VRA Virginia Resources Authority

Stephanie L. Hamlett
Executive Director

December 15, 2014

The Honorable Terry McAuliffe
Governor of Virginia
Patrick Henry Building, 3rd Floor
Richmond, Virginia 23219

The Honorable Paul G. Nardo
Clerk of the House of Delegates
State Capitol, Room 303
Richmond, Virginia 23219

The Honorable Susan Clarke Schaar
Clerk of the Senate
State Capitol, 3rd Floor
Richmond, Virginia 23219

Dear Governor McAuliffe and Members of the General Assembly,

Attached is the Comprehensive Annual Financial Report ("CAFR") of the Virginia Resources Authority ("VRA", "Authority") for the year ending June 30, 2014. The CAFR is submitted pursuant to the requirements set forth in §62.1-222 of the Code of Virginia, as amended.

VRA's CAFR sets forth the complete operating and financial statements for the Authority during the fiscal year. As required, an independent certified public accountant, Brown, Edwards & Company, L.L.P., has performed an audit of the books and accounts of the Authority and has issued an unqualified opinion with no audit findings or management letter. The CAFR also includes supplemental information relating to the Water Facilities (§62.1-227), Water Supply (§62.1-236), Dam Safety (§ 10.1-603.23), and the Airports (§ 5.1-30.9) revolving loan funds.

In addition, the attached CAFR includes complete financial statements for other financial programs of VRA, including the Virginia Pooled Financing Program.

Sincerely,

Stephanie L. Hamlett
Executive Director

Attachment

1111 E. Main Street
Suite 1920
Richmond, VA 23219

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Richmond, Virginia

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

Year Ended June 30, 2014

VRA

Virginia
Resources
Authority

Virginia Resources Authority

Richmond, Virginia

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

Year Ended June 30, 2014

Prepared by the Accounting Department:
Jon McCubbin, Controller
George Panos, Deputy Controller
Elizabeth Sakr, Fiscal and Administrative Specialist

VIRGINIA RESOURCES AUTHORITY

Virginia Resources Authority
Financial Statements for the Year Ended June 30, 2014

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September 1, 2014

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

Dear Board Member:

I am pleased to present the Virginia Resources Authority (VRA, Authority) FY2014 Financial Statements. Section 62.1-222 of the Code of Virginia, as amended, requires that the Authority publish, at the close of each fiscal year, a complete set of financial statements presented in conformance with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with Governmental Accounting Auditing Standards.

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

For the fiscal year ended June 30, 2014, 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 unmodified opinion on the Authority's financial statements for the year ended June 30, 2014.

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

VRA Profile

VRA was established in 1984 as a public body corporate and as a political subdivision of the Commonwealth of Virginia pursuant to the Virginia Resources Authority Act (Chapter 21 of Title 62.1 of the Code of Virginia, as amended). VRA is governed by an eleven member Board of Directors, appointed by the Governor. Members include 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 its Board of Directors.

VRA was established to provide an additional source of funding for local infrastructure projects. Initially providing financing for local water and wastewater projects, 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 to 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 seeking 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

The Commonwealth continues to experience a gradual recovery from the 2008 recession with the unemployment rate dropping to 5.4% as of June 30, 2014, its lowest level since 2008; however GDP growth of 0.1% lagged behind the U.S. GDP of 1.8%. Low interest rates continued in the municipal bond market which drove additional refunding opportunities for VRA local borrowers. Furthermore, supply shortages in the market at various points in the year helped reduce the spreads VRA was able to achieve against AAA-rated General Obligation Municipal Market Data.

FY2014 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.

Among the accomplishments of the Authority in FY2014 was the appointment in April 2014 of an Executive Director familiar with its programs and operations. The inauguration of a new Governor has generally meant a change in leadership particularly in those positions where the Governor is authorized to make appointments.

Recognizing that the rating agencies and the public finance community desired consistency and reliability in both executive and board leadership, Governor McAuliffe appointed Stephanie Hamlett as Executive Director and reappointed each VRA Board member whose term had expired. Ms. Hamlett, a seasoned public finance attorney, had formerly served as VRA's Executive Director and was therefore familiar with its staff and operations. FY2014 accomplishments of the Authority support the Strategic Goals and Key Initiatives adopted by the Authority's Board of Directors and outlined in the Authority's FY2014 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.

- In FY14, VRA provided 110 loans and grants across all programs totaling $353.2 million**.**

- On August 14, 2013, VRA successfully closed the VPFP, Series 2013B. The total par amount of the bond, $66,490,000, supported 5 loans on behalf of 5 local government borrowers. The bonds achieved an all-in true interest cost of 3.50%. The VPFP Series 2013B included new money and refunding projects. Of the VPFP Series 2013B borrowers, two localities refunded prior debt obligations for net present value cash flow savings in excess of $5.9 million.

- On November 20, 2013, VRA successfully closed the VPFP, Series 2013C transaction. The total par amount of the bond was $25,100,000. The bonds supported 7 loans on behalf of 6 local government borrowers. The bonds achieved an all-in true interest cost of 3.91%. The VPFP Series 2013C included new money and refunding projects representing seven of VRA's authorized project areas (water, wastewater, local government buildings, transportation, energy, public safety and parks & recreation). Of the VPFP Series 2013C borrowers, two localities refunded prior debt obligations for net present value cash flow savings in excess of $400,000.

- On May 21, 2014, VRA successfully closed the VPFP, Series 2014A transaction. The total par amount of the bond was $96,160,000. The bonds supported 8 loans on behalf of 7 local government borrowers. The bonds achieved an all-in true interest cost of 3.28%. The VPFP Series 2014A included new money and refunding projects representing five of VRA's authorized project areas (water, wastewater, local government buildings, public safety, and energy). Of the VPFP Series 2014A borrowers, three localities refunded prior debt obligations for net present value cash flow savings in excess of $2.6 million.

VRA also achieved success in its continued efforts to sustain its ability to meet the needs of local governments for cost-effective infrastructure financing. 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 the VRA for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the fifth consecutive year that the 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 by the following accomplishments:
  - On March 24, 2014, presented to the Portfolio Risk Management Committee of the VRA Board the updated Loan Monitoring and Compliance Database which analyzes 9 financial indicators of all borrowers across each of VRA's programs.
  - Completed in-depth compliance reviews of $3.2 billion of the total portfolio, which reflects over 82% of the overall portfolio dollars.
  - Incorporated relevant legislative items into compliance monitoring, namely General Assembly proposed bills that would have an impact on any of VRA's borrowers.
- Developed and conducted a series of regional workshops across the state, including:
  - Hosted a regional workshop in Town of Keysville which drew a large group of around 80 participants, including local government elected officials, local government administration, school, and finance staff from the counties of Amelia, Amherst, Appomattox, Buckingham, Campbell, Charles City, Charlotte, Cumberland, Halifax, Lunenburg, Mecklenburg, Prince Edward and the towns within those counties. Agencies participating with VRA in the Workshop included the Virginia Tobacco Commission, the Virginia Public School Authority, and the Virginia Small Business Financing Authority. The Deputy Secretary for Rural Economic Development and representatives from USDA Rural Development also participated in the Workshop.
  - Hosted a regional workshop in Town of Middletown which drew a group of around 60 participants including local government representatives from Clarke, Frederick, Page, Shenandoah, and Warren Counties, the towns within these counties, and the city of Winchester. Participants heard from state agency representatives from Department of Health, Treasury, and Housing and Community Development. There were also private sector professionals who provided legal and financial presentations to assist with both preparing to finance as well as loan compliance. The workshop concluded with a rate setting panel discussion which proved very useful and informative to small communities operating their own water and/or sewer utility.

Fiscal Year 2014 Financial Results

The Authority had a strong year in fiscal year 2014. The Authority surpassed $1.437 billion in net position, an increase of $44.1 million or 3.2% from the prior year. Net position has grown approximately $463 million or 47.5% since 2005. The largest portion of net position is restricted (99.2%) for the purpose of making loans and grants under the various programs the Authority administers. Total assets increased by $6 million (0.1%) while total liabilities decreased by $42 million (1.2%) in comparison to the June 30, 2013 balances. The increase in assets is primarily the result of increased lending in the revolving loan programs and the Virginia Pooled Financing Program (VPFP), net of payments, payoffs, and refundings. The Authority's operating revenue increased $0.7 million and operating expenses increased $2.7 million in comparison to the prior fiscal year. The increase in operating revenue is mostly due to additional loan interest 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 program. The increase in operating expenses is the result of interest incurred on outstanding debt obligations as a result of the added borrowing to support VRA's lending programs.

Long-term Financial Planning

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

VRA is in the process of updating its strategic plan. The strategic plan helps direct the day-to-day operations of the Authority and helps in advancing the mission, vision, and goals developed by the Board of Directors. The plan aligns with the objectives of the Governor's office and the Virginia General Assembly and serves as a roadmap for VRA programs and services. The strategic planning initiative has sought broad stakeholder input through surveys and focus groups, as well as planning sessions with the Strategic Planning Committee of the Board and all of VRA's staff. A third party has been utilized to assist in this process. As this initiative comes to completion, the staff will have clear guidance on the direction of the VRA Board for the next five years.

The strategic planning process began with the creation of desk books for each of the Authority's employees. That process is now complete and each desk book includes employee work profiles, process maps and process narratives which ensure continuity of operations and assist in succession management.

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.

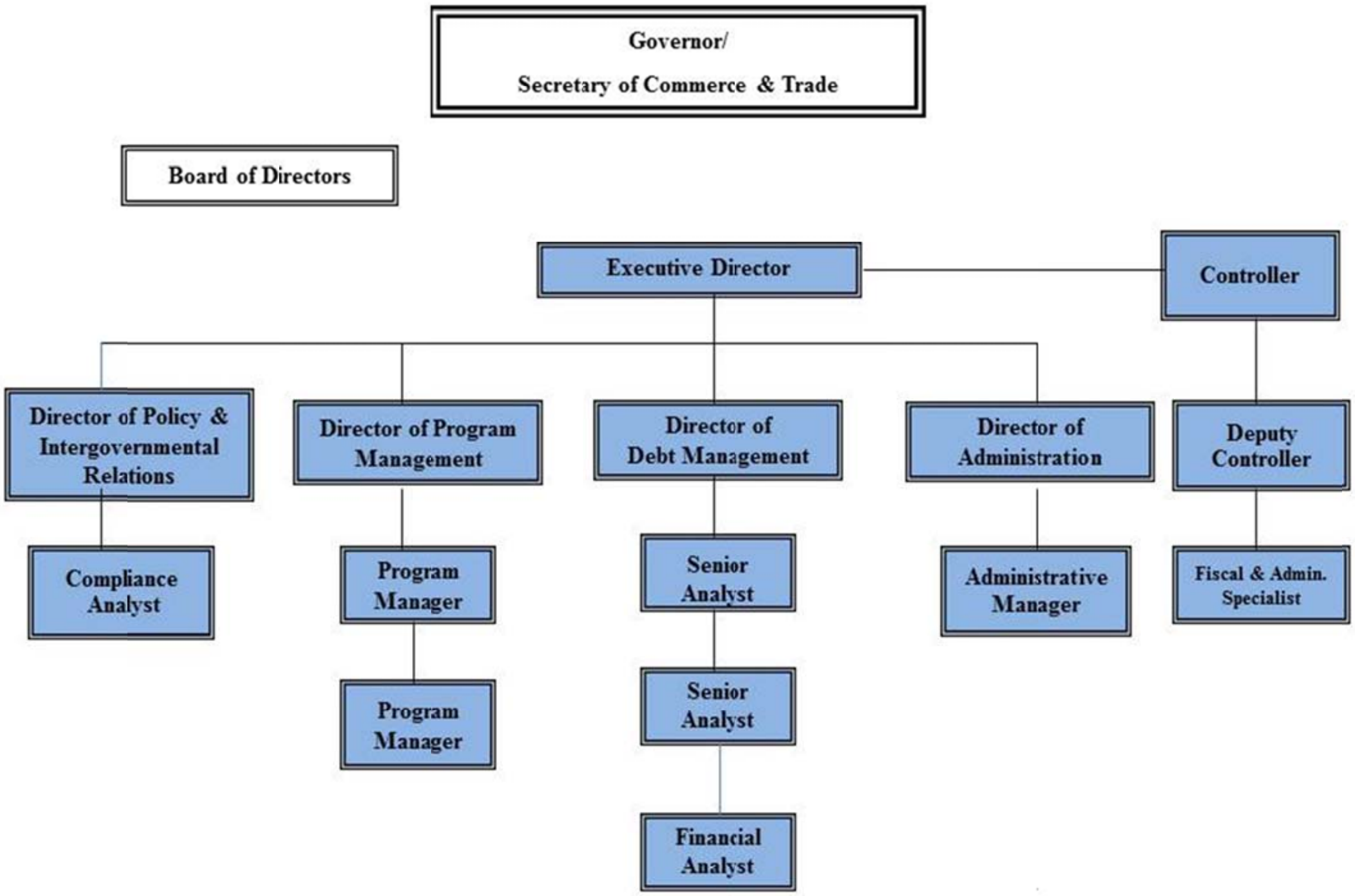
Finally, completion of the Authority's FY2014 financial statements would not have been possible without the Authority's knowledgeable and dedicated team of professionals. A special note of gratitude goes to the Authority's personnel who assisted in this effort. I would also like to extend our thanks to the Authority's Board of Directors for their continuing support in planning and conducting the financial operations of the Virginia Resources Authority in a responsible manner.

Sincerely,

Stephanie L. Hamlett
Executive Director

Virginia Resources Authority

Organizational Structure
June 30, 2014



Virginia Resources Authority

Directory of Principal Officials
June 30, 2014

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

Dr. Marissa J. Levine
State Health Commissioner

Administrative Officials

Stephanie L. Hamlett; Executive Director

Jean Bass; Director of Policy and Intergovernmental Relations

Peter D'Alema; Director of Program Management

Shawn Crumlish; Director of Debt Management

Michael Cooper; Director of Administration

Jon McCubbin; Controller

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, 2013

Executive Director/CEO

FINANCIAL SECTION

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, 2014, 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, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 14 to the financial statements, in 2014 the Authority adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress, as listed in the table of contents, 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.

Other Matters (Continued)

Other Information (Continued)

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 September 1, 2014, 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 the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 1, 2014

Virginia Resources Authority

Management's Discussion and Analysis

Year Ended June 30, 2014

The Management's Discussion and Analysis 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, 2014. 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 and deferred outflows exceeded the liabilities and deferred inflows at the close of the fiscal year by $1.438 billion (net position), an increase of 3.2%.
- Total assets of $4.8 billion increased by $6.5 million or 0.1% (See FINANCIAL ANALYSIS Table 1 summary).
- Total deferred outflows of $41.4 million decreased by $5.1 million or 11.0% (See FINANCIAL ANALYSIS Table 1 summary).
- Total liabilities of $3.4 billion decreased by $42.3 million or 1.2%. (See FINANCIAL ANALYSIS Table 1 summary).
- Total deferred inflows of $16.6 million decreased by $0.4 million or 2.4%. (See FINANCIAL ANALYSIS Table 1 summary).
- Change in net position of $44.1 million, increased by $6.6 million or 19.4% 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, required supplementary information and 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 deferred outflows and liabilities and deferred inflows – 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** which 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 while providing insight into 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. *Supplementary information* that further explains and supports information in the basic financial statements immediately follows the notes. *Combining schedules* provide information for the Authority's separate programs. 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 auditor reports on compliance and internal controls. The *Schedule of Expenditures of Federal Awards* provides detail of Federal Assistance, followed by explanatory notes.

FINANCIAL ANALYSIS

The Authority's lending programs significantly reduce the cost of financing local infrastructure projects by providing 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 $1.438 billion (net position). The largest portion of net position is restricted net position (99.2%), which is restricted primarily for the purpose of making loans under the various programs the Authority administers. Restricted net position also includes a $7.7 million operating reserve fund described further in Note 7.

See Table 1. Total assets of $4.8 billion increased by $6.5 million or 0.1%, primarily due to the result of borrower loan repayments and contributions from other governments in excess of new lending activity and debt service payments on existing bonds. The additional loan repayments and contributions from other governments resulted in an increase in cash, cash equivalents, and investments of $27 million, offset by a reduction in loans receivable of $20.3 million. Loans receivable decreased for the first time in past ten years. With interest rates being so low, more localities are refinancing or prepaying their loan obligations to the Authority. Assets primarily consist of loans receivable (85.6%) 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 Government. See Note 4 for additional information on loans receivable.

The Authority implemented GASB 65, *Items Previously Reported as Assets and Liabilities.* As a result, deferred losses on refundings, which were previously reported as deferred charges (asset), are now shown on the Statement of Net Position as a deferred outflow of resources. Total deferred outflows of resources of $41.4 million decreased by $5.1 million or 11.0%. The decrease is a result of the current period recognition of the deferred charges, known as amortization, in the amount of $5.7 million.

Total liabilities of $3.4 billion decreased by $42.3 million or 1.2%. The primary driver of the decrease was the retirement of existing debt (including the amortization of bond premiums) of $252 million in excess of new issuances of $202 million. The Authority issued three different bond issues in fiscal year 2014 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 the Authority's authorized project areas. The decrease from net borrowing activity was offset by an additional $11 million in agency funds on hand in relation to the Virginia Transportation Infrastructure Bank (VTIB). The Authority coordinates the financial transactions (disbursements and repayments) for the VTIB; however, the VTIB is reported as a subfund of the Transportation Trust Fund for financial reporting purposes. Liabilities primarily consist of bonds payable (98.8%). See Note 6 for additional information on bonds payable.

Under GASB 65 the deferred gains from localities on a refunding transaction, which were previously netted against loans receivable, are now shown on the Statement of Net Position as a deferred inflow of resources. Total deferred inflows of $16.6 million decreased by $0.4 million or 2.4% as a result of the current period recognition of the deferred gains in excess of additions from refunding transactions in fiscal year 2014. See Note 13 for additional information.

See Table 2.

- Operating revenue of $147.0 million increased by $0.7 million or 0.5%.

- Operating expenses of $151.0 million decreased by $2.7 million or 1.8%.

- Operating loss of $4.0 million decreased by $3.4 million or 46.3%.

At the end of fiscal year 2014, net position increased $44.1 million or 3.2% to $1.438 billion. Operating revenues of $147.0 million increased $0.7 million (0.5%). This change was mostly driven by an increase in gains on early extinguishment of loans ($2.5 million) from an increase in borrower loan defeasances during the year; a decrease in interest on loans ($4.1 million) due to a low interest rate environment, and the immediate recognition of loan origination revenue ($2.3 million) as a current resource inflow under GASB 65. Operating expenses of $151.0 million decreased $2.7 million (1.8%). This decrease was a result of a $3.3 million decline in interest incurred on outstanding debt obligations as result of a low interest rate environment, a decrease in principal forgiveness loans and grants to local governments ($4.2 million), an increase in loss on early extinguishment of loans ($2.7 million) due to an increase in defeasances initiated by local borrower participants, and the immediate recognition of bond issuance costs ($1.9 million) as a current resource outflow under GASB 65. The Operating Loss of $4.0 million is the result of further use of grants in concurrence with loans to fund projects in the Virginia Water Supply Revolving Fund (VWSRF) which is designed to assist economically disadvantaged water systems under the Environment Protection Agency's Capitalization Grants for State Revolving Funds. Nonoperating income increased by $3.2 million (7.0%) as a result of an increase in EPA's allocation of the Capitalization Grant for State Revolving Funds.

Finally, the Authority restated beginning net position due to a change in accounting principal from the implementation of GASB 65. Under GASB65, items previously amortized over the life of the related instrument, such as bond issuance costs and loan origination fees, are now recognized as an expense and revenue, respectively, in the period incurred. Accordingly, a restatement was required to eliminate previously unamortized issuance costs and origination fees.

Table 1
Virginia Resources Authority

Schedules of Net Position
(In thousands of dollars)

	June 30, 2014	June 30, 2013 As Restated	$ Change 2014 - 2013	% Change 2014 - 2013
Assets				
Current assets:				
Cash	$ 30,353	$ 15,583	$ 14,770	94.8%
Cash equivalents	256,358	280,538	(24,180)	-8.6%
Investments	37,369	42,839	(5,470)	-12.8%
Loans receivable - current portion (Note 4)	222,519	208,419	14,100	6.8%
Receivables:				
Investment interest	2,736	2,688	48	1.8%
Loan interest	27,149	27,866	(717)	-2.6%
Loan administrative fees	1,057	1,048	9	0.9%
Federal funds	336	274	62	22.6%
Other	63	68	(5)	-7.4%
Other	38	17	21	123.5%
Total current assets	577,978	579,340	(1,362)	-0.2%
Noncurrent assets:				
Investments	337,945	295,561	42,384	14.3%
Loans receivable - less current - net (Note 4)	3,906,987	3,941,367	(34,380)	-0.9%
Capital assets - at cost - less accumulated depreciation	51	209	(158)	-75.6%
Total noncurrent assets	4,244,983	4,237,137	7,846	0.2%
Total assets	4,822,961	4,816,477	6,484	0.1%
Deferred Outflows of Resources				
Deferred loss on refunding	41,363	46,450	(5,087)	-11.0%
Liabilities				
Current liabilities:				
Loans payable - current portion	599	609	(10)	-1.6%
Bonds payable - current portion (Note 6)	161,293	148,674	12,619	8.5%
Accrued interest on bonds payable	27,748	26,820	928	3.5%
Arbitrage rebate liability	631	1,817	(1,186)	-65.3%
Agency funds	11,545	149	11,396	7648.3%
Accounts payable and other liabilities	291	680	(389)	-57.2%
Total current liabilities	202,107	178,749	23,358	13.1%
Noncurrent liabilities:				
Loans payable - less current - net	1,138	1,775	(637)	-35.9%
Bonds payable - less current - net (Note 6)	3,206,583	3,270,905	(64,322)	-2.0%
Arbitrage rebate liability	-	687	(687)	-100.0%
Total noncurrent liabilities	3,207,721	3,273,367	(65,646)	-2.0%
Total liabilities	3,409,828	3,452,116	(42,288)	-1.2%
Deferred Inflows of Resources				
Deferred gain from localities on refunding	16,641	17,046	(405)	-2.4%
Net position				
Investment in capital assets	52	209	(157)	-75.1%
Restricted (Note 7):				
Loan Programs	1,419,109	1,376,377	42,732	3.1%
Operating Reserve	7,727	7,539	188	2.5%
Unrestricted	10,968	9,642	1,326	13.8%
Total net position	$ 1,437,856	$ 1,393,767	$ 44,089	3.2%

Table 2
Virginia Resources Authority

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

	Year Ended June 30, 2014	Year Ended June 30, 2013	$ Change 2014 - 2013	% Change 2014 - 2013
Operating revenues				
Interest on loans	$ 124,972	$ 129,061	$ (4,089)	-3.2%
Investment income	11,481	11,599	(118)	-1.0%
Bond administration fees	2,826	2,771	55	2.0%
Loan administration fees	1,823	1,766	57	3.2%
Loan origination revenue*	2,346	-	2,346	100.0%
Administrative reimbursement	510	550	(40)	-7.3%
Gain on early extinguishment of loans	2,978	502	2,476	493.2%
Other income	17	5	12	240.0%
Total operating revenues	146,953	146,254	699	0.5%
Operating expenses				
Interest on bonds and loans	132,360	135,667	(3,307)	-2.4%
Bond issuance costs*	1,893	-	1,893	100.0%
Grants to local governments	8,576	10,316	(1,740)	-16.9%
Principal forgiveness loans to local governments	1,565	3,997	(2,432)	-60.8%
Loss on early extinguishment of bonds	3,152	490	2,662	543.3%
Personnel services	1,657	1,636	21	1.3%
General operating	1,070	804	266	33.1%
Contractual services	663	763	(100)	-13.1%
Total operating expenses	150,936	153,673	(2,737)	-1.8%
Operating income (loss)	(3,983)	(7,419)	3,436	-46.3%
Nonoperating revenues				
Contributions from other governments	48,159	44,830	3,329	7.4%
Interest subsidy - Build America Bonds	2,609	2,879	(270)	-9.4%
Nonoperating expenses				
Interest subsidy passthrough - Build America	(2,533)	(2,796)	263	9.4%
Contribution to other governments	(163)	-	(163)	-100.0%
Change in net position	44,089	37,494	6,595	17.6%
Total net position - beginning	1,393,767	1,356,842	36,925	2.7%
Restatement (Note 14)	-	(569)	569	-100.0%
Total net position - ending	$ 1,437,856	$ 1,393,767	$ 44,089	3.2%

*The Authority implemented GASB65 in Fiscal Year 2014 which required the immediate recognition of loan origination revenue and bond issuance costs

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. All Virginia Water Facilities Revolving Fund (VWFRF) leveraged issues have 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, 2014

Assets	
Current assets:	
Cash	$ 30,353,432
Cash equivalents	256,358,063
Investments	37,368,857
Loans receivable, net of allowance (Note 4)	222,518,819
Receivables:	
Investment interest	2,736,018
Loan interest	27,149,483
Loan administrative fees	1,057,063
Federal funds	336,160
Other	62,908
Other	37,840
Total current assets	577,978,643
Noncurrent assets:	
Investments	337,944,714
Loans receivable - less current - net (Note 4)	3,906,986,770
Capital assets - at cost - net (Note 5)	51,500
Total noncurrent assets	4,244,982,984
Total assets	4,822,961,627
Deferred Outflows of Resources	
Deferred loss on refunding (Note 13)	41,363,220
Liabilities	
Current liabilities:	
Loans payable - current portion	599,076
Bonds payable - current portion (Note 6)	161,292,852
Accrued interest on bonds payable	27,747,629
Arbitrage rebate liability - current portion	631,080
Agency funds	11,545,536
Accounts payable and other liabilities	290,809
Total current liabilities	202,106,982
Noncurrent liabilities:	
Loans payable - less current - net	1,138,199
Bonds payable - less current - net (Note 6)	3,206,582,653
Total noncurrent liabilities	3,207,720,852
Total liabilities	3,409,827,834
Deferred Inflows of Resources	
Deferred gain from localities on refunding (Note 13)	16,641,097
Net position	
Investment in capital assets	51,500
Restricted (Note 7):	
Loan Programs	1,419,109,049
Operating Reserve	7,727,035
Unrestricted	10,968,332
Total net position	$ 1,437,855,916

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, 2014

Operating revenues	
Interest on loans	$ 124,972,397
Investment income	11,480,974
Bond administrative fees	2,826,301
Loan administrative fees	1,822,734
Loan origination revenue	2,346,383
Administrative reimbursement	509,932
Gain on early extinguishment of loans	2,977,887
Other income	17,347
Total operating revenues	146,953,955
Operating expenses	
Interest on bonds and loans	132,360,014
Bond issuance costs	1,893,419
Grants to local governments	8,576,556
Principal forgiveness loans	1,565,260
Loss on early extinguishment of bonds	3,151,663
Personnel services	1,657,123
General operating	1,069,847
Contractual services	662,882
Total operating expenses	150,936,764
Operating loss	(3,982,809)
Nonoperating revenues	
Contributions from other governments (Note 9)	48,159,395
Interest subsidy - Build America Bonds	2,608,757
Total nonoperating revenues	50,768,152
Nonoperating expenses	
Contributions to other governments	(163,000)
Interest subsidy passthrough - Build America Bonds	(2,533,089)
Total nonoperating expenses	(2,696,089)
Change in net position	44,089,254
Total net position - beginning	1,394,335,288
Restatement (Note 14)	(568,626)
Total net position - ending	$ 1,437,855,916

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, 2014

Cash flows from operating activities		
Cash payments to localities for loans	$	(295,635,151)
Principal repayments from localities on loans		303,143,241
Interest received on loans		136,582,938
Loan origination fees received		2,346,383
Bond administrative fees received		2,824,714
Loan administrative fees received		1,815,458
Federal administrative reimbursement funds received		530,978
Cash received from other income		17,347
Cash payments for salaries and related benefits		(1,677,473)
Cash payments for contractual services		(721,191)
Cash payments for general operating expenses		(731,805)
Cash payments for operating grants		(8,576,556)
Cash payments for principal forgiveness loans		(1,565,260)
Interest paid on loans		(66,411)
Interest paid on bonds		(144,828,285)
Agency funds received		11,397,013
Net cash provided by operating activities		4,855,940
Cash flows from noncapital financing activities		
Proceeds from sale of bonds		202,444,655
Bond issuance costs		(2,259,315)
Principal paid on loans		(646,235)
Principal paid on bonds		(234,433,450)
Arbitrage rebate		(1,825,000)
Proceeds from interest subsidy - Build America Bonds		2,671,765
Cash payments to localities for interest subsidy		(2,577,398)
Contributions from other governments		48,096,979
Contributions to other governments		(163,000)
Net cash provided by noncapital financing activities		11,309,001
Cash flows from capital and financing related activities		
Purchase of office equipment		(46,728)
Net cash used in noncapital financing activities		(46,728)
Cash flows from investing activities		
Purchase of investments		(142,175,576)
Proceeds from sales or maturities of investments		105,158,451
Interest received on investments - net		11,489,028
Net cash used in investing activities		(25,528,097)
Net decrease in cash and cash equivalents		(9,409,884)
Cash and cash equivalents		
Beginning of year		296,121,379
End of year	$	286,711,495
Reconcilation to the Statement of Net Position		
Cash	$	30,353,432
Cash equivalents		256,358,063
	$	286,711,495

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, 2014

Reconciliation of operating loss		
to net cash provided by operating activities		
Operating loss	$	(3,982,809)
Adjustments to reconcile operating loss		
to net cash used in operating activities:		
Depreciation		7,905
Impairment loss on capital asset		196,466
Interest on investments		(11,480,974)
Gain on early extinguishment of loans		(2,977,887)
Loss on early extinguishment of bonds		3,151,663
Bond issuance costs		1,893,419
Interest on loans		(6,167)
Interest on bonds, amortization and accretion - net		(15,808,952)
Effect of changes in operating assets and liabilities:		
Loans receivable		7,641,091
Loan interest receivable		9,228,916
Loan administrative fee receivable		(8,862)
Other receivables		4,504
Deferred charges		5,662,061
Other current assets		(20,349)
Accounts payable and other liabilities		11,355,915
Total adjustments		8,838,749
Net cash provided by operating activities	$	4,855,940

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 Authority's pooled bond program serves to provide cost-effective and efficient access to the bond markets to local government borrowers throughout Virginia, by issuing bonds, which are then used to fund loans to local borrowers. The program is structured so that the maturities of principal and interest payments are matched, virtually eliminating interest rate risk within the portfolio. Yields on the loans to local borrowers are designed to slightly exceed the yields on the bonds issued to fund the program, in order to support administrative and other costs related to the program.

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 by 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 in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 GAAP.

Use of Estimates

The preparation of financial statements, in conformity with GAAP, 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 exceeding the amount insured resulting from these risks during the three years ended June 30, 2014 and there was no reduction in insurance coverage during fiscal year 2014.

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, Discounts, Premiums, Gain on Refinancing

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 loan origination revenue while fees received over the life of the related loan are recorded as loan administration fees and bond administration fees in the Statement of Revenues, Expenses, and Changes in Net Position.

Loan discounts and premiums are amortized over the lives of the related loans using the effective interest method. Deferred gains on refinancing are amortized over the original remaining life of the old loan or life of the new loan, whichever is less. The unamortized discounts are shown on the accompanying Statement of Net Position as a reduction of the loans receivable and the amortization is included in the Statement of Revenues, Expenses, and Changes in Net Position as loan interest income.

The unamortized gains on refinancing are shown on the accompanying Statement of Net Position as a deferred inflow of resources and the amortization is included in the Statement of Revenues, Expenses, and Changes in Net Position as a component of loan interest income.

The unamortized premiums are shown on the accompanying Statement of Net Position as an addition to the loans receivable and the amortization is included in the Statement of Revenues, Expenses and Changes in Net Position as a reduction of loan interest income.

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, 2014, 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 Note 1, were determined to have a need for an allowance for loan losses in the amount of $278,000 as of June 30, 2014.

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 furniture, fixtures, and equipment.

Bond Discounts, Premiums, Loss on Refinancing

Bond discounts and premiums are amortized over the lives of the related issues using the effective interest method. Deferred losses on refinancing are 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 loss on refinancing is shown on the accompanying Statement of Net Position as a deferred outflow of resources 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:

Investment in capital assets amounts are those associated with non-liquid, capital assets, less any associated outstanding debt. As of June 30, 2014, 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, 2014.

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, 2014, 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	$ 27,140	$ -	$ -	$ 17,454	$ 9,686
Commercial Paper	17,144,692	17,144,692	-	-	-
Corporate Bonds and Notes	16,481,448	598,278	15,883,170	-	-
Guaranteed Investment Contracts	65,251,349	7,745,687	9,182,282	18,876,373	29,447,007
Local Government Investment Pool	202,184,731	202,184,731	-	-	-
Money Market Funds	20,577	20,577	-	-	-
Money Market Funds-Gov't Securities	52,050,246	52,050,246	-	-	-
Negotiable Certificates of Deposit	9,249,123	2,101,596	7,147,527	-	-
U.S. Agency Securities	10,376,897	125,319	10,251,578	-	-
U.S. Treasury Securities	258,885,431	11,755,794	50,281,411	9,541,054	187,307,172
Totals	$ 631,671,634	$ 293,726,920	$ 92,745,968	$ 28,434,881	$ 216,763,865

Reconcilation to the Statement of Net Position:	
Cash Equivalents	$ 256,358,063
Investments - Current	37,368,857
Investments - Noncurrent	337,944,714
Totals	$ 631,671,634

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 Virginia 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, 2014, the Authority had the following cash equivalents and investments and ratings:

Investment	Fair Value	Standard & Poor's Rating	Percent of Portfolio
Agency Mortgage Backed	$ 27,140	AA+	0.01%
Commercial Paper	15,042,184	A-1	2.38%
Commercial Paper	2,102,508	A-1+	0.33%
Corporate Bonds and Notes	2,507,630	AAA	0.40%
Corporate Bonds and Notes	4,863,532	AA+	0.77%
Corporate Bonds and Notes	4,183,194	AA	0.66%
Corporate Bonds and Notes	4,927,092	AA-	0.78%
Guaranteed Investment Contracts	65,251,349	See below	10.33%
Local Government Investment Pool	202,184,731	AAAm	32.02%
Money Market Funds	20,577	AAAm	0.00%
Money Market Funds - Government Securities	52,050,246	AAAm	8.24%
Negotiable Certificates of Deposit	3,645,146	A-1+	0.58%
Negotiable Certificates of Deposit	2,101,596	A-1	0.33%
Negotiable Certificates of Deposit	3,502,381	AA-	0.55%
U.S. Agency Securities	10,376,897	AA+	1.64%
U.S. Treasury Securities	258,885,431	AA+	40.98%
Totals	$ 631,671,634		100.00%

The GICs that comprise 10.33% 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)	$	4,214,577	Baa2**	0.67%
FSA / Assured Guaranty		61,036,772	A2**	9.66%
Totals	$	65,251,349		10.33%

** 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:

General Account and Program Funds

Investment Type		Fair Value	Percent of Portfolio	Maximum
Agency Mortgage Backed	$	27,140	0%	25%
Commercial Paper		17,144,692	6%	25%
Corporate Bonds and Notes		16,481,448	5%	25%
Local Government Investment Pool		202,184,731	66%	100%
Money Market Funds-Gov't Securities		5,747,718	2%	100%
Negotiable Certificates of Deposit		9,249,123	3%	10%
U.S. Agency Securities		10,376,897	3%	100%
U.S. Treasury Securities		44,633,712	15%	100%
Totals	$	305,845,461	100%	

Reconcilation to total cash equivalents and investments:

General Account and Program Funds	$	305,845,461
Bond Funds*		325,826,173
Totals	$	631,671,634

* Proceeds from and deposits related to the issuance of VRA bonds ("Bond Funds") are held in trust by the various trustee banks under a separate Indenture of Trust and, under certain circumstances, a Supplemental Indenture of Trust (collectively, "Indentures") for each bond issue. The Policy does not establish limitations on the portfolio composition in the Bond Funds. 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 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 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, 2014, 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 individual investments to a stated maturity of no more than five years from the date of purchase. The average maturity of the portfolio may not exceed three years.

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

As of June 30, 2014, the Authority had the following investments and maturities:

General Account and Program Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Agency Mortgage Backed	$ 27,140	$ -	$ -	$ 17,454	$ 9,686
Commercial Paper	17,144,692	17,144,692	-	-	-
Corporate Bonds and Notes	16,481,448	598,278	15,883,170	-	-
Local Government Investment Pool	202,184,731	202,184,731	-	-	-
Money Market Funds-Gov't Securities	5,747,718	5,747,718	-	-	-
Negotiable Certificates of Deposit	9,249,123	2,101,596	7,147,527	-	-
U.S. Agency Securities	10,376,897	125,319	10,251,578	-	-
U.S. Treasury Securities	44,633,712	10,424,789	34,208,923	-	-
Totals	$ 305,845,461	$ 238,327,123	$ 67,491,198	$ 17,454	$ 9,686
Average maturity of all investments	63 Days				

Bond Funds

Investment Type	Fair Value	Investment Maturities (in Years) Less than 1	1-5	6-10	More than 10
Guaranteed Investment Contracts	$ 65,251,349	$ 7,745,687	$ 9,182,282	$ 18,876,373	$ 29,447,007
Money Market Funds	20,577	20,577	-	-	-
Money Market Funds-Gov't Securities	46,302,528	46,302,528	-	-	-
U.S. Treasury Securities	214,251,719	1,331,005	16,072,488	9,541,054	187,307,172
Totals	$ 325,826,173	$ 55,399,797	$ 25,254,770	$ 28,417,427	$ 216,754,179
Average maturity of all investments	3,769 Days				

Reconcilation of total cash equivalents and investments:	
General Fund and Program Funds	$ 305,845,461
Bond Funds	325,826,173
Totals	$ 631,671,634

The General Account includes $27,140 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, 2014 are insured by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying governments of compliance by banks. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire assets of the collateral pool become available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool.

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, 2014, 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, 2014:

Loans receivable related to bond issues:		
Revenue Bonds	$	2,194,934,597
Airport Revolving Fund Revenue Bonds		48,430,013
Unamortized discount/premium – net		159,999,677
Subtotal – loans receivable related to bond issues		2,403,364,287
Loans receivable related to revolving loan funds:		
VWFRF		699,775,722
VWFRF – Leveraged		874,358,580
VWFRF – AgBMP		5,969,138
VWSRF		144,578,587
Subtotal – loans receivable related to revolving loan funds		1,724,682,027
Loans receivable related to ETF loans:		1,737,275
Subtotal – loans receivable		4,129,783,589
Less: Allowance for loan losses - AgBMP		(278,000)
Total loans receivable	$	4,129,505,589
Loans receivable – current	$	222,518,819
Loans receivable – noncurrent		3,906,986,770
	$	4,129,505,589

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, known as capital reserve 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 0.70% - 6.29% and final maturities that range from fiscal years 2015 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 2045 and accrue interest at various rates of interest ranging from 0% to 5.79%. As of June 30, 2014, 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	$ 123,217,648	$ 18,838,662	$ 46,339	$ 142,102,649
Leveraged Bonds	7,551,554	-	-	7,551,554
Commitment letter only (loan or grant not closed)	7,754,041	4,865,364	-	12,619,405

There were no loan commitments related to the Equipment and Term Financing Leases at June 30, 2014.

At June 30, 2014, there were no loan receivables that were in payment default. Loan loss expense in relation to the AgBMP program is included as a general operating expense in the Statement of Revenues, Expenses, and Changes in Net Position and totaled $133,000 for the year ended June 30, 2014.

5. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets, not being depreciated:				
Software Development	$ 196,466	$ -	$ 196,466	$ -
Capital assets, being depreciated				
Office Equipment	49,943	46,728	-	96,671
Less accumulated depreciation	37,266	7,905	-	45,171
Total capital assets being depreciated, net	12,677	38,823	-	51,500
Capital assets, net	$ 209,143	$ 38,823	$ 196,466	$ 51,500

Software development costs that were in progress were written down to fair value of $0 as a result of impairment from developmental stoppage. The impairment is considered to be permanent and the loss from impairment is included as a general operating expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Depreciation expense was $7,905 for the year ended June 30, 2014.

6. Bonds Payable

The Authority had the following bonds payable outstanding as of June 30, 2014:

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	$ 135,000
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	675,000
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 $14,556,174 accretion for capital appreciation bonds; $5,623,192 of the bonds defeased in 2012	27,537,167	32,899,829
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	810,000
Series 2002B (Refunding), dated November 5, 2002, interest rates ranging from 2.00% to 4.50%, final due date November 1, 2019; $4,590,000 of the bonds refunded in 2013	35,295,000	575,000
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 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; $12,115,000 of the bonds defeased in 2013	32,415,000	8,305,000
Series 2003A (Non-AMT), dated May 21, 2003, interest rates ranging from 3.00% to 4.60%, final due date May 1, 2028; $22,255,000 of the bonds defeased in 2010; $1,320,000 of the bonds defeased in 2012	38,915,000	675,000
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; $850,00 of the bonds defeased in 2013	15,555,000	4,020,000

Description	Original Amount	Amount Outstanding
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; $9,115,000 of the bonds were defeased in 2013; $5,380,000 of the bonds defeased in 2014	$ 60,630,000	$ 2,340,000
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; $3,920,000 of the bonds were defeased in 2013; $2,330,000 of the bonds were defeased in 2014	32,515,000	1,025,000
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	8,470,000
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	4,865,000
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	6,535,000
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	2,980,000
Series 2005B Senior (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2035; $3,845,000 of the bonds were defeased in 2012	22,055,000	9,685,000
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	4,215,000
Series 2005C Senior (AMT), dated December 7, 2005, interest rates ranging from 3.35% to 4.75%, final due date November 1, 2025	6,045,000	4,200,000

Description	Original Amount	Amount Outstanding
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; $3,160,000 of the bonds were defeased in 2013	$ 36,710,000	$ 13,010,000
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	1,815,000
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; $910,000 of the bonds were defeased in 2013	16,365,000	6,425,000
Series 2006A Senior (Non-AMT), dated June 8, 2006, interest rates ranging from 3.50% to 5.00%, final due date November 1, 2036; $4,390,000 of the bonds defeased in 2014	49,145,000	33,255,000
Series 2006A Subordinate (Non-AMT), dated June 8, 2006, interest rates ranging from 3.65% to 5.00%, final due date November 1, 2036; $1,895,000 of the bonds defeased in 2014	25,825,000	16,290,000
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	14,515,000
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	6,780,000
Series 2006C Senior (Non-AMT), dated December 14, 2006, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2036; $2,815,000 of the bonds defeased in 2011; $4,450,000 of the bonds were defeased in 2013	45,935,000	28,125,000
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	16,340,000
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	18,585,000
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	9,030,000

Description	Original Amount	Amount Outstanding
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	$ 1,400,000
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; $4,505,000 of the bonds defeased in 2014	38,470,000	32,470,000
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	605,000
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; $1,940,000 of the bonds defeased in 2014	18,410,000	15,145,000
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	38,400,000
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	18,030,000
Series 2008B Senior (Non-AMT), dated December 10, 2008, interest rates ranging from 3.00% to 5.125%, final due date November 1, 2038; $878,900 of the bonds defeased in 2009; $3,695,000 of the bonds defeased in 2011; $3,320,000 of the bonds defeased in 2014	147,495,000	123,435,000
Series 2008B Subordinate (Non-AMT), dated December 10, 2008, interest rates ranging from 3.00% to 5.25%, final due date November 1, 2038; $1,580,000 of the bonds defeased in 2011; $1,400,000 of the bonds defeased in 2014	67,945,000	57,770,000
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	33,950,000
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	58,275,000
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

Description	Original Amount	Amount Outstanding
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	$ 15,600,000
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	35,830,000
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; $1,000,000 of the bonds defeased in 2014	82,175,000	65,290,000
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; $2,260,000 of the bonds defeased in 2014	45,180,000	42,920,000
Series 2009B State Moral Obligation (Tax-Exempt), dated November 19, 2009, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2030; $410,000 of the bonds defeased in 2014	38,190,000	31,310,000
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; $955,000 of the bonds defeased in 2014	20,785,000	19,830,000
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	43,485,000
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	20,315,000
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

Description	Original Amount	Amount Outstanding
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; $505,000 of the bonds defeased in 2014	$ 59,635,000	$ 50,245,000
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; $220,000 of the bonds defeased in 2014	26,395,000	22,300,000
Series 2010C State Moral Obligation Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 6.19 to 6.29%, final due date November 1, 2040	25,920,000	25,920,000
Series 2011A Infrastructure Revenue Bonds (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041; $1,600,000 of the bonds defeased in 2014	50,795,000	46,735,000
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	6,030,000
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; $625,000 of the bonds defeased in 2014	21,475,000	19,830,000
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	2,610,000
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	123,495,000
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	53,015,000

Description	Original Amount	Amount Outstanding
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	195,515,000
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	88,485,000
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
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	46,565,000
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	3,390,000
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	21,780,000
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	1,405,000
Series 2012 Capital Appreciation Bonds (Tax-Exempt), dated November 15, 2012, final due date November 1, 2036. Amount outstanding includes $1,081,031 accretion for capital appreciation bonds	19,303,736	20,384,767
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

Description	Original Amount	Amount Outstanding
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	$ 31,745,000
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; $1,280,000 of the bonds defeased in 2014	2,890,000	1,220,000
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; $1,370,000 of the bonds defeased in 2014	15,375,000	14,380,000
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; $530,000 of the bonds defeased in 2014	1,465,000	765,000
Series 2013A Infrastructure Revenue Bonds, dated June 5, 2013, interest rates ranging from 1.00 to 5.00%, final due date November 1, 2042; $585,000 of the bonds defeased in 2014	92,810,000	92,185,000
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	41,865,000
Series 2013B Infrastructure Revenue Bonds, dated August 14, 2013, interest rates ranging from 1.75 to 5.00%, final due date November 1, 2043	46,410,000	46,120,000
Series 2013B State Moral Obligation, dated August 14, 2013, interest rates ranging from 4.00 to 4.75%, final due date November 1, 2043	20,080,000	19,950,000
Series 2013C Infrastructure Revenue Bonds (Tax-Exempt), dated November 20, 2013, interest rates ranging from 1.50 to 5.00%, final due date November 1, 2033.	13,535,000	13,535,000
Series 2013C Infrastructure Revenue Bonds (Taxable), dated November 20, 2013, interest rates ranging from 0.55 to 4.95%, final due date November 1, 2033	3,615,000	3,615,000
Series 2013C State Moral Obligation (Tax-Exempt), dated November 20, 2013, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2033	6,280,000	6,280,000
Series 2013C State Moral Obligation Bonds (Taxable), dated November 20, 2013, interest rates ranging from 0.70 to 5.10%, final due date November 1, 2033	1,670,000	1,670,000

Description	**Original Amount**	**Amount Outstanding**
Series 2014A Infrastructure Revenue Bonds, dated May 21, 2014, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2044	$ 66,290,000	$ 66,290,000
Series 2014A State Moral Obligation, dated May 21, 2014, interest rates ranging from 3.00 to 4.00%, final due date November 1, 2044	29,870,000	29,870,000
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	2,075,000
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	1,690,000
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	1,325,000
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	5,175,000
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	2,315,000
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	4,345,000
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	14,600,000
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	14,760,000
Virginia Water Facilities Revolving Fund Leveraged Clean Water State Revolving Fund Revenue Bonds (CWSRF):		
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	104,255,000
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	97,130,000
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	163,155,000

Description	**Original Amount**	**Amount Outstanding**
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	$ 166,100,000
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	72,930,000
Series 2010B CWSRF, dated April 21, 2010, interest rates ranging from 2.25% to 5.00%, final due date October 1, 2031	98,785,000	94,800,000
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	103,275,000
Total bonds at June 30		3,140,914,596
Unamortized discounts/premiums		226,960,909
Total bonds – net		$ 3,367,875,505

Total bonds outstanding as of June 30:	$ 3,140,914,596
Unaccreted Capital Appreciation Bonds as of June 30	37,350,404
Total outstanding maturities	$ 3,178,265,000
Bonds payable – current	$ 161,292,852
Bonds payable – noncurrent	3,206,582,653
	$ 3,367,875,505

Activity in the bonds payable and related accounts for fiscal year 2014 was as follows:

Description	**Balance at June 30, 2013**	**Issued**	**Retired**	**Balance at June 30, 2014**	**Amount Due Within One Year**
Total bonds outstanding	$ 3,185,224,353	$ 187,750,000	$ (232,059,757)	$ 3,140,914,596	$ 139,355,000
Unamortized discounts / premiums	234,354,212	14,694,655	(22,087,958)	226,960,909	21,937,852
Totals	$ 3,419,578,565	$ 202,444,655	$ (254,147,715)	$ 3,367,875,505	$ 161,292,852

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 various bonds. The redemptions generally cannot be exercised until the bonds have been outstanding for ten years or more, as fully described in the various bond indentures.

At June 30, 2014, $831,164,596 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 $37,350,404 as of June 30, 2014.

Advance Refundings

During the current year, the Authority issued the Virginia Pooled Financing Program Revenue Bonds, Series 2013B, Series 2013C, and Series 2014A, 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
2002B Series	$ 4,590,000	$ 699,699	$ 400,618
2003 Series	38,680,000	5,998,350	4,972,449
2004A Series	18,675,000	1,962,183	1,837,701
2006A Series	6,285,000	525,640	451,137
Totals	$ 68,230,000	$ 9,185,872	$ 7,661,905

The amount outstanding at June 30, 2014 for bonds which have been in-substance defeased or refunded was $344,381,241. In addition to the refundings noted above, this includes bonds that were in-substance defeased during the current and prior years: Series 2002 (Water and Sewer), Series 2004A, Series 2004B, CWSRF Series 2004, Series 2005B, Series 2005C, Series 2006A, Series 2006C, Series 2007B, CWSRF Series 2007, Series 2008B, Series 2009B, Series 2010C, Series 2011A, and Series 2012C.

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

June 30,	Principal	Interest	Total
2015	$ 139,355,000	$ 141,186,501	$ 280,541,501
2016	147,660,000	135,403,607	283,063,607
2017	163,260,000	128,760,185	292,020,185
2018	173,985,000	121,268,567	295,253,567
2019	155,600,000	113,815,939	269,415,939
2020-2024	781,045,000	460,351,180	1,241,396,180
2025-2029	767,030,000	281,087,388	1,048,117,388
2030-2034	508,010,000	127,853,203	635,863,203
2035-2039	242,605,000	47,033,477	289,638,477
2040-2044	98,180,000	8,237,152	106,417,152
2045	1,535,000	29,688	1,564,688
Totals	$ 3,178,265,000	$ 1,565,026,887	$ 4,743,291,887

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. Such loans or grants are generally made at the direction of the state agencies overseeing the related programs. 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 Operating Reserve Fund serves as security on the Authority's Infrastructure Revenue Bonds (senior lien). At June 30, 2014 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to $7,727,035.

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 2.61% to 3.25% with maturities ranging from fiscal years 2015 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.

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, 2014 an accrual for employee compensated absences in the amount of $102,669 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 2014:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Loans Payable	$ 2,383,510	$ -	$ 646,235	$ 1,737,275	$ 599,076
Arbitrage Rebate Liability	2,503,477	154,447	2,026,844	631,080	631,080
Accrued leave	93,754	125,268	116,353	102,669	102,669

9. Contributions from Other Governments

During the year the Authority received $40,890,801 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 reimbursements when expended in the accompanying Statement of Revenues, Expenses and Changes in Net Position. In addition, the Authority received $5,674,594 from the Commonwealth as part of the required state match of federal funds, plus another $1,594,000 from the Commonwealth for the VDSFPF.

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.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has a different eligibility and benefit structure as set out in the table below:

VRS Plan 1	VRS Plan 2	Hybrid Retirement Plan
About VRS Plan 1 VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About VRS Plan 2** VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were	**Eligible Members** Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** VRS Plan 2 members were	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window

allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.	allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.	held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014 Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP
Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Same as VRS Plan 1.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as VRS Plan 1.	**Creditable Service** **<u>Defined Benefit Component:</u>** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **<u>Defined Contributions Component:</u>** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.	**Vesting** Same as VRS Plan 1.	**Vesting** **<u>Defined Benefit Component:</u>** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Members are always 100% vested in the contributions that they make.		**Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement	**Calculating the Benefit** See definition under VRS Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under VRS Plan 1 **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

benefit or selects a benefit payout option other than the Basic Benefit.		
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier is 1.7%.	**Service Retirement Multiplier** Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.	**Service Retirement Multiplier** The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.
Normal Retirement Age Age 65.	**Normal Retirement Age** Normal Social Security retirement age.	**Normal Retirement Age** **Defined Benefit Component:** Same as VRS Plan 2. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility Members are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.	**Earliest Unreduced Retirement Eligibility** Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Defined Contribution Component:** Members are eligible to

		receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. **Exceptions to COLA Effective Dates:** The COLA is effective July 1	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as VRS Plan 1 **Exceptions to COLA Effective Dates:** Same as VRS Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as VRS Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as VRS Plan 1 and VRS Plan 2. **Exceptions to COLA Effective Dates:** Same as VRS Plan 1 and VRS Plan 2.

following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member Is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.		
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.	**Disability Coverage** Eligible members (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as VRS Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as VRS Plan 1. **<u>Defined Contribution Component:</u>** Not applicable.

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/2013-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 compensation toward their retirement. 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, 2014 was 7.31% of the annual covered payroll.

C. Annual Pension Cost

For fiscal year 2014, the Authority's annual pension cost of $93,879 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, 2014	$ 93,879	100%	$ -
June 30, 2013	$ 90,783	100%	$ -
June 30, 2012	$ 161,044	100%	$ -

The 2014 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) an 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, 2013, the most recent actuarial valuation date, the plan was 125.84% funded. The actuarial accrued liability for benefits was $714,828 and the actuarial value of assets was $899,512, resulting in a funding excess of $184,684. The covered payroll (annual payroll of active employees covered by the plan) was $1,114,924 and the ratio of the funding excess to the covered payroll was 16.56%.

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 (AAL) 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, 2014, 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. Certain automatic reductions, in the amount of 7.2%, went into effect October 1, 2013 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2014) 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 $119,929 for the year ended June 30, 2014. The future minimum rental payments are as follows:

Year ending June 30,		Amount
2015	$	155,132
2016		182,957
2017		186,050
2018		176,538
2019		180,945
2020 - 2022		502,822
	$	1,384,444

13. Change in Presentation Due to GASB Adoption

The Authority implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies and identifies items to report as deferred outflows of resources and deferred inflows of resources. As described in Note 14, the implementation of GASB 65 also results in a restatement of beginning net position.

Under GASB 65, deferred losses on refundings, which were previously reported as deferred charges, an asset, are now shown on the face of the Statement of Net Position as a deferred outflow of resources. Furthermore, since 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, deferred gains arise as for the locality component of a refunding transaction. Under GASB 65, the deferred gains from localities on a refunding transaction, which were previously netted against loans receivable, are now shown on the face of the Statement of Net Position as a deferred inflow of resources. Accordingly, the Authority's Statement of Net Position reflects an increase in loans receivable and an increase in deferred inflows of resources.

The Statement of Net Position change in presentation is as follows:

		Balance June 30, 2013 As Restated (Note 14)		Fiscal Year 2014 Additions		Fiscal Year 2014 Amortization		June 30, 2014 Deferred Outflow (Inflow)
Deferred loss on refunding	$	46,450,136	$	575,145	$	(5,662,061)	$	41,363,220
Deferred gain from localities on refunding	$	(17,046,214)	$	(1,526,554)	$	1,931,671	$	(16,641,097)

14. Restatement of Beginning Net Position

The Authority restated beginning net position due to a change in accounting principle from the implementation of GASB 65. Under GASB 65, deferred financing costs, which were previously amortized over the life of the related debt, are now recognized as an expense in the period incurred. Furthermore, because unamortized debt issuance costs affect the calculation of deferred amounts in refunding transactions, the unamortized balances of the deferred refunding amounts must also be restated. Additionally, under GASB 65, loan origination fees, which were previously amortized over the life of the related loan, are now recognized as revenue in the period incurred. Accordingly, the net effect of the restatement below increases beginning net position by eliminating previously unamortized deferred financing costs and unamortized loan origination fees.

The Statement of Net Position adjustment is as follows:

	Balance June 30, 2013 Previously Reported	Restatement	Change in Presentation See Note 13	June 30, 2013 As Restated
Assets				
Loans receivable, net	$ 4,108,311,699	$ 24,428,250	$ 17,046,214	$ 4,149,786,163
Deferred charges	74,008,702	(27,558,566)	(46,450,136)	-
Liability				
Unearned revenue	2,561,690	(2,561,690)	-	-
Net restatement		(568,626)		

Fiscal year 2013 net position beginning balance adjustment is as follows:

Net position, June 30, 2013 as previously reported	$ 1,394,335,288
Restatement	(568,626)
Net position, June 30, 2013 as restated	$ 1,393,766,662

15. Subsequent Events

Subsequent to June 30, 2014, the Authority issued bonds in the amount of $134,490,000, dated August 13, 2014. The interest rates range from 1.25% to 5% with a final due date of November 1, 2038.

Subsequent to June 30, 2014, a local borrower prepaid an outstanding obligation with the Authority in the amount of $57,445,000. The prepayment date was August 22, 2014. The local obligation was funded from bond proceeds from the Series 2004B, Series 2005C, Series 2006C, and Series 2007B bonds. It is the Authority's intention to defease the related bonds with the prepayment proceeds.

16. New Accounting Standards

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

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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with GASB Statement No. 34. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. This Statement will be effective for the year ending June 30, 2015.

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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, 2013	$ 899,512	$ 714,828	$ (184,684)	125.84%	$ 1,114,924	-16.56%
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%

Virginia Resources Authority

Combining Schedule of Net Position
June 30, 2014

	General Accounts	Virginia Revolving Loan Fund Accounts: Water Facilities	Water Supply	Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Equipment & Term Financing	Brownfields Accounts	Total
Assets										
Current assets										
Cash	$ 1,919,068	$ 13,455,013	$ 3,248,366	$ -	$ 17,708	$ 11,394,040	$ -	$ -	$ 319,237	$ 30,353,432
Cash equivalents	12,141,108	184,196,164	37,402,914	15,401,616	700,442	-	6,515,819	-	-	256,358,063
Investments	570,803	35,467,045	-	773,730	557,279	-	-	-	-	37,368,857
Loans receivable, net of allowance	-	105,624,211	5,933,893	4,411,360	105,950,279	-	-	599,076	-	222,518,819
Receivables:										
Investment interest	11,256	2,143,328	-	192,131	389,303	-	-	-	-	2,736,018
Loan interest	-	10,376,290	359,725	233,681	16,160,906	-	-	18,881	-	27,149,483
Loan administrative fees	-	520,068	73,232	-	462,227	-	-	1,536	-	1,057,063
Federal funds	-	43,221	292,939	-	-	-	-	-	-	336,160
Other	24,419	-	38,489	-	-	-	-	-	-	62,908
Other	37,840	-	-	-	-	-	-	-	-	37,840
Total current assets	14,704,494	351,825,340	47,349,558	21,012,518	124,238,144	11,394,040	6,515,819	619,493	319,237	577,978,643
Noncurrent assets										
Investments	3,849,511	249,619,912	-	15,161,000	69,314,291	-	-	-	-	337,944,714
Loans receivable - less current - net	-	1,474,201,229	138,644,694	44,018,653	2,248,983,995	-	-	1,138,199	-	3,906,986,770
Capital assets - at cost - net	50,034	1,075	391	-	-	-	-	-	-	51,500
Total noncurrent assets	3,899,545	1,723,822,216	138,645,085	59,179,653	2,318,298,286	-	-	1,138,199	-	4,244,982,984
Total assets	18,604,039	2,075,647,556	185,994,643	80,192,171	2,442,536,430	11,394,040	6,515,819	1,757,692	319,237	4,822,961,627
Deferred Outflows of Resources										
Deferred loss on refunding	-	25,010,240	-	134,593	16,218,387	-	-	-	-	41,363,220
Liabilities										
Current liabilities										
Loans payable - current portion	-	-	-	-	-	-	-	599,076	-	599,076
Bonds payable - current portion	-	49,843,161	-	4,046,863	107,402,828	-	-	-	-	161,292,852
Accrued interest on bonds payable	-	10,170,781	-	917,806	16,640,161	-	-	18,881	-	27,747,629
Arbitrage rebate liability - current portion	-	631,080	-	-	-	-	-	-	-	631,080
Due to (from) other accounts	(385,148)	41,712	322,346	13,054	-	(6,043)	12,543	1,536	-	-
Agency Funds	-	-	29,007	122,489	-	11,394,040	-	-	-	11,545,536
Accounts payable and other liabilities	243,786	15,561	-	7,711	17,708	6,043	-	-	-	290,809
Total current liabilities	(141,362)	60,702,295	351,353	5,107,923	124,060,697	11,394,040	12,543	619,493	-	202,106,982
Noncurrent liabilities										
Loans payable - less current - net	-	-	-	-	-	-	-	1,138,199	-	1,138,199
Bonds payable - less current - net	-	844,405,631	-	44,805,002	2,317,372,020	-	-	-	-	3,206,582,653
Total noncurrent liabilities	-	844,405,631	-	44,805,002	2,317,372,020	-	-	1,138,199	-	3,207,720,852
Total liabilities	(141,362)	905,107,926	351,353	49,912,925	2,441,432,717	11,394,040	12,543	1,757,692	-	3,409,827,834
Deferred Inflows of Resources										
Deferred gain from localities on refunding	-	-	-	-	16,641,097	-	-	-	-	16,641,097
Net position										
Investment in capital assets	50,034	1,075	391	-	-	-	-	-	-	51,500
Restricted:										
Loan Programs	-	1,195,548,795	185,642,899	30,413,839	681,003	-	6,503,276	-	319,237	1,419,109,049
Operating Reserve	7,727,035	-	-	-	-	-	-	-	-	7,727,035
Unrestricted	10,968,332	-	-	-	-	-	-	-	-	10,968,332
Total net position	$ 18,745,401	$ 1,195,549,870	$ 185,643,290	$ 30,413,839	$ 681,003	$ -	$ 6,503,276	$ -	$ 319,237	$ 1,437,855,916

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Equipment & Term Financing	Brownfields Accounts	Total
		Water Facilities	Water Supply							
Operating revenues										
Interest on loans	$ -	$ 33,376,081	$ 1,136,686	$ 1,817,784	$ 88,581,602	$ -	$ -	$ 60,244	$ -	$ 124,972,397
Investment income	53,936	8,052,874	60,650	472,103	2,832,708	-	8,703	-	-	11,480,974
Bond administrative fees	-	-	-	-	2,826,301	-	-	-	-	2,826,301
Loan administrative fees	-	1,576,795	193,127	47,855	-	-	-	4,957	-	1,822,734
Loan origination revenue	-	-	-	-	2,346,383	-	-	-	-	2,346,383
Administrative reimbursement	-	-	381,079	-	-	128,853	-	-	-	509,932
Gain on early extinguishment of loans	-	-	-	-	2,977,887	-	-	-	-	2,977,887
Other income	12,127	4,848	372	-	-	-	-	-	-	17,347
Total operating revenues	66,063	43,010,598	1,771,914	2,337,742	99,564,881	128,853	8,703	65,201	-	146,953,955
Operating expenses										
Interest on bonds and loans	-	37,651,285	-	1,945,225	92,703,260	-	-	60,244	-	132,360,014
Bond issuance costs	-	-	-	-	1,893,419	-	-	-	-	1,893,419
Grants to local governments	-	826,947	6,530,420	-	-	-	1,004,209	-	214,980	8,576,556
Principal forgiveness loans	-	1,565,260	-	-	-	-	-	-	-	1,565,260
Loss on early extinguishment of bonds	-	-	-	-	3,151,663	-	-	-	-	3,151,663
Personnel services	904,268	365,618	285,914	21,039	-	52,148	28,136	-	-	1,657,123
General operating	572,910	384,370	68,641	26,831	-	10,906	6,189	-	-	1,069,847
Contractual services	385,033	146,076	51,370	12,475	-	65,799	2,129	-	-	662,882
Total operating expenses	1,862,211	40,939,556	6,936,345	2,005,570	97,748,342	128,853	1,040,663	60,244	214,980	150,936,764
Operating income (loss)	(1,796,148)	2,071,042	(5,164,431)	332,172	1,816,539	-	(1,031,960)	4,957	(214,980)	(3,982,809)
Nonoperating revenues										
Contributions from other governments	-	27,951,350	18,614,045	-	-	-	1,594,000	-	-	48,159,395
Interest subsidy - Build America Bonds	-	-	-	-	2,608,757	-	-	-	-	2,608,757
Nonoperating expenses										
Contributions to other governments	-	-	-	-	-	-	(163,000)	-	-	(163,000)
Interest subsidy pass-through - Build America Bonds	-	-	-	-	(2,533,089)	-	-	-	-	(2,533,089)
Income (loss) before transfers	(1,796,148)	30,022,392	13,449,614	332,172	1,892,207	-	399,040	4,957	(214,980)	44,089,254
Transfers	3,154,351	-	-	-	(3,149,394)	-	-	(4,957)	-	-
Change in net position	1,358,203	30,022,392	13,449,614	332,172	(1,257,187)	-	399,040	-	(214,980)	44,089,254
Total net position - beginning	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
Restatement	-	(5,664,754)	-	(886,772)	5,982,900	-	-	-	-	(568,626)
Total net position - ending	$ 18,745,401	$ 1,195,549,870	$ 185,643,290	$ 30,413,839	$ 681,003	$ -	$ 6,503,276	$ -	$ 319,237	$ 1,437,855,916

Virginia Resources Authority

Combining Schedule of Cash Flows
Year Ended June 30, 2014

	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	$ -	$ (76,727,106)	$ (18,882,880)	$ (245,575)	$ (199,779,590)	$ -	$ -	$ -	$ -	$ (295,635,151)
Principal repayments from localities on loans	-	106,652,433	6,243,213	4,342,910	185,258,450	-	-	646,235	-	303,143,241
Interest received on loans	-	34,452,665	1,040,788	1,836,643	99,186,431	-	-	66,411	-	136,582,938
Loan origination fees received	-	-	-	-	2,346,383	-	-	-	-	2,346,383
Bond administrative fees received	-	-	-	-	2,824,714	-	-	-	-	2,824,714
Loan administrative fees received	-	1,604,606	157,503	47,855	-	-	-	5,494	-	1,815,458
Administrative reimbursement funds received	-	-	342,411	-	-	188,567	-	-	-	530,978
Cash received from other income	12,127	4,848	372	-	-	-	-	-	-	17,347
Cash payments for salaries and related benefits	(924,618)	(365,618)	(285,914)	(21,039)	-	(52,148)	(28,136)	-	-	(1,677,473)
Cash payments for contractual services	(443,342)	(146,076)	(51,370)	(12,475)	-	(65,799)	(2,129)	-	-	(721,191)
Cash payments for general operating expenses	(370,138)	(249,526)	(68,214)	(26,832)	-	(10,906)	(6,189)	-	-	(731,805)
Cash payments for operating grants	-	(826,947)	(6,530,420)	-	-	-	(1,004,209)	-	(214,980)	(8,576,556)
Cash payments for principal forgiveness loans	-	(1,565,260)	-	-	-	-	-	-	-	(1,565,260)
Interest paid on loans	-	-	-	-	-	-	-	(66,411)	-	(66,411)
Interest paid on bonds	-	(40,422,918)	-	(2,267,765)	(102,137,602)	-	-	-	-	(144,828,285)
Agency funds received	-	-	2,973	-	-	11,394,040	-	-	-	11,397,013
Interfund activity	82,245	3,652	94,457	(89,627)	-	(59,714)	(30,476)	(537)	-	-
Net cash provided by (used in) operating activities	(1,643,726)	22,414,753	(17,937,081)	3,564,095	(12,301,214)	11,394,040	(1,071,139)	651,192	(214,980)	4,855,940
Cash flows from noncapital financing activities										
Proceeds from sale of bonds	-	-	-	-	202,444,655	-	-	-	-	202,444,655
Bond issuance costs	-	(365,896)	-	-	(1,893,419)	-	-	-	-	(2,259,315)
Principal paid on loans	-	-	-	-	-	-	-	(646,235)	-	(646,235)
Principal paid on bonds	-	(42,710,000)	-	(3,650,000)	(188,073,450)	-	-	-	-	(234,433,450)
Arbitrage rebate	-	(8,404)	-	-	(1,816,596)	-	-	-	-	(1,825,000)
Proceeds from interest subsidy - Build America Bonds	-	-	-	-	2,671,765	-	-	-	-	2,671,765
Cash payments to localities for interest subsidy	-	-	-	-	(2,577,398)	-	-	-	-	(2,577,398)
Contributions from other governments	-	28,091,507	18,411,472	-	-	-	1,594,000	-	-	48,096,979
Contributions to other governments	-	-	-	-	-	-	(163,000)	-	-	(163,000)
Cash received (paid) from other accounts	3,154,351	-	-	-	(3,149,394)	-	-	(4,957)	-	-
Net cash provided by (used in) noncapital financing activities	3,154,351	(14,992,793)	18,411,472	(3,650,000)	7,606,163	-	1,431,000	(651,192)	-	11,309,001
Cash flows from capital and financing related activities										
Purchase of office equipment and renovations	(46,728)	-	-	-	-	-	-	-	-	(46,728)
Net cash used in noncapital financing activities	(46,728)	-	-	-	-	-	-	-	-	(46,728)
Cash flows from investing activities										
Purchase of investments	(3,494,762)	(134,866,960)	-	(848,477)	(2,965,377)	-	-	-	-	(142,175,576)
Proceeds from sales or maturities of investments	3,420,909	96,500,382	-	1,897,738	3,339,422	-	-	-	-	105,158,451
Interest received on investments - net	75,650	8,328,425	60,650	482,116	2,533,485	-	8,702	-	-	11,489,028
Net cash provided by (used in) investing activities	1,797	(30,038,153)	60,650	1,531,377	2,907,530	-	8,702	-	-	(25,528,097)
Net increase (decrease) in cash and cash equivalents	1,465,694	(22,616,193)	535,041	1,445,472	(1,787,521)	11,394,040	368,563	-	(214,980)	(9,409,884)
Cash and cash equivalents										
Beginning 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
End of year	$ 14,060,176	$ 197,651,177	$ 40,651,280	$ 15,401,616	$ 718,150	$ 11,394,040	$ 6,515,819	$ -	$ 319,237	$ 286,711,495
Reconcilation to the Statement of Net Position										
Cash	$ 1,919,068	$ 13,455,013	$ 3,248,366	$ -	$ 17,708	$ 11,394,040	$ -	$ -	$ 319,237	$ 30,353,432
Cash Equivalents	12,141,108	184,196,164	37,402,914	15,401,616	700,442	-	6,515,819	-	-	256,358,063
	$ 14,060,176	$ 197,651,177	$ 40,651,280	$ 15,401,616	$ 718,150	$ 11,394,040	$ 6,515,819	$ -	$ 319,237	$ 286,711,495

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2014

	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)	$ (1,796,148)	$ 2,071,042	$ (5,164,431)	$ 332,172	$ 1,816,539	$ -	$ (1,031,960)	$ 4,957	$ (214,980)	$ (3,982,809)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation	6,305	1,173	427	-	-	-	-	-	-	7,905
Impairment loss on capital asset	196,466	-	-	-	-	-	-	-	-	196,466
Interest on investments	(53,936)	(8,052,874)	(60,650)	(472,103)	(2,832,708)	-	(8,703)	-	-	(11,480,974)
Gain on early extinguishment of loans	-	-	-	-	(2,977,887)	-	-	-	-	(2,977,887)
Loss on early extinguishment of bonds	-	-	-	-	3,151,663	-	-	-	-	3,151,663
Bond issuance costs	-	-	-	-	1,893,419	-	-	-	-	1,893,419
Interest on loans	-	-	-	-	-	-	-	(6,167)	-	(6,167)
Interest on bonds, amortization and accretion - net	-	(6,403,912)	-	(337,389)	(9,067,651)	-	-	-	-	(15,808,952)
Effect of changes in operating assets and liabilities:										
Loans receivable	-	30,058,329	(12,639,668)	4,097,335	(14,521,140)	-	-	646,235	-	7,641,091
Loan interest receivable	-	1,076,584	(95,898)	18,858	8,223,205	-	-	6,167	-	9,228,916
Loan administrative fee receivable	-	27,811	(35,623)	-	(1,587)	-	-	537	-	(8,862)
Other receivables	(10,499)	-	(38,668)	-	-	53,671	-	-	-	4,504
Deferred charges	-	3,632,279	-	14,849	2,014,933	-	-	-	-	5,662,061
Other current assets	(20,349)	-	-	-	-	-	-	-	-	(20,349)
Accounts payable and other liabilities	(47,810)	669	2,973	-	-	11,400,083	-	-	-	11,355,915
Due to (from) other funds	82,245	3,652	94,457	(89,627)	-	(59,714)	(30,476)	(537)	-	-
Total adjustments	152,422	20,343,711	(12,772,650)	3,231,923	(14,117,753)	11,394,040	(39,179)	646,235	-	8,838,749
Net cash provided by (used in) operating activities	$ (1,643,726)	$ 22,414,753	$ (17,937,081)	$ 3,564,095	$ (12,301,214)	$ 11,394,040	$ (1,071,139)	$ 651,192	$ (214,980)	$ 4,855,940

Virginia Resources Authority

Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
June 30, 2014

	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	$ 10,451,345	$ -	$ 2,264,098	$ -	$ -	$ 739,570	$ 13,455,013
Cash equivalents	126,202,344	37,520,800	10,929,410	1,709,793	3,833,202	4,000,615	184,196,164
Investments	27,721,358	7,745,687	-	-	-	-	35,467,045
Loans receivable, net of allowance	52,071,699	50,953,480	2,599,032	-	-	-	105,624,211
Receivables:							
Investment interest	229,866	1,913,447	-	-	15	-	2,143,328
Loan interest	2,084,020	8,246,451	45,819	-	-	-	10,376,290
Loan administrative fees	-	-	-	-	-	520,068	520,068
Federal funds	43,221	-	-	-	-	-	43,221
Total current assets	218,803,853	106,379,865	15,838,359	1,709,793	3,833,217	5,260,253	351,825,340
Noncurrent assets							
Investments	63,668,827	185,951,085	-	-	-	-	249,619,912
Loans receivable - less current - net	647,704,023	823,405,100	3,092,106	-	-	-	1,474,201,229
Capital assets - at cost - net	1,075	-	-	-	-	-	1,075
Total noncurrent assets	711,373,925	1,009,356,185	3,092,106	-	-	-	1,723,822,216
Total assets	930,177,778	1,115,736,050	18,930,465	1,709,793	3,833,217	5,260,253	2,075,647,556
Deferred Outflows of Resources							
Deferred loss on refunding	-	25,010,240	-	-	-	-	25,010,240
Liabilities							
Current liabilities							
Bonds payable - current portion	-	49,843,161	-	-	-	-	49,843,161
Accrued interest on bonds payable	-	10,170,781	-	-	-	-	10,170,781
Arbitrage rebate liability	-	631,080	-	-	-	-	631,080
Due to other accounts	(113,995)	47,299	-	-	-	108,408	41,712
Accounts payable and other liabilities	-	14,892	669	-	-	-	15,561
Total current liabilities	(113,995)	60,707,213	669	-	-	108,408	60,702,295
Noncurrent liabilities							
Bonds payable - less current - net	-	844,405,631	-	-	-	-	844,405,631
Total noncurrent liabilities	-	844,405,631	-	-	-	-	844,405,631
Total liabilities	(113,995)	905,112,844	669	-	-	108,408	905,107,926
Net position							
Investment in capital assets	1,075	-	-	-	-	-	1,075
Restricted:							
Loan Programs	930,290,698	235,633,446	18,929,796	1,709,793	3,833,217	5,151,845	1,195,548,795
Total net position	$ 930,291,773	$ 235,633,446	$ 18,929,796	$ 1,709,793	$ 3,833,217	$ 5,151,845	$ 1,195,549,870

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2014

	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	$ 7,601,204	$ 25,586,612	$ 188,265	$ -	$ -	$ -	$ 33,376,081
Investment income	640,925	7,389,905	15,143	3,619	2,404	878	8,052,874
Loan administrative fees	-	-	-	-	-	1,576,795	1,576,795
Other income	-	2,497	2,351	-	-	-	4,848
Total operating revenues	8,242,129	32,979,014	205,759	3,619	2,404	1,577,673	43,010,598
Operating expenses							
Interest on bonds	-	37,651,285	-	-	-	-	37,651,285
Grants to local governments	-	-	-	826,947	-	-	826,947
Principal forgiveness loans	1,565,260	-	-	-	-	-	1,565,260
Personnel services	365,618	-	-	-	-	-	365,618
General operating	241,655	-	140,846	1,019	588	262	384,370
Contractual services	146,076	-	-	-	-	-	146,076
Total operating expenses	2,318,609	37,651,285	140,846	827,966	588	262	40,939,556
Operating income (loss)	5,923,520	(4,672,271)	64,913	(824,347)	1,816	1,577,411	2,071,042
Nonoperating revenues							
Contributions from other governments	25,815,570	-	-	-	2,135,780	-	27,951,350
Income (loss) before transfers	31,739,090	(4,672,271)	64,913	(824,347)	2,137,596	1,577,411	30,022,392
Transfers	3,046,486	3,017,486	-	-	(4,629,646)	(1,434,326)	-
Change in net position	34,785,576	(1,654,785)	64,913	(824,347)	(2,492,050)	143,085	30,022,392
Total net position - beginning	895,506,197	242,952,985	18,864,883	2,534,140	6,325,267	5,008,760	1,171,192,232
Restatement	-	(5,664,754)	-	-	-	-	(5,664,754)
Total net position - ending	$ 930,291,773	$ 235,633,446	$ 18,929,796	$ 1,709,793	$ 3,833,217	$ 5,151,845	$ 1,195,549,870

Virginia Resources Authority

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2014

	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	$ (60,277,625)	$ (14,800,922)	$ (1,648,559)	$ -	$ -	$ -	$ (76,727,106)
Principal repayments from localities on loans	55,032,330	48,194,386	3,425,717	-	-	-	106,652,433
Interest received on loans	7,897,886	26,361,162	193,617	-	-	-	34,452,665
Loan administrative fees received	-	-	-	-	-	1,604,606	1,604,606
Cash received from other income	-	2,497	2,351	-	-	-	4,848
Cash payments for salaries and related benefits	(365,618)	-	-	-	-	-	(365,618)
Cash payments for contractual services	(146,076)	-	-	-	-	-	(146,076)
Cash payments for general operating expenses	(240,480)	-	(7,177)	(1,019)	(588)	(262)	(249,526)
Cash payments for operating grants	-	-	-	(826,947)	-	-	(826,947)
Cash payments for principal forgiveness loans	(1,565,260)	-	-	-	-	-	(1,565,260)
Interest paid on bonds	-	(40,422,918)	-	-	-	-	(40,422,918)
Interfund activity	(300,635)	(1,359)	-	-	235,780	69,866	3,652
Net cash provided by (used in) operating activities	34,522	19,332,846	1,965,949	(827,966)	235,192	1,674,210	22,414,753
Cash flows from noncapital financing activities							
Bond issuance costs	-	(365,896)	-	-	-	-	(365,896)
Principal paid on bonds	-	(42,710,000)	-	-	-	-	(42,710,000)
Arbitrage rebate	-	(8,404)	-	-	-	-	(8,404)
Contributions from other governments	25,955,727	-	-	-	2,135,780	-	28,091,507
Cash received (paid) from other accounts	3,046,486	3,017,486	-	-	(4,629,646)	(1,434,326)	-
Net cash provided by (used in) noncapital financing activities	29,002,213	(40,066,814)	-	-	(2,493,866)	(1,434,326)	(14,992,793)
Cash flows from investing activities							
Purchase of investments	(134,866,960)	-	-	-	-	-	(134,866,960)
Proceeds from sales or maturities of investments	94,470,304	2,030,078	-	-	-	-	96,500,382
Interest received on investments - net	731,051	7,575,303	15,144	3,619	2,429	879	8,328,425
Net cash provided by (used in) investing activities	(39,665,605)	9,605,381	15,144	3,619	2,429	879	(30,038,153)
Net increase (decrease) in cash and cash equivalents	(10,628,870)	(11,128,587)	1,981,093	(824,347)	(2,256,245)	240,763	(22,616,193)
Cash and cash equivalents							
Beginning of year	147,282,559	48,649,387	11,212,415	2,534,140	6,089,447	4,499,422	220,267,370
End of year	$ 136,653,689	$ 37,520,800	$ 13,193,508	$ 1,709,793	$ 3,833,202	$ 4,740,185	$ 197,651,177
Reconcilation to the Statement of Net Position							
Cash	$ 10,451,345	$ -	$ 2,264,098	$ -	$ -	$ 739,570	$ 13,455,013
Cash Equivalents	126,202,344	37,520,800	10,929,410	1,709,793	3,833,202	4,000,615	184,196,164
	$ 136,653,689	$ 37,520,800	$ 13,193,508	$ 1,709,793	$ 3,833,202	$ 4,740,185	$ 197,651,177

Combining Schedule of Cash Flows (Continued)
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2014

	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)	$ 5,923,520	$ (4,672,271)	$ 64,913	$ (824,347)	$ 1,816	$ 1,577,411	$ 2,071,042
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	1,173	-	-	-	-	-	1,173
Interest on investments	(640,925)	(7,389,905)	(15,143)	(3,619)	(2,404)	(878)	(8,052,874)
Interest on bonds, amortization and accretion - net	-	(6,403,912)	-	-	-	-	(6,403,912)
Change in assets and liabilities:							
Loans receivables	(5,245,293)	33,393,464	1,910,158	-	-	-	30,058,329
Loan interest receivable	296,682	774,550	5,352	-	-	-	1,076,584
Loan administrative fee receivable	-	-	-	-	-	27,811	27,811
Deferred charges	-	3,632,279	-	-	-	-	3,632,279
Accounts payable and other liabilities	-	-	669	-	-	-	669
Due to (from) other funds	(300,635)	(1,359)	-	-	235,780	69,866	3,652
Total adjustments	(5,888,998)	24,005,117	1,901,036	(3,619)	233,376	96,799	20,343,711
Net cash provided by (used in) operating activities	$ 34,522	$ 19,332,846	$ 1,965,949	$ (827,966)	$ 235,192	$ 1,674,210	$ 22,414,753

Virginia Resources Authority

Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2014

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	$ 3,015,551	$ 186,882	$ -	$ 45,933	$ 3,248,366
Cash equivalents	36,734,605	121,825	-	546,484	37,402,914
Loans receivable, net of allowance	5,929,255	4,638	-	-	5,933,893
Receivables:					
Loan interest	359,725	-	-	-	359,725
Loan administrative fees	-	-	-	73,232	73,232
Federal funds	164,085	-	128,854	-	292,939
	38,489	-	-	-	38,489
Total current assets	46,241,710	313,345	128,854	665,649	47,349,558
Noncurrent assets					
Loans receivable - less current - net	138,605,275	39,419	-	-	138,644,694
Capital assets - at cost - net	-	-	391	-	391
Total noncurrent assets	138,605,275	39,419	391	-	138,645,085
Total assets	184,846,985	352,764	129,245	665,649	185,994,643
Liabilities					
Current liabilities					
Due to other accounts	193,492	-	128,854	-	322,346
Agency funds	29,007	-	-	-	29,007
Total current liabilities	222,499	-	128,854	-	351,353
Total liabilities	222,499	-	128,854	-	351,353
Net position					
Investment in capital assets	-	-	391	-	391
Restricted:					
Loan Programs	184,624,486	352,764	-	665,649	185,642,899
Total net position	$ 184,624,486	$ 352,764	$ 391	$ 665,649	$ 185,643,290

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2014

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	$ 1,136,686	$ -	$ -	$ -	$ 1,136,686
Investment income	60,059	207	-	384	60,650
Loan administrative fees	-	-	-	193,127	193,127
Administrative reimbursement	-	-	381,079	-	381,079
	372	-	-	-	372
Total operating revenues	1,197,117	207	381,079	193,511	1,771,914
Operating expenses					
Grants to local governments	6,530,420	-	-	-	6,530,420
Personnel services	-	-	285,914	-	285,914
General operating	23,755	553	44,222	111	68,641
Contractual services	-	-	51,370	-	51,370
Total operating expenses	6,554,175	553	381,506	111	6,936,345
Operating income (loss)	(5,357,058)	(346)	(427)	193,400	(5,164,431)
Nonoperating revenues					
Contributions from other governments	18,614,045	-	-	-	18,614,045
Income (loss) before transfers	13,256,987	(346)	(427)	193,400	13,449,614
Operating transfers	(88,563)	-	88,563	-	-
Change in net position	13,168,424	(346)	88,136	193,400	13,449,614
Total net position - beginning	171,456,062	353,110	(87,745)	472,249	172,193,676
Total net position - ending	$ 184,624,486	$ 352,764	$ 391	$ 665,649	$ 185,643,290

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2014

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	$ (18,882,880)	$ -	$ -	$ -	$ (18,882,880)
Principal repayments from localities on loans	6,238,575	4,638	-	-	6,243,213
Interest received on loans	1,040,788	-	-	-	1,040,788
Loan administration fees received	-	-	-	157,503	157,503
Federal administrative reimbursement funds received	-	-	342,411	-	342,411
Cash received from other income	372	-	-	-	372
Cash payments for salaries and related benefits	-	-	(285,914)	-	(285,914)
Cash payments for contractual services	-	-	(51,370)	-	(51,370)
Cash payments for general operating expenses	(23,755)	(554)	(43,795)	(110)	(68,214)
Cash payments for operating grants	(6,530,420)	-	-	-	(6,530,420)
Agency funds received	2,973				2,973
Interfund activity	143,073	-	(49,895)	1,279	94,457
Net cash provided by (used in) operating activities	(18,011,274)	4,084	(88,563)	158,672	(17,937,081)
Cash flows from noncapital financing activities					
Contributions from other governments	18,411,472	-	-	-	18,411,472
Cash received (paid) from other accounts	(88,563)	-	88,563	-	-
Net cash provided by noncapital financing activities	18,322,909	-	88,563	-	18,411,472
Cash flows from investing activities					
Interest received on investments - net	60,060	207	-	383	60,650
Net cash provided by investing activities	60,060	207	-	383	60,650
Net increase in cash and cash equivalents	371,695	4,291	-	159,055	535,041
Cash and cash equivalents					
Beginning of year	39,378,461	304,416	-	433,362	40,116,239
End of year	$ 39,750,156	$ 308,707	$ -	$ 592,417	$ 40,651,280
Reconcilation to the Statement of Net Position					
Cash	$ 3,015,551	$ 186,882	$ -	$ 45,933	$ 3,248,366
Cash equivalents	36,734,605	121,825	-	546,484	37,402,914
	$ 39,750,156	$ 308,707	$ -	$ 592,417	$ 40,651,280
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (5,357,058)	$ (346)	$ (427)	$ 193,400	$ (5,164,431)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	427	-	427
Interest on investments	(60,059)	(207)	-	(384)	(60,650)
Change in assets and liabilities					
Loans receivables	(12,644,305)	4,637	-	-	(12,639,668)
Loan interest receivable	(95,898)	-	-	-	(95,898)
Loan administrative fee receivable	-	-	-	(35,623)	(35,623)
Other receivables	-	-	(38,668)	-	(38,668)
Accounts payable and other liabilities	2,973	-	-	-	2,973
Due to (from) other funds	143,073	-	(49,895)	1,279	94,457
Total adjustments	(12,654,216)	4,430	(88,136)	(34,728)	(12,772,650)
Net cash provided by (used in) operating activities	$ (18,011,274)	$ 4,084	$ (88,563)	$ 158,672	$ (17,937,081)

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 Full Time 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									
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014 (1)**
						-				
Investment in capital assets	$ 68,003	$ 45,721	$ 9,996	$ 5,516	$ 1,812	$ 17,478	$ 128,757	$ 206,202	$ 209,143	51,500
Restricted	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	1,426,836,084
Unrestricted	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	10,968,332
Total net position	$ 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	$ 1,437,855,916

(1) The Authority adopted GASB Statement No. 65 in fiscal year 2014.

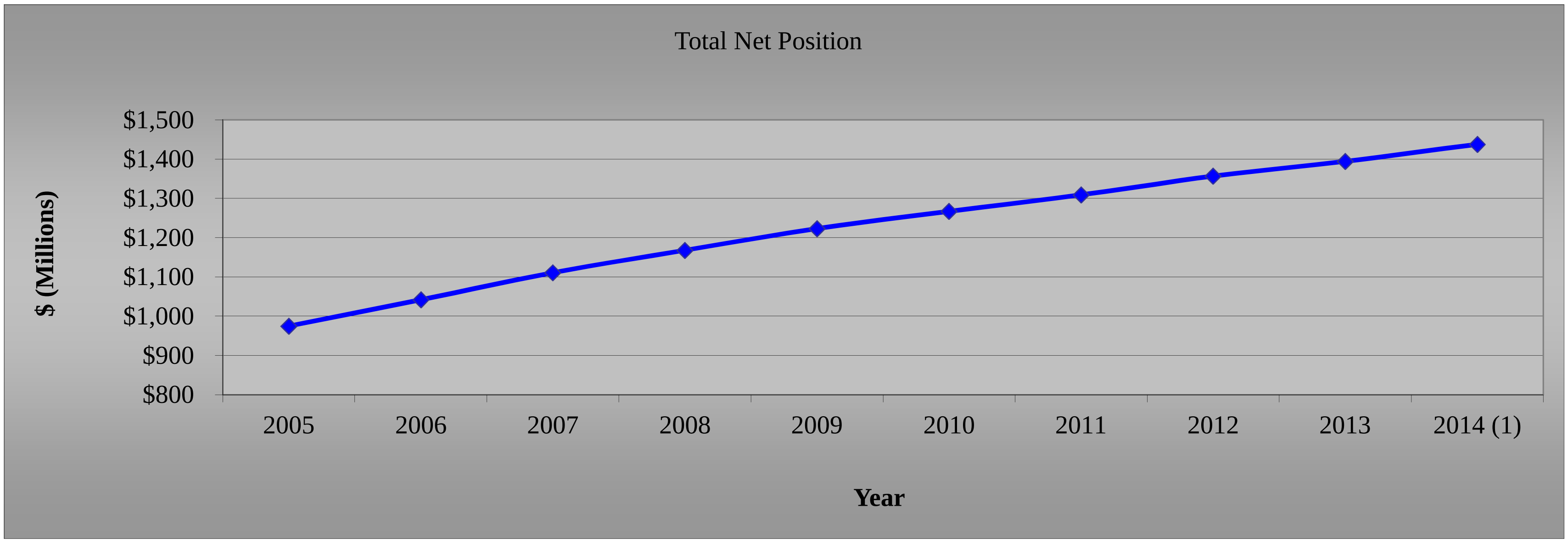


Table 2

Virginia Resources Authority

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenues & Expenses / Contributions from other Governments	Change in Net Position
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
2014*	146,953,955	150,936,764	(3,982,809)	48,072,063	44,089,254

* The Authority adopted GASB Statement No. 65 beginning in fiscal year 2014.

Table 3

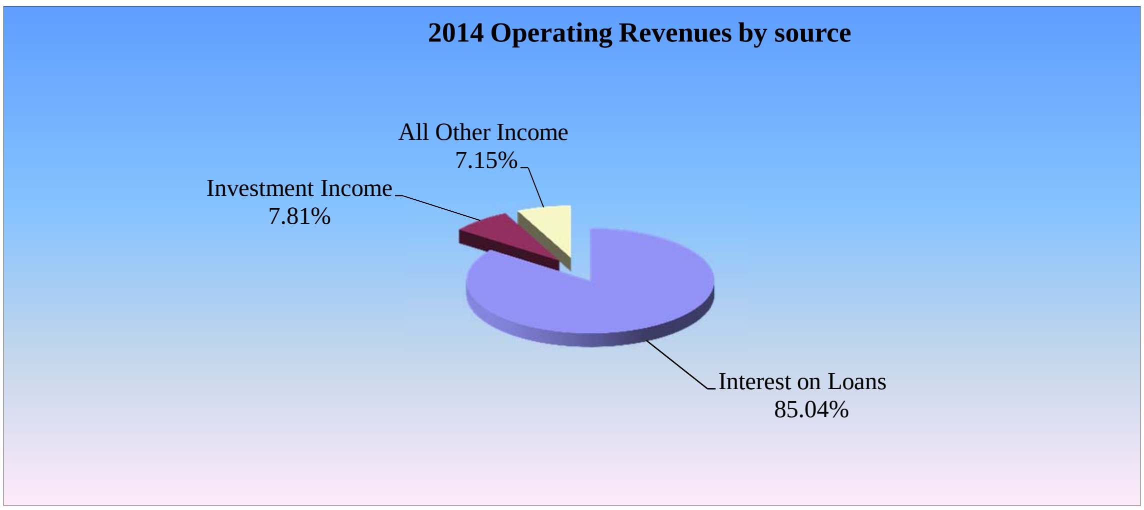
Virginia Resources Authority

Operating Revenues by Source

Last Ten Fiscal Years

Fiscal Year	Interest on Loans	Investment Income	Administrative Reimbursement	Bond Administrative Fees	Loan Administrative Fees (1)	Other Income/Gain on early extinguishment of loans	Total
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
2014	124,972,397	11,480,974	509,932	2,826,301	1,822,734	5,341,617	146,953,955

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



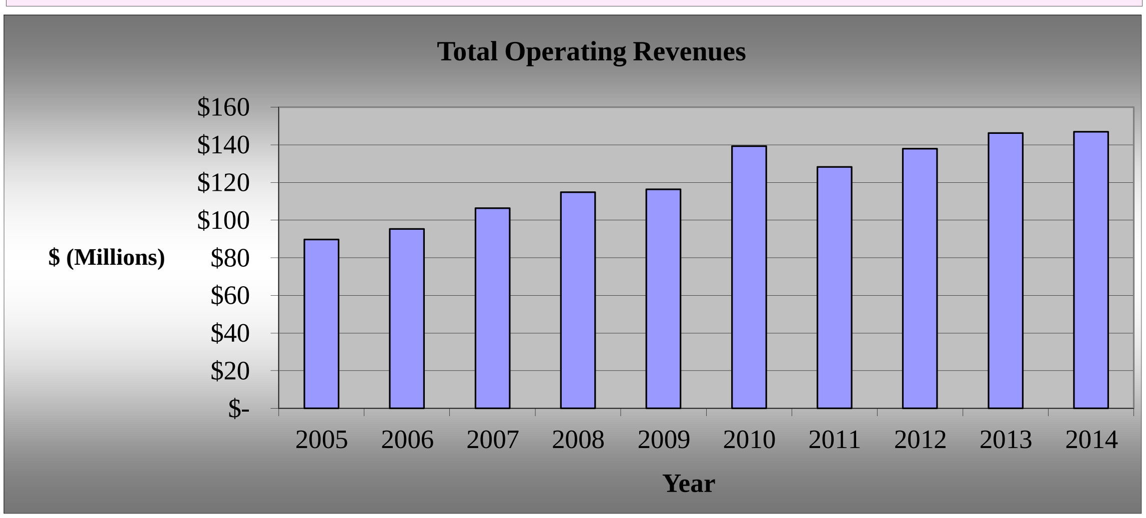


Table 4

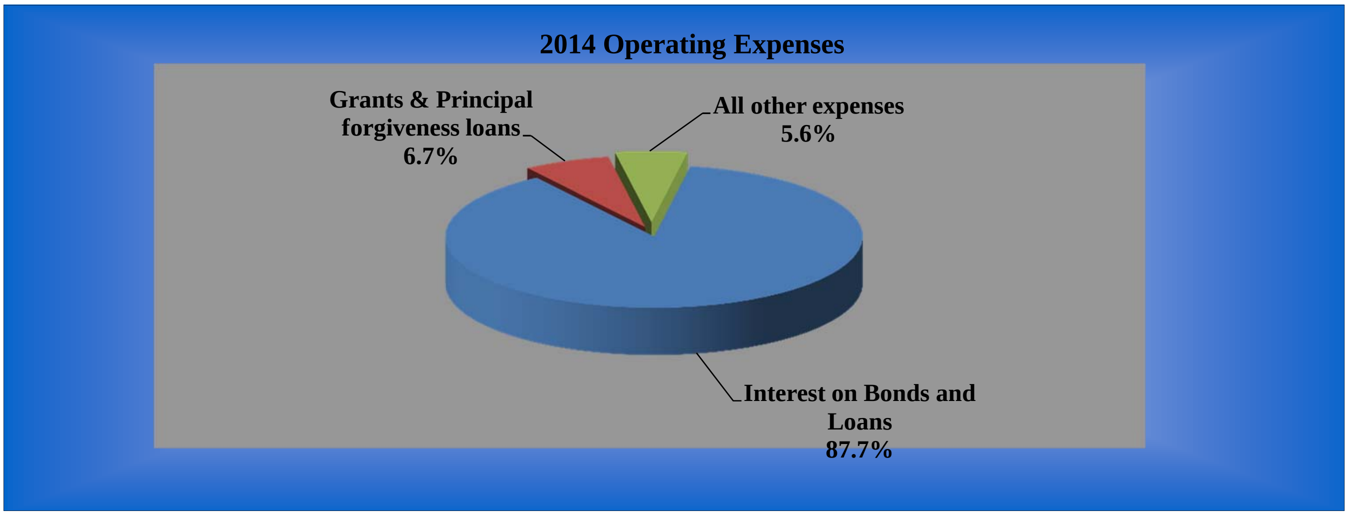
Virginia Resources Authority

Operating Expenses

Last Ten Fiscal Years

Fiscal Year	Interest on Bonds and Loans	Grants & Principal forgiveness loans to Local Governments	Bond Issuance Costs (1)	Loss on early extinguishment of bond	Personnel Services	General Operating	Contractual Services	Total
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
2014	132,360,014	10,141,816	1,893,419	3,151,663	1,657,123	1,069,847	662,882	150,936,764

(1) The Authority adopted GASB Statement No. 65 in fiscal year 2014.



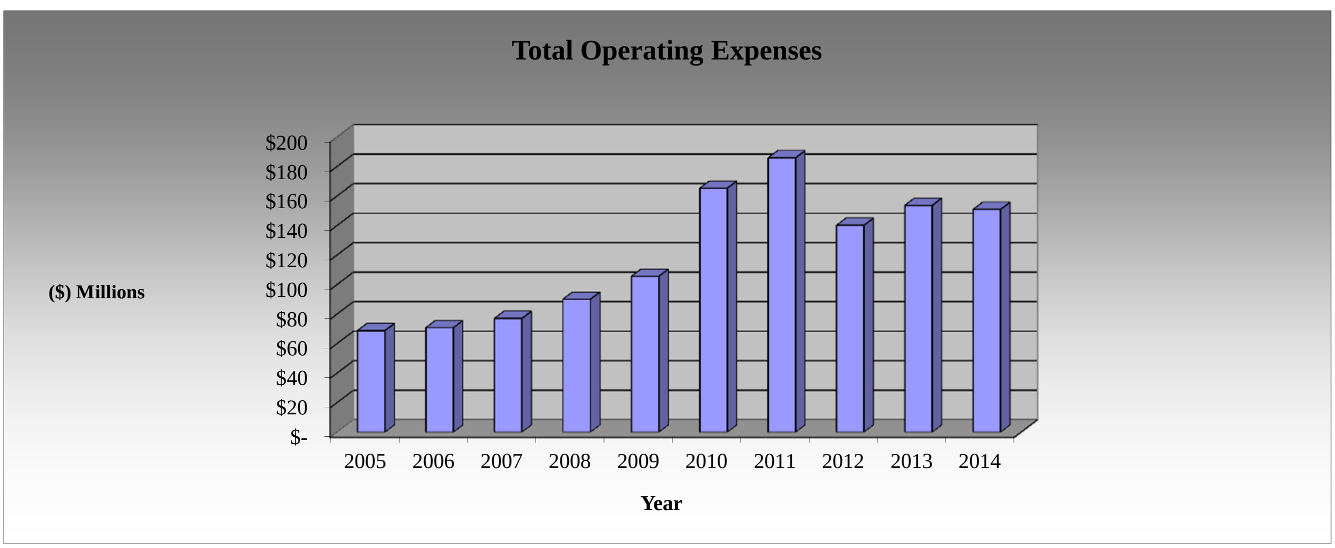


Table 5

Virginia Resources Authority

Schedule of Outstanding Loans Receivable

Last Ten Fiscal Years

	Loans Receivable Related to Bond Issues								
Fiscal Year		Revenue Bonds		VARF		Unamortized discount / premium and cost of issuance - net (1)		Total	Loans Receivable Related to Equipment Term Financing
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	-
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
2014		2,194,934,597		48,430,013		159,999,677		2,403,364,287	1,737,275

	Loans Receivable Related to Revolving Loans								
Fiscal Year		VWFRF		VWFRF - leveraged		VWFRF AgBMP		VWSRF	Total
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
2014		699,775,722		874,358,580		5,691,138		144,578,587	1,724,404,027

(1) The Authority adopted GASB Statement No. 65 beginning in fiscal year 2014 which eliminated the deferral of issuance costs.

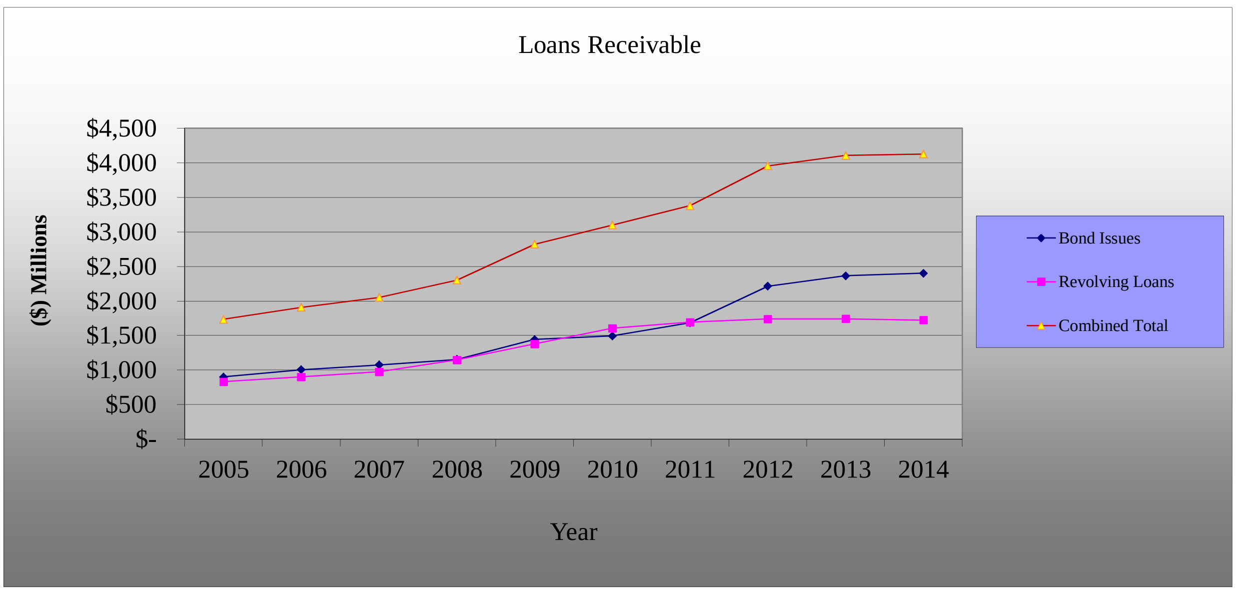


Table 6

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)
2005	1,273,394,419	12,900,830	1,286,295,249	659,099,419	900,000,000	240,900,581	170.49
2006	1,367,326,834	14,532,036	1,381,858,870	704,476,834	900,000,000	195,523,166	180.77
2007	1,670,621,095	25,967,386	1,696,588,481	678,600,371	900,000,000	221,399,629	218.47
2008	1,731,739,685	51,201,706	1,782,941,391	681,886,365	900,000,000	218,113,635	224.33
2009	2,388,011,149	78,414,411	2,466,425,560	726,416,149	900,000,000	173,583,851	306.33
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
2014	3,140,914,596	226,960,909	3,367,875,505	831,164,596	1,500,000,000	668,835,404	380.24

(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

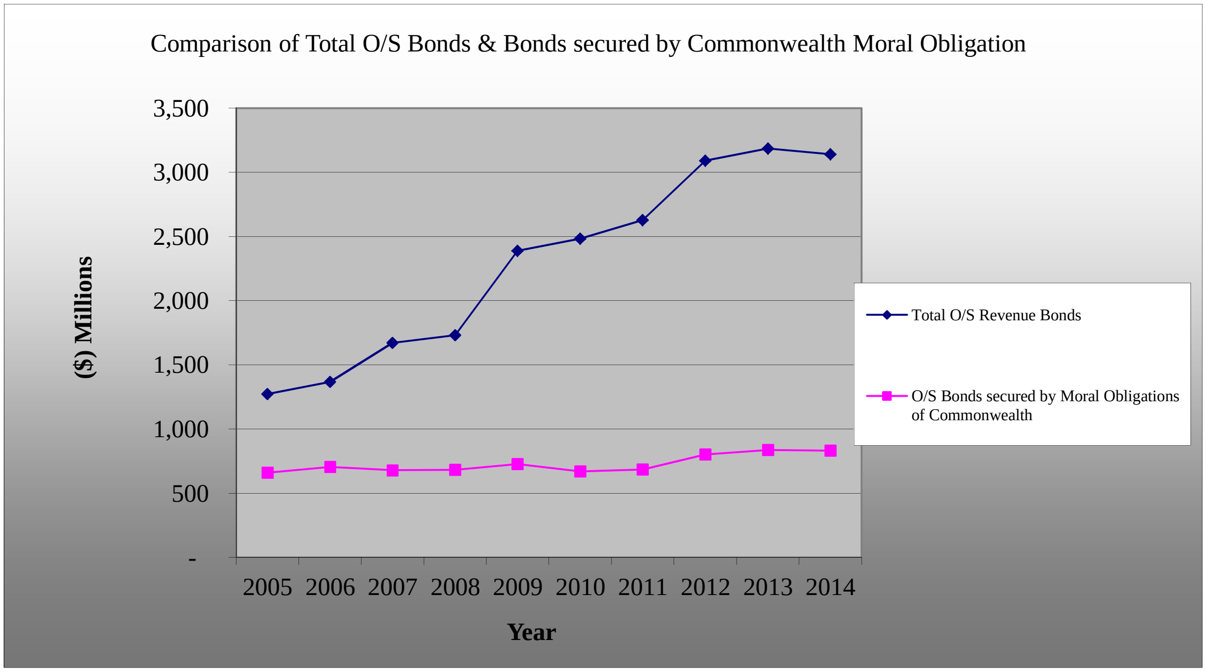


Table 7

Virginia Resources Authority

Virginia Principal Employers

Last Ten Fiscal Years

	Fiscal Year 2014 (1)	Fiscal Year 2005 (1)
Employer (1)	Rank	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
U.S. Department of Homeland Defense	10	20
City of Virginia Beach Schools	13	9
Inova Health System	14	10

(1) Final quarter data for most recent calendar year (2013 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
2014	8,260,405	$ 402,880,713	$ 48,773	1,273,211	5.4%
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%

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

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

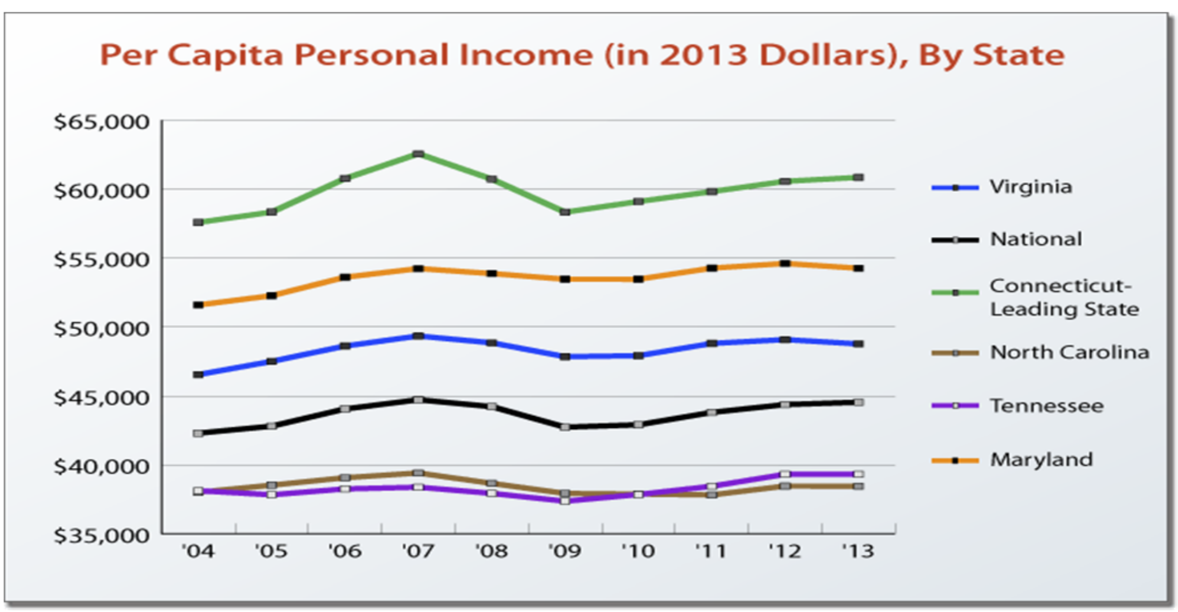


Table 9

Virginia Resources Authority

Operating Indicators

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Virginia Pooled Financing Program										
Projects	21	15	15	16	32	35	30	40	38	20
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	$ 184,695,000
Clean Water Revolving Loan Fund										
Projects	13	18	15	22	22	62	18	22	22	14
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	$ 139,221,106
Virginia Drinking Water State Revolving Fund										
Projects	17	20	16	13	19	34	16	15	15	19
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	$ 28,182,614
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	55
Closed Grants	$ -	$ -	$ -	$ -	$ -	$ 1,002,330	$ 1,000	$ 233,519	$ 558,711	$ 996,146
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund										
Projects	-	-	-	-	-	-	-	10	8	2
Closed Grants	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 199,873	$ 316,560	$ 100,000
Total Projects	56	55	51	56	80	133	66	115	121	110
Total Entities Served	67	55	51	50	61	96	53	71	74	80
Total Financing	$ 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	$ 353,194,866

Source: VRA Annual Reports

Table 10

Virginia Resources Authority

Full Time Employees by Identifiable Activity

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Executive	1	1	1	1	2	2	1	1	1	1
Financial Services/Debt Management	5	4	5	5	-	-	4	4	4	4
Finance and Administration	4	2	4	3	4	2	5	5	5	5
Program Management	-	-	-	-	2	2	2	2	1	3
Policy and Intergovernmental Relations	-	-	-	-	1	1	2	2	2	2
Total Full Time Employees:	10	7	10	9	9	7	14	14	13	15

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* 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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 1, 2014.

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.**

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

Lynchburg, Virginia
September 1, 2014

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, 2014. 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, 2014.

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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

Lynchburg, Virginia
September 1, 2014

Virginia Resources Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

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	90312, 90313	$ 25,815,570
Total Clean Water State Revolving Funds (VWFRF)			25,815,570
Department of Health			
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF)	66.468	66115, 66125	15,456,310
Total Drinking Water State Revolving Funds (VWSRF)			15,456,310
Total expenditures of federal awards			$ 41,271,880

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 $123,217,648 from the VWFRF and $18,838,662 from the VWSRF as of June 30, 2014.

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	$ -	$ 381,079	$ 128,853	$ 509,932
Contributions from other Governments	27,951,350	18,614,045	1,594,000	48,159,395
Total Governmental Revenues	27,951,350	18,995,124	1,722,853	48,669,327
Less amounts not related to federal financial assistance	(2,135,780)	(3,538,814)	(1,722,853)	(7,397,447)
Federal Schedule of Expenditures	$ 25,815,570	$ 15,456,310	$ -	$ 41,271,880

VIRGINIA RESOURCES AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

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 were 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 Drinking Water State Revolving Funds CFDA # 66.468

8. The threshold for distinguishing Type A and B programs was **$1,238,156**.
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.