

# VRA

VIRGINIA  
RESOURCES  
AUTHORITY

Virginia's Infrastructure Bond Bank

[www.VirginiaResources.org](http://www.VirginiaResources.org)



## 2011 Annual Report



December 1, 2011

The Honorable Robert F. McDonnell  
Members of the General Assembly

Dear Governor McDonnell and Members of the General Assembly:

In accordance with the requirements set forth in § 62.1-222 of the Code of Virginia, as amended, it is my great pleasure to present to you the report of the Virginia Resources Authority ("VRA") for the year ending June 30, 2011.

The report details the financial activities of VRA. It includes those activities relating to the various funds housed within VRA and/or those under its financial management, such as the Virginia Clean Water Revolving Loan Fund, the Drinking Water Revolving Loan Fund, the Airports Revolving Loan Fund, and the Dam Safety, Flood Protection and Prevention Assistance Fund. The report also details the activities of VRA's Virginia Pooled Financing Program.

On July 26, 2010, the Board of Directors and staff of the Authority welcomed its newly appointed Executive Director, Stephanie L. Hamlett. With an extensive background in the Commonwealth's public finance arena, Ms. Hamlett had worked closely with state and local officials on funding a variety of projects across Virginia. Additionally, she was a very familiar presence at VRA having worked with VRA while she was employed by the Office of the Attorney General and subsequently in the Office of the Governor. Selected to lead VRA in further advancing the Administration's economic development and job creation agenda, Ms. Hamlett hit the ground running and the success of her efforts is evidenced in the content of this Report.

The need for massive infrastructure improvements across Virginia is well documented. The Board and staff of the Virginia Resources Authority are committed to helping address this need by providing innovative, cost-effective and sustainable financial solutions to build vibrant and healthy Virginia communities.

Sincerely,

A handwritten signature in black ink, appearing to read "William G. O'Brien", written in a cursive style.

William G. O'Brien  
Chairman

# Message from the Executive Director

December 1, 2011

Supporters,

I am pleased to share with you the 2011 Annual Report of the Virginia Resources Authority (Authority). This Report provides information on the achievements of the Authority over the last year and serves as a record of the Authority's support to Virginia communities. Included in this Report is background on projects that facilitated growth and development, provided health and safety improvements for essential infrastructure, yielded cost-savings for taxpayers and ratepayers, promoted regional alliances, and enhanced the quality of life of citizens across Virginia.



Inside the pages of this Report you will find the culmination, over this last year, of the efforts of a Board of Directors and small staff to do big things. These big things are evidenced by the many projects completed and underway that would not have been possible were it not for a staff committed to finding ways to make essential projects happen. Big things are also evidenced by the Authority's ability to consistently receive and maintain, despite economic uncertainty, desirable ratings that result in reduced costs for local government borrowers. Big things are evidenced by the unique ability of the staff to craft a financing package that serves the best needs of the community. And, big things are evidenced by the increased demand for Authority participation in addressing Administrative and Legislative priorities.

I am honored to work with this small staff of hugely talented and dedicated professionals and to also work with an equally talented Board of Directors. Because of its staff and Board, the Authority was able to issue \$373 million in financing for 66 public projects, 15 of which were with borrowers new to the Virginia Resources Authority.

Sincerely,

A handwritten signature in black ink that reads "Stephanie L. Hamlett". The signature is written in a cursive, flowing style.

Stephanie L. Hamlett  
Executive Director

# Board of Directors

A political subdivision of the Commonwealth of Virginia, VRA is guided by a Board of Directors. The Board provides leadership in setting the Authority's administrative policies and approving loans for borrowers. Representing diverse backgrounds and geographic locations throughout Virginia, the members of VRA's Board of Directors offer expertise on financial, business, environmental, and governmental issues.

The Board is comprised of seven citizen members appointed by the Governor and confirmed by the General Assembly. Additionally, the following four ex officio members serve on the Board: the Treasurer of Virginia, the State Health Commissioner, and the Directors of the Virginia Department of Environmental Quality and the Virginia Department of Aviation.

In June 2011, Philip J. Duke's term expired on the VRA Board of Directors. The VRA Board and staff recognize and appreciate the leadership and dedication afforded the Authority during his tenure.



**William G. O'Brien**  
Chairman



**James H. Spencer, III**  
Vice Chairman



**David Branscome**



**Barbara McCarthy Donnellan**



**Thomas L. Hasty, III**



**Dena Frith Moore**



**J. Barry Purcell, III**



**Randall P. Burdette**  
Director  
VA Department of Aviation



**Manju Ganeriwala**  
Treasurer  
Commonwealth of Virginia



**David K. Paylor**  
Director  
VA Department of  
Environmental Quality



**Karen Remley, M.D.**  
Commissioner  
VA Department of Health

# VRA Assigned Project Areas



*Public Safety*

*Land Conservation & Preservation*

*Water*

*Transportation*

*Broadband*

*Federal Facility Development*

*Local Government Buildings*

*Energy*

*Flood Prevention & Dam Safety*

*Solid Waste*

*Airports*

*Brownfield Remediation & Redevelopment*

*Wastewater*

*Defective Drywall Correction & Restoration*

*Parks & Recreation*

*Oyster Restoration*

*Site Acquisition & Development*

*Administrative & Operations Systems*



# Virginia Pooled Financing Program

The Virginia Pooled Financing Program (VPFP) provides cost-effective financing solutions to local governments and other political subdivisions for capital projects. Through the VPFP, VRA issues highly rated municipal bonds and then loans the proceeds to local governments, which benefit from VRA's strong credit ratings, competitive interest rates, and straightforward application process. Through this program, VRA is able to provide financing for any of its authorized project areas.

VRA's natural "AAA/AA" credit ratings result in interest savings for localities, which translates to reduced rates, taxes and user fees for its borrowers' constituents. Further savings are realized by efficiently bringing the borrowing needs of multiple localities into one bond issue. Through economies of scale and sharing of expenses, borrowers significantly reduce issuance costs versus other methods of financing.

The VPFP is managed by VRA's expert staff and is complemented by the talent and resources of its bond counsel and its financial advisor who work together to assist local governments in understanding and managing the bond issuance process.

VRA, alongside all executive branch agencies, received a directive from Governor McDonnell to always be on the lookout for cost savings, and it is VRA's pledge to our Administration and Legislature that we will continue to find ways in which we can make our services as cost-effective as possible. To accommodate borrowers especially in this economic environment, VRA provides debt service savings through loan restructuring and refunding. Taking advantage of the currently low interest rate environment allows communities to reduce debt service on existing loans and to use the savings on other needs.

During fiscal year 2011, Executive Director Stephanie Hamlett recommended that costs to borrowers be reduced. Through her efforts, fees for VPFP loans issued after December 14, 2010 were significantly lowered.

The VPFP continues to serve as a vessel to provide innovative, cost-effective and sustainable financial solutions to build vibrant and healthy Virginia communities.



*Lake Holiday Sanitary District*



# Buckingham County

Buckingham applied to VRA's Fall 2010 VFPF and requested funds for the construction of a new county government complex to house the County Administration, a Board of Supervisor's office, the Treasurer and the Commissioner of Revenue. Buckingham also is going to use a portion of the bond proceeds to renovate the current government complex to house the Health Department, the Department of Social Services and the Registrar.



*Exterior Design of New Building*

Buckingham is a thriving community and is very proud of its deep historical roots. The County's courthouse, which was built by Thomas Jefferson, dates back to 1822. Sadly, this architectural treasure was largely destroyed by fire in 1869. Buckingham, as a good steward of its fiscal and historical resources, also requested funds to refund existing debt originally used for the renovation and expansion of the courthouse. VRA is proud to have assisted with this project so that history can be preserved for another 250 years!



*Design of Public Meeting Area*

Buckingham County represents the heart of Virginia communities and VRA is pleased to share in community-building in places just like this all over the state.



*Administrative Building Under Construction*

# VRA VPFP 2011 Projects

## FY2011 Virginia Pooled Financing Program

Issue	Borrower	Amount	Project Description
2010B	Meherrin Regional Jail Authority	\$40,415,000	Public Safety: Construction of a regional jail for Brunswick, Mecklenburg, and Dinwiddie Counties
2010C	Appomattox River Water Authority	9,750,000	Water: Refunding of VRA Series 2002C bonds
2010C	Bristol Virginia Utility Authority	44,545,000	Water and Wastewater: Asset acquisition financing
2010C	Buckingham County	9,255,000	Local Government Building: Construction of a new county government complex and renovation and expansion of existing building
2010C	Caroline County	20,655,000	Wastewater: Wastewater Treatment Plant expansion
2010C	Caroline County	795,000	Local Government Building: Reimbursement and renovation of the Phoenix Building for the Commonwealth Attorney's Program
2010C	Caroline County	3,310,000	Water and Sewer: Refunding of VRA Series 2001 bonds
2010C	Fairfax, City of	24,080,000	Water and Sewer: Phase 2 of water and sewer system upgrades
2010C	Frederick County Sanitation Authority	5,460,000	Water and Sewer: Refunding of VRA Series 2003A bonds
2010C	King George County Service Authority	5,905,000	Water and Sewer: Refunding of VRA Series 2002C bonds
2010C	Lancaster County	2,280,000	Energy: Energy performance contract, upgrades to system
2010C	Middleburg, Town of	2,135,000	Water and Sewer: Refunding non-VRA Series 2007 Water and Sewer Revenue Bonds
2010C	Prince William County	13,165,000	Public Safety: Refunding VRA Series 2003A bonds
2010C	Prince William County	2,780,000	Public Safety: Refunding VRA Series 2003A bonds
2010C	Prince William County	2,180,000	Public Safety: Refunding VRA Series 2003 bonds
2010C	Purcellville, Town of	1,655,000	Water: Refunding VRA Series 2000A bonds
2010C	Stafford County	2,195,000	Water and Sewer: Refunding non-VRA Series 1996 Water and Sewer Revenue Bonds
2010C	Winchester, City of	12,165,000	Water and Sewer: Upgrades to the water treatment plant and replacement of outdated water and sewer mains
2011A	Botetourt County	510,000	Water: Inter-connection of County water systems
2011A	Falls Church, City of	5,500,000	Wastewater: Upgrades to wastewater treatment plants serving the City and water main replacement and renewal
2011A	Fauquier County	5,430,000	Wastewater: Refunding of non-VRA Series 2009 IDA Lease Revenue Bonds
2011A	Greensville County	1,355,000	Local Government Building: Reimbursement for acquisition and renovation of County office building
2011A	Halifax County	670,000	Energy; and Administrative and Operations Systems: Energy performance contract and installation of a Voice-Over Internet Protocol system
2011A	Hampton, City of	52,460,000	Economic Development; and Local Government Building: Refunding of non-VRA Series 2002 Convention Center Revenue Bonds
2011A	King George County Service Authority	5,790,000	Water and Sewer: Refunding non-VRA Series 2009 Water and Sewer Revenue Bonds
2011A	Lake Holiday Sanitary District	9,245,000	Dam Safety: Construction of new dam spillway
2011A	Northwestern Regional Jail Authority	495,000	Energy: Energy performance contract, providing energy cost savings

**FY2011 VPFP Total Local Loan Issuance: \$284,180,000**



# VRA Revolving Loan Fund 2011 Projects

Closed Loans and Grants (as of June 30, 2011)

## FY2011 Clean Water Revolving Loan Fund

## FY2011 Drinking Water State Revolving Fund

Borrower	Amount
Charlottesville, City of	\$5,030,409.00
Salem, City of	3,792,584.00
Norfolk, City of	10,000,000.00
Norfolk, City of	1,350,000.00
Cape Charles, Town of	5,151,627.00
Alleghany County	4,385,649.00
Covington, City of	5,000,000.00
Covington, City of	1,000,000.00
Middle Peninsula Planning District Commission	125,000.00
Middle Peninsula Planning District Commission	125,000.00
Nelson County Service Authority	74,736.00
Rivanna Water and Sewer Authority	6,982,662.00
Rivanna Water and Sewer Authority	1,017,338.00
Rivanna Water and Sewer Authority	3,000,000.00
Richmond, City of	225,000.00
Richmond, City of	225,000.00
Lynchburg, City of	9,350,928.00
Lynchburg, City of	10,100,000.00
Shenandoah County	1,308,415.00
Herndon, Town of	100,000.00
Herndon, Town of	100,000.00
Petersburg, City of	396,000.00
Petersburg, City of	300,000.00
Loudoun County Sanitation Authority	102,000.00
Loudoun County Sanitation Authority	102,000.00
Albemarle County	400,000.00
Albemarle County	400,000.00
The Nature Conservancy	2,544,700.00
<b>TOTAL</b>	<b>\$72,689,048.00</b>

Borrower	Amount
Buchanan, Town of	\$348,875.00
Buchanan, Town of	1,046,625.00
Honaker, Town of	169,520.00
Western Virginia Water Authority	803,823.00
Scott County Public Service Authority	470,556.16
Scott County Public Service Authority	999,931.84
Scott County Public Service Authority	1,639,735.00
Scott County Public Service Authority	209,259.00
Lee County Public Service Authority	719,833.00
Lee County Public Service Authority	1,602,209.00
Russell County Public Service Authority	325,777.00
Russell County Public Service Authority	758,863.00
Washington County Service Authority	836,251.00
Washington County Service Authority	650,947.00
Washington County Service Authority	304,774.00
Augusta County Service Authority	189,301.00
Augusta County Service Authority	155,000.00
Russell County Public Service Authority	1,059,765.00
Western Virginia Water Authority	216,850.00
Appomattox County	2,888,977.00
The Castlewood Water and Sewage Authority	100,000.00
<b>TOTAL</b>	<b>\$15,496,872.00</b>

## FY2011 Virginia Airports Revolving Fund

Borrower	Amount
Virginia Highlands Airport Authority	\$654,184.00
<b>TOTAL</b>	<b>\$654,184.00</b>

# Clean Water Revolving Loan Fund

The Virginia Clean Water State Revolving Loan Fund (VCWRLF) is a state financing assistance program. It is administered in the Commonwealth by the Virginia Department of Environmental Quality (DEQ) on behalf of the State Water Control Board. Since its creation in Virginia in 1987, the Virginia Resources Authority (VRA) has served as the Fund's financial manager. The Fund receives some federal funding through the U.S. Environmental Protection Agency but is mainly supported by the payment stream of the existing loan portfolio.

The VCWRLF provides low-interest loans to local governments for the planning, design and

construction of wastewater and stormwater treatment facilities and implementation of nonpoint source pollution control. Over the years the scope of activities under the VCWRLF has expanded and additional programs have been established to address agriculture, land conservation, brownfield remediation and other non-point water quality issues.

The State Water Control Board (SWCB) is responsible for developing the policies and procedures for VCWRLF, determining who will receive funds, at what interest rates and terms, and for ensuring that the administration of the Fund complies with applicable federal and state laws and regulations.

DEQ manages the day-to-day operation of the Fund on behalf of the SWCB.

As the Fund's financial manager, VRA negotiates individual loans, makes disbursements to loan recipients, collects loan payments, and invests any uncommitted Fund monies.

In FY11, 28 loans were closed for 17 borrowers, including seven (7) cities, three (3) counties, two (2) towns, one (1) land preservation organization, three (3) public service authorities, and one (1) planning district commission. In sum, these loan closings totaled over \$72 million in community investment.



Wastewater Treatment



Agriculture BMPs



Land Conservation

# Town of Herndon



The Town of Herndon has a strong sense of environmental stewardship springing from its appreciation of the bounty of resources it has enjoyed over the last several hundred years. This desire to safeguard its resources for future generations led Herndon to approach DEQ about seeking funds in 2011 from the Clean Water Revolving Loan Fund. Runnymede Park, the town's nature oasis providing recreational opportunities and conservation of 58 acres along Sugarland Run, was threatened by erosion at an outfall in the park. In response to this threat, Herndon applied to DEQ's CWRLF for \$200,000. Due to the environmental innovation and benefits this project exhibited, DEQ authorized \$100,000 in principal forgiveness, or grant funding, and \$100,000 as a loan.

Herndon was seeking a solution to arrest the erosion in the park that would not harm the beauty of its flora and fauna. The town determined that creating

a stormwater retention facility, including two bioretention basins and grassed swales, upstream of the problem area would address the issue. The proposed stormwater controls would reduce the flow of water at the downstream outfall and also would provide the added benefit of providing water quality treatment to a previously untreated area flowing from nearby townhomes and roadways. Because of the site's close proximity to Runnymede Park and residential areas it also will serve as an educational tool to inform the community about the impact of stormwater on both the park and the Chesapeake Bay.

VRA, which manages the financial aspects of the CWRLF program, is proud to serve as a partner with DEQ. Because of the financing made available through DEQ, communities like Herndon are able to continue providing opportunities for their residents while also protecting the natural resources they enjoy!

# Virginia Drinking Water State Revolving Fund



Since the creation of the Drinking Water State Revolving Fund in 1992, VRA has improved the basic quality of life for many Virginians. VRA's partnership with the Virginia Department of Health has given VRA the opportunity to finance projects that provide individuals with the most important necessity for life – safe drinking water. The fund provides low interest loans and some grants to local governments and privately organized water suppliers through funding from U.S. EPA grants and state matching funds.

As with the other Funds it oversees, VRA provides financial management for the DWSRF, which includes underwriting loans, investing monies, closing loans, making disbursements and maximizing economic benefits. VRA's partner, the Virginia Department of Health, handles the programmatic decisions, such as prioritizing projects, and administers the policy and technical aspects of the DWSRF.

In FY2011, 21 loans were closed in the program, representing 10 unique borrowers and funding dollar amounts ranging from \$100,000 to over \$2 million. Total project funding was over \$15 million in the fiscal year.

# Town of Buchanan

Located in the valley of the Blue Ridge and Alleghany mountains sits the Town of Buchanan, a town with a population of 1,200. On April 1<sup>st</sup>, 2009, the Virginia Department of Health issued a boil water order after finding evidence of a microscopic parasite in one of the Town's four wells. This began a project by VDH and VRA to fund a new micro-filtration plant through the Virginia Drinking Water State Revolving Fund. The project, a 17-month effort, culminated in the new plant being dedicated in August 2010.

The micro-filtration plant filters and chlorinates water pumped from the previously contaminated well. Thanks to the leadership of Buchanan's Town Mayor Tom Middlecamp, a retired state trooper who provides his considerable services to the Town for \$100 a month, the Town's residents once again will have access to that essential resource, clean and safe drinking water.



*Mayor Middlecamp*



Micro-Filtration Plant

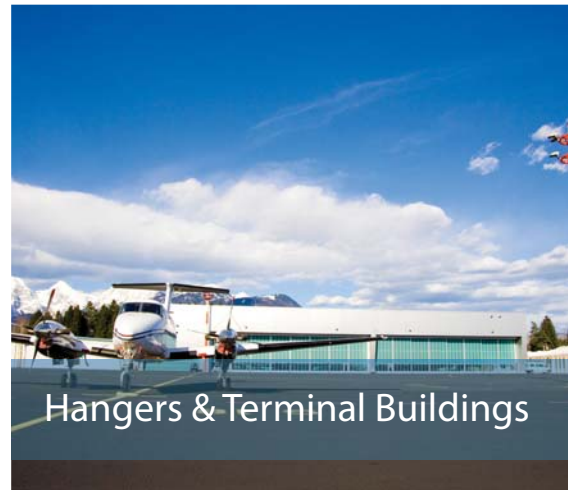
# Virginia Airports Revolving Fund

Virginia's 66 public-use airports have an estimated annual economic impact of \$28.8 billion on the Commonwealth (Virginia Airport System Economic Impact Study, August 2011). To support and induce more investment in these important assets, the Virginia Airports Revolving Fund (VARF) was created in 2000 with an appropriation, or "seed money", of \$25 million from the General Assembly of Virginia.

Interest rates on VARF loans are reduced 0.50% below prevailing market rates. As with other state revolving funds, VRA partners with a state agency, in this case the Virginia Aviation Board, to administer the fund. The Aviation Board reviews and prioritizes individual loan requests, and VRA handles the financial task of assisting our customers with closing the authorized loans.

Specific projects that have been funded through the VARF program include hangars, terminal buildings, runways, machinery and equipment, land acquisition, roadways, parking facilities, utilities, fuel facilities, and debt refinancing. Any airport-related capital projects on an airport's approved layout plan, including revenue producing projects, are eligible for funding from the VARF.

In FY11, there was one (1) loan closing in the VARF. Virginia Highlands Airport Authority (project featured on the adjoining page) borrowed \$654,184 for a term of 20 years. Virginia Highlands was a new borrower to VRA.



# Virginia Highlands Airport Authority



*T-hanger construction in progress*



10 Unit T-hanger

In 2011, VRA approved a \$654,184 loan through the VARF, with a 20 year term, to the Virginia Highlands Airport, which serves Abingdon and neighboring communities. The loan is secured by a pledge of general airport revenues of the Virginia Highlands Airport, supplemented by a moral obligation pledge of Washington County. This loan, which funded a 10 unit T-hanger development to attract more business aircraft users to the airport, will position the airport as a gateway to Southwest Virginia, providing economic development benefits to the entire region for many years to come.

*Everyone at the Virginia Resources Authority was great to work with. The complete loan process was actually much easier than we thought. There were no problems throughout the entire process from first contact through completion of the project.*

-- Mickey Hines, Manager, Virginia Highlands Airport

# Dam Safety, Flood Prevention and Protection Assistance Fund



In 2007, in compliance with 2006 amendments to legislation, financial management for the Dam Safety, Flood Prevention and Protection Assistance Fund (DSFPPAF) was transferred to VRA to provide funding to local governments and private entities. As a result of the amended legislation, VRA and the Department of Conservation and Recreation (DCR) became partners to assist in funding the growing need for dam safety and flood prevention planning, engineering, and repairing efforts to protect the citizens in areas classified as hazardous by DCR. The funding need associated with these efforts has been recently estimated to be over \$200 million.

The DSFPPAF is reliant on transfers from the General Assembly and the balance of the fund stood at \$5.5 million as of June 30, 2011. DCR is responsible for collecting loan and grant applications and assessing the Commonwealth's needs. DCR's recommendations for funding are approved by the Soil and Water Conservation Board before being submitted to VRA. VRA is responsible for credit analysis, setting loan terms, and closing and monitoring any loans through the fund. However, thus far, only grants have been recommended by DCR. VRA has been responsible for creating and executing grant agreements and for the disbursement of those funds.

Grants and loans are available to any local government for the purpose of assisting in the development and implementation of flood prevention or protection projects, or for flood prevention or protection studies. In order to protect public safety and welfare, grants or loans to local governments owning dams and loans to private entities may be made for the design, repair, and safety modifications of dams. Grants to local governments and private entities may be made for the determination of the hazard classification for impounding structures, dam break analysis, the mapping and digitization of dam break inundation zones, incremental damage analysis, and other engineering requirements such as emergency action plan development. However, the total amount of expenditures for grants shall not exceed 50% of the non-interest deposits from the previous year collectively with the previous year's total interest earnings of the fund.

The Soil and Water Conservation Board recently approved 73 grants to local governments and private entities totaling \$855,000 in May 2011. VRA has executed agreements with nearly all of the recipients and has processed two requests for disbursement from that list of approvals and looks forward to disbursing the remaining awards throughout FY2012.



# Meeting Community Needs

Local governments across Virginia, regardless of size or location, face capital improvement challenges. Large construction projects, equipment financing, infrastructure enhancements, repairs and replacements, and other improvements require careful and systematic planning and they require cost-effective financing.

Since its inception, the Virginia Resources Authority (VRA) has assisted localities in meeting their capital improvement needs with innovative and cost-effective financing tailored to the needs of the community. From traditional water and sewer projects to energy and broadband infrastructure, VRA's financial programs, comprised of revolving loan and grant funds with below-market interest rates and a bond program strengthened by the moral obligation of the Commonwealth of Virginia, have met the financing needs of communities for essential projects.

Because of VRA's success in assisting localities, the State Legislature and Administration have expanded the types of projects eligible for VRA financing thereby allowing VRA to support other local and state program objectives. This year, the General Assembly, in an effort to advance state transportation needs, established the Virginia Transportation Infrastructure Bank (VTIB) and designated VRA as the "manager, administrator, and trustee" of VTIB funds. These funds may be used to make grants to localities for transportation projects and will be used to make loans to private or public entities for transportation projects. Also this year, the General Assembly provided, for the first time, capitalization for VRA's established Brownfield Fund. In addition, VRA has worked closely with the Virginia Tourism Corporation (VTC) to establish a memorandum of agreement between VTC and VRA that would allow VRA to provide program and administrative assistance to VTC in the administration of its program to provide gap financing for certain tourism projects.

# Staff



*Front: Shawn Crumlish, Bradley Jones, Stephanie Hamlett, Stephanie Bush, Emmanuel Oyaghiro,  
Middle: Jon McCubbin, George Panos, Rachael Logan, Jonathan Farmer, Joseph Bergeron,  
Back: Peter D'Alema, Jean Bass, Michael Cooper, Elizabeth Sacre*

# Mission

*Virginia Resources Authority provides innovative, cost-effective and sustainable financial solutions to build vibrant and healthy Virginia communities*

# Vision

*VRA will be the choice provider of financing for public projects for Virginia communities*

# Values

## Customer Service

*We recognize that customer service is our highest priority.*

*Towards that end, we are professional, honest, compassionate, courteous, and accountable.*

## Collaboration

*We work together with state agency partners and local governments to custom-design financing solutions to meet local needs and state objectives.*

## Consistency

*We give the same attention to all of our customers, large or small, and aim to support social equity among all Virginia communities.*

## Commitment

*We are dedicated to crafting financing solutions to meet the growing needs of Virginia's communities.*

## Creativity

*We thrive on innovation and our ability to provide our customers and the citizens of Virginia with custom-tailored, cost-effective products that meet their financing needs.*

# VRA

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Richmond, Virginia

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

Year Ended June 30, 2011

**VIRGINIA RESOURCES AUTHORITY**



# Financial Statements for the Year Ended June 30, 2011

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**VIRGINIA RESOURCES AUTHORITY**

**Financial Statements for the Year Ended June 30, 2011**

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Prepared by the Virginia Resources Authority, Accounting Department



## **INTRODUCTORY SECTION**



September 1, 2011

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

Dear Board Member:

I am pleased to present the Virginia Resources Authority (VRA, Authority) FY2011 Financial Statements. Section 62.1-222 of the Code of Virginia, as amended, 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 FY2011, the Authority was audited by Clifton Gunderson, LLP, a licensed certified public accounting firm. As a result of an audit of the Authority's financial records and transaction of all funds, Clifton Gunderson has issued an unqualified opinion on the Authority's financial statements for the year ended June 30, 2011.

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.

### **VRA Profile**

VRA was established in 1984 as a public body corporate and as a political subdivision of the Commonwealth of Virginia pursuant to the Virginia Resources Authority Act (Chapter 21 of Title 62.1 of the Code of Virginia, as amended). VRA is governed by an eleven member Board of Directors, appointed by the Governor. Members include state agency representatives whose agencies, along with VRA, co-manage specific loan funds with VRA. VRA's Executive Director, also appointed by the Governor, administers, manages, and directs the affairs of VRA, subject to the policies, control and direction of the VRA Board of Directors.

VRA was established to provide an additional source of funding for local infrastructure projects. Initially providing financing for local water and wastewater projects, VRA's eligible projects areas have expanded to include 18 distinct and varied project areas. These project areas reflect the capital improvement priorities of local governments and the State Legislature's intent to assist communities with cost-effective and low-cost financing.

## **VRA Programs**

VRA's Virginia Pooled Financing Program (VPFP) is available for localities requiring financing for any one of the 18 designated project areas eligible for VRA financing. They include water, sewer, transportation, public safety, energy, local government buildings, parks and recreational facilities, administrative systems, and a variety of other capital improvement projects.

VPFP borrowers realize savings from VRA's unique state credit enhancements based in part on the Commonwealth's moral obligation, the sharing of expenses, and a straightforward and customer-friendly process. VRA's high credit rating, natural "AAA" for the senior bonds and "AA" for the subordinate bonds, result in favorable access to the capital markets, without the need for additional credit enhancements.

In addition to the VPFP, the Authority currently serves as co-manager of four capitalized loan/grant 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).

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. The VARF and the 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, are then loaned to local governments for eligible projects.

VRA's 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, the program currently has nine loans outstanding. The program was funded with a banking partner selected through a rigorous procurement process, however the credit facility has since expired. VRA is continually looking for other short-term financing options.

## **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 2011 (projected) was 6.0%, a 1.0% increase from June 2010 as reported by the U.S. Department of Labor, Bureau of Labor Statistics. Virginia's rate compares favorably to the national rate of 9.2%.
- Virginia's 2010 (projected) per capita personal income of \$44,762 is ranked 7<sup>th</sup> among the states, as reported by the U.S. Department of Commerce Bureau of Economic Analysis. This compares favorably to the \$40,584 per capita for the United States.

## **FY2011 Accomplishments**

The Virginia Resources Authority had a very productive and exciting year. By any measure, the Authority performed extraordinarily well and met its goal of providing cost-effective financing for local infrastructure projects. In a changing and volatile market environment, VRA is committed to continually improving its programs and operations to meet the needs of our existing and future customers in a fiscally prudent manner.

FY2011 accomplishments of the Authority support the Strategic Goals and Key Initiatives adopted by the Board of Directors and outlined in the Authority's FY2011 Budget. In addition, the Authority's accomplishments align well with priorities and objectives of the Governor and the State Legislature. A few of the accomplishments are listed below:

- Closed over \$373 million in loans (all programs) for 66 capital improvement projects
  - 18 loans in the Clean Water Revolving Loan Fund
  - 16 Drinking Water Revolving Loan Fund loans
  - 1 Virginia Airports Revolving Fund loan
  - 1 Dam Safety grant
  - 30 Virginia Pooled Financing Program loans
  - Financings during the year included 15 new VRA borrowers
- Strengthened the credit quality of use and support agreements and other local obligations or guarantees used to secure VRA financing
  - Extended state aid intercept to all VRA political subdivisions where local governments make a general obligation or moral obligation pledge
  - Reduced risk to State's moral obligation pledge
  - Better conformed Virginia Resources Authority Act to Virginia Public Finance Act
  - Increased flexibility in subject-to-appropriation borrowing
- Tapped by Governor and Legislature to manage Virginia Transportation Infrastructure Bank
  - Designated VRA as manager, administrator, and trustee of the VTIB
  - Assigned task of credit analysis of government and private-sector borrowers
  - Tasked with processing and servicing VTIB grants and loans

While these accomplishments more than demonstrate the Authority's success in meeting its program objectives and in meeting the program objectives of its state agency partners, other achievements point to the efforts made by the Authority to sustain its ability to meet the needs of local governments for cost-effective infrastructure financing. Toward this end the following accomplishments in the areas within the administrative and financial services were realized:

- Increased organizational efficiency and capacity through continued process improvement
  - Completed the Comprehensive Financial Annual Report in house and was awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the third consecutive year
  - Automated financial reporting function to enhance efficiency of financial statement preparation
  - Enhanced loan monitoring and credit review process
- Developed comprehensive risk management system
  - Continued active oversight by Portfolio Risk Management Committee
  - Developed Beta Loan Monitoring & Compliance Database that tracks all borrowers and all loans in all programs
    - All borrowers and all loans in all programs reviewed annually
  - Refined loan agreements to provide greater security for local obligations
  - Updated VRA's underwriting practices to adhere to industry best management practices
- Explored opportunities to integrate systems
  - Developed Portfolio Risk Management Technology Plan
    - Phase 1 implementation planned in FY2011 (primary focus is replacing VRA's loan servicing system)

## **Fiscal Year 2011 Financial Results**

VRA had a strong year in fiscal year 2011. The Authority surpassed \$1.309 billion in net assets, an increase of \$41.5 million, or 3.3% from the prior year. Total assets increased by \$200 million (5.1%) and total liabilities increased by \$159 million (6%) in comparison to the June 30, 2010 balances. The increase in assets is primarily the result of increased lending in the Clean Water Revolving Loan Fund (CWRLF), and the Virginia Pooled Financing Program (VPFP), net of payments, payoffs, and refundings. The Authority's operating revenue decreased \$11 million and operating expenses increased \$20.6 million in comparison to the prior fiscal year. The decrease in operating revenue is mostly due to a decline in investment earnings. This is primarily a result of a poor interest environment combined with a conservative Investment Policy, which is designed to primarily preserve principal while also maintaining a high level of liquidity to fund new loans. Given the intent of the policy and the current interest rate environment, the Authority's investment income has seen a significant decline; however, there has been no loss of principal in the Authority's investments to date. The significant increase in operating expenses is due to Principal Forgiveness loans to local governments of \$57.6 million, an increase of \$25.7 million or 81%, due to continued pass-through funding as part of the American Recovery and Reinvestment Act (ARRA).

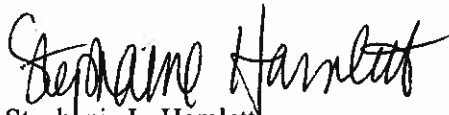
## **Long-term Financial Planning**

VRA works with our agency partners to project to project program demand. For the Water Facilities Revolving Fund, VRA utilizes a 20-year financial model to determine lending capacity under given scenarios. The model is updated at least annually.

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.

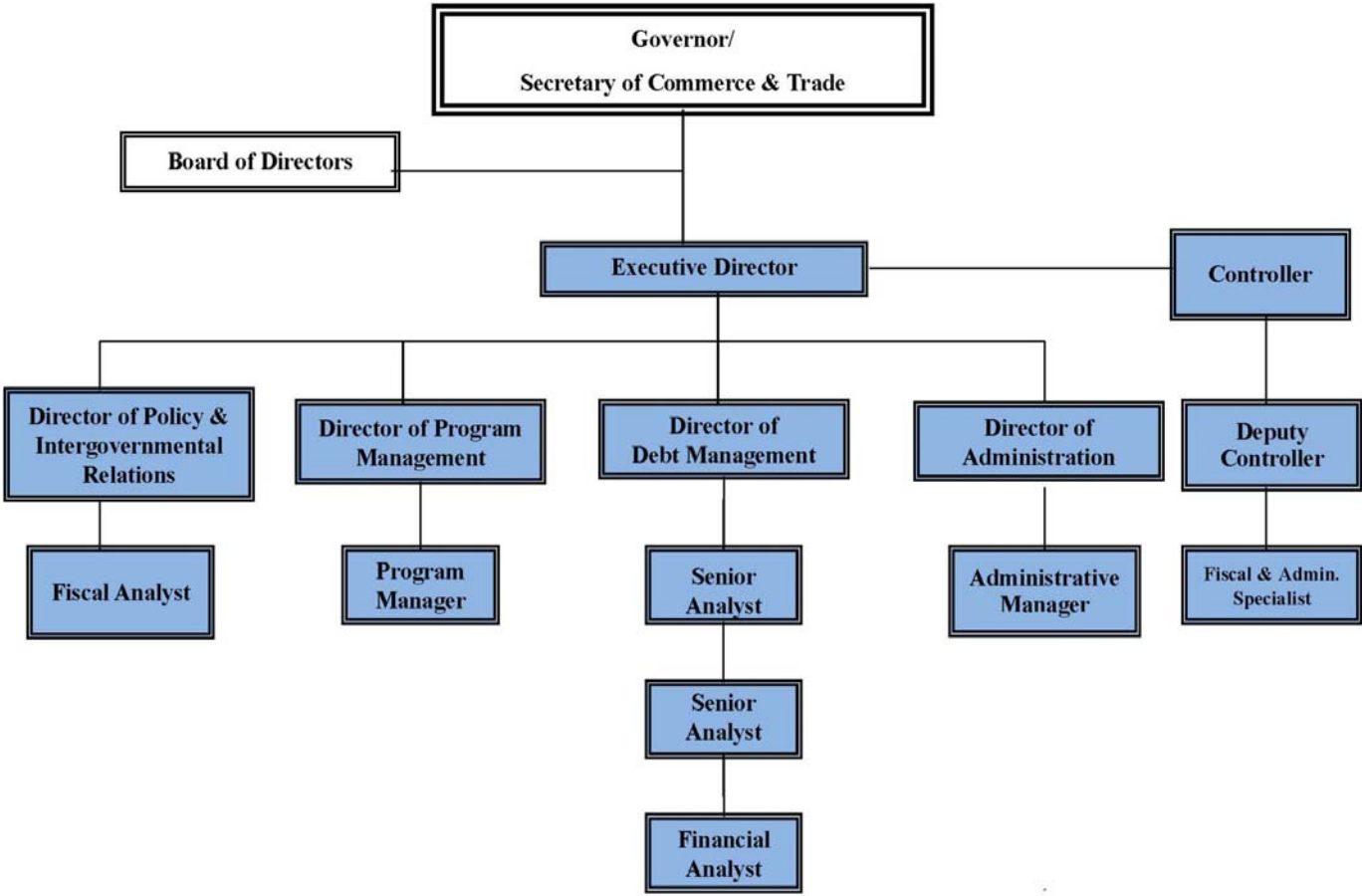
Completion of the Authority's FY2011 financial statements would not have been possible without the leadership of the Authority's Controller and his knowledgeable and dedicated team of professionals. A special note of appreciation goes to other Authority personnel who assisted in this effort. We would also like to extend our thanks to the Authority's Board of Directors for their continuing support in planning and conducting the financial operations of the Virginia Resources Authority in a responsible manner.

Sincerely,



Stephanie L. Hamlett  
Executive Director

*Virginia Resources Authority*  
Organizational Structure  
June 30, 2011



*Virginia Resources Authority*  
Directory of Principal Officials  
June 30, 2011

**Board of Directors**

William G. O'Brien, Chairman

James H. Spencer, III, Vice Chairman

Barbara McCarthy Donnellan

David Branscome

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**

Stephanie L. Hamlett; Executive Director

Jean Bass; Director of Policy and Intergovernmental Relations

Peter D'Alema; Director of Program Management

Shawn Crumlish; Director of Debt Management

Michael Cooper; Director of Administration

Jon McCubbin; Controller

# 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, 2010

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



**FINANCIAL SECTION**

## Independent Auditor's Report

To the Honorable Board Members  
Virginia Resources Authority  
Richmond, Virginia

We have audited the accompanying basic financial statements of Virginia Resources Authority (the Authority), a component unit of the Commonwealth of Virginia as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards 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 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 opinion.

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, 2011, and the changes in financial position and 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 1, 2011 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and budgetary comparison information on pages 12 through 16 and the required supplementary information on page 47 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board and we did not audit and do not express an opinion on such

information. However, we have applied certain limited procedures, which consist primarily of inquiries with management regarding the methods of measurement and presentation of the required supplemental information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information listed 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 expenditures 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 basic 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 introductory and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Richmond, Virginia  
September 1, 2011

## Virginia Resources Authority

### Management's Discussion and Analysis

Year Ended June 30, 2011

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, 2011. 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 \$1.309 billion (net assets), an increase of 3.3%.
- Total assets of \$4.1 billion increased by \$200 million or 5.1% (See FINANCIAL ANALYSIS Table 1 summary).
- Total liabilities of \$2.8 billion increased by \$159 million or 6%. (See FINANCIAL ANALYSIS Table 1 summary).
- Change in net assets of \$41.5 million, decreased by \$2.6 million or 5.8%. (See FINANCIAL ANALYSIS Table 2 summary).

#### 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, investment 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

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 \$1.309 billion (net assets). The largest portion of net assets is restricted net assets (98.9%) which are restricted primarily for the purpose of making loans under the various programs the Authority administers. Restricted net assets also include a \$7.4 million operating reserve fund described further in note 7.

*See Table 1.* Total assets of \$4.1 billion increased by \$200 million or 5.1%, the increase in assets is primarily the result of increased lending in the Clean Water Revolving Loan Fund (CWRLF), and the Virginia Pooled Financing Program (VPFP), net of payments, payoffs, and refundings. Assets primarily consist of loans receivable (82.7%) 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 \$2.8 billion increased by \$159 million or 6%, mostly from three new bond issuances. Liabilities primarily consist of bonds payable (98.7%). See Note 6 for additional information on bonds payable.

*See Table 2.*

- Operating revenue of \$128.3 million decreased by \$11 million or 7.9%.
- Operating expenses of \$185.9 million increased by \$20.6 million or 12.5%.
- Operating loss of \$57.6 million decreased by \$31.6 or 122.1% .

At the end of fiscal year 2011, net assets increased \$41.5 million or 3.3% to \$1.309 billion. Operating revenues of \$128.3 million decreased \$11 million (-7.9%). This change was mostly driven by a decrease in investment earnings due to a low interest rate environment and gains from early extinguish of loan payoffs by local borrowers (\$13.6 million). The decrease was offset by an increase in loan interest income earned (\$2.7 million) from the increased lending through the Revolving Loan Funds and Virginia Pooled Financing Programs. Operating expenses of \$185.9 million increased \$20.6 million (12.5%). This increase was mostly the result of the Principal Forgiveness loans to local governments of \$59.4 million from the completion of construction projects related to the funding provided under the American Recovery and Reinvestment Act (ARRA). The Operating Loss this year of \$57.6 million is due to the presentation of the ARRA pass-through funding to localities in the form of principal forgiveness loans under Operating expenses, with the corresponding revenue reflected as part of Nonoperating revenue. This approach is consistent with the way the Authority has reported transactions similar in nature in the past. Operating income decreased by \$31.6 million compared with that of the prior fiscal year. Aside from the impact of the ARRA presentation mentioned previously, the decrease resulted from the decline in investment income of \$6.3 million. The decline in investment income was mostly due to a \$108 million reduction in investments to fund construction draws for Clean Water Revolving Loan Fund projects combined with low earnings yields as a result of a waning confidence in the economy, slow GDP growth, and an increased allocation to U.S. government securities by investors. Nonoperating revenue increased \$29.1 million to \$99.1 million (42%). This change was primarily due to increased ARRA and EPA Cap Grant funding.

**Table 1**  
**Virginia Resources Authority**  
**Statement of Net Assets**  
*(In thousands of dollars)*

	<b>June 30,</b>	<b>June 30,</b>	<b>\$</b>	<b>%</b>
	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>Change</b>
			<b>2011 - 2010</b>	<b>2011 - 2010</b>
<b>Assets</b>				
Current assets:				
Cash	\$ 22,252	\$ 10,446	\$ 11,806	113.0%
Cash equivalents	248,527	225,972	22,555	10.0%
Investments	69,916	154,624	(84,708)	-54.8%
Loans receivable - current portion (Note 4)	169,956	147,081	22,875	15.6%
Receivables:				
Investment interest	2,670	2,948	(278)	-9.4%
Loan interest	28,660	27,346	1,314	4.8%
Loan administrative fees	1,103	1,009	94	9.3%
Federal funds	1,214	6,665	(5,451)	-81.8%
Other	12	38	(26)	-68.4%
Deferred charges	5,402	5,391	11	0.2%
Other	6	14	(8)	-57.1%
Total current assets	<u>549,718</u>	<u>581,534</u>	<u>(31,816)</u>	<u>-5.5%</u>
Noncurrent assets:				
Investments	281,177	304,366	(23,189)	-7.6%
Loans receivable - less current - net (Note 4)	3,213,828	2,959,076	254,752	8.6%
Deferred charges	45,040	44,781	259	0.6%
Furniture and fixtures - at cost - less accumulated depreciation	<u>129</u>	<u>18</u>	<u>111</u>	<u>616.7%</u>
Total noncurrent assets	<u>3,540,174</u>	<u>3,308,241</u>	<u>231,933</u>	<u>7.0%</u>
Total assets	<u>4,089,892</u>	<u>3,889,775</u>	<u>200,117</u>	<u>5.1%</u>
<b>Liabilities</b>				
Current liabilities:				
Loans payable - current portion	1,564	1,557	7	0.4%
Bonds payable - current portion (Note 6)	107,801	102,469	5,332	5.2%
Accrued interest on bonds payable	24,573	22,967	1,606	7.0%
Arbitrage rebate liability	3,455	262	3,193	1218.7%
Deferred revenue	177	175	2	1.1%
Accounts payable and other liabilities	<u>460</u>	<u>914</u>	<u>(454)</u>	<u>-49.7%</u>
Total current liabilities	<u>138,030</u>	<u>128,344</u>	<u>9,686</u>	<u>7.5%</u>
Noncurrent liabilities:				
Loans payable - less current - net	4,100	5,668	(1,568)	-27.7%
Bonds payable - less current - net (Note 6)	2,636,602	2,483,087	153,515	6.2%
Deferred revenue	2,205	2,028	177	8.7%
Arbitrage rebate liability	<u>131</u>	<u>3,366</u>	<u>(3,235)</u>	<u>-96.1%</u>
Total noncurrent liabilities	<u>2,643,038</u>	<u>2,494,149</u>	<u>148,889</u>	<u>6.0%</u>
Total liabilities	<u>2,781,068</u>	<u>2,622,493</u>	<u>158,575</u>	<u>6.0%</u>
<b>Net assets</b>				
Invested in capital assets	129	18	111	616.7%
Restricted (Note 7):				
Loan Programs	1,294,066	1,253,671	40,395	3.2%
Operating Reserve	7,373	7,248	125	1.7%
Unrestricted	<u>7,257</u>	<u>6,345</u>	<u>912</u>	<u>14.4%</u>
Total net assets	<u>\$ 1,308,825</u>	<u>\$ 1,267,282</u>	<u>\$ 41,543</u>	<u>3.3%</u>

**Table 2**  
**Virginia Resources Authority**

**Combining Schedule of Revenues, Expenses, and Changes in Net Assets**  
*(In thousands of dollars)*

	Year Ended		\$	%
	June 30, 2011	June 30, 2010	Change 2011 - 2010	Change 2011 - 2010
<b>Operating revenues</b>				
Interest on loans	\$ 112,019	\$ 109,315	\$ 2,704	2.5%
Investment income	12,292	18,570	(6,278)	-33.8%
Bond administration fees	2,017	2,255	(238)	-10.6%
Loan administration fees	1,538	1,186	352	29.7%
Administrative reimbursement	289	189	100	52.9%
Administrative reimbursement - ARRA	20	176	(156)	-88.6%
Gain on early extinguishment of loans	76	7,400	(7,324)	-99.0%
Other Income	51	266	(215)	-80.8%
Total operating revenues	<u>128,302</u>	<u>139,357</u>	<u>(11,055)</u>	<u>-7.9%</u>
<b>Operating expenses</b>				
Interest on bonds and loans	116,916	116,611	305	0.3%
Grants to local governments	6,971	6,505	466	7.2%
Principal Forgiveness loans to local governments	59,394	31,907	27,487	86.1%
Loss on early extinguishment of bonds	99	7,305	(7,206)	-98.6%
Personnel services	1,448	1,200	248	20.7%
General operating	513	746	(233)	-31.2%
Contractual services	527	1,006	(479)	-47.6%
Total operating expenses	<u>185,868</u>	<u>165,280</u>	<u>20,588</u>	<u>12.5%</u>
Operating income (loss)	<u>(57,566)</u>	<u>(25,923)</u>	<u>(31,643)</u>	<u>122.1%</u>
<b>Nonoperating revenue</b>				
Contributions from other governments	38,006	35,878	2,128	5.9%
Contributions from other governments - ARRA	61,042	34,128	26,914	78.9%
Interest subsidy - Build America Bonds	2,250	792	1,458	184.1%
<b>Nonoperating expense</b>				
Interest subsidy passthrough - Build America	<u>(2,189)</u>	<u>(774)</u>	<u>(1,415)</u>	<u>182.8%</u>
<b>Change in net assets</b>	41,543	44,101	(2,558)	-5.8%
<b>Total net assets - beginning</b>	<u>1,267,282</u>	<u>1,223,181</u>	<u>44,101</u>	<u>3.6%</u>
<b>Total net assets - ending</b>	<u>1,308,825</u>	<u>1,267,282</u>	<u>41,543</u>	<u>3.3%</u>

## **DEBT ADMINISTRATION**

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 Clean Water State Revolving Fund leveraged issues VRA has obtained a AAA rating from all three agencies. Under the senior/subordinate structure in the Virginia Pooled Financing Program, 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, Moody's maintains its "Aa2" rating on the Authority's outstanding VARF bonds and Fitch maintains a "AA" rating.

During the fiscal year ended June 30, 2011 the Authority issued three bond series for the VPPF, Series 2010B, Series 2010C, and Series 2011A for cumulative par amounts of \$289,435,000.

## **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 Controller, 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.virginiareources.org](http://www.virginiareources.org).



## Virginia Resources Authority

### Statement of Net Assets

June 30, 2011

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#### Assets

Current assets:	
Cash	\$ 22,252,363
Cash equivalents	248,527,398
Investments	69,915,931
Loans receivable - current portion (Note 4)	169,956,344
Receivables:	
Investment interest	2,669,986
Loan interest	28,659,727
Loan administrative fees	1,103,211
Federal funds	1,213,897
Other	12,120
Deferred charges - current portion	5,401,797
Other	5,926
Total current assets	<u>549,718,700</u>
Noncurrent assets:	
Investments	281,177,189
Loans receivable - less current - net (Note 4)	3,213,828,299
Deferred charges - less current - net	45,039,636
Furniture and fixtures - at cost - less accumulated depreciation of \$46,021 (Note 5)	128,757
Total noncurrent assets	<u>3,540,173,881</u>
Total assets	<u>4,089,892,581</u>

#### Liabilities

Current liabilities:	
Loans payable - current portion	1,563,814
Bonds payable - current portion (Note 6)	107,800,805
Accrued interest on bonds payable	24,573,044
Arbitrage rebate liability	3,455,351
Deferred revenue - current portion	176,653
Accounts payable and other liabilities	460,217
Total current liabilities	<u>138,029,884</u>
Noncurrent liabilities:	
Loans payable - less current - net	4,100,078
Bonds payable - less current - net (Note 6)	2,636,601,885
Deferred revenue - less current - net	2,204,995
Arbitrage rebate liability	131,352
Total noncurrent liabilities	<u>2,643,038,310</u>
Total liabilities	<u>2,781,068,194</u>

#### Net assets

Invested in capital assets	128,757
Restricted (Note 7):	
Loan Programs	1,294,065,576
Operating Reserve	7,372,612
Unrestricted	7,257,442
Total net assets	<u>\$ 1,308,824,387</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, 2011**

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<b>Operating revenues</b>	
Interest on loans	\$ 112,018,532
Investment income	12,291,706
Bond administrative fees	2,017,221
Loan administrative fees	1,538,438
Administrative reimbursement	288,892
Administrative reimbursement - ARRA	20,494
Gain on early extinguishment of loans	76,261
Other income	51,017
Total operating revenues	<u>128,302,561</u>
<b>Operating expenses</b>	
Interest on bonds and loans	116,916,498
Grants to local governments	6,971,034
Principal forgiveness loans	59,394,358
Loss on early extinguishment of bonds	98,553
Personnel services	1,448,242
General operating	513,357
Contractual services	527,403
Total operating expenses	<u>185,869,445</u>
<b>Operating loss</b>	(57,566,884)
<b>Nonoperating revenues</b>	
Contributions from other governments (Note 9)	38,006,087
Contributions from other governments - ARRA (Note 9)	61,042,257
Interest subsidy - Build America Bonds	2,250,211
<b>Nonoperating expense</b>	
Interest subsidy passthrough - Build America Bonds	<u>(2,188,923)</u>
<b>Change in net assets</b>	41,542,748
<b>Total net assets - beginning</b>	<u>1,267,281,639</u>
<b>Total net assets - ending</b>	<u>\$ 1,308,824,387</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, 2011

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<b>Cash flows from operating activities</b>	
Cash payments to localities for loans	\$ (489,975,117)
Principal repayments from localities on loans	210,479,070
Interest received on loans	111,241,355
Bond administrative fees received	1,781,120
Loan administrative fees received	1,500,938
Federal administrative reimbursement funds received	137,044
Federal administrative reimbursement funds received - ARRA	103,977
Cash received from other income	76,427
Cash payments for salaries and related benefits	(1,503,732)
Cash payments for contractual services	(654,248)
Cash payments for general operating expenses	(517,920)
Cash payments for operating grants	(6,971,033)
Cash payments for principal forgiveness loans	(59,394,358)
Interest paid on loans	(184,302)
Interest paid on bonds	(118,238,699)
<b>Net cash used in operating activities</b>	<u>(352,119,478)</u>
<b>Cash flows from noncapital financing activities</b>	
Proceeds from sale of bonds	312,246,987
Bond issuance costs	(2,825,090)
Principal paid on loans	(1,561,273)
Principal paid on bonds	(146,238,450)
Arbitrage rebate	(228,382)
Proceeds from interest subsidy - Build America Bonds	1,984,501
Cash payments to localities for interest subsidy	(1,932,221)
Contributions from other governments	43,715,083
Contributions from other governments - ARRA	60,781,975
<b>Net cash provided by noncapital financing activities</b>	<u>265,943,130</u>
<b>Cash flows from capital and financing related activities</b>	
Purchase of office equipment	(114,833)
<b>Net cash used in noncapital financing activities</b>	<u>(114,833)</u>
<b>Cash flows from investing activities</b>	
Purchase of investments	(87,291,388)
Proceeds from sales or maturities of investments	194,987,498
Interest received on investments - net	12,957,376
<b>Net cash provided by investing activities</b>	<u>120,653,486</u>
<b>Net increase in cash and cash equivalents</b>	34,362,305
<b>Cash and cash equivalents</b>	
<b>Beginning of year</b>	<u>236,417,456</u>
<b>End of year</b>	<u>\$ 270,779,761</u>

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, 2011**

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<b>Reconciliation of operating income</b>	
<b>to net cash used in operating activities</b>	
Operating loss	\$ (57,566,884)
Adjustments to reconcile operating loss	
to net cash used in operating activities:	
Depreciation	3,554
Interest on investments	(12,291,706)
Gain on early extinguishment of loans	(76,261)
Loss on early extinguishment of bonds	98,553
Interest on loans	(12,446)
Interest on bonds, amortization and accretion - net	(6,957,271)
Effect of changes in operating assets and liabilities:	
Loans receivables	(279,496,046)
Loan interest receivable	(777,176)
Loan administrative fee receivable	(93,867)
Other receivables	(42,958)
Deferred charges	5,463,211
Other current assets	8,431
Accounts payable and other liabilities	(198,877)
Deferred revenue	(179,735)
Total adjustments	<u>(294,552,594)</u>
<b>Net cash used in operating activities</b>	<u>\$ (352,119,478)</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 \$1.5 billion 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.

### **Basis of Presentation**

The accounts of the Authority are organized on the basis of programs and activities, each of which is considered a separate accounting entity. The operations of each program are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, operating revenues, operating expenses and other nonoperating revenue and expenses. All of the authorities programs and activities are reported as a single reporting entity conforming to accounting principles generally applicable to the transactions of similar entities that use Proprietary Fund accounting.

### **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 2011.

### **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**

The Authority performs an annual review of all borrowers in VRA's loan portfolio. The review includes performing various liquidity ratios and reviewing rate covenant calculations on existing loans to identify any potential issues with loan repayments. As of June 30, 2011, all loan payments were current and there were no loans in default. In addition, there were no loans that were determined to have payment issues based on the annual review, therefore no allowance for loan losses was considered necessary. In the event management determines a material loss is anticipated, a provision for the loss will then be provided.

### **Capital Assets**

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than 3 years. 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 estimated useful lives to its capital assets. The CAPP assigns an estimated useful life of 5 years to office equipment.

### **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 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 issuance expenses and loss of refinancing are shown on the accompanying statement of net assets as deferred charges and the amortization is included in the statement of revenues, expenses, and changes in net assets as a component of 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.

### **Arbitrage Rebate Liability**

The U.S. Treasury has issued regulations on calculating the rebate due to the Federal government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The authority treats the estimated rebate payable as a reduction of available sources in the program that earned the arbitrage profit. Accordingly, interest earnings are reduced by the amount with a corresponding arbitrage rebate liability separately reported.



## Net Assets

Components of net assets include the following:

**Invested in capital assets** amounts are those associated with non-liquid, capital assets, less any associated outstanding debt. As of June 30, 2011, none of the authority's capital assets had related debt outstanding.

**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.

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

## 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*. There were no amounts that were uninsured or uncollateralized at June 30, 2011.

#### 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, 2011**

As of June 30, 2011, the Authority had the following cash equivalents and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Commercial Paper	\$ 111,774,935	\$ 111,774,935	\$ -	\$ -	\$ -
Corporate Bonds and Notes	957,347	795,177	162,170	-	-
Guaranteed Investment Contracts	97,058,221	1,855,000	40,000	485,000	94,678,221
Local Government Investment Pool	121,458,754	121,458,754	-	-	-
Money Market Funds	20,769	20,769	-	-	-
Money Market Funds-Gov't Securities	13,023,582	13,023,582	-	-	-
Certificates of Deposit	2,844,746	2,844,746	-	-	-
U.S. Agency Securities	52,683,934	49,418,650	3,196,622	54,251	14,411
U.S. Treasury Securities	199,798,230	17,251,716	9,623,314	13,794,415	159,128,785
Totals	\$ 599,620,518	\$ 318,443,329	\$ 13,022,106	\$ 14,333,666	\$ 253,821,417

**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, 2011**

At June 30, 2011, the Authority had the following cash equivalents and investments and ratings:

<b>Investment</b>	<b>Fair Value</b>	<b>Standard &amp; Poor's Rating</b>	<b>Percent of Portfolio</b>
Prime Quality Commercial Paper	111,774,935	A-1+	18.64%
Corporate Bonds and Notes - AA+	65,922	AA+	0.01%
Corporate Bonds and Notes - AA	75,663	AA	0.01%
Corporate Bonds and Notes - AAA	815,762	AAA	0.14%
Guaranteed Investment Contracts	97,058,221	See below	16.19%
Local Government Investment Pool	121,458,754	AAAm	20.26%
Money Market Funds	20,769	AAAm	0.00%
Money Market Funds - Government Securities	13,023,582	AAAm	2.17%
Negotiable Certificate of Deposit *	2,844,746	AAA	0.47%
U.S. Agency Securities	52,683,934	AAA	8.79%
U.S. Treasury Securities	199,798,230	AAA	33.33%
Totals	<u>\$ 599,620,518</u>		<u>100.01%</u>

\* Negotiable Certificate of Deposits are fully collateralized with US Government Securities.

The Guaranteed Investment Contracts (GICs) that comprise 16.19% 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:

<b>Provider</b>	<b>Fair Value</b>	<b>Moody's Rating</b>	<b>Percent of Portfolio</b>
Trinity Plus	\$ 23,157,504	Aa2	3.86%
Salomon Smith Barney (Citigroup)	5,055,641	A3**	0.85%
FNMA	1,515,000	Aaa	0.25%
FSA / Assured Guaranty	67,330,076	Aa3	11.23%
Totals	<u>\$ 97,058,221</u>		<u>16.19%</u>

\*\* 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 (\$10,485,696 for Disbursement Funds, \$2,199,156 for General Funds, and \$338,730 for Bond 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%	25%
Asset Backed Securities of authorized corporations or Federal Agencies	-	0%	25%
Bankers' Acceptance	-	0%	25%
Prime Quality Commercial Paper	5,062	0%	25%
Corporate Bonds and Notes	-	0%	25%
Local Government Investment Pool	108,022,801	64%	100%
Money Market Funds	-	0%	10%
Negotiable Certificates of Deposit	-	0%	10%
U.S. Agency Securities	50,403,307	30%	100%
U.S. Treasury Securities	10,485,696	6%	100%
Totals	\$ 168,916,866	100%	

**Appropriated Funds**

Investment Type	Fair Value	Percent of Portfolio	Maximum
Agency Mortgage-Backed issued by U.S. Government or Federal Agencies	\$ -	0%	25%
Asset Backed Securities of authorized corporations or Federal Agencies	-	0%	25%
Bankers' Acceptance	-	0%	25%
Prime Quality Commercial Paper	-	0%	25%
Corporate Bonds and Notes	-	0%	25%
Local Government Investment Pool	13,426,163	100%	100%
Money Market Funds	-	0%	10%
Negotiable Certificates of Deposit	-	0%	10%
U.S. Agency Securities	-	0%	100%
U.S. Treasury Securities	-	0%	100%
Totals	\$ 13,426,163	100%	

**General Fund**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Portfolio Maximum</u>	
Agency Mortgage-Backed issued by U.S. Government or Federal Agencies	\$ -	0%	25%
Asset Backed Securities of authorized corporations or Federal Agencies	-	0%	25%
Banker's Acceptance	-	0%	25%
Prime Quality Commercial Paper	2,097,153	18%	25%
Corporate Bonds and Notes	957,347	8%	25%
Local Government Investment Pool	9,790	0%	100%
Money Market Funds	-	0%	10%
Negotiable Certificates of Deposit	-	0%	10%
U.S. Agency Securities	2,280,627	19%	100%
U.S. Treasury Securities	6,395,349	55%	100%
Totals	<u>\$ 11,740,266</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, 2011, bond fund investments totaled \$405,537,223. 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, 2011, 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, 2011, the Authority had the following investments and maturities:

**Disbursement Funds**

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Prime Commercial Paper	\$ 5,062	\$ 5,062	\$ -	\$ -	\$ -
Local Government Investment Pool	108,022,801	108,022,801	-	-	-
U.S. Agency Securities	50,403,307	48,154,059	2,249,248	-	-
U.S. Treasury Securities	10,485,696	10,485,696	-	-	-
	<u>\$ 168,916,866</u>	<u>\$ 166,667,618</u>	<u>\$ 2,249,248</u>	<u>\$ -</u>	<u>\$ -</u>
Average maturity of all investments					<u>20 Days</u>

**Appropriated Funds**

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Local Government Investment Pool	\$ 13,426,163	\$ 13,426,163	\$ -	\$ -	\$ -
	<u>\$ 13,426,163</u>	<u>\$ 13,426,163</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, 2011**

**General Fund**

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Prime Commercial Paper	\$ 2,097,153	\$ 2,097,153	\$ -	\$ -	\$ -
Corporate Bonds and Notes	957,347	795,177	162,170	-	-
Local Government Investment Pool	9,790	9,790	-	-	-
U.S. Agency Securities	2,280,627	1,264,591	947,374	54,251	14,411
U.S. Treasury Securities	6,395,349	4,838,241	1,557,108	-	-
Totals	<u>\$ 11,740,266</u>	<u>\$ 9,004,952</u>	<u>\$ 2,666,652</u>	<u>\$ 54,251</u>	<u>\$ 14,411</u>
Average maturity of all investments					<u>86 Days</u>

**Bond Fund**

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Prime Commercial Paper	\$ 109,672,720	\$ 109,672,720	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	97,058,221	1,855,000	40,000	485,000	94,678,221
Money Market Funds	20,769	20,769	-	-	-
Negotiable Certificates of Deposit	2,844,746	2,844,746	-	-	-
U.S. Treasury Securities	195,940,767	14,951,361	8,066,206	13,794,415	159,128,785
	<u>\$ 405,537,223</u>	<u>\$ 129,344,596</u>	<u>\$ 8,106,206</u>	<u>\$ 14,279,415</u>	<u>\$ 253,807,006</u>
Average maturity of all investments					<u>3,024 Days</u>

The Disbursement Funds include \$2,249,248 of investments with maturities over one year and the General Fund includes \$54,251 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, 2011, 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, 2011:

Loans receivable related to bond issues:	
Revenue Bonds	\$ 1,591,117,427
Airport Revolving Fund Revenue Bonds	58,387,411
Unamortized discount/premium and cost of issuance – net	33,853,485
<b>Subtotal – loans receivable related to bond issues</b>	<u>1,683,358,323</u>
Loans receivable related to revolving loan funds:	
VWFRF	674,624,834
VWFRF – Leveraged	892,326,275
VWFRF – AgBMP	7,480,392
VWSRF	120,330,927
<b>Subtotal – loans receivable related to revolving loan funds</b>	<u>1,694,762,428</u>
Loans receivable related to ETF loans:	<u>5,663,892</u>
<b>Total loans receivable</b>	<u>\$ 3,383,784,643</u>
Loans receivable – current	\$ 169,956,344
Loans receivable – noncurrent	3,213,828,299
	<u>\$ 3,383,784,643</u>

VFPF 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.



**Virginia Resources Authority**

**Notes to Financial Statements**

**June 30, 2011**

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Loans that are outstanding related to bond issuances have rates that range from 1.25% - 6.29% and final maturities that range from fiscal years 2012 to 2042.

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 2042 and accrue interest at various rates of interest ranging from 0% to 6.00%. 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 secured by the full faith and credit of the borrowing entity. As of June 30, 2011, the Authority is also obligated under outstanding commitment letters and undisbursed loans and grants to disburse approximately:

<u>Type</u>	<u>VWFRF</u>	<u>VWSRF</u>
Committed, to be disbursed:		
Revolving fund	\$ 95,450,627	\$ 7,331,392
Leveraged bonds	84,949,049	-
Commitment letter only (loan or grant not closed)	63,185,028	11,578,600

There were no loan commitments related the Virginia Aviation Revolving Fund or Equipment and Term Financing Leases at June 30, 2011.

At June 30, 2011, there were no loan receivables that were in default and no allowance for loan losses has been provided. There were no losses incurred during 2011 or any other fiscal year.

**5. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2011</b>
Capital assets, not being depreciated:				
Software Development (CIP)	\$ -	\$ 114,833	\$ -	\$ 114,833
Capital assets, being depreciated				
Office Equipment	60,720	-	775	59,945
Less accumulated depreciation	43,242	3,554	775	46,021
Total capital assets being depreciated, net	17,478	(3,554)	-	13,924
Capital assets, net	<u>\$ 17,478</u>	<u>\$ 111,279</u>	<u>\$ -</u>	<u>\$ 128,757</u>

Depreciation expense was \$3,554 for the year ended June 30, 2011.

**Virginia Resources Authority**  
**Notes to Financial Statements**  
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**6. Bonds Payable**

The authority had the following bonds payable outstanding as of June 30, 2011:

<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 1999A, dated October 15, 1999, interest rates ranging from 4.00% to 5.80%, final due date October 1, 2024	4,500,000	3,210,000
Series 2000A, dated March 1, 2000, interest rates ranging from 4.10% to 5.80%, final due date May 1, 2030; \$1,765,000 of the bonds defeased in 2010	36,535,000	220,000
Series 2000C, dated October 1, 2000, interest rates ranging from 4.70% to 5.00%, final due date October 1, 2021	4,640,000	3,120,000
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	2,795,000
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; \$17,110,000 of the bonds defeased in 2010	48,235,000	780,000
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 \$15,317,260 accretion for capital appreciation bonds.	27,537,167	42,854,427
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	33,385,000
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	12,555,000
Series 2002A, dated June 6, 2002, interest rates ranging from 3.00% to 5.13%, final due date May 1, 2027; \$20,125,000 of the bonds defeased in 2010	42,845,000	2,090,000

*Virginia Resources Authority*

*Notes to Financial Statements*

June 30, 2011

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<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
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	\$ 11,520,000
Series 2002C (Non-AMT), dated December 5, 2002, interest rates ranging from 2.00% to 5.00%, final due date April 1, 2033; \$15,900,000 of the bonds defeased in 2010	23,510,000	2,720,000
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; \$2,980,000 of the bonds defeased in 2010	16,005,000	2,005,000
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; \$2,215,000 of the bonds defeased in 2010	53,790,000	40,195,000
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; \$375,000 of the bonds defeased in 2010	4,160,000	205,000
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	27,100,000
Series 2003A (Non-AMT), dated May 21, 2003, interest rates ranging from 3.00% to 4.60%, final due date May 1, 2028; \$22,255,000 of the bonds defeased in 2010	38,915,000	4,220,000
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; \$18,795,000 of the bonds defeased in 2010	39,950,000	7,590,000
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	8,250,000
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	26,970,000

*Virginia Resources Authority**Notes to Financial Statements*June 30, 2011

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<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
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	\$ 18,190,000
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; \$2,645,000 of the bonds defeased in 2010	8,965,000	780,000
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	22,445,000
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	11,235,000
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	11,010,000
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	4,985,000
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	16,695,000
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	7,215,000
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	4,950,000
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	30,845,000
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	2,130,000
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	13,630,000

*Virginia Resources Authority*

*Notes to Financial Statements*

June 30, 2011

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<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2006A Senior (AMT), dated June 8, 2006, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2013; \$7,955,000 of the bonds defeased in 2010	\$ 9,955,000	\$ 2,000,000
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	43,190,000
Series 2006A Senior (Taxable), dated June 8, 2006, interest rates ranging from 5.52% to 5.59%, final due date November 1, 2013; \$2,105,000 of the bonds defeased in 2010	2,450,000	345,000
Series 2006A Subordinate (AMT), dated June 8, 2006, interest rate of 5.00%, final due date November 1, 2013; \$4,040,000 of the bonds defeased in 2010	4,290,000	250,000
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	23,080,000
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	16,330,000
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	7,575,000
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	40,265,000
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	20,100,000
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	23,980,000
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	11,845,000
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	6,775,000

**Virginia Resources Authority**  
**Notes to Financial Statements**  
**June 30, 2011**

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<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
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	\$ 36,190,000
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	2,920,000
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	17,385,000
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	44,430,000
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	20,570,000
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	141,058,000
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	65,465,000
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	40,180,000
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	72,495,000
Series 2009A Senior (Taxable), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039; \$41,800,000 of the bonds was defeased in 2010	50,780,000	8,980,000
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	17,975,000

*Virginia Resources Authority*

*Notes to Financial Statements*

June 30, 2011

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<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
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	\$ 41,095,000
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
Series 2009B Infrastructure Revenue Bonds (Tax-Exempt), dated November 19, 2009, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2030.	82,175,000	80,465,000
Series 2009B Infrastructure Revenue Bonds (Taxable - Build America Bonds), dated November 19, 2009, interest rates ranging from 4.97 to 5.70%, final due date November 1, 2039.	45,180,000	45,180,000
Series 2009B State Moral Obligation (Tax-Exempt), dated November 19, 2009, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2030.	38,190,000	37,450,000
Series 2009B State Moral Obligation Bonds (Taxable - Build America Bonds), dated November 19, 2009, interest rates ranging from 5.22 to 6.00%, final due date November 1, 2039.	20,785,000	20,785,000
Series 2010A Infrastructure Revenue Bonds, dated June 17, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040.	50,470,000	50,105,000
Series 2010A State Moral Obligation, dated June 17, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040.	23,170,000	23,020,000
Series 2010B Infrastructure Revenue Bonds, dated August 18, 2010, interest rates ranging from 1.25 to 5.00%, final due date November 1, 2040.	28,320,000	28,320,000
Series 2010B State Moral Obligation, dated August 18, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040.	12,910,000	12,910,000
Series 2010C Infrastructure Revenue Bonds (Tax-Exempt), dated November 23, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2033.	59,635,000	59,635,000
Series 2010C Infrastructure Revenue Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 3.83 to 5.79%, final due date November 1, 2040.	54,740,000	54,740,000

Virginia Resources Authority

Notes to Financial Statements

June 30, 2011

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2010C State Moral Obligation (Tax-Exempt), dated November 23, 2010, interest rates ranging from 2.50 to 5.00%, final due date November 1, 2033.	26,395,000	26,395,000
Series 2010C State Moral Obligation Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 6.19 to 6.29%, final due date November 1, 2040.	25,920,000	25,920,000
Series 2011A Infrastructure Revenue Bonds (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041.	50,795,000	50,795,000
Series 2011A Infrastructure Revenue Bonds (Taxable), dated June 2, 2011, interest rates ranging from 3.80 to 5.10%, final due date November 1, 2031.	6,455,000	6,455,000
Series 2011A State Moral Obligation (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041.	21,475,000	21,475,000
Series 2011A State Moral Obligation Bonds (Taxable), dated June 2, 2011, interest rates ranging from 3.95 to 5.25%, final due date November 1, 2031.	2,790,000	2,790,000
<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	21,015,000
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	18,700,000
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	3,480,000
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	1,965,000
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	1,655,000
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	7,060,000
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	3,020,000



**Virginia Resources Authority**  
**Notes to Financial Statements**  
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<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
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	4,955,000
<i>Virginia Water Facilities Revolving Fund Leveraged:</i>		
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	133,985,000
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	234,155,000
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
Series 2010A CWSRF (Refunding), dated April 21, 2010 interest rates ranging from 3.00% to 5.00%, final due date October 1, 2026	94,410,000	88,450,000
Series 2010B CWSRF, dated April 21, 2010, interest rates ranging from 2.25% to 5.00%, final due date October 1, 2031	98,785,000	98,785,000
		<hr/>
<b>Total bonds at June 30</b>		2,626,917,427
Unamortized discounts/premiums		117,485,263
<b>Total bonds – net</b>		<u>\$ 2,744,402,690</u>
Total bonds outstanding as of June 30:		\$ 2,626,917,427
Unaccreted Capital Appreciation Bonds as of June 30		41,500,573
<b>Total outstanding maturities</b>		<u>\$ 2,668,418,000</u>
Bonds payable – current		\$ 107,800,805
Bonds payable – noncurrent		2,636,601,885
		<u>\$ 2,744,402,690</u>

**Virginia Resources Authority**  
**Notes to Financial Statements**  
**June 30, 2011**

Activity in the bonds payable and related accounts for fiscal year 2011 was as follows:

<b>Description</b>	<b>Balance at June 30, 2010</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance at June 30, 2011</b>	<b>Amount Due Within One Year</b>
Total bonds outstanding	\$ 2,481,612,642	\$ 289,435,000	\$ (144,130,215)	\$ 2,626,917,427	\$ 98,413,450
Unamortized discounts / premiums	103,943,520	22,446,657	(8,904,914)	117,485,263	9,387,355
	<u>\$ 2,585,556,162</u>	<u>\$ 311,881,657</u>	<u>\$(153,035,129)</u>	<u>\$ 2,744,402,690</u>	<u>\$107,800,805</u>

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.

At June 30, 2011, \$684,004,427 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 \$1.5 billion may be outstanding at any time.

The Series 2002 Water and Sewer Revenue Bonds includes Capital Appreciation Bonds with unaccrued values of \$41,500,573, as of June 30, 2011.

**Advance Refundings**

During the current year, the Authority issued bond series 2010C, 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:

<b>Issue</b>	<b>Principal Defeased</b>	<b>Difference between Previous and New Debt Service</b>	<b>Economic Gain as a Result of the Refunding</b>
2000A Series	\$ 1,765,000	271,714	237,845
2001 Series	3,335,000	322,786	171,974
2002C Series	15,900,000	1,029,135	531,303
2003A Series	22,255,000	1,367,321	942,484
2003 Series	2,215,000	81,869	73,085
	<u>\$ 45,470,000</u>	<u>\$ 3,072,825</u>	<u>\$ 1,956,691</u>

# Virginia Resources Authority

## Notes to Financial Statements

June 30, 2011

The amount outstanding at June 30, 2011 for bonds which have been in-substance defeased or refunded was \$245,152,000. In addition to the refundings noted above, this includes bonds that were in-substance defeased during the current and prior years: 2002 Series C, 2002 Series D, 2002 Series E, 2003 Series, 2003 Series B, 2003 Series C, 2004 Series A, 2004 Series B, 2006 Series A, and 2008 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>
2012	98,413,450	122,738,482	221,151,932
2013	107,546,100	118,755,037	226,301,137
2014	116,933,450	114,222,059	231,155,509
2015	124,740,000	109,309,157	234,049,157
2016	128,260,000	103,905,289	232,165,289
2017-2021	670,715,000	425,888,875	1,096,603,875
2022-2026	612,315,000	274,727,609	887,042,609
2027-2031	524,025,000	132,860,834	656,885,834
2032-2036	216,225,000	43,192,074	259,417,074
2037-2041	69,105,000	7,413,584	76,518,584
2042	140,000	3,150	143,150
<b>Total</b>	<u>\$ 2,668,418,000</u>	<u>\$ 1,453,016,150</u>	<u>\$ 4,121,434,150</u>

### 7. 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, 2011 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to \$7,372,612.

### 8. Other Noncurrent Liabilities

Under the ETF program, VRA entered into various loan agreements with a banking partner in order to enhance financing options for terms of up to fifteen years. Rates on the loans range from 2.01% to 3.25% with maturities ranging from fiscal years 2012 to 2019. The associated loan liability is presented separately in the financial statements.

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. VRA contracts with arbitrage rebate specialists to perform the arbitrage rebate calculations which are performed on an annual basis.

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 \$2,381,648 at June 30, 2011 (\$176,653 was considered to be current).

The Authority provides for accumulation of Paid Time Off (PTO) leave with a maximum accumulation of up to 520 hours of unused PTO leave. The Authority provides 160 hours of annual PTO leave which is accrued at the end of each pay period. Employees are paid for unused, earned PTO (or compensatory time) at termination based on years of service, with a maximum pay out of 160 hours. Individuals employed by VRA as of August 1, 2011 are not subjected to the payout cap of 160 hours, but are subjected to a cap of 340 hours of combined PTO.

As of June 30, 2011 an accrual for employee compensated absences in the amount of \$100,029 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 2011:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Due Within one year
Loans Payable	\$ 7,225,165	\$ -	\$ 1,561,273	\$ 5,663,892	\$ 1,563,814
Arbitrage Rebate Liability	3,628,572	186,513	228,382	3,586,703	3,455,351
Deferred revenue	2,202,464	365,337	186,153	2,381,648	176,653
Accrued leave	105,825	49,269	55,065	100,029	100,029

**9. Contributions from Other Governments**

During the year the Authority received \$31,198,847 from the EPA under the Capitalization Grants for State Revolving Funds and \$61,042,257 from the EPA under the American Recovery and Reinvestment Act (ARRA) 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 VWFRF and 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 \$5,300,796 from the Commonwealth as part of the required state match of federal funds, plus another \$1,506,444 from the Commonwealth for the VDSFPF.

**10. 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](http://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, 2011 was 14.42% of the annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2011, the Authority's annual pension cost of \$117,133 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) 7.0% 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 20 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, 2011	\$ 117,133	100%	-
June 30, 2010	\$ 98,593	100%	-
June 30, 2009	\$ 96,905	100%	-

**D. Funded Status and Funding Progress**

As of June 30, 2010, the most recent actuarial valuation date, the plan was 89.04% funded. The actuarial accrued liability for benefits was \$484,645 and the actuarial value of assets was \$431,544, resulting in an unfunded actuarial accrued liability (UAAL) of \$53,101. The covered payroll (annual payroll of active employees covered by the plan) was \$760,085 and the ratio of the UAAL to the covered payroll was 6.99%.

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.

**11. 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, 2011, 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.

**12. Leases**

The Authority leases its corporate office space under an operating lease. Rental expense totaled \$110,918 for the year ended June 30, 2011. The future minimum rental payments are as follows:

<u>Year ending June 30,</u>	Amount
2012	\$ 113,383
2013	116,218
2014	119,123
2015	122,102
2016	125,154
2017	117,348
	<u>\$ 713,328</u>

**13. Subsequent Events**

Subsequent to June 30, 2011, the Virginia Airports Revolving Fund Program issued bonds in the amount of \$33,150,000, dated August 23, 2011. The interest rates range from 2% to 5% with a final due date of August 1, 2027.

Subsequent to June 30, 2011, the ratings agency, Standard and Poor's, downgraded the United States credit rating from AAA to AA+ on August 5, 2011. The downgrade will impact the Authority's investments in U.S. Treasury and U.S. Agency securities during this same period. Management is not able to determine full impact of the decline in the underlying rating of these securities.

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*Virginia Resources Authority*

*Required Supplementary Information*

June 30, 2011

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**Schedule of Funding Progress (unaudited):**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2010	\$ 431,544	\$ 484,645	\$ 53,101	89.04%	\$ 760,085	6.99%
June 30, 2009	337,753	363,969	26,216	92.80%	745,129	3.52%
June 30, 2008	221,677	347,810	126,134	63.73%	653,769	19.29%

Virginia Resources Authority

Combining Schedule of Net Assets

June 30, 2011

	General	Virginia Revolving Loan Fund Accounts		Airport	Bond	Dam	Equipment &	Total
	Accounts	Water Facilities	Water Supply	Accounts	Accounts	Safety Accounts	Term Financing	
<b>Assets</b>								
Current assets								
Cash	\$ 2,531,314	\$ 16,106,098	\$ 3,591,196	\$ -	\$ 23,755	\$ -	\$ -	\$ 22,252,363
Cash equivalents	4,306,099	202,250,866	25,958,762	10,248,373	257,073	5,506,225	-	248,527,398
Investments	4,698,852	57,082,495	5,769,713	176,409	2,188,462	-	-	69,915,931
Loans receivable - current portion	-	94,951,545	5,019,184	3,694,076	64,727,725	-	1,563,814	169,956,344
Receivables:								
Investment interest	52,020	2,010,719	1,980	208,882	396,385	-	-	2,669,986
Loan interest	-	16,386,066	192,228	287,254	11,742,479	-	51,700	28,659,727
Loan administrative fees	-	753,532	18,219	-	326,797	-	4,663	1,103,211
Federal funds	-	986,093	227,804	-	-	-	-	1,213,897
Other	12,120	-	-	-	-	-	-	12,120
Deferred charges - current portion	-	2,703,585	-	91,913	2,606,299	-	-	5,401,797
Other	5,926	-	-	-	-	-	-	5,926
Total current assets	<u>11,606,331</u>	<u>393,230,999</u>	<u>40,779,086</u>	<u>14,706,907</u>	<u>82,268,975</u>	<u>5,506,225</u>	<u>1,620,177</u>	<u>549,718,700</u>
Noncurrent assets								
Investments	2,735,314	195,192,656	-	23,153,365	60,095,854	-	-	281,177,189
Loans receivable - less current - net	-	1,479,479,956	115,311,743	54,693,335	1,560,243,187	-	4,100,078	3,213,828,299
Deferred charges - less current - net	-	20,382,998	-	660,635	23,996,003	-	-	45,039,636
Furniture and fixtures - at cost - less accumulated depreciation	122,491 -	4,595 -	1,671 -	- -	- -	- -	- -	128,757 -
Total noncurrent assets	<u>2,857,805</u>	<u>1,695,060,205</u>	<u>115,313,414</u>	<u>78,507,335</u>	<u>1,644,335,044</u>	<u>-</u>	<u>4,100,078</u>	<u>3,540,173,881</u>
Total assets	<u>14,464,136</u>	<u>2,088,291,204</u>	<u>156,092,500</u>	<u>93,214,242</u>	<u>1,726,604,019</u>	<u>5,506,225</u>	<u>5,720,255</u>	<u>4,089,892,581</u>
<b>Liabilities</b>								
Current liabilities								
Loans payable - current portion	-	-	-	-	-	-	1,563,814	1,563,814
Bonds payable - current portion	-	34,846,613	-	3,550,000	69,404,192	-	-	107,800,805
Accrued interest on bonds payable	-	11,009,416	-	1,293,279	12,218,649	-	51,700	24,573,044
Arbitrage rebate liability	-	3,455,351	-	-	-	-	-	3,455,351
Due to (from) other accounts	(600,185)	250,459	280,551	28,069	-	36,443	4,663	-
Deferred revenue - current portion	-	85,333	-	3,472	87,848	-	-	176,653
Accounts payable and other liabilities	311,776	-	25,952	122,489	-	-	-	460,217
Total current liabilities	<u>(288,409)</u>	<u>49,647,172</u>	<u>306,503</u>	<u>4,997,309</u>	<u>81,710,689</u>	<u>36,443</u>	<u>1,620,177</u>	<u>138,029,884</u>
Noncurrent liabilities								
Loans payable - less current - net	-	-	-	-	-	-	4,100,078	4,100,078
Bonds payable - less current - net	-	932,060,204	-	58,300,000	1,646,241,681	-	-	2,636,601,885
Deferred revenue - less current - net	-	826,867	-	26,110	1,352,018	-	-	2,204,995
Arbitrage rebate liability	-	131,352	-	-	-	-	-	131,352
Total noncurrent liabilities	<u>-</u>	<u>933,018,423</u>	<u>-</u>	<u>58,326,110</u>	<u>1,647,593,699</u>	<u>-</u>	<u>4,100,078</u>	<u>2,643,038,310</u>
Total liabilities	<u>(288,409)</u>	<u>982,665,595</u>	<u>306,503</u>	<u>63,323,419</u>	<u>1,729,304,388</u>	<u>36,443</u>	<u>5,720,255</u>	<u>2,781,068,194</u>
<b>Net assets</b>								
Invested in capital assets	122,491	4,595	1,671	-	-	-	-	128,757
Restricted:								
Loan Programs	-	1,105,621,014	155,784,326	29,890,823	(2,700,369)	5,469,782	-	1,294,065,576
Operating Reserve	7,372,612	-	-	-	-	-	-	7,372,612
Unrestricted	7,257,442	-	-	-	-	-	-	7,257,442
Total net assets	<u>\$ 14,752,545</u>	<u>\$ 1,105,625,609</u>	<u>\$ 155,785,997</u>	<u>\$ 29,890,823</u>	<u>\$ (2,700,369)</u>	<u>\$ 5,469,782</u>	<u>\$ -</u>	<u>\$ 1,308,824,387</u>



Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
Year Ended June 30, 2011

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Dam Safety Accounts	Equipment & Term Financing	Total
		Water Facilities	Water Supply					
<b>Operating revenues</b>								
Interest on loans	\$ -	\$ 39,539,857	\$ 747,255	\$ 2,637,986	\$ 68,921,577	\$ -	\$ 171,857	\$ 112,018,532
Investment income	101,008	8,492,574	82,851	1,090,983	2,511,770	12,520	-	12,291,706
Bond administrative fees	-	95,971	-	3,672	1,917,578	-	-	2,017,221
Loan administrative fees	-	1,392,215	72,703	57,884	-	-	15,636	1,538,438
Administrative reimbursement	-	-	288,892	-	-	-	-	288,892
Administrative reimbursement - ARRA	-	-	20,494	-	-	-	-	20,494
Gain on early extinguishment of loans	-	-	-	-	76,261	-	-	76,261
Other income	1,892	49,125	-	-	-	-	-	51,017
Total operating revenues	102,900	49,569,742	1,212,195	3,790,525	73,427,186	12,520	187,493	128,302,561
<b>Operating expenses</b>								
Interest on bonds and loans	-	41,956,078	-	3,213,490	71,575,073	-	171,857	116,916,498
Grants to local governments	-	2,190,847	4,779,187	-	-	1,000	-	6,971,034
Principal forgiveness loans	-	51,113,713	8,280,645	-	-	-	-	59,394,358
Loss on early extinguishment of bonds	-	-	-	-	98,553	-	-	98,553
Personnel services	896,816	328,533	183,196	34,759	-	4,938	-	1,448,242
General operating	229,283	199,295	53,931	26,524	-	4,324	-	513,357
Contractual services	244,407	152,630	96,356	28,943	-	5,067	-	527,403
Total operating expenses	1,370,506	95,941,096	13,393,315	3,303,716	71,673,626	15,329	171,857	185,869,445
<b>Operating income (loss)</b>	(1,267,606)	(46,371,354)	(12,181,120)	486,809	1,753,560	(2,809)	15,636	(57,566,884)
<b>Nonoperating revenue</b>								
Contributions from other governments	-	25,185,492	11,314,151	-	-	1,506,444	-	38,006,087
Contributions from other governments - ARRA	-	50,418,834	10,623,423	-	-	-	-	61,042,257
Interest subsidy - Build America Bonds	-	-	-	-	2,250,211	-	-	2,250,211
<b>Nonoperating expense</b>								
Interest subsidy pass-through - Build America Bonds	-	-	-	-	(2,188,923)	-	-	(2,188,923)
<b>Income (loss) before transfers</b>	(1,267,606)	29,232,972	9,756,454	486,809	1,814,848	1,503,635	15,636	41,542,748
<b>Transfers</b>	2,417,457	-	-	-	(2,401,821)	-	(15,636)	-
<b>Change in net assets</b>	1,149,851	29,232,972	9,756,454	486,809	(586,973)	1,503,635	-	41,542,748
<b>Total net assets - beginning</b>	13,602,694	1,076,392,637	146,029,543	29,404,014	(2,113,396)	3,966,147	-	1,267,281,639
<b>Total net assets - ending</b>	\$ 14,752,545	\$ 1,105,625,609	\$ 155,785,997	\$ 29,890,823	\$ (2,700,369)	\$ 5,469,782	\$ -	\$ 1,308,824,387

## Virginia Resources Authority

Combining Schedule of Cash Flows  
Year Ended June 30, 2011

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Dam Safety Accounts	Equipment & Term Financing	Total
		Water Facilities	Water Supply					
<b>Cash flows from operating activities</b>								
Cash payments to localities for loans	\$ -	\$ (174,369,656)	\$ (11,772,572)	\$ (654,184)	\$ (303,178,705)	\$ -	\$ -	\$ (489,975,117)
Principal repayments from localities on loans	-	91,302,640	4,929,290	3,557,366	109,133,450	-	1,556,324	210,479,070
Interest received on loans	-	39,604,826	742,476	2,582,591	68,127,160	-	184,302	111,241,355
Bond administrative fees received	-	-	-	-	1,781,120	-	-	1,781,120
Loan administrative fees received	-	1,356,962	69,243	57,884	-	-	16,849	1,500,938
Federal administrative reimbursement funds received	-	-	137,044	-	-	-	-	137,044
Federal administrative reimbursement funds received - ARRA	-	-	103,977	-	-	-	-	103,977
Cash received from other income	21,551	54,876	-	-	-	-	-	76,427
Cash payments for salaries and related benefits	(952,306)	(328,533)	(183,196)	(34,759)	-	(4,938)	-	(1,503,732)
Cash payments for contractual services	(371,252)	(152,630)	(96,356)	(28,943)	-	(5,067)	-	(654,248)
Cash payments for general operating expenses	(235,494)	(198,124)	(53,453)	(26,525)	-	(4,324)	-	(517,920)
Cash payments for operating grants	-	(2,190,847)	(4,779,186)	-	-	(1,000)	-	(6,971,033)
Cash payments for principal forgiveness loans	-	(51,113,713)	(8,280,645)	-	-	-	-	(59,394,358)
Interest paid on loans	-	-	-	-	-	-	(184,302)	(184,302)
Interest paid on bonds	-	(44,154,798)	-	(3,178,642)	(70,905,259)	-	-	(118,238,699)
Interfund activity	(414,458)	202,993	120,175	76,111	-	11,443	3,736	-
<b>Net cash provided by (used in) operating activities</b>	<b>(1,951,959)</b>	<b>(139,986,004)</b>	<b>(19,063,203)</b>	<b>2,350,899</b>	<b>(195,042,234)</b>	<b>(3,886)</b>	<b>1,576,909</b>	<b>(352,119,478)</b>
<b>Cash flows from noncapital financing activities</b>								
Proceeds from sale of bonds	-	-	-	-	312,246,987	-	-	312,246,987
Bond issuance costs	-	(183,695)	-	-	(2,641,395)	-	-	(2,825,090)
Principal paid on loans	-	-	-	-	-	-	(1,561,273)	(1,561,273)
Principal paid on bonds	-	(33,595,000)	-	(3,505,000)	(109,138,450)	-	-	(146,238,450)
Arbitrage rebate	-	(228,382)	-	-	-	-	-	(228,382)
Proceeds from interest subsidy - Build America Bonds	-	-	-	-	1,984,501	-	-	1,984,501
Cash payments to localities for interest subsidy	-	-	-	-	(1,932,221)	-	-	(1,932,221)
Contributions from other governments	-	30,894,488	11,314,151	-	-	1,506,444	-	43,715,083
Contributions from other governments - ARRA	-	50,229,699	10,552,276	-	-	-	-	60,781,975
Cash received (paid) from other accounts	2,417,457	-	-	-	(2,401,821)	-	(15,636)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>2,417,457</b>	<b>47,117,110</b>	<b>21,866,427</b>	<b>(3,505,000)</b>	<b>198,117,601</b>	<b>1,506,444</b>	<b>(1,576,909)</b>	<b>265,943,130</b>
<b>Cash flows from capital and financing related activities</b>								
Purchase of office equipment	(114,833)	-	-	-	-	-	-	(114,833)
<b>Net cash used in noncapital financing activities</b>	<b>(114,833)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(114,833)</b>
<b>Cash flows from investing activities</b>								
Purchase of investments	(2,427,486)	(63,628,558)	(9,702,035)	(5,562,584)	(5,970,725)	-	-	(87,291,388)
Proceeds from sales or maturities of investments	4,643,997	174,565,334	8,855,074	6,596,200	326,893	-	-	194,987,498
Interest received on investments - net	256,308	8,943,131	86,500	1,157,600	2,501,317	12,520	-	12,957,376
<b>Net cash provided by (used in) investing activities</b>	<b>2,472,819</b>	<b>119,879,907</b>	<b>(760,461)</b>	<b>2,191,216</b>	<b>(3,142,515)</b>	<b>12,520</b>	<b>-</b>	<b>120,653,486</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,823,484</b>	<b>27,011,013</b>	<b>2,042,763</b>	<b>1,037,115</b>	<b>(67,148)</b>	<b>1,515,078</b>	<b>-</b>	<b>34,362,305</b>
<b>Cash and cash equivalents</b>								
<b>Beginning of year</b>	<b>4,013,929</b>	<b>191,345,951</b>	<b>27,507,195</b>	<b>9,211,258</b>	<b>347,976</b>	<b>3,991,147</b>	<b>-</b>	<b>236,417,456</b>
<b>End of year</b>	<b>\$ 6,837,413</b>	<b>\$ 218,356,964</b>	<b>\$ 29,549,958</b>	<b>\$ 10,248,373</b>	<b>\$ 280,828</b>	<b>\$ 5,506,225</b>	<b>\$ -</b>	<b>\$ 270,779,761</b>

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)  
Year Ended June 30, 2011

	General	Virginia Revolving Loan Fund Accounts		Airport	Bond	Dam	Equipment &	Total
	Accounts	Water Facilities	Water Supply	Accounts	Accounts	Safety	Term	
<b>Reconciliation of operating income (loss)</b>								
<b>to net cash provided by (used in) operating activities</b>								
Operating income (loss)	\$ (1,267,606)	\$ (46,371,354)	\$ (12,181,120)	\$ 486,809	\$ 1,753,560	\$ (2,809)	\$ 15,636	\$ (57,566,884)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:								
Depreciation	1,955	1,173	426	-	-	-	-	3,554
Interest on investments	(101,008)	(8,492,574)	(82,851)	(1,090,983)	(2,511,770)	(12,520)	-	(12,291,706)
Gain on early extinguishment of loans	-	-	-	-	(76,261)	-	-	(76,261)
Loss on early extinguishment of bonds	-	-	-	-	98,553	-	-	98,553
Interest on loans	-	-	-	-	-	-	(12,446)	(12,446)
Interest on bonds, amortization and accretion - net	-	(4,999,178)	-	(62,310)	(1,895,783)	-	-	(6,957,271)
Effect of changes in operating assets and liabilities								
Loans receivables	-	(83,067,016)	(6,843,281)	2,903,182	(194,045,255)	-	1,556,324	(279,496,046)
Loan interest receivable	-	64,969	(4,779)	(55,395)	(794,417)	-	12,446	(777,176)
Loan administrative fee receivable	-	(35,253)	(3,461)	-	(56,366)	-	1,213	(93,867)
Other receivables	19,658	5,750	(68,366)	-	-	-	-	(42,958)
Deferred charges	-	2,800,457	-	97,157	2,565,597	-	-	5,463,211
Other current assets	8,431	-	-	-	-	-	-	8,431
Accounts payable and other liabilities	(198,931)	-	54	-	-	-	-	(198,877)
Deferred revenue	-	(95,971)	-	(3,672)	(80,092)	-	-	(179,735)
Due to (from) other funds	(414,458)	202,993	120,175	76,111	-	11,443	3,736	-
Total adjustments	(684,353)	(93,614,650)	(6,882,083)	1,864,090	(196,795,794)	(1,077)	1,561,273	(294,552,594)
<b>Net cash provided by (used in) operating activities</b>	\$ (1,951,959)	\$ (139,986,004)	\$ (19,063,203)	\$ 2,350,899	\$ (195,042,234)	\$ (3,886)	\$ 1,576,909	\$ (352,119,478)

Virginia Resources Authority

Combining Schedule of Net Assets

Virginia Revolving Loan Fund Accounts - Water Facilities

June 30, 2011

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
<b>Assets</b>							
Current assets							
Cash	\$ 10,277,447	\$ -	\$ 2,689,157	\$ -	\$ 148,707	\$ 2,990,787	\$ 16,106,098
Cash equivalents	81,059,322	99,019,725	6,593,037	3,409,609	12,169,173	-	202,250,866
Investments	38,336,187	16,947,786	1,798,522	-	-	-	57,082,495
Loans receivable - current portion	53,014,086	39,017,837	2,909,409	-	10,213	-	94,951,545
Receivables:							
Investment interest	38,042	1,971,349	626	-	702	-	2,010,719
Loan interest	3,436,847	12,893,319	55,900	-	-	-	16,386,066
Loan administrative fees	-	-	-	-	-	753,532	753,532
Federal funds	986,093	-	-	-	-	-	986,093
Deferred charges - current portion	-	2,703,585	-	-	-	-	2,703,585
Total current assets	187,148,024	172,553,601	14,046,651	3,409,609	12,328,795	3,744,319	393,230,999
Noncurrent assets							
Investments	2,249,248	192,943,408	-	-	-	-	195,192,656
Loans receivable - less current - net	621,600,535	853,308,438	4,570,983	-	-	-	1,479,479,956
Deferred charges - less current - net	-	20,382,998	-	-	-	-	20,382,998
Furniture and fixtures - at cost - less accumulated depreciation	4,595	-	-	-	-	-	4,595
Total noncurrent assets	623,854,378	1,066,634,844	4,570,983	-	-	-	1,695,060,205
Total assets	811,002,402	1,239,188,445	18,617,634	3,409,609	12,328,795	3,744,319	2,088,291,204
<b>Liabilities</b>							
Current liabilities							
Bonds payable - current portion	-	34,846,613	-	-	-	-	34,846,613
Accrued interest on bonds payable	-	11,009,416	-	-	-	-	11,009,416
Arbitrage rebate liability	-	3,455,351	-	-	-	-	3,455,351
Due to other accounts	250,459	4,933	-	-	-	(4,933)	250,459
Deferred revenue - current portion	-	85,333	-	-	-	-	85,333
Total current liabilities	250,459	49,401,646	-	-	-	(4,933)	49,647,172
Noncurrent liabilities							
Bonds payable - less current - net	-	932,060,204	-	-	-	-	932,060,204
Deferred revenue - less current - net	-	826,867	-	-	-	-	826,867
Arbitrage rebate liability	-	131,352	-	-	-	-	131,352
Total noncurrent liabilities	-	933,018,423	-	-	-	-	933,018,423
Total liabilities	250,459	982,420,069	-	-	-	(4,933)	982,665,595
<b>Net assets</b>							
Invested in capital assets	4,595	-	-	-	-	-	4,595
Restricted:							
Loan Programs	810,747,348	256,768,376	18,617,634	3,409,609	12,328,795	3,749,252	1,105,621,014
Total net assets	\$ 810,751,943	\$ 256,768,376	\$ 18,617,634	\$ 3,409,609	\$ 12,328,795	\$ 3,749,252	\$ 1,105,625,609

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Assets  
 Virginia Revolving Loan Fund Accounts - Water Facilities  
 Year Ended June 30, 2011

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
<b>Operating revenues</b>							
Interest on loans	\$ 13,673,480	\$ 25,651,611	\$ 214,766	\$ -	\$ -	\$ -	\$ 39,539,857
Investment income	303,847	8,117,193	21,284	12,925	33,372	3,953	8,492,574
Bond administrative fees	-	87,575	-	-	8,396	-	95,971
Loan administrative fees	-	-	-	-	-	1,392,215	1,392,215
Other income	-	42,604	5,856	-	665	-	49,125
Total operating revenues	13,977,327	33,898,983	241,906	12,925	42,433	1,396,168	49,569,742
<b>Operating expenses</b>							
Interest on bonds	-	41,888,310	-	-	67,768	-	41,956,078
Grants to local governments	-	-	-	2,190,847	-	-	2,190,847
Principal forgiveness loans	51,113,713	-	-	-	-	-	51,113,713
Personnel services	328,533	-	-	-	-	-	328,533
General operating	189,393	-	6,147	2,839	916	-	199,295
Contractual services	152,630	-	-	-	-	-	152,630
Total operating expenses	51,784,269	41,888,310	6,147	2,193,686	68,684	-	95,941,096
<b>Operating income (loss)</b>	(37,806,942)	(7,989,327)	235,759	(2,180,761)	(26,251)	1,396,168	(46,371,354)
<b>Nonoperating revenue</b>							
Contributions from other governments	22,385,492	-	-	-	2,800,000	-	25,185,492
Contributions from other governments - ARRA	50,418,834	-	-	-	-	-	50,418,834
<b>Income (loss) before transfers</b>	34,997,384	(7,989,327)	235,759	(2,180,761)	2,773,749	1,396,168	29,232,972
<b>Transfers</b>	(27,461,879)	19,072,732	-	-	8,389,147	-	-
<b>Change in net assets</b>	7,535,505	11,083,405	235,759	(2,180,761)	11,162,896	1,396,168	29,232,972
<b>Total net assets - beginning</b>	803,216,438	245,684,971	18,381,875	5,590,370	1,165,899	2,353,084	1,076,392,637
<b>Total net assets - ending</b>	\$ 810,751,943	\$ 256,768,376	\$ 18,617,634	\$ 3,409,609	\$ 12,328,795	\$ 3,749,252	\$ 1,105,625,609

Virginia Resources Authority

Combining Schedule of Cash Flows

Virginia Revolving Loan Fund Accounts - Water Facilities

Year Ended June 30, 2011

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
<b>Cash flows from operating activities</b>							
Cash payments to localities for loans	\$ (58,190,958)	\$ (114,089,112)	\$ (2,089,586)	\$ -	\$ -	\$ -	\$ (174,369,656)
Principal repayments from localities on loans	60,147,081	27,447,836	3,666,005	-	41,718	-	91,302,640
Interest received on loans	14,188,156	25,185,247	231,423	-	-	-	39,604,826
Loan administrative fees received	-	-	-	-	-	1,356,962	1,356,962
Cash received from other income	5,750	42,605	5,856	-	665	-	54,876
Cash payments for salaries and related benefits	(328,533)	-	-	-	-	-	(328,533)
Cash payments for contractual services	(152,630)	-	-	-	-	-	(152,630)
Cash payments for general operating expenses	(188,222)	-	(6,147)	(2,839)	(916)	-	(198,124)
Cash payments for operating grants	-	-	-	(2,190,847)	-	-	(2,190,847)
Cash payments for principal forgiveness loans	(51,113,713)	-	-	-	-	-	(51,113,713)
Interest paid on bonds	-	(44,075,984)	-	-	(78,814)	-	(44,154,798)
Interfund activity	202,993	4,933	-	-	-	(4,933)	202,993
<b>Net cash provided by (used in) operating activities</b>	<b>(35,430,076)</b>	<b>(105,484,475)</b>	<b>1,807,551</b>	<b>(2,193,686)</b>	<b>(37,347)</b>	<b>1,352,029</b>	<b>(139,986,004)</b>
<b>Cash flows from noncapital financing activities</b>							
Bond issuance costs	-	(178,030)	-	-	(5,665)	-	(183,695)
Principal paid on bonds	-	(25,250,000)	-	-	(8,345,000)	-	(33,595,000)
Arbitrage rebate	-	(228,382)	-	-	-	-	(228,382)
Contributions from other governments	28,094,488	-	-	-	2,800,000	-	30,894,488
Contributions from other governments - ARRA	50,229,699	-	-	-	-	-	50,229,699
Cash received (paid) from other accounts	(27,461,879)	19,072,732	-	-	8,389,147	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>50,862,308</b>	<b>(6,583,680)</b>	<b>-</b>	<b>-</b>	<b>2,838,482</b>	<b>-</b>	<b>47,117,110</b>
<b>Cash flows from investing activities</b>							
Purchase of investments	(60,930,754)	-	(2,697,804)	-	-	-	(63,628,558)
Proceeds from sales or maturities of investments	59,851,795	103,594,179	2,695,546	-	8,423,814	-	174,565,334
Interest received on investments - net	403,675	8,461,487	22,137	12,925	38,954	3,953	8,943,131
<b>Net cash provided by (used in) investing activities</b>	<b>(675,284)</b>	<b>112,055,666</b>	<b>19,879</b>	<b>12,925</b>	<b>8,462,768</b>	<b>3,953</b>	<b>119,879,907</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>14,756,948</b>	<b>(12,489)</b>	<b>1,827,430</b>	<b>(2,180,761)</b>	<b>11,263,903</b>	<b>1,355,982</b>	<b>27,011,013</b>
<b>Cash and cash equivalents Beginning of year</b>	<b>76,579,821</b>	<b>99,032,214</b>	<b>7,454,764</b>	<b>5,590,370</b>	<b>1,053,977</b>	<b>1,634,805</b>	<b>191,345,951</b>
<b>End of year</b>	<b>\$ 91,336,769</b>	<b>\$ 99,019,725</b>	<b>\$ 9,282,194</b>	<b>\$ 3,409,609</b>	<b>\$ 12,317,880</b>	<b>\$ 2,990,787</b>	<b>\$ 218,356,964</b>

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)  
 Virginia Revolving Loan Fund Accounts - Water Facilities  
 Year Ended June 30, 2011

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>							
Operating income (loss)	\$ (37,806,942)	\$ (7,989,327)	\$ 235,759	\$ (2,180,761)	\$ (26,251)	\$ 1,396,168	\$ (46,371,354)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	1,173	-	-	-	-	-	1,173
Interest on investments	(303,847)	(8,117,193)	(21,284)	(12,925)	(33,372)	(3,953)	(8,492,574)
Interest on bonds, amortization and accretion - net	-	(4,945,231)	-	-	(53,947)	-	(4,999,178)
Effect of changes in assets and liabilities:							
Loans receivables	1,956,123	(86,641,275)	1,576,418	-	41,718	-	(83,067,016)
Loan interest receivable	514,674	(466,363)	16,658	-	-	-	64,969
Loan administrative fee receivable	-	-	-	-	-	(35,253)	(35,253)
Other receivables	5,750	-	-	-	-	-	5,750
Deferred charges	-	2,757,556	-	-	42,901	-	2,800,457
Deferred revenue	-	(87,575)	-	-	(8,396)	-	(95,971)
Due to (from) other funds	202,993	4,933	-	-	-	(4,933)	202,993
Total adjustments	<u>2,376,866</u>	<u>(97,495,148)</u>	<u>1,571,792</u>	<u>(12,925)</u>	<u>(11,096)</u>	<u>(44,139)</u>	<u>(93,614,650)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (35,430,076)</u>	<u>\$ (105,484,475)</u>	<u>\$ 1,807,551</u>	<u>\$ (2,193,686)</u>	<u>\$ (37,347)</u>	<u>\$ 1,352,029</u>	<u>\$ (139,986,004)</u>

Virginia Resources Authority

Combining Schedule of Net Assets

Virginia Revolving Loan Fund Accounts - Water Supply

June 30, 2011

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
<b>Assets</b>					
Current assets					
Cash	\$ 3,448,308	\$ 112,207	\$ -	\$ 30,681	\$ 3,591,196
Cash equivalents	25,644,865	121,317	-	192,580	25,958,762
Investments	5,769,713	-	-	-	5,769,713
Loans receivable - current portion	4,985,265	33,919	-	-	5,019,184
Receivables:					
Investment interest	1,980	-	-	-	1,980
Loan interest	191,813	415	-	-	192,228
Loan administrative fees	-	-	-	18,219	18,219
Federal funds	-	-	227,804	-	227,804
Total current assets	<u>40,041,944</u>	<u>267,858</u>	<u>227,804</u>	<u>241,480</u>	<u>40,779,086</u>
Noncurrent assets					
Loans receivable - less current - net	115,207,708	104,035	-	-	115,311,743
Furniture and fixtures - at cost - less accumulated depreciation	-	-	1,671	-	1,671
Total noncurrent assets	<u>115,207,708</u>	<u>104,035</u>	<u>1,671</u>	<u>-</u>	<u>115,313,414</u>
Total assets	<u>155,249,652</u>	<u>371,893</u>	<u>229,475</u>	<u>241,480</u>	<u>156,092,500</u>
<b>Liabilities</b>					
Current liabilities					
Due to other accounts	33,202	19,545	227,804	-	280,551
Accounts payable and other liabilities	25,952	-	-	-	25,952
Total current liabilities	<u>59,154</u>	<u>19,545</u>	<u>227,804</u>	<u>-</u>	<u>306,503</u>
Total liabilities	<u>59,154</u>	<u>19,545</u>	<u>227,804</u>	<u>-</u>	<u>306,503</u>
<b>Net assets</b>					
Invested in capital assets	-	-	1,671	-	1,671
Restricted:					
Loan Programs	155,190,498	352,348	-	241,480	155,784,326
Total net assets	<u>\$ 155,190,498</u>	<u>\$ 352,348</u>	<u>\$ 1,671</u>	<u>\$ 241,480</u>	<u>\$ 155,785,997</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, 2011

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
<b>Operating revenues</b>					
Interest on loans	\$ 744,502	\$ 2,753	\$ -	\$ -	\$ 747,255
Investment income	82,063	374	-	414	82,851
Loan administrative fees	-	-	-	72,703	72,703
Administrative reimbursement	-	-	288,892	-	288,892
Administrative reimbursement - ARRA	-	-	20,494	-	20,494
Total operating revenues	<u>826,565</u>	<u>3,127</u>	<u>309,386</u>	<u>73,117</u>	<u>1,212,195</u>
<b>Operating expenses</b>					
Grants to local governments	4,768,313	10,874	-	-	4,779,187
Principal forgiveness loans	8,280,645	-	-	-	8,280,645
Personnel services	-	-	183,196	-	183,196
General operating	23,362	274	30,260	35	53,931
Contractual services	-	-	96,356	-	96,356
Total operating expenses	<u>13,072,320</u>	<u>11,148</u>	<u>309,812</u>	<u>35</u>	<u>13,393,315</u>
<b>Operating income (loss)</b>	<u>(12,245,755)</u>	<u>(8,021)</u>	<u>(426)</u>	<u>73,082</u>	<u>(12,181,120)</u>
<b>Nonoperating revenue</b>					
Contributions from other governments	11,314,151	-	-	-	11,314,151
Contributions from other governments - ARRA	10,623,423	-	-	-	10,623,423
<b>Change in net assets</b>	9,691,819	(8,021)	(426)	73,082	9,756,454
<b>Total net assets - beginning</b>	<u>145,498,679</u>	<u>360,369</u>	<u>2,097</u>	<u>168,398</u>	<u>146,029,543</u>
<b>Total net assets - ending</b>	<u>\$ 155,190,498</u>	<u>\$ 352,348</u>	<u>\$ 1,671</u>	<u>\$ 241,480</u>	<u>\$ 155,785,997</u>

## Virginia Resources Authority

Combining Schedule of Cash Flows  
Virginia Revolving Loan Fund Accounts - Water Supply  
Year Ended June 30, 2011

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
<b>Cash flows from operating activities</b>					
Cash payments to localities for loans	\$ (11,772,572)	\$ -	\$ -	\$ -	\$ (11,772,572)
Principal repayments from localities on loans	4,896,172	33,118	-	-	4,929,290
Interest received on loans	739,570	2,906	-	-	742,476
Loan administration fees received	-	-	-	69,243	69,243
Federal administrative reimbursement funds received	-	-	137,044	-	137,044
Federal administrative reimbursement funds received - ARRA	-	-	103,977	-	103,977
Cash payments for salaries and related benefits	-	-	(183,196)	-	(183,196)
Cash payments for contractual services	-	-	(96,356)	-	(96,356)
Cash payments for general operating expenses	(23,308)	(274)	(29,835)	(36)	(53,453)
Cash payments for operating grants	(4,768,312)	(10,874)	-	-	(4,779,186)
Cash payments for principal forgiveness loans	(8,280,645)	-	-	-	(8,280,645)
Interfund activity	32,264	19,545	68,366	-	120,175
<b>Net cash provided by (used in) operating activities</b>	<b>(19,176,831)</b>	<b>44,421</b>	<b>-</b>	<b>69,207</b>	<b>(19,063,203)</b>
<b>Cash flows from noncapital financing activities</b>					
Contributions from other governments	11,314,151	-	-	-	11,314,151
Contributions from other governments - ARRA	10,552,276	-	-	-	10,552,276
<b>Net cash provided by noncapital financing activities</b>	<b>21,866,427</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,866,427</b>
<b>Cash flows from investing activities</b>					
Purchase of investments	(9,702,035)	-	-	-	(9,702,035)
Proceeds from sales or maturities of investments	8,855,074	-	-	-	8,855,074
Interest received on investments - net	85,712	374	-	414	86,500
<b>Net cash provided by (used in) investing activities</b>	<b>(761,249)</b>	<b>374</b>	<b>-</b>	<b>414</b>	<b>(760,461)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,928,347</b>	<b>44,795</b>	<b>-</b>	<b>69,621</b>	<b>2,042,763</b>
<b>Cash and cash equivalents</b>					
<b>Beginning of year</b>	<b>27,164,826</b>	<b>188,729</b>	<b>-</b>	<b>153,640</b>	<b>27,507,195</b>
<b>End of year</b>	<b>\$ 29,093,173</b>	<b>\$ 233,524</b>	<b>\$ -</b>	<b>\$ 223,261</b>	<b>\$ 29,549,958</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>					
Operating income (loss)	\$ (12,245,755)	\$ (8,021)	\$ (426)	\$ 73,082	\$ (12,181,120)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	426	-	426
Interest on investments	(82,063)	(374)	-	(414)	(82,851)
Effect of changes in assets and liabilities:					
Loans receivables	(6,876,399)	33,118	-	-	(6,843,281)
Loan interest receivable	(4,932)	153	-	-	(4,779)
Loan administrative fee receivable	-	-	-	(3,461)	(3,461)
Other receivables	-	-	(68,366)	-	(68,366)
Accounts payable and other liabilities	54	-	-	-	54
Due to (from) other funds	32,264	19,545	68,366	-	120,175
Total adjustments	(6,931,076)	52,442	426	(3,875)	(6,882,083)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (19,176,831)</b>	<b>\$ 44,421</b>	<b>\$ -</b>	<b>\$ 69,207</b>	<b>\$ (19,063,203)</b>

## 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 Ten Fiscal Years

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Invested in capital assets, net of related debt	\$ 68,023	\$ 71,117	\$ 80,470	\$ 68,003	\$ 45,721	\$ 9,996	\$ 5,516	\$ 1,812	\$ 17,478	\$ 128,757
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	1,260,918,981	1,301,438,188
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	6,345,180	7,257,442
<b>Total net assets</b>	<b>\$ 809,006,272</b>	<b>\$ 860,173,937</b>	<b>\$ 920,441,244</b>	<b>\$ 974,947,865</b>	<b>\$ 1,041,878,338</b>	<b>\$ 1,110,863,591</b>	<b>\$ 1,167,937,202</b>	<b>\$ 1,223,180,636</b>	<b>\$ 1,267,281,639</b>	<b>\$ 1,308,824,387</b>

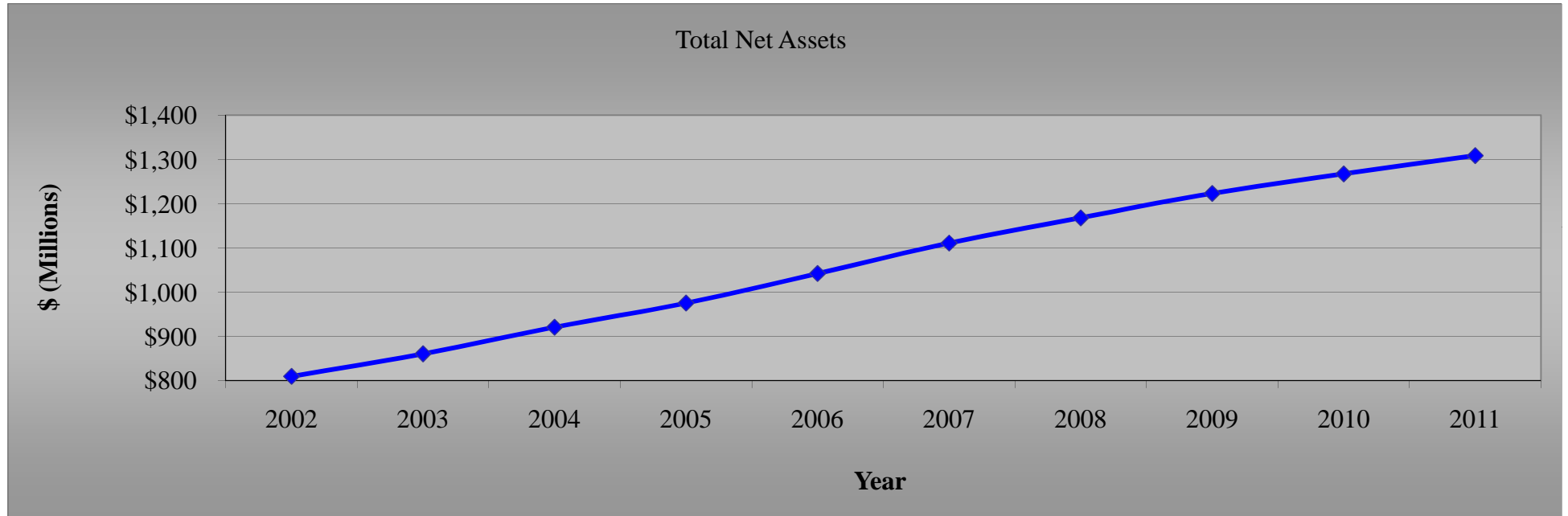


Table 2

*Virginia Resources Authority***Changes in Net Assets**

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenues & Expenses / 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
2010	139,357,187	165,279,708	(25,922,521)	70,023,524	44,101,003
2011	128,302,561	185,869,445	(57,566,884)	99,109,632	41,542,748

Table 3

**Virginia Resources Authority**  
**Operating Revenues by Source**  
 Last Ten Fiscal Years

Fiscal Year	Interest on Loans	Investment Income	Administrative Reimbursement	Bond Administrative Fees (1)	Loan Administrative Fees (2)	Other Income/Gain on early extinguishment of loans	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
2010	109,314,607	18,570,060	365,282	2,254,887	1,186,438	7,665,913	139,357,187
2011	112,018,532	12,291,706	309,386	2,017,221	1,538,438	127,278	128,302,561

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

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

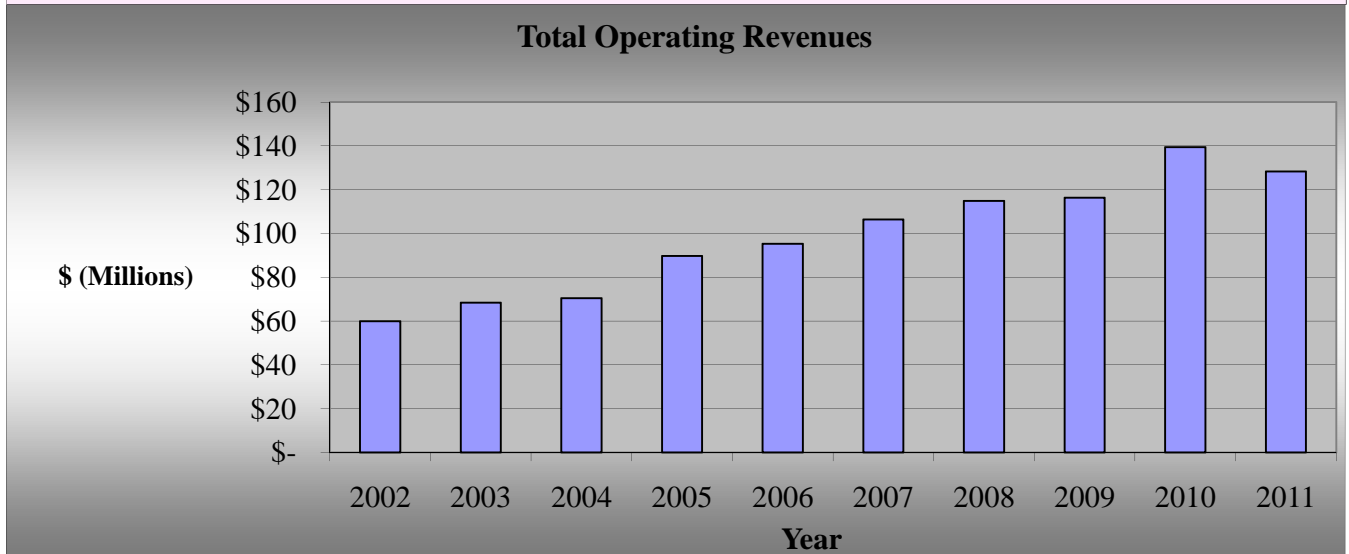
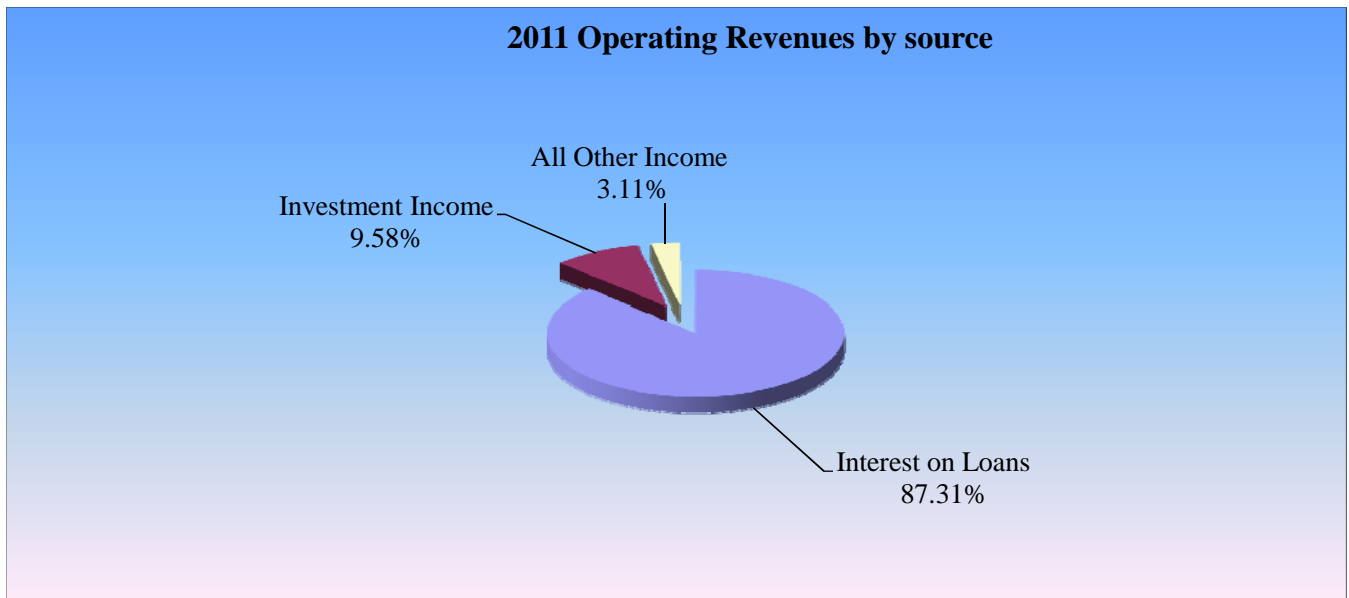


Table 4

**Virginia Resources Authority**  
**Operating Expenses**  
 Last Ten Fiscal Years

Fiscal Year	Interest on Bonds and Loans	Grants & Principal forgiveness loans to Local Governments	Loss on early extinguishment of bond	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
2010	116,611,122	38,412,286	7,304,297	1,199,904	746,282	1,005,817	165,279,708
2011	116,916,498	66,365,392	98,553	1,448,242	513,357	527,403	185,869,445

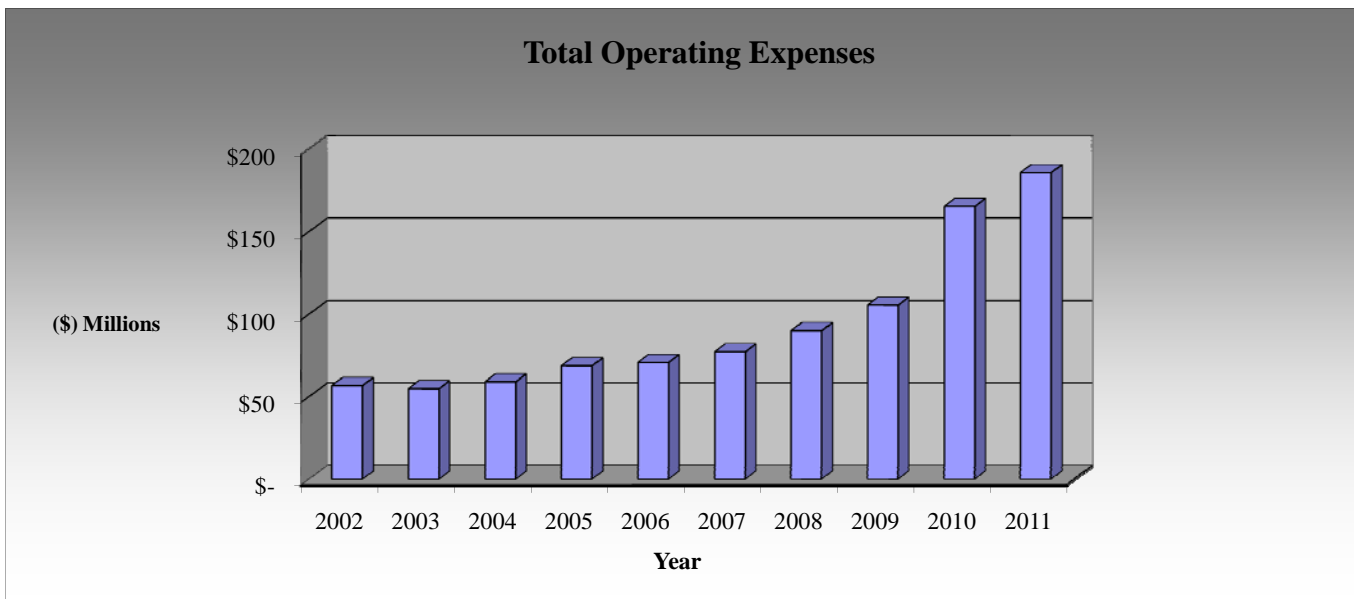
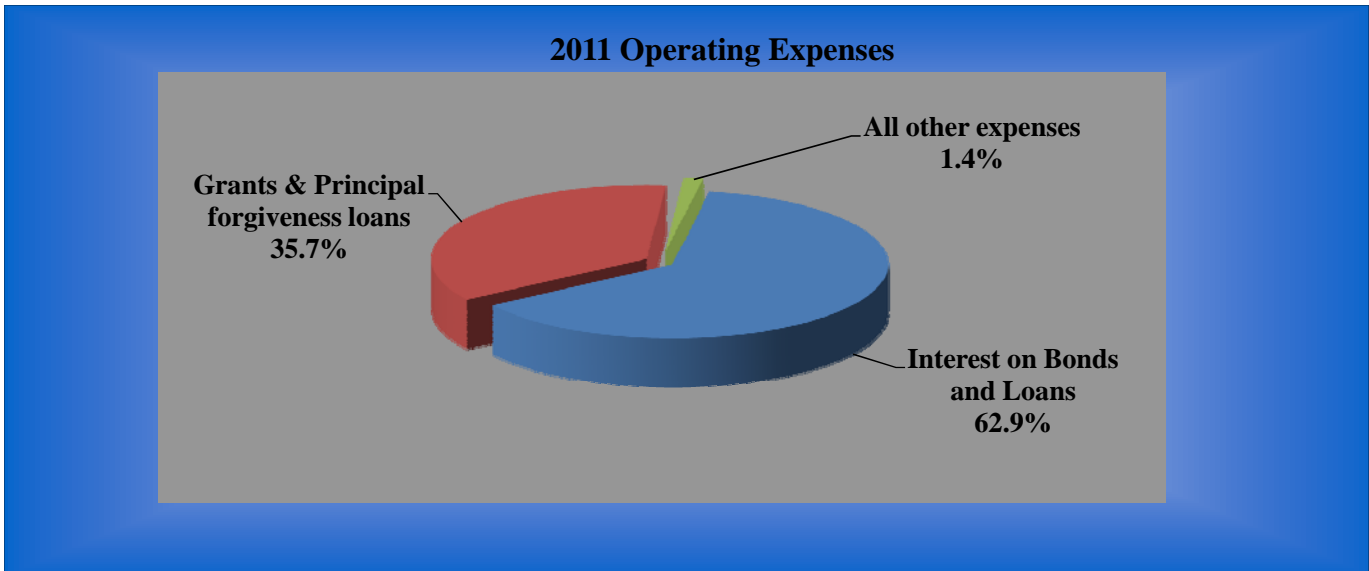


Table 5

*Virginia Resources Authority*  
**Schedule of Outstanding Loans Receivable**  
 Last Ten Fiscal Years

<b>Loans Receivable Related to Bond Issues</b>						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
2010	1,413,962,642	61,290,594	-	18,831,358	1,494,084,594	7,220,216
2011	1,591,117,427	58,387,411	-	33,853,485	1,683,358,323	5,663,892

<b>Loans Receivable Related to Revolving Loans</b>					
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	10,624,746	109,415,361	1,377,896,656
2010	676,622,675	805,685,000	9,056,810	113,487,646	1,604,852,131
2011	674,624,834	892,326,275	7,480,392	120,330,927	1,694,762,428

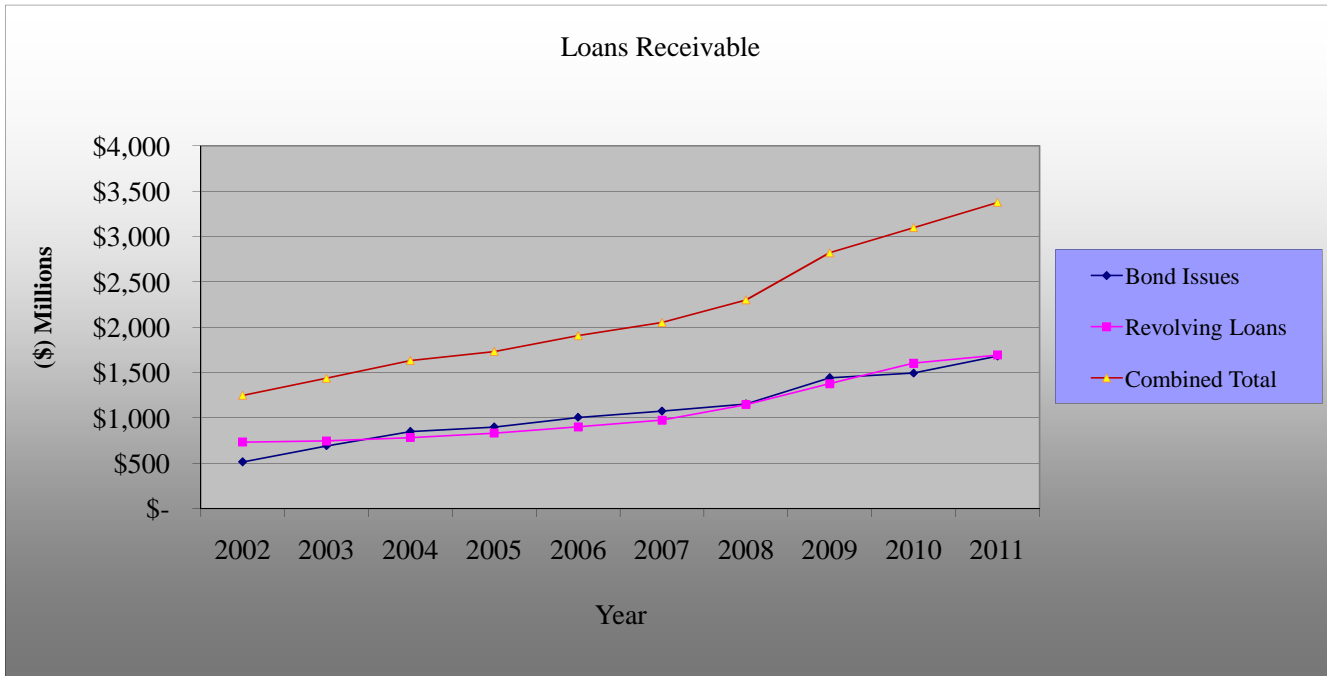




Table 6

**Virginia Resources Authority**  
**Schedule of Outstanding Debt**  
 Last Ten 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	Total Outstanding Revenue Bonds Per Capita (3)
2002	\$ 769,466,542	\$ (10,893,520)	\$ 758,573,022	\$ 543,336,542	\$ 900,000,000	\$ 356,663,458	\$ 107.01
2003	931,597,949	(11,474,431)	920,123,518	704,692,949	900,000,000	195,307,051	127.94
2004	1,238,920,671	2,298,328	1,241,218,999	724,795,670	900,000,000	175,204,330	168.09
2005	1,273,394,419	12,900,830	1,286,295,249	659,099,419	900,000,000	240,900,581	170.60
2006	1,367,326,834	14,532,036	1,381,858,870	704,476,834	900,000,000	195,523,166	180.92
2007	1,670,621,095	25,967,386	1,696,588,481	678,600,371	900,000,000	221,399,629	218.66
2008	1,731,739,685	51,201,706	1,782,941,391	681,886,365	900,000,000	218,113,635	224.55
2009	2,388,011,149	78,414,411	2,466,425,560	726,416,149	900,000,000	173,583,851	307.37
2010	2,481,612,642	103,943,520	2,585,556,162	669,831,192	1,500,000,000	830,168,808	314.82
2011	2,626,917,427	117,485,263	2,744,402,690	684,004,427	1,500,000,000	815,995,573	328.32

(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.

(3) Population for preceding calendar year.

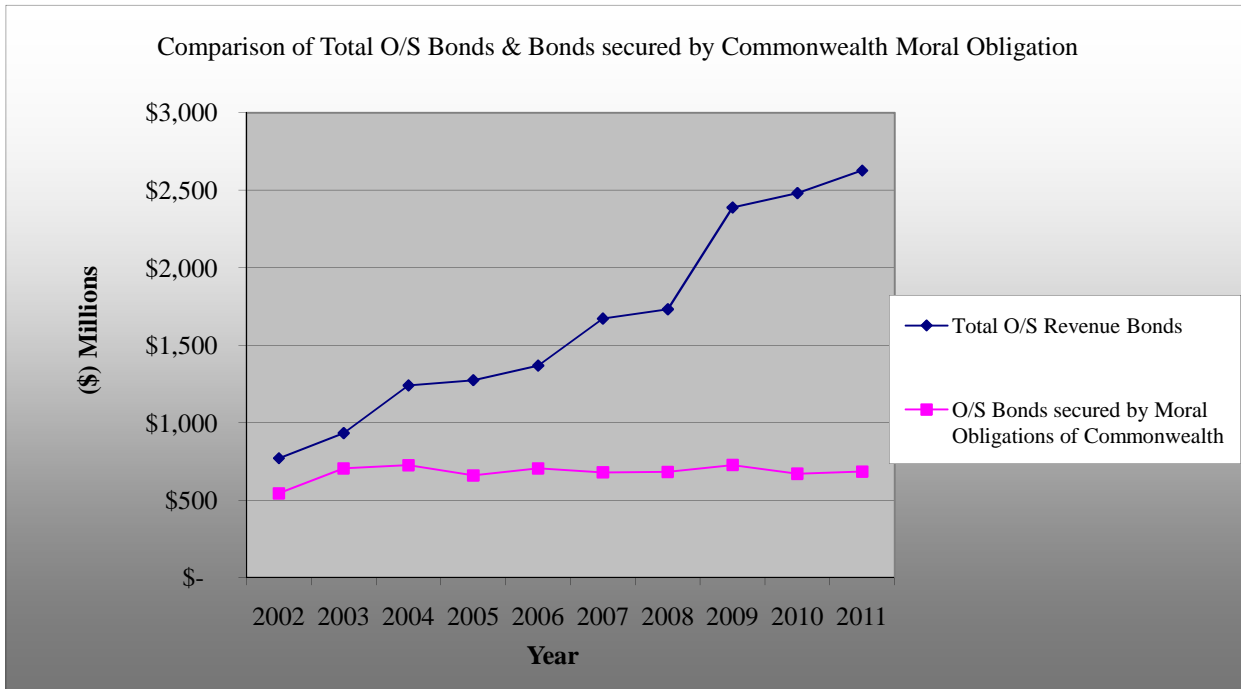


Table 7

*Virginia Resources Authority***Virginia Principal Employers**

Current and Ten Years Ago

Employer (1)	Fiscal Year 2011 (1)	Fiscal Year 2001 (1)
	Rank	Rank
U.S. Department of Defense	1	1
Wal Mart	2	2
Fairfax County Public Schools	3	3
Newport News Shipbuilding	4	6
Postal Service	5	5
Sentara Healthcare	6	9
County of Fairfax	7	7
Food Lion	8	4
Booz, Allen, and Hamilton	9	50
City of Virginia Beach Schools	10	8
Capital One Bank	26	10

(1) Final quarter data for most recent calendar year (2010 and 2001).

(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)	Personal Income (2)	Per Capita Income (3)	Public Primary and Secondary School Enrollment	Unemployment Rate
2011	8,001,024	\$ 358,140,177	\$ 44,762	1,245,340	6.0%
2010	7,882,590	345,840,751	43,874	1,230,857	7.0%
2009	7,795,424	343,580,294	44,075	1,236,546	7.1%
2008	7,719,749	333,166,957	43,158	1,232,436	4.0%
2007	7,646,996	315,565,438	41,267	1,221,939	3.0%
2006	7,563,887	294,173,306	38,892	1,214,737	3.0%
2005	7,468,914	275,167,155	36,842	1,185,612	3.7%
2004	7,373,694	257,927,369	34,979	1,165,905	3.8%
2003	7,283,541	245,781,542	33,745	1,156,471	4.2%
2002	7,191,304	239,102,604	33,249	1,143,018	4.2%
2001	7,104,533	224,787,655	31,640	1,130,446	3.2%

- (1) Population for preceding calendar year.
- (2) Personal income for preceding calendar year.
- (3) 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

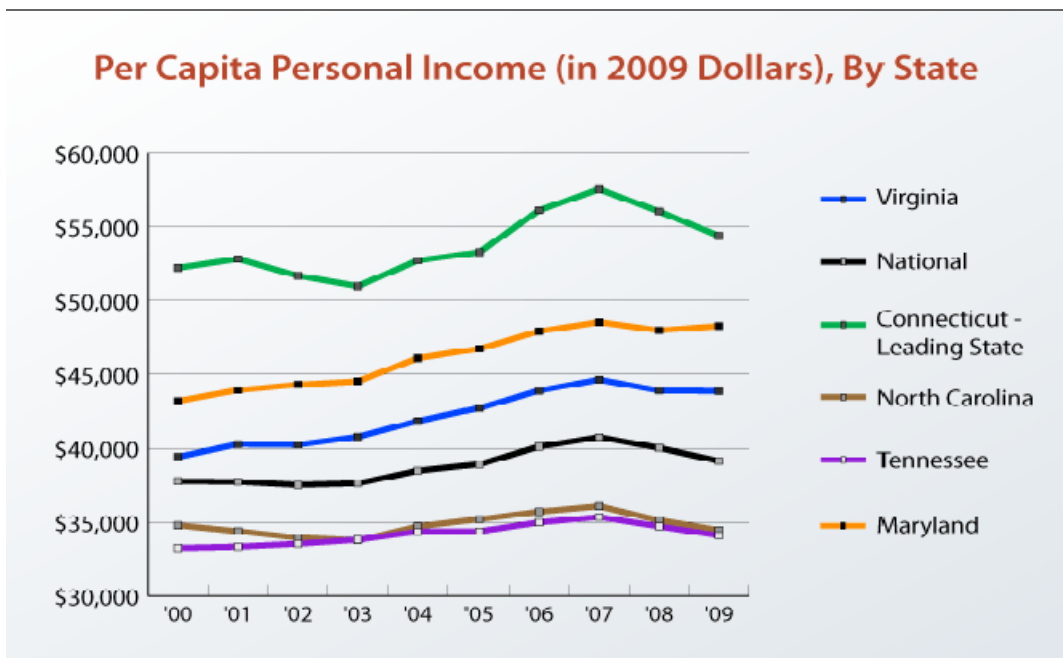


Table 9

**Virginia Resources Authority**  
**Operating Indicators**  
**Last Seven Fiscal Years**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u>
Virginia Pooled Financing Program								
Projects	21	15	15	16	32	35	30	164
Lending	\$ 115,815,000	\$ 150,500,000	\$ 134,000,000	\$ 135,865,000	\$ 451,100,000	\$ 253,165,000	\$ 284,180,000	\$ 1,524,625,000
Clean Water Revolving Loan Fund								
Projects	13	18	15	22	22	62	18	170
Closed Loans	\$ 54,130,696	\$ 82,929,575	\$ 227,171,982	\$ 193,543,988	\$ 346,190,376	\$ 353,015,563	\$ 72,689,048	\$ 1,329,671,228
Virginia Drinking Water State Revolving Fund								
Projects	17	20	16	13	19	34	16	135
Closed Loans and Grants	\$ 10,654,508	\$ 16,855,288	\$ 10,513,007	\$ 6,143,549	\$ 13,708,679	\$ 33,641,260	\$ 15,496,872	\$ 107,013,163
Virginia Airports Revolving Fund								
Projects	5	2	5	1	1	-	1	15
Closed Loans	\$ 4,068,874	\$ 733,000	\$ 5,248,000	\$ 140,000	\$ 633,000	\$ -	\$ 654,184	\$ 11,477,058
Equipment and Term Financing (1)								
Projects	-	-	-	4	6	-	-	10
Closed Loans	\$ -	\$ -	\$ -	\$ 4,349,438	\$ 25,687,400	\$ -	\$ -	\$ 30,036,838
Dam Safety and Flood Prevention								
Projects	-	-	-	-	-	2	1	3
Closed Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,002,330	\$ 1,000	\$ 1,003,330
Total Projects	56	55	51	56	80	133	66	497
Total Localities Served	67	55	51	50	61	96	53	433
Total Lending	\$ 184,669,078	\$ 251,017,863	\$ 376,932,989	\$ 340,041,975	\$ 837,319,455	\$ 640,824,153	\$ 373,021,104	\$ 3,003,826,617

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 Eight Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Executive	1	1	1	1	1	2	2	1
Financial Services/Debt Management	4	5	4	5	5	-	-	4
Finance and Administration	6	4	2	4	3	4	2	5
Program Management	-	-	-	-	-	2	2	2
Policy and Intergovernmental Relations	-	-	-	-	-	1	1	2
Total Full Time Employees:	<u>11</u>	<u>10</u>	<u>7</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>7</u>	<u>14</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**

**Independent Auditor's 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**

Honorable Board Members  
Virginia Resources Authority  
Richmond, Virginia

We have audited the financial statements of Virginia Resources Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, 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 management, Board Members, others within the Authority, the Auditor of Public Accountants, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Richmond, Virginia  
September 1, 2011



**Independent Auditor's Report on Compliance With Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

Honorable Board Members  
Virginia Resources Authority  
Richmond, Virginia

**Compliance**

We have audited the compliance of Virginia Resources Authority (the Authority) with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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; and OMB Circular A-133. Those standards 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 management, the Board of Directors, the Auditor of Public Accounts, Federal and State awarding agencies and pass-through entities, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Baltimore, Maryland  
September 1, 2011

**VIRGINIA RESOURCES AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011**

<u>Federal Granting Agency/ Recipient State Agency/ Grant Program</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Expenses</u>
<b>Environmental Protection Agency</b>		
Pass through payments from Commonwealth of Virginia:		
Department of Environmental Quality:		
Capitalization Grants for Clean Water State Revolving Funds (VWFRF)	66.458	\$ 22,385,492
American Recovery and Reinvestment Act Clean Water State Revolving Funds (VWFRF)	66.458 ARRA	50,418,834
Department of Health:		
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF)	66.468	9,102,247
American Recovery and Reinvestment Act Drinking Water State Revolving Funds (VWSRF)	66.468 ARRA	<u>10,643,917</u>
<b>Total expenses of federal awards</b>		<u>\$ 92,550,490</u>

This schedule is an integral part of the accompanying notes.

**VIRGINIA RESOURCES AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2011**

**NOTE 1 – REPORTING ENTITY**

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal award programs of the Virginia Resources Authority (the Authority) for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards has been prepared using the accrual basis of accounting as fully described in the summary of significant accounting policies accompanying the Authority's basic financial statements.

**NOTE 3 – LOAN COMMITMENTS**

The Authority is obligated under outstanding commitments for undisbursed loans and grants to disburse approximately \$98,809,648 from the VWFRF and \$10,823,539 from the VWSRF as of June 30, 2011.

**NOTE 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.

**NOTE 5 – RELATIONSHIP TO 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:

	<u>VWFRF</u>	<u>VWSRF</u>	<u>VDSFPF</u>	<u>Total</u>
Revenue per financial statements:				
Administrative reimbursement - ARRA	\$ -	\$ 20,494	\$ -	\$ 20,494
Contributions from other governments - ARRA	<u>50,418,834</u>	<u>10,623,423</u>	<u>-</u>	<u>61,042,257</u>
Total governmental revenue - ARRA	<u>50,418,834</u>	<u>10,643,917</u>	<u>-</u>	<u>61,062,751</u>
Administrative reimbursement	-	288,892	-	288,892
Contributions from other governments	<u>25,185,492</u>	<u>11,314,151</u>	<u>1,506,444</u>	<u>38,006,087</u>
Total governmental revenue	25,185,492	11,603,043	1,506,444	38,294,979
Less amounts not related to federal financial assistance	<u>(2,800,000)</u>	<u>(2,500,796)</u>	<u>(1,506,444)</u>	<u>(6,807,240)</u>
Total capitalization grants	<u>22,385,492</u>	<u>9,102,247</u>	<u>-</u>	<u>31,487,739</u>
<b>Federal schedule of expenditures</b>	<u>\$ 72,804,326</u>	<u>\$ 19,746,164</u>	<u>\$ -</u>	<u>\$ 92,550,490</u>

This information is an integral part of the accompanying schedule.

**VIRGINIA RESOURCES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Section I - Summary of Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditor's report issued on compliance for major programs: 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 Programs**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Capitalization Grants for Clean Water State Revolving Funds (VWSRF)	66.458
American Recovery and Reinvestment Act Clean Water State Revolving Funds (VWFRF)	66.458 ARRA
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF)	66.468
American Recovery and Reinvestment Act Drinking Water State Revolving Funds (VWSRF)	66.468 ARRA

Dollar threshold used to distinguish between type A and type B programs: \$2,776,515

Auditee qualified as low-risk auditee?  Yes  No

**VIRGINIA RESOURCES AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Section II - Financial Statement Findings**

None noted.

**Section III - Federal Award Findings and Questioned Costs**

None noted.

**VIRGINIA RESOURCES AUTHORITY  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

No prior year audit findings.