Richmond, Virginia

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

Year Ended June 30, 2013

VIRGINIA RESOURCES AUTHORITY

Virginia Resources Authority
Financial Statements for the Year Ended June 30, 2013

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Prepared by the Virginia Resources Authority, Accounting Department

INTRODUCTORY SECTION

VIRGINIA RESOURCES AUTHORITY

September 1, 2013

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", or the "Authority") Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013 ("FY2013"). Section 62.1-222 of the Code of Virginia of 1950, 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 FY2013, the Authority was audited by Brown, Edwards & Company, LLP, a licensed certified public accounting firm. As a result of an audit of the Authority's financial records and transactions of all funds, Brown, Edwards & Company, LLP has issued an unqualified opinion on the Authority's financial statements for FY2013.

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 of 1950, as amended). VRA is governed by an 11 member Board of Directors (the "Board"), appointed by the Governor. Members include four state agency representatives, including the State Treasurer, whose agencies, along with VRA, co-manage specific loan funds. VRA's Executive Director, also appointed by the Governor, administers, manages, and directs the affairs of the Authority, subject to the policies, control, and direction of the Board.

VRA was established to provide an additional source of funding for local infrastructure projects. Initially providing financing for local water and wastewater projects, projects eligible for VRA financing have expanded to 18 distinct areas. These project areas reflect the capital improvement priorities of local governments and priority areas identified by the Administration and the Legislature improve the health, safety, and general welfare of Virginia's counties, cities and towns.

VRA Financing Programs

VRA's Virginia Pooled Financing Program ("VPFP") is available to Virginia counties, cities, towns, and other political subdivisions requiring financing for any one of the 18 designated project areas eligible for VRA financing. The project areas 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 loan process. VRA's high credit rating, natural "AAA" for the senior bonds and "AA" for the subordinate bonds, result in favorable access for Virginia localities to the capital markets without the need of additional credit enhancements.

In addition to the VPFP, the Authority currently serves as co-manager of five capitalized loan/grant funds: 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 Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund ("VBAF").

Two funds, the VWFRF and the VWSRF, receive capitalization grants each year from the U.S. Environmental Protection Agency which includes a state match requirement from the Commonwealth. The VARF, VDSFPF, and VBAF are solely capitalized by appropriations from the Commonwealth. The VWFRF, VWSRF, VARF, and VDSFP operate as revolving loan funds with the initial capitalization monies invested and, along with the investment earnings and loan repayments, are then loaned to local governments for eligible projects. The VBAF solely issues grants for eligible projects.

The Virginia Transportation Infrastructure Bank ("VTIB") was created during the 2010 General Assembly Session to finance the design and construction of roads and highways, including toll facilities, mass transit, freight, passenger and commuter rail, including rolling stock, port, airport and other transportation facilities. VRA is the manager of VTIB and performs certain duties under an agreement with the Commonwealth Transportation Board and the Secretary of Finance.

Economic Information

On August 19, 2013, Virginia's Secretary of Finance, in a presentation to the joint money committees of the General Assembly that followed the Governor's announcement of a budget surplus of nearly $585 million, described the economic performance of the Commonwealth and noted that general economic conditions remained the same or showed slight improvement:

- Total general fund revenue collections exceeded the forecast by $263.6 million in FY2013, a forecast variance of 1.6 percent.
- Total general fund revenue collections rose 5.3 percent, ahead of the revised annual forecast of 3.6 percent growth.
- Adjusting for the accelerated sales tax program, total revenues grew 5.1 percent, ahead of the economic-base forecast of 3.4 percent growth.

FY2013 Accomplishments

An accomplished staff, state agency partners, internal operations' improvements, including technology improvements, low interest rates and improved economic conditions worked together to make it an exciting and successful year for the Authority. The Authority performed extraordinarily well and delivered value and cost-savings for critical infrastructure projects to communities across Virginia.

FY2013 accomplishments of the Authority support the Strategic Goals and Key Initiatives adopted by the Board and outlined in the Authority's FY2013 Budget. In addition, the Authority's accomplishments align well with priorities and objectives of the Governor and the General Assembly. A few of the accomplishments are listed below:

- Maintained VRA's outstanding credit rating thereby continuing to provide cost-effective financing to localities for critical infrastructure projects.

- Compiled and formulated data that resulted in a rating change for VRA's State Aid Intercept from Aa3 to Aa1, thereby strengthening the overall credit quality of the VPFP.

- On August 2, 2012, VRA successfully closed the VPFP Series 2012B. The total par amount of the bonds, $79,055,000, supported 15 loans on behalf of 13 local government borrowers. The bonds achieved an all-in true interest cost of 2.43%. The Series 2012B transaction included new money and refunding projects. Of the Series 2012B borrowers, twelve localities refunded prior debt obligations for net present value cash flow savings in excess of $9.4 million.

- On November 15, 2012, VRA successfully closed the Water and Sewer System Revenue Bonds, Refunding Series 2012 transaction. The total par amount of the bond was $56,053,736. The bonds achieved an all-in true interest cost of 3.92% and generated net present value cash flow savings in excess of $4.3 million.

- On December 6, 2012, VRA successfully closed the VPFP Series 2012C bond transaction. The total par amount of the bonds was $53,770,000. The bonds supported nine loans on behalf of eight local government borrowers. The bonds achieved an all-in true interest cost of 2.73%. The Series 2012C transaction included new money and refunding projects representing six of VRA's authorized project areas (water, wastewater, local government buildings, transportation, solid waste, and parks & recreation). Of the Series 2012C borrowers, five localities refunded prior debt obligations for net present value cash flow savings in excess of $4.6 million.

- On June 5, 2013, VRA successfully closed the VPFP Series 2013A bond transaction. The total par amount of the bonds was $134,945,000. The bonds supported 13 loans on behalf of 13 local government borrowers. The bonds achieved an all-in true interest cost of 3.22%. The Series 2013A transaction included new money and refunding projects representing seven of VRA's authorized project areas (water, wastewater, local government buildings, transportation, solid waste, public safety, and parks & recreation). Of the Series 2013A borrowers, eight localities refunded prior debt obligations for net present value cash flow savings in excess of $13.4 million.

- VRA successfully leveraged $104.3 million in VWFRF, Refunding Series 2013 bonds to refund the existing Series 2007 bonds thereby resulting in a reduction in local loan rates from 3.0% to 2.5% and approximately $3.9 million in net present value savings.

- VRA successfully issued $3 million in State Match Bonds to support the $5.7 million state match requirement necessary to secure a $34 million capitalization grant from the VWFRF for local clean water projects.

- In FY2013, VRA provided 121 loans and grants across all programs totaling $432.8 million.

- On November 15, 2012, the VTIB closed its inaugural loan with the City of Chesapeake, Virginia totaling $151,893,495 at a 3.33% interest rate for a term not to exceed 35 years after substantial completion of the U.S. Route 17/Dominion Boulevard project.

- On December 20, 2012, the VTIB closed an $80 million line of credit to the Route 460 Funding Corporation, a Virginia Nonstock Corporation, for the U.S. Route 460 Corridor Improvement Project. The $80 million line of credit acts as a credit enhancement for the approximate $293 million in Senior Lien Revenue Bonds issued to finance a portion of the estimated $1.4 billion in costs required to build approximately 55 miles of tolled highway between Petersburg and Suffolk, Virginia.

VRA also achieved success in its continued efforts to sustain its ability to meet the needs of local governments for cost-effective infrastructure financing. Fittingly, the following accomplishments in the areas within the administrative and financial services were realized:

- The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to VRA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the fifth consecutive year that VRA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

  A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

- Enhanced loan monitoring and compliance review process and outreach efforts:
  - Improved compliance review reports by segmenting financial performance and documenting compliance submission statuses.
  - Integrated a standardized table into reports for the Board that summarizes the compliance status of reviewed borrowers.
  - Developed and conducted a series of regional workshops across the state focusing on compliance-related topics.
  - Organized and conducted a statewide conference relating to and highlighting infrastructure financing and economic development goals.

- Reviewed and updated existing contracts with outside vendors and consultants to secure improved services, reduce costs, and improve efficiency.

- Successfully issued a request for proposal for banking services.

- Established within VRA a records retention initiative in accordance with the regulations set forth by the Library of Virginia and the Code of Virginia.

FY2013Financial Results
VRA had a strong year in FY 2013. The Authority surpassed $1.394 billion in net assets, an increase of $37.5 million or 2.8% from the prior year. Total assets increased by $176 million (3.8%) while total liabilities increased by $138 million (4.2%) in comparison to the June 30, 2012 balances. The increase in assets is primarily the result of increased lending in the revolving loan programs and the VPFP, net of payments, payoffs, and refundings. The Authority's operating revenue increased $8.3 million and operating expenses increased $13.5 million in comparison to the prior fiscal year. The increase in operating revenue is mostly due to additional loan interest earned from greater lending activity over the past few years. The current interest rate environment has presented significant refunding opportunities and VRA has experienced an influx of applications for the refinancing of both VRA and non-VRA debt in the VPFP. The increase lending has also driven the growth in operating expenses as a result of additional interest expense incurred on VRA's bonds which are issued to finance the underlying loans in the VPFP.

Long-term Financial Planning
VRA works with our agency partners to project program demand. For the VWFRF, 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.

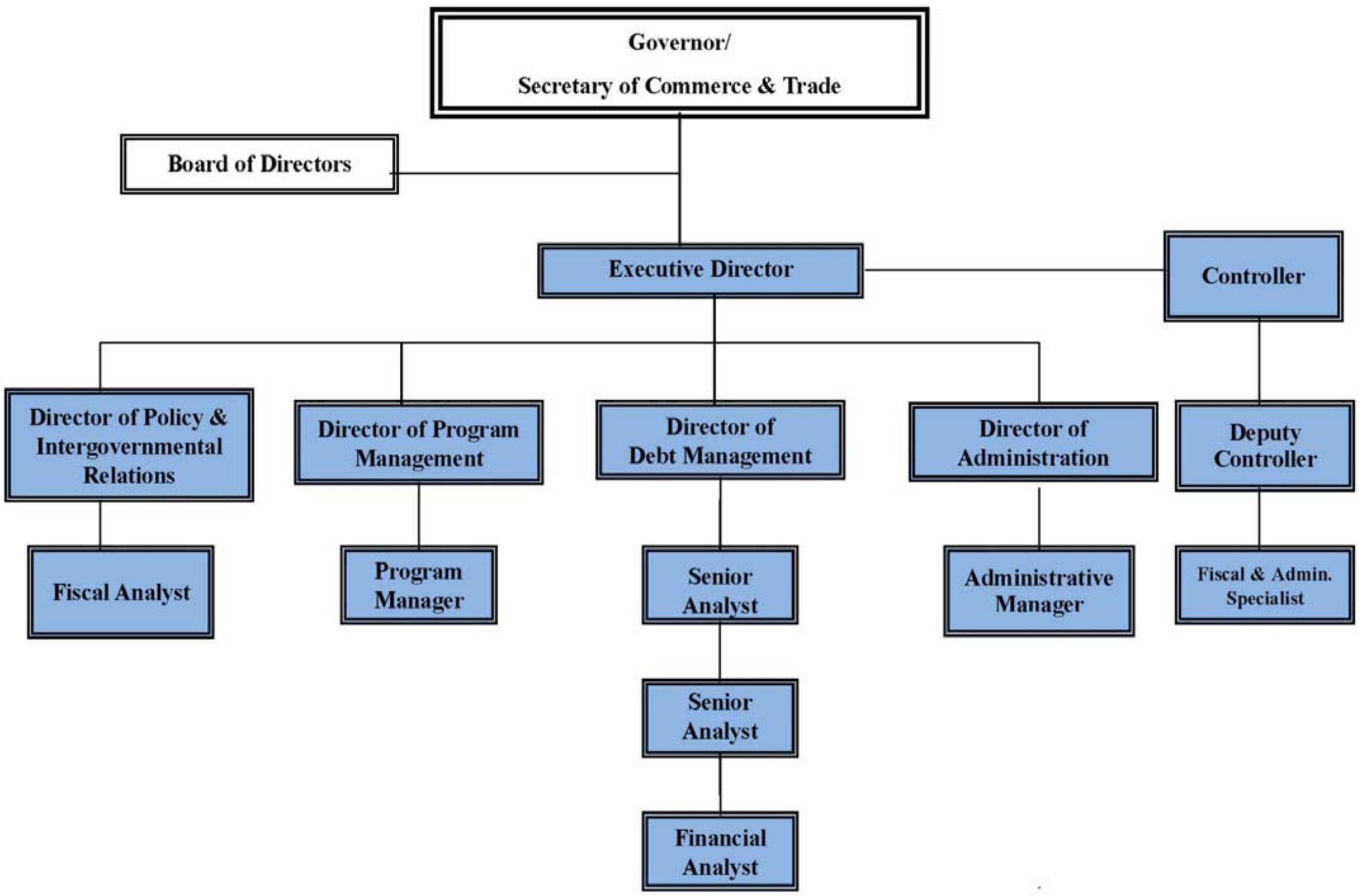
Finally, completion of the Authority's FY2013 financial statements would not have been possible without the Authority's knowledgeable and dedicated team of professionals. A special note of gratitude goes to the Authority's personnel who assisted in this effort. I would also like to extend our thanks to the Board for their continuing support in planning and conducting the financial operations of the Authority in a responsible manner.

Sincerely,

Suzanne S. Long
Executive Director

Virginia Resources Authority

Organizational Structure
June 30, 2013



Virginia Resources Authority

Directory of Principal Officials
June 30, 2013

Board of Directors

William G. O'Brien, Chairman

James H. Spencer, III, Vice Chairman

Barbara McCarthy Donnellan

David Branscome

Dena Frith Moore

Thomas L. Hasty, III

John H. Rust, Jr.

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

Cynthia C. Romero, M.D.
State Health Commissioner

Administrative Officials

Suzanne S. Long; 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

Government Finance Officers Association

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, 2012

Executive Director/CEO

FINANCIAL SECTION

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Virginia Resources Authority
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Resources Authority (the "Authority"), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Report on the Financial Statements (Continued)

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, 2013, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
August 29, 2013

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, 2013. 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 $1.394 billion (net position), an increase of 2.8%.
- Total assets of $4.8 billion increased by $176 million or 3.8% (See FINANCIAL ANALYSIS Table 1 summary).
- Total liabilities of $3.5 billion increased by $138 million or 4.2%. (See FINANCIAL ANALYSIS Table 1 summary).
- Change in net position of $37.5 million, decreased by $10.5 million or 21.9% over the prior year. (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 Position** provides information about the nature and amounts of the Authority's cash, investments, and receivables (assets), and its obligations to creditors (liabilities). Net position – 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 Position**. 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 Expenditures 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 position 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 $1.394 billion (net position). The largest portion of net position is restricted net position (99.3%) which is restricted primarily for the purpose of making loans under the various programs the Authority administers. Restricted net position also includes a $7.5 million operating reserve fund described further in Note 7.

See Table 1. Total assets of $4.8 billion increased by $176 million or 3.8%. The increase in assets is primarily the result of new lending (3.8% increase in loans receivable) in the revolving loan programs and the Virginia Pooled Financing Program (VPFP), net of payments, payoffs, and refundings. Assets primarily consist of loans receivable (84.7%) 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 on loans receivable. Total liabilities of $3.5 billion increased by $138 million or 4.2%, mostly as a result of new bond issuances. The Authority issued five different bond issues, with cumulative par amounts of $431.1 million, in fiscal year 2013 to purchase or acquire local bonds and financing leases of local governments within the Commonwealth to finance and refinance the costs of certain projects and facilities related to VRA's authorized project areas. Liabilities primarily consist of bonds payable (99.0%). See Note 6 for additional information on bonds payable.

See Table 2.

- Operating revenue of $146.3 million increased by $8.3 million or 6.0%.
- Operating expenses of $153.7 million increased by $13.5 million or 9.7%.
- Operating loss of $7.4 million increased by $5.2 million or 238.0%.

At the end of fiscal year 2013, net position increased $37.5 million or 2.8% to $1.394 billion. Operating revenues of $146.3 million increased $8.3 million (6.0%). This change was mostly driven by an increase in loan interest ($10.3 million) from greater lending activity in the past few years; a decrease in investment earnings (-$1.6 million) due to a sluggish economy and the Federal Open Market Committee's commitment to low short-term rates; and a decrease in gains from early extinguishment of loan payoffs by local borrowers (-$0.6 million) as a result of refinancing opportunities in a low-interest rate environment. Operating expenses of $153.7 million increased $13.5 million (9.7%). This increase was mostly the result of an additional $11.8 million in interest incurred on outstanding debt obligations as result of the added borrowing to support VRA's lending programs. The Operating Loss of $7.4 million is the result of further use of grants in concurrence with loans to fund projects in the Virginia Water Supply Revolving Fund (VWSRF). The VWSRF is designed to assist economically disadvantaged water systems under the EPA's Capitalization Grants for State Revolving Funds. Nonoperating revenue decreased $5.3 million (-10.6%) as a result of a reduction in EPA's allocation of the Capitalization Grant for State Revolving Funds.

Table 1
Virginia Resources Authority

Statements of Net Position
(In thousands of dollars)

	June 30, 2013	June 30, 2012	$ Change 2013 - 2012	% Change 2013 - 2012
Assets				
Current assets:				
Cash	$ 15,583	$ 27,847	$ (12,264)	-44.0%
Cash equivalents	280,538	313,115	(32,577)	-10.4%
Investments	42,839	7,532	35,307	468.8%
Loans receivable - current portion (Note 4)	204,314	191,377	12,937	6.8%
Receivables:				
Investment interest	2,688	2,560	128	5.0%
Loan interest	27,866	27,167	699	2.6%
Loan administrative fees	1,048	1,012	36	3.6%
Federal funds	274	3,125	(2,851)	-91.2%
Other	68	129	(61)	-47.3%
Deferred charges	10,446	8,040	2,406	29.9%
Other	17	26	(9)	-34.6%
Total current assets	585,681	581,930	3,751	0.6%
Noncurrent assets:				
Investments	295,561	280,585	14,976	5.3%
Loans receivable - less current - net (Note 4)	3,903,998	3,767,589	136,409	3.6%
Deferred charges	63,563	42,761	20,802	48.6%
Capital assets - at cost -				
less accumulated depreciation	209	206	3	1.5%
Total noncurrent assets	4,263,331	4,091,141	172,190	4.2%
Total assets	4,849,012	4,673,071	175,941	3.8%
Liabilities				
Current liabilities:				
Loans payable - current portion	609	1,593	(984)	-61.8%
Bonds payable - current portion (Note 6)	148,674	125,341	23,333	18.6%
Accrued interest on bonds payable	26,820	26,372	448	1.7%
Arbitrage rebate liability	1,817	-	1,817	100.0%
Unearned revenue	207	210	(3)	-1.4%
Accounts payable and other liabilities	829	391	438	112.0%
Total current liabilities	178,956	153,907	25,049	16.3%
Noncurrent liabilities:				
Loans payable - less current - net	1,775	2,502	(727)	-29.1%
Bonds payable - less current - net (Note 6)	3,270,905	3,154,285	116,620	3.7%
Arbitrage rebate liability	687	3,081	(2,394)	-77.7%
Unearned revenue	2,355	2,454	(99)	-4.0%
Total noncurrent liabilities	3,275,722	3,162,322	113,400	3.6%
Total liabilities	3,454,678	3,316,229	138,449	4.2%
Net position				
Invested in capital assets	209	206	3	1.5%
Restricted (Note 7):				
Loan Programs	1,376,945	1,340,655	36,290	2.7%
Operating Reserve	7,539	7,449	90	1.2%
Unrestricted	9,642	8,532	1,110	13.0%
Total net position	$ 1,394,335	$ 1,356,842	$ 37,493	2.8%

Table 2
Virginia Resources Authority

Schedules of Revenues, Expenses, and Changes in Net Position
(In thousands of dollars)

	Year Ended June 30, 2013	Year Ended June 30, 2012	$ Change 2013 - 2012	% Change 2013 - 2012
Operating revenues				
Interest on loans	$ 129,061	$ 118,796	$ 10,265	8.6%
Investment income	11,599	13,190	(1,591)	-12.1%
Bond administration fees	2,771	2,401	370	15.4%
Loan administration fees	1,766	1,674	92	5.5%
Administrative reimbursement	550	400	150	37.5%
Gain on early extinguishment of loans	502	1,133	(631)	-55.7%
Other income	5	350	(345)	-98.6%
Total operating revenues	146,254	137,944	8,310	6.0%
Operating expenses				
Interest on bonds and loans	135,667	123,917	11,750	9.5%
Grants to local governments	10,316	5,600	4,716	84.2%
Principal Forgiveness loans to local governments	3,997	6,073	(2,076)	-34.2%
Loss on early extinguishment of bonds	490	1,941	(1,451)	-74.8%
Personnel services	1,636	1,441	195	13.5%
General operating	804	619	185	29.9%
Contractual services	764	548	216	39.4%
Total operating expenses	153,674	140,139	13,535	9.7%
Operating income (loss)	(7,420)	(2,195)	(5,225)	238.0%
Nonoperating revenue				
Contributions from other governments	44,830	47,126	(2,296)	-4.9%
Contributions from other governments - ARRA	-	3,005	(3,005)	-100.0%
Interest subsidy - Build America Bonds	2,879	2,879	0	0.0%
Nonoperating expense				
Interest subsidy passthrough - Build America	(2,796)	(2,797)	1	0.0%
Change in net position	37,493	48,018	(10,525)	-21.9%
Total net position - beginning	1,356,842	1,308,824	48,018	3.7%
Total net position - ending	$ 1,394,335	$ 1,356,842	$ 37,493	2.8%

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 Virginia Water Facilities Revolving Fund (VWFRF) 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 and ratings surveillances conducted in the last fiscal year. In addition, Moody's maintains its "Aa2" rating on the Authority's outstanding VARF bonds and Fitch maintains a "AA" rating.

See Note 6 for additional information on bonds payable.

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.virginiaresources.org.

Virginia Resources Authority
Statement of Net Position
June 30, 2013

Assets	
Current assets:	
Cash	$ 15,582,989
Cash equivalents	280,538,390
Investments	42,839,045
Loans receivable, net of allowance (Note 4)	204,313,648
Receivables:	
Investment interest	2,687,714
Loan interest	27,865,806
Loan administrative fees	1,048,201
Federal funds	273,564
Other	67,591
Deferred charges - current portion	10,445,889
Other	17,491
Total current assets	585,680,328
Noncurrent assets:	
Investments	295,561,160
Loans receivable - less current - net (Note 4)	3,903,998,051
Deferred charges - less current - net	63,562,813
Capital assets - at cost - net (Note 5)	209,143
Total noncurrent assets	4,263,331,167
Total assets	4,849,011,495
Liabilities	
Current liabilities:	
Loans payable - current portion	608,856
Bonds payable - current portion (Note 6)	148,673,529
Accrued interest on bonds payable	26,820,348
Arbitrage rebate liability - current portion	1,816,596
Unearned revenue - current portion	207,179
Accounts payable and other liabilities	828,617
Total current liabilities	178,955,125
Noncurrent liabilities:	
Loans payable - less current - net	1,774,654
Bonds payable - less current - net (Note 6)	3,270,905,036
Arbitrage rebate liability - less current	686,881
Unearned revenue - less current	2,354,511
Total noncurrent liabilities	3,275,721,082
Total liabilities	3,454,676,207
Net position	
Invested in capital assets	209,143
Restricted (Note 7):	
Loan Programs	1,376,945,023
Operating Reserve	7,538,911
Unrestricted	9,642,211
Total net position	$ 1,394,335,288

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 Position

Year Ended June 30, 2013

Operating revenues	
Interest on loans	$ 129,061,115
Investment income	11,598,881
Bond administrative fees	2,771,287
Loan administrative fees	1,765,758
Administrative reimbursement	550,179
Gain on early extinguishment of loans	501,861
Other income	5,467
Total operating revenues	146,254,548
Operating expenses	
Interest on bonds and loans	135,666,875
Grants to local governments	10,315,904
Principal forgiveness loans	3,997,053
Loss on early extinguishment of bonds	489,821
Personnel services	1,636,027
General operating	803,924
Contractual services	764,518
Total operating expenses	153,674,122
Operating loss	(7,419,574)
Nonoperating revenues	
Contributions from other governments (Note 9)	44,829,867
Interest subsidy - Build America Bonds	2,879,058
Total nonoperating revenues	47,708,925
Nonoperating expense	
Interest subsidy passthrough - Build America Bonds	(2,796,451)
Change in net position	37,492,900
Total net position - beginning	1,356,842,388
Total net position - ending	$ 1,394,335,288

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, 2013

Cash flows from operating activities	
Cash payments to localities for loans	$ (487,522,921)
Principal repayments from localities on loans	323,775,335
Interest received on loans	133,039,387
Bond administrative fees received	2,523,086
Loan administrative fees received	1,774,200
Federal administrative reimbursement funds received	612,404
Cash received from other income	5,467
Cash payments for salaries and related benefits	(1,622,432)
Cash payments for contractual services	(763,413)
Cash payments for general operating expenses	(620,338)
Cash payments for operating grants	(10,315,904)
Cash payments for principal forgiveness loans	(3,997,053)
Interest paid on loans	(108,075)
Interest paid on bonds	(140,565,078)
Net cash used in operating activities	(183,785,335)
Cash flows from noncapital financing activities	
Proceeds from sale of bonds	494,337,927
Bond issuance costs	(4,066,690)
Upfront fee received in connection with sale of bonds	189,937
Principal paid on loans	(1,711,439)
Principal paid on bonds	(230,104,748)
Cash paid to escrow for defeased bonds	(128,068,061)
Proceeds from interest subsidy - Build America Bonds	2,879,057
Cash payments to localities for interest subsidy	(2,796,451)
Contributions from other governments	47,682,745
Net cash provided by noncapital financing activities	178,342,277
Cash flows from capital and financing related activities	
Purchase of office equipment	(6,804)
Net cash used in noncapital financing activities	(6,804)
Cash flows from investing activities	
Purchase of investments	(79,304,763)
Proceeds from sales or maturities of investments	28,669,224
Interest received on investments - net	11,245,660
Net cash used in investing activities	(39,389,879)
Net decrease in cash and cash equivalents	(44,839,741)
Cash and cash equivalents	
Beginning of year	340,961,120
End of year	$ 296,121,379

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, 2013

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(7,419,574)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		3,863
Interest on investments		(11,598,881)
Gain on early extinguishment of loans		(501,861)
Loss on early extinguishment of bonds		489,821
Interest on loans		(19,123)
Interest on bonds, amortization and accretion - net		(11,142,393)
Effect of changes in operating assets and liabilities:		
Loans receivable		(163,632,589)
Loan interest receivable		3,967,171
Loan administrative fee receivable		(35,802)
Other receivables		60,287
Deferred charges		6,166,343
Other current assets		8,968
Accounts payable and other liabilities		72,392
Unearned revenue		(203,957)
Total adjustments		(176,365,761)
Net cash used in operating activities	$	(183,785,335)

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, brownfield remediation, transportation, Chesapeake Bay cleanup, dam safety, land conservation and preservation, local government buildings, energy, parks and recreation facilities, and broadband. Subsequent General Assembly legislation added projects for administrative and operations systems and site acquisition and development for economic and 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), the Equipment and Term Financing program (ETF), the Virginia Transportation Infrastructure Bank (VTIB), and the Virginia Brownfield Restoration and Economic Development Assistance Fund (VBAF) 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 updated to align 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. Local governments 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.

The Virginia Transportation Infrastructure Bank (VTIB) was created during the 2010 General Assembly Session to finance the design and construction of roads and highways, including toll facilities, mass transit, freight, passenger and commuter rail, including rolling stock, port, airport and other transportation facilities. The Authority is the manager of VTIB and performs certain duties under an agreement with the Commonwealth Transportation Board and the Secretary of Finance. VTIB is capitalized with appropriations by the General Assembly. VTIB is a subfund of the Transportation Trust Fund and only reimbursement and expenses incurred are reflected in the Authority's financial statements.

The Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund (VBAF) was created in 2002 for the purposes of promoting the restoration and redevelopment of brownfield sites and to address environmental problems or obstacles to reuse so that these sites can be effectively marketed to new economic development prospects. Funds were generally not available in the VBAF until 2012. The Virginia Economic Development Partnership, DEQ, and the Authority jointly administer the VBAF.

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*.

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 position, operating revenues, operating expenses and other nonoperating revenue and expenses. All of the Authority’s 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 three years ended June 30, 2013 and there was no reduction in insurance coverage during fiscal year 2013.

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, net of an allowance for loan losses, if any. 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 unearned revenue and amortized as a yield adjustment using the effective interest method over the lives of the related loans.

Allowance for Loan Losses

The allowance for loan losses is maintained to cover possible losses inherent in the loan portfolio based on management's evaluation of the loan portfolio, giving consideration to various factors, including collateral value, past loan loss experience, current facts, and economic conditions. The allowance is based on management's estimates, and ultimate losses may vary from current estimates.

For loans underwritten by the Authority an annual review is performed on a risk-based sample of 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, 2013, all loan payments were current and there were no loans in payment default. In addition, there were no loans that were determined to have repayment issues based on the annual review.

The AgBMP loans, included with the VWFRF accounts and discussed in Footnote 1, were determined to have a loan loss. The allowance for loan losses in relation to the AgBMP loans was $145,000 as of June 30, 2013.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost and are depreciated over the useful life of the asset using the straight-line method. The Authority follows the Commonwealth's Accounting Policies and Procedures Manual (CAPP) for assigning 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 position as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses, and changes in net position as interest expense.

The unamortized issuance expenses and loss on refinancing are shown on the accompanying statement of net position as deferred charges and the amortization is included in the statement of revenues, expenses, and changes in net position as a component of interest expense.

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

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 invests the proceeds of tax exempt debt in securities with higher yields. The Authority treats the estimated rebate payable as a reduction of available resources 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 Position

Components of net position 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, 2013, none of the Authority's capital assets had related debt outstanding.

Restricted amounts are assets less related liabilities reported in the statement of net position 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 resulting from providing services in connection with the Authority's ongoing operations, 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 revenues and expenses not meeting the above criteria are reported as nonoperating revenues and expenses.

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 that are 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, 2013.

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.

As of June 30, 2013, the Authority had the following cash equivalents and investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Agency Mortgage Backed	$ 242,414	$ 206,872	$ -	$ 24,286	$ 11,256
Commercial Paper	19,240,285	19,240,285	-	-	-
Corporate Bonds and Notes	9,082,848	2,317,457	6,765,391	-	-
Guaranteed Investment Contracts	67,611,531	2,070,078	14,571,981	18,493,140	32,476,332
Local Government Investment Pool	213,857,699	213,857,699	-	-	-
Money Market Funds	20,561	20,561	-	-	-
Money Market Funds-Gov't Securities	64,556,872	64,556,872	-	-	-
U.S. Agency Securities	21,042,570	13,302,434	7,740,136	-	-
U.S. Treasury Securities	223,283,815	7,805,177	19,939,089	10,093,249	185,446,300
Totals	$ 618,938,595	$ 323,377,435	$ 49,016,597	$ 28,610,675	$ 217,933,888

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.

At June 30, 2013, the Authority had the following cash equivalents and investments and ratings:

Investment		Fair Value	Standard & Poor's Rating	Percent of Portfolio
Agency Mortgage Backed	$	242,414	AA+	0.04%
Prime Quality Commercial Paper		11,492,612	A-1	1.86%
Prime Quality Commercial Paper		7,747,673	A-1+	1.25%
Corporate Bonds and Notes		2,317,457	AAA	0.37%
Corporate Bonds and Notes		959,042	AA+	0.15%
Corporate Bonds and Notes		3,209,428	AA	0.52%
Corporate Bonds and Notes		2,596,921	AA-	0.42%
Guaranteed Investment Contracts		67,611,531	See below	10.93%
Local Government Investment Pool		213,857,699	AAAm	34.55%
Money Market Funds		20,561	AAAm	0.00%
Money Market Funds - Government Securities		64,556,872	AAAm	10.43%
U.S. Agency Securities		21,042,570	AA+	3.40%
U.S. Treasury Securities		223,283,815	AA+	36.08%
Totals	$	618,938,595		100.00%

The Guaranteed Investment Contracts (GICs) that comprise 10.92% of the investment portfolio were entered into based upon the credit rating of the GIC provider. The Moody's ratings of the GIC providers are as follows:

Provider		Fair Value	Moody's Rating	Percent of Portfolio
Salomon Smith Barney (Citigroup)	$	4,504,681	Baa2**	0.73%
FSA / Assured Guaranty		63,106,850	A2**	10.20%
Totals	$	67,611,531		10.93%

** 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. 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	$ -	0%	25%
Prime Quality Commercial Paper	17,137,027	7%	25%
Corporate Bonds and Notes	8,616,374	4%	25%
Local Government Investment Pool	195,713,535	79%	100%
Money Market Funds	-	0%	10%
Money Market Funds-Gov't Securities	9,575	0%	100%
U.S. Agency Securities	19,687,966	8%	100%
U.S. Treasury Securities	5,743,205	2%	100%
Totals	$ 246,907,682	100%	

Appropriated Funds

Investment Type	Fair Value	Percent of Portfolio	Maximum
Agency Mortgage Backed	$ -	0%	25%
Prime Quality Commercial Paper	-	0%	25%
Corporate Bonds and Notes	-	0%	25%
Local Government Investment Pool	15,232,228	100%	100%
Money Market Funds	-	0%	10%
Money Market Funds-Gov't Securities	-	0%	100%
U.S. Agency Securities	-	0%	100%
U.S. Treasury Securities	-	0%	100%
Totals	$ 15,232,228	100%	

General Fund

Investment Type	Fair Value	Percent of Portfolio	Maximum
Agency Mortgage Backed	$ 242,414	2%	25%
Prime Quality Commercial Paper	2,101,655	14%	25%
Corporate Bonds and Notes	466,474	3%	25%
Local Government Investment Pool	2,911,936	20%	100%
Money Market Funds	-	0%	10%
Money Market Funds-Gov't Securities	5,508,530	37%	100%
U.S. Agency Securities	1,354,604	9%	100%
U.S. Treasury Securities	2,300,218	15%	100%
Totals	$ 14,885,831	100%	

As of June 30, 2013, bond fund investments totaled $341,912,854. 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, 2013, excluding U.S. Government guaranteed obligations, the Virginia Local Government Investment Pool, money market funds, prime quality commercial paper, 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, 2013, the Authority had the following investments and maturities:

Disbursement Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Prime Commercial Paper	$ 17,137,027	$ 17,137,027	$ -	$ -	$ -
Corporate Bonds and Notes	8,616,374	2,317,457	6,298,917	-	-
Local Government Investment Pool	195,713,535	195,713,535	-	-	-
Money Market Funds-Gov't Securities	9,575	9,575	-	-	-
U.S. Agency Securities	19,687,966	13,109,928	6,578,038	-	-
U.S. Treasury Securities	5,743,205	3,517,640	2,225,565	-	-
	$ 246,907,682	$ 231,805,162	$ 15,102,520	$ -	$ -
Average maturity of all investments					12 Days

Appropriated Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Local Government Investment Pool	$ 15,232,228	$ 15,232,228	$ -	$ -	$ -
	$ 15,232,228	$ 15,232,228	$ -	$ -	$ -
Average maturity of all investments					1 Day

General Fund

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Agency Mortgage Backed	$ 242,414	$ 206,872	$ -	$ 24,286	$ 11,256
Prime Commercial Paper	2,101,655	2,101,655	-	-	-
Corporate Bonds and Notes	466,474	-	466,474	-	-
Local Government Investment Pool	2,911,936	2,911,936	-	-	-
Money Market Funds-Gov't Securities	5,508,530	5,508,530	-	-	-
U.S. Agency Securities	1,354,604	192,506	1,162,098	-	-
U.S. Treasury Securities	2,300,218	337,328	1,962,890	-	-
Totals	$ 14,885,831	$ 11,258,827	$ 3,591,462	$ 24,286	$ 11,256
Average maturity of all investments					46 Days

Bond Fund

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Prime Commercial Paper	$ 1,603	$ 1,603	$ -	$ -	$ -
Guaranteed Investment Contracts	67,611,531	2,070,078	14,571,981	18,493,140	32,476,332
Money Market Funds	20,561	20,561	-	-	-
Money Market Funds-Gov't Securities	59,038,767	59,038,767	-	-	-
U.S. Treasury Securities	215,240,392	3,950,209	15,750,634	10,093,249	185,446,300
	$ 341,912,854	$ 65,081,218	$ 30,322,615	$ 28,586,389	$ 217,922,632
Average maturity of all investments					3,893 Days

The General Fund includes $35,542 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

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. The Authority's deposits at June 30, 2013 were fully insured under the Virginia Security for Public Deposits Act, and are therefore not considered to be subject to custodial credit risk.

For investments, custodial risk is the risk that, in the event of the failure of the counterparty, the reporting entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's Policy requires that all investment securities purchased for the Authority be held by the Authority's designated custodian where the securities must be in the Authority's name and identifiable on the custodian's books as belonging to the Authority and the custodian must be a third party, not a counterparty to the investment transaction. As of June 30, 2013, all of the Authority's investments were held by the trust department of the Authority's custodial bank 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, 2013:

Loans receivable related to bond issues:	
Revenue Bonds	$ 2,192,704,353
Airport Revolving Fund Revenue Bonds	52,527,348
Unamortized discount/premium and cost of issuance – net	118,873,800
Subtotal – loans receivable related to bond issues	2,364,105,501
Loans receivable related to revolving loan funds:	
VWFRF	694,530,427
VWFRF – Leveraged	907,752,044
VWFRF – AgBMP	7,746,297
VWSRF	131,938,920
Subtotal – loans receivable related to revolving loan funds	1,741,967,688
Loans receivable related to ETF loans:	2,383,510
Subtotal – loans receivable	4,108,456,699
Less: Allowance for loan losses - AgBMP	(145,000)
Total loans receivable	$ 4,108,311,699
Loans receivable – current	$ 204,313,648
Loans receivable – noncurrent	3,903,998,051
	$ 4,108,311,699

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

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.

Loans that are outstanding related to bond issuances have rates that range from 1.00% - 6.29% and final maturities that range from fiscal years 2014 to 2043.

The Authority also has outstanding loans to various localities and other governmental entities in the Commonwealth of Virginia from the VWFRF, VWSRF, VARF, and the ETF. These loans range in final maturity from fiscal years 2014 to 2043 and accrue interest at various rates of interest ranging from 0% to 5.79%. As of June 30, 2013, the Authority is also obligated under outstanding commitment letters and undisbursed loans and grants to disburse approximately:

Type	VWFRF	VWSRF	VARF	Total
Committed, to be disbursed:				
Revolving fund	$ 76,552,865	$ 17,070,467	$ 291,913	$ 93,915,245
Leveraged Bonds	22,986,597	-	-	22,986,597
Commitment letter only (loan or grant not closed)	41,270,485	14,576,811	-	55,847,296

There were no loan commitments related to the Equipment and Term Financing Leases at June 30, 2013.

At June 30, 2013, there were no loan receivables that were in payment default. Loan loss expense in relation to the AgBMP program totaled $115,000 for the year ended June 30, 2013.

5. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Software Development	$ 195,833	$ 633	$ -	$ 196,466
Capital assets, being depreciated				
Office Equipment	59,945	6,171	16,173	49,943
Less accumulated depreciation	49,576	3,863	16,173	37,266
Total capital assets being depreciated, net	10,369	2,308	-	12,677
Capital assets, net	$ 206,202	$ 2,941	$ -	$ 209,143

Depreciation expense was $3,863 for the year ended June 30, 2013.

6. Bonds Payable

The Authority had the following bonds payable outstanding as of June 30, 2013:

Description	Original Amount	Amount Outstanding
Revenue Bonds:		
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	$ 165,000
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; $915,000 of the bonds defeased in 2011	29,140,000	825,000
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 $13,483,905 accretion for capital appreciation bonds; $5,623,192 of the bonds defeased in 2012	27,537,167	32,737,325
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; $985,000 of the bonds defeased in 2011	42,845,000	890,000
Series 2002B (Refunding), dated November 5, 2002, interest rates ranging from 2.00% to 4.50%, final due date November 1, 2019	35,295,000	6,340,000
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; $2,030,000 of the bonds defeased in 2011	23,510,000	275,000
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; $1,150,000 of the bonds defeased in 2011; $615,000 of the bonds defeased in 2012; $595,000 of the bonds defeased in 2013	53,790,000	28,560,000
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; $530,000 of the bonds defeased in 2011; $1,220,000 of the bonds defeased in 2012; $260,000 of the bonds defeased in 2013	32,415,000	20,955,000

Description	Original Amount	Amount Outstanding
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; $1,320,000 of the bonds defeased in 2012	$ 38,915,000	$ 855,000
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	6,115,000
Series 2004A 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; $5,780,000 of the bonds defeased in 2011; $1,295,000 of the bonds defeased in 2012	60,630,000	17,630,000
Series 2004A 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; $2,500,000 of the bonds defeased in 2011; $555,000 of the bonds defeased in 2012	32,515,000	7,630,000
Series 2004B Senior (Non-AMT), dated October 28, 2004, interest rates ranging from 2.25% to 4.50%, final due date November 1, 2034; $10,130,000 of the bonds defeased in 2012; $420,000 of the bonds defeased in 2013	28,690,000	9,645,000
Series 2004B Subordinate (Non-AMT), dated October 28, 2004, interest rates ranging from 2.25% to 5.00%, final due date November 1, 2035; $4,320,000 of the bonds defeased in 2012; $180,000 of the bonds defeased in 2013	13,920,000	5,370,000
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	8,080,000
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	3,680,000

Description	Original Amount	Amount Outstanding
Series 2005B Senior (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2035; $3,845,000 of the bonds were defeased in 2012	$ 22,055,000	$ 10,680,000
Series 2005B Subordinate (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2035; $1,615,000 of the bonds were defeased in 2012	9,485,000	4,660,000
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	4,460,000
Series 2005C Senior (Non-AMT), dated December 7, 2005, interest rates ranging from 4.63% to 5.00%, final due date November 1, 2035; $1,275,000 of the bonds defeased in 2011; $10,260,000 of the bonds were defeased in 2012	36,710,000	17,230,000
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	1,925,000
Series 2005C Subordinate (Non-AMT), dated December 7, 2005, interest rates ranging from 4.00% to 4.75%, final due date November 1, 2035; $595,000 of the bonds defeased in 2011; $4,260,000 of the bonds were defeased in 2012	16,365,000	7,820,000
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	39,580,000
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	150,000
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	21,450,000
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	15,140,000
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	7,060,000

Description	Original Amount	Amount Outstanding
Series 2006C Senior (Non-AMT), dated December 14, 2006, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2036; $2,815,000 of the bonds defeased in 2011	$ 45,935,000	$ 33,895,000
Series 2006C Subordinate (Non-AMT), dated December 14, 2006, interest rates ranging from 3.50% to 4.375%, final due date November 1, 2036; $1,025,000 of the bonds defeased in 2011	22,860,000	17,005,000
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	20,430,000
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	10,245,000
Series 2007B Senior (AMT), dated December 13, 2007, interest rates ranging from 3.60% to 5.00%, final due date November 1, 2027	7,530,000	6,205,000
Series 2007B Senior (Non-AMT), dated December 13, 2007, interest rates ranging from 3.30% to 5.00%, final due date November 1, 2037; $1,740,000 of the bonds defeased in 2011	38,470,000	32,970,000
Series 2007B Subordinate (AMT), dated December 13, 2007, interest rates ranging from 3.60% to 5.00%, final due date November 1, 2027;	3,245,000	2,675,000
Series 2007B Subordinate (Non-AMT), dated December 13, 2007 interest rates ranging from 3.30% to 5.00%, final due date November 1, 2037; $1,350,000 of the bonds defeased in 2011	18,410,000	15,365,000
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	40,485,000
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	18,885,000

Description	Original Amount	Amount Outstanding
Series 2008B Senior (Non-AMT), dated December 10, 2008, interest rates ranging from 3.00% to 5.125%, final due date November 1, 2038; $878,900 of the bonds defeased in 2009; $3,695,000 of the bonds defeased in 2011	$147,495,000	$ 130,443,450
Series 2008B Subordinate (Non-AMT), dated December 10, 2008, interest rates ranging from 3.00% to 5.25%, final due date November 1, 2038; $1,580,000 of the bonds defeased in 2011	67,945,000	60,780,000
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	36,350,000
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	62,845,000
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	16,490,000
Series 2009A Subordinate (Non-ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	42,985,000	37,815,000
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	71,880,000
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

Description	Original Amount	Amount Outstanding
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	$ 34,110,000
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	45,930,000
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	21,290,000
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	54,430,000
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
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	24,090,000
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

Description	Original Amount	Amount Outstanding
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	$ 50,270,000
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	6,250,000
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	21,295,000
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	2,700,000
Series 2011B Infrastructure Revenue Bonds (Tax-Exempt), dated November 16, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041	129,660,000	127,420,000
Series 2011B Infrastructure Revenue Bonds (Taxable), dated November 16, 2011, interest rates ranging from 4.05 to 4.65%, final due date November 1, 2041	27,750,000	27,750,000
Series 2011B State Moral Obligation (Tax-Exempt), dated November 16, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041	55,635,000	54,740,000
Series 2011B State Moral Obligation Bonds (Taxable), dated November 16, 2011, interest rates ranging from 4.50 to 5.05%, final due date November 1, 2041	12,935,000	12,935,000
Series 2012A Infrastructure Revenue Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	205,405,000	200,985,000
Series 2012A State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	92,735,000	90,870,000
Series 2012A-1 Infrastructure Revenue Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	31,705,000	31,705,000
Series 2012A-1 State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	14,365,000	14,365,000

Description	Original Amount	Amount Outstanding
Series 2012B Infrastructure Revenue Bonds (Non-AMT), dated August 2, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041	$ 50,240,000	$ 48,740,000
Series 2012B Infrastructure Revenue Bonds (AMT), dated August 2, 2012, interest rates ranging from 2.00 to 2.50%, final due date November 1, 2024	3,840,000	3,745,000
Series 2012B State Moral Obligation Bonds (Non-AMT), dated August 2, 2012, interest rates ranging from 2.50 to 5.00%, final due date November 1, 2041	23,385,000	22,735,000
Series 2012B State Moral Obligation Bonds (AMT), dated August 2, 2012, interest rates ranging from 2.00 to 2.75%, final due date November 1, 2024	1,590,000	1,550,000
Series 2012 Capital Appreciation Bonds (Tax-Exempt), dated November 15, 2012, final due date November 1, 2036. Amount outstanding includes $334,842 accretion for capital appreciation bonds	19,303,736	19,638,578
Series 2012 Current Interest Bonds (Tax-Exempt), dated November 15, 2012, interest rate of 4.00%, final due date November 1, 2041	30,020,000	30,020,000
Series 2012 Current Interest Bonds (Taxable), dated November 15, 2012, interest rate of 3.82%, final due date November 1, 2029	6,730,000	6,730,000
Series 2012C Infrastructure Revenue Bonds (Non-AMT), dated December 6, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	34,040,000	34,040,000
Series 2012C Infrastructure Revenue Bonds (AMT), dated December 6, 2012, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2022	2,890,000	2,890,000
Series 2012C State Moral Obligation Bonds (Non-AMT), dated December 6, 2012, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2042	15,375,000	15,375,000
Series 2012C State Moral Obligation Bonds (AMT), dated December 6, 2012, interest rates ranging from 2.50 to 3.00%, final due date November 1, 2022	1,465,000	1,465,000
Series 2013A Infrastructure Revenue Bonds, dated June 5, 2013, interest rates ranging from 1.00 to 5.00%, final due date November 1, 2042	92,810,000	92,810,000
Series 2013A State Moral Obligation, dated June 5, 2013, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2042	42,135,000	42,135,000

Description	Original Amount	Amount Outstanding
Airport Revolving Fund Revenue Bonds:		
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	$ 2,555,000
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	1,785,000
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	1,440,000
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	5,825,000
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	2,555,000
Series 2007 (Taxable), dated March 18, 2007, interest rates ranging from 5.10% to 5.18%, final due date August 1, 2032	5,425,000	4,555,000
Series 2011A (Non-AMT) (Refunding), dated August 23, 2011, interest rates ranging from 2.00% to 5.00%, final due date August 1, 2027	16,425,000	15,495,000
Series 2011B (AMT) (Refunding), dated August 23, 2011, interest rates ranging from 2.00% to 5.00%, final due date August 1, 2026	16,725,000	15,725,000
Virginia Water Facilities Revolving Fund Leveraged:		
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	114,505,000
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	106,940,000
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	169,310,000
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	172,310,000
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	78,230,000

Description	Original Amount	Amount Outstanding
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
Series 2011B CWSRF, dated September 28, 2011, interest rates ranging from 2.00% to 5.00%, final due date October 1, 2034	34,655,000	34,655,000
Series 2013 CWSRF, dated June 20, 2013, interest rates ranging from 1.00% to 5.00%, final due date October 1, 2025	104,275,000	104,275,000
Total bonds at June 30		3,185,224,353
Unamortized discounts/premiums		234,354,212
Total bonds – net		$ 3,419,578,565

Total bonds outstanding as of June 30:	$ 3,185,224,353
Unaccreted Capital Appreciation Bonds as of June 30	39,724,097
Total outstanding maturities	$ 3,224,948,450
Bonds payable – current	$ 148,673,529
Bonds payable – noncurrent	3,270,905,036
	$ 3,419,578,565

Activity in the bonds payable and related accounts for fiscal year 2013 was as follows:

Description	Balance at June 30, 2012	Issued	Retired	Balance at June 30, 2013	Amount Due Within One Year
Total bonds outstanding	$ 3,090,678,456	$ 431,098,736	$ (336,552,839)	$ 3,185,224,353	$132,363,450
Unamortized discounts / premiums	188,948,095	63,239,191	(17,833,074)	234,354,212	16,310,079
	$ 3,279,626,551	$ 494,337,927	$(354,385,913)	$ 3,419,578,565	$ 148,673,529

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, 2013, $836,655,903 of outstanding bonds was 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 Revenue Bonds and the Series 2012 Revenue Bonds include Capital Appreciation Bonds with unaccreted values of $39,724,097 as of June 30, 2013.

Advance Refundings

During the current year, the Authority issued Clean Water State Revolving Fund Revenue Bonds, Series 2013, Water and Sewer System Revenue Bonds, Refunding Series 2012, and Virginia Pooled Financing Program Revenue Bonds, Series 2012B, Series 2012C, and Series 2013A, 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 position:

Issue	Principal Defeased	Difference between Previous and New Debt Service	Economic Gain as a Result of the Refunding
CWSRF 2007	$ 108,765,000	$ 6,206,013	$ 3,887,097
1999 Series	3,055,000	1,097,953	613,115
2000 Series	2,910,000	523,836	443,844
2001D & 2003 Series	1,665,000	368,811	284,907
2002 Series	11,230,000	1,567,857	1,290,416
2002 Series (Water and Sewer)	39,925,456	(2,077,826)	4,393,923
2003 Series	1,805,000	249,241	228,168
2003A Series	1,320,000	160,034	137,744
2004A Series	1,850,000	272,771	211,923
2004B Series	14,450,000	1,847,852	1,340,090
2005B Series	5,460,000	281,985	249,286
2005C Series	14,520,000	1,167,778	998,680
	$ 206,955,456	$ 11,666,306	$ 14,079,193

The amount outstanding at June 30, 2013 for bonds which have been in-substance defeased or refunded was $333,547,791. In addition to the refundings noted above, this includes bonds that were in-substance defeased during the current and prior years: Series 2002D, Series 2002E, Series 2003, Series 2004A, Series 2004B, CWSRF Series 2004, Series 2005C, Series 2006A, Series 2006C, Series 2007B, and Series 2008B.

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

June 30,	Principal	Interest	Total
2014	$ 132,363,450	$ 142,387,472	$ 274,750,922
2015	141,920,000	138,625,255	280,545,255
2016	147,645,000	132,529,178	280,174,178
2017	162,840,000	125,820,614	288,660,614
2018	172,580,000	118,307,554	290,887,554
2019-2023	780,005,000	482,028,596	1,262,033,596
2024-2028	746,695,000	303,880,597	1,050,575,597
2029-2033	550,460,000	144,018,681	694,478,681
2034-2038	262,770,000	54,657,382	317,427,382
2039-2043	127,670,000	12,363,445	140,033,445
Total	$ 3,224,948,450	$ 1,654,618,774	$ 4,879,567,224

7. Restricted Net Position

Restricted net position represents the portion of total net position 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 position includes Revolving Loan Fund Accounts (net of capital assets), 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, 2013 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to $7,538,911.

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 2.34% to 3.25% with maturities ranging from fiscal years 2013 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.

Unearned 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 $2,561,690 at June 30, 2013 ($207,179 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 up to 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 the Authority as of August 1, 2010 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, 2013 an accrual for employee compensated absences in the amount of $93,754 was included in accounts payable and other liabilities in the accompanying statement of net position.

The following summarizes the activity related to these other liabilities for fiscal year 2013:

	Balance June 30, 2012	**Additions**	**Deductions**	**Balance June 30, 2013**	**Due Within One Year**
Loans Payable	$ 4,094,949	$ -	$ 1,711,439	$ 2,383,510	$ 608,856
Arbitrage Rebate Liability	3,081,444	250,533	828,500	2,503,477	1,816,596
Unearned revenue	2,664,231	189,938	292,479	2,561,690	207,179
Accrued leave	95,966	120,796	123,008	93,754	93,754

9. Contributions from Other Governments

During the year the Authority received $36,855,332 from the EPA under the Capitalization Grants for State Revolving Funds. Contributions from the EPA are disbursed as loans and grants to municipalities. Other amounts received from the EPA are reimbursement for the federal share of the Authority's operating expenses for the VWFRF and VWSRF and are recorded as administrative reimbursement when expended in the accompanying statement of revenues, expenses and changes in net position. In addition, the Authority received $6,016,245 from the Commonwealth as part of the required state match of federal funds, plus another $1,458,290 and $500,000 from the Commonwealth for the VDSFPF and VBAF, respectively.

10. Employee Benefit Plans

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.

A. Plan Descriptions

All full-time, salaried permanent (professional) employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.

- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for members is 1.70%. The retirement multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3.00%. During years of no inflation or deflation, the COLA is 0.00%. 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 General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS web site at http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf or obtained by writing to the System's Chief Financial Officer 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. Employees are required to pay the 5% member contribution. 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 for the fiscal year ended June 30, 2013 was 7.31% of the annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Authority's annual pension cost of $90,783 was equal to the Authority's required and actual contributions.

Trend information for the Authority is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 90,783	100%	$ -
June 30, 2012	$ 161,044	100%	$ -
June 30, 2011	$ 117,133	100%	$ -

The 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) and investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. 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 projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 115.29% funded. The actuarial accrued liability for benefits was $631,099 and the actuarial value of assets was $727,572, resulting in a funding excess of $96,473. The covered payroll (annual payroll of active employees covered by the plan) was $1,078,676 and the ratio of the funding excess to the covered payroll was 8.94%.

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, 2013, 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.

The Authority issued Build America Bonds, a form of direct-pay bonds, where issuers receive subsidy payments from the Treasury equal to 35% of their interest costs, in 2009 and 2010. As an issuer of Build America Bonds, the

Authority is subject to reductions in the subsidy payments pursuant to the spending cut requirements (the "sequester") of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The sequester was effective as of March 1, 2013 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2013) or intervening Congressional action, at which time the sequestration rate is subject to change**.** The amount of any reduction to future subsidy payments of the Authority 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 $116,451 for the year ended June 30, 2013. The future minimum rental payments are as follows:

Year ending June 30,	Amount
2014	$ 119,123
2015	122,102
2016	125,154
2017	117,348
	$ 483,727

13. Subsequent Events

Subsequent to June 30, 2013, the Authority issued bonds in the amount of $66,490,000, dated August 14, 2013. The interest rates range from 1.75% to 5% with a final due date of November 1, 2043.

14. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, Financial Reporting for Pension Plans replaces the requirements of GASB Statements No. 25 and No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, Accounting and Financial Reporting for Pension Plans replaces the requirements of GASB Statements No. 27 and No. 50 as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

*** * * ***

Schedule of Funding Progress (unaudited):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (Funding Excess) (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2012	$ 727,572	$ 631,099	$ (96,473)	115.29%	$ 1,078,676	-8.94%
June 30, 2011	562,749	488,037	(74,712)	115.31%	906,923	-8.24%
June 30, 2010	431,544	484,645	53,101	89.04%	760,085	6.99%

Virginia Resources Authority

Combining Schedule of Net Position
June 30, 2013

	General Accounts	Virginia Revolving Loan Fund Accounts: Water Facilities	Virginia Revolving Loan Fund Accounts: Water Supply	Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Equipment & Term Financing	Brownfields Accounts	Total
Assets										
Current assets										
Cash	$ 2,072,362	$ 9,982,274	$ 2,994,136	$ -	$ -	$ -	$ -	$ -	$ 534,217	$ 15,582,989
Cash equivalents	10,522,120	210,285,096	37,122,103	13,956,144	2,505,671	-	6,147,256	-	-	280,538,390
Investments	736,707	38,112,129	-	759,155	3,231,054	-	-	-	-	42,839,045
Loans receivable, net of allowance	-	102,550,034	5,719,648	4,277,553	91,157,557	-	-	608,856	-	204,313,648
Receivables:										
Investment interest	15,721	2,073,391	-	202,145	396,457	-	-	-	-	2,687,714
Loan interest	-	11,452,873	263,827	252,540	15,871,518	-	-	25,048	-	27,865,806
Loan administrative fees	-	547,880	37,608	-	460,640	-	-	2,073	-	1,048,201
Federal funds	-	183,378	90,186	-	-	-	-	-	-	273,564
Other	13,920	-	-	-	-	53,671	-	-	-	67,591
Deferred charges - current portion	-	4,283,607	-	120,323	6,041,959	-	-	-	-	10,445,889
Other	17,491	-	-	-	-	-	-	-	-	17,491
Total current assets	13,378,321	379,470,662	46,227,508	19,567,860	119,664,856	53,671	6,147,256	635,977	534,217	585,680,328
Noncurrent assets										
Investments	3,627,004	208,799,292	-	16,224,834	66,910,030	-	-	-	-	295,561,160
Loans receivable - less current - net	-	1,507,333,734	126,219,272	48,249,795	2,220,420,596	-	-	1,774,654	-	3,903,998,051
Deferred charges - less current - net	-	30,753,858	-	957,264	31,851,691	-	-	-	-	63,562,813
Capital assets - at cost - net	206,076	2,249	818	-	-	-	-	-	-	209,143
Total noncurrent assets	3,833,080	1,746,889,133	126,220,090	65,431,893	2,319,182,317	-	-	1,774,654	-	4,263,331,167
Total assets	17,211,401	2,126,359,795	172,447,598	84,999,753	2,438,847,173	53,671	6,147,256	2,410,631	534,217	4,849,011,495
Liabilities										
Current liabilities										
Loans payable - current portion	-	-	-	-	-	-	-	608,856	-	608,856
Bonds payable - current portion	-	49,811,689	-	3,933,196	94,928,644	-	-	-	-	148,673,529
Accrued interest on bonds payable	-	9,473,003	-	971,999	16,350,298	-	-	25,048	-	26,820,348
Arbitrage rebate liability - current portion	-	-	-	-	1,816,596	-	-	-	-	1,816,596
Due to (from) other accounts	(467,394)	38,059	227,889	102,682	-	53,671	43,020	2,073	-	-
Unearned revenue - current portion	-	75,885	-	4,372	126,922	-	-	-	-	207,179
Accounts payable and other liabilities	291,597	380,787	26,033	130,200	-	-	-	-	-	828,617
Total current liabilities	(175,797)	59,779,423	253,922	5,142,449	113,222,460	53,671	43,020	635,977	-	178,955,125
Noncurrent liabilities										
Loans payable - less current - net	-	-	-	-	-	-	-	1,774,654	-	1,774,654
Bonds payable - less current - net	-	894,248,791	-	48,851,865	2,327,804,380	-	-	-	-	3,270,905,036
Arbitrage rebate liability - less current - net	-	485,037	-	-	201,844	-	-	-	-	686,881
Unearned revenue - less current - net	-	654,312	-	37,000	1,663,199	-	-	-	-	2,354,511
Total noncurrent liabilities	-	895,388,140	-	48,888,865	2,329,669,423	-	-	1,774,654	-	3,275,721,082
Total liabilities	(175,797)	955,167,563	253,922	54,031,314	2,442,891,883	53,671	43,020	2,410,631	-	3,454,676,207
Net position										
Invested in capital assets	206,076	2,249	818	-	-	-	-	-	-	209,143
Restricted:										
Loan Programs	-	1,171,189,983	172,192,858	30,968,439	(4,044,710)	-	6,104,236	-	534,217	1,376,945,023
Operating Reserve	7,538,911	-	-	-	-	-	-	-	-	7,538,911
Unrestricted	9,642,211	-	-	-	-	-	-	-	-	9,642,211
Total net position	$ 17,387,198	$ 1,171,192,232	$ 172,193,676	$ 30,968,439	$ (4,044,710)	$ -	$ 6,104,236	$ -	$ 534,217	$ 1,394,335,288

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2013

	General Accounts	Virginia Revolving Loan Fund Accounts: Water Facilities	Virginia Revolving Loan Fund Accounts: Water Supply	Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Equipment & Term Financing	Brownfields Accounts	Total
Operating revenues										
Interest on loans	$ -	$ 36,698,167	$ 962,278	$ 1,967,548	$ 89,344,170	$ -	$ -	$ 88,952	$ -	$ 129,061,115
Investment income	35,139	8,322,311	78,606	496,631	2,655,264	-	10,930	-	-	11,598,881
Bond administrative fees	-	84,676	-	4,176	2,682,435	-	-	-	-	2,771,287
Loan administrative fees	-	1,569,100	136,889	52,092	-	-	-	7,677	-	1,765,758
Administrative reimbursement	-	-	328,015	-	-	222,164	-	-	-	550,179
Gain on early extinguishment of loans	-	-	-	-	501,861	-	-	-	-	501,861
Other income	445	3,987	-	1,035	-	-	-	-	-	5,467
Total operating revenues	35,584	46,678,241	1,505,788	2,521,482	95,183,730	222,164	10,930	96,629	-	146,254,548
Operating expenses										
Interest on bonds and loans	-	40,458,817	-	2,199,160	92,919,946	-	-	88,952	-	135,666,875
Grants to local governments	-	-	9,490,547	-	-	-	559,447	-	265,910	10,315,904
Principal forgiveness loans	-	3,997,053	-	-	-	-	-	-	-	3,997,053
Loss on early extinguishment of bonds	-	-	-	-	489,821	-	-	-	-	489,821
Personnel services	939,473	348,850	222,731	20,491	-	83,455	21,027	-	-	1,636,027
General operating	363,053	327,440	62,481	38,854	-	6,903	5,193	-	-	803,924
Contractual services	345,492	193,579	70,356	21,218	-	131,806	2,067	-	-	764,518
Total operating expenses	1,648,018	45,325,739	9,846,115	2,279,723	93,409,767	222,164	587,734	88,952	265,910	153,674,122
Operating income (loss)	(1,612,434)	1,352,502	(8,340,327)	241,759	1,773,963	-	(576,804)	7,677	(265,910)	(7,419,574)
Nonoperating revenue										
Contributions from other governments	-	24,411,565	18,460,012	-	-	-	1,458,290	-	500,000	44,829,867
Interest subsidy - Build America Bonds	-	-	-	-	2,879,058	-	-	-	-	2,879,058
Total nonoperating revenues	-	24,411,565	18,460,012	-	2,879,058	-	1,458,290	-	500,000	47,708,925
Nonoperating expense										
Interest subsidy pass-through - Build America Bonds	-	-	-	-	(2,796,451)	-	-	-	-	(2,796,451)
Income (loss) before transfers	(1,612,434)	25,764,067	10,119,685	241,759	1,856,570	-	881,486	7,677	234,090	37,492,900
Transfers	2,816,817	(10,000)	-	-	(2,799,140)	-	-	(7,677)	-	-
Change in net position	1,204,383	25,754,067	10,119,685	241,759	(942,570)	-	881,486	-	234,090	37,492,900
Total net position - beginning	16,182,815	1,145,438,165	162,073,991	30,726,680	(3,102,140)	-	5,222,750	-	300,127	1,356,842,388
Total net position - ending	$ 17,387,198	$ 1,171,192,232	$ 172,193,676	$ 30,968,439	$ (4,044,710)	$ -	$ 6,104,236	$ -	$ 534,217	$ 1,394,335,288

Virginia Resources Authority

Combining Schedule of Cash Flows
Year Ended June 30, 2013

	General Accounts	Virginia Revolving Loan Fund Accounts: Water Facilities	Virginia Revolving Loan Fund Accounts: Water Supply	Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Equipment & Term Financing	Brownfields Accounts	Total
Cash flows from operating activities										
Cash payments to localities for loans	$ -	$ (122,511,346)	$ (10,488,700)	$ (141,504)	$ (354,381,371)	$ -	$ -	$ -	$ -	$ (487,522,921)
Principal repayments from localities on loans	-	125,662,456	5,321,594	4,069,969	187,004,748	-	-	1,716,568	-	323,775,335
Interest received on loans	-	37,998,196	961,657	1,962,584	92,014,004	-	-	102,946	-	133,039,387
Bond administrative fees received	-	-	-	-	2,523,086	-	-	-	-	2,523,086
Loan administrative fees received	-	1,579,897	133,176	52,092	-	-	-	9,035	-	1,774,200
Administrative reimbursement funds received	-	-	327,026	-	-	285,378	-	-	-	612,404
Cash received from other income	445	3,987	-	1,035	-	-	-	-	-	5,467
Cash payments for salaries and related benefits	(925,878)	(348,850)	(222,731)	(20,491)	-	(83,455)	(21,027)	-	-	(1,622,432)
Cash payments for contractual services	(344,387)	(193,579)	(70,356)	(21,218)	-	(131,806)	(2,067)	-	-	(763,413)
Cash payments for general operating expenses	(296,110)	(211,269)	(62,012)	(38,852)	-	(6,902)	(5,193)	-	-	(620,338)
Cash payments for operating grants	-	-	(9,490,547)	-	-	-	(559,447)	-	(265,910)	(10,315,904)
Cash payments for principal forgiveness loans	-	(3,997,053)	-	-	-	-	-	-	-	(3,997,053)
Interest paid on loans	-	-	-	-	-	-	-	(108,075)	-	(108,075)
Interest paid on bonds	-	(43,309,350)	-	(2,392,287)	(94,863,441)	-	-	-	-	(140,565,078)
Interfund activity	(80,579)	(80,913)	110,488	81,465	-	(63,215)	34,112	(1,358)	-	-
Net cash provided by (used in) operating activities	(1,646,509)	(5,407,824)	(13,480,405)	3,552,793	(167,702,974)	-	(553,622)	1,719,116	(265,910)	(183,785,335)
Cash flows from noncapital financing activities										
Proceeds from sale of bonds	-	130,406,213	-	-	363,931,714	-	-	-	-	494,337,927
Bond issuance costs	-	(333,069)	-	-	(3,733,621)	-	-	-	-	(4,066,690)
Upfront fee received in connection with sale of bonds	-	-	-	-	189,937	-	-	-	-	189,937
Principal paid on loans	-	-	-	-	-	-	-	(1,711,439)	-	(1,711,439)
Principal paid on bonds	-	(39,425,000)	-	(3,670,000)	(187,009,748)	-	-	-	-	(230,104,748)
Cash paid to escrow for defeased bonds	-	(128,068,061)	-	-	-	-	-	-	-	(128,068,061)
Proceeds from interest subsidy - Build America Bonds	-	-	-	-	2,879,057	-	-	-	-	2,879,057
Cash payments to localities for interest subsidy	-	-	-	-	(2,796,451)	-	-	-	-	(2,796,451)
Contributions from other governments	-	27,264,443	18,460,012	-	-	-	1,458,290	-	500,000	47,682,745
Cash received (paid) from other accounts	2,816,817	(10,000)	-	-	(2,799,140)	-	-	(7,677)	-	-
Net cash provided by (used in) noncapital financing activities	2,816,817	(10,165,474)	18,460,012	(3,670,000)	170,661,748	-	1,458,290	(1,719,116)	500,000	178,342,277
Cash flows from capital and financing related activities										
Purchase of office equipment	(6,804)	-	-	-	-	-	-	-	-	(6,804)
Net cash used in noncapital financing activities	(6,804)	-	-	-	-	-	-	-	-	(6,804)
Cash flows from investing activities										
Purchase of investments	(2,406,225)	(70,102,368)	-	(982,046)	(5,814,124)	-	-	-	-	(79,304,763)
Proceeds from sales or maturities of investments	2,345,765	23,925,285	-	1,895,675	502,499	-	-	-	-	28,669,224
Interest received on investments - net	93,563	8,206,512	78,606	500,651	2,355,398	-	10,930	-	-	11,245,660
Net cash provided by (used in) investing activities	33,103	(37,970,571)	78,606	1,414,280	(2,956,227)	-	10,930	-	-	(39,389,879)
Net increase (decrease) in cash and cash equivalents	1,196,607	(53,543,869)	5,058,213	1,297,073	2,547	-	915,598	-	234,090	(44,839,741)
Cash and cash equivalents										
Beginning of year	11,397,875	273,811,239	35,058,026	12,659,071	2,503,124	-	5,231,658	-	300,127	340,961,120
End of year	$ 12,594,482	$ 220,267,370	$ 40,116,239	$ 13,956,144	$ 2,505,671	$ -	$ 6,147,256	$ -	$ 534,217	$ 296,121,379

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2013

	General Accounts	Virginia Revolving Loan Fund Accounts: Water Facilities	Virginia Revolving Loan Fund Accounts: Water Supply	Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Equipment & Term Financing	Brownfields Accounts	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities										
Operating income (loss)	$ (1,612,434)	$ 1,352,502	$ (8,340,327)	$ 241,759	$ 1,773,963	$ -	$ (576,804)	$ 7,677	$ (265,910)	$ (7,419,574)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation	2,263	1,173	427	-	-	-	-	-	-	3,863
Interest on investments	(35,139)	(8,322,311)	(78,606)	(496,631)	(2,655,264)	-	(10,930)	-	-	(11,598,881)
Gain on early extinguishment of loans	-	-	-	-	(501,861)	-	-	-	-	(501,861)
Loss on early extinguishment of bonds	-	-	-	-	489,821	-	-	-	-	489,821
Interest on loans	-	-	-	-	-	-	-	(19,123)	-	(19,123)
Interest on bonds, amortization and accretion - net	-	(5,537,610)	-	(310,456)	(5,294,327)	-	-	-	-	(11,142,393)
Effect of changes in operating assets and liabilities										
Loans receivable	-	3,266,108	(5,167,106)	3,928,464	(167,376,623)	-	-	1,716,568	-	(163,632,589)
Loan interest receivable	-	1,300,030	(620)	(4,965)	2,658,732	-	-	13,994	-	3,967,171
Loan administrative fee receivable	-	10,797	(3,713)	-	(44,244)	-	-	1,358	-	(35,802)
Other receivables	(1,938)	-	(990)	-	-	63,215	-	-	-	60,287
Deferred charges	-	2,687,076	-	117,333	3,361,934	-	-	-	-	6,166,343
Other current assets	8,968	-	-	-	-	-	-	-	-	8,968
Accounts payable and other liabilities	72,350	-	42	-	-	-	-	-	-	72,392
Unearned revenue	-	(84,676)	-	(4,176)	(115,105)	-	-	-	-	(203,957)
Due to (from) other funds	(80,579)	(80,913)	110,488	81,465	-	(63,215)	34,112	(1,358)	-	-
Total adjustments	(34,075)	(6,760,326)	(5,140,078)	3,311,034	(169,476,937)	-	23,182	1,711,439	-	(176,365,761)
Net cash provided by (used in) operating activities	$ (1,646,509)	$ (5,407,824)	$ (13,480,405)	$ 3,552,793	$ (167,702,974)	$ -	$ (553,622)	$ 1,719,116	$ (265,910)	$ (183,785,335)

Virginia Resources Authority

Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
June 30, 2013

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Assets							
Current assets							
Cash	$ 3,176,472	$ -	$ 2,147,287	$ -	$ 159,093	$ 4,499,422	$ 9,982,274
Cash equivalents	144,106,087	48,649,387	9,065,128	2,534,140	5,930,354	-	210,285,096
Investments	36,082,051	2,030,078	-	-	-	-	38,112,129
Loans receivable, net of allowance	51,068,050	47,990,116	3,491,868	-	-	-	102,550,034
Receivables:							
Investment interest	128,952	1,944,399	-	-	40	-	2,073,391
Loan interest	2,380,701	9,021,001	51,171	-	-	-	11,452,873
Loan administrative fees	-	-	-	-	-	547,880	547,880
Federal funds	183,378	-	-	-	-	-	183,378
Deferred charges - current portion	-	4,283,607	-	-	-	-	4,283,607
Total current assets	237,125,691	113,918,588	14,755,454	2,534,140	6,089,487	5,047,302	379,470,662
Noncurrent assets							
Investments	15,102,520	193,696,772	-	-	-	-	208,799,292
Loans receivable - less current - net	643,462,377	859,761,928	4,109,429	-	-	-	1,507,333,734
Deferred charges - less current - net	-	30,753,858	-	-	-	-	30,753,858
Capital assets - at cost - net	2,249	-	-	-	-	-	2,249
Total noncurrent assets	658,567,146	1,084,212,558	4,109,429	-	-	-	1,746,889,133
Total assets	895,692,837	1,198,131,146	18,864,883	2,534,140	6,089,487	5,047,302	2,126,359,795
Liabilities							
Current liabilities							
Bonds payable - current portion	-	49,811,689	-	-	-	-	49,811,689
Accrued interest on bonds payable	-	9,473,003	-	-	-	-	9,473,003
Due to other accounts	186,640	48,657	-	-	(235,780)	38,542	38,059
Unearned revenue - current portion	-	75,885	-	-	-	-	75,885
Accounts payable and other liabilities	-	380,787	-	-	-	-	380,787
Total current liabilities	186,640	59,790,021	-	-	(235,780)	38,542	59,779,423
Noncurrent liabilities							
Bonds payable - less current - net	-	894,248,791	-	-	-	-	894,248,791
Arbitrage rebate liability	-	485,037	-	-	-	-	485,037
Unearned revenue - less current - net	-	654,312	-	-	-	-	654,312
Total noncurrent liabilities	-	895,388,140	-	-	-	-	895,388,140
Total liabilities	186,640	955,178,161	-	-	(235,780)	38,542	955,167,563
Net position							
Invested in capital assets	2,249						2,249
Restricted:							
Loan Programs	895,503,948	242,952,985	18,864,883	2,534,140	6,325,267	5,008,760	1,171,189,983
Total net position	$ 895,506,197	$ 242,952,985	$ 18,864,883	$ 2,534,140	$ 6,325,267	$ 5,008,760	$ 1,171,192,232

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2013

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Operating revenues							
Interest on loans	$ 9,751,584	$ 26,734,086	$ 212,497	$ -	$ -	$ -	$ 36,698,167
Investment income	297,924	7,989,868	17,885	5,137	5,924	5,573	8,322,311
Bond administrative fees	-	84,676	-	-	-	-	84,676
Loan administrative fees	-	-	-	-	-	1,569,100	1,569,100
Other income	-	-	3,987	-	-	-	3,987
Total operating revenues	10,049,508	34,808,630	234,369	5,137	5,924	1,574,673	46,678,241
Operating expenses							
Interest on bonds	-	40,440,372	-	-	18,445	-	40,458,817
Grants to local governments	-	-	-	-	-	-	-
Principal forgiveness loans	3,997,053	-	-	-	-	-	3,997,053
Personnel services	348,850	-	-	-	-	-	348,850
General operating	201,713	-	123,640	1,011	1,076	-	327,440
Contractual services	193,579	-	-	-	-	-	193,579
Total operating expenses	4,741,195	40,440,372	123,640	1,011	19,521	-	45,325,739
Operating income (loss)	5,308,313	(5,631,742)	110,729	4,126	(13,597)	1,574,673	1,352,502
Nonoperating revenue							
Contributions from other governments	22,275,785	-	-	-	2,135,780	-	24,411,565
Income (loss) before transfers	27,584,098	(5,631,742)	110,729	4,126	2,122,183	1,574,673	25,764,067
Transfers	2,292,466	(1,925,918)	-	-	263,640	(640,188)	(10,000)
Change in net position	29,876,564	(7,557,660)	110,729	4,126	2,385,823	934,485	25,754,067
Total net position - beginning	865,629,633	250,510,645	18,754,154	2,530,014	3,939,444	4,074,275	1,145,438,165
Total net position - ending	$ 895,506,197	$ 242,952,985	$ 18,864,883	$ 2,534,140	$ 6,325,267	$ 5,008,760	$ 1,171,192,232

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2013

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities							
Cash payments to localities for loans	$ (77,754,537)	$ (40,334,250)	$ (4,422,559)	$ -	$ -	$ -	$ (122,511,346)
Principal repayments from localities on loans	77,257,485	44,629,191	3,775,780	-	-	-	125,662,456
Interest received on loans	10,526,931	27,266,666	204,599	-	-	-	37,998,196
Loan administrative fees received	-	-	-	-	-	1,579,897	1,579,897
Cash received from other income	-	-	3,987	-	-	-	3,987
Cash payments for salaries and related benefits	(348,850)	-	-	-	-	-	(348,850)
Cash payments for contractual services	(193,579)	-	-	-	-	-	(193,579)
Cash payments for general operating expenses	(200,541)	-	(8,641)	(1,011)	(1,076)	-	(211,269)
Cash payments for principal forgiveness loans	(3,997,053)	-	-	-	-	-	(3,997,053)
Interest paid on bonds	-	(43,290,905)	-	-	(18,445)	-	(43,309,350)
Interfund activity	(1,968,512)	48,657	-	-	1,900,000	(61,058)	(80,913)
Net cash provided by (used in) operating activities	3,321,344	(11,680,641)	(446,834)	(1,011)	1,880,479	1,518,839	(5,407,824)
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	127,406,213	-	-	3,000,000	-	130,406,213
Bond issuance costs	-	(333,069)	-	-	-	-	(333,069)
Principal paid on bonds	-	(36,425,000)	-	-	(3,000,000)	-	(39,425,000)
Cash paid to escrow for refunded bonds	-	(128,068,061)	-	-	-	-	(128,068,061)
Contributions from other governments	25,128,663	-	-	-	2,135,780	-	27,264,443
Cash received (paid) from other accounts	2,292,466	(1,925,918)	-	-	263,640	(640,188)	(10,000.00)
Net cash provided by (used in) noncapital financing activities	27,421,129	(39,345,835)	-	-	2,399,420	(640,188)	(10,165,474)
Cash flows from investing activities							
Purchase of investments	(70,102,368)	-	-	-	-	-	(70,102,368)
Proceeds from sales or maturities of investments	18,621,434	5,303,851	-	-	-	-	23,925,285
Interest received on investments - net	465,335	7,706,700	17,883	5,137	5,884	5,573	8,206,512
Net cash provided by (used in) investing activities	(51,015,599)	13,010,551	17,883	5,137	5,884	5,573	(37,970,571)
Net increase (decrease) in cash and cash equivalents	(20,273,126)	(38,015,925)	(428,951)	4,126	4,285,783	884,224	(53,543,869)
Cash and cash equivalents							
Beginning of year	167,555,685	86,665,312	11,641,366	2,530,014	1,803,664	3,615,198	273,811,239
End of year	$ 147,282,559	$ 48,649,387	$ 11,212,415	$ 2,534,140	$ 6,089,447	$ 4,499,422	$ 220,267,370

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2013

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	$ 5,308,313	$ (5,631,742)	$ 110,729	$ 4,126	$ (13,597)	$ 1,574,673	$ 1,352,502
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	1,173	-	-	-	-	-	1,173
Interest on investments	(297,924)	(7,989,868)	(17,885)	(5,137)	(5,924)	(5,573)	(8,322,311)
Interest on bonds, amortization and accretion - net	-	(5,537,610)	-	-	-	-	(5,537,610)
Change in assets and liabilities							
Loans receivable	(497,052)	4,294,941	(531,781)	-	-	-	3,266,108
Loan interest receivable	775,346	532,581	(7,897)	-	-	-	1,300,030
Loan administrative fee receivable	-	-	-	-	-	10,797	10,797
Deferred charges	-	2,687,076	-	-	-	-	2,687,076
Deferred revenue	-	(84,676)	-	-	-	-	(84,676)
Due to (from) other funds	(1,968,512)	48,657	-	-	1,900,000	(61,058)	(80,913)
Total adjustments	(1,986,969)	(6,048,899)	(557,563)	(5,137)	1,894,076	(55,834)	(6,760,326)
Net cash provided by (used in) operating activities	$ 3,321,344	$ (11,680,641)	$ (446,834)	$ (1,011)	$ 1,880,479	$ 1,518,839	$ (5,407,824)

Virginia Resources Authority

Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2013

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	$ 2,571,246	$ 182,716	$ -	$ 240,174	$ 2,994,136
Cash equivalents	36,807,215	121,700	-	193,188	37,122,103
Loans receivable, net of allowance	5,715,010	4,638	-	-	5,719,648
Receivables:					
Loan interest	263,827	-	-	-	263,827
Loan administrative fees	-	-	-	37,608	37,608
Federal funds	-	-	90,186	-	90,186
Total current assets	45,357,298	309,054	90,186	470,970	46,227,508
Noncurrent assets					
Loans receivable - less current - net	126,175,216	44,056	-	-	126,219,272
Capital assets - at cost - net	-	-	818	-	818
Total noncurrent assets	126,175,216	44,056	818	-	126,220,090
Total assets	171,532,514	353,110	91,004	470,970	172,447,598
Liabilities					
Current liabilities					
Due to other accounts	50,419	-	178,749	(1,279)	227,889
Accounts payable and other liabilities	26,033	-	-	-	26,033
Total current liabilities	76,452	-	178,749	(1,279)	253,922
Total liabilities	76,452	-	178,749	(1,279)	253,922
Net position					
Invested in capital assets	-	-	818	-	818
Restricted:					
Loan Programs	171,456,062	353,110	(88,563)	472,249	172,192,858
Total net position	$ 171,456,062	$ 353,110	$ (87,745)	$ 472,249	$ 172,193,676

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2013

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	$ 962,217	$ 61	$ -	$ -	$ 962,278
Investment income	77,714	279	-	613	78,606
Loan administrative fees	-	-	-	136,889	136,889
Administrative reimbursement	-	-	328,015	-	328,015
Total operating revenues	1,039,931	340	328,015	137,502	1,505,788
Operating expenses					
Grants to local governments	9,490,547	-	-	-	9,490,547
Personnel services	-	-	222,731	-	222,731
General operating	26,455	595	35,354	77	62,481
Contractual services	-	-	70,356	-	70,356
Total operating expenses	9,517,002	595	328,441	77	9,846,115
Operating income (loss)	(8,477,071)	(255)	(426)	137,425	(8,340,327)
Nonoperating revenue					
Contributions from other governments	18,460,012	-	-	-	18,460,012
Income (loss) before transfers	9,982,941	(255)	(426)	137,425	10,119,685
Operating transfers	32,603	-	(32,603)	-	-
Change in net position	10,015,544	(255)	(33,029)	137,425	10,119,685
Total net position - beginning	161,440,518	353,365	(54,716)	334,824	162,073,991
Total net position - ending	$ 171,456,062	$ 353,110	$ (87,745)	$ 472,249	$ 172,193,676

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2013

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	$ (10,488,700)	$ -	$ -	$ -	$ (10,488,700)
Principal repayments from localities on loans	5,308,845	12,749	-	-	5,321,594
Interest received on loans	961,551	106	-	-	961,657
Loan administration fees received	-	-	-	133,176	133,176
Federal administrative reimbursement funds received	-	-	327,026	-	327,026
Cash payments for salaries and related benefits	-	-	(222,731)	-	(222,731)
Cash payments for contractual services	-	-	(70,356)	-	(70,356)
Cash payments for general operating expenses	(26,413)	(594)	(34,928)	(77)	(62,012)
Cash payments for operating grants	(9,490,547)	-	-	-	(9,490,547)
Interfund activity	78,175	-	33,592	(1,279)	110,488
Net cash provided by (used in) operating activities	(13,657,089)	12,261	32,603	131,820	(13,480,405)
Cash flows from noncapital financing activities					
Contributions from other governments	18,460,012	-	-	-	18,460,012
Cash received (paid) from other accounts	32,603	-	(32,603)	-	-
Net cash provided by (used in) noncapital financing activities	18,492,615	-	(32,603)	-	18,460,012
Cash flows from investing activities					
Interest received on investments - net	77,714	279	-	613	78,606
Net cash provided by investing activities	77,714	279	-	613	78,606
Net increase in cash and cash equivalents	4,913,240	12,540	-	132,433	5,058,213
Cash and cash equivalents					
Beginning of year	34,465,221	291,876	-	300,929	35,058,026
End of year	$ 39,378,461	$ 304,416	$ -	$ 433,362	$ 40,116,239
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (8,477,071)	$ (255)	$ (426)	$ 137,425	$ (8,340,327)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	427	-	427
Interest on investments	(77,714)	(279)	-	(613)	(78,606)
Change in assets and liabilities					
Loans receivable	(5,179,855)	12,749	-	-	(5,167,106)
Loan interest receivable	(666)	46	-	-	(620)
Loan administrative fee receivable	-	-	-	(3,713)	(3,713)
Other receivables	-	-	(990)	-	(990)
Accounts payable and other liabilities	42	-	-	-	42
Due to (from) other funds	78,175	-	33,592	(1,279)	110,488
Total adjustments	(5,180,018)	12,516	33,029	(5,605)	(5,140,078)
Net cash provided by (used in) operating activities	$ (13,657,089)	$ 12,261	$ 32,603	$ 131,820	$ (13,480,405)

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 position by component
Table 2 Changes in net position
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.

Table 1

Virginia Resources Authority

Net Position by Component

Last Ten Fiscal Years

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Invested in capital assets	$ 80,470	$ 68,003	$ 45,721	$ 9,996	$ 5,516	$ 1,812	$ 17,478	$ 128,757	$ 206,202	$ 209,143
Restricted	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	1,348,104,048	1,384,483,934
Unrestricted	2,762,252	3,502,408	4,099,446	4,379,283	4,471,442	5,456,623	6,345,180	7,257,442	8,532,138	9,642,211
Total net position	$ 920,441,244	$ 974,947,865	$ 1,041,878,338	$ 1,110,863,591	$ 1,167,937,202	$ 1,223,180,636	$ 1,267,281,639	$ 1,308,824,387	$ 1,356,842,388	$ 1,394,335,288

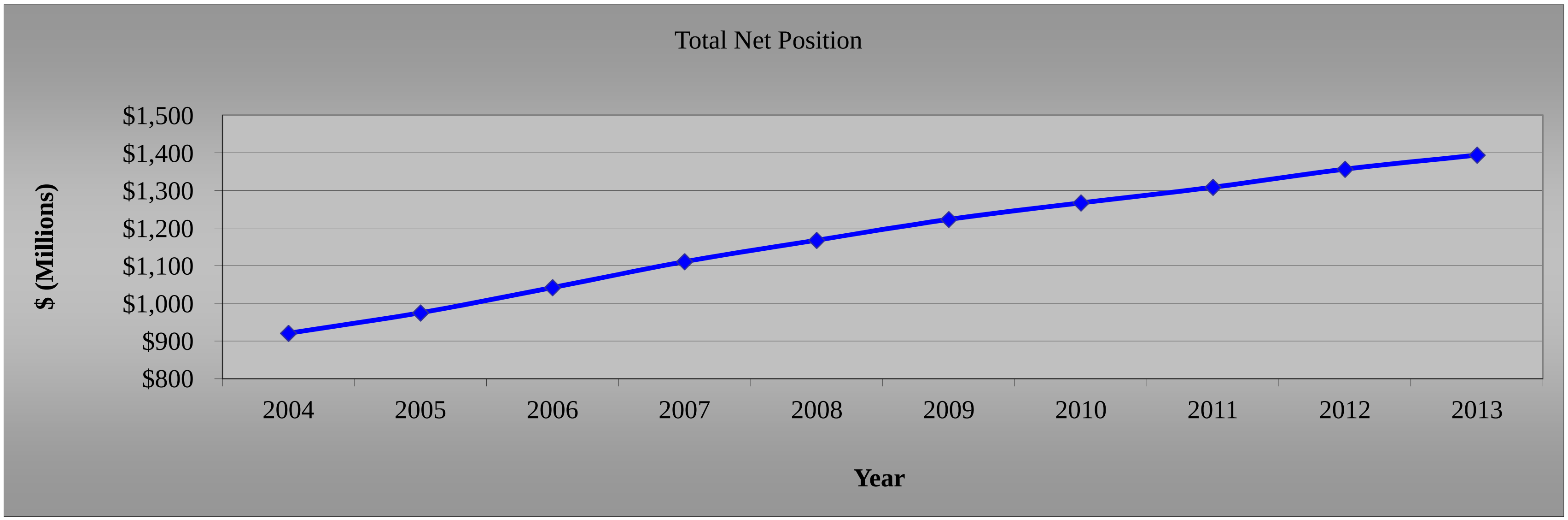


Table 2

Virginia Resources Authority

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenues & Expenses / Contributions from other Governments	Change in Net Position
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
2012	137,943,639	140,138,739	(2,195,100)	50,213,101	48,018,001
2013	146,254,548	153,674,122	(7,419,574)	44,912,474	37,492,900

Table 3

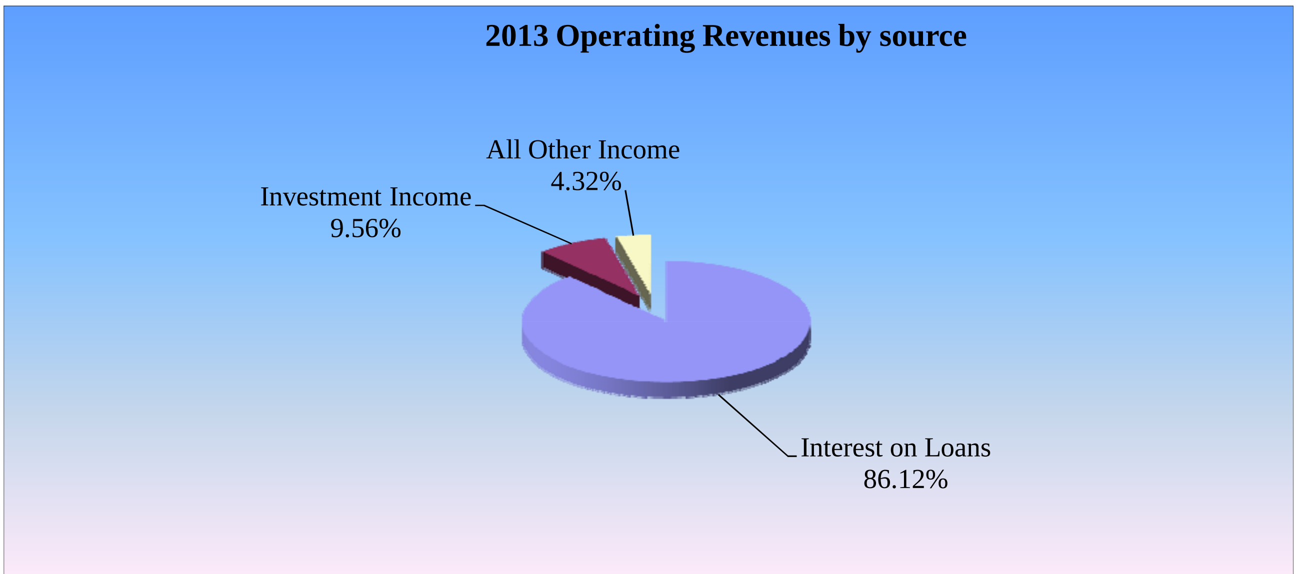
Virginia Resources Authority

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
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
2012	118,796,383	13,189,773	400,234	2,400,775	1,674,125	1,482,349	137,943,639
2013	129,061,115	11,598,881	550,179	2,771,287	1,765,758	507,328	146,254,548

(1) Beginning in 2005, Bond Administrative Fees were collected.
(2) Beginning in 2007, Loan Administrative Fees were collected.



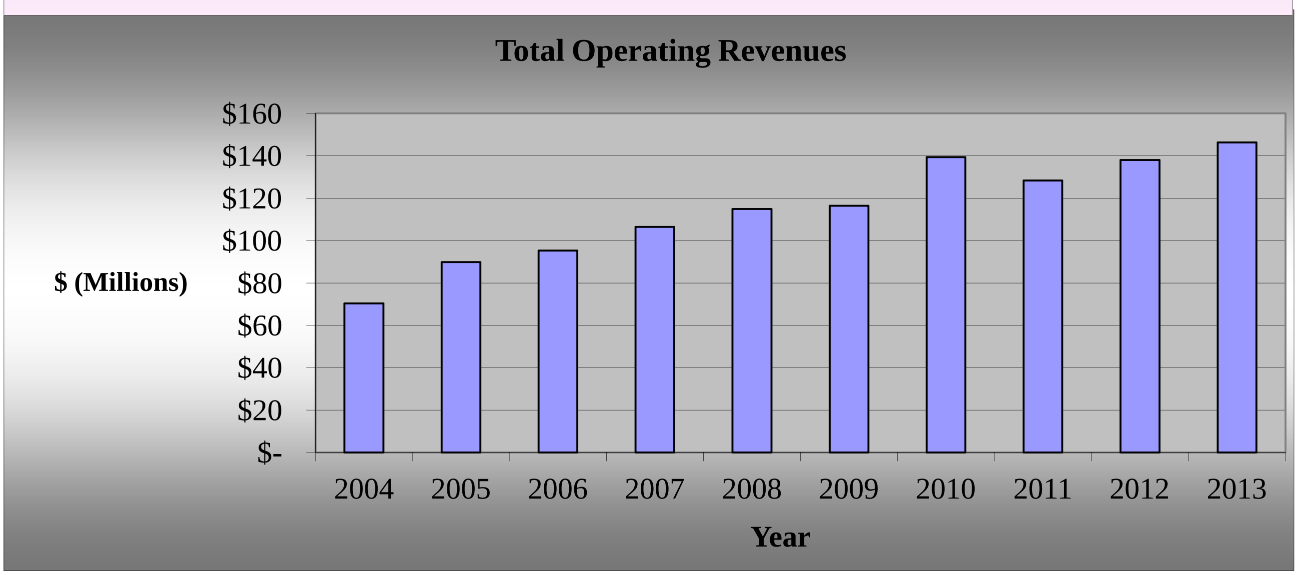


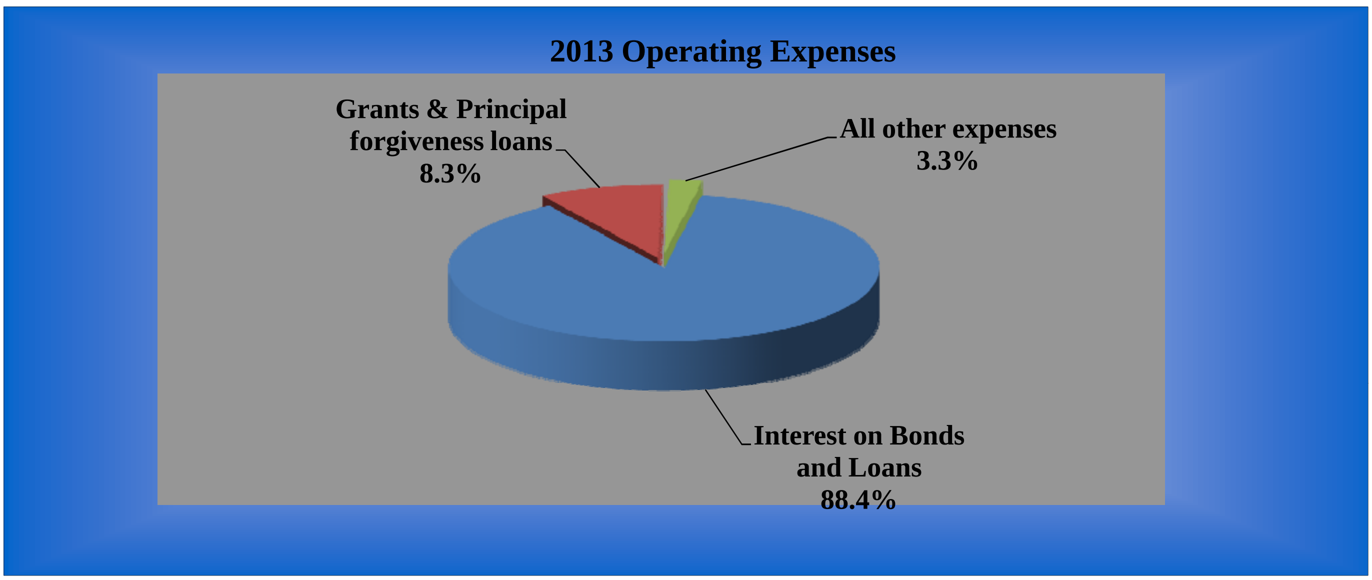
Table 4

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
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
2012	123,917,412	11,673,235	1,941,069	1,440,715	618,621	547,687	140,138,739
2013	135,666,875	14,312,957	489,821	1,636,027	803,924	764,518	153,674,122



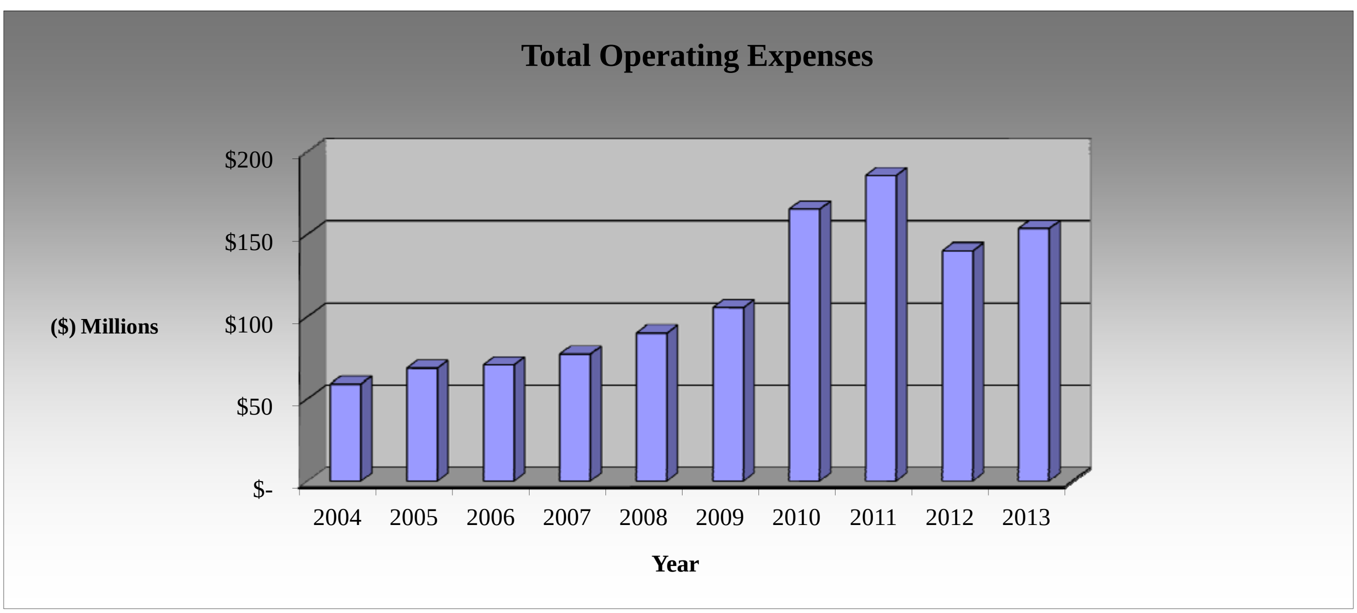


Table 5

Virginia Resources Authority

Schedule of Outstanding Loans Receivable

Last Ten Fiscal Years

Loans Receivable Related to Bond Issues

Fiscal Year	Revenue Bonds	VARF	Petroleum Storage Tank Fund	Unamortized discount / premium and cost of issuance - net	Total	Loans Receivable Related to Equipment Term Financing Total
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	-
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
2012	2,058,638,456	56,455,812	-	99,850,641	2,214,944,909	4,100,079
2013	2,192,704,353	52,527,348	-	118,873,800	2,364,105,501	2,383,510

Loans Receivable Related to Revolving Loans

Fiscal Year	VWFRF	VWFRF - leveraged	VWFRF AgBMP	VWSRF	Total
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
2012	694,033,376	912,046,985	7,099,516	126,771,814	1,739,951,691
2013	694,530,427	907,752,044	7,601,297	131,938,920	1,741,822,688

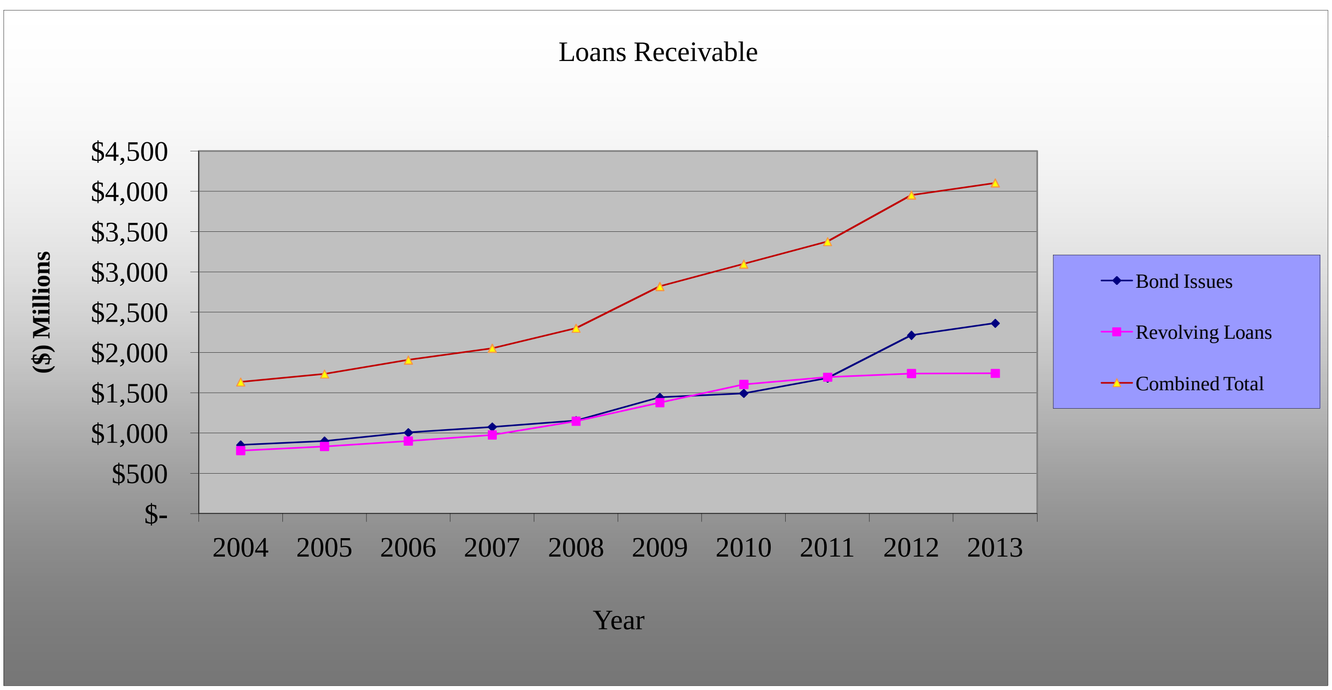


Table 6

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)
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
2012	3,090,678,456	188,948,095	3,279,626,551	801,383,906	1,500,000,000	698,616,094	381.73
2013	3,185,224,353	234,354,212	3,419,578,565	836,655,903	1,500,000,000	663,344,097	389.11

(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.

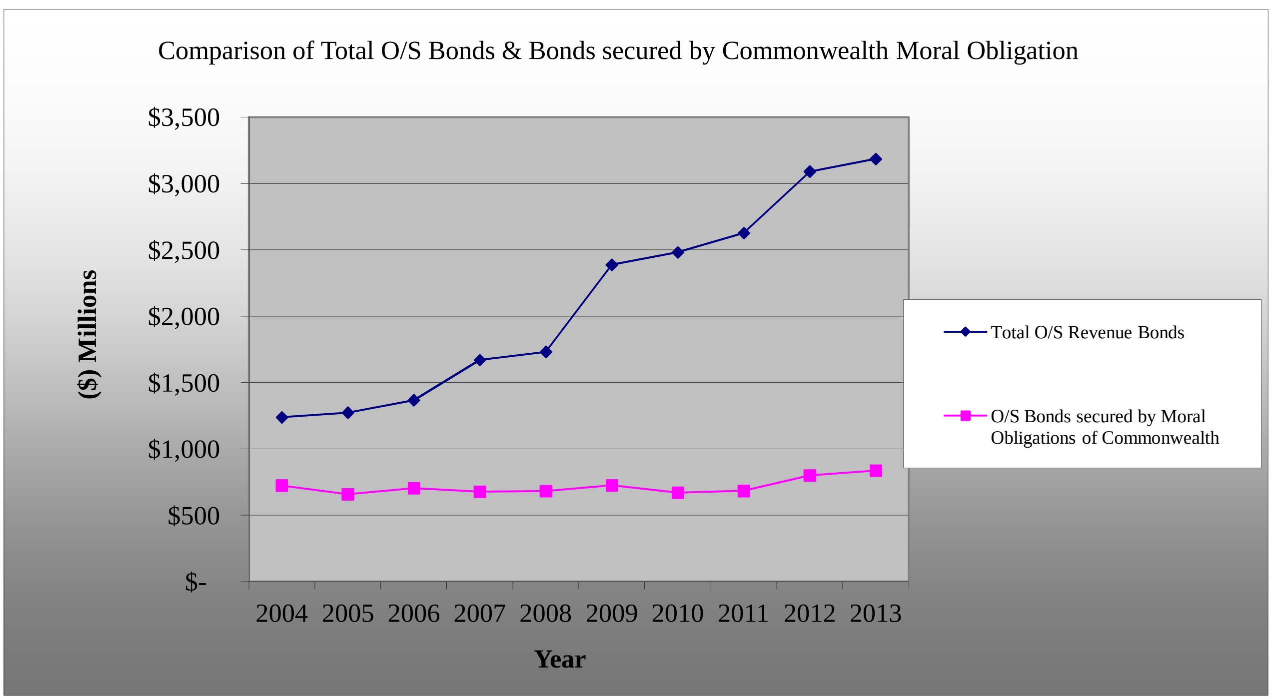


Table 7

Virginia Resources Authority

Virginia Principal Employers

Current and Ten Years Ago

Employer (1)	Fiscal Year 2013 (1) Rank	Fiscal Year 2004 (1) Rank
U.S. Department of Defense	1	1
Wal Mart	2	2
Fairfax County Public Schools	3	3
Huntington Ingalls Industries, Inc.	4	4
Sentara Healthcare	5	8
Food Lion	6	5
Postal Service	7	6
County of Fairfax	8	7
HCA Virginia Health System	9	12
University of Virginia / Blue Ridge Hospital	10	13
City of Virginia Beach Schools	13	9
Inova Health System	16	10

(1) Final quarter data for most recent calendar year (2012 and 2004).

(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**
2013	8,185,867	$ 385,403,843	$ 47,082	1,264,880	6.0%
2012	8,096,604	371,796,308	45,920	1,258,521	5.7%
2011	8,001,024	358,140,177	44,762	1,245,340	6.3%
2010	7,882,590	345,840,751	43,874	1,230,857	6.9%
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	3.8%
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	3.1%
2005	7,468,914	275,167,155	36,842	1,185,612	3.6%
2004	7,373,694	257,927,369	34,979	1,165,905	3.8%

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

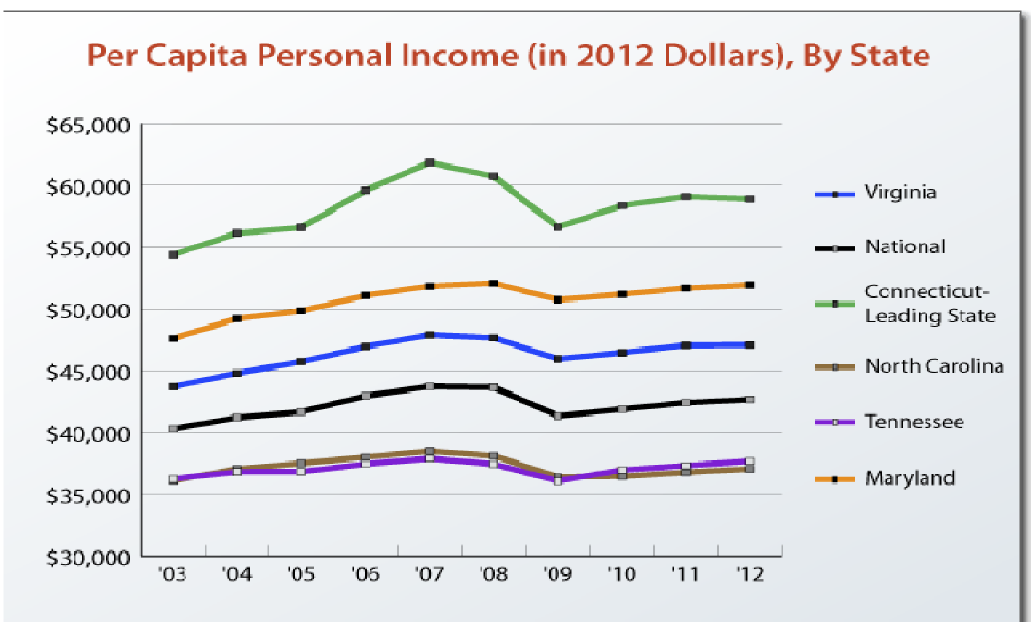


Table 9

Virginia Resources Authority

Operating Indicators

Last Nine Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Virginia Pooled Financing Program									
Projects	21	15	15	16	32	35	30	40	38
Lending	$ 115,815,000	$ 150,500,000	$ 134,000,000	$ 135,865,000	$ 451,100,000	$ 253,165,000	$ 284,180,000	$ 561,860,000	$ 318,753,736
Clean Water Revolving Loan Fund									
Projects	13	18	15	22	22	62	18	22	22
Closed Loans	$ 54,130,696	$ 82,929,575	$ 227,171,982	$ 193,543,988	$ 346,190,376	$ 353,015,563	$ 72,689,048	$ 103,970,305	$ 86,105,110
Virginia Drinking Water State Revolving Fund									
Projects	17	20	16	13	19	34	16	15	15
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	$ 18,281,172	$ 26,752,886
Virginia Airports Revolving Fund									
Projects	5	2	5	1	1	-	1	3	1
Closed Loans	$ 4,068,874	$ 733,000	$ 5,248,000	$ 140,000	$ 633,000	$ -	$ 654,184	$ 2,239,000	$ 325,500
Equipment and Term Financing									
Projects	-	-	-	4	6	-	-	-	-
Closed Loans	$ -	$ -	$ -	$ 4,349,438	$ 25,687,400	$ -	$ -	$ -	$ -
Dam Safety and Flood Prevention									
Projects	-	-	-	-	-	2	1	25	37
Closed Grants	$ -	$ -	$ -	$ -	$ -	$ 1,002,330	$ 1,000	$ 233,519	$ 558,711
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund									
Projects	-	-	-	-	-	-	-	10	8
Closed Grants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 199,873	$ 316,560
Total Projects	56	55	51	56	80	133	66	115	121
Total Localities Served	67	55	51	50	61	96	53	71	74
Total Lending	$ 184,669,078	$ 251,017,863	$ 376,932,989	$ 340,041,975	$ 837,319,455	$ 640,824,153	$ 373,021,104	$ 686,783,869	$ 432,812,503

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

Source: VRA Annual Reports

Table 10

Virginia Resources Authority

Full Time Employees by Identifiable Activity

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Executive	1	1	1	1	1	2	2	1	1	1
Financial Services/Debt Management	4	5	4	5	5	-	-	4	4	4
Finance and Administration	6	4	2	4	3	4	2	5	5	5
Program Management	-	-	-	-	-	2	2	2	2	1
Policy and Intergovernmental Relations	-	-	-	-	-	1	1	2	2	2
Total Full Time Employees:	11	10	7	10	9	9	7	14	14	13

* 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

BROWN EDWARDS
certified public accountants

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*

To the Honorable Members of the Board of Directors
Virginia Resources Authority
Richmond, Virginia

We have audited, 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 and the Specifications for Audits of Authorities, Boards, and Commissions, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the Virginia Resources Authority (the "Authority"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control.

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

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

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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.***

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
August 29, 2013

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Members of the Board of Directors
Virginia Resources Authority
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited the Virginia Resources Authority's (the "Authority") compliance with the types of compliance requirements described in the OMB Circular A-133, *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2013. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
August 29, 2013

Virginia Resources Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Granting Agency / Recipient State Agency / Grant Program	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-through Identifying Number	Expenditures
Environmental Protection Agency			
Pass through payments from Commonwealth of Virginia:			
Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds (VWFRF)	66.458	90311, 90312	$ 22,275,785
Total Clean Water State Revolving Funds (VWFRF)			22,275,785
Department of Health			
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF)	66.468	66105, 66115	14,907,562
Total Drinking Water State Revolving Funds (VWSRF)			14,907,562
Total expenditures of federal awards			$ 37,183,347

See notes to the Schedule of Expenditures of Federal Awards.

1. General

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

2. Basis of Accounting

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

3. Loan and Grant Commitments

   The Authority is obligated under outstanding commitments for undisbursed loans and grants to disburse approximately $76,552,865 from the VWFRF and $17,070,467 from the VWSRF as of June 30, 2013.

4. Relationship to Federal Financial Reports

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

5. Relationship to the Authority's Basic Financial Statements

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

	VWFRF	VWSRF	Other	Total
Revenue Per Financial Statements:				
Administrative Reimbursement	$ -	$ 328,015	$ 222,164	$ 550,179
Contributions from other Governments	24,411,565	18,460,012	1,958,290	44,829,867
Total Governmental Revenue	24,411,565	18,788,027	2,180,454	45,380,046
Less amounts not related to federal financial assistance	(2,135,780)	(3,880,465)	(2,180,454)	(8,196,699)
Federal Schedule of Expenditures	$ 22,275,785	$ 14,907,562	$ -	$ 37,183,347

VIRGINIA RESOURCES AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2013

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements are reported in the 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*.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings relating to the major program**.
7. The program tested as major was:

   Capitalization Grants for Clean Water State Revolving Funds CFDA # 66.458
8. The threshold for distinguishing Type A and B programs was **$1,115,500.**
9. The Authority was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.