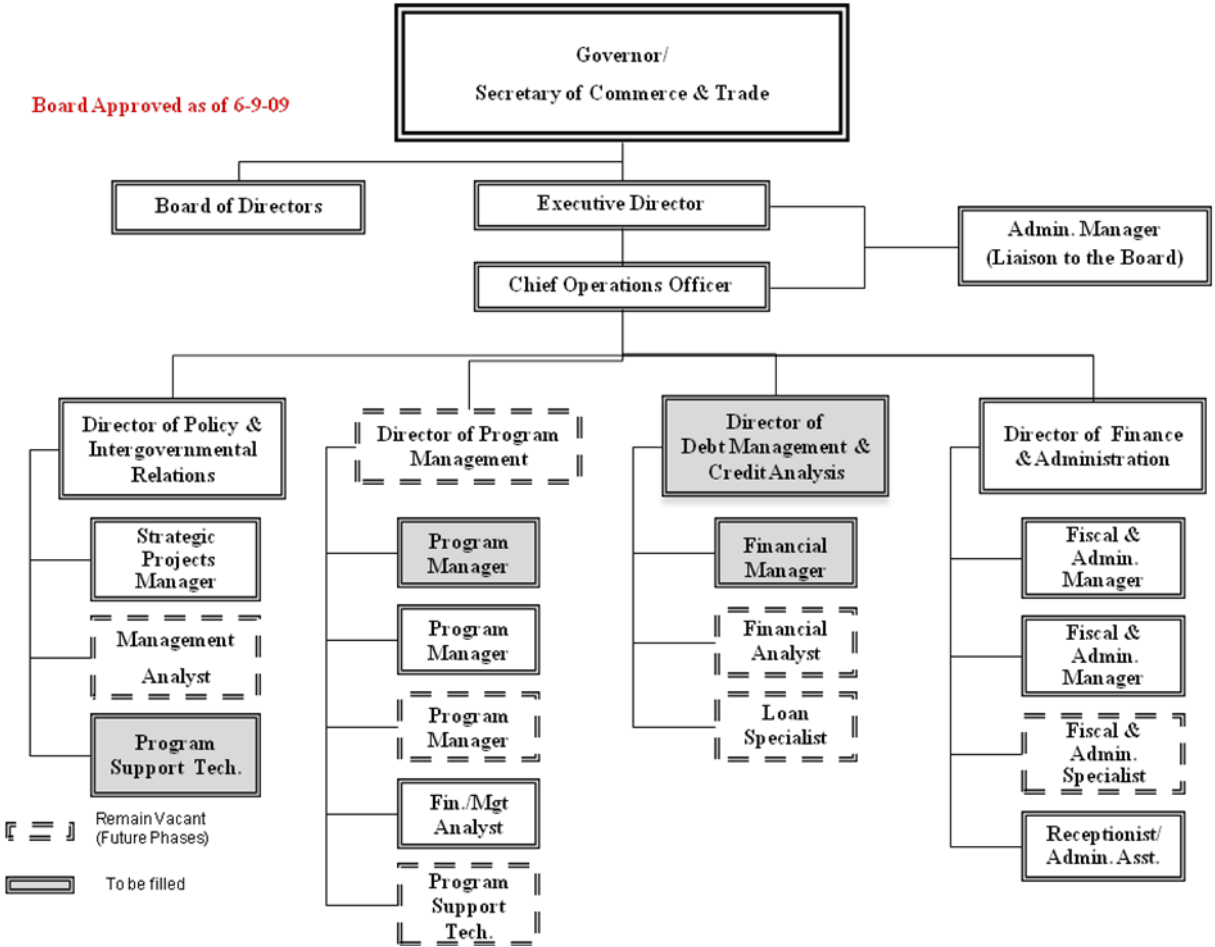
In addition, as part of VRA's annual budget, a five year budget projection is completed using certain assumptions for growth and program volume. Each year the assumptions are updated and the projection is revised accordingly.

In summary, I am pleased to report that the Authority had a strong fiscal year 2009. Additionally, we launched several initiatives to streamline operational procedures to enhance efficiency and effectiveness. With the fiscal year 2010 Budget, the Board and staff have demonstrated the Authority's commitment to continually improve programs and operations to meet the growing expectations of the Governor and General Assembly as well as the needs of our existing and future customers. This year's CAFR was completed through the collaborative effort of the entire VRA staff. They are to be commended for their effort.

Respectfully submitted,

Sheryl D. Bailey, Ph.D

Virginia Resources Authority
 Organizational Structure
 June 30, 2009



Virginia Resources Authority
Directory of Principal Officials
June 30, 2009

Board of Directors

William G. O'Brien, Chairman

James H. Spencer, III, Vice Chairman

Barbara McCarthy Donnellan

Philip J. Duke

Dena Firth Moore

Thomas L. Hasty, III

J. Barry Purcell, III

Ex-Officio Board Members

Randall P Burdette
Director of the Department of Aviation

David K. Paylor
Director of the Department of Environmental Quality

Manju Ganeriwala
Treasurer of Virginia

Karen Remley, M.D.
State Health Commissioner

Administrative Officials

Sheryl D. Bailey, Ph.D.
Executive Director

Brian D. DeProfio
Chief Operating Officer

Jean Bass
Director of Policy and Intergovernmental Relations

Christopher J. Carey
Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Virginia Resources Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

FINANCIAL SECTION



www.pbgh.com

Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vincie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones

Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kennison
Michael A. Garber
Donald W. Knotts
Daniel J. Bender
Lawrence W. Schwartz
Helaine S. Weissman

INDEPENDENT AUDITORS' REPORT

To the Honorable Board Members
Virginia Resources Authority
Richmond, Virginia

We have audited the accompanying basic financial statements of Virginia Resources Authority (Authority) as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2009, and the changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2009 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 12 through 16 and the required supplementary information on page 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying schedules listed as Supplementary Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenses of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PBGH, LLP

Harrisonburg, Virginia
September 10, 2009

Virginia Resources Authority

Management's Discussion and Analysis

Year Ended June 30, 2009

The management of the Virginia Resources Authority (Authority) provides readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the preceding transmittal letter and the Authority's basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's assets exceeded the liabilities at the close of the fiscal year by \$1.2 billion (net assets), an increase of 4.7%.
- Total assets of \$3.7 billion increased by \$769 million or 25.8%.
- Total liabilities of \$2.5 billion increased by \$714 million or 39.5%.
- Operating income of \$10.7 million, decreased by \$14.1 million or 56.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements, and other supplementary information. The Authority is reported in the Commonwealth of Virginia's Comprehensive Annual Financial Report as a discretely presented component unit.

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial statements provide both long-term and short-term information about the Authority's overall financial status. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to proprietary funds of government units. The **Statement of Net Assets** provides information about the nature and amounts of the Authority's cash, investments, and receivables (assets), and its obligations to creditors (liabilities). Net assets – the difference between assets and liabilities – is one way to measure the Authority's financial health or position. The current fiscal year revenues and expenses of the Authority are accounted for in the **Statement of Revenues, Expenses and Changes in Net Assets**. This statement measures whether the Authority successfully recovered its costs through interest on loans, investments earnings, fees, and contributions from other governments. The **Statement of Cash Flows** provides information on the Authority's cash receipts, payments, and net changes in cash. It also provides insight on the source, use, and change in cash for the reporting period.

Notes to the financial statements provide additional information that is essential to understanding data in the financial statements.

This report also includes **other information**, in addition to the basic financial statements and accompanying Notes to the financial statements. *Required supplementary information* concerning the

Authority's progress in funding its obligation to provide pension benefits to employees is separately presented. Other supplementary information that further explains and supports information in the basic financial statements immediately follows the notes. Combining schedules provide information for the separate Authority programs. The Schedule of Expenses of Federal Awards provides detail of Federal Assistance, followed by explanatory notes. The compliance section is required under provisions of the Single Audit Act and the U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-profit Organizations; and includes auditors' reports on compliance and internal controls.

FINANCIAL ANALYSIS

Table 1

Virginia Resources Authority's Summary Statement of Net Assets
(In thousands of dollars)

	2009	2008	Percentage Change 2009– 2008
Current assets	\$ 639,041	\$ 362,624	76.2%
Noncurrent assets	3,106,953	2,614,207	18.8
Total assets	3,745,994	2,976,831	25.8
Current liabilities	100,386	86,707	15.8
Long-term liabilities	2,422,427	1,722,187	40.7
Total liabilities	2,522,813	1,808,894	39.5
Net assets:			
Invested in capital assets	2	6	(66.7)
Restricted	1,217,722	1,163,460	4.7
Unrestricted	5,457	4,471	22.1
Total net assets	\$ 1,223,181	\$ 1,167,937	4.7%

The Virginia Resources Authority's (Authority) lending programs significantly reduce the cost of financing local infrastructure projects. The Authority provides low-cost, custom tailored financing through its bond issuing program and the revolving loan programs. As noted earlier, net assets may serve as a useful indicator of the Authority's financial position. At the close of the most recent year, the Authority's assets exceeded the liabilities by \$1.2 billion (net assets). By far the largest portion of net assets (99.6%), are restricted net assets which are primarily restricted for the purpose of making loans under the programs the Authority administers. Restricted net assets also include a \$7 million operating reserve fund described further in note 6.

Total assets of \$3.7 billion increased by \$769 million or 25.8%. Assets primarily consist of loans receivable (76.1%) from participating localities and other governmental entities in the Commonwealth of Virginia. The Authority's source for providing loans is a combination of bond issues and contributions from the State and Federal governments. See note 4 for additional information for loans receivable. Total liabilities of \$2.5 billion increased by \$714 million or 39.5%. Liabilities primarily consist of bonds payable (97.8%). See Note 5 for additional information on bonds payable.

Table 2

Virginia Resources Authority
Statement of Revenues, Expenses, and Changes in Net Assets
(In thousands of dollars)

	2009	2008	Percentage Change 2009 - 2008
Operating revenues			
Interest on loans	\$ 91,639	\$ 83,446	9.8%
Investment Income	22,322	29,419	-24.1
Bond administrative fees	1,345	1,082	24.3
Loan administrative fees	778	387	101
Administrative reimbursement	214	502	-57.4
Other Income	3	64	-95.3
Community and education sponsorship	43		
Total operating revenues	116,344	114,900	1.3
Operating expenses			
Interest on bonds and loans	96,993	84,006	15.5
Grants to local governments	6,040	3,838	57.4
Personnel Services	1,058	972	8.8
General operating	728	655	11.1
Contractual services	774	591	31
Total operating expenses	105,593	90,062	17.2
Operating income	10,751	24,838	-56.7
Nonoperating revenue			
Contributions from other governments	44,493	32,236	38
Change in net assets	55,244	57,074	-3.2
Total net assets - beginning	1,167,937	1,110,863	5.1
Total net assets - ending	\$ 1,223,181	\$ 1,167,937	4.7%

- Operating income of \$10.7 million, decreased by \$14.1 million or 56.7%.
- Operating revenue of \$116.3 million increased by \$1.4 million or 1.3%.
- Operating expenses of \$105.6 million increased by \$15.5 million or 17.2%.

At the end of fiscal year 2009, net assets increased \$55.2 million or 4.7% to \$1.2 billion. Operating revenues of \$116.3 million increased \$1.4 million (1.3%). This change was largely driven by an increase in loan interest repayments and investment earnings (98%). Operating expenses of \$105.6 million increased \$15.5 million (17.2%). This increase was the result of an increase in bond interest payments and grants to local government (97.6%). Operating income decreased by \$14.1 million or 56.7% compared with that of last year. This change was primarily caused by sharply declining interest rates on our short-term investments resulting in a reduction in investment income of \$7.1 million or 24% from last year, the interest rate subsidy on the water facilities leverage loans, as well as increased CSO grants to local governments. Non-operating revenue increased \$12.3 million to \$44.5 million (38%). This change was the result of a increase in federal revenue from the EPA capitalization grant award.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets of the Authority are limited to office furniture and fixtures, and are not a significant component of the financial statements (Fixed assets of \$53.6K net of \$51.8K of accumulated depreciation). Accordingly, the inclusion of net assets in Table 1 above has no impact on the percentages reflected.

The Authority leases its office space. The commitment for the office lease is described in Note 11.

As a financing entity, the Authority's purpose and objective is to issue and administer debt on behalf of other entities. The Authority issues bonds to finance infrastructure projects approved by the local governing bodies of counties, cities, towns, and service authorities of the Commonwealth of Virginia. Depending upon the program, all of the Authority's bonds are secured by either: (a) a pledge of the full faith and credit of the municipality, (b) a pledge of certain revenues of the municipality and funds and accounts established under the applicable bond resolution or indenture, and/or (c) the lease.

The Authority obtains bond ratings from one or more of the following: Moody's Investor Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch). The Authority to date has achieved an investment grade of "AA" or better on all bond issues. In all CWSRF leveraged issues VRA has obtained a AAA rating from all three agencies. Under the senior/subordinate structure in the VPFP, the senior portion of the structure (70%) has been rated "AAA" and the subordinate portion (30%) has been rated "AA." These ratings were affirmed on subsequent issues. In addition, during fiscal year 2007, Moody's maintained its "Aa2" rating on the Authority's outstanding VARF bonds and Fitch upgraded its rating on those bonds from "A+" to "AA."

During the fiscal year ended June 30, 2009 the Authority issued two bond series for the VPFP and two bond series for the CWSRF leveraged program. From the VPFP proceeds, loans were made to 29 borrowers including 6 new borrowers to the Authority. The CWSRF proceeds funded 10 projects in FY09 and will fund an additional 13 in future FYs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Administration, Virginia Resources Authority, 1111 E. Main Street, Suite 1920, Richmond, VA 23219, or telephone (804) 644-3100, or visit the Authority's website at www.virginiaresources.org.

Virginia Resources Authority

Statement of Net Assets

June 30, 2009

Assets

Current assets:	
Cash	\$ 8,226,825
Cash equivalents	423,600,399
Investments	45,441,580
Loans receivable - current portion (Note 4)	130,299,335
Receivables:	
Investment interest	4,390,272
Loan interest	22,687,904
Loan administrative fees	709,255
Federal funds	402,652
Other	39,526
Deferred charges	3,221,336
Other	22,411
Total current assets	<u>639,041,495</u>
Noncurrent assets:	
Investments	352,444,499
Loans receivable - less current - net (Note 4)	2,719,734,185
Deferred charges	34,772,135
Furniture and fixtures - at cost - less accumulated depreciation of \$51,779	1,812
Total noncurrent assets	<u>3,106,952,631</u>
Total assets	<u>3,745,994,126</u>

Liabilities

Current liabilities:	
Loans payable - current portion	1,544,415
Bonds payable - current portion (Note 5)	75,881,865
Accrued interest on bonds payable	21,938,027
Arbitrage rebate liability	363,539
Deferred revenue	181,223
Accounts payable and other liabilities	477,257
Total current liabilities	<u>100,386,326</u>
Noncurrent liabilities:	
Loans payable - less current - net	27,303,185
Bonds payable - less current - net (Note 5)	2,390,543,696
Deferred revenue	1,757,023
Arbitrage rebate liability	2,823,260
Total noncurrent liabilities	<u>2,422,427,164</u>
Total liabilities	<u>2,522,813,490</u>

Net assets

Invested in capital assets	1,812
Restricted (Note 6):	
Loan Programs	1,210,732,440
Operating Reserve	6,989,761
Unrestricted	5,456,623
Total net assets	<u>\$ 1,223,180,636</u>

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

Virginia Resources Authority

Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2009

Operating revenues	
Interest on loans	\$ 91,638,638
Investment income	22,322,006
Bond administrative fees	1,345,192
Loan administrative fees	777,827
Administrative reimbursement	214,261
Other income	3,237
Community education and sponsorships	42,500
Total operating revenues	<u>116,343,661</u>
Operating expenses	
Interest on bonds and loans	96,992,504
Grants to local governments	6,040,386
Personnel services	1,058,371
General operating	727,776
Contractual services	774,539
Total operating expenses	<u>105,593,576</u>
Operating income	10,750,085
Nonoperating revenue	
Contributions from other governments (Note 8)	<u>44,493,349</u>
Change in net assets	55,243,434
Total net assets - beginning	<u>1,167,937,202</u>
Total net assets - ending	<u>\$ 1,223,180,636</u>

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

Virginia Resources Authority

Statement of Cash Flows Year Ended June 30, 2009

Cash flows from operating activities	
Cash payments to localities for loans	\$ (785,365,816)
Principal repayments from localities on loans	229,486,759
Interest received on loans	80,759,413
Bond administrative fees received	1,178,650
Loan administrative fees received	472,418
Federal administrative reimbursement funds received	221,245
Cash received from other income	144,878
Cash payments for salaries and related benefits	(1,059,634)
Cash payments for contractual services	(814,536)
Cash payments for general operating expenses	(750,982)
Cash payments for operating grants	(6,040,385)
Interest paid on loans	(533,234)
Interest paid on bonds	(87,431,029)
Arbitrage rebate	(103,686)
	<hr/>
Net cash used in operating activities	(569,835,939)
Cash flows from noncapital financing activities	
Proceeds from loan	25,687,400
Proceeds from sale of bonds	856,574,880
Principal paid on loans	(1,189,239)
Principal paid on bonds	(174,751,819)
Contributions from other governments	45,417,006
	<hr/>
Net cash provided by noncapital financing activities	751,738,228
Cash flows from investing activities	
Purchase of investments	(201,405,342)
Proceeds from sales or maturities of investments	202,070,413
Interest received on investments - net	23,826,482
	<hr/>
Net cash provided by investing activities	24,491,553
	<hr/>
Net increase in cash and cash equivalents	206,393,842
Cash and cash equivalents	
Beginning of year	<hr/> 225,433,382
End of year	<hr/> \$ 431,827,224

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

Virginia Resources Authority

Statement of Cash Flows (Continued) Year Ended June 30, 2009

Reconciliation of operating income to net cash used in operating activities	
Operating income	\$ 10,750,085
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	4,478
Interest on investments	(22,322,006)
Interest on loans	381,947
Interest on bonds, amortization and accretion - net	1,007,479
Change in assets and liabilities:	
Loans receivables	(556,330,387)
Loan interest receivable	(5,010,728)
Loan administrative fee receivable	(467,857)
Other receivables	99,007
Deferred charges	2,247,507
Other current assets	(13,295)
Accounts payable and other liabilities	(69,987)
Deferred revenue	(112,181)
Total adjustments	<u>(580,586,024)</u>
Net cash used in operating activities	<u>\$ (569,835,939)</u>

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

1. Organization and Nature of Activities

The *Virginia Resources Authority* (Authority) was created in 1984 by an Act of the General Assembly of the Commonwealth of Virginia. The Authority encourages the investment of both public and private funds and is authorized to make loans and grants available to local governments to finance such projects as: water, sewer, storm drainage, solid waste disposal, federal facilities, public safety, aviation, brownfields remediation, transportation, Chesapeake Bay cleanup, dam safety, land conservation and preservation, local government buildings, energy, parks and recreation facilities, and broadband. General Assembly legislation added projects for administrative and operations systems and site acquisition & development for economic & community development. The Authority's enabling legislation states that the bonds issued by the Authority do not constitute a debt or pledge of the full faith and credit of the Commonwealth of Virginia (Commonwealth) or any political subdivision thereof, other than the Authority. The bonds are payable solely from the revenue, money, or property of the Authority pledged thereon. The Authority is, however, empowered to issue bonds secured by the moral obligation of the Commonwealth, of which a maximum of \$900 million may be outstanding at any time.

The Authority is governed by a Board of Directors consisting of eleven members. Seven members are appointed to four year terms by the Governor, subject to confirmation by the General Assembly. Other members consist of the State Treasurer, the State Health Commissioner, the Director of the Department of Environmental Quality or his designee, and the Director of the Department of Aviation or his designee. The Governor appoints the Chairman of the Board. The Governor also appoints the Executive Director of the Authority, who reports to, but is not a member of the Board of Directors. The Executive Director serves as the ex officio secretary of the Board of Directors and administers, manages and directs the affairs and activities of the Authority in accordance with the policies and under the control and direction of the Board of Directors.

For financial reporting purposes, the Authority is a component unit of the Commonwealth. The accounts of the Authority, along with other similar types of funds, are included as a discretely presented component unit of the Commonwealth. The financial statements of the Authority include the activities of the Virginia Water Facilities Revolving Fund (VWFRF), the Virginia Water Supply Revolving Fund (VWSRF), the Virginia Airports Revolving Fund (VARF), the Virginia Dam Safety and Flood Prevention Fund (VDSFPF), and the Equipment and Term Financing program (ETF) which are described in more detail below.

The VWFRF was created in 1986 and received its first state appropriation on July 1, 1987. The VWFRF's purpose is to make discounted interest rate loans to municipalities under the Environmental Protection Agency's (EPA) Capitalization Grants for State Revolving Funds. The VWFRF's enabling legislation provides that the program is jointly administered by the Authority and the Commonwealth's Department of Environmental Quality (DEQ). The accounts of the VWFRF are in these financial statements, except for certain administrative expenses incurred by the DEQ for the VWFRF and the associated reimbursement of the federal share of these expenses is included in the financial statements of the DEQ.

Until 1999, the sole source of financial assistance to localities for wastewater projects under the VWFRF was the Direct Loan program. The available resources for the Direct Loan program, however, were determined to be insufficient to meet the demand for financial assistance from municipalities. In response, the Authority and DEQ, with the concurrence of the EPA, decided to leverage the VWFRF through the issuance of bonds.

The Authority is authorized to transfer assets of the VWFRF to funds and accounts pledged to collateralize bonds issued by the Authority. Such assets consist of federal capitalization grants, Commonwealth Matching Share funds, and any other monies appropriated or otherwise deposited by the Commonwealth to the VWFRF, including amounts repaid by municipalities to the VWFRF from loans represented by the local bonds, and earnings on the investment of any of the foregoing. The Authority and DEQ still make Direct Loans from the VWFRF, but by leveraging the VWFRF, the Authority can provide financing for more projects than before.

During 1999, the General Assembly expanded the scope of the VWFRF allowing the State Water Control Board to loan money for the construction of facilities or structures supporting environmental goals of agricultural best management practices. The program attempts to reduce agricultural nonpoint source pollution of Virginia waters. To date, \$15 million has been set aside from the VWFRF to fund the program. The accounts of this program are combined with those of the VWFRF in the Authority's financial statements and are commonly referred to as Agriculture Best Management Practices (AgBMP) loans.

The VWSRF was created in 1987 and received its first state appropriation on July 1, 1988. In 1997, the VWSRF was brought into compliance with the Safe Drinking Water Act Amendments of 1996, which allowed the establishment of a drinking water state revolving loan fund. The VWSRF's purpose is to make discounted interest rate loans to local governments to finance water supply facilities and certain nonconstruction activities under the EPA's Capitalization Grants for State Revolving Funds. The VWSRF's enabling legislation provides that the program will be jointly administered by the Authority and the Commonwealth of Virginia Department of Health (VDH). The accounts of the VWSRF are in these financial statements, except for certain administrative expenses incurred by the VDH for the VWSRF and the associated reimbursement of these expenses, which are included in the financial statements of the VDH.

In 2000, the VARF was funded with \$25 million. The VARF finances local government-owned aviation projects at discounted rates for general aviation, reliever, and commercial airports across Virginia. In February 2001, the first bonds were issued by the Authority, which leveraged the VARF to provide funds for loans to three of Virginia's airports. In June 2002, \$2 million was returned to the Commonwealth to be used for other purposes. The VARF can also make direct loans out of current balances, released bond proceeds, and newly appropriated funds.

The Authority's VDSFPF was created in 2006 and received its first appropriation from existing State funds on July 1, 2006. The VDSFPF's purpose is to make grants or loans to local governments for the development and implementation of flood prevention or protection projects, or for flood prevention or protection studies. In addition, the VDSFPF can be used to make grants or loans to local governments owning dams and to make loans to private entities for the design, repair and the safety modifications of qualifying dams, and to make grants for the mapping and digitization of dam break inundation zones. The VDSFPF's enabling legislation provides that the program will be jointly administered by the Authority and the Virginia Department of Conservation and Recreation (VDCR).

The Equipment and Term Financing Program (ETF) was authorized beginning July 2007 to enhance financing options for terms up to fifteen years. Ideally suited for equipment purchases, any eligible Authority project area can be funded in this program. Several local governments already have used the loan program to meet their public safety and solid waste operation needs. The program is funded with a banking partner selected through a rigorous procurement process. The Authority offers the banking partner its unique credit enhancement to obtain the most competitive rates for the Authority's borrowers.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority utilizes the economic resources measurement focus and the accrual basis of accounting in preparing its financial statements where revenues are recognized when earned and expenses are recognized when incurred. The Authority has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. The Authority has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989, as allowed by GASB Statement No. 20.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management of the Authority to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Risk Management

The Authority carries commercial insurance for various risks of loss including property, workers' compensation, theft, general liability, errors and omissions, employee health and accident, and public officials' liability. There have been no claims which have exceeded the amount insured resulting from these risks during the current year and there was no reduction in insurance coverage during fiscal year 2008.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents are restricted to investments with original remaining maturities when purchased of three months or less, or investments purchased as short-term securities and not expected to be held to maturity.

Investments

Investments, principally U.S. government obligations, corporate obligations and municipal bonds, are carried at fair value with the change in fair value recognized as a component of interest on investments. Fair values of investments are based on quoted market prices at year-end.

The Authority also participates in the Commonwealth of Virginia Local Government Investment Pool (LGIP); a non-SEC registered external pool, rated AAAM by Standard and Poor's. The LGIP is managed consistent with Securities and Exchange Commission Rule 2a-7 money market fund requirements. Pursuant to Sec. 2.1-234.7 *Code of Virginia*, the Treasury Board of the Commonwealth of Virginia sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled meetings and the fair value of the position in the LGIP is the same as the value of the pool shares.

Loans Receivable

Loans receivable are reported at the unpaid principal balances. The Authority receives fees relating to the origination of loans. Certain of these fees are received at the origination of a loan and other fees are received over the life of the related loans. The fees received at the origination of a loan are recorded as deferred revenue and amortized as a yield adjustment using the effective interest method over the lives of the related loans. Loan origination costs incurred by the Authority are not deferred as they are deemed immaterial with certain costs being reimbursed.

Allowance for Loan Losses

Prior to approving a loan, a credit summary is completed. The credit summary provides information concerning the applicant and the project, as well as data regarding the systems, the revenues of which are pledged for the payment of the Local Bonds and Direct Loans. The credit summary concludes with findings and recommendations as to loan authorization and the required security provisions. A five year cash flow projection of the system whose revenues are to be pledged is also prepared as a part of the credit summary. The credit summary is then presented by the staff to the Authority's Credit Committee for their concurrence with, or override of, the staff's recommendations. Following the Authority's Credit Committee review, the credit summary is forwarded to the initialing Agency with the recommendation by the Authority's staff regarding loan authorization or denial, and the required security provisions for the loan.

The Authority provides management and oversight of their loans receivable. Included in this oversight and monitoring are formal credit analysis guidelines, monthly credit committee meetings, regular management reporting to the Authority's Board of Directors and frequent reviews by the Authority's Board Portfolio Risk Management Committee. Following the loan closing and completion of construction, the Authority monitors and ensures compliance by the Local Governments with the reporting requirements of their respective Agreements. Annually, the Local Government must submit to the Authority preliminary and final budgets, and any amendments as they occur; certificates from a consulting engineer or a certified public accountant as to the satisfaction of required rate coverages, if applicable; a financial audit, statements, notes and opinions; an auditor's Certificate of No Default and a Local Government's Certificate of No Default. Unless approved by the Authority for self-insurance, a Local Government must also maintain insurance coverage for its system, including full replacement coverage on the insurable portions of the system, comprehensive general liability insurance with a combined single limit of at least \$1 million per year, and workers' compensation insurance. Management, the Fiscal and Administrative division, and the Finance division monitor loans receivable for possible uncollectible amounts on a monthly basis.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost and are depreciated over the useful life of the asset using the straight-line method. The Authority follows the Commonwealth's Accounting Policies and Procedures Manual (CAPP) for assigning useful lives to its capital assets.

Bond Discounts, Premiums, Bond Issuance Expenses and Loss on Refinancing

Bond discounts, premiums, and bond issuance expenses are amortized over the lives of the related issues using the effective interest method. Loss on refinancing is amortized over the original remaining life of the old debt or life of the new debt, whichever is less. The unamortized discounts, issuance expenses, and loss of refinancing are shown on the accompanying statement of net assets as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses, and changes in net assets as interest expense.

The unamortized premiums are shown on the accompanying statement of net assets as an addition to the bonds payable and the amortization is included in the statement of revenues, expenses and changes in net assets as interest revenue.

Net Assets

Components of net assets include the following:

Unrestricted amounts are those currently available at the discretion of the Authority's Board for use in the Authority's operations.

Restricted amounts are assets less related liabilities reported in the statement of net assets that are subject to constraints on their use by creditors, grantors, contributors, or legislation.

Pass Through Grants

The Authority accounts for grants or other financial assistance that is transferred to a secondary recipient as revenues and expenses.

Operating Revenues and Expenses

The Authority's policy is to report all revenues and expenses, including interest revenues from loans and investments as well as interest expense on bonds payable, as operating revenues and expenses. This conclusion was reached because such revenues and expenses are integral to the operations of the Authority.

All cash flows related to bond issuance and administration are included in cash flows from non-capital financing activities on the statement of cash flows. All cash flows related to investment activity are included in cash flows from investing activities on the statement of cash flows.

3. Cash, Cash Equivalents and Investments

Cash is maintained in accounts insured by the Federal Deposit Insurance Corporation or are collateralized under provisions of the Commonwealth of Virginia Security for Public Deposits Act, Sec. 2.2-4400 et. seq. of the *Code of Virginia*.

Investment Policy

In accordance with the *Code of Virginia* (1950), as amended, and other applicable laws and regulations, the Authority's investment policy (Policy) permits investments in U.S. Government or Agency obligations, obligations of the Commonwealth of Virginia or political subdivisions thereof, negotiable certificates of deposit, negotiable bank deposit notes, repurchase agreements, bankers' acceptances, prime quality commercial paper, corporate notes of domestic corporations, mortgage or asset-backed securities, money market funds, guaranteed investment contracts (GICs), and the State Treasurer's Local Government Investment Pool.

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

As of June 30, 2009, the Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Corporate Bonds and Notes	\$ 1,190,614	\$ 313,768	\$ 876,846	\$ -	\$ -
Guaranteed Investment Contracts	245,998,500	-	36,206,564	-	209,791,936
Local Government Investment Pool	97,884,357	97,884,357	-	-	-
Money Market Funds	20,677	20,677	-	-	-
Certificates of Deposit	213,456,625	211,372,621	2,084,004	-	-
U.S. Agency Securities	53,361,968	43,887,838	9,455,314	-	18,816
U.S. Treasury Securities	209,573,737	115,562,718	6,273,569	10,589,845	77,147,605
Totals	\$ 821,486,478	\$ 469,041,979	\$ 54,896,297	\$ 10,589,845	\$ 286,958,357

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority places emphasis on securities of high credit quality and marketability.

The Policy requires that bankers' acceptances, negotiable certificates of deposit, and negotiable bank notes, all maturing within one year, have a rating of no less than "P-1" by Moody's Investors Service (Moody's) and "A-1" by Standard & Poor's Ratings Group (S&P). Commercial paper must have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two nationally recognized rating agencies, one of which must be Moody's or S&P. Corporate notes and bonds, negotiable certificates of deposit, and negotiable bank notes maturing in less than five years must have no less than a "Aa" rating by Moody's or an "AA" by S&P. Asset-backed securities maturing in less than five years must have no less than a "AAA" rating by at least two nationally recognized rating agencies, one of which must be Moody's or S&P. GICs must be held with financial institutions with long-term credit ratings of at least "Aa" by Moody's or "AA" by S&P. The various bond indentures require that bond fund investments, or any collateralizing securities, have no less than a "AA" rating by at least one nationally recognized rating agency.

Although state statute does not impose credit standards on repurchase agreements or money market mutual funds, the Authority has established stringent credit standards for these investments to minimize portfolio risk.

Virginia Resources Authority

Notes to Financial Statements

June 30, 2009

At June 30, 2009, the Authority had the following investments and ratings:

Investment	Fair Value	Standard & Poor's Rating	Percent of Portfolio
Corporate Bonds and Notes - AA+	\$ 314,178	AA+	0.04%
Corporate Bonds and Notes - AA	35,704	AA	0.00%
Corporate Bonds and Notes - AAA	840,732	AAA	0.10%
Guaranteed Investment Contracts	245,998,500	See below	29.95%
Local Government Investment Pool	97,884,357	AAAm	11.92%
Money Market Funds	20,677	AAAm	0.00%
Negotiable Certificates of Deposit	213,456,625	AAA	25.98% **
U.S. Agency Securities	53,361,968	AAA	6.50%
U.S. Treasury Securities - Money Market Funds	115,143,576	AAAm	14.02%
U.S. Treasury Securities	94,430,161	AAA	11.50%
Totals	\$ 821,486,478		100.00%

** Exceeded the 5% portfolio limitation; the Negotiable Certificates of Deposit were collateralized in accordance with the Credit Risk Policy.

The Guaranteed Investment Contracts (GICs) that comprise 30% of the investment portfolio were entered into based upon the credit rating of the GIC provider. The Moody's ratings of the GIC providers are as follows:

Provider	Fair Value	Moody's Rating	Percent of Portfolio
Trinity Plus	\$ 74,618,054	Aa2	9.08%
Salomon Smith Barney (Citigroup)	5,597,532	A3**	0.68%
FNMA	1,515,000	Aaa	0.18%
Calyon	34,691,564	Aa3	4.22%
FSA	129,576,350	Aa3	15.77%
Totals	\$ 245,998,500		29.95%

** Rating fell below approved level (Aa) and was collateralized with US Treasury and Agency securities in accordance with the Credit Risk Policy.

Concentration of Credit Risk

Concentration of credit risk is related to the risk of loss that may be attributed to the magnitude of a government's investment in a single source.

The Policy establishes limitations on portfolio composition in order to control concentration of credit risk. For policy monitoring the US Treasury Security category includes Money Market Funds limited to that investment type (\$17,519,676 for Disbursement Funds, \$65,842 for Appropriated Funds, and \$544,579 for General Funds). The maximum percentage of the portfolio permitted in each security (by fund type) is as follows:

Disbursement Funds

Investment Type	Fair Value	Percent of Portfolio	Maximum
Agency Mortgage-Backed issued by U.S. Government or Federal Agencies	\$ -	0%	15%
Asset Backed Securities of authorized corporations or Federal Agencies	-	0%	15%
Bankers' Acceptance	-	0%	35%
Prime Quality Commercial Paper	-	0%	35%
Corporate Bonds and Notes	-	0%	35%
Local Government Investment Pool	88,695,719	58%	100%
Money Market Funds	-	0%	10%
Negotiable Certificates of Deposit	-	0%	5%
U.S. Agency Securities	47,842,333	31%	100%
U.S. Treasury Securities	17,519,676	11%	100%
Totals	\$ 154,057,728	100%	

Appropriated Funds

Investment Type	Fair Value	Percent of Portfolio	Maximum
Agency Mortgage-Backed issued by U.S. Government or Federal Agencies	\$ -	0%	15%
Asset Backed Securities of authorized corporations or Federal Agencies	-	0%	15%
Bankers' Acceptance	-	0%	35%
Prime Quality Commercial Paper	-	0%	35%
Corporate Bonds and Notes	-	0%	35%
Guaranteed Investment Contracts	-	0%	35%
Local Government Investment Pool	7,688,081	99%	100%
Money Market Funds	-	0%	10%
Negotiable Certificates of Deposit	-	0%	5%
U.S. Agency Securities	-	0%	100%
U.S. Treasury Securities	65,842	1%	100%
Totals	\$ 7,753,923	100%	

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

General Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent</u>	
		<u>of Portfolio</u>	<u>Maximum</u>
Agency Mortgage-Backed issued by U.S. Government or Federal Agencies	\$ -	0%	15%
Asset Backed Securities of authorized corporations or Federal Agencies	-	0%	15%
Banker's Acceptance	-	0%	35%
Prime Quality Commercial Paper	-	0%	35%
Corporate Bonds and Notes	1,190,614	11%	35%
Local Government Investment Pool	1,318,835	12%	100%
Money Market Funds	-	0%	10%
Negotiable Certificates of Deposit	524,559	5%	5%
U.S. Agency Securities	5,519,635	49%	100%
U.S. Treasury Securities	2,735,018	24%	100%
Totals	<u>\$ 11,288,661</u>	<u>100%</u>	

Further, the combined amount of mortgage pass-through securities and asset-backed securities in the General Fund may not exceed 50% of the total book value of the portfolio.

As of June 30, 2009, bond fund investments totaled \$648,386,166. The Policy does not establish limitations on the portfolio composition in the Bond Fund. However, the investment of bond funds must be diversified in such a manner to ensure the preservation of principal.

Bond Fund investments are governed by individual indentures authorizing the Authority or its trustee to invest generally in obligations of the U.S. Government, the Commonwealth of Virginia, or its political subdivisions (except the Farm Credit System for all bond series issued in 1985 and 1986). The bond indentures authorize the Authority to enter into repurchase agreements with any bank, as principal and not as agent, having a combined capital, surplus and undivided profits of not less than \$50 million. In addition, the collateralizing securities must have a fair market value equal to at least 100% of the amount of the repurchase obligation plus accrued interest.

The Policy also establishes limitations on portfolio composition by issuer in order to further control concentration of credit risk. No more than 5% of the Authority's portfolio will be invested in the securities of any one issuer with the exception of: (1) the U.S. Government or Agencies thereof, (2) the Local Government Investment Pool, (3) fully insured/collateralized certificates of deposit or repurchase agreements that are collateralized by the U.S. Government or Agencies thereof, and (4) mutual funds whereby the portfolio is limited to U.S. Government or Agency securities.

As of June 30, 2009, excluding U.S. Government guaranteed obligations, the Virginia Local Government Investment Pool, money market funds, and bond fund investments, no portions of the Authority's portfolio exceeded 5% of the total portfolio.

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates of debt instruments will adversely affect the fair value of an investment. The Authority has selected the Segmented Time Distribution method of disclosure.

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's Policy limits disbursement and appropriated fund individual investments to a stated maturity of no more than one year from the date of purchase. The average maturity of a single security in the General Fund may not exceed five years. The average maturity of each portfolio fund type may not exceed 180 days for disbursement funds, 120 days for appropriated funds, and three years for the General Fund.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

As of June 30, 2009, the Authority had the following investments and maturities:

Disbursement Funds

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Investment Pool	\$ 88,695,719	\$ 88,695,719	\$ -	\$ -	\$ -
U.S. Agency Securities	47,842,333	41,956,970	5,885,363	-	-
U.S. Treasury Securities	17,519,676	17,519,676	-	-	-
	<u>\$ 154,057,728</u>	<u>\$ 148,172,365</u>	<u>\$ 5,885,363</u>	<u>\$ -</u>	<u>\$ -</u>
Average maturity of all investments					<u>39 Days</u>

Appropriated Funds

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Investment Pool	\$ 7,688,081	\$ 7,688,081	\$ -	\$ -	\$ -
U.S. Treasury Securities	65,842	65,842	-	-	-
	<u>\$ 7,753,923</u>	<u>\$ 7,753,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Average maturity of all investments					<u>1 Day</u>

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

General Fund

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate Bonds and Notes	\$ 1,190,614	\$ 313,768	\$ 876,846	\$ -	\$ -
Local Government Investment Pool	1,318,835	1,318,835	-	-	-
Negotiable Certificates of Deposit	524,559	-	524,559	-	-
U.S. Agency Securities	5,519,635	1,930,868	3,569,951	-	18,816
U.S. Treasury Securities	2,735,018	606,335	2,128,683	-	-
Totals	\$ 11,288,661	\$ 4,169,806	\$ 7,100,039	\$ -	\$ 18,816
Average maturity of all investments					168 Days

Bond Fund

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Guaranteed Investment Contracts	\$ 245,998,500	\$ -	\$ 36,206,564	\$ -	\$ 209,791,936
Local Government Investment Pool	181,722	181,722	-	-	-
Money Market Funds	20,677	20,677	-	-	-
Negotiable Certificates of Deposit	212,932,066	211,372,621	1,559,445	-	-
U.S. Treasury Securities	189,253,201	97,370,865	4,144,886	10,589,845	77,147,605
	\$ 648,386,166	\$308,945,885	\$41,910,895	\$ 10,589,845	\$286,939,541
Average maturity of all investments					2,065 Days

The Disbursement Funds include \$5,885,363 of investments with maturities over one year and the General Fund includes \$18,816 of investments with maturities over five years. These investments were purchased as short-term securities and are not expected to be held until maturity.

Custodial Risk

Custodial credit risk is the risk that in the event of an institution failure, the Authority may not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The Authority's Investment Policy and related bond indentures of trust require that all deposits and investment securities purchased by the Authority or held as collateral on deposits or investments shall be insured by the Federal Depository Insurance Corporation. In addition, all deposits and investment securities are to be held in the name of the Authority in third-party safekeeping at a qualified public depository, which may not otherwise be counterparty to the investment transaction, under provisions of the Commonwealth of Virginia Security for Public Deposits Act. As of June 30, 2009, all of the Authority's deposits and investments are held and insured by a qualified public depository in the Authority's name.

4. Loans Receivable

The Authority has outstanding loans related to its bond issues, the VWFRF, VWSRF, VARF, and the ETF. These loans are to various localities and other governmental entities in the Commonwealth of Virginia. Certain of these loans are secured by a pledge of the revenues from the lease, system-appropriate revenues, and certain other funds and assets of the entities. Other loans are secured by the full faith and credit of the borrowing entity.

A summary of loans receivable as of June 30, 2009:

Loans receivable related to bond issues:	
Revenue Bonds	\$ 1,370,006,149
Airport Revolving Fund Revenue Bonds	64,788,405
Unamortized discount/premium and cost of issuance – net	8,494,710
Subtotal – loans receivable related to bond issues	<u>1,443,289,264</u>
Loans receivable related to revolving loan funds:	
VWFRF	654,863,805
VWFRF – Leveraged	602,992,744
VWFRF – AgBMP	10,624,747
VWSRF	109,415,360
Subtotal – loans receivable related to revolving loan funds	<u>1,377,896,656</u>
Loans receivable related to ETF loans:	<u>28,847,600</u>
Total loans receivable	<u>\$ 2,850,033,520</u>
Loans receivable – current	\$ 130,299,335
Loans receivable – noncurrent	2,719,734,185
	<u>\$ 2,850,033,520</u>

VPFP and other bonds secured by the Commonwealth’s moral obligation all have bond indentures that require either the Authority or the borrower to deposit with the trustee an amount of funds relating to the annual principal and interest payments required on the bonds. These capital reserve funds are available for use by the Authority to pay debt service on the bonds if the borrower defaults on any interest or principal payment on the loans. Capital reserve funds are included as investments in the accompanying statement of net assets with the offsetting liability reflected as a reduction of loans receivable.

If the Authority is required to use any of these capital reserve funds, the Governor of the Commonwealth of Virginia is required to include in the budget presented to the General Assembly, as an agency request for informational purposes only, the amount necessary to replenish the capital reserve fund to the required level. The General Assembly is under no obligation to pass the budget as presented by the Governor. Any amounts so replenished must be repaid by the Authority to the Commonwealth of Virginia, without interest, from excess operating revenues, as defined, of the Authority, to the extent available.

The Authority also has outstanding loans to various localities and other governmental entities in the Commonwealth of Virginia from the VWFRF and the VWSRF. These loans range in final maturity from fiscal years 2011 to 2040 and accrue interest at various rates of interest ranging from 0% to 6.29%. Certain of these loans are secured by a pledge of revenues from the operation of the wastewater and/or water system projects financed, and others are

Virginia Resources Authority

Notes to Financial Statements

June 30, 2009

secured by the full faith and credit of the borrowing entity. As of June 30, 2009, the Authority is also obligated under outstanding commitment letters and undisbursed loans to lend approximately:

<u>Type</u>	<u>VWFRF</u>	<u>VWSRF</u>	<u>VARF</u>
Committed, to be disbursed:			
Revolving fund	\$ 121,515,936	\$ 4,628,462	\$ -
Leveraged bonds	181,340,523	-	-
Loans from notes	-	-	-
Commitment letter only (loan or grant not closed)	12,779,572	4,980,334	1,200,000

There were no loan commitments related the Equipment and Term Financing Leases at June 30, 2009.

At June 30, 2009, there were no loan receivables that were in default and no allowance for loan losses has been provided. There were no losses incurred during 2009 or any other fiscal year.

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

5. Bonds Payable

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
<i>Revenue Bonds:</i>		
1985 Series B, dated December 1, 1985, interest rates ranging from 5.00% to 8.70%, final due date November 1, 2011; \$4,705,000 of the bonds defeased in 1993	\$13,355,000	\$ 1,515,000
Series 1997 E, dated August 7, 1997, variable rate 7-day demand securities, final due date October 1, 2028	34,380,000	27,935,000
Series 1999A, dated October 15, 1999, interest rates ranging from 4.00% to 5.80%, final due date October 1, 2024	4,500,000	3,495,000
Series 2000A, dated March 1, 2000, interest rates ranging from 4.10% to 5.80%, final due date May 1, 2030	36,535,000	4,080,000
Series 2000B, dated November 1, 2000, interest rates ranging from 4.40% to 5.60%, final due date May 1, 2030	25,805,000	4,000,000
Series 2000C, dated October 1, 2000, interest rates ranging from 4.70% to 5.00%, final due date October 1, 2021	4,640,000	3,520,000
Series 2001, dated October 1, 2001, interest rates ranging from 2.50% to 5.25%, final due date May 1, 2032; \$1,265,000 of the bonds defeased in 2009	13,155,000	10,230,000
Series 2001A, dated June 28, 2001, interest rates ranging from 4.00% to 5.20%, final due date May 1, 2031; \$14,540,000 of the bonds defeased in 2009	29,140,000	6,215,000
Series 2001B (AMT), dated June 28, 2001, interest rates ranging from 4.25% to 4.50%, final due date May 1, 2011; \$2,830,000 of the bonds defeased in 2009	11,030,000	2,940,000
Series 2001D, dated December 14, 2001, interest rates ranging from 3.75% to 5.00%, final due date May 1, 2031; \$19,260,000 of the bonds defeased in 2009	48,235,000	20,945,000
Series 2001E (Taxable), dated December 14, 2001, interest rates ranging from 3.40% to 6.40%, final due date May 1, 2017; \$230,000 of the bonds defeased in 2009	3,400,000	1,925,000

*Virginia Resources Authority**Notes to Financial Statements*

June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2002 (Capital Appreciation Bonds), dated July 31, 2002, interest rates ranging from 4.14% to 5.59%, final due date November 1, 2031. Amount outstanding includes \$11,193,982 accretion for capital appreciation bonds.	\$ 27,537,167	\$ 38,731,149
Series 2002 (Current Interest Bonds), dated July 31, 2002, interest rates ranging from 4.65% to 5.00%, final due date November 1, 2035	35,210,000	34,485,000
Series 2002 (Refunding), dated January 1, 2002, interest rates ranging from 3.00% to 5.00%, final due date April 1, 2019	16,675,000	15,040,000
Series 2002A, dated June 6, 2002, interest rates ranging from 3.00% to 5.13%, final due date May 1, 2027	42,845,000	30,965,000
Series 2002B (Refunding), dated November 5, 2002, interest rates ranging from 2.00% to 4.50%, final due date November 1, 2019	35,295,000	17,785,000
Series 2002C (Non-AMT), dated December 5, 2002, interest rates ranging from 2.00% to 5.00%, final due date April 1, 2033	23,510,000	20,380,000
Series 2002D (AMT), dated December 5, 2002, interest rates ranging from 3.00% to 4.375%, final due date May 1, 2014; \$1,530,000 of the bonds defeased in 2009	16,005,000	6,445,000
Series 2002E (Taxable), dated December 5, 2002, interest rates ranging from 3.00% to 4.80%, final due date May 1, 2014; \$300,000 of the bonds defeased in 2009	3,150,000	1,260,000
Series 2003 Senior (AMT), dated December 4, 2003, interest rates ranging from 2.25% to 5.00%, final due date November 1, 2011; \$2,580,000 of the bonds defeased in 2009	9,490,000	1,285,000
Series 2003 Senior (Non-AMT), dated December 4, 2003, interest rates ranging from 2.00% to 5.00%, final due date November 1, 2033; \$1,605,000 of the bonds defeased in 2009	53,790,000	45,975,000
Series 2003 Senior (Taxable), dated December 4, 2003, interest rates ranging from 1.410% to 4.570%, final due date November 1, 2011; \$650,000 of the bonds defeased in 2009	2,375,000	325,000
Series 2003 Subordinate (AMT), dated December 4, 2003, interest rates ranging from 2.25% to 3.375%, final due date November 1, 2011; \$545,000 of the bonds defeased in 2009	4,160,000	1,140,000

Virginia Resources Authority

Notes to Financial Statements

June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2003 Subordinate (Non-AMT), dated December 4, 2003, interest rate ranging from 2.00% to 5.00%, final due date November 1, 2034; \$700,000 of the bonds defeased in 2009	\$ 32,415,000	\$ 28,800,000
Series 2003 Subordinate (Taxable), dated December 4, 2003, interest rates ranging from 1.56% to 4.70%, final due date November 1, 2011; \$280,000 of the bonds defeased in 2009	1,015,000	140,000
Series 2003A (Non-AMT), dated May 21, 2003, interest rates ranging from 3.00% to 4.60%, final due date May 1, 2028	38,915,000	30,015,000
Series 2003B (AMT), dated May 21, 2003, interest rates ranging from 2.00% to 5.00%, final due date May 1, 2017; \$2,125,000 of the bonds defeased in 2009	39,950,000	28,445,000
Series 2003C (Non-AMT), dated August 7, 2003, interest rates ranging from 2.00% to 5.00%, final due date November 1, 2018; \$515,000 of the bonds defeased in 2009	15,555,000	10,080,000
Series 2004 Senior (Non-AMT), dated June 30, 2004, interest rates ranging from 4.00% to 5.125%, final due date November 1, 2033; \$27,530,000 of the bonds defeased in 2009	60,630,000	29,115,000
Series 2004 Subordinate (Non-AMT), dated June 30, 2004, interest rates ranging from 4.00% to 5.125%, final due date November 1, 2034; \$11,860,000 of the bonds defeased in 2009	32,515,000	19,085,000
Series 2004B Senior (AMT), dated October 28, 2004, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2013; \$985,000 of the bonds defeased in 2009	8,965,000	4,460,000
Series 2004B Senior (Non-AMT), dated October 28, 2004, interest rates ranging from 2.25% to 4.50%, final due date November 1, 2034	28,690,000	24,950,000
Series 2004B Senior (Taxable), dated October 28, 2004, interest rates ranging from 4.00% to 4.50%, final due date November 1, 2013; \$180,000 of the bonds defeased in 2009	1,610,000	790,000
Series 2004B Subordinate (AMT), dated October 28, 2004, interest rates ranging from 3.00% to 3.85%, final due date November 1, 2013; \$940,000 of the bonds defeased in 2009	4,095,000	1,490,000
Series 2004B Subordinate (Non-AMT), dated October 28, 2004, interest rates ranging from 2.25% to 5.00%, final due date November 1, 2035	13,920,000	12,310,000

*Virginia Resources Authority**Notes to Financial Statements*June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2004B Subordinate (Taxable), dated October 28, 2004, interest rate ranging from 4.00% to 4.75%, final due date November 1, 2013; \$75,000 of the bonds defeased in 2009	\$ 690,000	\$ 340,000
Series 2005A Senior (Non-AMT), dated March 2, 2005, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2025	18,115,000	13,710,000
Series 2005A Subordinate (Non-AMT), dated March 2, 2005, interest rates ranging from 3.00% to 4.125%, final due date November 1, 2025	8,190,000	6,215,000
Series 2005B Senior (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2035	22,055,000	18,775,000
Series 2005B Subordinate (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2035	9,485,000	8,095,000
Series 2005C Senior (AMT), dated December 7, 2005, interest rates ranging from 3.35% to 4.75%, final due date November 1, 2025	6,045,000	5,400,000
Series 2005C Senior (Non-AMT), dated December 7, 2005, interest rates ranging from 4.63% to 5.00%, final due date November 1, 2035	36,710,000	33,225,000
Series 2005C Subordinate (AMT), dated December 7, 2005, interest rates ranging from 3.63% to 4.85%, final due date November 1, 2025	2,595,000	2,325,000
Series 2005C Subordinate (Non-AMT), dated December 7, 2005, interest rates ranging from 4.00% to 4.75%, final due date November 1, 2035	16,365,000	14,730,000
Series 2006A Senior (AMT), dated June 8, 2006, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2013	9,955,000	9,955,000
Series 2006A Senior (Non-AMT), dated June 8, 2006, interest rates ranging from 3.50% to 5.00%, final due date November 1, 2036	49,145,000	46,485,000
Series 2006A Senior (Taxable), dated June 8, 2006, interest rates ranging from 5.52% to 5.59%, final due date November 1, 2013	2,450,000	2,450,000

Virginia Resources Authority

Notes to Financial Statements

June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2006A Subordinate (AMT), dated June 8, 2006, interest rate of 5.00%, final due date November 1, 2013	\$ 4,290,000	\$ 4,290,000
Series 2006A Subordinate (Non-AMT), dated June 8, 2006, interest rates ranging from 3.65% to 5.00%, final due date November 1, 2036	25,825,000	24,600,000
Series 2006A Subordinate (Taxable), dated June 8, 2006, interest rates ranging from 5.59% to 5.66%, final due date November 1, 2013	1,045,000	1,045,000
Series 2006B Senior (Refunding), dated August 31, 2006, interest rates ranging from 4.00% to 5.00%, final due date May 1, 2030	17,270,000	16,715,000
Series 2006B Subordinate (Refunding), dated August 31, 2006, interest rates ranging from 4.00% to 4.50%, final due date May 1, 2030	8,005,000	7,755,000
Series 2006C Senior (Non-AMT), dated December 14, 2006, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2036	45,935,000	43,990,000
Series 2006C Subordinate (Non-AMT), dated December 14, 2006, interest rates ranging from 3.50% to 4.375%, final due date November 1, 2036	22,860,000	21,865,000
Series 2007A Senior, dated June 7, 2007, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2027	29,790,000	27,340,000
Series 2007A Subordinate, dated June 7, 2007, interest rates ranging from 4.00% to 4.375%, final due date November 1, 2027	14,465,000	13,360,000
Series 2007B Senior (AMT), dated November 28, 2007, interest rates ranging from 3.60% to 5.00%, final due date November 1, 2027	7,530,000	7,305,000
Series 2007B Senior (Non-AMT), dated November 28, 2007, interest rates ranging from 3.30% to 5.00%, final due date November 1, 2037	38,470,000	38,090,000

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2007B Subordinate (AMT), dated November 28, 2007, interest rates ranging from 3.60% to 5.00%, final due date November 1, 2027	\$ 3,245,000	\$ 3,145,000
Series 2007B Subordinate, dated June 7, 2007, interest rates ranging from 3.30% to 5.00%, final due date November 1, 2037	18,410,000	18,240,000
Series 2008A Senior (Non-AMT), dated June 6, 2008, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2038	48,890,000	48,140,000
Series 2008A Subordinate (Non-AMT), dated June 6, 2008, interest ranging from 2.50% to 4.625%, final due date November 1, 2038	22,450,000	22,120,000
Series 2008B Senior (Non-AMT), dated December 10, 2008, interest rates ranging from 3.00% to 5.125%, final due date November 1, 2038	147,495,000	147,495,000
Series 2008B Subordinate (Non-AMT), dated December 10, 2008, interest rates ranging from 3.00% to 5.25%, final due date November 1, 2038	67,945,000	67,945,000
Series 2009A Senior (ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	42,440,000	42,440,000
Series 2009A Senior (Non-ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	76,985,000	76,985,000
Series 2009A Senior (Taxable), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	50,780,000	50,780,000
Series 2009A Subordinate (ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	18,915,000	18,915,000
Series 2009A Subordinate (Non-ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	42,985,000	42,985,000

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2009A Subordinate (Taxable), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	\$ 21,765,000	\$ 21,765,000
<i>Airport Revolving Fund Revenue Bonds:</i>		
Series 2001A (Non-AMT), dated January 1, 2001, interest rates ranging from 4.00% to 5.25%, final due date August 1, 2027	27,650,000	22,820,000
Series 2001B (AMT), dated January 1, 2001, interest rates ranging from 4.00% to 5.00%, final due date August 1, 2027	25,175,000	20,465,000
Series 2002A (Non-AMT), dated July 3, 2002, interest rates ranging from 3.00% to 4.50%, final due date August 1, 2017	6,700,000	4,355,000
Series 2002B (AMT), dated July 3, 2002, interest rates ranging from 3.00% to 5.125%, final due date August 1, 2027	2,590,000	2,135,000
Series 2002C (Taxable), dated July 3, 2002, interest rates ranging from 3.375% to 6.25%, final due date August 1, 2022	2,285,000	1,850,000
Series 2004A (Non-AMT), dated April 14, 2004, interest rates ranging from 1.36% to 5.81%, final due date August 1, 2029	10,820,000	8,350,000
Series 2005 (Taxable), dated March 9, 2005, interest rates ranging from 4.55% to 5.30%, final due date August 1, 2030	4,090,000	3,460,000
Series 2007 (Taxable), dated March 18, 2007, interest rates ranging from 5.10% to 5.18%, final due date August 1, 2032	5,425,000	5,330,000
<i>Virginia Water Facilities Revolving Fund Leveraged:</i>		
Series 2004 CWSRF, dated June 3, 2004, interest rates ranging from 3.00% to 5.25%, final due date October 1, 2026	160,800,000	143,855,000
Series 2005 CWSRF (Refunding), dated June 30, 2005, interest rates ranging from 3.00% to 5.50%, final due date October 1, 2022	188,475,000	152,325,000

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2007 CWSRF, dated May 3, 2007, interest rates ranging from 4.00% to 5.00%, final due date October 1, 2029	\$244,155,000	\$ 244,155,000
Series 2008 CWSRF, dated August 14, 2008, interest rates ranging from 3.34% to 5.00%, final due date October 1, 2031	181,280,000	181,280,000
Series 2009 CWSRF, dated April 15, 2009, interest rates ranging from 3.00% to 5.00%, final due date October 1, 2031	178,320,000	178,320,000
Total bonds at June 30		2,388,011,149
Unamortized discounts/premiums		78,414,412
Total bonds – net		\$ 2,466,425,561
Total bonds outstanding as of June 30:		\$ 2,388,011,149
Unaccreted Capital Appreciation Bonds as of June 30		45,623,851
Total outstanding maturities		\$ 2,433,635,000
Bonds payable – current		\$ 75,881,865
Bonds payable – noncurrent		2,390,543,696
		\$ 2,466,425,561

Activity in the bonds payable and related accounts for fiscal year 2009 was as follows:

Description	Balance at June 30, 2008	Issued	Retired	Balance at June 30, 2009	Amount Due Within One Year
Total bonds outstanding	\$ 1,731,739,685	\$ 828,910,000	\$(172,638,536)	\$ 2,388,011,149	\$ 67,825,000
Unamortized discounts / premiums	51,201,706	33,505,111	(6,292,405)	78,414,412	8,056,865
	\$ 1,782,941,391	\$ 862,415,111	\$(178,930,941)	\$ 2,466,425,561	\$ 75,881,865

All bonds are limited obligations of the Authority payable solely from and secured by a pledge of the principal and interest payments required to be made by certain local and other governmental entities on loans made by the Authority and a pledge of all funds and accounts established by the various bond indentures. The Authority has the option to redeem the various bonds at premiums ranging up to 3%. The redemptions generally cannot be exercised until the bonds have been outstanding for seven years or more, as fully described in the various bond indentures.

Virginia Resources Authority

Notes to Financial Statements

June 30, 2009

At June 30, 2009, \$726,416,149 of outstanding bonds were secured by the moral obligation of the Commonwealth. The Authority is empowered to issue bonds secured by the moral obligation of the Commonwealth, of which a maximum of \$900 million may be outstanding at any time.

The Series 2002 Water and Sewer Revenue Bonds have Capital Appreciation Bonds with unaccreted values of \$45,623,851, as of June 30, 2009.

Advance Refundings

During the current year, the Authority issued bond series 2009A and 2008B, from which a portion of proceeds were used to provide resources to place in trust for the purpose of making future debt service payments for certain maturities on the bonds listed below. As a result, the refunded bonds listed below are considered to be defeased and the liability has been removed from the statement of net assets:

<u>Issue</u>	<u>Principal Defeased</u>	<u>Difference between Previous and New Debt Service</u>	<u>Economic Gain (Loss) as a Result of the Refunding</u>
2001 Series A - Partial Refunding	\$ 10,410,000	1,021,875	656,198
2001 Series D - Partial Refunding	19,260,000	1,748,837	1,136,369
97 Series F	2,060,000	538,177	164,285
98 Series B	1,920,000	379,034	117,283
98 Series D	13,185,000	1,128,130	823,913
	<u>\$ 46,835,000</u>	<u>\$ 4,816,053</u>	<u>\$ 2,898,048</u>

Debt Restructuring

On June 17, 2009, the Authority issued bond series 2009A, from which a portion of the proceeds were used to provide resources to place in a trust for the purpose of making future debt service payments for certain maturities on the bonds listed below. These refundings were made to restructure the debt to extend certain maturity dates. There is a corresponding restructuring of the loan agreement terms to extend maturity dates for certain Authority borrowers to provide short-term cash flow relief under current economic conditions. As a result, the restructured bonds listed below are considered to be defeased and the liability has been removed from the statement of net assets:

Virginia Resources Authority

Notes to Financial Statements

June 30, 2009

<u>Issue</u>	<u>Principal Deceased</u>	<u>Difference between Previous and New Debt Service</u>	<u>Economic Gain (Loss) as a Result of the Refunding</u>
2001A and 2003 Series	6,435,000	(2,302,376)	(325,642)
2001 Series	1,265,000	(362,049)	(81,612)
2001B, 2001E, 2002D, 2002E, 2003B, 2003, 2004A, and 2004B Series	54,000,000	(16,140,947)	(5,659,237)
2003 Series C	515,000	(190,630)	(48,317)
	<u>\$ 62,215,000</u>	<u>\$ (18,996,002)</u>	<u>\$ (6,114,808)</u>

The amount outstanding at June 30, 2009 for bonds which have been in-substance defeased or refunded was \$311,285,000. In addition to the refundings noted above, this includes bonds that were in-substance defeased during prior years: 1998 Series C, CWSRF 1999 and 2000, and 2000 Series B.

Future principal and interest obligations related to bond indebtedness, including unaccreted capital appreciation bonds are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 67,825,000	\$ 108,766,780	\$ 176,591,780
2011	85,030,000	107,378,537	192,408,537
2012	99,545,000	103,654,873	203,199,873
2013	110,745,000	99,227,867	209,972,867
2014	116,205,000	94,421,927	210,626,927
2015-2019	635,925,000	389,063,633	1,024,988,633
2020-2024	536,670,000	249,077,469	785,747,469
2025-2029	455,940,000	130,735,503	586,675,503
2030-2034	226,090,000	45,754,921	271,844,921
2035-2039	98,315,000	9,124,500	107,439,500
2040	1,345,000	65,525	1,410,525
Total	<u>\$ 2,433,635,000</u>	<u>\$ 1,337,271,535</u>	<u>\$ 3,770,906,535</u>

6. Restricted Net Assets

Restricted net assets represent the portion of total net assets restricted for the purpose of making loans to local governments or by the requirements of the various bond indentures or federal and state regulations for the various revolving funds. Restricted net assets include Revolving Loan Fund Accounts (net of furniture and fixtures), Airport Revolving Fund Accounts, Bond Accounts, and the Operating Reserve Fund. All assets and liabilities included in the Authority's General Accounts are non-restricted in nature; however, the General Account pledged assets to establish an Operating Reserve Fund for the Virginia Pooled Financing Program. The Authority has the option of releasing the pledge once the program reaches 20 or more borrowers with no single borrower accounting

for more than 20% of the total bonds outstanding. At June 30, 2009 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to \$6,989,761.

7. Other Noncurrent Liabilities

The amount of interest on investments of tax-exempt bond proceeds the Authority may earn is limited by certain federal legislation. Earnings in excess of the allowable amount must be rebated to the U.S. Department of the Treasury. These excess earnings are determined through arbitrage rebate calculations, with the arbitrage rebate liability separately reported on the financial statements.

Deferred revenue consists of upfront fees collected from bond financings or investment earnings of the capital reserve funds upon issuance of a bond series. These fees are deferred and recognized over the life of the bonds and amounted to \$1,938,246 at June 30, 2009 (\$181,223) was considered to be current.

The Authority provides for accumulation of annual leave, depending on years of service, with a maximum accumulation of up to two year's allowance of unused annual leave. Annual leave is accrued at the end of each pay period, except for the Executive Director, who receives 160 hours, regardless of length of service, at the beginning of each fiscal year. The Authority provides two days of personal leave per fiscal year, with an unlimited accumulation allowance of unused personal leave. Personal leave is accrued at the beginning of the fiscal year and pro-rated in the year of hire. The Authority provides sick leave of 56 hours per fiscal year, with a maximum accumulation of 220 hours of unused sick leave. Sick leave is accrued at the beginning of the fiscal year and pro-rated in the year of hire. No portion of sick leave is paid out upon termination of employment; accordingly, compensated absences noted below do not include such.

As of June 30, 2009 an accrual for employee compensated absences in the amount of \$55,532 was included in accounts payable and other liabilities in the accompanying statement of net assets.

The following summarizes the activity related to these other liabilities for fiscal year 2009:

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009	Due Within one year
Arbitrage Rebate Liability	\$ 3,506,181	\$27,197	\$ 346,579	\$ 3,186,799	\$ 363,539
Deferred revenue	768,485	1,296,150	126,389	1,938,246	181,223
Accrued leave	67,260	44,598	56,326	55,532	55,532

8. Contributions from Other Governments

During the year the Authority received \$38,383,219 from the EPA under the Capitalization Grants for State Revolving Funds. Contributions from the EPA are disbursed as loans and grants to municipalities. Other amounts received from the EPA as reimbursement for the federal share of the Authority's operating expenses for the VWSRF are recorded as administrative reimbursement when expended in the accompanying statement of revenues, expenses and changes in net assets. In addition, the Authority received \$6,110,130 from the Commonwealth as the required state match of federal funds.

9. Employee Benefit Plans

A. Plan Descriptions

At January 1, 2005, the Authority began mandatory participation for all new employees and optional participation for then-current employees who chose to enroll in the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced annual retirement benefit at age 65 with five years of service or at age 50 with at least 30 years of service for participating employees, payable monthly for life, in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service, or age 55 with credit for at least five years of service. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the state legislature.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at www.varetire.org or obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the Authority. In addition, the Authority is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The Authority's contribution rate (including the 5% member contribution) for the fiscal year ended June 30, 2009 was 12.54% of the annual covered payroll.

C. Annual Pension Cost

For fiscal year 2009, the Authority's annual pension cost of \$96,905 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2008 included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Authority's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of payroll, on an open basis within a period of 21 years.

Trend information for the Authority is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2007	\$ 62,904	100%	-
June 30, 2008	\$ 70,295	100%	-
June 30, 2009	\$ 96,905	100%	-

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the plan was 63.73% funded. The actuarial accrued liability for benefits was \$347,810 and the actuarial value of assets was \$221,677, resulting in an unfunded actuarial accrued liability (UAAL) of \$126,134. The covered payroll (annual payroll of active employees covered by the plan) was \$653,769 and the ratio of the UAAL to the covered payroll was 19.29%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The Authority also has a deferred compensation plan and, in accordance with Internal Revenue Code, the assets of the deferred compensation plan have been placed in trust for the exclusive benefit of the participants and their beneficiaries. Therefore, the Authority's financial statements do not reflect the plan assets or the associated liability under the deferred compensation plan.

10. Contingencies

The Authority participates in the Capitalization Grants for State Revolving Funds. Although the Authority's administration of the program has been audited in accordance with the *U.S. Office of Management and Budget Circular A-133* through June 30, 2009, this program is still subject to federal financial and compliance audits. The amount of expenses which may be disallowed by the granting agency cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

11. Leases

The Authority leases its corporate office space under an operating lease. Rental expense totaled \$114,044 for the year ended June 30, 2009. The future minimum rental payments are as follows:

Virginia Resources Authority
Notes to Financial Statements
June 30, 2009

<u>Year ending June 30,</u>	Amount
2010	\$ 107,920
2011	110,618
2012	113,383
2013	116,218
2014	119,123
2015	122,102
2016	125,154
2017	117,348
	<u>\$ 931,866</u>

12. Subsequent Events

Effective July 1, 2009 the Commonwealth limit on Moral Obligation debt increased from \$900 Million to \$1.5 Billion.

* * * *

Virginia Resources Authority

Required Supplementary Information

June 30, 2009

Schedule of Funding Progress (unaudited):

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2008	\$ 221,677	\$ 347,810	\$ 126,134	63.73%	\$ 653,769	19.29%
June 30, 2007	137,433	222,832	85,399	61.68%	722,277	11.82%
June 30, 2006	72,262	142,769	70,507	50.61%	446,070	15.81%

Virginia Resources Authority

Combining Schedule of Net Assets
June 30, 2009

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Dam Safety Accounts	Equipment & Term Financing	Total
		Water Facilities	Water Supply					
Assets								
Current assets								
Cash	\$ 584,128	\$ 4,662,401	\$ 2,980,296	\$ -	\$ -	\$ -	\$ -	\$ 8,226,825
Cash equivalents	1,863,414	391,062,033	19,197,005	7,815,067	873,539	2,789,341	-	423,600,399
Investments	2,306,392	37,030,286	4,926,679	181,237	996,986	-	-	45,441,580
Loans receivable - current portion	-	69,812,412	4,230,967	3,449,061	51,262,480	-	1,544,415	130,299,335
Receivables:								
Investment interest	71,171	3,739,898	14,572	274,224	290,407	-	-	4,390,272
Loan interest	-	12,737,541	191,147	302,631	9,074,638	-	381,947	22,687,904
Loan administrative fees	-	462,333	16,573	-	224,076	-	6,273	709,255
Federal funds	-	385,001	17,651	-	-	-	-	402,652
Other	33,776	5,750	-	-	-	-	-	39,526
Deferred charges	-	1,789,441	-	102,242	1,329,653	-	-	3,221,336
Other	22,411	-	-	-	-	-	-	22,411
Total current assets	4,881,292	521,687,096	31,574,890	12,124,462	64,051,779	2,789,341	1,932,635	639,041,495
Noncurrent assets								
Investments	7,118,855	269,949,278	149,045	24,903,270	50,324,051	-	-	352,444,499
Loans receivable - less current - net	-	1,198,668,884	105,184,393	61,339,344	1,327,238,379	-	27,303,185	2,719,734,185
Deferred charges	-	13,586,166	-	849,706	20,336,263	-	-	34,772,135
Furniture and fixtures - at cost - less accumulated depreciation	1,252	323	237	-	-	-	-	1,812
Total noncurrent assets	7,120,107	1,482,204,651	105,333,675	87,092,320	1,397,898,693	-	27,303,185	3,106,952,631
Total assets	12,001,399	2,003,891,747	136,908,565	99,216,782	1,461,950,472	2,789,341	29,235,820	3,745,994,126
Liabilities								
Current liabilities								
Loans payable - current portion	-	-	-	-	-	-	1,544,415	1,544,415
Bonds payable - current portion	-	19,599,969	-	3,410,000	52,871,896	-	-	75,881,865
Accrued interest on bonds payable	-	10,778,580	-	1,415,321	9,362,179	-	381,947	21,938,027
Arbitrage rebate liability	-	363,539	-	-	-	-	-	363,539
Due to (from) other accounts	(633,184)	43,416	57,058	(9,605)	531,380	4,662	6,273	-
Deferred revenue	-	87,328	-	3,865	90,030	-	-	181,223
Accounts payable and other liabilities	186,947	113,084	54,737	122,489	-	-	-	477,257
Total current liabilities	(446,237)	30,985,916	111,795	4,942,070	62,855,485	4,662	1,932,635	100,386,326
Noncurrent liabilities								
Loans payable - less current - net	-	-	-	-	-	-	27,303,185	27,303,185
Bonds payable - less current - net	-	925,103,064	-	65,355,000	1,400,085,632	-	-	2,390,543,696
Deferred revenue	-	878,940	-	33,245	844,838	-	-	1,757,023
Arbitrage rebate liability	-	2,823,260	-	-	-	-	-	2,823,260
Total noncurrent liabilities	-	928,805,264	-	65,388,245	1,400,930,470	-	27,303,185	2,422,427,164
Total liabilities	(446,237)	959,791,180	111,795	70,330,315	1,463,785,955	4,662	29,235,820	2,522,813,490
Net assets								
Invested in capital assets	1,252	323	237	-	-	-	-	1,812
Restricted:								
Loan Programs	-	1,044,100,244	136,796,533	28,886,467	(1,835,483)	2,784,679	-	1,210,732,440
Operating Reserve	6,989,761	-	-	-	-	-	-	6,989,761
Unrestricted	5,456,623	-	-	-	-	-	-	5,456,623
Total net assets	\$ 12,447,636	\$ 1,044,100,567	\$ 136,796,770	\$ 28,886,467	\$ (1,835,483)	\$ 2,784,679	\$ -	\$ 1,223,180,636

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2009

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Dam Safety Accounts	Equipment & Term Financing	Total
		Water Facilities	Water Supply					
Operating revenues								
Interest on loans	\$ -	\$ 33,973,086	\$ 670,445	\$ 2,864,627	\$ 53,238,540	\$ -	\$ 891,940	\$ 91,638,638
Investment income	578,264	18,766,413	345,096	1,275,011	1,308,108	49,114	-	22,322,006
Bond administrative fees	-	69,495	-	4,058	1,271,639	-	-	1,345,192
Loan administrative fees	-	630,895	45,567	62,194	-	-	39,171	777,827
Administrative reimbursement	-	-	214,261	-	-	-	-	214,261
Other income	717	2,520	-	-	-	-	-	3,237
Community education and sponsorships	42,500	-	-	-	-	-	-	42,500
Total operating revenues	621,481	53,442,409	1,275,369	4,205,890	55,818,287	49,114	931,111	116,343,661
Operating expenses								
Interest on bonds and loans	-	37,832,229	-	3,484,994	54,783,341	-	891,940	96,992,504
Grants to local governments	-	5,447,242	593,144	-	-	-	-	6,040,386
Personnel services	666,383	264,641	84,330	40,371	-	2,646	-	1,058,371
General operating	364,039	232,844	50,104	63,139	-	17,650	-	727,776
Contractual services	376,866	246,966	96,669	52,483	-	1,555	-	774,539
Total operating expenses	1,407,288	44,023,922	824,247	3,640,987	54,783,341	21,851	891,940	105,593,576
Operating income (loss)	(785,807)	9,418,487	451,122	564,903	1,034,946	27,263	39,171	10,750,085
Nonoperating revenue								
Contributions from other governments	-	32,078,631	12,414,718	-	-	-	-	44,493,349
Income (loss) before transfers	(785,807)	41,497,118	12,865,840	564,903	1,034,946	27,263	39,171	55,243,434
Operating transfers	2,293,925	(31,621)	(33,751)	30,034	(2,219,416)	-	(39,171)	-
Change in net assets	1,508,118	41,465,497	12,832,089	594,937	(1,184,470)	27,263	-	55,243,434
Total net assets - beginning	10,939,518	1,002,635,070	123,964,681	28,291,530	(651,013)	2,757,416	-	1,167,937,202
Total net assets - ending	\$ 12,447,636	\$ 1,044,100,567	\$ 136,796,770	\$ 28,886,467	\$ (1,835,483)	\$ 2,784,679	\$ -	\$ 1,223,180,636

Virginia Resources Authority

Combining Schedule of Cash Flows
Year Ended June 30, 2009

	General	Virginia Revolving Loan Fund Accounts		Airport	Bond	Dam	Equipment &	Total
	Accounts	Water Facilities	Water Supply	Accounts	Accounts	Safety	Term	
						Accounts	Financing	
Cash flows from operating activities								
Cash payments to localities for loans	\$ -	\$ (286,657,522)	\$ (12,369,591)	\$ (633,000)	\$ (460,018,303)	\$ -	\$ (25,687,400)	\$ (785,365,816)
Principal repayments from localities on loans	-	64,225,625	4,221,181	3,681,321	156,260,001	-	1,098,631	229,486,759
Interest received on loans	-	26,726,046	633,157	2,981,471	49,896,872	-	521,867	80,759,413
Bond administrative fees received	-	-	-	-	1,178,650	-	-	1,178,650
Loan administrative fees received	-	330,482	39,312	65,013	-	-	37,611	472,418
Federal administrative reimbursement funds received	-	-	221,245	-	-	-	-	221,245
Cash received from other income	112,451	3,900	27,987	540	-	-	-	144,878
Cash payments for salaries and related benefits	(666,232)	(277,676)	(115,726)	-	-	-	-	(1,059,634)
Cash payments for contractual services	(476,419)	(246,966)	(89,108)	(2,043)	-	-	-	(814,536)
Cash payments for general operating expenses	(450,115)	(235,301)	(46,381)	(17,416)	-	(1,769)	-	(750,982)
Cash payments for operating grants	-	(5,447,242)	(593,143)	-	-	-	-	(6,040,385)
Interest paid on loans	-	-	-	-	-	-	(533,234)	(533,234)
Interest paid on bonds	-	(32,590,879)	-	(3,589,533)	(51,250,617)	-	-	(87,431,029)
Arbitrage rebate	-	(103,686)	-	-	-	-	-	(103,686)
Interfund activity	(58,029)	60,896	71,619	(49,329)	-	(15,419)	(9,738)	-
Net cash provided by (used in) operating activities	(1,538,344)	(234,212,323)	(7,999,448)	2,437,024	(303,933,397)	(17,188)	(24,572,263)	(569,835,939)
Cash flows from noncapital financing activities								
Proceeds from loan	-	-	-	-	-	-	25,687,400	25,687,400
Proceeds from sale of bonds	-	374,842,929	-	-	481,731,951	-	-	856,574,880
Principal paid on loans	-	-	-	-	-	-	(1,189,239)	(1,189,239)
Principal paid on bonds	-	(15,256,818)	-	(3,225,000)	(156,270,001)	-	-	(174,751,819)
Contributions from other governments	-	32,980,553	12,436,453	-	-	-	-	45,417,006
Cash received (paid) from other accounts	1,762,545	(31,621)	(33,751)	30,034	(1,688,036)	-	(39,171)	-
Net cash provided by (used in) noncapital financing activities	1,762,545	392,535,043	12,402,702	(3,194,966)	323,773,914	-	24,458,990	751,738,228
Cash flows from investing activities								
Purchase of investments	(7,821,483)	(155,136,631)	(9,336,066)	(5,864,599)	(23,246,563)	-	-	(201,405,342)
Proceeds from sales or maturities of investments	7,677,271	180,480,217	4,861,877	6,794,697	2,256,351	-	-	202,070,413
Interest received on investments - net	462,860	20,298,342	385,320	1,086,353	1,544,494	49,113	-	23,826,482
Net cash provided by (used in) investing activities	318,648	45,641,928	(4,088,869)	2,016,451	(19,445,718)	49,113	-	24,491,553
Net increase (decrease) in cash and cash equivalents	542,849	203,964,648	314,385	1,258,509	394,799	31,925	(113,273)	206,393,842
Cash and cash equivalents								
Beginning of year	1,904,693	191,759,786	21,862,916	6,556,558	478,740	2,757,416	113,273	225,433,382
End of year	\$ 2,447,542	\$ 395,724,434	\$ 22,177,301	\$ 7,815,067	\$ 873,539	\$ 2,789,341	\$ -	\$ 431,827,224

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2009

	General	Virginia Revolving Loan Fund Accounts		Airport	Bond	Dam	Equipment &	Total
	Accounts	Water Facilities	Water Supply	Accounts	Accounts	Safety	Term	
						Accounts	Financing	
Reconciliation of operating income (loss)								
to net cash used in operating activities								
Operating income (loss)	\$ (785,807)	\$ 9,418,487	\$ 451,122	\$ 564,903	\$ 1,034,946	\$ 27,263	\$ 39,171	\$ 10,750,085
Adjustments to reconcile operating income (loss)								
to net cash provided by (used in) operating activities:								
Depreciation	1,886	1,432	1,160	-	-	-	-	4,478
Interest on investments	(578,264)	(18,766,413)	(345,096)	(1,275,011)	(1,308,108)	(49,114)	-	(22,322,006)
Interest on loans	-	-	-	-	-	-	381,947	381,947
Interest on bonds, amortization and accretion - net	-	307,775	-	(54,933)	754,637	-	-	1,007,479
Change in assets and liabilities								
Loans receivables	-	(222,448,853)	(8,148,409)	3,048,323	(304,192,678)	-	(24,588,770)	(556,330,387)
Loan interest receivable	-	(3,519,563)	(37,289)	55,216	(1,139,019)	-	(370,073)	(5,010,728)
Loan administrative fee receivable	-	(300,413)	(6,255)	64,447	(224,076)	-	(1,560)	(467,857)
Other receivables	69,235	-	-	9,690	-	20,082	-	99,007
Deferred charges	-	990,741	-	77,237	1,179,529	-	-	2,247,507
Other current assets	(13,655)	-	360	-	-	-	-	(13,295)
Accounts payable and other liabilities	(173,710)	113,084	13,340	539	-	-	(23,240)	(69,987)
Deferred revenue	-	(69,496)	-	(4,058)	(38,627)	-	-	(112,181)
Due to (from) other funds	(58,029)	60,896	71,619	(49,329)	-	(15,419)	(9,738)	-
Total adjustments	(752,537)	(243,630,810)	(8,450,570)	1,872,121	(304,968,343)	(44,451)	(24,611,434)	(580,586,024)
Net cash provided by (used in) operating activities	\$ (1,538,344)	\$ (234,212,323)	\$ (7,999,448)	\$ 2,437,024	\$ (303,933,397)	\$ (17,188)	\$ (24,572,263)	\$ (569,835,939)

Virginia Resources Authority

Combining Schedule of Net Assets

Virginia Revolving Loan Fund Accounts - Water Facilities

June 30, 2009

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Assets							
Current assets							
Cash	\$ 608,111	\$ -	\$ 2,740,565	\$ -	\$ 33,718	\$ 1,280,007	\$ 4,662,401
Cash equivalents	72,778,476	304,043,644	2,978,533	9,383,564	1,877,816	-	391,062,033
Investments	35,337,645	-	1,692,641	-	-	-	37,030,286
Loans receivable - current portion	45,095,498	20,278,849	4,375,054	-	63,011	-	69,812,412
Receivables:							
Investment interest	127,765	3,607,695	4,438	-	-	-	3,739,898
Loan interest	4,040,682	8,624,243	72,616	-	-	-	12,737,541
Loan administrative fees	-	-	-	-	-	462,333	462,333
Federal funds	385,001	-	-	-	-	-	385,001
Other	5,750	-	-	-	-	-	5,750
Deferred charges	-	1,789,441	-	-	-	-	1,789,441
Total current assets	158,378,928	338,343,872	11,863,847	9,383,564	1,974,545	1,742,340	521,687,096
Noncurrent assets							
Investments	5,736,318	264,212,960	-	-	-	-	269,949,278
Loans receivable - less current - net	609,643,152	582,713,895	6,249,692	-	62,145	-	1,198,668,884
Deferred charges	-	13,586,166	-	-	-	-	13,586,166
Furniture and fixtures - at cost - less accumulated depreciation	323	-	-	-	-	-	323
Total noncurrent assets	615,379,793	860,513,021	6,249,692	-	62,145	-	1,482,204,651
Total assets	773,758,721	1,198,856,893	18,113,539	9,383,564	2,036,690	1,742,340	2,003,891,747
Liabilities							
Current liabilities							
Bonds payable - current portion	-	19,599,969	-	-	-	-	19,599,969
Accrued interest on bonds payable	-	10,778,580	-	-	-	-	10,778,580
Arbitrage rebate liability	-	363,539	-	-	-	-	363,539
Due to other accounts	43,416	-	-	-	-	-	43,416
Deferred revenue	-	87,328	-	-	-	-	87,328
Accounts payable and other liabilities	-	113,084	-	-	-	-	113,084
Total current liabilities	43,416	30,942,500	-	-	-	-	30,985,916
Noncurrent liabilities							
Bonds payable - less current - net	-	925,103,064	-	-	-	-	925,103,064
Deferred revenue	-	878,940	-	-	-	-	878,940
Arbitrage rebate liability	-	2,823,260	-	-	-	-	2,823,260
Total noncurrent liabilities	-	928,805,264	-	-	-	-	928,805,264
Total liabilities	43,416	959,747,764	-	-	-	-	959,791,180
Net assets							
Invested in capital assets	323	-	-	-	-	-	323
Restricted:							
Loan Programs	773,714,982	239,109,129	18,113,539	9,383,564	2,036,690	1,742,340	1,044,100,244
Total net assets	\$ 773,715,305	\$ 239,109,129	\$ 18,113,539	\$ 9,383,564	\$ 2,036,690	\$ 1,742,340	\$ 1,044,100,567

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
 Virginia Revolving Loan Fund Accounts - Water Facilities
 Year Ended June 30, 2009

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Operating revenues							
Interest on loans	\$ 15,044,307	\$ 18,646,644	\$ 282,135	\$ -	\$ -	\$ -	\$ 33,973,086
Investment income	1,905,416	16,561,081	44,541	209,623	39,180	6,572	18,766,413
Bond administrative fees	-	69,495	-	-	-	-	69,495
Loan administrative fees	-	-	-	-	-	630,895	630,895
Other income	-	-	2,520	-	-	-	2,520
Total operating revenues	16,949,723	35,277,220	329,196	209,623	39,180	637,467	53,442,409
Operating expenses							
Interest on bonds	-	37,832,229	-	-	-	-	37,832,229
Grants to local governments	-	-	-	5,447,242	-	-	5,447,242
Personnel services	264,641	-	-	-	-	-	264,641
General operating	219,519	-	4,000	7,729	1,596	-	232,844
Contractual services	246,966	-	-	-	-	-	246,966
Total operating expenses	731,126	37,832,229	4,000	5,454,971	1,596	-	44,023,922
Operating income (loss)	16,218,597	(2,555,009)	325,196	(5,245,348)	37,584	637,467	9,418,487
Nonoperating revenue							
Contributions from other governments	29,078,631	-	-	3,000,000	-	-	32,078,631
Income (loss) before transfers	45,297,228	(2,555,009)	325,196	(2,245,348)	37,584	637,467	41,497,118
Operating transfers	(50,379,934)	53,137,832	-	-	(2,785,220)	(4,299)	(31,621)
Change in net assets	(5,082,706)	50,582,823	325,196	(2,245,348)	(2,747,636)	633,168	41,465,497
Total net assets - beginning	778,798,011	188,526,306	17,788,343	11,628,912	4,784,326	1,109,172	1,002,635,070
Total net assets - ending	\$ 773,715,305	\$ 239,109,129	\$ 18,113,539	\$ 9,383,564	\$ 2,036,690	\$ 1,742,340	\$ 1,044,100,567

Virginia Resources Authority

Combining Schedule of Cash Flows

Virginia Revolving Loan Fund Accounts - Water Facilities

Year Ended June 30, 2009

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities							
Cash payments to localities for loans	\$ (80,355,116)	\$ (201,370,568)	\$ (4,931,838)	\$ -	\$ -	\$ -	\$ (286,657,522)
Principal repayments from localities on loans	42,912,861	16,713,132	4,536,621	-	63,011	-	64,225,625
Interest received on loans	15,857,729	10,593,946	274,371	-	-	-	26,726,046
Loan administrative fees received	-	-	-	-	-	330,482	330,482
Cash received from other income	-	-	3,900	-	-	-	3,900
Cash payments for salaries and related benefits	(277,676)	-	-	-	-	-	(277,676)
Cash payments for contractual services	(246,966)	-	-	-	-	-	(246,966)
Cash payments for general operating expenses	(222,192)	-	(4,001)	(7,729)	(1,379)	-	(235,301)
Cash payments for operating grants	-	-	-	(5,447,242)	-	-	(5,447,242)
Interest paid on bonds	-	(32,590,879)	-	-	-	-	(32,590,879)
Arbitrage rebate	-	(103,686)	-	-	-	-	(103,686)
Interfund activity	88,829	31,314	-	-	-	(59,247)	60,896
Net cash provided by (used in) operating activities	<u>(22,242,531)</u>	<u>(206,726,741)</u>	<u>(120,947)</u>	<u>(5,454,971)</u>	<u>61,632</u>	<u>271,235</u>	<u>(234,212,323)</u>
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	374,842,929	-	-	-	-	374,842,929
Principal paid on bonds	-	(15,256,818)	-	-	-	-	(15,256,818)
Contributions from other governments	29,971,677	8,876	-	3,000,000	-	-	32,980,553
Cash received (paid) from other accounts	(50,379,934)	53,137,832	-	-	(2,785,220)	(4,299)	(31,621)
Net cash provided by (used in) noncapital financing activities	<u>(20,408,257)</u>	<u>412,732,819</u>	<u>-</u>	<u>3,000,000</u>	<u>(2,785,220)</u>	<u>(4,299)</u>	<u>392,535,043</u>
Cash flows from investing activities							
Purchase of investments	(93,346,652)	(59,205,000)	(2,584,979)	-	-	-	(155,136,631)
Proceeds from sales or maturities of investments	60,909,698	118,277,842	1,292,677	-	-	-	180,480,217
Interest received on investments - net	2,464,337	17,503,866	74,983	209,623	38,962	6,571	20,298,342
Net cash provided by (used in) investing activities	<u>(29,972,617)</u>	<u>76,576,708</u>	<u>(1,217,319)</u>	<u>209,623</u>	<u>38,962</u>	<u>6,571</u>	<u>45,641,928</u>
Net increase (decrease) in cash and cash equivalents	<u>(72,623,405)</u>	<u>282,582,786</u>	<u>(1,338,266)</u>	<u>(2,245,348)</u>	<u>(2,684,626)</u>	<u>273,507</u>	<u>203,964,648</u>
Cash and cash equivalents Beginning of year	<u>146,009,992</u>	<u>21,460,858</u>	<u>7,057,364</u>	<u>11,628,912</u>	<u>4,596,160</u>	<u>1,006,500</u>	<u>191,759,786</u>
End of year	<u>\$ 73,386,587</u>	<u>\$ 304,043,644</u>	<u>\$ 5,719,098</u>	<u>\$ 9,383,564</u>	<u>\$ 1,911,534</u>	<u>\$ 1,280,007</u>	<u>\$ 395,724,434</u>

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
 Virginia Revolving Loan Fund Accounts - Water Facilities
 Year Ended June 30, 2009

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 16,218,597	\$ (2,555,009)	\$ 325,196	\$ (5,245,348)	\$ 37,584	\$ 637,467	\$ 9,418,487
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	1,432	-	-	-	-	-	1,432
Interest on investments	(1,905,416)	(16,561,081)	(44,541)	(209,623)	(39,180)	(6,572)	(18,766,413)
Interest on bonds, amortization and accretion - net	-	307,775	-	-	-	-	307,775
Change in assets and liabilities							
Loans receivables	(37,459,395)	(184,657,653)	(395,033)	-	63,228	-	(222,448,853)
Loan interest receivable	813,422	(4,326,416)	(6,569)	-	-	-	(3,519,563)
Loan administrative fee receivable	-	-	-	-	-	(300,413)	(300,413)
Deferred charges	-	990,741	-	-	-	-	990,741
Accounts payable and other liabilities	-	113,084	-	-	-	-	113,084
Deferred revenue	-	(69,496)	-	-	-	-	(69,496)
Due to (from) other funds	88,829	31,314	-	-	-	(59,247)	60,896
	<u>(38,461,128)</u>	<u>(204,171,732)</u>	<u>(446,143)</u>	<u>(209,623)</u>	<u>24,048</u>	<u>(366,232)</u>	<u>(243,630,810)</u>
	<u>\$ (22,242,531)</u>	<u>\$ (206,726,741)</u>	<u>\$ (120,947)</u>	<u>\$ (5,454,971)</u>	<u>\$ 61,632</u>	<u>\$ 271,235</u>	<u>\$ (234,212,323)</u>

Virginia Resources Authority

Combining Schedule of Net Assets
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2009

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	\$ 2,861,574	\$ 31,769	\$ -	\$ 86,953	\$ 2,980,296
Cash equivalents	19,075,890	121,115	-	-	19,197,005
Investments	4,926,679	-	-	-	4,926,679
Loans receivable - current portion	4,198,627	32,340	-	-	4,230,967
Receivables:					
Investment interest	14,572	-	-	-	14,572
Loan interest	190,431	716	-	-	191,147
Loan administrative fees	-	-	-	16,573	16,573
Federal funds	-	-	17,651	-	17,651
Total current assets	<u>31,267,773</u>	<u>185,940</u>	<u>17,651</u>	<u>103,526</u>	<u>31,574,890</u>
Noncurrent assets					
Investments	149,045	-	-	-	149,045
Loans receivable - less current - net	105,013,321	171,072	-	-	105,184,393
Furniture and fixtures - at cost - less accumulated depreciation	-	-	237	-	237
Total noncurrent assets	<u>105,162,366</u>	<u>171,072</u>	<u>237</u>	<u>-</u>	<u>105,333,675</u>
Total assets	<u>136,430,139</u>	<u>357,012</u>	<u>17,888</u>	<u>103,526</u>	<u>136,908,565</u>
Liabilities					
Current liabilities					
Due to other accounts	52,747	-	4,311	-	57,058
Accounts payable and other liabilities	41,397	-	13,340	-	54,737
Total current liabilities	<u>94,144</u>	<u>-</u>	<u>17,651</u>	<u>-</u>	<u>111,795</u>
Total liabilities	<u>94,144</u>	<u>-</u>	<u>17,651</u>	<u>-</u>	<u>111,795</u>
Net assets					
Invested in capital assets	-	-	237	-	237
Restricted:					
Loan Programs	136,335,995	357,012	-	103,526	136,796,533
Total net assets	<u>\$ 136,335,995</u>	<u>\$ 357,012</u>	<u>\$ 237</u>	<u>\$ 103,526</u>	<u>\$ 136,796,770</u>

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Assets
 Virginia Revolving Loan Fund Accounts - Water Supply
 Year Ended June 30, 2008

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	\$ 666,142	\$ 4,303	\$ -	\$ -	\$ 670,445
Investment income	343,857	928	-	311	345,096
Loan administrative fees	-	-	-	45,567	45,567
Administrative reimbursement	-	-	214,261	-	214,261
Total operating revenues	<u>1,009,999</u>	<u>5,231</u>	<u>214,261</u>	<u>45,878</u>	<u>1,275,369</u>
Operating expenses					
Grants to local governments	568,941	24,203	-	-	593,144
Personnel services	-	-	84,330	-	84,330
General operating	19,445	248	30,411	-	50,104
Contractual services	-	-	96,669	-	96,669
Total operating expenses	<u>588,386</u>	<u>24,451</u>	<u>211,410</u>	<u>-</u>	<u>824,247</u>
Operating income (loss)	<u>421,613</u>	<u>(19,220)</u>	<u>2,851</u>	<u>45,878</u>	<u>451,122</u>
Nonoperating revenue					
Contributions from other governments	12,414,718	-	-	-	12,414,718
Income (loss) before transfers	12,836,331	(19,220)	2,851	45,878	12,865,840
Operating transfers	<u>(11,422)</u>	<u>(12,931)</u>	<u>(7,345)</u>	<u>(2,053)</u>	<u>(33,751)</u>
Change in net assets	12,824,909	(32,151)	(4,494)	43,825	12,832,089
Total net assets - beginning	<u>123,511,086</u>	<u>389,163</u>	<u>4,731</u>	<u>59,701</u>	<u>123,964,681</u>
Total net assets - ending	<u>\$ 136,335,995</u>	<u>\$ 357,012</u>	<u>\$ 237</u>	<u>\$ 103,526</u>	<u>\$ 136,796,770</u>

Virginia Resources Authority

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2009

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	\$ (12,369,591)	\$ -	\$ -	\$ -	\$ (12,369,591)
Principal repayments from localities on loans	4,189,597	31,584	-	-	4,221,181
Interest received on loans	628,709	4,448	-	-	633,157
Loan administration fees received	-	-	-	39,312	39,312
Federal administrative reimbursement funds received	-	-	221,245	-	221,245
Cash received from other income	-	-	27,987	-	27,987
Cash payments for salaries and related benefits	-	-	(115,726)	-	(115,726)
Cash payments for contractual services	-	-	(89,108)	-	(89,108)
Cash payments for general operating expenses	(19,085)	(249)	(27,047)	-	(46,381)
Cash payments for operating grants	(568,941)	(24,202)	-	-	(593,143)
Interfund activity	71,830	9,795	(10,006)	-	71,619
Net cash provided by (used in) operating activities	(8,067,481)	21,376	7,345	39,312	(7,999,448)
Cash flows from noncapital financing activities					
Contributions from other governments	12,436,453	-	-	-	12,436,453
Cash received (paid) from other accounts	(11,422)	(12,931)	(7,345)	(2,053)	(33,751)
Net cash provided by (used in) noncapital financing activities	12,425,031	(12,931)	(7,345)	(2,053)	12,402,702
Cash flows from investing activities					
Purchase of investments	(9,336,066)	-	-	-	(9,336,066)
Proceeds from sales or maturities of investments	4,861,877	-	-	-	4,861,877
Interest received on investments - net	384,082	927	-	311	385,320
Net cash provided by investing activities	(4,090,107)	927	-	311	(4,088,869)
Net increase in cash and cash equivalents	267,443	9,372	-	37,570	314,385
Cash and cash equivalents					
Beginning of year	21,670,021	143,512	-	49,383	21,862,916
End of year	\$ 21,937,464	\$ 152,884	\$ -	\$ 86,953	\$ 22,177,301
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 421,613	\$ (19,220)	\$ 2,851	\$ 45,878	\$ 451,122
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	1,160	-	1,160
Interest on investments	(343,857)	(928)	-	(311)	(345,096)
Change in assets and liabilities					
Loans receivables	(8,179,994)	31,585	-	-	(8,148,409)
Loan interest receivable	(37,433)	144	-	-	(37,289)
Loan administrative fee receivable	-	-	-	(6,255)	(6,255)
Other receivables	360	-	-	-	360
Accounts payable and other liabilities	-	-	13,340	-	13,340
Due to (from) other funds	71,830	9,795	(10,006)	-	71,619
Total adjustments	(8,489,094)	40,596	4,494	(6,566)	(8,450,570)
Net cash provided by (used in) operating activities	\$ (8,067,481)	\$ 21,376	\$ 7,345	\$ 39,312	\$ (7,999,448)

STATISTICAL SECTION

This section of the Authority's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Authority's overall financial health.

Financial Trends

These tables contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Table 1 Net assets by component

Table 2 Changes in net assets

Table 3 Operating revenues by source

Table 4 Operating expenses

Revenue Capacity

This table contains information to help the reader assess the Authority's significant operating revenues.

Table 5 Schedule of Outstanding Loans Receivable

Debt Capacity

This table presents information to help the reader assess the affordability of the Authority's current levels of outstanding debt, and the Authority's ability to issue additional debt in the future.

Table 6 Schedule of Outstanding Debt

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Table 7 Virginia Principal Employers

Table 8 Virginia Demographic and Economic Statistics

Operating Information

These tables contain information about Virginia Resource Authority's operations and resources to help the reader understand how the Authority's financial report relates to services the Authority provides and the activities it performs.

Table 9 Operating Indicators

Table 10 Authorized Employee by Identifiable Activity

Sources: Unless otherwise noted, information in these tables is derived from the annual financial reports for the relevant year. The Authority implemented GASB Statement 34 in 2002; unless otherwise stated, these tables include information beginning in that year.

Table 1

Virginia Resources Authority

Net Assets by Component

Last Eight Fiscal Years

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Invested in capital assets	\$ 68,023	\$ 71,117	\$ 80,470	\$ 68,003	\$ 45,721	\$ 9,996	\$ 5,516	\$ 1,812
Restricted	802,126,322	852,807,085	917,598,522	971,377,454	1,037,733,171	1,106,474,312	1,163,460,244	1,217,722,201
Unrestricted	6,811,927	7,295,735	2,762,252	3,502,408	4,099,446	4,379,283	4,471,442	5,456,623
Total net assets	\$ 809,006,272	\$ 860,173,937	\$ 920,441,244	\$ 974,947,865	\$ 1,041,878,338	\$ 1,110,863,591	\$ 1,167,937,202	\$ 1,223,180,636

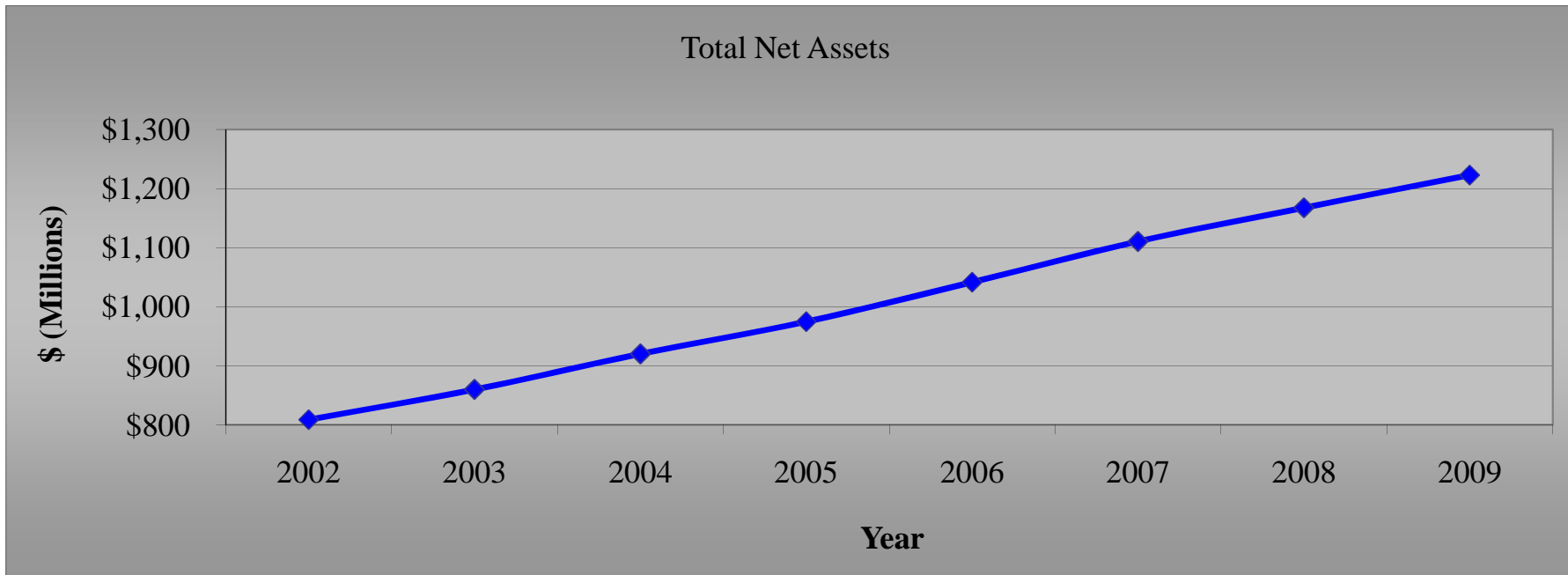


Table 2

Virginia Resources Authority
Changes in Net Assets
 Last Eight Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenues/ Contributions from other Governments	Change in Net Assets
2002	\$ 59,880,834	\$ 56,718,204	\$ 3,162,630	\$ 69,433,639	\$ 72,596,269
2003	68,300,734	54,869,127	13,431,607	37,736,058	51,167,665
2004	70,413,057	59,018,740	11,394,317	48,872,990	60,267,307
2005	89,763,265	68,788,315	20,974,950	33,531,671	54,506,621
2006	95,229,273	70,832,190	24,397,083	42,533,390	66,930,473
2007	106,394,533	77,060,552	29,333,981	39,651,272	68,985,253
2008	114,900,247	90,062,838	24,837,409	32,236,202	57,073,611
2009	116,343,661	105,593,576	10,750,085	44,493,349	55,243,434

Table 3

Virginia Resources Authority
Operating Revenues by Source
 Last Eight Fiscal Years

Fiscal Year	Interest on Loans	Investment Income	Administrative Reimbursement	Bond Administrative Fees (1)	Loan Administrative Fees (2)	Other Income	Total
2002	\$ 43,982,498	\$ 15,064,517	\$ 799,271	\$ -	\$ -	\$ 34,548	\$ 59,880,834
2003	55,556,234	11,916,396	795,286	-	-	32,818	68,300,734
2004	58,317,155	11,411,893	669,663	-	-	14,346	70,413,057
2005	66,724,683	21,130,519	705,449	869,610	-	333,004	89,763,265
2006	71,949,057	21,519,977	646,725	967,723	-	145,791	95,229,273
2007	77,789,985	26,702,863	624,309	1,048,007	181,790	47,579	106,394,533
2008	83,445,613	29,419,254	501,629	1,082,589	387,024	64,138	114,900,247
2009	91,638,638	22,322,006	214,261	1,345,192	777,827	45,737	116,343,661

(1) Beginning in 2005, Bond Administrative Fees were collected.

(2) Beginning in 2007, Loan Administrative Fees were collected.

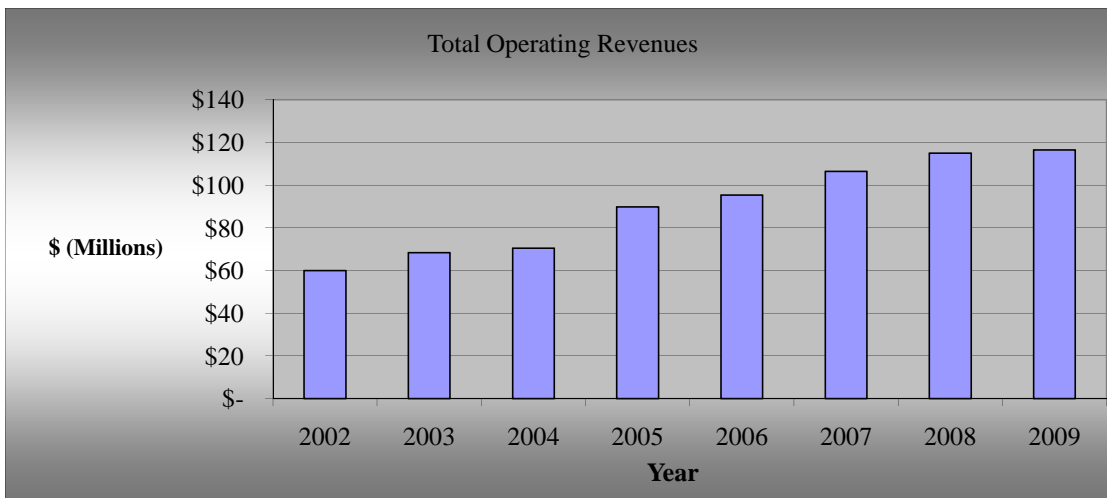
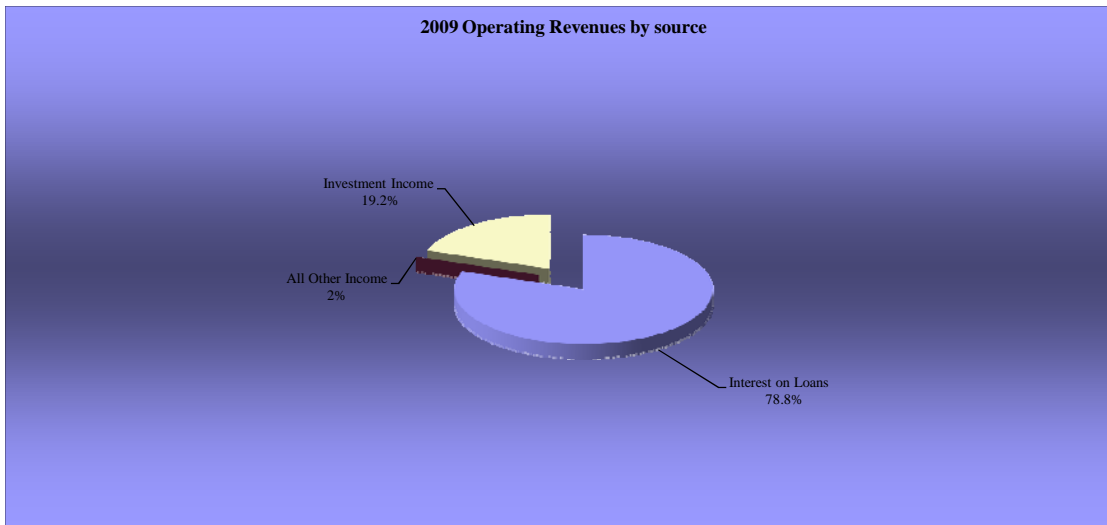


Table 4

Virginia Resources Authority
Operating Expenses
 Last Eight Fiscal Years

Fiscal Year	Interest on Bonds and Loans	Grants to Local Governments	Personnel Services	General Operating	Contractual Services	Total
2002	\$ 36,759,342	\$ 18,502,724	\$ 839,492	\$ 425,783	\$ 190,863	\$ 56,718,204
2003	44,183,203	9,286,110	867,079	362,740	169,995	54,869,127
2004	49,181,968	8,448,600	905,661	372,619	109,892	59,018,740
2005	63,155,132	4,184,019	871,477	412,270	165,417	68,788,315
2006	65,638,871	3,669,141	892,365	457,772	174,041	70,832,190
2007	72,092,728	3,041,355	936,548	577,848	412,073	77,060,552
2008	84,006,093	3,838,470	972,514	654,917	590,844	90,062,838
2009	96,992,504	6,040,386	1,058,371	727,776	774,539	105,593,576

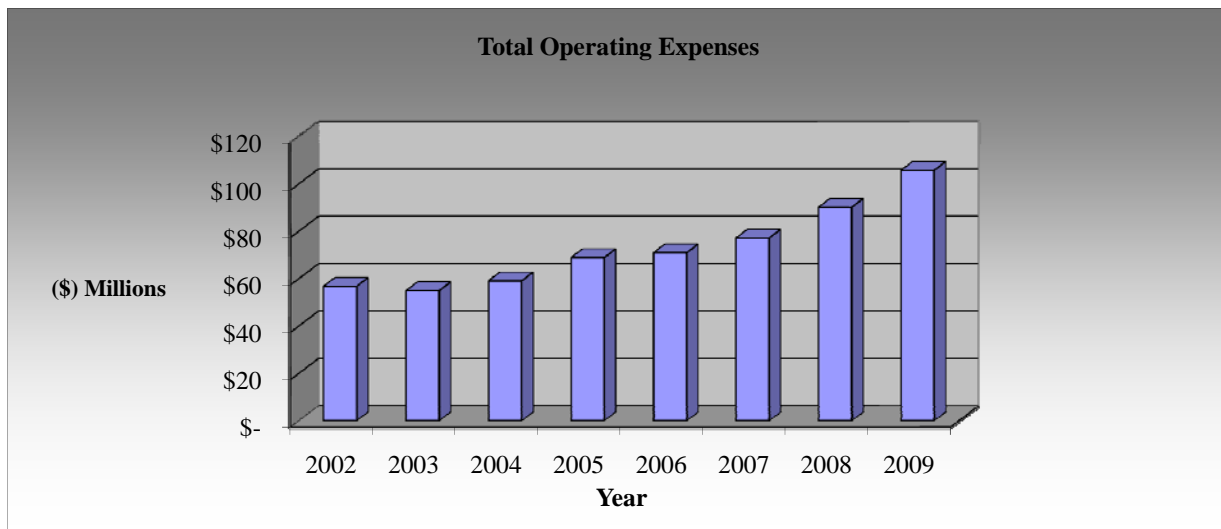
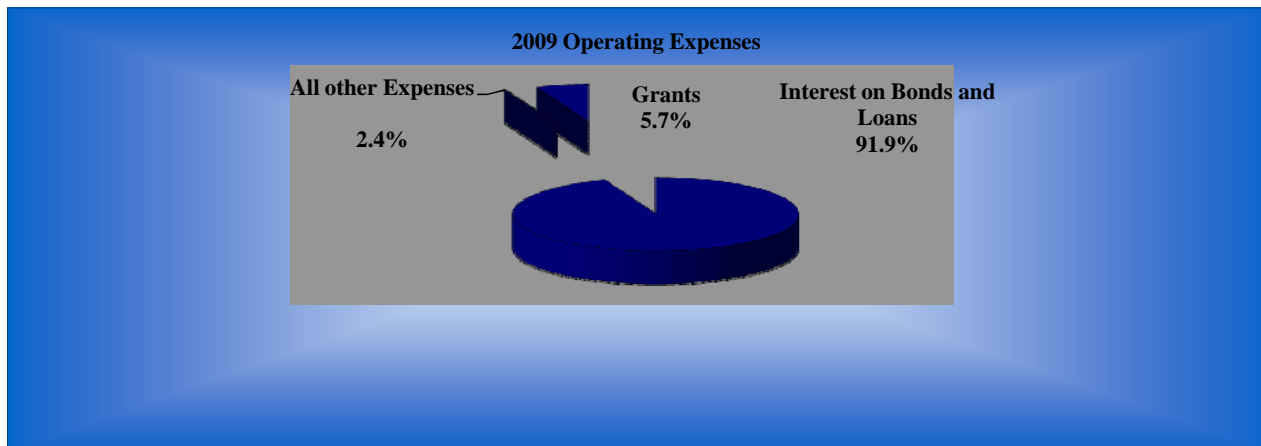


Table 5

Virginia Resources Authority
Schedule of Outstanding Loans Receivable
 Last Eight Fiscal Years

Loans Receivable Related to Bond Issues						Loans Receivable Related to Equipment Term Financing Total
Fiscal Year	Revenue Bonds	VARF	Petroleum Storage Tank Fund	Unamortized discount / premium and cost of issuance - net	Total	
2002	\$ 482,891,541	\$ 34,186,772	\$ 6,000,000	\$ (7,772,094)	\$ 515,306,219	
2003	648,847,949	51,759,731	-	(8,306,670)	692,301,010	\$ -
2004	782,815,669	68,594,416	-	217,383	851,627,468	-
2005	828,294,418	70,262,749	-	1,731,144	900,288,311	-
2006	933,276,834	68,320,183	-	4,543,143	1,006,140,160	-
2007	998,051,095	70,707,181	-	7,339,682	1,076,097,958	-
2008	1,073,592,203	67,836,728	-	13,366,101	1,154,795,032	4,258,830
2009	1,370,006,149	64,788,405	-	8,494,710	1,443,289,264	28,847,600

Loans Receivable Related to Revolving Loans					
Fiscal Year	VWFRF	VWFRF - leveraged	VWFRF AgBMP	VWSRF	Total
2002	\$ 509,037,663	\$ 175,971,358	\$ 3,451,758	\$ 46,301,130	\$ 734,761,909
2003	491,329,720	190,343,281	3,889,388	60,642,465	746,204,854
2004	489,191,442	216,050,825	4,108,404	74,082,904	783,433,575
2005	514,931,583	232,800,822	4,956,148	80,994,468	833,683,021
2006	552,658,162	254,745,219	6,550,589	88,104,520	902,058,490
2007	583,998,758	286,972,710	9,184,921	96,396,262	976,552,651
2008	617,467,421	418,335,308	10,229,714	101,266,951	1,147,299,394
2009	654,863,805	602,992,744	10,624,747	109,415,360	1,377,896,656

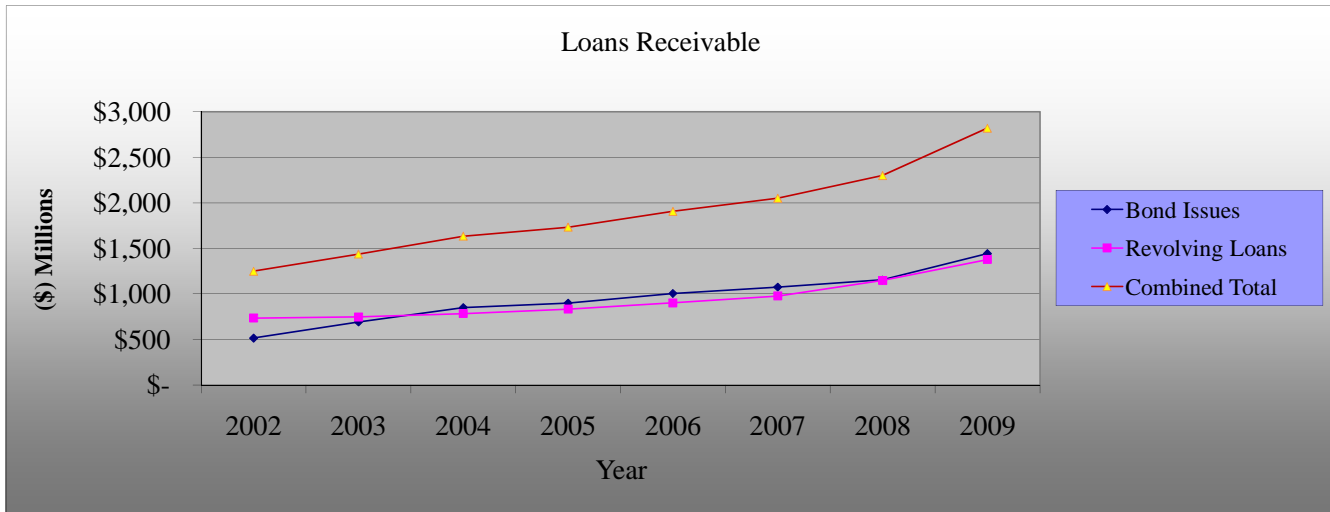


Table 6

Virginia Resources Authority
Schedule of Outstanding Debt
 Last Eight Fiscal Years

Fiscal Year	Total Outstanding Revenue Bonds	Unamortized discounts / premiums (1)	Net Bonds Payable	Outstanding bonds secured by Moral Obligations of Commonwealth	Commonwealth Limit on Moral Obligation Debt (2)	Remaining capacity for Moral Obligation Debt
2002	\$ 769,466,542	\$(10,893,520)	\$ 758,573,022	\$ 543,336,542	\$ 900,000,000	\$ 356,663,458
2003	931,597,949	(11,474,431)	920,123,518	704,692,949	900,000,000	195,307,051
2004	1,238,920,671	2,298,328	1,241,218,999	724,795,670	900,000,000	175,204,330
2005	1,273,394,419	12,900,830	1,286,295,249	659,099,419	900,000,000	240,900,581
2006	1,367,326,834	14,532,036	1,381,858,870	704,476,834	900,000,000	195,523,166
2007	1,670,621,095	25,967,386	1,696,588,481	678,600,371	900,000,000	221,399,629
2008	1,731,739,685	51,201,706	1,782,941,391	681,886,365	900,000,000	218,113,635
2009	2,388,011,149	78,414,412	2,466,425,561	726,416,149	900,000,000	173,583,851

(1) Beginning 2008 unamortized bond issuance expenses are separately reported as a deferred charge. For 2007 and prior, the unamortized issuance expense is included with unamortized discounts/premiums.
 (2) Effective July 1, 2009 VRA's Commonwealth Limit on Moral Obligation Debt increased to \$1,500,000,000.

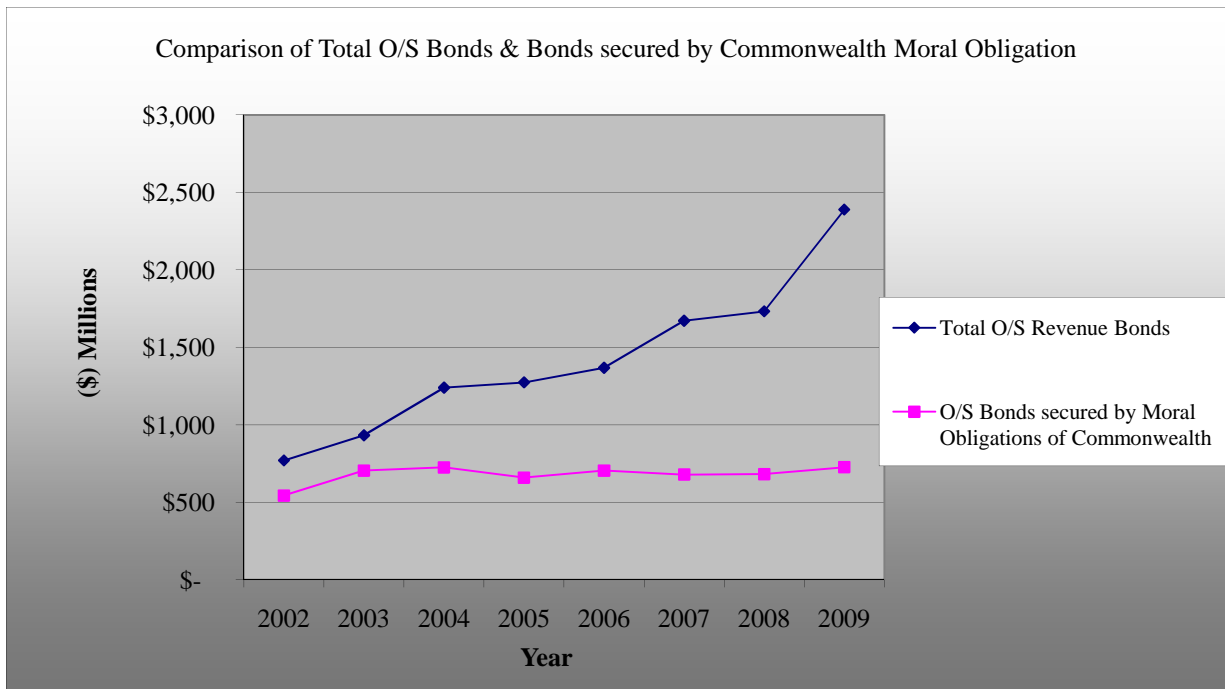


Table 7

Virginia Resources Authority

Virginia Principal Employers

Current and Nine Years Ago

Employer (1)	Fiscal Year 2009 (1)	Fiscal Year 2000 (1)
	Rank	Rank
U.S. Department of Defense	1	1
Wal Mart	2	2
Fairfax County Public Schools	3	3
Postal Service	4	5
Newport News Shipbuilding	5	6
Food Lion	6	4
Sentara Healthcare	7	9
County of Fairfax	8	8
City of Virginia Beach Schools	9	10
Inova Fairfax Hospital	10	13
University of Virginia / Blue Ridge Hospital	13	7

(1) Final quarter data for most recent calendar year (2008 and 2000).

(2) The Virginia Employment Commission does not disclose the actual number of employees, due to the Confidential Information Protection and Statistical Efficiency Act - Title V of Public Law 107-347. All Employers above have over a 1,000 individuals employed.

Source: Virginia Employment Commission

Table 8

Virginia Resources Authority

Virginia Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (2)	Public Primary and Secondary School Enrollment	Unemployment Rate
2009	7,769,089	\$ 42,876	1,236,546	7.1%
2008	7,712,091	41,347	1,232,436	4.0%
2007	7,640,249	39,540	1,221,939	3.0%
2006	7,557,588	37,968	1,214,737	3.0%
2005	7,464,033	35,841	1,185,612	3.7%
2004	7,370,557	34,001	1,165,905	3.8%
2003	7,281,659	33,033	1,156,471	4.2%
2002	7,190,468	32,511	1,143,018	4.2%
2001	7,078,515	31,083	1,130,446	3.2%
2000	7,000,174	29,226	1,121,780	2.3%

- (1) Population for preceding calendar year.
- (2) Per capita income for preceding calendar year.

Sources: Virginia Department of Education
 Virginia Employment Commission
 U. S. Census Bureau
 U.S. Department of Labor, Bureau of Labor Statistics

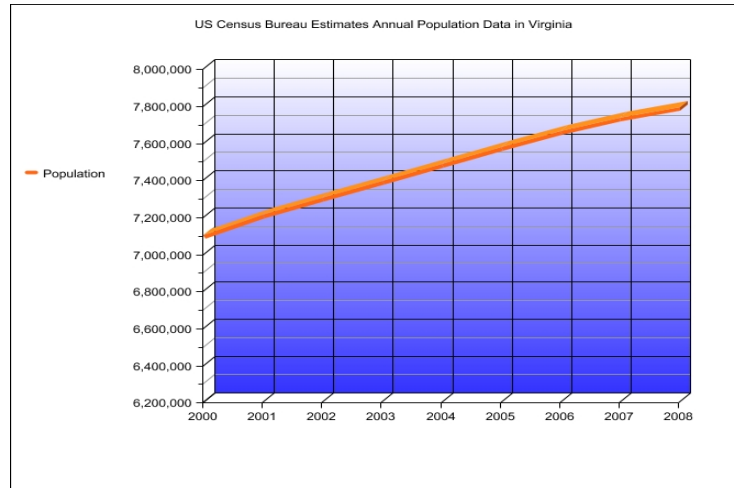


Table 9

Virginia Resources Authority
Operating Indicators
Last Five Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Virginia Pooled Financing Program						
Projects	21	15	15	16	32	99
Lending	\$ 115,815,000	\$ 150,500,000	\$ 134,000,000	\$ 135,865,000	\$ 451,100,000	\$ 987,280,000
Clean Water Revolving Loan Fund						
Projects	13	18	15	22	22	90
Closed Loans	\$ 54,130,696	\$ 82,929,575	\$ 227,171,982	\$ 193,543,988	\$ 346,190,376	\$ 903,966,617
Virginia Drinking Water State Revolving Fund						
Projects	17	20	16	13	19	85
Closed Loans and Grants	\$ 10,654,508	\$ 16,855,288	\$ 10,513,007	\$ 6,143,549	\$ 13,708,679	\$ 57,875,031
Virginia Airports Revolving Fund						
Projects	5	2	5	1	1	14
Closed Loans	\$ 4,068,874	\$ 733,000	\$ 5,248,000	\$ 140,000	\$ 633,000	\$ 10,822,874
Equipment and Term Financing (1)						
Projects	-	-	-	4	6	10
Closed Loans	\$ -	\$ -	\$ -	\$ 4,349,438	\$ 25,687,400	\$ 30,036,838
Total Projects	56	55	51	56	80	298
Total Localities Served	67	55	51	50	61	284
Total Lending	\$ 184,669,078	\$ 251,017,863	\$ 376,932,989	\$ 340,041,975	\$ 837,319,455	\$ 1,989,981,360

Data presented starting from fiscal year 2005, as data becomes available the above table will be presented for ten years.

(1)Equipment and Term Financing program started fiscal year 2008.

Source: VRA Annual Reports

Table 10

Virginia Resources Authority
Full Time Employees by Identifiable Activity
Last Six Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Executive	1	1	1	1	1	2
Financial Services/Debt Management	4	5	4	5	5	-
Finance and Administration	6	4	2	4	3	4
Program Management	-	-	-	-	-	2
Policy and Intergovernmental Relations	-	-	-	-	-	1
Total Full Time Employees:	<u>11</u>	<u>10</u>	<u>7</u>	<u>10</u>	<u>9</u>	<u>9</u>

- * Data starts in FY 2004, as data becomes available the table will represent ten years.
- * Data represents permanent full-time employees.
- * The Program Management division was created in FY 2009.
- * The Policy and Intergovernmental Relations division was created in FY 2009.

COMPLIANCE SECTION



Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vincie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones

Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kennison
Michael A. Garber
Donald W. Knotts
Daniel J. Bender
Lawrence W. Schwartz
Helaine S. Weissman

**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 Board Members
Virginia Resources Authority
Richmond, Virginia

We have audited the basic financial statements of Virginia Resources Authority (Authority) as of and for the year ended June 30, 2009, and have issued our report thereon dated September 10, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential, will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, the Auditor of Public Accounts, management, Federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 10, 2009



www.pbgh.com

Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vincie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones

Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kennison
Michael A. Garber
Donald W. Knotts
Daniel J. Bender
Lawrence W. Schwartz
Helaine S. Weissman

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable Board Members
Virginia Resources Authority
Richmond, Virginia

Compliance

We have audited the compliance of Virginia Resources Authority (Authority) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia that are applicable to its major federal program for the year ended June 30, 2009. The Authority's major federal program is identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in the Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, the Auditor of Public Accounts, management, Federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 10, 2009

Virginia Resources Authority

Schedule of Expenses of Federal Awards

June 30, 2009

Federal Granting Agency / Recipient State Agency / Grant Program	Catalog of Federal Domestic Assistance (CFDA) Number	Expenses
Environmental Protection Agency		
Pass through payments from Commonwealth of Virginia:		
Department of Environmental Quality		
Capitalization Grants for Clean Water State Revolving Funds (VWFRF)	66.458	\$ 29,078,631
Department of Health		
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF)	66.468	9,518, 849
Total expenses of federal awards		<u>\$ 38,597,480</u>

See notes to the Schedule of Expenses of Federal Awards.

Virginia Resources Authority

Notes to Schedule of Expenses of Federal Awards

June 30, 2009

1. General

The accompanying Schedule of Expenses of Federal Awards (Schedule) presents the activity of the federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included.

2. Basis of Accounting

The accompanying Schedule is presented on the accrual basis of accounting which is more fully described in Note 1 to the Authority's basic financial statements.

3. Loan Commitments

The Authority is obligated under outstanding commitments for undisbursed loans to lend of approximately \$121,515,936 from the VWFRF and \$4,628,462 from the VWSRF as of June 30, 2009.

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule agree with the amounts reported to the Commonwealth of Virginia Department of Environmental Quality (DEQ) and the Commonwealth of Virginia Department of Health (VDH), the grantees for the federal programs. The DEQ and VDH consolidate amounts reported by the Authority with their own expenditures for federal financial reporting purposes.

5. Relationship to the Authority's Basic Financial Statements

The federal awards in the accompanying schedule are reported as revenue (administrative reimbursement and contributions from other governments) in the Authority's basic financial statements as follows:

	VWFRF	VWSRF	VDSFPF	Total
Revenue Per Financial Statements:				
Administrative Reimbursement	\$ -	\$ 214,261	\$ -	\$ 214,261
Contributions from other Governments	32,078,631	12,414,718	-	44,493,349
Total Governmental Revenue	<u>32,078,631</u>	<u>12,628,979</u>	<u>-</u>	<u>44,707,610</u>
Less amounts not related to federal financial assistance	(3,000,000)	(3,110,130)	-	(6,110,130)
Federal Schedule of Expenses	<u>\$29,078,631</u>	<u>\$ 9,518,849</u>	<u>\$ -</u>	<u>\$ 38,597,480</u>

VIRGINIA RESOURCES AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____	Yes	✓	No
Significant deficiency identified that is not considered to be a material weakness	_____	Yes	✓	No
Noncompliance material to financial statements noted	_____	Yes	✓	No

Federal awards

Internal control over major program:

Material weaknesses identified	_____	Yes	✓	No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	✓	No

Type of auditors' report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____	Yes	✓	No
--	-------	-----	---	----

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds (VWSRF)

Dollar threshold used to distinguish between type A and type B programs \$1,157,924

Auditee qualified as low-risk auditee?	✓	Yes	_____	No
--	---	-----	-------	----

VIRGINIA RESOURCES AUTHORITY

Page 2

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009**

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None