VRA Virginia Resources Authority

2016 Annual Report

VRA

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VRA

December 1, 2016

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

The General Assembly of Virginia
Commonwealth of Virginia
General Assembly Building
Richmond, Virginia 23219

Dear Governor McAuliffe and Members of the General Assembly:

On behalf of its Board of Directors and staff, I am pleased to present the annual report of the Virginia Resources Authority ("VRA", "Authority"). This report and its accompanying Comprehensive Annual Financial Report ("CAFR") for the year ending June 30, 2016, 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 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 VRA's signature Virginia Pooled Financing Program.

I am also pleased to highlight some of VRA's significant FY16 accomplishments and to detail its support to Virginia communities throughout the year. Of significant consequence was VRA's ability to maintain its outstanding credit rating with all three rating agencies thereby ensuring its ability to deliver cost-saving to Virginia localities. With collective investments of $461.9 million across all its financial programs, VRA was ably positioned to assist communities across Virginia with financing for critical infrastructure and debt-service savings.

Finally, during this fiscal year, VRA's Board and staff completed its strategic planning initiative, reaffirming its purpose and emphasizing its mission of working with its state agency partners, to provide Virginia localities access to cost-effective, sustainable, and innovative financial solutions for projects that support vibrant and healthy communities.

Sincerely,

Stephanie Hamlett

Stephanie Hamlett
Executive Director

Attachment

2016 Board Of Directors

William O' Brien
Director and Chairman

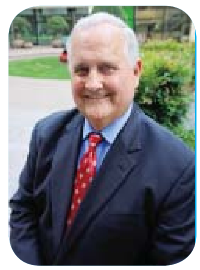
James Spencer
Director and Vice Chair

David Branscome
Director

Barbara McCarthy Donnellan
Director

Thomas L. Hasty
Director

Dena Frith Moore
Director



John H. Rust Jr
Director

Randall P. Burdette
Director Ex-Officio

Manju Ganeriwala
Director Ex-Officio

Dr. Marrissa J. Levine
Director Ex-Officio

David K. Paylor
Director Ex-Officio

John Aulbach
Board Alternate

Janet Aylor
Board Alternate

Cliff Burnette
Board Alternate

Valerie Thomson
Board Alternate

VRA

MISSION

VRA, working with its state agency partners, provides Virginia localities access to cost-effective, sustainable, and innovative financial solutions for projects that support vibrant and healthy Virginia communities

VISION

To enhance the quality of life for the Commonwealth's citizens through the projects VRA finances with Virginia's localities and state agencies

VALUES

Customer Service – we recognize that customer service is our highest priority. Toward that end, we are professional, honest, compassionate, courteous and accountable.

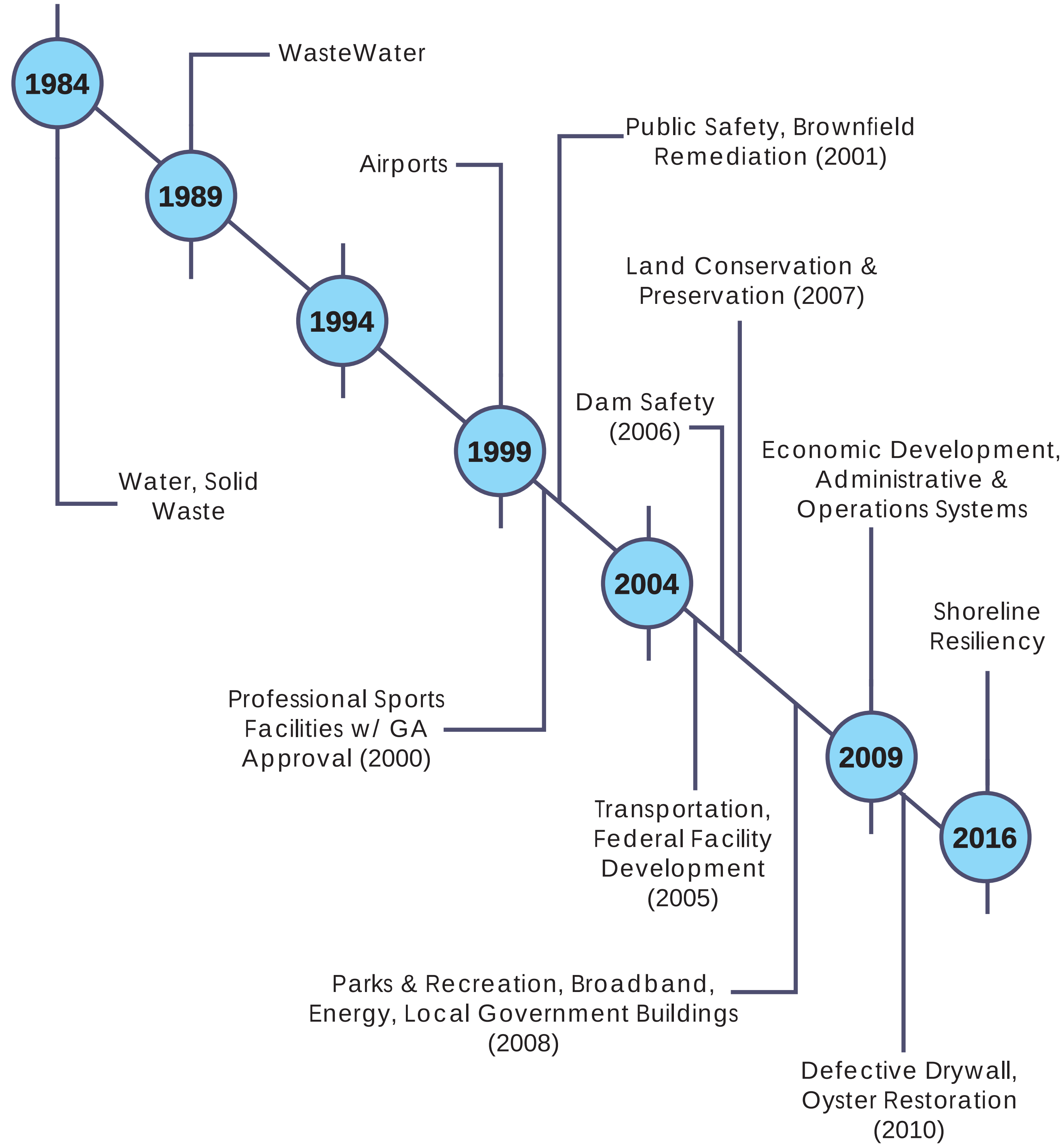
Collaboration – we work together with state agency partners and local governments to provide financing solutions to meet local needs and state objectives.

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

Commitment – we are dedicated to crating financing solutions to meet the growing needs of Virginia's communities.

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

Project Areas



James River Water Authority

The James River Water Authority (JRWA) secured approximately $9 million in bond proceeds from the Virginia Pooled Financing Program to provide for the long-term raw water needs of Fluvanna and Louisa Counties. JRWA plans to use these funds to construct a water intake structure on the James River, a pump station, a pipeline from the intake facility to a point close to Route 6 (near Columbia) and a "T" connection that will ultimately send water to both localities. JRWA would operate as a wholesale raw water provider and owner of the related infrastructure improvements.

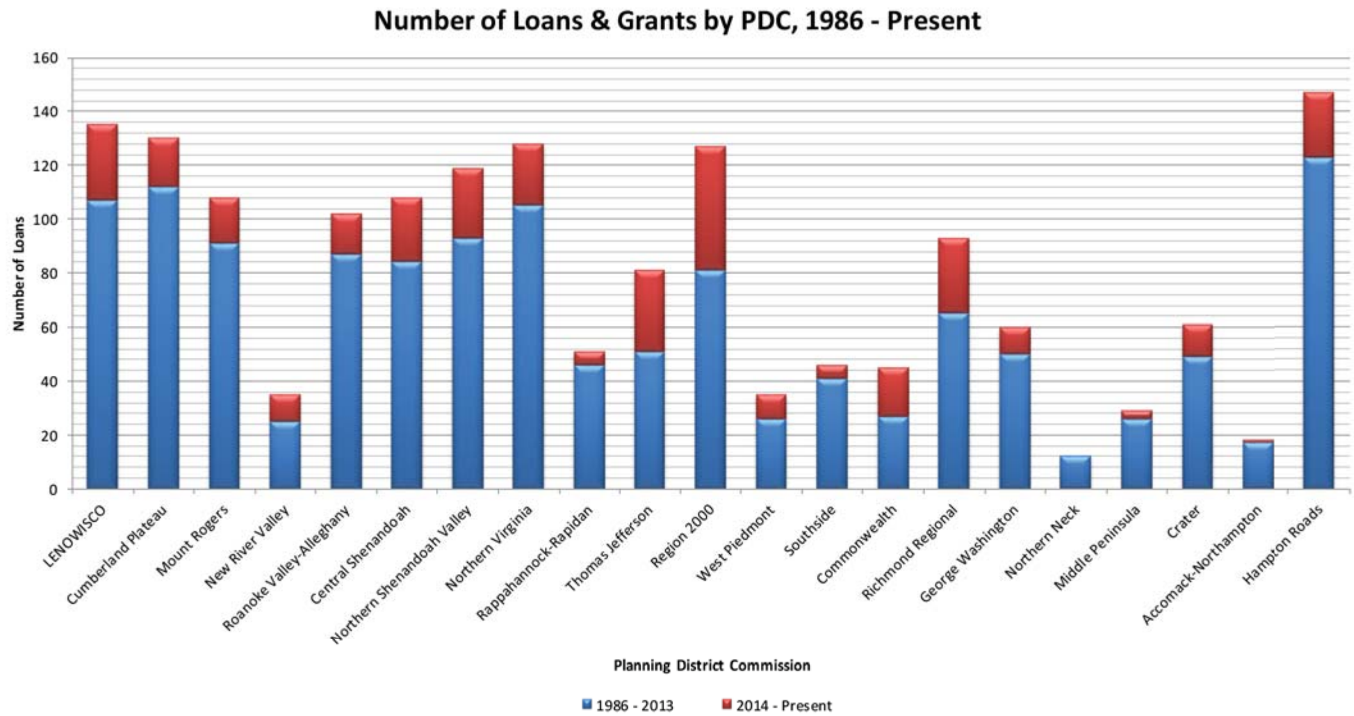
This project, which is included in the comprehensive plans for both Fluvanna and Louisa, is considered critical to the long term water needs of both jurisdictions. The proposed JRWA project will allow Louisa to pursue a planned waterline expansion project, which would transport raw water from the JRWA intake to a new water treatment plant to be constructed near Ferncliff. This will enable the county to serve certain areas that are critical to its continued success, including Zion Crossroads, an area designated for future economic development efforts. This project will help Louisa unlock the important job growth potential of this part of the county. In Fluvanna, areas that currently rely exclusively on wells will benefit from this project by gaining a reliable, long-term water source.

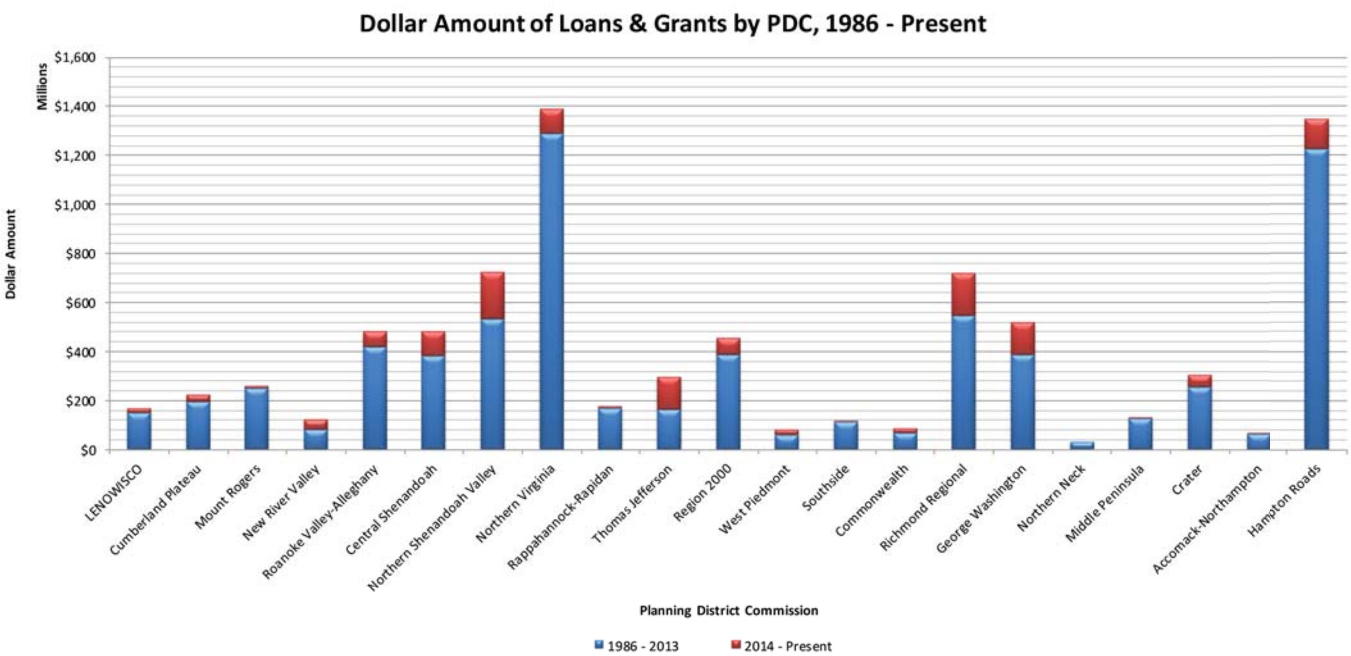
Virginia Airports Revolving Fund

Rate Resets Article

In 2015, VRA, in consultation with the Virginia Aviation Board and Virginia Department of Aviation (VDOA), pursued an opportunity to provide assistance to certain existing governmental airport borrowers in the Virginia Airports Revolving Fund (VARF) in the form of lower loan interest rates. With VARF loan demand below historic levels between fiscal years 2010 and 2015, and based on low projected levels of future loan demand by the VDOA, in May 2015, $9.02 million in uncommitted VARF funds was employed to redeem and defease $8,755,000 in VARF bonds outstanding from the Series 2002B, 2002C, 2004, and 2005 bond issues. The proceeds of these prior bond issues were used to fund nine governmental airport borrower projects. Eight of the nine underlying local airport borrower loan interest rates have been reduced throughout fiscal year 2016 based on prevailing market rates at the time of the VARF bond defeasance. The use of uncommitted VARF equity results in gross debt service savings in excess of $686,000 for the eight local airport borrowers that have completed the rate reset documentation to date while also generating additional VARF program equity of approximately $1 million through fiscal year 2032 by converting the underlying leveraged loans into direct loans of the VARF program. As a result of the 2015 defeasance / redemption of the Series 2002B, 2002C, 2004, and 2005 bonds, the VARF is now the beneficiary of interest paid on the underlying related airport borrower loans instead of public bondholders that benefited from the loan interest previously.

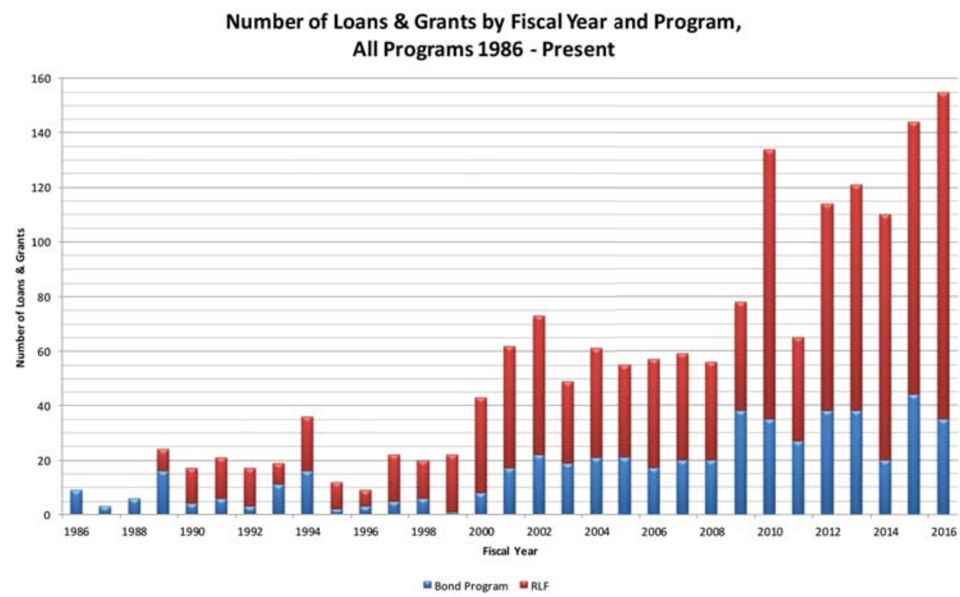
Investment by PDC

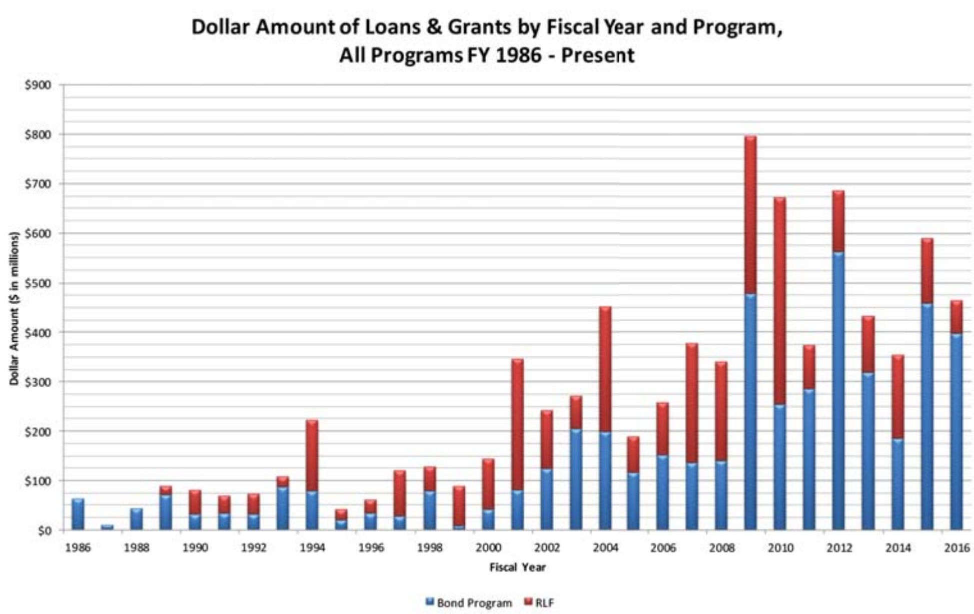




Loan Volume Growth

Project areas eligible for VRA financing have expanded as both the Legislative and Executive branches have identified new priorities. As the project areas have grown, so has the number of loans and grants made to local governments. Each Planning District Commission (PDC) has member localities that have borrowed from VRA for critical infrastructure projects. The last several fiscal years have been a period where loan volume, both in number and dollar amounts, has been at record levels. Fiscal year 2016 represented the largest number of loans and grants.





Hanover County Courthouse

Built in 1976 with just 37,000 square feet allotted, the Hanover circuit court and district court buildings have not undergone any major renovations beyond minor modifications and upgrades. Due to the addition of two additional courts in July 2013, the facilities were determined to provide inadequate space. Commonwealth Attorney's and other divisions have grown beyond their designed capacities, requiring additional space. Hanover sought financing assistance through VRA and funded the courthouse construction through two separate transactions through the Virginia Pooled Financing Program (VPFP) that allowed the county to secure the loans with an appropriation only pledge.

In the 2014 spring VPFP financing, Hanover borrowed approximately $20 million to finance the beginning phases of this project. Subsequent to the spring 2014 financing, Hanover borrowed $21.5 million in the Summer 2015 VPFP transaction to complete the courthouse project, with the expected completion in March 2017. The new courthouse facility is designed to include approximately 108,400 square feet, with 9,200 square feet to be reserved for future growth and temporary storage. The new facility will house the Commonwealth's Attorney, Clerk of the Court, and other related offices. There will be six independent courtrooms, including two each for the circuit court, district court, and juvenile/domestic relations court.

Scope of Courthouse Facility Project is 108,400 sq. ft. and includes six full time and independent courtrooms; offices for Commonwealth's Attorney, Court Clerk, and others; secured parking for judges; state-of-the-art security system; enclosed vehicle sally port for prisoner transport; and 9,200 sq. ft. dedicated to storage space and future growth

MIDDLE PENINSULA
PLANNING DISTRICT COMMISSION

Clean Water Revolving Loan Fund:
Middle Peninsula PDC

The Middle Peninsula Planning District Commission (MPPDC) knew that local residents were facing grave problems with repairing failing septic systems. The Commission turned to the Clean Water Revolving Loan Fund (CWRLF) for a solution to this pressing problem. The MPPDC secured a $200,000 loan from the CWRLF to support the Regional On-site Wastewater Treatment and Disposal Funding Program. This Program was established in 1997 to improve water quality and address public health concerns in the York, Rappahannock and Lower Small Coastal Watersheds. This Program also supports the Commonwealth's Chesapeake Bay Watershed Implementation Plan.

The benefits of repairing failed septic systems include more than just water quality. These repairs can dramatically improve the quality of life for each of the affected homeowners and also impact the health, safety and welfare of the entire community. These far-ranging benefits include:

- Reducing dysentery and hepatitis spread by septic waste
- Eliminating a large breeding ground for mosquitoes and flies that can spread disease
- Decreasing chemical or nutrient poisoning as a result of untreated water traveling through the soil to wells or on the surface to lakes, streams or ponds

Since 1999, Amendments to Virginia's On-site Sewage Disposal Regulations have significantly increased the cost of system repairs. This new loan from the CWRLF allows the program to continue and will potentially assist another 20 – 40 homeowners, with a particular benefit to low-income homeowners who would be otherwise incapable of complying with Health Department requirements to repair their septic systems.

Drinking Water State Revolving Fund:

Town of Wise Water Treatment Plant Rehabilitation

The Town of Wise owns and operates a conventional water treatment plant that utilizes flash mixing, flocculation, sedimentation, high rate filtration and chlorine disinfection. The water treatment plant receives raw water from a tower type intake in the Bear Creek Reservoir. While the water treatment plant is currently in good operating condition and is well-maintained, it is aging. Initial construction of the plant was completed in 1966 and the age of the filter units are a particular concern. Two of the filters were erected during initial plant construction and are now approximately 40 years old. The third and fourth filters were erected in 1972 and 1986, respectively. The filters were constructed from plate steel and the structural integrity of the two oldest filters, and possibly the third filter, were questionable. Even the newest filter had reached 20 years of service. As a result of the water plant rehabilitation project, the town should be provided with a reliable water treatment plant for the next 40 years.

Town of Amherst

Since 1960, the Main Street Water Line has been providing the Town of Amherst with drinking water. As a result of the aging infrastructure there were several water line breaks in the project area. In addition, there were water line breaks near the water treatment plant which prevented operation of the treatment plant for hours.

This project will replace aging infrastructure which is vital for the Town so it can continue to provide safe and reliable drinking water to customers which meets or exceeds health standards and requirements contained in the Virginia Waterworks Regulations. The water main from the water treatment plant to Main Street is the backbone of the distribution system and allows the water treatment plant to fill distribution storage tanks and meet customer demands.

City of Norfolk

Photo by Stephen Katz and The Virginian-Pilot

High rise apartments, condos, nature trails are all part of Norfolk's vision to rejuvenate the Harbor Park shoreline. Before their vision can come to life, the city needs to do their environmental homework. For many years, this area has accumulated some contamination from its industrial history. Another area of concern is that debris from demolished buildings has been used to extend the land. Before any new development can begin, there has to be some clean up.

The Virginia Brownfield Assistance Fund awarded the City of Norfolk with $50,000 for environmental testing. This is critical to the future of the Harbor Park project, because if the tests say the land is in the clear, the city can start with the debris clean up before diving straight into planning and construction for the area. Harbor Park has been designated by Norfolk as a Priority Target Area for economic development. This project will allow a mix of commercial, institutional, and residential development opportunities for the area. With this project, the City of Norfolk should see economic growth as well as making use of a currently untouched space to expand nature trails and residential potential.

Dam Safety, Flood Prevention Fund

Virginia's Dam Safety Program provides the proper and safe design, construction, operation, and maintenance of dams to protect public safety. In conjunction with that, the Floodplain Management Program addresses problems related to flooding, the most common natural disaster. VRA works in cooperation with the Virginia Department of Conservation and Recreation (DCR) to manage the permanent and non-reverting Virginia Dam Safety, Flood Prevention and Protection Assistance (DSFP) fund.

Total Disbursements Between 7/1/2015 and 6/30/2016: **$326,915.69**

NATURAL BRIDGE

Helping Fulfill a Dream

Gov. Terry McAuliffe formally dedicated Natural Bridge State Park as Virginia's 37th state park in September. The property was purchased by the Virginia Conservation Legacy Fund, Inc. ("VCLF"), a nonprofit organization seeking to conserve Virginia's natural resources for public access and enjoyment of the outdoors. VCLF purchased the historic property with funds from the Virginia Clean Water Revolving Loan Fund land conservation initiative which is administered by the Virginia Department of Environmental Quality and the Virginia Resources Authority. Once the loan is retired, the property will be transferred to the Commonwealth. Under a management agreement, the Department of Conservation and Recreation is operating the property as a state park.

VirginiaSAVES Green Community Program

Current Building

Planned Building

Warren County borrowed $8,691,000 through the VirginiaSAVES Program to complete renovations and energy efficiency improvements to the Ressie Jeffries Elementary School complex.

VRA partners with the Department of Mines, Minerals and Energy in deploying the Commonwealth's Qualified Energy Conservation Bond allocation; VRA serves as the conduit issuer for local government energy efficiency projects, while the Virginia Small Business Financing Authority serves as the conduit issuer for energy efficiency projects pursued by commercial and non-profit entities. In fiscal year 2016, VRA served as the local government conduit issuer for two financings totaling $12 million.

Tobacco Region Revolving Fund

A revolving loan fund was established to create a long-term mechanism to fund projects that generate revenue and revitalize the economy in the tobacco region. Projects that might be eligible for this fund include: tourism venues, educational facilities, communication, transportation, and more. VRA serves as the administrator and manager of the Fund.

Tourism

The Virginia Tourism Corporation (VTC) works to serve the interests of Virginia's economy through several initiatives, including supporting and expanding the Commonwealth's tourism efforts. Through VTC's Tourism Development Financing Program, funding is awarded to projects aimed at improving Virginia's economy. VRA assists VTC in the review of applications to ensure program requirements are met.

The first project to take advantage of the new Virginia Tourism Development Financing Program (TDFP) was a five-story, 93-room Hyatt Place hotel and mixed-use facility at Eagle Village in Fredericksburg. Eagle Village, LLC is an affiliate of the University of Mary Washington Foundation, and the tourism project is adjacent to the University of Mary Washington campus.

The portion of the funding covered by the program comes from the state, the local sponsoring government, in this case the City of Fredericksburg, and the developer. Overall, the gap financing was estimated to be over $1 million and the project was expected to create more than 50 full-time jobs and 15 part-time positions, with an estimated $3.27 million in tax revenue for the City over the next 10 years.

Virginia Transportation Infrastructure Bank

VTIB is a special non-reverting, revolving loan fund that is a sub-fund of the Transportation Trust Fund. The bank was created for the purpose of making loans and other financial assistance to localities, certain private entities and other eligible borrowers. VRA is the manager of funds disbursed from the Bank.

The purpose of the bank is also to encourage the investment of both public and private funds in the development of eligible transportation projects and to provide an alternative source of financing for present and future transportation needs in the commonwealth.

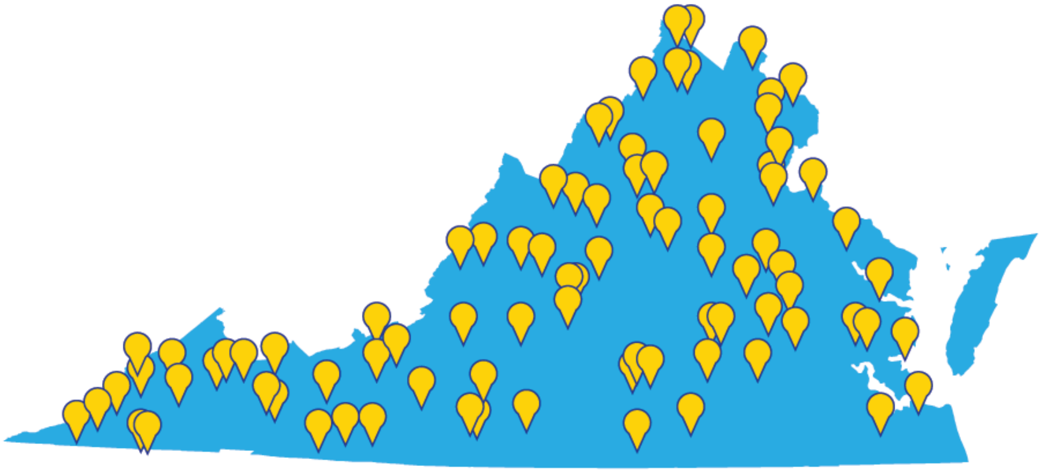
Economic Impact of VRA Refundings

Virginia Resources Authority contracted with Dr. Fletcher Mangum of Mangum Economics to study the economic impact VRA refundings had on Virginia localities. The study was a comprehensive evaluation of the economic contribution attributable to VRA's efforts during the 2010-15 period to assist localities with debt refinancing. It is important to keep in mind that during this period Virginia was still struggling to recover from the Great Recession of 2007-09, the longest and deepest contraction the country has experienced since the Great Depression of 1929-39. Although Virginia entered the recession later, experienced smaller employment losses, and emerged sooner than the country as a whole, the state's recovery was marked by lack-luster economic growth that increasingly under-performed the national norm.

> "Using IMPLAN...the analysis showed that over the life of the refinanced bonds the cumulative statewide impact of all 182 projects was 1,025 jobs, $48.1 million in labor income, $295.4 million in economic output, and $8.3 million in state and local tax revenue."

Using data provided in DBC® Finance Software Reports, the study generated a state-level estimate of the cumulative economic and fiscal impact for all of the 182 local refinancing projects that VRA was involved in over the 2010-15 time period. Based on those data, the total net present value of the future stream of annual debt service savings from those 182 local refinancing projects was $146.2 million. Using IMPLAN software to account for the economic ripple effects that saved household income would have as it flowed through the statewide economy, the analysis showed that over the life of the refinanced bonds the cumulative statewide impact of all 182 projects was 1,025 jobs, $48.1 million in labor income, $295.4 million in economic output, and $8.3 million in state and local tax revenue.

The study concluded that the VRA's local refinancing projects over the 2010-15 period provided financial flexibility to Virginia localities at a time when they critically needed it and when it was likely to have a maximum positive impact on current and future economic growth.



VRA's reach is truly statewide. Each point indicates a local project receiving VRA assistance in 2016.

Dedicated VRA board members hard at work.

FY2016 Investments

All Programs

Program	Loans and Grants	
	Number	Dollar Amount
Virginia Pooled Financing Program	39	$395,210,000
Clean Water Revolving Loan Fund	13	37,029,027
Drinking Water State Revolving Fund	24	16,912,070
Dam Safety, Flood Prevention and Protection Assistance Fund	70	326,916
Brownfields Restoration and Economic Redevelopment Assistance Fund	12	445,585
VirginiaSAVES Green Community Program	2	12,004,595
Total	**160**	**$461,928,193**

Source: FY2016 VRA Comprehensive Annual Financial Report

VRA

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Richmond, Virginia

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

Year Ended June 30, 2016

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, 2016

Prepared by the Accounting Division:
Michael Cooper, Director of Administration and Operations
Catherine O'Brien, Accounting Manager
George Panos, Loan Servicing Manager
Elizabeth Sakr, Fiscal and Administrative Specialist

Virginia Resources Authority
Financial Statements for the Year Ended June 30, 2016

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Virginia Resources Authority
Financial Statements for the Year Ended June 30, 2016

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INTRODUCTORY SECTION

VRA VIRGINIA RESOURCES AUTHORITY

Stephanie L. Hamlett
Executive Director

September 13, 2016

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

Dear Board Members:

In accordance with the requirements set forth in Section 62.1-222 of the Code of Virginia, as amended, I am pleased to present the FY2016 Financial Statements of the Virginia Resources Authority ("VRA", "Authority"). As you know, the statute requires the Authority to 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 which is based upon a comprehensive framework of internal control that has been 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.

As in the previous year, the fiscal year ending June 30, 2016 was audited by Brown, Edwards & Company, LLP, a licensed certified public accounting firm. I am pleased to report that 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, 2016.

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.

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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 increased over the years to 18 distinct project types. These project areas reflect the capital improvement priorities of local governments and priority areas identified by Virginia's Governors and 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 requiring financing for any one of the 18 designated project areas eligible for VRA financing. Authorized project areas include water, sewer, transportation, public safety, energy, local government buildings, parks and recreational facilities, administrative and operations 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, shared 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, results in favorable access to the capital markets for Virginia localities without the need for additional credit enhancements.

In addition to the VPFP, the Authority currently serves as co-manager of five state 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 and Protection Fund (VDSFPPF), 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, VDSFPPF, 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 qualified borrowers for eligible projects. The VBAF solely issues grants for eligible projects.

The Virginia Transportation Infrastructure Bank (VTIB) was created in 2011 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.

Additionally, legislation was approved in the 2015 Session of the General Assembly establishing the Virginia Tobacco Region Revolving Fund, administered by VRA. The assets of the Fund are to be used to make loans to local governments for the financing of any project.

Economic Information
(as of August 26, 2016)

The Commonwealth of Virginia closed fiscal year 2016, which ended on June 30, with positive general fund revenue growth over last year. This year's $18.0 billion in revenue collections set a new record for annual gross receipts, but fell short of the official budgetary forecast for the year. Preliminary figures indicate that the state concluded fiscal year 2016 with 1.7 percent growth in general fund revenue collections, excluding transfers, but faces an approximate $266.3 million shortfall from the official forecast. Total general fund revenues were forecast to increase 3.2 percent in fiscal year 2016. This represents a 1.5 percent forecast variance from the official budget estimate, with payroll withholding and sales tax receipts falling short of expectations. The final fiscal year 2016 tally, including transfers, is expected to be available in late August, 2016.

As required by law, the State Comptroller submitted a report to the Governor on the preliminary results of revenue collections for fiscal year 2016. The data indicate that total individual income, corporate income and sales tax collections were 1.8 percent below the official budget estimates for the year. Since this shortfall is more than 1.0 percent below the official budget estimate for these sources, a re-estimate of general fund revenues is required by law to be completed by September 1.

FY2016 Accomplishments

Staff efforts along with those of state agency and private sector partners resulted in many successes and opportunities during FY2016. The Authority took full advantage of market conditions to deliver cost-effective financing to all regions of the Commonwealth.

With the support and guidance of the Board of Directors and the Executive Director, the Authority delivered value to local government borrowers through its Virginia Pooled Financing Program (VPFP) and through other loan programs it administers for state agencies. Not only were staff efforts directed at the VPFP and the revolving loan funds co-managed with state agencies, efforts were also directed at the Virginia Tourism Corporation's gap financing program that relies on VRA assistance in credit review and analysis. Major accomplishments for the Authority during FY2016 include:

1. maintaining outstanding credit rating – VRA has consistently maintained high investment grade credit ratings for each of its rated financial programs

2. sustaining record of no payment defaults in bond programs

3. monitoring borrowers exhibiting financial stress and concerns

4. financing investments of 160 loans and grants totaling $461,928,193 through Virginia Pooled Financing Program, Clean Water Revolving Loan Fund, Drinking Water State Revolving Fund, VirginiaSAVES Green Community Program, Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund and the Virginia Dam Safety, Flood Prevention and Protection Assistance Fund

5. facilitating refunding opportunities for debt service savings of $18 million of net present value savings through the Virginia Pooled Financing Program for 19 localities

6. transferring approximately $959,000 to the Portfolio Risk Management Reserve for FY16 to further enhance the pooled bond program credit

Additional Authority's accomplishments include:

- assisting state-agency partners in successfully managing their loan and grant programs

    - Department of Environmental Quality - $37 million for 13 loans
    - Department of Health - $16.9 million for 24 loans/grants
    - Department of Aviation - loan rate reset for 7 of 9 airport borrowers for gross savings totaling $614,420
    - Department of Conservation & Recreation - $326,916 for 70 grants
    - Virginia Economic Development Partnership - $445,585 for 12 grants
    - Department of Mines, Minerals and Energy - $3.3 million to Pittsylvania County and $8.7 million to Warren County
    - Commonwealth Transportation Board – 25 disbursements totaling $58.6 million to two borrowers, Loudoun County Industrial Development Authority and the City of Chesapeake

- improving website design for easy access for borrowers and investors

- establishing an Infrastructure Finance Roundtable comprised of public and private sector stakeholders

- expanding agency partnerships and collaborations in matters relating to homeland security, climate change, shoreline resiliency, and emergency preparedness

- achieving the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for FY2015 CAFR

- optimizing technology and information systems with upgraded computers and software for all staff

- maintaining qualified staff through professional and career development training initiatives for all staff

Fiscal Year 2016 Financial Results

VRA ended FY16 with assets exceeding $5 billion, a 2.7% increase over the preceding year. With assets exceeding liabilities by $1.5 billion, VRA's net position increased 3.0%. The largest portion of the net position (99.02%) is restricted for making loans and grants through the various loan programs administered by VRA. Operating revenues ($148 million) and expenses ($152 million) both decreased during FY16, primarily a result of loan activity over the past year. Overall, VRA's financial position remains strong at the conclusion of FY16.

Long-term Financial Planning

VRA works with its agency partners to project program demand. For the Virginia Water Facilities Revolving Fund, VRA utilizes a long-term financial model to determine lending capacity under various scenarios. The model is updated at least annually. Ongoing communications with agency partners helps in ensuring effective planning.

VRA continues its practice of completing a five-year budget projection using certain assumptions for growth and program volume. Each year the assumptions are updated and the projection is revised accordingly.

Finally, just a year ago and in the midst of completing the 2015 year-end audit, I announced the departure of the Authority's long-termed Controller but was fortunately able to inform the Board that VRA's Director of Administration and Operations Michael Cooper and his staff had worked together to complete the FY2015 CAFR and the year-end audit. I am announcing now the departure of Michael Cooper and am grateful for his willingness to remain to oversee the completion of the FY2016 CAFR and year-end audit. I am also grateful to the VRA staff whose members joined in to successfully complete all assigned tasks and to make sure all matters relating to the Authority, financial and otherwise, were properly and expertly addressed.

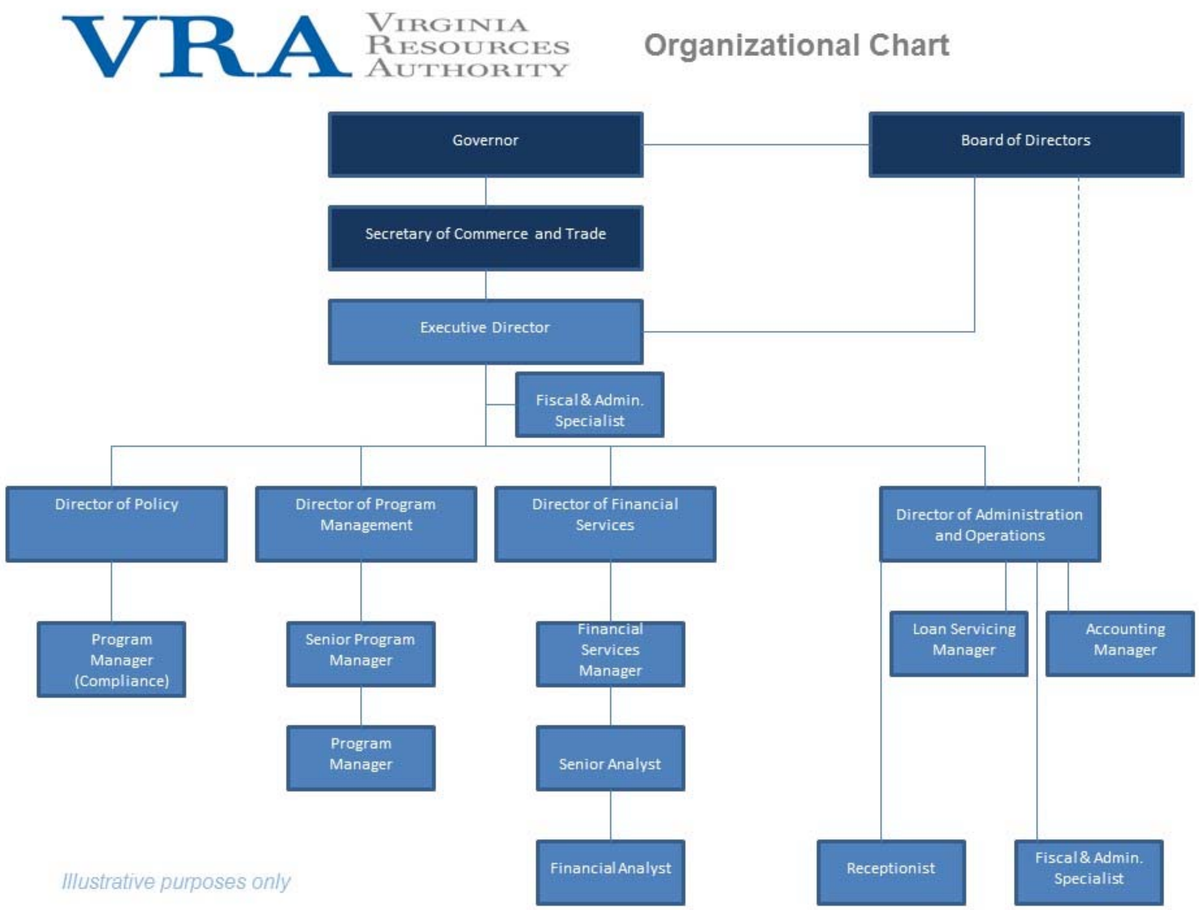
Sincerely,

Stephanie Hamlett

Stephanie L. Hamlett
Executive Director

Virginia Resources Authority

Organizational Structure
June 30, 2016



Virginia Resources Authority

Directory of Principal Officials
June 30, 2016

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

Peter D'Alema; Director of Program Management

Shawn Crumlish; Director of Debt Management

Michael Cooper; Director of Administration and Operations

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, 2015

Executive Director/CEO

FINANCIAL SECTION

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Resources Authority (the "Authority"), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2016, 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; 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.

2102 Langhorne Road, Suite 200 • Lynchburg, VA 24501 • 434-948-9000 • Fax: 434-948-9029 • www.BEcpas.com

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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2016, 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 9, 2016

Virginia Resources Authority

Management's Discussion and Analysis

Year Ended June 30, 2016

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, 2016. 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 $1.527 billion (net position), an increase of $44.1 million or 3.0%.
- Total assets of $5.125 billion increased by $135 million or 2.7% (See FINANCIAL ANALYSIS Table 1 summary).
- Total deferred outflows of $83.0 million increased by $2.5 million or 3.1% (See FINANCIAL ANALYSIS Table 1 summary).
- Total liabilities of $3.6 billion increased by $96.0 million or 2.7%. (See FINANCIAL ANALYSIS Table 1 summary).
- Total deferred inflows of $26.8 million decreased by $3.1 million or 10.4%. (See FINANCIAL ANALYSIS Table 1 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 Title 2 of the U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; 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 $1.527 billion (net position). The largest portion of net position is restricted net position (99.02%), 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 $5.125 billion increased by $135 million or 2.7%, primarily due to the result of borrower loan repayments and investment activity. Current investments increased by $3.7 million or 23.6%, along with an increase in total loans receivable of $117.8 million. Assets primarily consist of loans receivable (85.7%) from participating localities and other governmental entities in the Commonwealth of Virginia. The Authority's source for providing loans is a combination of bond issues and contributions from the State and Federal Government. See Note 4 for additional information on loans receivable.

Total liabilities of $3.654 billion increased by $96.0 million or 2.7%. Liabilities primarily consist of bonds payable (98.8%). See Note 6 for additional information on bonds payable. The primary driver of the increase was the issuance of new debt in the amount of $519 million. The Authority issued seven different bond issues in fiscal year 2016 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. There was $14 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. The VTIB is neutral to the Authority's net position.

See Table 2.

- Operating revenues of $148.04 million decreased by $0.861 million or 0.6%.
- Operating expenses of $151.9 million decreased by $2.875 million or 1.9%.
- Operating loss of $3.8 million decreased by $2.014 million or 34.3%.

At the end of fiscal year 2016, net position increased $44.1 million, or 3.0%, to $1.527 billion. Operating revenues of $148.04 million decreased $0.861 million (0.6%). This change was mostly due to a decrease in gains on early extinguishment of loans of $2.9 million or (38.8%). Investment income increased $1.79 million or 16.2% and bond administration fees increased $.565 million or 18.6%. Total operating expenses of $151.9 million decreased $2.875 million (1.9%). This decrease was the result of reduced bond issuance costs (32.5%), and fewer principal forgiveness loans to local governments (53.7%). The operating loss of $3.8 million is the result of continued 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. The grants to local governments are reimbursed as Contributions from other Governments.

Table 1
Virginia Resources Authority

Schedules of Net Position
(In thousands of dollars)

	June 30, 2016	June 30, 2015	$ Change 2016 - 2015	% Change 2016 - 2015
Assets				
Current assets:				
Cash	$ 37,318	$ 38,216	$ (898)	-2.3%
Cash equivalents	265,998	272,913	(6,915)	-2.5%
Investments	19,331	15,638	3,693	23.6%
Loans receivable - current portion (Note 4)	270,245	242,592	27,653	11.4%
Receivables:				
Investment interest	2,676	2,633	43	1.6%
Loan interest	27,158	27,035	123	0.5%
Loan administrative fees	1,692	1,128	564	50.0%
Other	76	26	50	192.3%
Other	46	41	5	12.2%
Total current assets	624,540	600,222	24,318	4.1%
Noncurrent assets:				
Investments	379,349	358,950	20,399	5.7%
Loans receivable - less current - net (Note 4)	4,120,639	4,030,520	90,119	2.2%
Net pension asset	299	393	(94)	100.0%
Capital assets - at cost -				
less accumulated depreciation	104	113	(9)	-8.0%
Total noncurrent assets	4,500,391	4,389,976	110,415	2.5%
Total assets	5,124,931	4,990,198	134,733	2.7%
Deferred Outflows of Resources				
Deferred outflows - pension	99	47	52	100.0%
Deferred loss on refunding	83,002	80,539	2,463	3.1%
Total deferred outflows of resources	83,101	80,586	2,515	3.1%
Liabilities				
Current liabilities:				
Loans payable - current portion	51	221	(170)	-76.9%
Bonds payable - current portion (Note 6)	207,123	183,441	23,682	12.9%
Accrued interest on bonds payable	26,642	27,040	(398)	-1.5%
Arbitrage rebate liability	282	178	104	58.4%
Agency funds	14,865	20,813	(5,948)	-28.6%
Accounts payable and other liabilities	548	454	94	20.7%
Total current liabilities	249,511	232,147	17,364	7.5%
Noncurrent liabilities:				
Loans payable - less current - net	53	105	(52)	-49.5%
Bonds payable - less current - net (Note 6)	3,404,407	3,325,587	78,820	2.4%
Arbitrage rebate liability	110	178	(68)	100.0%
Total noncurrent liabilities	3,404,570	3,325,870	78,700	2.4%
Total liabilities	3,654,081	3,558,017	96,064	2.7%
Deferred Inflows of Resources				
Deferred gain from localities on refunding	26,777	29,843	13,202	-10.3%
Deferred inflows - pension	30	74	(44)	100.0%
Total deferred inflows of resources	26,807	29,917	(3,110)	-10.4%
Net position				
Investment in capital assets	104	113	(9)	-8.0%
Restricted (Note 7):				
Loan Programs	1,504,352	1,462,097	42,255	2.9%
Operating Reserve	7,749	7,747	2	0.0%
Unrestricted	14,939	13,071	1,868	14.3%
Total net position	$ 1,527,144	$ 1,483,028	$ 44,116	3.0%

Table 2
Virginia Resources Authority

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

	Year Ended June 30, 2016	Year Ended June 30, 2015	$ Change 2016 - 2015	% Change 2016 - 2015
Operating revenues				
Interest on loans	$ 121,474	$ 122,794	$ (1,320)	-1.1%
Investment income	12,856	11,061	1,795	16.2%
Bond administration fees	3,607	3,042	565	18.6%
Loan administration fees	2,042	1,907	135	7.1%
Loan origination revenue	5,134	5,212	(78)	-1.5%
Administrative reimbursement	-	84	(84)	-100.0%
Gain on early extinguishment of loans	2,895	4,727	(1,832)	-38.8%
Other income	39	81	(42)	-51.9%
Total operating revenues	148,047	148,908	(861)	-0.6%
Operating expenses				
Interest on bonds and loans	127,375	129,994	(2,619)	-2.0%
Bond issuance costs	3,688	5,462	(1,774)	-32.5%
Grants to local governments	13,722	9,647	4,075	42.2%
Principal forgiveness loans to local governments	1,223	2,639	(1,416)	-53.7%
Loss on early extinguishment of bonds	2,886	4,071	(1,185)	-29.1%
Personnel services	1,631	1,626	5	0.3%
General operating	933	919	14	1.5%
Contractual services	455	430	25	5.8%
Total operating expenses	151,913	154,788	(2,875)	-1.9%
Operating loss	(3,866)	(5,880)	(2,014)	-34.3%
Nonoperating revenues				
Contributions from other governments	48,228	51,745	(3,517)	-6.8%
Interest subsidy - Build America Bonds	2,628	2,611	17	0.7%
Nonoperating expenses				
Interest subsidy passthrough - Build America Bonds	(2,551)	(2,535)	(16)	-0.6%
Contribution to other governments	(323)	(1,086)	763	70.3%
Change in net position	44,116	44,855	(4,767)	-1.6%
Total net position - beginning	1,483,028	1,438,173	44,855	3.1%
Total net position - ending	$ 1,527,144	$ 1,483,028	$ 44,116	3.0%

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 Director of Administration and Operations, 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, 2016

Assets		
Current assets:		
Cash	$	37,318,078
Cash equivalents		265,997,893
Investments		19,330,836
Loans receivable, net of allowance (Note 4)		270,245,277
Receivables:		
Investment interest		2,675,697
Loan interest		27,158,406
Loan administrative fees		1,692,019
Other		76,271
Other		45,802
Total current assets		624,540,279
Noncurrent assets:		
Investments		379,349,346
Loans receivable - less current - net of allowance (Note 4)		4,120,639,366
Net Pension Asset		299,026
Capital assets - at cost - net of allowance (Note 5)		103,466
Total noncurrent assets		4,500,391,204
Total assets		5,124,931,483
Deferred Outflows of Resources		
Deferred outflows - pension		99,994
Deferred loss on refunding		83,001,887
Total deferred outflows of resources		83,101,881
Liabilities		
Current liabilities:		
Loans payable - current portion (Note 8)		51,441
Bonds payable - current portion (Note 6)		207,122,923
Accrued interest on bonds payable		26,642,179
Arbitrage rebate liability - current portion (Note 8)		282,000
Agency funds		14,865,030
Accounts payable and other liabilities (Note 8)		547,573
Total current liabilities		249,511,146
Noncurrent liabilities:		
Loans payable - less current - net (Note 8)		53,121
Bonds payable - less current - net (Note 6)		3,404,406,985
Arbitrage rebate liability (Note 8)		109,873
Total noncurrent liabilities		3,404,569,979
Total liabilities		3,654,081,125
Deferred Inflows of Resources		
Deferred gain from localities on refunding		26,777,567
Deferred inflows - Pension		30,349
Total deferred inflows from resources		26,807,916
Net position		
Investment in capital assets		103,466
Restricted (Note 7):		
Loan Programs		1,504,352,505
Operating Reserve		7,749,292
Unrestricted		14,939,060
Total net position	$	1,527,144,323

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, 2016

Operating revenues	
Interest on loans	$ 121,474,338
Investment income	12,856,376
Bond administrative fees	3,607,108
Loan administrative fees	2,041,425
Loan origination revenue	5,133,637
Gain on early extinguishment of loans	2,895,393
Other income	38,671
Total operating revenues	148,046,948
Operating expenses	
Interest on bonds and loans	127,374,789
Bond issuance costs	3,688,101
Grants to local governments	13,721,833
Principal forgiveness loans	1,222,726
Loss on early extinguishment of bonds	2,886,783
Personnel services	1,630,865
General operating	932,924
Contractual services	455,466
Total operating expenses	151,913,487
Operating loss	(3,866,539)
Nonoperating revenues	
Contributions from other governments (Note 9)	48,228,048
Interest subsidy - Build America Bonds	2,628,466
Total nonoperating revenues	50,856,514
Nonoperating expenses	
Contributions to other governments	(322,642)
Interest subsidy passthrough - Build America Bonds	(2,551,407)
Total nonoperating expenses	(2,874,049)
Change in net position	44,115,926
Total net position - beginning	1,483,028,397
Total net position - ending	$ 1,527,144,323

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, 2016

Cash flows from operating activities		
Cash payments to localities for loans	$	(548,597,594)
Principal repayments from localities on loans		411,112,876
Interest received on loans		135,991,888
Loan origination fees received		5,133,637
Bond administrative fees received		3,103,354
Loan administrative fees received		1,980,933
Cash received from other income		(34,235)
Cash payments for salaries and related benefits		(1,630,865)
Cash payments for contractual services		(607,660)
Cash payments for general operating expenses		(766,024)
Cash payments for operating grants		(14,044,475)
Cash payments for principal forgiveness loans		(1,222,726)
Interest paid on bonds		(146,043,936)
Agency funds received		(6,207,335)
Net cash used in operating activities		(161,832,162)
Cash flows from noncapital financing activities		
Other Liabilities and Expenses		(1,205)
Proceeds from sale of bonds		543,059,049
Bond issuance costs		(3,613,032)
Principal paid on loans		(220,541)
Principal paid on bonds		(410,950,115)
Cash paid to escrow for defeased bonds		(11,746,526)
Arbitrage rebate		(67,757)
Proceeds from interest subsidy - Build America Bonds		2,626,118
Cash payments to localities for interest subsidy		(2,549,128)
Agency Funds		277,230
Contributions from other governments		48,245,750
Net cash provided by noncapital financing activities		165,059,843
Cash flows from capital and financing related activities		
Purchase of office equipment		(13,370)
Net cash used in noncapital financing activities		(13,370)
Cash flows from investing activities		
Purchase of investments		(120,464,096)
Proceeds from sales or maturities of investments		97,262,475
Interest received on investments - net		12,173,717
Net cash provided by investing activities		(11,027,904)
Net increase in cash and cash equivalents		(7,813,593)
Cash and cash equivalents		
Beginning of year		311,129,564
End of year	$	303,315,971
Reconcilation to the Statement of Net Position		
Cash	$	37,318,078
Cash equivalents		265,997,893
	$	303,315,971

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, 2016

Reconciliation of operating loss to net cash used in operating activities	
Operating loss	$ (3,866,539)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	22,670
Interest on investments	(12,856,376)
Gain on early extinguishment of loans	(2,895,393)
Loss on early extinguishment of bonds	2,886,783
Bond issuance costs	3,550,980
Interest on bonds, amortization and accretion - net	(15,453,695)
Effect of changes in operating assets and liabilities:	
Loans receivable	(137,474,403)
Loan interest receivable	13,363,163
Loan administrative fee receivable	(564,247)
Other receivables	(413,828)
Deferred charges	(1,923,942)
Accounts payable and other liabilities	(6,207,335)
Total adjustments	(157,965,623)
Net cash used in operating activities	$ (161,832,162)

Schedule of Non-Cash Activities

Increase in fair value of assets	$ 606,419

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), the Virginia Brownfield Restoration and Economic Development Assistance Fund (VBAF), and the VirginiaSAVES Green Community Program (VGCP), 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 non-construction 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 sub-fund 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.

The VirginiaSAVES Green Community Program (VGCP) was established in 2015 to provide lower financing costs for energy efficiency, renewable energy generation and alternative fuel projects. The program was initially capitalized with $20 million in Qualified Energy Conservation Bonds (QECBs), allocated under the Governor of Virginia's Executive Order 36, with the ability to provide more QECB allocations as needed from additional QECBs available to the Commonwealth. The program is sponsored by Virginia Department of Mines Minerals and Energy, and administered jointly by CleanSource Capital and Abundant Power. The Virginia Small Business Financing Authority and the Authority serve as conduit issuers for the program.

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, 2016 and there was no reduction in insurance coverage during fiscal year 2016.

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 in a manner 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.

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, 2016, all loan payments were current and there were no loans in payment default. There were no loans that were determined to have repayment issues based on the annual review. In addition to an annual review, the Authority actively monitors borrower information for any potential impacts to loan repayments throughout the year.

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 $326,000 as of June 30, 2016.

Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than $5,000 and a useful life greater than one year. 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.

Pensions

For purposes of measuring the net pension liability, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Retirement Plan and the additions to/deductions from the Authority's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the next fiscal year, and therefore are reported as deferred outflows of resources. The net difference between projected and actual earnings on pension plan investments are amortized over a closed five-year period and are reported as deferred inflows of resources.

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, 2016, 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 and uncollateralized at June 30, 2016.

Fair Value of Investments

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2016, the Authority had the following recurring fair value measurements.

		Fair Value Measurements Using		
Investments by fair value level	Fair Value	Level 1	Level 2	Level 3
Agency Mortgage Backed	$ 3,451,934	$ -	$ 3,451,934	$ -
Asset Backed Securities	6,431,413	-	6,431,413	-
Commercial Paper	11,655,506	-	11,655,506	-
Corporate Bonds and Notes	17,998,017	-	17,998,017	-
U.S. Agency Securities	23,672,656	-	23,672,656	-
U.S. Treasury Securities	308,082,270	308,082,270	-	-
Negotiable Certificates of Deposit	8,751,153	-	8,751,153	-
Total investments by fair value level	380,042,949	308,082,270	71,960,679	-
Investments by fair value level				
Local Government Investment Pool	220,308,238			
Money Market Funds	20,646			
Money Market Funds-Gov't Securities	18,864,272			
Guaranteed Investment Contracts	45,441,970			
Total investments measured at the net asset value (NAV)	284,635,126			
Total investments measured at fair value	$ 664,678,075			

Reconciliation to the Statement of Net Position:	
Cash Equivalents	$ 265,997,893
Investments - Current	19,330,836
Investments - Noncurrent	379,349,346
Totals	$ 664,678,075

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Investments measured at the net asset value (NAV) per share are valued using the amortized cost method.

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, 2016, 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	$ 3,451,934	$ -	$ 3,444,537	$ 3,121	$ 4,276
Asset Backed Securities	6,431,413	17,186	6,414,227	-	-
Commercial Paper	11,655,506	11,655,506	-	-	-
Corporate Bonds and Notes	17,998,017	-	17,998,017	-	-
Guaranteed Investment Contracts	45,441,970	2,219,775	9,570,614	19,337,480	14,314,101
Local Government Investment Pool	220,308,238	220,308,238	-	-	-
Money Market Funds	20,646	20,646	-	-	-
Money Market Funds-Gov't Securities	18,864,272	18,864,272	-	-	-
Negotiable Certificates of Deposit	8,751,153	-	8,751,153	-	-
U.S. Agency Securities	23,672,656	5,667,487	18,005,169	-	-
U.S. Treasury Securities	308,082,270	26,575,619	70,412,842	10,990,717	200,103,092
Totals	664,678,075	285,328,729	134,596,559	30,331,318	214,421,469

Reconciliation to the Statement of Net Position:	
Cash Equivalents	$ 265,997,893
Investments - Current	19,330,836
Investments - Noncurrent	379,349,346
Totals	$ 664,678,075

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 an "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, 2016, the Authority had the following cash equivalents and investments and ratings:

Investment	Fair Value	Standard & Poor's Rating	Percent of Portfolio
Agency Mortgage Backed	$ 3,451,934	AA+	0.51%
Asset Backed Securities	6,431,413	AAA	0.97%
Commercial Paper	9,550,773	A-1	1.44%
Commercial Paper	2,104,733	A-1+	0.32%
Corporate Bonds and Notes	2,354,442	AAA	0.35%
Corporate Bonds and Notes	4,022,642	AA+	0.61%
Corporate Bonds and Notes	1,308,746	AA	0.20%
Corporate Bonds and Notes	10,312,187	AA-	1.55%
Guaranteed Investment Contracts	45,441,970	See below	6.84%
Local Government Investment Pool	220,308,238	AAAm	33.15%
Money Market Funds	20,646	AAAm	0.00%
Money Market Funds - Government Securities	18,864,272	AAAm	2.84%
Negotiable Certificates of Deposit	3,812,879	A-1+	0.57%
Negotiable Certificates of Deposit	4,938,274	AA-	0.74%
U.S. Agency Securities	23,672,656	AA+	3.56%
U.S. Treasury Securities	308,082,270	AA+	46.35%
Totals	$ 664,678,075		100.00%

The GICs that comprise 6.84% 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
Citigroup**	$ 3,800,536	Aa3**	0.58%
FSA / Assured Guaranty	41,641,434	A2**	6.26%
Totals	$ 45,441,970		6.84%

** Rating fell below approved level 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	$ 3,451,934	1%	25%
Asset Backed Securities	6,431,413	2%	25%
Commercial Paper	11,655,506	3%	25%
Corporate Bonds and Notes	17,998,017	5%	25%
Local Government Investment Pool	220,308,238	63%	100%
Money Market Funds-Gov't Securities	5,673,966	2%	100%
Negotiable Certificates of Deposit	8,751,153	2%	10%
U.S. Agency Securities	23,672,656	7%	100%
U.S. Treasury Securities	53,215,277	15%	100%
Totals	$ 351,158,160	100%	

Reconcilation to total cash equivalents and investments:	
General Account and Program Funds	$ 351,158,160
Bond Funds*	313,519,915
Totals	$ 664,678,075

* 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 LGIP, (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, 2016, 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, 2016, 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	$ 3,451,934	$ -	$ 3,444,537	$ 3,121	$ 4,276
Asset Backed Securities	6,431,413	17,186	6,414,227	-	-
Commercial Paper	11,655,506	11,655,506	-	-	-
Corporate Bonds and Notes	17,998,017	-	17,998,017	-	-
Local Government Investment Pool	220,308,238	220,308,238	-	-	-
Money Market Funds-Gov't Securit	5,673,966	5,673,966	-	-	-
Negotiable Certificates of Deposit	8,751,153	-	8,751,153	-	-
U.S. Agency Securities	23,672,656	5,667,487	18,005,169	-	-
U.S. Treasury Securities	53,215,277	-	53,215,277	-	-
Totals	$ 351,158,160	$ 243,322,383	$107,828,380	$ 3,121	$ 4,276

Average maturity of all investments	82 Days

Bond Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Guaranteed Investment Contracts	$ 45,441,970	$ 2,219,775	$ 9,570,614	$ 19,337,480	$ 14,314,101
Money Market Funds	20,646	20,646	-	-	-
Money Market Funds-Gov't Securities	13,190,306	13,190,306	-	-	-
U.S. Treasury Securities	254,866,993	26,575,619	17,197,565	10,990,717	200,103,092
Totals	$ 313,519,915	$ 42,006,346	$ 26,768,179	$ 30,328,197	$ 214,417,193

Average maturity of all investments	3,593 Days

Reconcilation of total cash equivalents and investments:	
General Fund and Program Funds	$ 351,158,160
Bond Funds	313,519,915
Totals	$ 664,678,075

The General Account includes $7,397 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, 2016 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, 2016, 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, VGCP, 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, 2016:

Loans receivable related to bond issues:		
Revenue Bonds	$	2,438,694,319
Airport Revolving Fund Revenue Bonds		40,580,256
Unamortized discount/premium – net		221,659,494
Subtotal – loans receivable related to bond issues		2,700,934,069
Loans receivable related to revolving loan funds:		
VWFRF		729,475,535
VWFRF – Leveraged		781,696,843
VWFRF – AgBMP		3,920,073
VWSRF		163,074,966
Subtotal – loans receivable related to revolving loan funds		1,678,167,417
Loans receivable related to ETF loans:		104,562
Loans receivable related to VGCP bonds:		12,004,595
Subtotal – loans receivable		4,391,210,643
Less: Allowance for loan losses - AgBMP		(326,000)
Total loans receivable	$	4,390,884,643
Loans receivable – current	$	270,245,277
Loans receivable – noncurrent		4,120,639,366
	$	4,390,884,643

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 0.48% - 6.29% and final maturities that range from fiscal years 2016 to 2046.

The Authority also has outstanding loans to various localities and other governmental entities in the Commonwealth of Virginia from the VWFRF, VWSRF, VARF, VGCP and the ETF. These loans range in final maturity from fiscal years 2016 to 2045 and accrue interest at various rates ranging from 0% to 5.79%. As of June 30, 2016, the Authority is also obligated under outstanding commitment letters and undisbursed loans and grants to disburse approximately:

Type	VWFRF	VWSRF	Total
Committed, to be disbursed:			
Revolving Fund	$ 75,726,051	$ 10,124,994	$ 85,851,045
Commitment letter only (loan or grant not closed)	37,982,711	2,803,090	40,785,801

There were no loan commitments related to the Equipment and Term Financing Leases at June 30, 2016.

At June 30, 2016, 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 $13,000 for the year ended June 30, 2016.

5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets, being depreciated				
Office Equipment	$ 181,414	$ 13,370	$ -	$ 194,784
Less accumulated depreciation	68,648	22,670	-	91,318
Total capital assets being depreciated, net	$ 112,766	$ (9,300)	$ -	$ 103,466

Depreciation expense was $22,670 for the year ended June 30, 2016.

6. Bonds Payable

The Authority had the following bonds payable outstanding as of June 30, 2016:

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	$ 70,000
Series 2002 (Capital Appreciation Bonds), dated July 31, 2002, interest rates ranging from 4.14% to 5.59%, final due date November 1, 2031. Amount outstanding includes $15,483,076 accretion for capital appreciation bonds; $5,623,192 of the bonds defeased in 2012	27,537,167	32,425,772
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	635,000
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	90,000
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	330,000
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; $850,000 of the bonds defeased in 2013	15,555,000	375,000
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	1,230,000
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	2,070,000
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	880,000

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	$ 305,000
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	120,000
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	3,525,000
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	3,140,000
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	6,485,000
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	3,350,000
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	5,150,000
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	7,440,000

Description	Original Amount	Amount Outstanding
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	$ 3,555,000
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	2,405,000
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	1,300,000
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	2,035,000
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	12,200,000
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	8,400,000
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	33,380,000
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	19,495,000
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	28,840,000
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	30,500,000
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	4,780,000

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	$ 13,610,000
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	24,065,000
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	16,185,000
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	30,745,000
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 Bonds (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	16,580,000
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	36,375,000
Series 2010A State Moral Obligation Bonds, dated June 17, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040	23,170,000	17,495,000
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	27,075,000
Series 2010B State Moral Obligation Bonds, dated August 18, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040	12,910,000	12,380,000

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	$ 41,850,000
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 Bonds (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	18,850,000
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	40,880,000
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	5,575,000
Series 2011A State Moral Obligation Bonds (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	17,325,000
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	2,410,000
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	104,135,000
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 Bonds (Tax-Exempt), dated November 16, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041	55,635,000	44,775,000

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	181,540,000
Series 2012A State Moral Obligation Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	92,735,000	82,615,000
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 Bonds, 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	41,505,000
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	2,705,000
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	19,465,000
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	1,120,000
Series 2012 Capital Appreciation Bonds (Tax-Exempt), dated November 15, 2012, final due date November 1, 2036. Amount outstanding includes $1,855,725 accretion for capital appreciation bonds	19,303,736	21,963,546
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	$ 27,255,000
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	990,000
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	12,465,000
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	665,000
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	87,395,000
Series 2013A State Moral Obligation Bonds, dated June 5, 2013, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2042	42,135,000	39,855,000
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	42,140,000
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	18,245,000
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	11,520,000
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	3,475,000
Series 2013C State Moral Obligation Bonds (Tax-Exempt), dated November 20, 2013, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2033	6,280,000	5,440,000
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	1,610,000

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	$ 65,390,000
Series 2014A State Moral Obligation Bonds, dated May 21, 2014, interest rates ranging from 3.00 to 4.00%, final due date November 1, 2044	29,870,000	29,510,000
Series 2014B Infrastructure Revenue Bonds, dated August 13, 2014, interest rates ranging from 1.25 to 5.00%, final due date November 1, 2038	92,405,000	91,105,000
Series 2014B State Moral Obligation Bonds, dated August 13, 2014, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2038	42,085,000	41,470,000
Series 2014C Infrastructure Revenue Bonds (Non-AMT), dated November 19, 2014, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2038	103,595,000	101,580,000
Series 2014C Infrastructure Revenue Bonds (AMT), dated November 19, 2014, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2044	4,040,000	3,955,000
Series 2014C State Moral Obligation Bonds (Non-AMT), dated November 19, 2014, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2038	45,870,000	44,995,000
Series 2014C State Moral Obligation Bonds (AMT), dated November 19, 2014, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2044	1,730,000	1,700,000
Series 2014D Infrastructure Revenue Bonds, dated December 17, 2014, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2028	27,465,000	25,965,000
Series 2014D State Moral Obligation Bonds, dated December 17, 2014, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2028	12,835,000	12,195,000
Series 2015A Infrastructure Revenue Bonds (Tax-Exempt), dated May 28, 2015, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040	83,775,000	82,495,000
Series 2015A Infrastructure Revenue Bonds (Taxable), dated May 28, 2015, interest rates ranging from 0.48 to 4.25%, final due date November 1, 2035	11,110,000	10,505,000
Series 2015A State Moral Obligation Bonds (Tax-Exempt), dated May 28, 2015, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2040	35,225,000	34,670,000

Description	Original Amount	Amount Outstanding
Series 2015A State Moral Obligation Bonds (Taxable), dated May 28, 2015, interest rates ranging from 0.68 to 4.69%, final due date November 1, 2035	$ 5,225,000	$ 4,990,000
Series 2015B Infrastructure Revenue Bonds (Tax-Exempt), dated November 18, 2015, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2035	42,250,000	41,880,000
Series 2015B Infrastructure Revenue Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0.22 to 4.011%, final due date November 1, 2030	6,310,000	5,990,000
Series 2015B State Moral Obligation (Tax-Exempt), dated November 18, 2015, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2035	18,505,000	18,345,000
Series 2015B State Moral Obligation Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0.37 to 4.16%, final due date November 1, 2030	3,005,000	2,865,000
Series 2015C Infrastructure Revenue Bonds, dated October 14, 2015, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2035	21,910,000	21,910,000
Series 2015C State Moral Obligation Bonds, dated October 14, 2015, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2035	9,850,000	9,850,000
Series 2015D Infrastructure Revenue Bonds (Tax-Exempt), dated November 18, 2015, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2036	107,760,000	107,760,000
Series 2015D Infrastructure Revenue Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0.80 to 3.20%, final due date November 1, 2025	4,475,000	4,475,000
Series 2015D State Moral Obligation (Tax-Exempt), dated November 18, 2015, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2038	52,290,000	52,290,000
Series 2015D State Moral Obligation Bonds (Taxable), dated November 18, 2015, interest ranging from 0.90 to 3.35%, final due date November 1, 2025	2,455,000	2,455,000
Series 2016A Infrastructure Revenue Bonds, dated May 25, 2016, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2037	89,580,000	89,580,000
Series 2016A State Moral Obligation Bonds, dated May 25, 2016, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2037	47,040,000	47,040,000

Description	Original Amount	Amount Outstanding
Airport Revolving Fund Revenue Bonds:		
Series 2002A (Non-AMT), dated July 3, 2002, interest rates ranging from 3.00% to 4.50%, final due date August 1, 2017	$ 6,700,000	$ 1,070,000
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	3,895,000
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	12,735,000
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	12,760,000
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	82,555,000
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	23,400,000
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	22,145,000
Series 2009 CWSRF, dated April 15, 2009, interest rates ranging from 3.00% to 5.00%, final due date October 1, 2031	178,320,000	30,120,000
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	62,080,000
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	20,005,000
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	33,140,000
Series 2013 CWSRF (Refunding), 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
Series 2014B CWSRF (Refunding), dated September 30, 2014, interest rates ranging from 2.00% to 5.00%, final due date October 1, 2031	178,935,000	178,845,000

Description	**Original Amount**	**Amount Outstanding**
Series 2015 CWSRF (Refunding), dated April 14, 2015, interest rate of 5.00%, final due date October 1, 2031	$115,225,000	$115,225,000
Series 2016 CWSRF (Refunding), dated June 30, 2016, interest rate of 2.31%, final due date October 1, 2032	78,840,000	78,840,000
Virginia Saves Green Community Program:		
Pittsylvania County 2016, dated January 20, 2016, interest rate of 3.47%, final due date March 1, 2031	3,313,595	3,313,595
Warren County 2016, dated February 24, 2016, interest rate of 4.10%, final due date August 15, 2036	8,691,000	8,691,000
Total bonds at June 30		3,300,763,913
Unamortized discounts/premiums, net		310,765,995
Total bonds – net		$ 3,611,529,908

Total bonds outstanding as of June 30	$ 3,300,763,913
Unaccreted Capital Appreciation Bonds as of June 30	32,490,681
Total outstanding maturities	$ 3,333,254,594
Bonds payable – current	$ 207,122,923
Bonds payable – noncurrent	3,404,406,985
	$ 3,611,529,908

Activity in the bonds payable and related accounts for fiscal year 2016 was as follows:

Description	**Balance at June 30, 2015**	**Issued**	**Retired**	**Balance at June 30, 2016**	**Amount Due Within One Year**
Total bonds outstanding	$ 3,212,994,904	$518,659,009	$(430,890,000)	$3,300,763,913	$175,651,581
Unamortized discounts/ premiums	296,032,824	47,098,634	(32,365,463)	310,765,995	31,471,342
Totals	$ 3,509,027,728	$565,757,642	$(463,255,463)	$3,611,529,908	$207,122,923

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, 2016, $907,209,309 of outstanding bonds was secured by the moral obligation of the Commonwealth.

The Series 2002 Revenue Bonds and the Series 2012 Revenue Bonds include Capital Appreciation Bonds with unaccreted values of $32,490,681 as of June 30, 2016.

Advance Refundings

During the current year, the Authority issued the Virginia Pooled Financing Program Revenue Bonds, Series 2015B, Series 2015C, Series 2015D and Series 2016A, 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
2002C Series	$ 275,000	$ 56,767	$ 46,926
2004A Series	700,000	45,996	39,334
2004B Series	755,000	46,758	43,669
2005A Series	8,120,000	1,010,747	924,236
2005B Series	20,455,000	4,452,008	3,514,249
2005C Series	9,815,000	1,244,974	1,088,240
2006A Series	11,125,000	1,995,611	1,450,210
2006B Series	3,635,000	292,431	499,793
2006C Series	7,190,000	190,378	648,029
2007A Series	3,340,000	408,788	353,966
2007B Series	8,660,000	(1,084,614)	186,264
2008A Series	3,790,000	249,035	212,964
2008B Series	50,680,000	(392,545)	3,530,287
2011B Series	13,730,000	1,123,543	1,004,091
2012C Series	3,965,000	(1,422,582)	(319,872)
Totals	$ 146,235,000	$ 8,217,295	$ 13,222,386

The amount outstanding at June 30, 2016 for bonds which have been in-substance defeased or refunded was $614,101,247. In addition to the refundings noted above, this includes bonds that were in-substance defeased during the current and prior years: Series 2002, Series 2004B, CWSRF 2004, Series 2005B, Series 2005C, Series 2006A, Series 2006C, CWSRF 2007, Series 2007A, Series 2007B, Series 2008A, Series 2008B, Series 2009A, Series 2009B, Series 2010A, Series 2010B, Series 2010C, Series 2011A, Series 2011B, Series 2012C.

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

June 30,	Principal	Interest	Total
2017	$ 175,651,581	$ 141,081,225	$ 316,732,806
2018	186,754,941	134,285,290	321,040,231
2019	170,551,440	126,324,203	296,875,643
2020	175,166,941	118,630,246	293,797,187
2021	179,278,442	110,598,557	289,876,999
2022-2026	867,409,771	433,307,615	1,300,717,386
2027-2031	786,113,478	246,524,185	1,032,637,663
2032-2036	465,710,000	115,570,718	581,280,718
2037-2041	234,928,000	44,897,234	279,825,234
2042-2046	91,690,000	7,806,217	99,496,217
Totals	$ 3,333,254,594	$ 1,479,025,490	$ 4,812,280,084

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, 2016 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to $7,749,292.

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 3.24% with maturities ranging from fiscal years 2016 to 2018. 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, 2016 an accrual for employee compensated absences in the amount of $115,672 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 2016:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Loans Payable	$ 325,103	$ -	$ 220,541	$ 104,562	$ 51,441
Arbitrage Rebate Liability	177,630	282,000	67,757	391,873	282,000
Compensated Absences	119,236	125,468	129,032	115,672	115,672

9. Contributions from Other Governments

During the fiscal year, the Authority received $33,161,883 from the EPA under the Capitalization Grants for State Revolving Funds. Contributions from the EPA are disbursed as loans and grants to municipalities. In addition, the Authority received $5,572,070 from the Commonwealth as part of the required state match of federal funds, plus another $6,981,164, $1,754,735 and $758,196 from the Commonwealth for the VWFRF's combined sewer overflow projects, VDSFPF, and VBAF respectively.

10. Employee Benefit Plans

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

A. Plan Descriptions

All full-time, salaried permanent employees of the Political Subdivision are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** 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 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 Plan 1 and 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 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 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 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 Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in 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** Eligible Plan 2 members were 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 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 Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees.* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees. 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each	**Retirement Contributions** Employees contribute 5% of their compensation each	**Retirement Contributions** A member's retirement benefit is funded through

month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but 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.	month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	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 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. **Defined Contributions Component:** 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. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** 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. Plan 1 or 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. **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 benefit or selects a benefit payout	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **<u>Defined Benefit Component:</u>** See definition under Plan 1. **<u>Defined Contribution Component:</u>** 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.

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 Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **<u>Defined Benefit Component:</u>** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable.

		<u>**Defined Contribution Component:**</u> Not applicable.
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** <u>**Defined Benefit Component:**</u> **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. <u>**Defined Contribution Component:**</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** <u>**Defined Benefit Component:**</u> **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. <u>**Defined Contribution Component:**</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **<u>Defined Benefit Component:</u>** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **Political subdivisions hazardous duty employees:** Not applicable. **<u>Defined Contribution Component:</u>** 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%. **<u>Eligibility:</u>** 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.	**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%. **<u>Eligibility:</u>** Same as Plan 1	**Cost-of-Living Adjustment (COLA) in Retirement** **<u>Defined Benefit Component:</u>** Same as Plan 2. **<u>Defined Contribution Component:</u>** Not applicable. **<u>Eligibility:</u>** Same as Plan 1 and Plan 2.

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. **<u>Exceptions to COLA Effective Dates:</u>** The COLA is effective July 1 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.	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1	**<u>Exceptions to COLA Effective Dates:</u>** Same as Plan 1 and Plan 2.

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members. Hybrid members (including Plan 1 and 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 Plan 1.	**Purchase of Prior Service** **<u>Defined Benefit Component:</u>** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on-year period, the rate for most categories of service will change to actuarial cost. **<u>Defined Contribution Component:</u>** Not applicable.

B. Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive Members or their beneficiaries currently receiving benefits	-
Inactive Members:	
Vested members	3
Non-vested members	6
Members active elsewhere in VRS	5
Total inactive members	14
Active Members	15
Total covered employees	29

C. Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended June 30, 2016 was 3.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $46,251 and $46,862 for the years ended June 30, 2016 and June 30, 2015, respectively.

D. Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions

The total pension liability for employees in the Authority's retirement plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 %
Salary increases, including Inflation	3.5 – 5.35%
Investment rate of return	7.0 %, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14 % of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
	Inflation		2.50%
	* Expected arithmetic nominal return		8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
Balances at June 30, 2014	$873,560	$1,267,056	$(393,496)
Changes for the year:			
Service cost	138,652	-	138,652
Interest	61,149	-	61,149
Changes in benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	66,756	-	66,756
Contributions – employer		46,529	(46,529)
Contributions – employee	-	64,726	(64,726)
Net investment income	-	61,565	(61,565)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(720)	720
Other changes	-	(13)	13
Net changes	266,557	172,087	94,470
Balances at June 30, 2015	$1,140,117	$1,439,143	$(299,026)

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1.00% Lower 6.00%	Current Discount Rate: 7.00%	1.00% Higher 8.00%
Net Pension Asset	$80,950	$299,026	$470,429

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016 the Authority recognized pension expense of $44,076. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	$ 53,743	$ -
Changes of assumptions	-	-
Net differenct between projected and actual earnings on pension plan investments.	-	30,349
Contributions to the plan subsequent to the measurement date	46,251	-
Total	$ 99,994	$ 30,349

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

Year Ended June 30:	
2017	$ 830
2018	830
2019	829
2020	19,214
2021	1,691
Thereafter	-

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.

Payables to the Pension Plan

At June 30, 2016, there were no amounts payable to the Virginia Retirement System.

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 Title 2 of the U.S. Code of Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards through June 30, 2016, 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 6.8%, went into effect October 1, 2015 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2016) 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.

In 2016, the Authority issued Qualified Energy Conservation Bonds, a form of direct-pay bonds where issuers receive subsidy payments from the Treasury equal to 70% of the related Qualified Tax Credit Bond Rate. As an issuer of Qualified Energy Conservation 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 6.8%, went into effect October 1, 2015 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2016) 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 $182,957 for the year ended June 30, 2016. The future minimum rental payments are as follows:

Year ending June 30,	Amount
2017	$ 186,050
2018	176,538
2019	180,945
2020	185,490
2021	190,092
2022	111,335
	$ 1,030,450

13. Subsequent Events

Subsequent to June 30, 2016, the Authority issued bonds in the amount of $52,535,000, dated July 27, 2016. The interest rates range from 0.50% to 2.85% with a final maturity date of November 1, 2036.

14. New Accounting Standards

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017.

* * * *

Schedule of Changes in the Authority's Net Pension Liability and Related Ratios

	Plan Year Ended June 30: 2015	2014
Total pension liability		
Service cost	$ 138,652	$ 113,609
Interest	61,149	49,872
Differences between expected and actual experience	66,756	-
Benefit payments, including refunds of employee contributions	-	(4,749)
Net change in total pension liability	266,557	158,732
Total pension liability - beginning	873,560	714,828
Total pension liability - ending	$ 1,140,117	$ 873,560
Plan fiduciary net position		
Contributions - employer	$ 46,529	$ 85,767
Contributions - employee	64,726	77,046
Net investment income	61,565	163,643
Benefit payments, including refunds of employee contributions	-	(4,749)
Administrative expense	(720)	(736)
Other	(13)	8
Net change in plan fiduciary net position	172,087	320,979
Plan fiduciary net position - beginning	1,267,056	946,077
Plan fiduciary net position - ending	$ 1,439,143	$ 1,267,056
Authority's net pension liability (asset) - ending	$ (299,026)	$ (393,496)
Plan fiduciary net position as a percentage of the total pension liability	126.23%	145.05%
Covered-employee payroll	$ 1,301,045	$ 1,287,742
Authority's net pension liability as a percentage of covered-employee payroll	(22.98%)	(30.56%)

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

See notes to Required Supplementary Information.

Schedule of Employer Contributions

Date	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	$ 46,862	$ 46,862	$ (0)	$ 1,294,522	4%
2016	46,251	46,251	(0)	1,277,634	4%

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only two years of data is available. Additional years will be included as they become available.

See notes to Required Supplementary Information.

1. Changes of benefit terms

There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 are not material.

2. Changes of assumptions

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 –LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Virginia Resources Authority

Combining Schedule of Net Position
June 30, 2016

	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 & Miscellaneous Accounts	Total
Assets										
Current assets										
Cash	$ 6,186,307	$ 10,340,130	$ 5,956,880	$ -	$ -	$ 14,393,426	$ -	$ -	$ 441,335	$ 37,318,078
Cash equivalents	12,282,144	200,415,634	37,440,745	9,321,540	902,225	-	5,635,605	-	-	265,997,893
Investments	301,105	17,154,112	-	450,000	1,425,619	-	-	-	-	19,330,836
Loans receivable, net of allowance	-	113,153,487	7,366,909	4,755,804	144,701,055	-	-	51,441	216,581	270,245,277
Receivables:										
Investment interest	13,689	2,095,024	-	176,255	390,729	-	-	-	-	2,675,697
Loan interest	-	8,937,921	471,022	176,468	17,425,795	-	-	282	146,918	27,158,406
Loan administrative fees	-	548,229	146,905	-	996,863	-	-	22	-	1,692,019
Other	76,271	-	-	-	-	-	-	-	-	76,271
Other	45,802	-	-	-	-	-	-	-	-	45,802
Total current assets	18,905,318	352,644,537	51,382,461	14,880,067	165,842,286	14,393,426	5,635,605	51,745	804,834	624,540,279
Noncurrent assets										
Investments	4,247,501	285,164,935	-	13,514,706	76,422,204	-	-	-	-	379,349,346
Loans receivable - less current - net of allowance	-	1,401,612,964	155,708,057	35,824,452	2,515,652,758	-	-	53,121	11,788,014	4,120,639,366
Net pension asset	299,026	-	-	-	-	-	-	-	-	299,026
Capital assets - at cost - net	103,466	-	-	-	-	-	-	-	-	103,466
Total noncurrent assets	4,649,993	1,686,777,899	155,708,057	49,339,158	2,592,074,962	-	-	53,121	11,788,014	4,500,391,204
Total assets	23,555,311	2,039,422,436	207,090,518	64,219,225	2,757,917,248	14,393,426	5,635,605	104,866	12,592,848	5,124,931,483
Deferred Outflows of Resources										
Deferred outflows - pension	99,994	-	-	-	-	-	-	-	-	99,994
Deferred loss on refunding	-	56,814,615	-	102,995	26,084,277	-	-	-	-	83,001,887
Total deferred outflows of resources	99,994	56,814,615	-	102,995	26,084,277	-	-	-	-	83,101,881
Liabilities										
Current liabilities										
Loans payable - current portion	-	-	-	-	-	-	-	51,441	-	51,441
Bonds payable - current portion	-	60,909,298	-	3,094,843	142,902,201	-	-	-	216,581	207,122,923
Accrued interest on bonds payable	-	7,968,557	-	606,322	17,920,100	-	-	282	146,918	26,642,179
Arbitrage rebate liability - current portion	-	-	-	-	282,000	-	-	-	-	282,000
Due to (from) other accounts	495,585	159,833	161,202	30,482	-	-	(836,428)	22	(10,696)	-
Agency Funds	-	341,303	7,812	122,489	-	14,393,426	-	-	-	14,865,030
Accounts payable and other liabilities	337,553	202,309	-	7,711	-	-	-	-	-	547,573
Total current liabilities	833,138	69,581,300	169,014	3,861,847	161,104,301	14,393,426	(836,428)	51,745	352,803	249,511,146
Noncurrent liabilities										
Loans payable - less current - net	-	-	-	-	-	-	-	53,121	-	53,121
Bonds payable - less current - net	-	767,510,552	-	29,329,394	2,595,779,025	-	-	-	11,788,014	3,404,406,985
Arbitrage rebate liability - net	-	109,873	-	-	-	-	-	-	-	109,873
Total noncurrent liabilities	-	767,620,425	-	29,329,394	2,595,779,025	-	-	53,121	11,788,014	3,404,569,979
Total liabilities	833,138	837,201,725	169,014	33,191,241	2,756,883,326	14,393,426	(836,428)	104,866	12,140,817	3,654,081,125
Deferred Inflows of Resources										
Deferred gain from localities on refunding	-	-	-	-	26,777,567	-	-	-	-	26,777,567
Deferred inflows from pension	30,349	-	-	-	-	-	-	-	-	30,349
Total deferred inflows of resources	30,349	-	-	-	26,777,567	-	-	-	-	26,807,916
Net position										
Investment in capital assets	103,466	-	-	-	-	-	-	-	-	103,466
Restricted:										
Loan Programs	-	1,259,035,326	206,921,504	31,130,979	340,632	-	6,472,033	-	452,031	1,504,352,505
Operating Reserve	7,749,292	-	-	-	-	-	-	-	-	7,749,292
Unrestricted	14,939,060	-	-	-	-	-	-	-	-	14,939,060
Total net position	$ 22,791,818	$ 1,259,035,326	$ 206,921,504	$ 31,130,979	$ 340,632	$ -	$ 6,472,033	$ -	$ 452,031	$ 1,527,144,323

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2016

	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	$ -	$ 27,317,111	$ 1,579,715	$ 1,368,961	$ 91,203,341	$ -	$ -	$ 5,210	$ -	$ 121,474,338
Investment income	102,589	9,403,508	128,609	432,509	2,621,664	-	20,580	-	146,917	12,856,376
Bond administrative fees	-	-	-	-	3,607,108	-	-	-	-	3,607,108
Loan administrative fees	-	1,560,740	441,180	39,089	-	-	-	416	-	2,041,425
Loan origination revenue	-	-	-	-	5,117,773	-	-	-	15,864	5,133,637
Gain on early extinguishment of loans	-	-	-	-	2,895,393	-	-	-	-	2,895,393
Other income	35,509	3,162	-	-	-	-	-	-	-	38,671
Total operating revenues	138,098	38,284,521	2,149,504	1,840,559	105,445,279	-	20,580	5,626	162,781	148,046,948
Operating expenses										
Interest on bonds and loans	-	30,108,253	-	1,173,563	95,940,845	-	-	5,210	146,918	127,374,789
Bond issuance costs	-	137,120	-	-	3,550,981	-	-	-	-	3,688,101
Grants to local governments	-	7,980,029	4,922,318	-	-	-	326,916	-	492,570	13,721,833
Principal forgiveness loans	-	1,222,726	-	-	-	-	-	-	-	1,222,726
Loss on early extinguishment of bonds	-	-	-	-	2,886,783	-	-	-	-	2,886,783
Personnel services	914,108	419,986	227,485	26,896	-	-	42,390	-	-	1,630,865
General operating	542,255	299,128	65,634	16,805	-	-	9,102	-	-	932,924
Contractual services	193,352	119,463	63,981	75,031	-	-	3,639	-	-	455,466
Total operating expenses	1,649,715	40,286,705	5,279,418	1,292,295	102,378,609	-	382,047	5,210	639,488	151,913,487
Operating income (loss)	(1,511,617)	(2,002,184)	(3,129,914)	548,264	3,066,670	-	(361,467)	416	(476,707)	(3,866,539)
Nonoperating revenues										
Contributions from other governments	-	31,218,032	14,497,085	-	-	-	1,754,735	-	758,196	48,228,048
Interest subsidy - Build America Bonds	-	-	-	-	2,628,466	-	-	-	-	2,628,466
Nonoperating expenses										
Contributions to other governments	-	-	-	-		-	(322,642)	-	-	(322,642)
Interest subsidy pass-through - Build America Bonds	-	-	-	-	(2,551,407)	-		-	-	(2,551,407)
Income (loss) before transfers	(1,511,617)	29,215,848	11,367,171	548,264	3,143,729	-	1,070,626	416	281,489	44,115,926
Transfers	3,372,336	-	-	8	(3,356,065)	-	-	(416)	(15,863)	-
Change in net position	1,860,719	29,215,848	11,367,171	548,272	(212,336)	-	1,070,626	-	265,626	44,115,926
Total net position - beginning	20,931,099	1,229,819,478	195,554,333	30,582,707	552,968	-	5,401,407	-	186,405	1,483,028,397
Total net position - ending	$ 22,791,818	$ 1,259,035,326	$ 206,921,504	$ 31,130,979	$ 340,632	$ -	$ 6,472,033	$ -	$ 452,031	$ 1,527,144,323

Virginia Resources Authority

Combining Schedule of Cash Flows
Year Ended June 30, 2016

	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 & Miscellaneous Accounts	Total
Cash flows from operating activities										
Cash payments to localities for loans	$ -	$ (79,615,182)	$ (12,453,720)	$ (1,597,000)	$ (442,927,097)	$ -	$ -	$ -	$ (12,004,595)	$ (548,597,594)
Principal repayments from localities on loans	-	114,267,843	6,926,454	4,543,038	285,155,000	-	-	220,541	-	411,112,876
Interest received on loans	-	28,031,406	1,511,123	1,418,016	105,171,431	-	-	6,830	(146,918)	135,991,888
Loan origination fees received	-		-	-	5,117,773	-	-	-	15,864	5,133,637
Bond administrative fees received	-		-	-	3,103,354	-	-	-	-	3,103,354
Loan administrative fees received	-	1,570,701	370,575	39,089	-	-	-	568	-	1,980,933
Administrative reimbursement funds received	-		-	-	-	-	-	-	-	-
Cash received from other income	(40,325)	6,090	-	-	-	-	-	-	-	(34,235)
Cash payments for salaries and related benefits	(914,108)	(419,986)	(227,485)	(26,896)	-	-	(42,390)	-	-	(1,630,865)
Cash payments for contractual services	(193,352)	(271,658)	(63,981)	(75,030)	-	-	(3,639)	-	-	(607,660)
Cash payments for general operating expenses	(519,586)	(136,616)	(83,914)	(16,806)	-	-	(9,102)	-	-	(766,024)
Cash payments for operating grants	-	(7,980,029)	(4,922,318)	-	-	-	(649,558)	-	(492,570)	(14,044,475)
Cash payments for principal forgiveness loans	-	(1,222,726)	-	-	-	-	-	-	-	(1,222,726)
Interest paid on loans	-		-	-	-	-	-	-	-	-
Interest paid on bonds	-	(36,037,551)	-	(1,503,910)	(108,495,645)	-	-	(6,830)	-	(146,043,936)
Loss on extinguishment of bonds	-	-	-	-	-	-	-	-	-	-
Agency funds disbursed	-	-	-	-	-	(6,207,335)	-	-	-	(6,207,335)
Interfund activity	849,294	61,323	30,636	(41,293)	-	(17,699)	(871,413)	(152)	(10,696)	-
Net cash provided by (used in) operating activities	(818,077)	18,253,615	(8,912,630)	2,739,208	(152,875,184)	(6,225,034)	(1,576,102)	220,957	(12,638,915)	(161,832,162)
Cash flows from noncapital financing activities										
Other liabilities and expenses	(1,205)	-	-	-	-	-	-	-	-	(1,205)
Proceeds from sale of bonds	-	78,840,000	-	-	452,214,454	-	-	-	12,004,595	543,059,049
Bond issuance costs	-	(62,051)	-	-	(3,550,981)	-	-	-	-	(3,613,032)
Principal paid on loans	-	-	-	-	-	-	-	(220,541)	-	(220,541)
Principal paid on bonds	-	(113,305,000)	-	(2,700,000)	(294,945,115)	-	-	-	-	(410,950,115)
Cash paid to escrow for defeased bonds	-	(11,746,526)	-	-	-	-	-	-	-	(11,746,526)
Arbitrage rebate	-	(67,757)	-	-	-	-	-	-	-	(67,757)
Proceeds from interest subsidy - Build America Bonds	-	-	-	-	2,626,118	-	-	-	-	2,626,118
Cash payments to localities for interest subsidy	-	-	-	-	(2,549,128)	-	-	-	-	(2,549,128)
Agency Funds	-	277,230	-	-	-	-	-	-	-	277,230
Contributions from other governments	-	31,218,033	14,497,086	-	-	17,699	1,754,736	-	758,196	48,245,750
Contributions to other governments	-	-	-	-	-	-	-	-	-	-
Cash received (paid) from other accounts	3,372,337	-	-	8	(3,356,065)	-	-	(416)	(15,864)	-
Net cash provided by (used in) noncapital financing activities	3,371,132	(14,846,071)	14,497,086	(2,699,992)	150,439,283	17,699	1,754,736	(220,957)	12,746,927	165,059,843
Cash flows from capital and financing related activities										
Purchase of office equipment and renovations	(13,370)	-	-	-	-	-	-	-	-	(13,370)
Net cash used in noncapital financing activities	(13,370)	-	-	-	-	-	-	-	-	(13,370)
Cash flows from investing activities										
Purchase of investments	(3,212,019)	(103,859,069)	-	(2,949,127)	(10,443,881)	-	-	-		(120,464,096)
Proceeds from sales or maturities of investments	3,170,685	79,779,527	-	3,917,414	10,394,849	-	-	-		97,262,475
Interest received on investments - net	80,932	8,759,694	128,609	440,186	2,596,798	-	20,580	-	146,918	12,173,717
Net cash provided by (used in) investing activities	39,598	(15,319,848)	128,609	1,408,473	2,547,766	-	20,580	-	146,918	(11,027,904)
Net increase (decrease) in cash and cash equivalents	2,579,283	(11,912,304)	5,713,065	1,447,689	111,865	(6,207,335)	199,214	-	254,930	(7,813,593)
Cash and cash equivalents										
Beginning of year	15,889,168	222,668,068	37,684,560	7,873,851	790,360	20,600,761	5,436,391	-	186,405	311,129,564
End of year	$ 18,468,451	$ 210,755,764	$ 43,397,625	$ 9,321,540	$ 902,225	$ 14,393,426	$ 5,635,605	$ -	$ 441,335	$ 303,315,971
Reconcilation to the Statement of Net Position										
Cash	$ 6,186,307	$ 10,340,130	$ 5,956,880	$ -	$ -	$ 14,393,426	$ -	$ -	$ 441,335	$ 37,318,078
Cash Equivalents	12,282,144	200,415,634	37,440,745	9,321,540	902,225	-	5,635,605	-	-	265,997,893
	$ 18,468,451	$ 210,755,764	$ 43,397,625	$ 9,321,540	$ 902,225	$ 14,393,426	$ 5,635,605	$ -	$ 441,335	$ 303,315,971

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2016

	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)	$ (1,511,617)	$ (2,002,184)	$ (3,129,914)	$ 548,264	$ 3,066,670	$ -	$ (361,467)	$ 416	$ (476,707)	$ (3,866,539)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:										
Depreciation	22,670	-	-	-	-	-	-	-	-	22,670
Interest on investments	(102,589)	(9,403,508)	(128,609)	(432,509)	(2,621,664)	-	(20,580)	-	(146,917)	(12,856,376)
Gain on early extinguishment of loans	-	-	-	-	(2,895,393)	-	-	-	-	(2,895,393)
Loss on early extinguishment of bonds	-	-	-	-	2,886,783	-	-	-	-	2,886,783
Bond issuance costs	-	-	-	-	3,550,980	-	-	-	-	3,550,980
Interest on loans	-	-	-	-	-	-	-	-	-	-
Interest on bonds, amortization and accretion - net	-	(1,146,917)	-	(40,615)	(14,411,461)	-	-	(1,620)	146,918	(15,453,695)
Effect of changes in operating assets and liabilities:										
Loans receivable	-	34,662,977	(5,527,266)	2,946,038	(157,772,097)	-	-	220,540	(12,004,595)	(137,474,403)
Loan interest receivable	-	714,296	(68,593)	49,056	12,813,702	-	-	1,620	(146,918)	13,363,163
Loan administrative fee receivable	-	9,961	(70,605)	-	(503,756)	-	-	153	-	(564,247)
Other receivables	(75,835)	2,928	(18,279)	-	-	-	(322,642)	-	-	(413,828)
Deferred charges	-	(4,645,261)	-	(289,733)	3,011,052	-	-	-	-	(1,923,942)
Accounts payable and other liabilities			-	-	-	(6,207,335)	-	-	-	(6,207,335)
Due to (from) other funds	849,294	61,323	30,636	(41,293)	-	(17,699)	(871,413)	(152)	(10,696)	-
Total adjustments	693,540	20,255,799	(5,782,716)	2,190,944	(155,941,854)	(6,225,034)	(1,214,635)	220,541	(12,162,208)	(157,965,623)
Net cash provided by (used in) operating activities	$ (818,077)	$ 18,253,615	$ (8,912,630)	$ 2,739,208	$ (152,875,184)	$ (6,225,034)	$ (1,576,102)	$ 220,957	$ (12,638,915)	$ (161,832,162)

Virginia Resources Authority

Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
June 30, 2016

	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	$ 7,014,475	$ -	$ 633,337	$ -	$ -	$ 2,692,318	$ 10,340,130
Cash equivalents	148,369,031	31,176,638	14,935,630	2,546,775	38,803	3,348,757	200,415,634
Investments	14,934,337	2,219,775	-	-	-	-	17,154,112
Loans receivable, net of allowance	56,822,242	55,247,394	1,083,851	-	-	-	113,153,487
Receivables:							
Investment interest	304,974	1,790,050	-	-	-	-	2,095,024
Loan interest	2,501,378	6,393,197	43,346	-	-	-	8,937,921
Loan administrative fees	-	-	-	-	-	548,229	548,229
Total current assets	229,946,437	96,827,054	16,696,164	2,546,775	38,803	6,589,304	352,644,537
Noncurrent assets							
Investments	103,588,276	181,576,659	-	-	-	-	285,164,935
Loans receivable - less current - net	679,893,345	719,209,397	2,510,222	-	-	-	1,401,612,964
Total noncurrent assets	783,481,621	900,786,056	2,510,222	-	-	-	1,686,777,899
Total assets	1,013,428,058	997,613,110	19,206,386	2,546,775	38,803	6,589,304	2,039,422,436
Deferred Outflows of Resources							
Deferred loss on refunding	-	56,814,615	-	-	-	-	56,814,615
Liabilities							
Current liabilities							
Bonds payable - current portion	-	60,909,298	-	-	-	-	60,909,298
Accrued interest on bonds payable	-	7,968,557	-	-	-	-	7,968,557
Due to other accounts	10,660,589	43,067	-	1,425,000	(11,436,909)	(531,914)	159,833
Agency funds	341,303	-	-	-	-	-	341,303
Accounts payable and other liabilities	20,476	184,164	(2,331)	-	-	-	202,309
Total current liabilities	11,022,368	69,105,086	(2,331)	1,425,000	(11,436,909)	(531,914)	69,581,300
Noncurrent liabilities							
Bonds payable - less current - net	-	767,510,552	-	-	-	-	767,510,552
Arbitrage rebate liability	-	109,873	-	-	-	-	109,873
Total noncurrent liabilities	-	767,620,425	-	-	-	-	767,620,425
Total liabilities	11,022,368	836,725,511	(2,331)	1,425,000	(11,436,909)	(531,914)	837,201,725
Net position							
Restricted:							
Loan Programs	1,002,405,690	217,702,214	19,208,717	1,121,775	11,475,712	7,121,218	1,259,035,326
Total net position	$ 1,002,405,690	$ 217,702,214	$ 19,208,717	$ 1,121,775	$ 11,475,712	$ 7,121,218	$ 1,259,035,326

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2016

	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	$ 7,015,126	$ 20,187,162	$ 114,823	$ -	$ -	$ -	$ 27,317,111
Investment income	2,184,920	7,137,037	53,288	9,225	6,302	12,736	9,403,508
Loan administrative fees	-	-	-	-	-	1,560,740	1,560,740
Other income	1,748	-	1,414	-	-	-	3,162
Total operating revenues	9,201,794	27,324,199	169,525	9,225	6,302	1,573,476	38,284,521
Operating expenses							
Interest on bonds	-	30,108,253	-	-	-	-	30,108,253
Bond issuance costs	-	137,120	-	-	-	-	137,120
Grants to local governments	-	-	-	7,980,029	-	-	7,980,029
Principal forgiveness loans	1,222,726	-	-	-	-	-	1,222,726
Personnel services	419,986	-	-	-	-	-	419,986
General operating	271,658	-	23,905	1,026	1,073	1,466	299,128
Contractual services	119,463	-	-	-	-	-	119,463
Total operating expenses	2,033,833	30,245,373	23,905	7,981,055	1,073	1,466	40,286,705
Operating income (loss)	7,167,961	(2,921,174)	145,620	(7,971,830)	5,229	1,572,010	(2,002,184)
Nonoperating revenues							
Contributions from other governments	22,101,087	-	-	6,981,164	2,135,781	-	31,218,032
Income (loss) before transfers	29,269,048	(2,921,174)	145,620	(990,666)	2,141,010	1,572,010	29,215,848
Transfers	7,740,332	(7,735,844)	-	-	635,765	(640,253)	-
Change in net position	37,009,380	(10,657,018)	145,620	(990,666)	2,776,775	931,757	29,215,848
Total net position - beginning	965,396,310	228,359,232	19,063,097	2,112,441	8,698,937	6,189,461	1,229,819,478
Total net position - ending	$ 1,002,405,690	$ 217,702,214	$ 19,208,717	$ 1,121,775	$ 11,475,712	$ 7,121,218	$ 1,259,035,326

Virginia Resources Authority

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2016

	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	$ (79,329,590)	$ -	$ (285,592)	$ -	$ -	$ -	$ (79,615,182)
Principal repayments from localities on loans	59,703,186	53,592,229	972,428	-	-	-	114,267,843
Interest received on loans	6,935,524	20,987,770	108,112	-	-	-	28,031,406
Loan administrative fees received	-	-	-	-	-	1,570,701	1,570,701
Cash received from other income	1,748	-	1,414	-	-	-	3,162
Miscellaneous Receivables	-	-	2,928	-	-	-	2,928
Cash payments for salaries and related benefits	(419,986)	-	-	-	-	-	(419,986)
Cash payments for contractual services	(271,658)	-	-	-	-	-	(271,658)
Cash payments for general operating expenses	(119,462)	-	(13,589)	(1,026)	(1,073)	(1,466)	(136,616)
Cash payments for operating grants	-	-	-	(7,980,029)	-	-	(7,980,029)
Cash payments for principal forgiveness loans	(1,222,726)	-	-	-	-	-	(1,222,726)
Interest paid on bonds	-	(36,037,551)	-	-	-	-	(36,037,551)
Interfund activity	10,466,527	(2,176)	-	998,865	(10,801,129)	(600,764)	61,323
Net cash provided by (used in) operating activities	(4,256,437)	38,540,272	785,701	(6,982,190)	(10,802,202)	968,471	18,253,615
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	78,840,000	-	-	-	-	78,840,000
Bond issuance costs	-	(62,051)	-	-	-	-	(62,051)
Principal paid on bonds	-	(113,305,000)	-	-	-	-	(113,305,000)
Cash paid to escrow for refunded bonds	21,061	(11,764,587)	(3,000)	-	-	-	(11,746,526)
Arbitrage rebate	-	(67,757)	-	-	-	-	(67,757)
Agency Funds	277,230	-	-	-	-	-	277,230
Contributions from other governments	22,101,088	-	-	6,981,165	2,135,780	-	31,218,033
Cash received (paid) from other accounts	7,740,332	(7,735,844)	-	-	635,765	(640,253)	-
Net cash provided by (used in) noncapital financing activities	30,139,711	(54,095,239)	(3,000)	6,981,165	2,771,545	(640,253)	(14,846,071)
Cash flows from investing activities							
Purchase of investments	(103,859,069)	-	-	-	-	-	(103,859,069)
Proceeds from sales or maturities of investments	77,624,876	2,154,651	-	-	-	-	79,779,527
Interest received on investments - net	1,511,272	7,166,840	53,289	9,225	6,331	12,737	8,759,694
Net cash provided by (used in) investing activities	(24,722,921)	9,321,491	53,289	9,225	6,331	12,737	(15,319,848)
Net increase (decrease) in cash and cash equivalents	1,160,353	(6,233,476)	835,990	8,200	(8,024,326)	340,955	(11,912,304)
Cash and cash equivalents							
Beginning of year	154,223,153	37,410,114	14,732,977	2,538,575	8,063,129	5,700,120	222,668,068
End of year	$ 155,383,506	$ 31,176,638	$ 15,568,967	$ 2,546,775	$ 38,803	$ 6,041,075	$ 210,755,764
Reconcilation to the Statement of Net Position							
Cash	$ 7,014,475	$ -	$ 633,337	$ -	$ -	$ 2,692,318	$ 10,340,130
Cash Equivalents	148,369,031	31,176,638	14,935,630	2,546,775	38,803	3,348,757	200,415,634
	$ 155,383,506	$ 31,176,638	$ 15,568,967	$ 2,546,775	$ 38,803	$ 6,041,075	$ 210,755,764

Virginia Resources Authority

Combining Schedule of Cash Flows (Continued)
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2016

	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)	$ 7,167,961	$ (2,921,174)	$ 145,620	$ (7,971,830)	$ 5,229	$ 1,572,010	$ (2,002,184)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	-	-	-	-	-	-
Interest on investments	(2,184,920)	(7,137,037)	(53,288)	(9,225)	(6,302)	(12,736)	(9,403,508)
Interest on bonds, amortization and accretion - net	-	(1,146,917)	-	-	-	-	(1,146,917)
Change in assets and liabilities							
Loans receivables	(19,626,404)	53,592,229	697,152	-	-	-	34,662,977
Loan interest receivable	(79,601)	800,608	(6,711)	-	-	-	714,296
Loan administrative fee receivable	-	-	-	-	-	9,961	9,961
Miscellaneous receivables	-	-	-	-	-	-	-
Deferred charges	-	-	2,928	-	-	-	2,928
Accounts payable and other liabilities	-	6,147,203	-	-	-	-	6,147,203
Agency Fund	-	(10,792,464)	-	-	-	-	(10,792,464)
Due to (from) other funds	10,466,527	(2,176)	-	998,865	(10,801,129)	(600,764)	61,323
Total adjustments	(11,424,398)	41,461,446	640,081	989,640	(10,807,431)	(603,539)	20,255,799
Net cash provided by (used in) operating activities	$ (4,256,437)	$ 38,540,272	$ 785,701	$ (6,982,190)	$ (10,802,202)	$ 968,471	$ 18,253,615

Virginia Resources Authority

Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2016

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	$ 5,563,817	$ 195,293	$ -	$ 197,770	$ 5,956,880
Cash equivalents	36,859,534	122,356	-	458,855	37,440,745
Loans receivable, net of allowance	7,362,271	4,638	-	-	7,366,909
Receivables:					
Loan interest	471,022	-	-	-	471,022
Loan administrative fees	-	-	-	146,905	146,905
Total current assets	50,256,644	322,287	-	803,530	51,382,461
Noncurrent assets					
Loans receivable - less current - net	155,677,913	30,144	-	-	155,708,057
Total noncurrent assets	155,677,913	30,144	-	-	155,708,057
Total assets	205,934,557	352,431	-	803,530	207,090,518
Liabilities					
Current liabilities					
Due to other accounts	19,590	-	-	141,612	161,202
Agency funds	7,812	-	-	-	7,812
Total current liabilities	27,402	-	-	141,612	169,014
Total liabilities	27,402	-	-	141,612	169,014
Net position					
Restricted:					
Loan Programs	205,907,155	352,431	-	661,918	206,921,504
Total net position	$ 205,907,155	$ 352,431	$ -	$ 661,918	$ 206,921,504

Virginia Resources Authority

Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2016

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	$ 1,579,712	$ 3	$ -	$ -	$ 1,579,715
Investment income	126,472	476	-	1,661	128,609
Loan administrative fees	-	-	-	441,180	441,180
Total operating revenues	1,706,184	479	-	442,841	2,149,504
Operating expenses					
Grants to local governments	4,922,318	-	-	-	4,922,318
Personnel services	-	-	227,485	-	227,485
General operating	20,221	574	44,654	185	65,634
Contractual services	-	-	63,981	-	63,981
Total operating expenses	4,942,539	574	336,120	185	5,279,418
Operating income (loss)	(3,236,355)	(95)	(336,120)	442,656	(3,129,914)
Nonoperating revenues					
Contributions from other governments	14,497,085	-	-	-	14,497,085
Income (loss) before transfers	11,260,730	(95)	(336,120)	442,656	11,367,171
Operating transfers	-	-	336,120	(336,120)	-
Change in net position	11,260,730	(95)	-	106,536	11,367,171
Total net position - beginning	194,646,425	352,526	-	555,382	195,554,333
Total net position - ending	$ 205,907,155	$ 352,431	$ -	$ 661,918	$ 206,921,504

Virginia Resources Authority

Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2016

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	$ (12,453,720)	$ -	$ -	$ -	$ (12,453,720)
Principal repayments from localities on loans	6,921,816	4,638	-	-	6,926,454
Interest received on loans	1,511,120	3	-	-	1,511,123
Loan administration fees received	-	-	-	370,575	370,575
Federal administrative reimbursement funds received	-	-	-	-	-
Cash payments for salaries and related benefits	-	-	(227,485)	-	(227,485)
Cash payments for contractual services	-	-	(63,981)	-	(63,981)
Cash payments for general operating expenses	(38,501)	(574)	(44,654)	(185)	(83,914)
Cash payments for operating grants	(4,922,318)	-	-	-	(4,922,318)
Interfund activity	4,008	-	-	26,628	30,636
Net cash provided by (used in) operating activities	(8,977,595)	4,067	(336,120)	397,018	(8,912,630)
Cash flows from noncapital financing activities					
Contributions from other governments	14,497,086	-	-	-	14,497,086
Cash received (paid) from other accounts	-	-	336,120	(336,120)	-
Net cash provided by noncapital financing activities	14,497,086	-	336,120	(336,120)	14,497,086
Cash flows from investing activities					
Interest received on investments - net	126,472	475	-	1,662	128,609
Net cash provided by investing activities	126,472	475	-	1,662	128,609
Net increase in cash and cash equivalents	5,645,963	4,542	-	62,560	5,713,065
Cash and cash equivalents					
Beginning of year	36,777,388	313,107	-	594,065	37,684,560
End of year	$ 42,423,351	$ 317,649	$ -	$ 656,625	$ 43,397,625
Reconcilation to the Statement of Net Position					
Cash	$ 5,563,817	$ 195,293	$ -	$ 197,770	$ 5,956,880
Cash Equivalents	36,859,534	122,356	-	458,855	37,440,745
	$ 42,423,351	$ 317,649	$ -	$ 656,625	$ 43,397,625
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (3,236,355)	$ (96)	$ (336,120)	$ 442,657	$ (3,129,914)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	-	-	-	-
Interest on investments	(126,472)	(475)	-	(1,662)	(128,609)
Change in assets and liabilities					
Loans receivables	(5,531,904)	4,638	-	-	(5,527,266)
Loan interest receivable	(68,593)	-	-	-	(68,593)
Loan administrative fee receivable	-	-	-	(70,605)	(70,605)
Other receivables	(18,279)	-	-	-	(18,279)
Accounts payable and other liabilities	-	-	-	-	-
Due to (from) other funds	4,008	-	-	26,628	30,636
Total adjustments	(5,741,240)	4,163	-	(45,639)	(5,782,716)
Net cash provided by (used in) operating activities	$ (8,977,595)	$ 4,067	$ (336,120)	$ 397,018	$ (8,912,630)

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, not 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 Resources 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 Employees 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									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Investment in capital assets	$ 9,996	$ 5,516	$ 1,812	$ 17,478	$ 128,757	$ 206,202	$ 209,143	$ 51,500	$ 112,766	103,466
Restricted	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	1,469,844,791	1,512,101,797
Unrestricted	4,379,283	4,471,442	5,456,623	6,345,180	7,257,442	8,532,138	9,642,211	11,237,334	13,023,011	14,939,060
Total net position	$ 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	$ 1,438,124,918	$ 1,482,980,568	$ 1,527,144,323

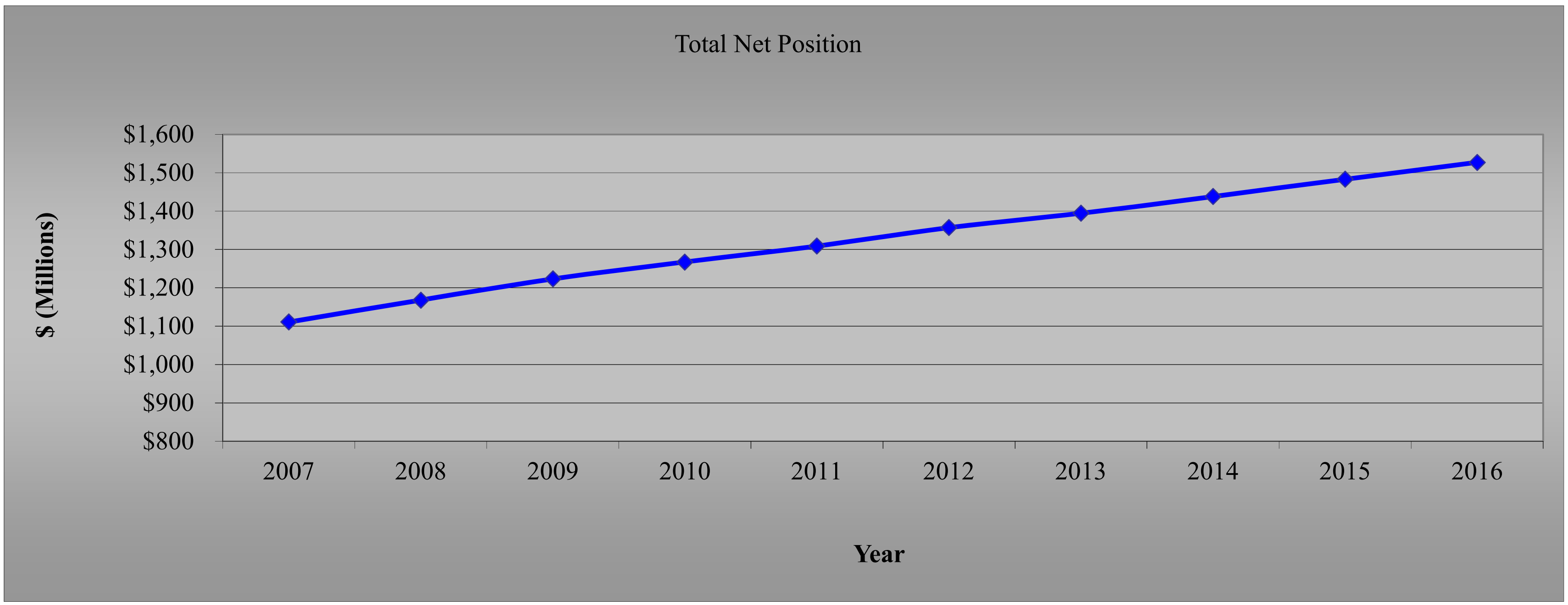


Table 2

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
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
2015	148,908,438	154,788,102	(5,879,664)	50,735,314	44,855,650
2016	148,046,948	151,913,487	(3,866,539)	47,982,465	44,115,926

Table 3

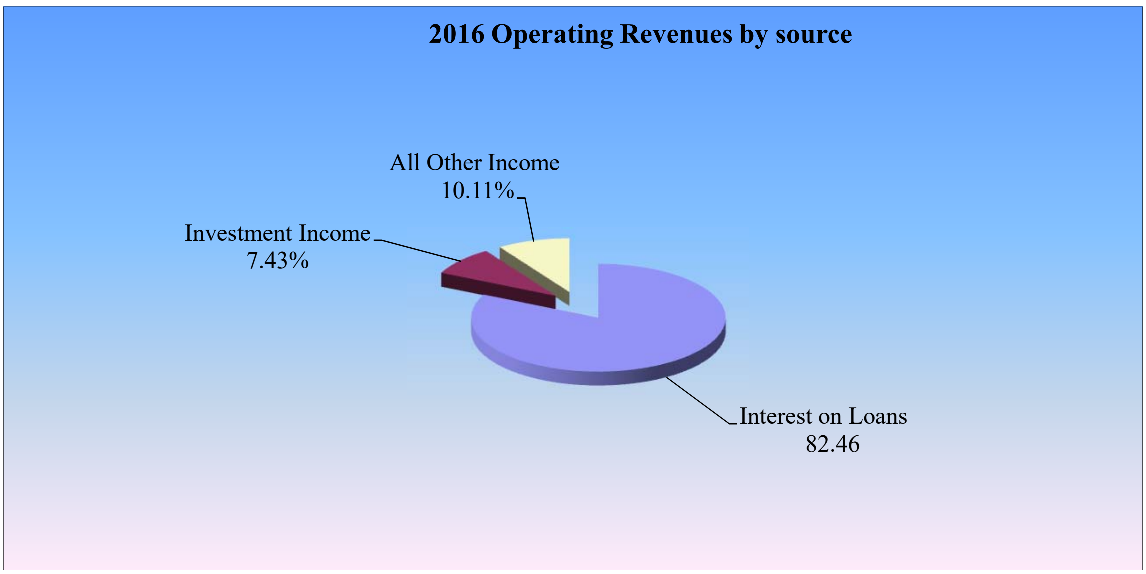
Virginia Resources Authority

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
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
2015	122,794,090	11,061,275	83,816	3,042,444	1,907,580	10,019,233	148,908,438
2016	121,474,338	12,856,376	-	3,607,108	2,041,425	8,067,701	148,046,948

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



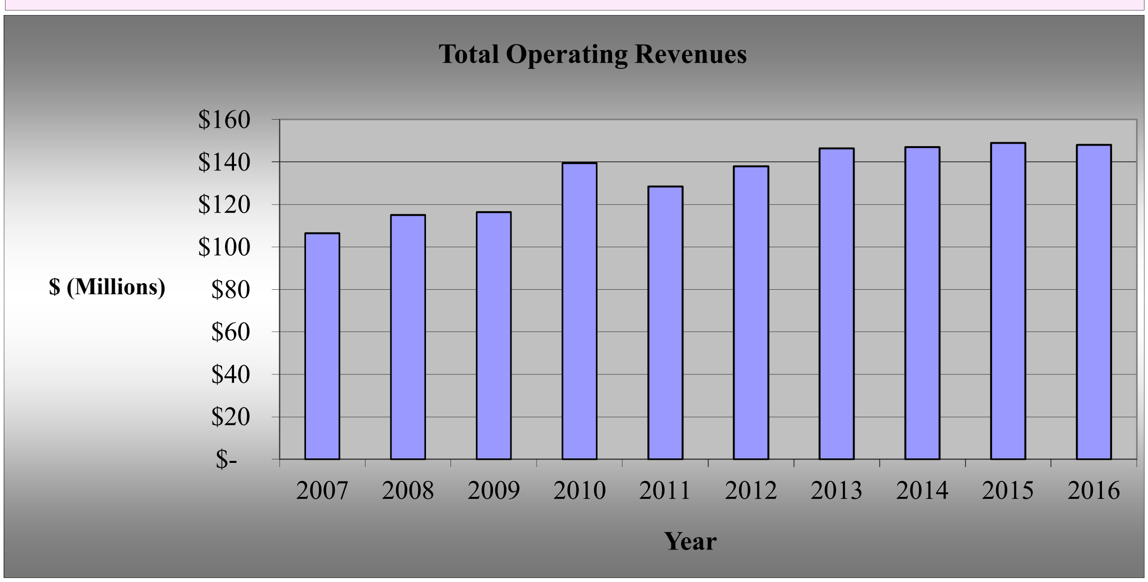


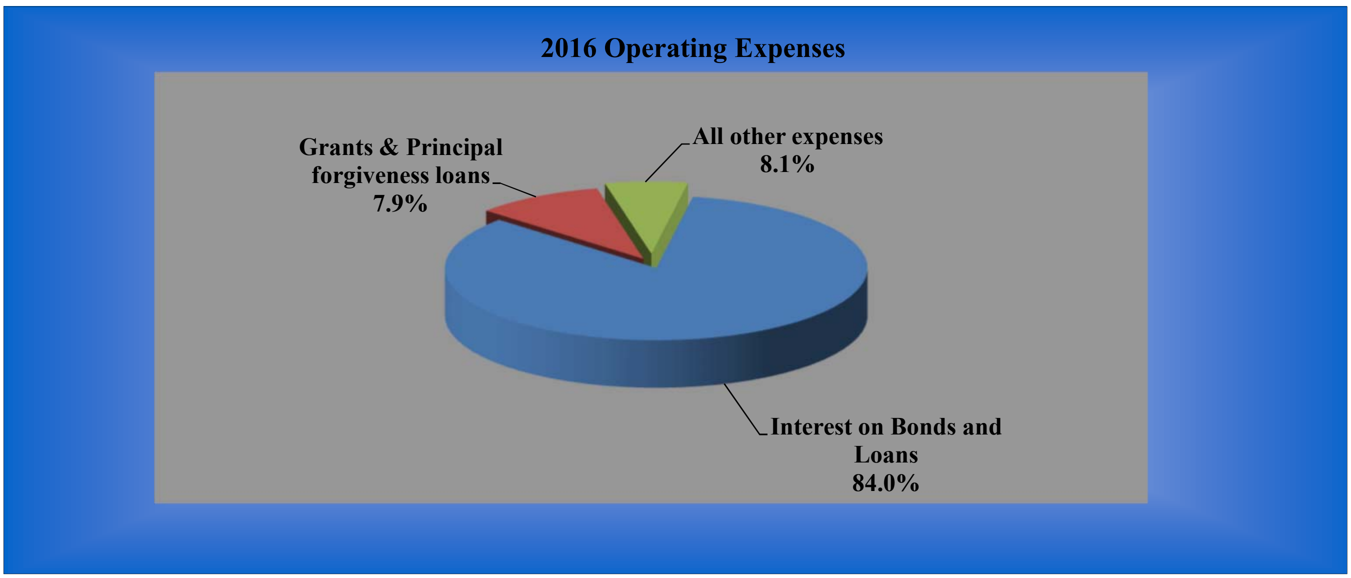
Table 4

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	Loss on early extinguishment of bond	Personnel Services	General Operating	Contractual Services	Total
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
2015	129,993,652	12,285,923	5,461,806	4,071,026	1,626,237	919,259	430,199	154,788,102
2016	127,374,789	14,944,559	3,688,101	2,886,783	1,630,865	932,924	455,466	151,913,487



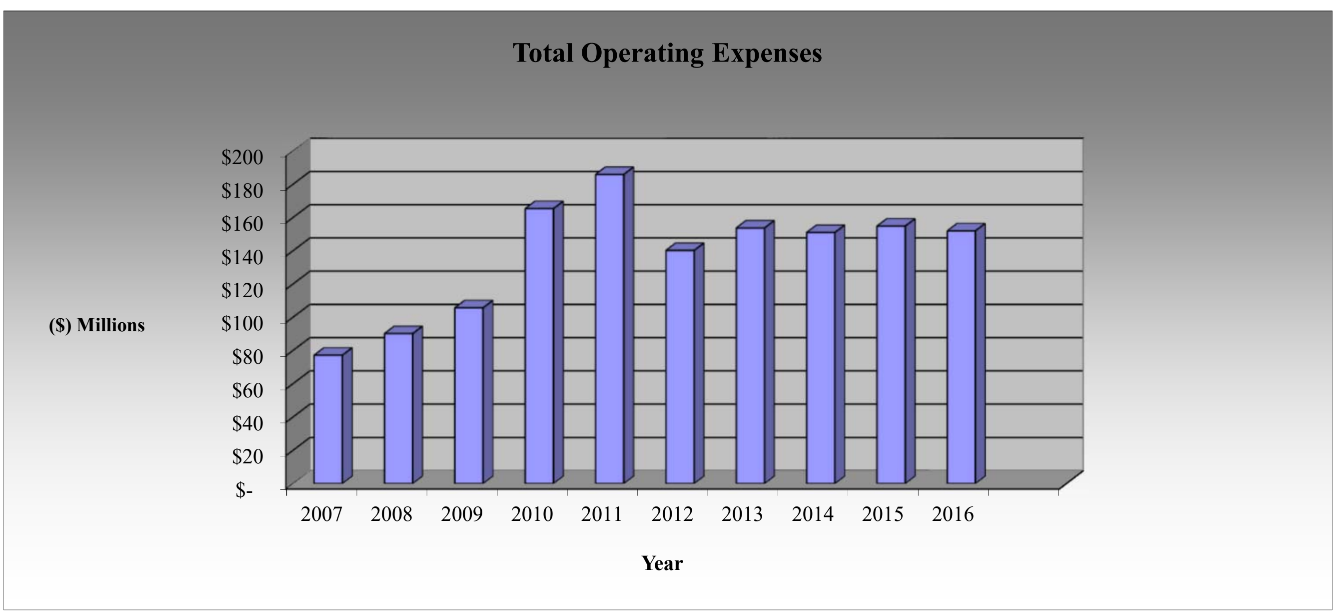


Table 5

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	Total	Loans Receivable Related to Equipment Term Financing	Loans Receivable Related to VirginiaSAVES Green Community Program
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	-
2015	2,325,204,904	43,526,294	197,078,938	2,565,810,136	325,102	-
2016	2,438,694,319	40,580,256	221,659,494	2,700,934,069	104,562	12,004,595

Loans Receivable Related to Revolving Loans

Fiscal Year	VWFRF	VWFRF - leveraged	VWFRF AgBMP	VWSRF	Total
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
2015	717,089,183	828,049,020	4,291,226	157,547,699	1,706,977,128
2016	729,475,535	781,696,843	3,920,074	163,074,966	1,678,167,418

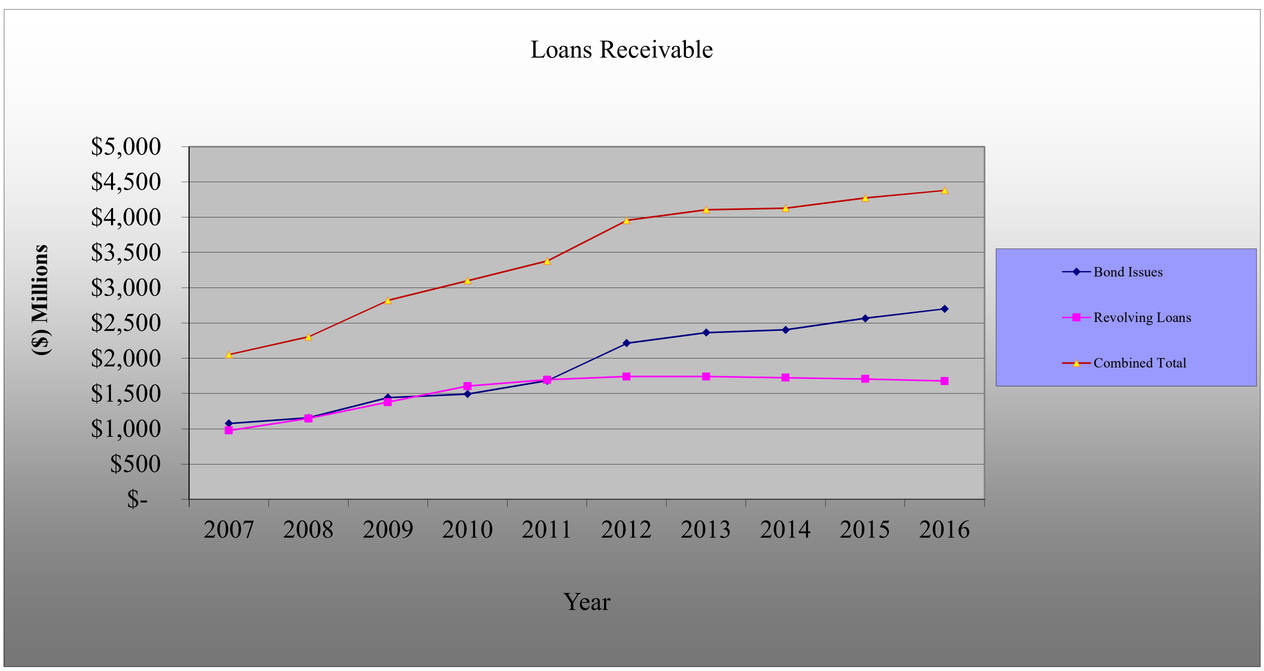


Table 6

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)**
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
2015	3,212,994,904	296,032,824	3,509,027,728	877,874,904	1,500,000,000	622,125,096	385.89
2016	3,300,763,913	310,765,995	3,611,529,908	907,209,309	1,500,000,000	592,790,691	392.14

(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

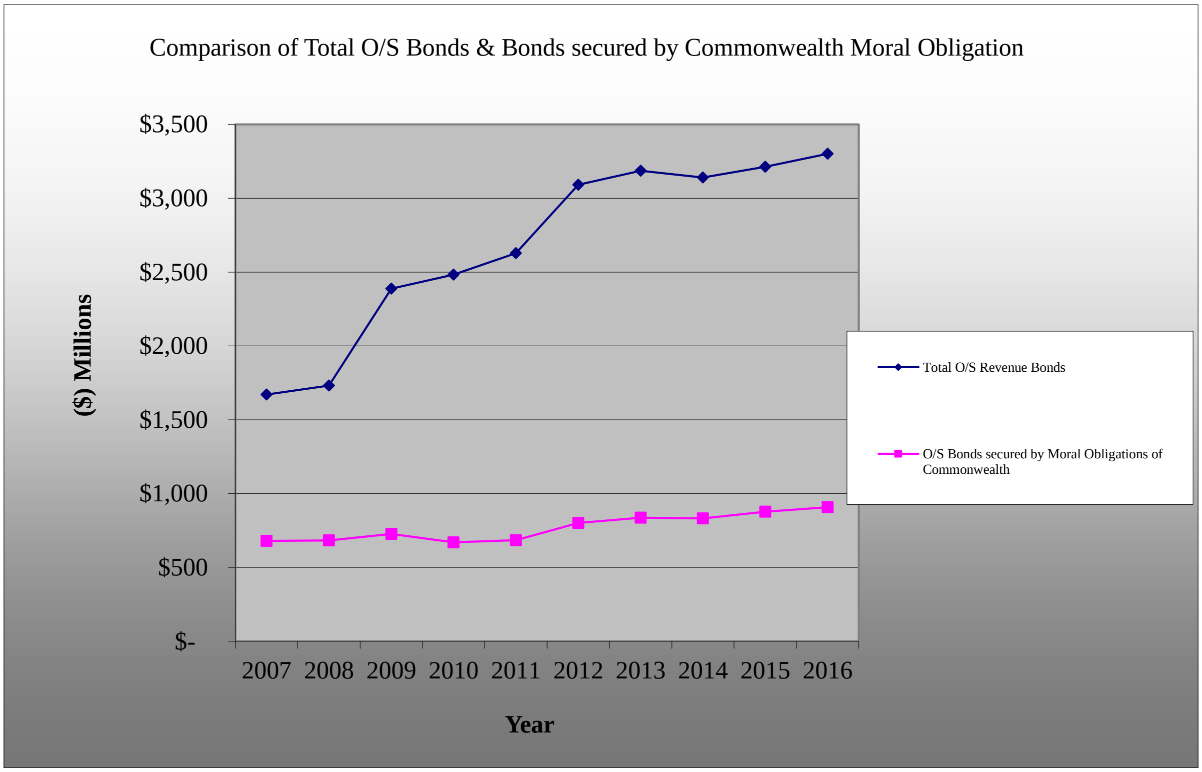


Table 7

Virginia Resources Authority

Virginia Principal Employers

Last Ten Fiscal Years

Employer (1)	Fiscal Year 2016 (1) Rank	Fiscal Year 2007 (1) Rank
U.S. Department of Defense	1	1
Wal Mart	2	2
Fairfax County Public Schools	3	3
Sentara Healthcare	4	8
Huntington Ingalls Industries, Inc.	5	4
Food Lion	6	5
Postal Service	7	7
County of Fairfax	8	6
U.S. Department of Homeland Defense	10	21
HCA Virginia Health System	9	12
Prince William County School Board	11	10
Inova Health System	13	11

(1) Final quarter data for most recent calendar year (2015 and 2006).

(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
2016	8,417,300	$ 448,565,127	$ 53,291	1,283,494	4.0%
2015	8,326,289	413,897,533	49,710	1,279,773	5.0%
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%

(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

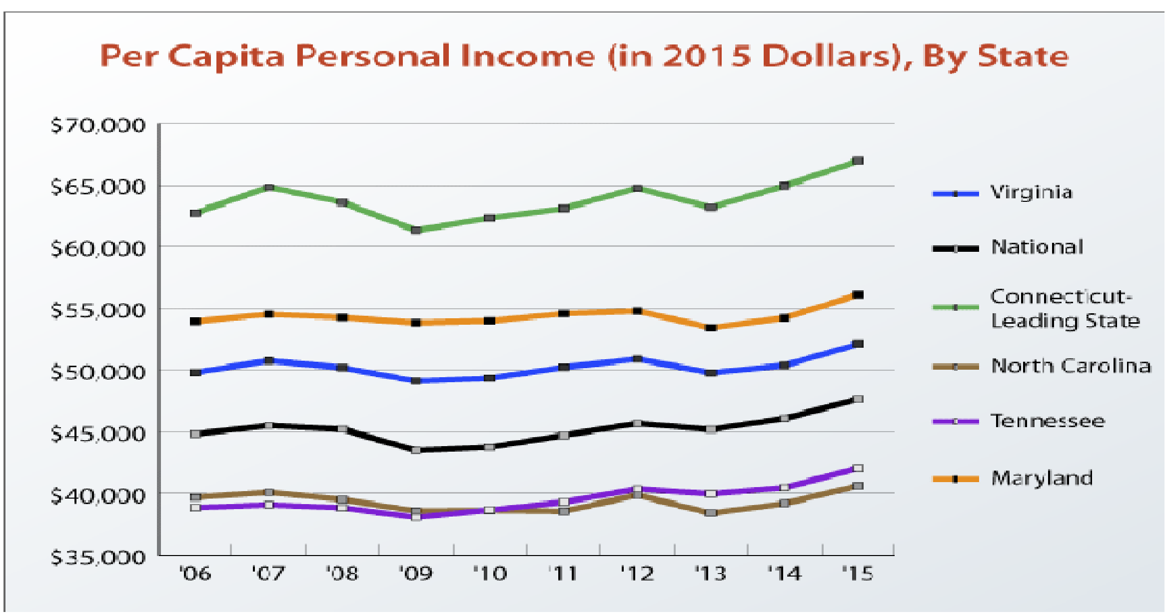


Table 9

Virginia Resources Authority

Operating Indicators

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Virginia Pooled Financing Program										
Projects	15	16	32	35	30	40	38	20	44	39
Lending	$ 134,000,000	$ 135,865,000	$ 451,100,000	$ 253,165,000	$ 284,180,000	$ 561,860,000	$ 318,753,736	$ 184,695,000	$ 458,215,000	$ 395,210,000
Clean Water Revolving Loan Fund										
Projects	15	22	22	62	18	22	22	14	12	13
Closed Loans	$ 227,171,982	$ 193,543,988	$ 346,190,376	$ 353,015,563	$ 72,689,048	$ 103,970,305	$ 86,105,110	$ 139,221,106	$ 112,279,105	$ 37,029,027
Virginia Drinking Water State Revolving Fund										
Projects	16	13	19	34	16	15	15	19	20	24
Closed Loans and Grants	$ 10,513,007	$ 6,143,549	$ 13,708,679	$ 33,641,260	$ 15,496,872	$ 18,281,172	$ 26,752,886	$ 28,182,614	$ 16,262,052	$ 16,912,070
Virginia Airports Revolving Fund										
Projects	5	1	1	-	1	3	1	-	1	-
Closed Loans	$ 5,248,000	$ 140,000	$ 633,000	$ -	$ 654,184	$ 2,239,000	$ 325,500	$ -	$ 1,612,000	$ -
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	65	70
Closed Grants	$ -	$ -	$ -	$ 1,002,330	$ 1,000	$ 233,519	$ 558,711	$ 996,146	$ 824,860	$ 326,916
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund										
Projects	-	-	-	-	-	10	8	2	2	12
Closed Grants	$ -	$ -	$ -	$ -	$ -	$ 199,873	$ 316,560	$ 100,000	$ 70,200	$ 445,585
VirginiaSAVES Green Community Program										
Projects	-	-	-	-	-	-	-	-	-	2
Closed Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,004,595
Total Projects	51	56	80	133	66	115	121	110	144	160
Total Entities Served	51	50	61	96	53	71	74	80	101	104
Total Financing	$ 376,932,989	$ 340,041,975	$ 837,319,455	$ 640,824,153	$ 373,021,104	$ 686,783,869	$ 432,812,503	$ 353,194,866	$ 589,263,217	$ 461,928,193

Source: VRA Annual Reports

Table 10

Virginia Resources Authority

Full Time Employees by Identifiable Activity

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Executive	1	1	2	2	1	1	1	1	1	1
Financial Services	5	5	-	-	4	4	4	4	4	4
Finance and Administration	4	3	4	2	5	5	5	5	5	6
Program Management	-	-	2	2	2	2	1	3	3	3
Policy	-	-	1	1	2	2	2	2	2	2
Total Full Time Employees:	10	9	9	7	14	14	13	15	15	16

* Data represents permanent full-time employees.
* The Program Management division was created in FY 2009
* The Policy division was created in FY 2009

Source: VRA Annual Reports

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; 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, 2016, 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 9, 2016.

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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority'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 9, 2016

BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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Report on Compliance for Each Major Federal Program (Continued)

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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 9, 2016

Virginia Resources Authority

Schedule of Expenditures of Federal Awards

June 30, 2016

Federal Granting Agency / Recipient State Agency / Grant Program	Award Date	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)	9/15/2014, 7/27/ 2015	66.458	90314, 90315	$ 22,101,088
Department of Health				
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF)	8/11/2014, 8/24/2015	66.468	66145, 66155	11,060,795
Total expenditures of federal awards				$ 33,161,883

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 $75,726,051 from the VWFRF and $10,124,994 from the VWSRF as of June 30, 2016.

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	$ -	$ -	$ -	$ -
Contributions from other Governments	31,218,032	14,497,085	2,512,931	48,228,048
Total Governmental Revenues	31,218,032	14,497,085	2,512,931	48,228,048
Less amounts not related to federal financial assistance	(9,116,944)	(3,436,290)	(2,512,931)	(15,066,165)
Federal Schedule of Expenditures	$ 22,101,088	$ 11,060,795	$ -	$ 33,161,883

VIRGINIA RESOURCES AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

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 the Uniform Guidance.
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 **$750,000**.
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.