VRA Virginia Resources Authority

Jean F. Bass
Acting Executive Director

December 1, 2017

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:

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, 2017, is submitted pursuant to the requirements set forth in §62.1-222 of the Code of Virginia, as amended.

VRA's attached 2017 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.

FY17 provided the VRA Board and staff with new challenges and new opportunities to support its state agency partners and Virginia communities with sound and innovative financing programs for infrastructure improvements. In early February 2017, VRA's long-time Board member and Board chairman, William G. O'Brien, died after a brief illness. Mr. O'Brien, who had retired after 26 years as County Administrator for Rockingham County and who later served as interim county administrator and interim town manager for several other Virginia counties and towns, was very well connected with Virginia local governments and was a tremendous resource to VRA. Mr. O'Brien was replaced on the Board with VRA's first active elected local government official, Martinsville City Councilwoman Jennifer Bowles. Ms. Bowles' appointment provided the VRA Board with the added perspective of an elected official committed to meeting the infrastructure needs of citizens and rate payers.

Also during FY17, the VRA Board and staff worked hard to address the financing needs and debt service requirements of borrowers experiencing financial challenges. Insuring that these borrowers met the terms of their financing agreements with VRA prompted the VRA Board and staff to develop a new financing program that provides financing for infrastructure projects to distressed communities and that also insure VRA's ability to maintain its own credit standing and not jeopardize the State's moral obligation pledge. This was accomplished through VRA's new VAHELPS program which allows VRA to serve as a conduit issuer for localities through a public bond issuance or direct bank placement. VAHELPS debt is not backed by the Commonwealth's moral obligation pledge.

Through its own financing programs and its partnership with select state agencies, VRA was able to attain several other significant achievements that included the financing of grants and loans across Virginia for 117 projects totaling $389.9 million and facilitating refunding opportunities for debt service savings of $10.5 million for 14 localities through the VRA Virginia Pooled Financing Program.

The VRA Board and staff are pleased with the achievements of the Authority over the last year and look forward to working with the Administration and the Legislature in addressing the infrastructure financing needs of Virginia localities.

Sincerely,

Jean F. Bass
Acting Executive Director

Attachment

Richmond, Virginia

Comprehensive Annual Financial Report of the Virginia Resources Authority

A Component Unit of the Commonwealth of Virginia

Year Ended June 30, 2017

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, 2017

Prepared by the Finance and Administration Division:
Curtis Doughtie, Director of Finance and Administration
Catherine O'Brien, Accounting Manager
George Panos, Loan Servicing Manager

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INTRODUCTORY SECTION

VRA Virginia Resources Authority

Jean F. Bass
Acting Executive Director

September 1, 2017

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 fiscal year 2017 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 Government Auditing Standards generally accepted in the United States of America.

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 ended June 30, 2017 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, 2017.

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

VRA Profile

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

VRA was established to provide an additional source of funding for local infrastructure projects. Initially providing financing for local water and wastewater projects, projects eligible for VRA financing have 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, a 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 authorized by the Virginia Tobacco Region Revitalization Commission.

Economic Information

The Commonwealth of Virginia closed fiscal year 2017, which ended on June 30, with positive general fund revenue growth over the last year. Preliminary figures indicate that the state concluded fiscal year 2017 with 3.6% growth in general fund revenue collections, approximately $132 million ahead of the official forecast. Total general fund revenues were forecast to increase 2.9% in fiscal year 2017. This represents a 0.7% forecast variance from the official budget estimate, with payroll withholding and corporate income tax collections driving the surplus.

FY2017 Accomplishments

Staff efforts along with those of state agency and private sector partners resulted in many successes and opportunities during FY2017. 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 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 FY2017 include:

- Maintaining outstanding credit rating – VRA has consistently maintained high investment grade credit ratings for each of its rated financial programs
- Sustaining a record of no payment defaults in bond programs
- Monitoring borrowers exhibiting financial stress and concerns
- Financing investments of 117 new loans and grants totaling $389.9 million through the 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
- Facilitating refunding opportunities for debt service savings of $10.5 million through the Virginia Pooled Financing Program for 14 localities
- Transferring approximately $1.8 million to the Portfolio Risk Management Reserve for FY2017 to further enhance the pooled bond program credit.

Additional FY2017 accomplishments for the Authority include:

- Assisting state agency partners in successfully managing their loan and grant programs
    - Department of Environmental Quality – $31 million for 14 loans
    - Department of Health – $17.2 million for 19 loans/grants
    - Department of Aviation – $2.0 million for 1 loan
    - Department of Conservation & Recreation – $1.0 million for 40 grants
    - Virginia Economic Development Partnership – $833,434 for 16 grants
    - Department of Mines, Minerals and Energy – $16.4 million for 3 loans
    - Commonwealth Transportation Board – 21 disbursements totaling $21.2 million
- Coordinating the statewide Governor's Infrastructure Financing Conference
- Hosting a series of Community Investment Workshops throughout the Commonwealth to discuss the infrastructure interests and concerns of local governments and provide information on the programs and services of VRA and other state funding entities
- Maintaining qualified staff through professional and career development training initiatives
- Achieving the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for the FY2016 Comprehensive Annual Financial Report (CAFR)

FY2017 Financial Results

VRA ended the fiscal year with assets and deferred outflows exceeding $5.2 billion, a 1.6% increase over the preceding year. With assets and deferred outflows exceeding liabilities and deferred inflows by $1.6 billion, VRA's net position increased 2.6%. The largest portion of the net position (98.9%) is restricted for making loans and grants through the various loan programs administered by VRA. Operating revenues ($141.1 million) and expenses ($142.9 million) both decreased during the fiscal year, primarily as a result of loan activity over the past year. Overall, VRA's financial position remains strong at the conclusion of fiscal year 2017.

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.

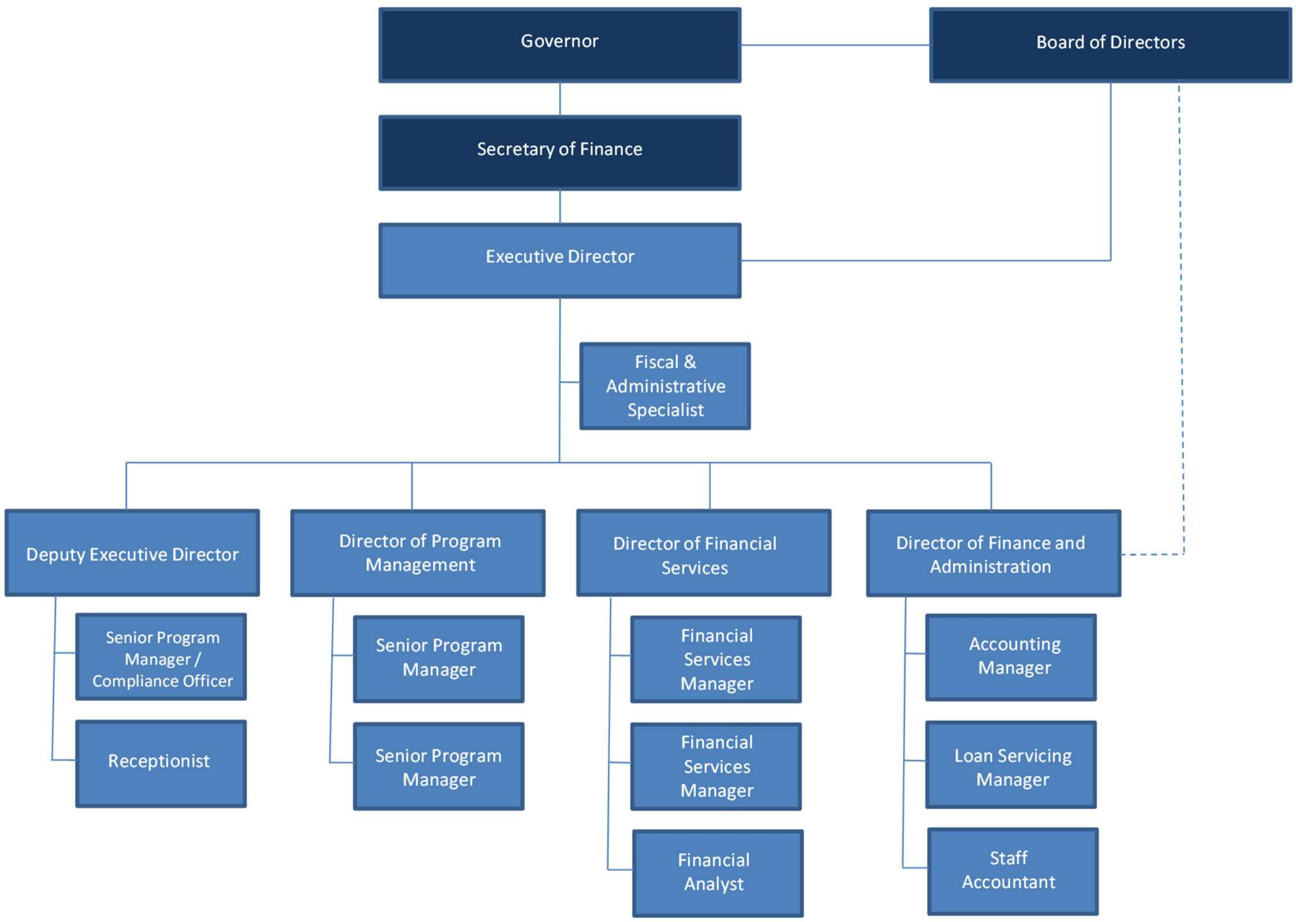
VRA continues its practice of completing a five-year budget projection using certain assumptions for growth and project volume. Each year the assumptions are updated and the projection is revised accordingly.

Finally, completion of the Authority's fiscal year 2017 CAFR would not have been possible without the Authority's knowledgeable and dedicated team of professionals. A special note of gratitude goes to the Authority's personnel who assisted in this effort. I would also like to extend our thanks to the Authority's Board of Directors for their continuing support in planning and conducting the financial operations of the Virginia Resources Authority in a responsible manner.

Sincerely,

Jean Bass
Acting Executive Director

Virginia Resources Authority
Organizational Structure
June 30, 2017



Virginia Resources Authority
Directory of Principal Officials
June 30, 2017

Board of Directors

Thomas L. Hasty, III, Chairman

Jennifer M. Bowles

David J. Branscome

Mary B. Bunting

Barbara McCarthy Donnellan

Reginald E. Gordon

Cecil "Rhu" Harris, 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

Jean Bass, Acting Executive Director

Shawn Crumlish, Director of Financial Services

Peter D'Alema, Director of Program Management

Curtis Doughtie, Director of Finance and Administration

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, 2016

Jeffrey R. Emer

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, 2017, 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, 2017, 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 financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 1, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 1, 2017

This section presents management's discussion and analysis of the financial performance of the Virginia Resources Authority ("Authority") during the fiscal year ended June 30, 2017. This section should be read in conjunction with the transmittal letter in the introductory section of this report and the Authority's basic financial statements, which immediately follow this section.

Financial Highlights

Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by $1.6 billion (net position), an increase of $40.3 million or 2.6%. The increase in net position is primarily due to lending and repayment activity during the fiscal year.

Operating revenues of $141.1 decreased 4.7% and operating expenses of $142.9 million decreased 5.9% primarily due to decreasing loan interest revenue in the Virginia Water Facilities Revolving Fund (VWFRF) and a decrease in grant financing in the VWFRF.

Overview of the Financial Statements

The financial section of this 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 discussion and analysis provided here are 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 also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and a section of other statistical information that further explains and supports the information in the financial statements.

The Authority's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets, liabilities, and net position associated with the operation of the Authority are included in the Statement of Net Position. Net position – the difference between assets plus deferred outflows minus deferred inflows plus liabilities – is one way to measure the Authority's financial health or position.

The current fiscal year revenues and expenses of the Authority are accounted for in the Statement of Revenues, Expenses and Changes in Net Position 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.

Overall Financial Position Analysis
The Authority's lending programs significantly reduce the cost of financing local infrastructure projects by providing low-cost, custom tailored financing through its pooled bond program and the revolving loan programs. The following table presents a summary of the Authority's financial position for fiscal years 2017 and 2016, followed by a description of significant changes (in thousands):

	FY2017	FY2016	$ Change	% Change
Assets				
Cash and cash equivalents	$ 199,914	$ 303,316	$ (103,402)	-34.1%
Investments - current	56,460	19,331	37,129	192.1%
Loans receivable - current	287,018	270,245	16,773	6.2%
Other current assets	31,958	31,648	310	1.0%
Investments - noncurrent	484,737	379,349	105,388	27.8%
Loans receivable - noncurrent	4,147,165	4,120,639	26,526	0.6%
Capital assets, net	103	103	-	0.0%
Other noncurrent assets	198	299	(101)	-33.8%
Total assets	5,207,553	5,124,930	82,623	1.6%
Deferred outflows of resources	82,054	83,102	(1,048)	-1.3%
Total assets and deferred outflows of resources	$ 5,289,607	$ 5,208,032	$ 81,575	1.6%
Liabilities				
Loan and bonds payable - current	$ 221,525	$ 207,174	$ 14,351	6.9%
Accrued interest	27,558	26,642	916	3.4%
Other current liabilities	7,103	15,695	(8,592)	-54.7%
Loan and bonds payable - noncurrent	3,429,450	3,404,460	24,990	0.7%
Noncurrent liabilities	110	110	-	0.0%
Total liabilities	3,685,746	3,654,081	31,665	0.9%
Deferred inflows of resources	36,417	26,807	9,610	35.8%
Net position (deficit)				
Investment in capital assets	103	103	-	0.0%
Restricted	1,550,424	1,512,102	38,322	2.5%
Unrestricted	16,917	14,939	1,978	13.2%
Total net position	1,567,444	1,527,144	40,300	2.6%
Total liabilities, deferred inflows of resources, and net position	$ 5,289,607	$ 5,208,032	$ 81,575	1.6%

Total assets increased primarily due to an increase in loans receivable ($43.3 million) and investments ($142.5 million) offset by a decrease in cash and cash equivalents ($103.4 million) as a result of lending and repayment activity during the fiscal year. Accordingly, the increase in total liabilities was driven by an increase to bonds payable ($39.3 million), offset by a decrease to other liabilities from the disbursement of funds held in the Virginia Transportation Infrastructure Bank.

Overall Revenue and Expense Analysis
The following table presents a summary of the Authority's revenues, expenses, and change in net position for fiscal years 2017 and 2016, followed by a description of significant changes (in thousands):

	FY2017	FY2016	$ Change	% Change
Operating Revenues				
Interest on loans	$ 118,894	$ 121,474	$ (2,580)	-2.1%
Investment income	13,021	12,856	165	1.3%
Bond administration fees	2,755	3,607	(852)	-23.6%
Loan administration fees	2,155	2,041	114	5.6%
Loan originiation revenue	4,054	5,134	(1,080)	-21.0%
Gain on early extinguishment of loans	127	2,895	(2,768)	-95.6%
Other income	57	39	18	46.2%
Total operating revenues	141,063	148,046	(6,983)	-4.7%
Operating Expenses				
Interest on bonds and loans	127,518	127,375	143	0.1%
Bond issuance costs	2,849	3,688	(839)	-22.7%
Grants to local governments	8,475	13,722	(5,247)	-38.2%
Principal forgiveness loans to local governments	667	1,223	(556)	-45.5%
Loss on early extinguishment of bonds	127	2,887	(2,760)	-95.6%
Personnel services	1,622	1,629	(7)	-0.4%
General operating	1,257	933	324	34.7%
Contractual services	463	455	8	1.8%
Total operating expenses	142,978	151,912	(8,934)	-5.9%
Operating loss	(1,915)	(3,866)	1,951	-50.5%
Nonoperating revenues				
Contributions from other governments	42,779	48,228	(5,449)	-11.3%
Federal interest subisidy	2,624	2,628	(4)	-0.2%
Total nonoperating revenue	45,403	50,856	(5,453)	-10.7%
Nonoperating expenses				
Contributions to other governments	2,547	2,551	(4)	-0.2%
Federal interest subisidy passthrough	641	323	318	98.5%
Total nonoperating expense	3,188	2,874	314	10.9%
Change in net position	40,300	44,116	(3,816)	-8.6%
Beginning net position	1,527,144	1,483,028	44,116	3.0%
Ending net position	$ 1,567,444	$ 1,527,144	$ 40,300	2.6%

At the end of fiscal year 2017, net position increased $40.3 million (2.6%) to $1.6 billion. Operating revenues of $141.1 million decreased 4.7%, primarily due to decreasing loan interest revenue in the Virginia Water Facilities Revolving Fund (VWFRF) and a smaller gain on early extinguishment of loans as fewer defeasances occurred in the fiscal year. Total operating expenses of $142.9 million decreased 5.9%, primarily due to a decrease in grant financing in the VWFRF and a smaller loss on early extinguishment of bonds as fewer defeasances occurred in the fiscal year. The Authority typically shows an operating loss as several loan programs are supported by grant funding, which is recorded as a nonoperating revenue.

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 Finance and Administration, Virginia Resources Authority, 1111 E. Main Street, Suite 1920, Richmond, VA 23219, or telephone (804) 644-3100, or visit the Authority's website at www.virginiaresources.org

Virginia Resources Authority
Statement of Net Position
June 30, 2017

Assets		
Current assets:		
Cash	$	20,330,804
Cash equivalents (Note 3)		179,583,362
Investments (Note 3)		56,459,727
Loans receivable, net of allowance (Note 4)		287,018,378
Receivables:		
Investment interest		3,211,516
Loan interest		26,689,446
Loan administrative fees		1,176,359
Federal funds		590,584
Other		253,943
Other assets		36,486
Total current assets		575,350,605
Noncurrent assets:		
Investments (Note 3)		484,736,973
Loans receivable, net of allowance (Note 4)		4,147,165,428
Net pension asset (Note 10)		196,586
Capital assets, net of accumulated depreciation (Note 5)		103,160
Total noncurrent assets		4,632,202,147
Total assets		5,207,552,752
Deferred Outflows of Resources		
Deferred loss on refunding (Note 6)		81,895,697
Deferred outflows related to pensions (Note 10)		157,968
Total deferred outflows of resources		82,053,665
Total assets and deferred outflows of resources	$	5,289,606,417
Liabilities		
Current liabilities:		
Loans payable, current (Note 8)	$	53,121
Bonds payable, current (Note 6)		221,472,344
Accrued interest payable		27,557,748
Agency funds		6,888,694
Accounts payable and other liabilities (Note 8)		214,302
Total current liabilities		256,186,209
Noncurrent liabilities:		
Bonds payable, net of current portion (Note 6)		3,429,449,716
Arbitrage rebate liability (Note 8)		109,873
Total noncurrent liabilities		3,429,559,589
Total liabilities		3,685,745,798
Deferred Inflows of Resources		
Deferred gain from localities on refunding (Note 6)		36,417,175
Total liabilities and deferred inflows of resources		3,722,162,973
Net position		
Investment in capital assets		103,160
Restricted (Note 7)		
Loan programs		1,542,663,554
Operating reserve		7,760,002
Unrestricted		16,916,728
Total net position		1,567,443,444
Total liabilities, deferred inflows of resources, and net position	$	5,289,606,417

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, 2017

Operating revenues	
Interest on loans	$ 118,893,894
Investment income	13,020,537
Bond administrative fees	2,755,079
Loan administrative fees	2,154,816
Loan origination revenue	4,053,518
Gain on early extinguishment of loans	127,250
Other income	57,343
Total operating revenues	141,062,437
Operating expenses	
Interest on bonds and loans	127,518,234
Bond issuance costs	2,849,010
Grants to local governments	8,474,760
Principal forgiveness loans	666,980
Loss on early extinguishment of bonds	126,575
Personnel services	1,623,718
General operating	1,256,502
Contractual services	462,693
Total operating expenses	142,978,472
Operating loss	(1,916,035)
Nonoperating revenues	
Contributions from other governments (Note 9)	42,779,495
Federal interest subsidy	2,624,239
Total nonoperating revenues	45,403,734
Nonoperating expenses	
Contributions to other governments	(641,273)
Federal interest subsidy pass-through	(2,547,305)
Total nonoperating expenses	(3,188,578)
Change in net position	40,299,121
Net position - beginning	1,527,144,323
Net position - ending	$ 1,567,443,444

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, 2017

Cash flows from operating activities		
Loan disbursements to localities	$	(435,592,848)
Principal repayments from localities on loans		375,232,693
Interest received on loans		151,262,996
Loan origination fees received		4,053,518
Bond administrative fees received		3,215,533
Loan administrative fees received		2,175,272
Cash received from other income		66,659
Cash payments for salaries and benefits		(1,682,918)
Cash payments for general operating expenses		(1,248,988)
Cash payments for contractual services		(530,231)
Cash payments for operating grants		(8,474,760)
Cash payments for principal forgiveness loans		(591,053)
Interest paid on loans		(2,975)
Interest paid on bonds and loans		(159,190,418)
Agency funds disbursed		(7,976,369)
Net cash used in operating activities		(79,283,889)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds		373,415,461
Bond issuance costs		(3,015,214)
Principal paid on loans		(51,441)
Principal paid on bonds		(305,080,000)
Proceeds from Federal interest subsidy		2,624,239
Cash payments to localities for Federal interest subsidy		(2,547,305)
Contributions from other governments		42,188,911
Contributions to other governments		(641,273)
Net cash provided by noncapital financing activities		106,893,378
Cash flows from capital and financing related activities		
Purchase of office equipment		(34,226)
Net cash used in noncapital financing activities		(34,226)
Cash flows from investing activities		
Purchase of investments		(334,499,041)
Proceeds from sales or maturities of investments		190,213,361
Interest received on investments - net		13,308,612
Net cash used in investing activities		(130,977,068)
Net decrease in cash and cash equivalents		(103,401,805)
Cash and cash equivalents - July 1		303,315,971
Cash and cash equivalents - June 30	$	199,914,166
Reconciliation to the Statement of Net Position		
Cash	$	20,330,804
Cash equivalents		179,583,362
	$	199,914,166

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, 2017

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(1,916,035)
Depreciation expense		34,532
Pension expense		76,156
Current year pension contributions subsequent to the measurement date		(62,039)
Interest on investments		(12,357,904)
Gain on early extinguishment of loans		127,250
Loss on early extinguishment of bonds		(126,575)
Bond issuance costs		2,849,010
Interest on loans		(139)
Interest on bonds, amortization and accretion - net		(8,338,893)
Effect of changes in operating assets and liabilities:		
Loans receivable		(58,630,975)
Loan interest receivable		834,138
Loan administrative fee receivable		515,660
Other assets		(168,356)
Deferred charges		6,023,048
Accounts payable and other liabilities		(8,142,767)
Net cash used in operating activities	$	(79,283,889)
Schedule of non-cash activities		
Change in fair value of assets	$	1,609,452

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

Note 1 – Organization and Nature of Activities

The Virginia Resources Authority (Authority or VRA) 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 Authority's pooled bond program, the Virginia Water Facilities Revolving Fund, the Virginia Water Supply Revolving Fund, the Virginia Airports Revolving Fund, the Virginia Dam Safety and Flood Prevention Fund, the Equipment and Term Financing program, the Virginia Transportation Infrastructure Bank, the Virginia Brownfield Restoration and Economic Development Assistance Fund, and the VirginiaSAVES Green Community Program, 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 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 Virginia Water Facilities Revolving Fund (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 Authority and the Commonwealth's Department of Environmental Quality (DEQ) jointly administer the program. 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, commonly referred to as Agriculture Best Management Practices (AgBMP) loans. 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.

The Virginia Water Supply Revolving Fund (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 Authority and the Commonwealth of Virginia Department of Health (VDH) jointly administer the program. 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 Virginia Airports Revolving Fund (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 Virginia Dam Safety and Flood Prevention Fund (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 Authority and the Virginia Department of Conservation and Recreation (VDCR) jointly administer the program.

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.

Note 2 – Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The funds of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting, 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).

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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.

Assets, Liabilities, Deferred Outflow/Inflows of Resources, and Net Position

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.

Fair value measurements – The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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. The Authority 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 of the *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, and premiums – 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.

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. In addition to an annual review, the Authority actively monitors borrower information for any potential impacts to loan repayments throughout the year.

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.

Deferred outflows of resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The Authority has two items that qualify for reporting in this category: accounting loss on debt refunding and deferred outflows of resources related to pensions. Deferred losses on refundings are recognized as a component of interest expense over the shorter of the life of the old debt or new debt. Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the next fiscal year.

Bond discounts and premiums – Bond discounts and premiums are amortized over the lives of the related issues using the effective interest method.

ETF program loans – Under the ETF program, the Authority entered into various loan agreements with a banking partner in order to enhance financing options for terms of up to fifteen years. The rate on the loans ranged from 2.61% to 3.24% with maturities ranging from FY2016 to FY2018. The associated loan liability is presented separately on the Authority's Statement of Net Position.

Arbitrage rebate liability – 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 Authority's financial statements. 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. The Authority contracts with arbitrage rebate specialists to perform the arbitrage rebate calculations as required.

Compensated absences – The Authority provides for accumulation of paid time off (PTO) leave with a maximum accumulation of up to 520 hours of unused PTO leave. Employees are paid for unused, earned PTO upon separation of employment, with a maximum payout of 160 hours. Individuals employed by the Authority as of August 1, 2010 are subject to a higher maximum payout cap of 340 hours.

Pensions – The Authority participates in the Virginia Retirement System (VRS), a multi-employer, agent plan. 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 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.

Deferred inflows of resources – In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources until that time. The Authority has one item that qualifies for reporting in this category: deferred gains on debt refundings. Deferred gains on refundings are recognized as a component of interest expense over the shorter of the life of the old debt or new debt.

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

Revenues and Expenses

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

Operating and nonoperating 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 since 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.

Cash Flow Reporting
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.

Note 3 – Cash, Cash Equivalents, and Investments

Cash is held in accounts that are insured by the Federal Deposit Insurance Corporation or are collateralized under provisions of the Commonwealth of Virginia Security for Public Deposits Act, Sec. 2.2-4400 et. seq. of the *Code of Virginia*. There were no amounts that were uninsured or uncollateralized at June 30, 2017.

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, 2017, the Authority had the following recurring fair value measurements:

Investments by Fair Value	Fair Value	Level 1	Level 2	Level 3
Agency mortgage backed	$ 2,529,135	$ -	$ 2,529,135	$ -
Asset backed securities	21,635,919	-	21,635,919	-
Commercial paper	4,404,032	-	4,404,032	-
Corporate bonds and notes	41,781,131	-	41,781,131	-
Municipal securities	2,007,286	-	2,007,286	-
Negotiable certificates of deposit	16,317,935	-	16,317,935	-
U.S. Agency securities	90,257,073	-	90,257,073	-
U.S. Treasury securities	319,207,212	319,207,212	-	-
	498,139,723	$ 319,207,212	$ 178,932,511	$ -
Investments Using Other Measurements				
Guaranteed investment contracts	43,056,992			
Local government investment pool	171,106,714			
Money market funds – Government	8,476,633			
	222,640,339			
Total investments	$ 720,780,062			
Reconciliation to Statement of Net Position				
Cash equivalents	$ 179,583,362			
Investments – current	56,459,727			
Investments – noncurrent	484,736,973			
	$ 720,780,062			

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. Guaranteed investment contracts are measured on a cost-basis. Investments in the local government investment pool are measured at the net asset value per share. Money market funds are measured using amortized cost.

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 (LGIP).

As of June 30, 2017, the Authority had the following cash equivalents and investments:

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**Over 10 Years**
Agency mortgage backed	$ 2,529,135	$ 422,625	$2,100,383	$ 2,596	$ 3,531
Asset backed securities	21,635,919	-	21,635,919	-	-
Commercial paper	4,404,032	4,404,032	-	-	-
Corporate bonds and notes	41,781,131	-	41,781,131	-	-
Municipal securities	2,007,286	-	2,007,286	-	-
Negotiable certificates of deposit	16,317,935	7,562,022	8,755,913	-	-
U.S. Agency securities	90,257,073	1,583,354	88,673,719	-	-
U.S. Treasury securities	319,207,212	40,200,841	63,021,385	62,571,638	153,413,348
Guaranteed investment contracts	43,056,992	2,286,868	9,859,886	19,751,055	11,159,183
Local government investment pool	171,106,714	171,106,714	-	-	-
Money market funds–Government	8,476,633	8,476,633	-	-	-
	$720,780,062	$236,043,089	$237,835,622	$82,325,289	$164,576,062

Reconciliation to Statement of Net Position	
Cash equivalents	$179,583,362
Investments – current	56,459,727
Investments – noncurrent	484,736,973
	$720,780,062

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, 2017, the Authority had the following cash equivalent and investments:

Investment Type	Fair Value	S&P Rating	Percent of Portfolio
Agency mortgage backed	$ 2,529,135	AA+	0.4%
Asset backed securities	21,635,919	AAA	3.0%
Commercial paper	4,404,032	A-1	0.6%
Corporate bonds and notes	4,860,288	A	0.7%
Corporate bonds and notes	6,539,657	A+	0.9%
Corporate bonds and notes	6,669,887	A-	0.9%
Corporate bonds and notes	5,396,911	AA+	0.7%
Corporate bonds and notes	1,635,845	AA	0.2%
Corporate bonds and notes	12,462,203	AA-	1.7%
Corporate bonds and notes	4,216,340	AAA	0.6%
Municipal securities	2,007,286	A+	0.3%
Guaranteed investment contracts	43,056,992	See below	6.0%
Local government investment pool	171,106,714	AAAm	23.7%
Money market funds – Government	8,476,633	AAAm	1.2%
Negotiable certificates of deposit	2,651,914	A-1+	0.4%
Negotiable certificates of deposit	13,666,021	AA-	1.9%
U.S. Agency securities	90,257,073	AA+	12.5%
U.S. Treasury securities	319,207,212	AA+	44.3%
	$ 720,780,062		100%

The guaranteed investment contracts (GICs) that comprise 6.0% 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	$ 3,635,333	Aa3*	0.5%
FSA / Assured Guaranty	39,421,659	A2*	5.5%
	$ 43,056,992		6.0%

*Rating fell below approved level and was collateralized with U.S. 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:

Investment Type	Fair Value	Percentage of Portfolio	Maximum
Agency mortgage backed	$ 2,529,135	0.6%	25%
Asset backed securities	21,635,919	5.3%	25%
Commercial paper	4,404,032	1.1%	25%
Corporate bonds and notes	41,781,131	10.3%	25%
Municipal securities	2,007,286	0.5%	25%
Negotiable certificates of deposit	16,317,935	4.0%	10%
U.S. Agency securities	90,257,073	22.1%	100%
U.S. Treasury securities	56,370,793	13.9%	100%
Local government investment pool	171,106,714	42.1%	100%
Money market funds – Government	234,341	0.1%	100%
	$ 406,644,359	100.0%	

Reconciliation to Total Cash Equivalents and Investments

General and Program Funds	$ 406,644,359
Bond Funds*	314,135,703
	$ 720,780,062

*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.

Interest Rate Risk

Interest rate risk is the risk that changes in the interest rate environment will adversely affect the fair value of a fixed rate 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 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, 2017, the Authority had the following investments and maturities:

General and Program Funds

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**Over 10 Years**
Agency mortgage backed	$ 2,529,135	$ 422,625	$ 2,100,383	$ 2,596	$ 3,531
Asset backed securities	21,635,919	-	21,635,919	-	-
Commercial paper	4,404,032	4,404,032	-	-	-
Corporate bonds and notes	41,781,131	-	41,781,131	-	-
Municipal securities	2,007,286	-	2,007,286	-	-
Negotiable certificates of deposit	16,317,935	7,562,022	8,755,913	-	-
U.S. Agency securities	90,257,073	1,583,354	88,673,719	-	-
U.S. Treasury securities	56,370,793	1,084,395	55,286,398	-	-
Local government investment pool	171,106,714	171,106,714	-	-	-
Money market funds-Government	234,341	234,341	-	-	-
	$406,644,359	$186,397,483	$220,240,749	$ 2,596	$ 3,531
Average maturity of investments	176 days				

The General Account includes $6,127 of investments with maturities over five years. These investments are not expected to be held until maturity.

Bond Funds

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**Over 10 Years**
Guaranteed investment contracts	$ 43,056,992	$ 2,286,868	$ 9,859,886	$19,751,055	$ 11,159,183
Money market funds-Government	8,242,292	8,242,292	-	-	-
U.S. Treasury securities	262,836,419	39,116,445	7,734,987	62,571,638	153,413,349
	$314,135,703	$ 49,645,605	$ 17,594,873	$82,322,693	$164,572,532
Average maturity of investments	3,065 days				

Custodial Credit 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, 2017 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 the 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 Policy requires that all investments or collateral 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, 2017, all of the Authority's investments were held by the trust department of the Authority's custodial bank in the Authority's name.

Note 4 – Loans Receivable

The Authority has outstanding loans related to its bond issues, the VWFRF, VWSRF, VARF, VGCP and 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, 2017:

Loan receivables related to bond issues:	
Revenue bonds	$ 2,515,813,162
Airport Revolving Fund Revenue bonds	37,716,253
Unamortized discounts/premiums, net	226,735,757
Subtotal, bond issues	2,780,265,172
Loan receivables related to revolving loan funds:	
VWFRF	732,123,967
VWFRF – Leveraged	725,939,770
VWFRF – AgBMP	2,957,091
VWSRF	165,249,684
Subtotal, revolving loan funds	1,626,270,512
Loan receivables related to ETF loans	53,121
Loan receivables related to VGCP bonds	28,173,001
Subtotal, other loan receivables	28,226,122
Loans receivable	4,434,761,806
Less: allowance for loan losses – AgBMP	(578,000)
Total loans receivable, net of allowance	$ 4,434,183,806
Loans receivable – current	$ 287,018,378
Loans receivable – noncurrent	4,147,165,428
Total loans receivable, net of allowance	$ 4,434,183,806

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 0.22% to 6.29% and final maturities that range from FY2018 to FY2047.

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 ETF program. These loans range in final maturity from FY2018 to FY2047 and accrue interest at various rates ranging from 0% to 5.15%.

As of June 30, 2017, 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 from revolving funds	$ 43,355,283	$ 11,708,416	$ 55,063,699
Commitment letter only (loan or grant not closed)	99,654,949	21,175,133	120,830,082
Total	$ 143,010,232	$ 32,883,549	$ 175,893,781

There were no loan commitments related to the ETF program at June 30, 2017.

As of June 30, 2017, all loan payments were current and there were no loans in payment default. The AgBMP loans, included with the VWFRF accounts, were determined to have a need for an allowance for loan losses in the amount of $578,000. 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 $252,000 for the year ending June 30, 2017.

Note 5 – Capital Assets

Capital asset activity for the year ending June 30, 2017 was as follows:

	June 30, 2016	Additions	Disposals	June 30, 2017
Office equipment	$ 194,784	$ 34,226	$ (16,741)	$ 212,269
Less accumulated depreciation	(91,318)	(34,532)	16,741	(109,109)
Total capital assets, net	$ 103,466	$ (306)	$ -	$ 103,160

Depreciation expense was $34,532 for the year ended June 30, 2017.

Note 6 – Bonds Payable

The Authority had the following bonds outstanding as of June 30, 2017:

Description	Original Amount	Amount Outstanding
Virginia Pooled Financing Program 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	$ 35,000
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 $16,719,604 accretion for capital appreciation bonds; $5,623,192 of the bonds defeased in 2012	27,537,167	31,709,836
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	540,000
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	60,000
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; $245,000 of the bonds defeased in 2016	38,915,000	45,000
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; $130,000 of the bonds were defeased in 2016	22,055,000	1,725,000
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; $55,000 of the bonds were defeased in 2016	9,485,000	720,000
Series 2005C Senior (Non-AMT), dated December 7, 2005, interest rates ranging from 4.63% to 5.00%, final due date November 1, 2035; $1,275,000 of the bonds defeased in 2011; $10,260,000 of the bonds were defeased in 2012; $3,160,000 of the bonds were defeased in 2013; $4,465,000 of the bonds were defeased in 2014	36,710,000	280,000

Description	Original Amount	Amount Outstanding
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; $2,375,000 of the bonds were defeased in 2014	16,365,000	110,000
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	1,325,000
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	2,140,000
Series 2006B Subordinate (Refunding), dated August 31, 2006, interest rates ranging from 4.00% to 4.50%, final due date May 1, 2030; $2,020,000 of the bonds were defeased in 2016	8,005,000	575,000
Series 2006C Senior (Non-AMT), dated December 14, 2006, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2036; $2,815,000 of the bonds defeased in 2011; $4,450,000 of the bonds were defeased in 2013; $1,495,000 of the bonds defeased in 2016	45,935,000	735,000
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; $655,000 of the bonds defeased in 2016	22,860,000	335,000
Series 2007A Senior, dated June 7, 2007, interest rates ranging from 4.00% to 5.00%, final due date November 1, 2027; $1,175,000 of the bonds defeased in 2016	29,790,000	1,550,000
Series 2007A Subordinate, dated June 7, 2007, interest rates ranging from 4.00% to 4.375%, final due date November 1, 2027; $515,000 of the bonds defeased in 2016	14,465,000	1,515,000
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; $25,605,000 of the bonds defeased in 2014	38,470,000	805,000
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; $7,950,000 of the bonds defeased in 2014	18,410,000	1,805,000

Description	Original Amount	Amount Outstanding
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	8,165,000
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	5,150,000
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; $24,320,000 of the bonds defeased in 2016	147,495,000	29,240,000
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; $10,340,000 of the bonds defeased in 2016	67,945,000	17,770,000
Series 2009A Senior (ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	42,440,000	25,370,000
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	24,285,000
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	2,160,000
Series 2009A Subordinate (ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2039	18,915,000	12,240,000
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	21,455,000
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	7,885,000
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; $13,955,000 of the bonds defeased in 2015	82,175,000	24,650,000
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

Description	Original Amount	Amount Outstanding
Series 2009B State Moral Obligation (Tax-Exempt), dated November 19, 2009, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2030; $410,000 of the bonds defeased in 2014; $5,985,000 of the bonds defeased in 2015	38,190,000	13,575,000
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; $1,685,000 of the bonds defeased in 2015; $2,200,000 of the bonds defeased in 2017	50,470,000	27,630,000
Series 2010A State Moral Obligation, dated June 17, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040; $475,000 of the bonds defeased in 2015; $910,000 of the bonds defeased in 2017	23,170,000	13,455,000
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	2,755,000
Series 2010B State Moral Obligation, dated August 18, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2040	12,910,000	1,990,000
Series 2010C Infrastructure Revenue Bonds (Tax-Exempt), dated November 23, 2010, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2033; $505,000 of the bonds defeased in 2014; $75,000 of the bonds defeased in 2015	59,635,000	37,610,000
Series 2010C Infrastructure Revenue Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 3.83 to 5.79%, final due date November 1, 2040	54,740,000	54,740,000
Series 2010C State Moral Obligation (Tax-Exempt), dated November 23, 2010, interest rates ranging from 2.50 to 5.00%, final due date November 1, 2033; $220,000 of the bonds defeased in 2014; $35,000 of the bonds defeased in 2015	26,395,000	17,125,000
Series 2010C State Moral Obligation Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 6.19 to 6.29%, final due date November 1, 2040	25,920,000	25,920,000

Description	Original Amount	Amount Outstanding
Series 2011A Infrastructure Revenue Bonds (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041; $1,805,000 of the bonds defeased in 2014; $1,375,000 of the bonds defeased in 2016	50,795,000	35,315,000
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	5,335,000
Series 2011A State Moral Obligation (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041; $755,000 of the bonds defeased in 2014; $565,000 of the bonds defeased in 2016	21,475,000	14,990,000
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	2,305,000
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; $9,070,000 of the bonds defeased in 2017	129,660,000	88,690,000
Series 2011B Infrastructure Revenue Bonds (Taxable), dated November 16, 2011, interest rates ranging from 4.05 to 4.65%, final due date November 1, 2041	27,750,000	27,750,000
Series 2011B State Moral Obligation (Tax-Exempt), dated November 16, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041; $3,885,000 of the bonds defeased in 2017	55,635,000	38,295,000
Series 2011B State Moral Obligation Bonds (Taxable), dated November 16, 2011, interest rates ranging from 4.50 to 5.05%, final due date November 1, 2041	12,935,000	12,935,000
Series 2012A Infrastructure Revenue Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	205,405,000	144,815,000
Series 2012A State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	92,735,000	71,880,000
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	31,020,000

Description	Original Amount	Amount Outstanding
Series 2012A-1 State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	14,365,000	14,075,000
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	37,925,000
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	2,355,000
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	17,875,000
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	975,000
Series 2012 Capital Appreciation Bonds (Tax-Exempt), dated November 15, 2012, final due date November 1, 2036. Amount outstanding includes $3,494,590 accretion for capital appreciation bonds	19,303,736	22,798,326
Series 2012 Current Interest Bonds (Tax-Exempt), dated November 15, 2012, interest rate of 4.00%, final due date November 1, 2041	30,020,000	30,020,000
Series 2012 Current Interest Bonds (Taxable), dated November 15, 2012, interest rate of 3.82%, final due date November 1, 2029	6,730,000	6,730,000
Series 2012C Infrastructure Revenue Bonds (Non-AMT), dated December 6, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042; $1,370,000 of the bonds defeased in 2014	34,040,000	26,715,000
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	855,000
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; $585,000 of the bonds defeased in 2014	15,375,000	12,250,000
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	610,000

Description	Original Amount	Amount Outstanding
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	84,100,000
Series 2013A State Moral Obligation, dated June 5, 2013, interest rates ranging from 2.00 to 4.00%, final due date November 1, 2042	42,135,000	38,455,000
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	39,785,000
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	17,220,000
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	10,510,000
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	3,330,000
Series 2013C State Moral Obligation (Tax-Exempt), dated November 20, 2013, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2033	6,280,000	5,000,000
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	1,550,000
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	64,470,000
Series 2014A State Moral Obligation, dated May 21, 2014, interest rates ranging from 3.00 to 4.00%, final due date November 1, 2044	29,870,000	29,140,000
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	89,285,000
Series 2014B State Moral Obligation, dated August 13, 2014, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2038	42,085,000	40,700,000

Description	Original Amount	Amount Outstanding
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	98,810,000
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	3,870,000
Series 2014C State Moral Obligation (Non-AMT), dated November 19, 2014, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2038	45,870,000	43,780,000
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	1,670,000
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	24,425,000
Series 2014D State Moral Obligation, dated December 17, 2014, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2028	12,835,000	11,540,000
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	80,830,000
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	9,430,000
Series 2015A State Moral Obligation (Tax-Exempt), dated May 28, 2015, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2040	35,225,000	33,950,000
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	4,540,000
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	41,285,000
Series 2015B Infrastructure Revenue Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0.22 to 4.010%, final due date November 1, 2030	6,310,000	5,635,000

Description	Original Amount	Amount Outstanding
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	18,120,000
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	2,705,000
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	21,720,000
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	9,775,000
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	105,675,000
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	4,140,000
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	51,290,000
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	2,295,000
Series 2016A Infrastructure Revenue Bonds, dated May 25, 20126, interest rates ranging from 4.00 to 5.00%, final due date November 1, 2037	89,580,000	88,305,000
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	46,455,000
Series 2016B Infrastructure Revenue Bonds (Tax-Exempt), dated August 10, 2016, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2036	32,635,000	32,575,000
Series 2016B Infrastructure Revenue Bonds (Taxable), dated August 10, 2016, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2046	2,340,000	2,340,000

Description	Original Amount	Amount Outstanding
Series 2016B State Moral Obligation (Tax-Exempt), dated August 10, 2016, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2036	16,330,000	16,300,000
Series 2016B State Moral Obligation Bonds (Taxable), dated August 10, 2016, interest ranging from 2.75 to 3.00%, final due date November 1, 2046	1,230,000	1,230,000
Series 2016C Infrastructure Revenue Bonds, dated November 16, 2016, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2046	146,095,000	146,095,000
Series 2016C State Moral Obligation Bonds, dated November 16, 2016, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2046	66,820,000	66,820,000
Series 2017A Infrastructure Revenue Bonds, dated May 18, 2017, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2037	42,965,000	42,965,000
Series 2017A State Moral Obligation Bonds, dated May 18, 2017, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2038	19,130,000	19,130,000
Total Virginia Pooled Financing Program Revenue Bonds	$3,902,720,903	$2,590,918,162
<u>*Airport Revolving Fund Revenue Bonds*</u>		
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	$ 545,000
Series 2007 (Taxable), dated March 18, 2007, interest rates ranging from 4.98% to 5.70%, final due date August 1, 2032	5,425,000	3,660,000
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	11,760,000
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	11,710,000
Total Airport Revolving Fund Revenue Bonds	$ 45,275,000	$ 27,675,000

Description	Original Amount	Amount Outstanding
Virginia Water Facilities Revolving Loan Fund Leveraged		
Series 2005 CWSRF (Refunding), dated June 30, 2005, interest rates ranging from 3.00% to 5.50%, final due date October 1, 2022	$ 188,475,000	$ 71,095,000
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	11,985,000
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	15,135,000
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	23,080,000
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	56,480,000
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	16,305,000
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	31,890,000
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	178,755,000
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	77,340,000
Total Virginia Water Facilities Revolving Loan Fund Leveraged	$1,497,355,000	$ 700,565,000
VirginiaSAVES Green Community Program		
Pittsylvania County 2016, dated January 20, 2016, interest rate of 3.47%, final due date March 1, 2031	3,313,595	3,097,013
Warren County 2016, dated February 24, 2016, interest rate of 4.10%, final due date August 15, 2036	8,691,000	8,691,000
Fluvanna County 2017, dated February 21, 2017, interest rate of 3.88%, final due date August 1, 2032	7,653,740	7,653,740

Description	Original Amount	Amount Outstanding
Caroline County 2017, dated March 17, 2017, interest rate of 2.95%, final due date June 1, 2032	3,142,769	3,142,769
Russell County 2017, dated April 19, 2017, interest rate of 4.60%, final due date October 1, 2036	5,588,478	5,588,478
Total VirginiaSAVES Green Community Program Bonds	$ 28,389,582	$ 28,173,000

Total Bonds Outstanding	$3,347,331,162
Unamortized discounts/premiums, net	303,590,898
Total bonds, net	$3,650,922,060
Total bonds, net – current portion	$ 221,472,344
Total bonds, net – noncurrent portion	3,429,449,716
Total bond, net	$3,650,922,060

Activity in the bonds payable and related accounts for fiscal year 2017 was as follows:

	June 30, 2016	Issued	Retired	June 30, 2017	Due within One Year
Total bonds outstanding	$3,300,763,913	$349,404,987	$(302,837,738)	$3,347,331,162	$188,861,910
Unamortized discounts/ premiums	310,765,995	40,395,461	(47,570,558)	303,590,898	32,610,434
	$3,611,529,908	$389,800,448	$(350,408,296)	$3,650,922,060	$221,472,344

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, 2017, $928,088,162 of the outstanding bonds were secured by the moral obligation of the Commonwealth.

At June 30, 2017, the Series 2002 Revenue Bonds and Series 2012 Revenue Bonds include capital appreciation bonds with unaccreted values of $30,031,838.

Advanced Refundings

During the current year, the Authority issued Virginia Pooled Financing Program Revenue Bonds, Series 2016B, Series 2016C, and Series 2017A, 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.

As a result, the refunded bonds 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 Services	Economic Gain as a Result of the Refunding
2006B Series	$ 9,260,000	$ 1,805,884	$ 1,361,131
2006C Series	7,810,000	1,391,092	1,124,943
2008A Series	4,155,000	711,370	495,445
2009A Series	3,125,000	291,006	247,160
2010A Series	8,030,000	1,296,002	976,390
2010B Series	33,790,000	4,364,753	2,901,052
2011A Series	2,895,000	114,926	97,807
2011B Series	12,955,000	1,069,107	871,746
2012A Series	38,355,000	2,027,634	1,393,401
	$ 120,375,000	$ 13,071,774	$ 9,469,075

The amount outstanding at June 30, 2017 for bonds that have been in-substance defeased was $637,150,006. 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 2012A, and Series 2012C.

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

June 30,	Principal	Interest	Total
2018	$ 190,296,910	$ 142,183,035	$ 332,479,945
2019	174,915,107	134,406,489	309,321,596
2020	179,683,867	126,548,112	306,231,979
2021	184,739,363	118,315,419	303,054,782
2022	183,635,615	109,996,591	293,632,206
2023-2027	897,872,092	425,708,434	1,323,580,526
2028-2032	775,904,870	237,117,506	1,013,022,376
2033-2037	450,825,176	111,581,340	562,406,516
2038-2042	268,180,000	41,034,942	309,214,942
2043-2047	71,310,000	5,563,075	76,873,075
	$ 3,377,363,000	$ 1,452,454,943	$ 4,829,817,943

Note 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 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 has pledged assets to establish an Operating Reserve Fund for the VPFP. The Operating Reserve Fund serves as security on the Authority's Infrastructure Revenue Bonds (senior lien) and is classified as restricted. At June 30, 2017 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to $7,760,002.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2017 consisted of:

	Current	Noncurrent	Total
ETF loans payable	$ 53,121	$ -	$ 53,121
Arbitrage rebate liability	-	109,873	109,873
Accounts payable and other liabilities	214,302	-	214,302
	$ 267,423	$ 109,873	$ 377,296

Accounts payable and other liabilities includes an accrued liability for compensated absences of $116,830.

Note 9 – Contributions from Other Governments

During the fiscal year, the Authority received $28,149,417 from the EPA under the Capitalization Grants for State Revolving Funds. Contributions from the EPA are disbursed as loans and grants to municipalities. The Authority also received $5,998,843 from the Commonwealth as part of the required state match of federal funds.

In addition, the Authority received the following funds from the Commonwealth: $3,185,658 for the VWFRF's combined sewer overflow projects; $4,277,257 for VDSFPF; and $1,168,320 for VBAF.

Note 10 – Employee Pension Plans

Plan description
All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System ("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 are 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 a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

<u>VRS Plan 1</u>
Overview – 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.

Eligibility – 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.

Retirement Contributions – Employees contribute 5% of their compensation each 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.

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.

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.

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 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.

Service Retirement Multiplier – 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 1.7%.

Normal Retirement Age – Age 65.

Earliest Unreduced Retirement Eligibility – Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Reduced Retirement Eligibility – Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

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%. For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date. 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.

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.

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.

<u>VRS Plan 2</u>
Overview – 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.

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.

Retirement Contributions – Employees contribute 5% of their compensation each 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.

Creditable Service – Same as Plan 1.

Vesting – Same as Plan 1.

Calculating the Benefit – See definition under Plan 1.

Average Final Compensation – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier – 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.

Normal Retirement Age – Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility – Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility – Age 60 with at least five years (60 months) of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement – The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. Eligibility and exceptions to COLA effective dates are the same as VRS Plan 1.

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.

Purchase of Prior Service – Same as Plan 1.

<u>VRS Hybrid Retirement Plan</u>
Overview – 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 the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees and 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. 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 – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service, Defined Benefit Component – 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.

Creditable Service, Defined Contributions Component – Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

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.

Vesting, 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, Defined Benefit Component – See definition under Plan 1.

Calculating the Benefit, Defined Contribution Component – The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

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 – 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.

Normal Retirement Age, Defined Benefit Component – Same as Plan 2.

Normal Retirement Age, Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility, Defined Benefit Component – Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Unreduced Retirement Eligibility, Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility, Defined Benefit Component – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Earliest Reduced Retirement Eligibility, Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Cost-of-Living Adjustment (COLA) in Retirement, Defined Benefit Component – Same as Plan 2. Eligibility and exceptions to COLA effective dates are the same as Plan 1 and Plan 2.

Cost-of-Living Adjustment (COLA) in Retirement, Defined Contribution Component – Not applicable.

Disability Coverage – Employees of political subdivisions (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an 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, Defined Benefit Component – 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 one-year period, the rate for most categories of service will change to actuarial cost.

Purchase of Prior Service, Defined Contribution Component – Not applicable.

Employees covered by benefit terms
As of the June 30, 2015 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 inactive members	3
Non-vested inactive members	5
Inactive members elsewhere in VRS	5
Total inactive members	13
Active members	15
Total covered employees	28

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 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% 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, 2017 was 4.62% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 3015. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $62,039 and $46,251 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net pension liability
The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial methods and assumptions
The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2015, 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, 2016.

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 Government Accounting Standards Board ("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, 2015 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
US Equity	19.50%	6.46%	1.26%
Developed Non-US 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 net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2015	$ 1,140,117	$ 1,439,143	$ (299,026)
Changes for the year:			
Service cost	146,176	-	146,176
Interest	79,808	-	79,808
Difference between expected and actual experience	15,713	-	15,713
Contributions – employer	-	45,908	(45,908)
Contributions – employee	-	65,224	(65,224)
Net investment income	-	28,964	(28,964)
Administrative expenses	-	(828)	828
Other changes	-	(11)	11
Net changes	241,697	139,257	102,440
Balance at June 30, 2016	$ 1,381,814	$ 1,578,400	$ (196,586)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Authority's net pension liability 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% Decrease (6%)	Current Rate (7%)	1% Increase (8%)
Net pension liability (asset)	$ 64,631	$ (196,586)	$ (402,459)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2017, the Authority recognized pension expense of $75,813. At June 30, 2017, 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 expected and actual experience	$ 53,586	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	42,343	-
Employer contributions subsequent to the measurement date	62,039	-
	$ 157,968	$ -

Deferred outflows of resources of $62,039 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, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	$ 18,814
2018	18,813
2019	37,198
2020	19,676
2021	1,428
Thereafter	-
	$ 95,929

Pension plan data

Information about the VRS Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report at http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 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, 2017, 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 6.9%, went into effect October 1, 2016 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2017) 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.

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, 2016 and 2017. 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 6.9%, went into effect October 1, 2016 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2017) 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.

Note 12 – Leases

The Authority leases its corporate office space under an operating lease. Rent expense totaled $186,050 for the year ended June 30, 2017. The future minimum rental payments under this operating lease are as follows:

Year Ended June 30,		
2018	$	176,538
2019		180,945
2020		185,490
2021		190,092
2022		111,335
	$	844,400

Note 13 – 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, 2017 and there was no reduction in insurance coverage during the fiscal year.

Note 14 – Subsequent Events

The Authority issued bonds through the VGCP program in the amount of $6,512,144 dated July 5, 2017. The interest rate is fixed at 3.75% with a final maturity date of August 15, 2032.

The Authority issued revenue bonds in the amount of $39,165,000 dated August 16, 2017 through the VPFP. Interest rates range from 1.63% to 5.00% with a final maturity date of November 1, 2041.

A local borrower prepaid an outstanding obligation with the Authority in the amount of $5,095,000. The prepayment date was August 17, 2017. The local obligation was funded from bond proceeds from VPFP Series 2014C bonds. It is the Authority's intention to defease the related bonds with prepayment proceeds.

Note 15 – New Accounting Standards

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

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 replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

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 the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 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, 2018.

GASB Statement No. 83, *Certain Asset Retirement Obligations* establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2017

Schedule of Changes in Net Pension Liability and Related Ratios

	Plan Year Ended June 30,		
	2014	**2015**	**2016**
Total Pension Liability			
Service cost	$ 113,609	$ 138,652	$ 146,176
Interest	49,872	61,149	79,808
Difference between expected and actual experience	-	66,756	15,713
Benefit payments, including refunds of employee contributions	(4,749)	-	-
Net change	158,732	266,557	241,697
Total pension liability, beginning	714,828	873,560	1,140,117
Total pension liability, ending (a)	$ 873,560	$ 1,140,117	$ 1,381,814
Plan Fiduciary Net Position			
Contributions – employer	$ 85,767	$ 46,529	$ 45,908
Contributions – employee	77,046	64,726	65,224
Net investment income	163,643	61,565	28,964
Benefit payments, including refunds of employee contributions	(4,749)	-	-
Administrative expense	(736)	(720)	(828)
Other	8	(13)	(11)
Net change	320,979	172,087	139,257
Plan fiduciary net position, beginning	946,077	1,267,056	1,439,143
Plan fiduciary net position, ending (b)	$ 1,267,056	$ 1,439,143	$ 1,578,400
Net Pension Asset (a)-(b)	$ 393,496	$ 299,026	$ 196,586
Plan fiduciary net position as a percentage of the total pension liability	145.1%	126.2%	114.2%
Covered-employee payroll	$ 1,294,522	$ 1,311,484	$ 1,342,834
Net pension asset as a percentage of covered payroll	30.4%	22.8%	14.6%

Information is presented only for those years for which it is available.

<u>Schedule of Pension Contributions</u>

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	$ 46,862	$ 46,862	$ -	$ 1,294,522	3.6%
2016	47,476	47,476	-	1,311,484	3.6%
2017	62,039	62,039	-	1,342,834	4.6%

Information is presented only for those years for which it is available.

Notes to Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions

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, 2016 are not material.

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, 2017

	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	$ 1,890,012	$ 7,321,986	$ 3,972,850	$ -	$ 38,295	$ 6,417,057	$ -	$ -	$ 690,604	$ 20,330,804
Cash equivalents	3,855,147	125,285,127	29,970,023	10,462,199	930,925	-	9,079,941	-	-	179,583,362
Investments	1,266,596	42,293,624	1,791,965	449,999	10,657,543	-	-	-	-	56,459,727
Loans receivable - current portion	-	115,919,449	7,876,983	4,432,798	157,664,117	-	-	53,121	1,071,910	287,018,378
Receivables:										
Investment interest	43,467	2,523,558	55,876	171,345	417,270	-	-	-	-	3,211,516
Loan interest	-	7,566,401	367,680	144,329	18,098,796	-	-	143	512,097	26,689,446
Loan administrative fees	-	494,411	145,528	-	536,409	-	-	11	-	1,176,359
Federal funds	-	590,584	-	-	-	-	-	-	-	590,584
Other	253,943	-	-	-	-	-	-	-	-	253,943
Other	36,486	-	-	-	-	-	-	-	-	36,486
Total current assets	7,345,651	301,995,140	44,180,905	15,660,670	188,343,355	6,417,057	9,079,941	53,275	2,274,611	575,350,605
Noncurrent assets										
Investments - noncurrent	17,011,153	364,384,777	18,140,737	12,711,959	72,488,347	-	-	-	-	484,736,973
Loans receivable - non-current	-	1,344,523,379	157,372,701	33,283,455	2,584,884,802	-	-	-	27,101,091	4,147,165,428
Net pension asset	196,586	-	-	-	-	-	-	-	-	196,586
Furniture and fixtures - at cost	103,160	-	-	-	-	-	-	-	-	103,160
Total noncurrent assets	17,310,899	1,708,908,156	175,513,438	45,995,414	2,657,373,149	-	-	-	27,101,091	4,632,202,147
Total assets	24,656,550	2,010,903,296	219,694,343	61,656,084	2,845,716,504	6,417,057	9,079,941	53,275	29,375,702	5,207,552,752
Deferred Outflows of Resources										
Deferred outflows - pension	157,968	-	-	-	-	-	-	-	-	157,968
Deferred loss on refunding	-	45,295,880	-	86,748	36,513,069	-	-	-	-	81,895,697
Total deferred outflows of resources	157,968	45,295,880	-	86,748	36,513,069	-	-	-	-	82,053,665
Total assets and deferred outflows of resources	$ 24,814,518	$ 2,056,199,176	$ 219,694,343	$ 61,742,832	$ 2,882,229,573	$ 6,417,057	$ 9,079,941	$ 53,275	$ 29,375,702	$ 5,289,606,417
Liabilities										
Current liabilities										
Loans payable - current	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 53,121	$ -	53,121
Bonds payable - current	-	60,316,412	-	3,188,751	156,895,271	-	-	-	1,071,910	221,472,344
Accrued interest on bonds payable	-	7,856,633	-	562,093	18,626,782	-	-	143	512,097	27,557,748
Due to (from) other accounts	(161,714)	63,221	72,568	15,669	-	-	10,245	11	-	-
Agency funds	-	341,303	7,845	122,489	-	6,417,057	-	-	-	6,888,694
Accounts payable and other liabilities	196,342	17,960	-	-	-	-	-	-	-	214,302
Total current liabilities	34,628	68,595,529	80,413	3,889,002	175,522,053	6,417,057	10,245	53,275	1,584,007	256,186,209
Noncurrent liabilities										
Bonds payable - noncurrent	-	704,314,586	-	26,140,643	2,671,893,396	-	-	-	27,101,091	3,429,449,716
Arbitrage rebate liability - noncurrent	-	109,873	-	-	-	-	-	-	-	109,873
Total noncurrent liabilities	-	704,424,459	-	26,140,643	2,671,893,396	-	-	-	27,101,091	3,429,559,589
Total liabilities	34,628	773,019,988	80,413	30,029,645	2,847,415,449	6,417,057	10,245	53,275	28,685,098	3,685,745,798
Deferred Inflows of Resources										
Deferred gain from localities on refunding	-	-	-	-	36,417,175	-	-	-	-	36,417,175
Total deferred inflows of resources	-	-	-	-	36,417,175	-	-	-	-	36,417,175
Net position										
Invested in capital assets	103,160	-	-	-	-	-	-	-	-	103,160
Restricted:										
Loan programs	-	1,283,179,188	219,613,930	31,713,187	(1,603,051)	-	9,069,696	-	690,604	1,542,663,554
Operating reserve	7,760,002	-	-	-	-	-	-	-	-	7,760,002
Unrestricted:	16,916,728	-	-	-	-	-	-	-	-	16,916,728
Total net position	24,779,890	1,283,179,188	219,613,930	31,713,187	(1,603,051)	-	9,069,696	-	690,604	1,567,443,444
Total liabilities, deferred inflows of resources, and net position	$ 24,814,518	$ 2,056,199,176	$ 219,694,343	$ 61,742,832	$ 2,882,229,573	$ 6,417,057	$ 9,079,941	$ 53,275	$ 29,375,702	$ 5,289,606,417

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2017

	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
Operating revenues										
Interest on loans	$ -	$ 24,347,997	$ 1,597,700	$ 1,229,392	$ 91,715,969	$ -	$ -	$ 2,836	$ -	$ 118,893,894
Investment income	156,073	8,615,536	267,224	443,388	2,821,746	-	53,934	-	662,636	13,020,537
Bond administrative fees	-	-	-	-	2,755,079	-	-	-	-	2,755,079
Loan administrative fees	-	1,530,502	589,346	34,749	-	-	-	219	-	2,154,816
Loan origination revenue	-	-	-	-	4,031,965	-	-	-	21,553	4,053,518
Gain on early extinguishment of loans	-	-	-	-	127,250	-	-	-	-	127,250
Other income	57,153	190	-	-	-	-	-	-	-	57,343
Total operating revenues	213,226	34,494,225	2,454,270	1,707,529	101,452,009	-	53,934	3,055	684,189	141,062,437
Operating expenses										
Interest on bonds and loans	-	28,775,555	-	1,057,033	97,020,297	-	-	2,836	662,513	127,518,234
Bond issuance costs	-	3,300	-	-	2,845,710	-	-	-	-	2,849,010
Grants to local governments	-	3,260,658	3,318,982	-	-	-	1,041,301	-	853,819	8,474,760
Principal Forgiveness loans to local governments	-	591,053	-	-	-	-	-	-	75,927	666,980
Loss on early extinguishment of bonds	-	-	-	-	126,575	-	-	-	-	126,575
Personnel services	976,063	308,907	261,171	33,095	-	-	44,482	-	-	1,623,718
General operating	502,505	665,307	67,076	17,645	143	-	3,702	-	124	1,256,502
Contractual services	248,509	151,827	42,039	17,548	-	-	2,770	-	-	462,693
Total operating expenses	1,727,077	33,756,607	3,689,268	1,125,321	99,992,725	-	1,092,255	2,836	1,592,383	142,978,472
Operating income (loss)	(1,513,851)	737,618	(1,234,998)	582,208	1,459,284	-	(1,038,321)	219	(908,194)	(1,916,035)
Nonoperating revenues										
Contributions from other governments	-	23,427,886	13,906,032	-	-	-	4,277,257	-	1,168,320	42,779,495
Federal interest subsidy	-	-	-	-	2,624,239	-	-	-	-	2,624,239
Nonoperating expenses										
Contributions to other governments	-	-	-	-	-	-	(641,273)	-	-	(641,273)
Federal interest subsidy passthrough	-	-	-	-	(2,547,305)	-	-	-	-	(2,547,305)
Income (loss) before transfers	(1,513,851)	24,165,504	12,671,034	582,208	1,536,218	-	2,597,663	219	260,126	40,299,121
Operating transfers	3,501,923	(21,642)	21,392	-	(3,479,901)	-	-	(219)	(21,553)	-
Change in net position	1,988,072	24,143,862	12,692,426	582,208	(1,943,683)	-	2,597,663	-	238,573	40,299,121
Total net position - beginning	22,791,818	1,259,035,326	206,921,504	31,130,979	340,632	-	6,472,033	-	452,031	1,527,144,323
Total net position - ending	$ 24,779,890	$ 1,283,179,188	$ 219,613,930	$ 31,713,187	$ (1,603,051)	$ -	$ 9,069,696	$ -	$ 690,604	$ 1,567,443,444

Virginia Resources Authority
Combining Schedule of Cash Flows
Year Ended June 30, 2017

	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	$ -	$ (60,828,777)	$ (10,621,566)	$ (2,010,000)	$ (362,132,505)	$ -	$ -	$ -	$ -	$ (435,592,848)
Principal repayments from localities on loans	-	114,900,400	8,446,848	4,874,004	246,960,000	-	-	51,441	-	375,232,693
Interest received on loans	-	25,719,517	1,701,042	1,296,278	122,543,184	-	-	2,975	-	151,262,996
Loan origination fees received	-	-	-	-	4,031,965	-	-	-	21,553	4,053,518
Bond administrative fees received	-	-	-	-	3,215,533	-	-	-	-	3,215,533
Loan administrative fees received	-	1,584,320	590,723	-	-	-	-	229	-	2,175,272
Cash received from other income	66,469	190	-	-	-	-	-	-	-	66,659
Cash payments for salaries and related benefits	(1,035,262)	(308,907)	(261,171)	(33,095)	-	-	(44,483)	-	-	(1,682,918)
Cash payments for general operating expenses	(646,002)	(430,783)	(67,076)	(25,356)	(142)	-	(3,702)	-	(75,927)	(1,248,988)
Cash payments for contractual services	(316,047)	(151,827)	(42,039)	(17,548)	-	-	(2,770)	-	-	(530,231)
Cash payments for operating grants	-	(3,260,658)	(3,318,982)	-	-	-	(1,041,301)	-	(853,819)	(8,474,760)
Cash payments for principal forgiveness loans	-	(591,053)	-	-	-	-	-	-	-	(591,053)
Interest paid on loans	-	-	-	-	-	-	-	(2,975)	-	(2,975)
Interest paid on bonds	-	(32,092,596)	-	(1,394,857)	(125,702,965)	-	-	-	-	(159,190,418)
Agency funds disbursed	-	-	-	-	-	(7,976,369)	-	-	-	(7,976,369)
Interfund activity	(657,299)	(96,612)	(88,635)	(14,813)	-	-	846,674	(11)	10,696	-
Net cash provided by (used in) operating activities	(2,588,141)	44,443,214	(3,660,856)	2,674,613	(111,084,930)	(7,976,369)	(245,582)	51,659	(897,497)	(79,283,889)
Cash flows from noncapital financing activities										
Proceeds from sale of bonds	-	5,475,000	-	-	367,940,461	-	-	-	-	373,415,461
Bond issuance costs	-	(169,504)	-	-	(2,845,710)	-	-	-	-	(3,015,214)
Principal paid on loans	-	-	-	-	-	-	-	(51,441)	-	(51,441)
Principal paid on bonds	-	(54,540,000)	-	(2,785,000)	(247,755,000)	-	-	-	-	(305,080,000)
Proceeds from interest subsidy	-	-	-	-	2,624,239	-	-	-	-	2,624,239
Cash payments to localities for interest subsidy	-	-	-	-	(2,547,305)	-	-	-	-	(2,547,305)
Contributions from other governments	-	22,837,302	13,906,032	-	-	-	4,277,257	-	1,168,320	42,188,911
Contributions to other governments	-	-	-	-	-	-	(641,273)	-	-	(641,273)
Cash received (paid) from other accounts	3,501,923	(21,642)	21,392	-	(3,479,901)	-	-	(218)	(21,554)	-
Net cash provided by (used in) noncapital financing activities	3,501,923	(26,418,844)	13,927,424	(2,785,000)	113,936,784	-	3,635,984	(51,659)	1,146,766	106,893,378
Cash flows from capital and financing related activities										
Purchase of office equipment	(34,226)	-	-	-	-	-	-	-	-	(34,226)
Net cash used in noncapital financing activities	(34,226)	-	-	-	-	-	-	-	-	(34,226)
Cash flows from investing activities										
Purchase of investments	(19,523,487)	(275,955,447)	(31,409,418)	(873,558)	(6,737,131)	-	-	-	-	(334,499,041)
Proceeds from sales or maturities of investments	5,750,453	169,992,633	11,354,905	1,676,306	1,439,064	-	-	-	-	190,213,361
Interest received on investments - net	170,186	9,789,793	333,193	448,298	2,513,208	-	53,934	-	-	13,308,612
Net cash provided by (used in) investing activities	(13,602,848)	(96,173,021)	(19,721,320)	1,251,046	(2,784,859)	-	53,934	-	-	(130,977,068)
Net increase (decrease) in cash and cash equivalents	(12,723,292)	(78,148,651)	(9,454,752)	1,140,659	66,995	(7,976,369)	3,444,336	-	249,269	(103,401,805)
Cash and cash equivalents										
Beginning 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
End of year	$ 5,745,159	$ 132,607,113	$ 33,942,873	$ 10,462,199	$ 969,220	$ 6,417,057	$ 9,079,941	$ -	$ 690,604	$ 199,914,166
Reconciliation to the Statement of Net Position										
Cash	$ 1,890,012	$ 7,321,986	$ 3,972,850	$ -	$ 38,295	$ 6,417,057	$ -	$ -	$ 690,604	$ 20,330,804
Cash Equivalents	3,855,147	125,285,127	29,970,023	10,462,199	930,925	-	9,079,941	-	-	179,583,362
	$ 5,745,159	$ 132,607,113	$ 33,942,873	$ 10,462,199	$ 969,220	$ 6,417,057	$ 9,079,941	$ -	$ 690,604	$ 199,914,166

Virginia Resources Authority
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2017

	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)	(1,513,851)	737,618	(1,234,998)	582,208	1,459,284	-	(1,038,321)	219	(908,194)	(1,916,035)
Depreciation expense	34,532	-	-	-	-	-	-	-	-	34,532
Pension expense	76,156	-	-	-	-	-	-	-	-	76,156
Current year pension contributions sub to measurement date	(62,039)	-	-	-	-	-	-	-	-	(62,039)
Interest on investments	(156,072)	(8,615,536)	(267,224)	(443,390)	(2,821,747)	-	(53,935)	-	-	(12,357,904)
Gain on early extinguishment of loans	-	-	-	-	127,250	-	-	-	-	127,250
Loss on early extinguishment of bonds	-	-	-	-	(126,575)	-	-	-	-	(126,575)
Bond issuance cost	-	3,300	-	-	2,845,710	-	-	-	-	2,849,010
Interest on loans	-	-	-	-	-	-	-	(139)	-	(139)
Interest on bonds, amortization and accretion - net	-	(10,113,702)	-	(354,071)	2,128,880	-	-	-	-	(8,338,893)
Effect of changes in operating assets and liabilities:										
Loans receivable	-	54,323,623	(2,174,718)	2,864,004	(113,695,325)	-	-	51,441	-	(58,630,975)
Loan interest receivable	-	1,371,520	103,342	32,139	(673,001)	-	-	138	-	834,138
Loan administrative fee receivable	-	53,818	1,377	-	460,454	-	-	11	-	515,660
Other assets	(168,356)	-	-	-	-	-	-	-	-	(168,356)
Deferred charges	-	6,796,661	-	16,247	(789,860)	-	-	-	-	6,023,048
Accounts payable and other liabilities	(141,211)	(17,476)	-	(7,711)	-	(7,976,369)	-	-	-	(8,142,767)
Due to other funds	(657,300)	(96,612)	(88,635)	(14,813)	-	-	846,674	(11)	10,697	-
Net cash provided by (used in) operating activities	$ (2,588,141)	$ 44,443,214	$ (3,660,856)	$ 2,674,613	$ (111,084,930)	$ (7,976,369)	$ (245,582)	$ 51,659	$ (897,497)	$ (79,283,889)
Schedule of non-cash activities										
Change in fair value of assets	$ 37,895	$ 1,471,599	$ 99,958	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,609,452

Virginia Resources Authority
Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
June 30, 2017

	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	$ 6,637,556	$ -	$ 488,702	$ -	$ -	$ 195,728	$ 7,321,986
Cash equivalents	108,477,406	1,936,324	1,260,858	2,490,744	7,703,005	3,416,790	125,285,127
Investments	10,473,998	30,295,769	1,045,225	-	-	478,632	42,293,624
Loans receivable - current portion	58,550,466	57,054,269	314,714	-	-	-	115,919,449
Receivables:							
Investment interest	625,638	1,844,811	41,704	-	-	11,405	2,523,558
Loan interest	1,844,241	5,672,434	49,726	-	-	-	7,566,401
Loan administrative fees	-	-	-	-	-	494,411	494,411
Federal funds	590,584	-	-	-	-	-	590,584
Total current assets	187,199,889	96,803,607	3,200,929	2,490,744	7,703,005	4,596,966	301,995,140
Noncurrent assets							
Investments - noncurrent	168,135,313	179,289,791	13,846,479	-	-	3,113,194	364,384,777
Loans receivable - non-current	680,460,197	661,998,805	2,064,377	-	-	-	1,344,523,379
Total noncurrent assets	848,595,510	841,288,596	15,910,856	-	-	3,113,194	1,708,908,156
Total assets	1,035,795,399	938,092,203	19,111,785	2,490,744	7,703,005	7,710,160	2,010,903,296
Deferred Outflows of Resources							
Deferred loss on refunding	-	45,295,880	-	-	-	-	45,295,880
Total assets and deferred outflows of resources	$ 1,035,795,399	$ 983,388,083	$ 19,111,785	$ 2,490,744	$ 7,703,005	$ 7,710,160	$ 2,056,199,176
Liabilities							
Current liabilities							
Bonds payable - current	-	60,316,412	-	-	-	-	60,316,412
Accrued interest on bonds payable	-	7,856,633	-	-	-	-	7,856,633
Due to (from) other accounts	-	-	-	-	-	63,221	63,221
Agency funds	341,303	-	-	-	-	-	341,303
Accounts payable and other liabilities	-	17,960	-	-	-	-	17,960
Total current liabilities	341,303	68,191,005	-	-	-	63,221	68,595,529
Noncurrent liabilities							
Bonds payable - noncurrent	-	704,314,586	-	-	-	-	704,314,586
Arbitrage rebate liability - noncurrent	-	109,873	-	-	-	-	109,873
Total noncurrent liabilities	-	704,424,459	-	-	-	-	704,424,459
Total liabilities	341,303	772,615,464	-	-	-	63,221	773,019,988
Net position							
Restricted:							
Loan programs	1,035,454,096	210,772,619	19,111,785	2,490,744	7,703,005	7,646,939	1,283,179,188
Total net position	1,035,454,096	210,772,619	19,111,785	2,490,744	7,703,005	7,646,939	1,283,179,188
Total liabilities and net position	$ 1,035,795,399	$ 983,388,083	$ 19,111,785	$ 2,490,744	$ 7,703,005	$ 7,710,160	$ 2,056,199,176

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2017

	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	$ 6,322,124	$ 17,931,340	$ 94,533	$ -	$ -	$ -	$ 24,347,997
Investment income	1,364,477	7,091,874	72,545	18,969	31,311	36,360	8,615,536
Loan administrative fees	-	-	-	-	-	1,530,502	1,530,502
Other income	-	-	190	-	-	-	190
Total operating revenues	7,686,601	25,023,214	167,268	18,969	31,311	1,566,862	34,494,225
Operating expenses							
Interest on bonds and loans	-	28,746,652	-	-	28,903	-	28,775,555
Bond issuance costs	-	-	-	-	3,300	-	3,300
Grants to local governments	-	-	-	3,260,658	-	-	3,260,658
Principal Forgiveness loans to local governments	591,053	-	-	-	-	-	591,053
Personnel services	308,907	-	-	-	-	-	308,907
General operating	402,071	-	261,789	-	-	1,447	665,307
Contractual services	151,827	-	-	-	-	-	151,827
Total operating expenses	1,453,858	28,746,652	261,789	3,260,658	32,203	1,447	33,756,607
Operating income (loss)	6,232,743	(3,723,438)	(94,521)	(3,241,689)	(892)	1,565,415	737,618
Nonoperating revenues							
Contributions from other governments	18,106,448	-	-	3,185,658	2,135,780	-	23,427,886
Income (loss) before transfers	24,339,191	(3,723,438)	(94,521)	(56,031)	2,134,888	1,565,415	24,165,504
Operating transfers	8,709,215	(3,206,157)	(2,411)	1,425,000	(5,907,595)	(1,039,694)	(21,642)
Change in net position	33,048,406	(6,929,595)	(96,932)	1,368,969	(3,772,707)	525,721	24,143,862
Total net position - beginning	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 - ending	$ 1,035,454,096	$ 210,772,619	$ 19,111,785	$ 2,490,744	$ 7,703,005	$ 7,646,939	$ 1,283,179,188

Virginia Resources Authority
Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2017

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	Investment Fund Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities							
Cash payments to localities for loans	$ (60,737,419)	$ -	$ (91,358)	$ -	$ -	$ -	$ (60,828,777)
Principal repayments from localities on loans	58,442,343	55,403,717	1,054,340	-	-	-	114,900,400
Interest received on loans	6,979,261	18,652,103	88,153	-	-	-	25,719,517
Loan administrative fees received	-	-	-	-	-	1,584,320	1,584,320
Cash received from other income	-	-	190	-	-	-	190
Cash payments for salaries and related benefits	(308,907)	-	-	-	-	-	(308,907)
Cash payments for general operating expenses	(422,547)	-	(6,789)	-	-	(1,447)	(430,783)
Cash payments for contractual services	(151,827)	-	-	-	-	-	(151,827)
Cash payments for operating grants	-	-	-	(3,260,658)	-	-	(3,260,658)
Cash payments for principal forgiveness loans	(591,053)	-	-	-	-	-	(591,053)
Interest paid on bonds	-	(32,063,693)	-	-	(28,903)	-	(32,092,596)
Interfund activity	(10,660,589)	(43,067)	-	(1,425,000)	11,436,909	595,135	(96,612)
Net cash provided by (used in) operating activities	(7,450,738)	41,949,060	1,044,536	(4,685,658)	11,408,006	2,178,008	44,443,214
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	5,475,000	-	-	-	-	5,475,000
Bond issuance costs	-	(166,204)	-	-	(3,300)	-	(169,504)
Principal paid on bonds	-	(54,540,000)	-	-	-	-	(54,540,000)
Contributions from other governments	17,515,864	-	-	3,185,658	2,135,780	-	22,837,302
Cash received (paid) from other accounts	8,709,215	(3,206,157)	(2,411)	1,425,000	(5,907,595)	(1,039,694)	(21,642)
Net cash provided by (used in) noncapital financing activities	26,225,079	(52,437,361)	(2,411)	4,610,658	(3,775,115)	(1,039,694)	(26,418,844)
Cash flows from investing activities							
Purchase of investments	(217,624,344)	(28,008,902)	(25,948,090)	-	-	(4,374,111)	(275,955,447)
Proceeds from sales or maturities of investments	156,026,918	2,221,151	10,966,111	-	-	778,453	169,992,633
Interest received on investments - net	2,554,541	7,035,738	120,447	18,969	31,311	28,787	9,789,793
Net cash provided by (used in) investing activities	(59,042,885)	(18,752,013)	(14,861,532)	18,969	31,311	(3,566,871)	(96,173,021)
Net increase (decrease) in cash and cash equivalents	(40,268,544)	(29,240,314)	(13,819,407)	(56,031)	7,664,202	(2,428,557)	(78,148,651)
Cash and cash equivalents							
Beginning of year	155,383,506	31,176,638	15,568,967	2,546,775	38,803	6,041,075	210,755,764
End of year	$ 115,114,962	$ 1,936,324	$ 1,749,560	$ 2,490,744	$ 7,703,005	$ 3,612,518	$ 132,607,113
Reconcilation to the Statement of Net Position							
Cash	$ 6,637,556	$ -	$ 488,702	$ -	$ -	$ 195,728	$ 7,321,986
Cash Equivalents	108,477,406	1,936,324	1,260,858	2,490,744	7,703,005	3,416,790	125,285,127
	$ 115,114,962	$ 1,936,324	$ 1,749,560	$ 2,490,744	$ 7,703,005	$ 3,612,518	$ 132,607,113

Virginia Resources Authority
Combining Schedule of Cash Flows (Continued)
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2017

	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)	6,232,743	(3,723,438)	(94,521)	(3,241,689)	(892)	1,565,415	$ 737,618
Interest on investments	(1,364,477)	(7,091,874)	(72,545)	(18,969)	(31,311)	(36,360)	(8,615,536)
Bond issuance cost	-	-	-	-	3,300	-	3,300
Interest on bonds, amortization and accretion - net	-	(10,113,702)	-	-	-	-	(10,113,702)
Effect of changes in operating assets and liabilities:							
Loans receivable	(2,295,076)	55,403,717	1,214,982	-	-	-	54,323,623
Loan interest receivable	657,137	720,763	(6,380)	-	-	-	1,371,520
Loan administrative fee receivable	-	-	-	-	-	53,818	53,818
Deferred charges	-	6,796,661	-	-	-	-	6,796,661
Accounts payable and other liabilities	(20,476)	-	3,000	-	-	-	(17,476)
Due to other funds	(10,660,589)	(43,067)	-	(1,425,000)	11,436,909	595,135	(96,612)
Net cash provided by (used in) operating activities	$ (7,450,738)	$ 41,949,060	$ 1,044,536	$ (4,685,658)	$ 11,408,006	$ 2,178,008	$ 44,443,214
Schedule of non-cash activities							
Change in fair value of assets	$ 1,398,342	$ -	$ 70,041	$ -	$ -	$ 3,216	$ 1,471,599

Virginia Resources Authority
Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2017

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	$ 3,599,817	$ 199,698	$ -	$ 173,335	$ 3,972,850
Cash equivalents	29,207,183	95,628	-	667,212	29,970,023
Investments	1,791,965	-	-	-	1,791,965
Loans receivable - current portion	7,872,345	4,638	-	-	7,876,983
Receivables:					
Investment interest	55,876	-	-	-	55,876
Loan interest	367,680	-	-	-	367,680
Loan administrative fees	-	-	-	145,528	145,528
Total current assets	42,894,866	299,964	-	986,075	44,180,905
Noncurrent assets					
Investments - noncurrent	18,140,737	-	-	-	18,140,737
Loans receivable - non-current	157,347,195	25,506	-	-	157,372,701
Total noncurrent assets	175,487,932	25,506	-	-	175,513,438
Total assets	218,382,798	325,470	-	986,075	219,694,343
Liabilities					
Current liabilities					
Due to (from) other accounts	-	-	-	72,568	72,568
Agency funds	7,845	-	-	-	7,845
Total current liabilities	7,845	-	-	72,568	80,413
Total liabilities	7,845	-	-	72,568	80,413
Net position					
Restricted:					
Loan programs	218,374,953	325,470	-	913,507	219,613,930
Total net position	218,374,953	325,470	-	913,507	219,613,930
Total liabilities and net position	$ 218,382,798	$ 325,470	$ -	$ 986,075	$ 219,694,343

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2017

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	$ 1,597,697	$ 3	$ -	$ -	$ 1,597,700
Investment income	262,706	825	-	3,693	267,224
Loan administrative fees	-	-	-	589,346	589,346
Total operating revenues	1,860,403	828	-	593,039	2,454,270
Operating expenses					
Grants to local governments	3,291,495	27,487	-	-	3,318,982
Personnel services	-	-	261,171	-	261,171
General operating	29,993	302	36,781	-	67,076
Contractual services	-	-	42,039	-	42,039
Total operating expenses	3,321,488	27,789	339,991	-	3,689,268
Operating income (loss)	(1,461,085)	(26,961)	(339,991)	593,039	(1,234,998)
Nonoperating revenues					
Contributions from other governments	13,906,032	-	-	-	13,906,032
Income (loss) before transfers	12,444,947	(26,961)	(339,991)	593,039	12,671,034
Operating transfers	22,851	-	339,991	(341,450)	21,392
Change in net position	12,467,798	(26,961)	-	251,589	12,692,426
Total net position - beginning	205,907,155	352,431	-	661,918	206,921,504
Total net position - ending	$ 218,374,953	$ 325,470	$ -	$ 913,507	$ 219,613,930

Virginia Resources Authority
Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2017

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	$ (10,621,566)	$ -	$ -	$ -	$ (10,621,566)
Principal repayments from localities on loans	8,442,210	4,638	-	-	8,446,848
Interest received on loans	1,701,039	3	-	-	1,701,042
Loan administrative fees received	-	-	-	590,723	590,723
Cash payments for salaries and related benefits	-	-	(261,171)	-	(261,171)
Cash payments for general operating expenses	(29,993)	(302)	(36,781)	-	(67,076)
Cash payments for contractual services	-	-	(42,039)	-	(42,039)
Cash payments for operating grants	(3,291,495)	(27,487)	-	-	(3,318,982)
Interfund activity	(19,591)	-	-	(69,044)	(88,635)
Net cash provided by (used in) operating activities	(3,819,396)	(23,148)	(339,991)	521,679	(3,660,856)
Cash flows from noncapital financing activities					
Contributions from other governments	13,906,032	-	-	-	13,906,032
Cash received (paid) from other accounts	22,851	-	339,991	(341,450)	21,392
Net cash provided by (used in) noncapital financing activities	13,928,883	-	339,991	(341,450)	13,927,424
Cash flows from investing activities					
Purchase of investments	(31,409,418)	-	-	-	(31,409,418)
Proceeds from sales or maturities of investments	11,354,905	-	-	-	11,354,905
Interest received on investments - net	328,675	825	-	3,693	333,193
Net cash provided by (used in) investing activities	(19,725,838)	825	-	3,693	(19,721,320)
Net increase (decrease) in cash and cash equivalents	(9,616,351)	(22,323)	-	183,922	(9,454,752)
Cash and cash equivalents					
Beginning of year	42,423,351	317,649	-	656,625	43,397,625
End of year	$ 32,807,000	$ 295,326	$ -	$ 840,547	$ 33,942,873
Reconcilation to the Statement of Net Position					
Cash	$ 3,599,817	$ 199,698	$ -	$ 173,335	$ 3,972,850
Cash Equivalents	29,207,183	95,628	-	667,212	29,970,023
	$ 32,807,000	$ 295,326	$ -	$ 840,547	$ 33,942,873
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (1,461,085)	$ (26,961)	$ (339,991)	$ 593,039	$ (1,234,998)
Interest on investments	(262,706)	(825)	-	(3,693)	(267,224)
Loans receivable	(2,179,356)	4,638	-	-	(2,174,718)
Loan interest receivable	103,342	-	-	-	103,342
Loan administrative fee receivable	-	-	-	1,377	1,377
Due to other funds	(19,591)	-	-	(69,044)	(88,635)
Net cash provided by (used in) operating activities	$ (3,819,396)	$ (23,148)	$ (339,991)	$ 521,679	$ (3,660,856)
Schedule of non-cash activities					
Change in fair value of assets	$ 99,958	$ -	$ -	$ -	$ 99,958

STATISTICAL SECTION

Virginia Resources Authority
Statistical Section
June 30, 2017

The statistical section presents detailed information as a context for understanding what the information in the basic financial statements, note disclosures, and required supplementary information indicate about the Authority's financial health over an extended period of time.

Financial Trends

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

Table 1	Net Position by Component
Table 2	Change in Net Position
Table 3	Operating Revenues
Table 4	Operating Expenses

Revenue Capacity

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

Table 5	Outstanding Loans Receivable

Debt Capacity

These tables present 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	Outstanding Debt

Demographic and Economic Information

These schedules 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 schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Table 9	Operating Indicators
Table 10	Employees by Identifiable Activity

Sources: Unless otherwise noted, information in these tables is derived from the Authority's Comprehensive Annual Financial Report for the relevant year.

Table 1 – Net Position by Component, Last Ten Fiscal Years

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2008	$ 5,516	$ 1,163,460,244	$ 4,471,442	$ 1,167,937,202
2009	1,812	1,217,722,201	5,456,623	1,223,180,636
2010	17,478	1,260,918,981	6,345,180	1,267,281,639
2011	128,757	1,301,438,188	7,257,442	1,308,824,387
2012	206,202	1,348,104,048	8,532,138	1,356,842,388
2013	209,143	1,383,915,308	9,642,211	1,393,766,662
2014	51,500	1,426,836,084	11,285,350	1,438,172,934
2015	112,766	1,469,844,791	13,023,011	1,482,980,568
2016	103,466	1,512,101,797	14,939,060	1,527,144,323
2017	103,160	1,550,423,556	16,916,728	1,567,443,444

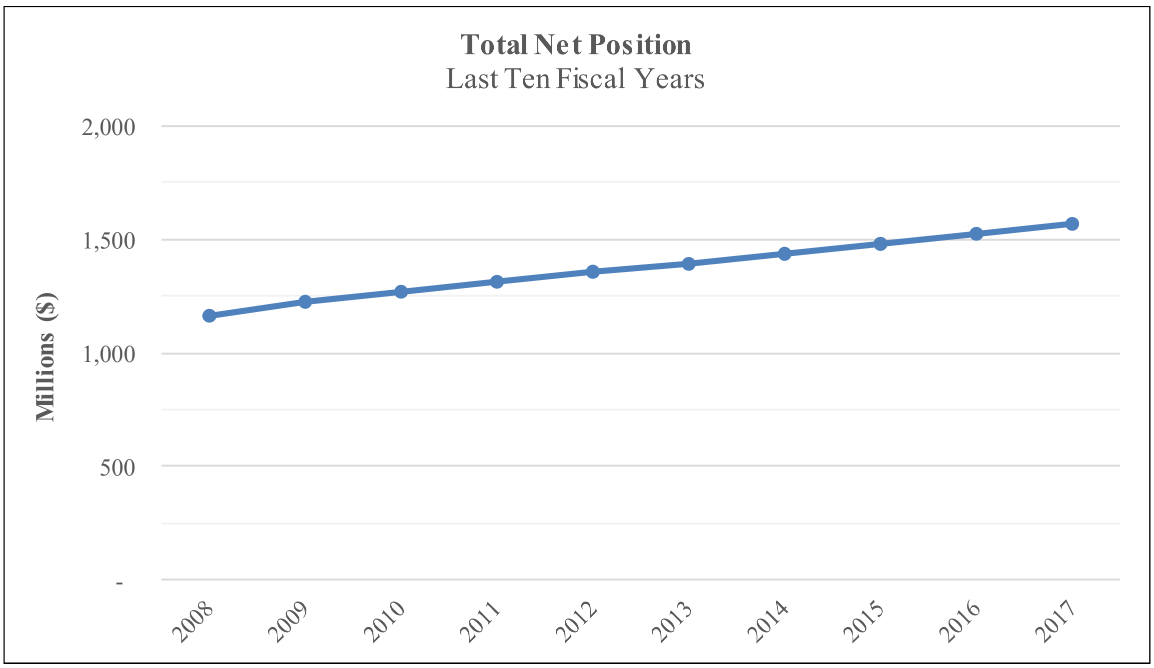


Table 2 – Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Income	Nonoperating Revenue (Expense), Net	Change in Net Position
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
2017	141,062,437	142,978,472	(1,916,035)	42,215,156	40,299,121

Table 3 – Operating Revenues, Last Ten Fiscal Years

Fiscal Year	Interest on Loans	Investment Income	Admin. Reimbu-rsement	Bond Admin. Fees	Loan Admin. Fees	Loan Origination Revenue (1)	Other Income/ Gains on Early Extinguish -ment of Loans	Total
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	2,346,383	2,995,234	146,953,955
2015	122,794,090	11,061,275	83,816	3,042,444	1,907,580	5,211,541	4,807,692	148,908,438
2016	121,474,338	12,856,376	-	3,607,108	2,041,425	5,133,637	2,934,064	148,046,948
2017	118,893,894	13,020,537	-	2,755,079	2,154,816	4,053,518	184,593	141,062,437

(1) GASB 65 was implemented in fiscal year 2014, which required the immediate recognition of loan origination revenue, which were previously deferred and recognized over the life of the loan.

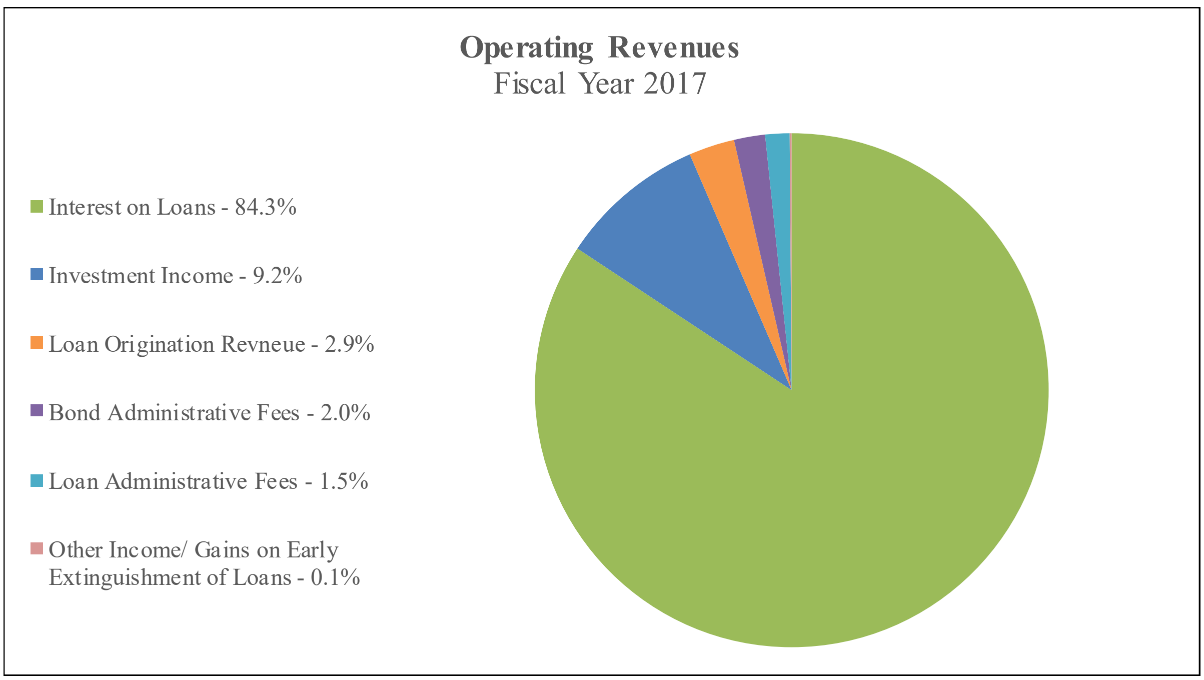


Table 4 – Operating Expenses, Last Ten Fiscal Years

Fiscal Year	Interest on Bonds and Loans	Bond Issuance Costs (1)	Grants and Principal Forgiveness on Loans	Loss on Early Extinguish -ment of Bonds	Personnel Services	General Operating	Contractual Services	Total
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	1,893,419	10,141,816	3,151,663	1,657,123	1,069,847	662,882	150,936,764
2015	129,993,652	5,461,806	12,285,923	4,071,026	1,626,424	919,259	430,199	154,788,289
2016	127,374,789	3,688,101	14,944,559	2,886,783	1,630,865	932,924	455,466	151,913,487
2017	127,518,234	2,849,010	9,141,740	126,575	1,623,718	1,256,502	462,693	142,978,472

(1) GASB 65 was implemented in fiscal year 2014, which required the immediate recognition of bond issuance costs, which were previously deferred and recognized over the life of the bond.

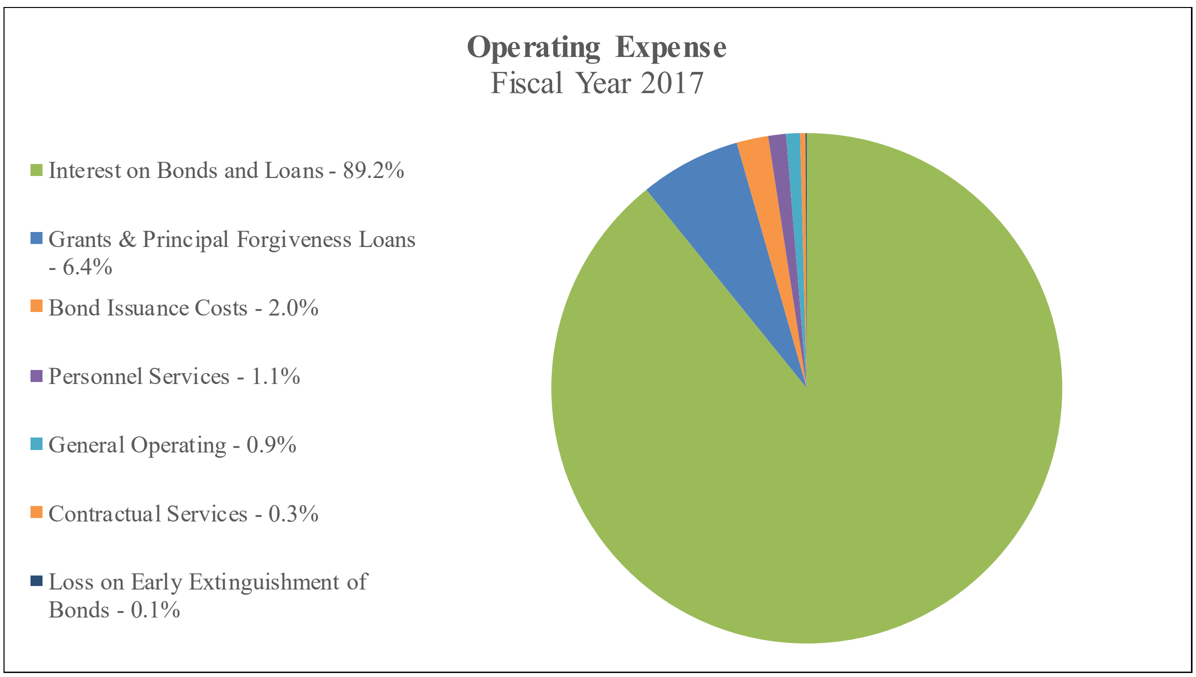


Table 5 – Outstanding Loans Receivable, Last Ten Fiscal Years

Fiscal Year	Loans from Bond Issues: Revenue Bonds	VARF	Unamortized Discount/ Premium (1)	Total	Loans from Other Programs: Equipment Term Financing	VirginiaSAVES Green Community Program	Total
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	-	7,220,216
2011	1,591,117,427	58,387,411	33,853,485	1,683,358,323	5,663,892	-	5,663,892
2012	2,058,638,456	56,455,812	99,850,641	2,214,944,909	4,100,079	-	4,100,079
2013	2,192,704,353	52,527,348	118,873,800	2,364,105,501	2,383,510	-	2,383,510
2014	2,194,934,597	48,430,013	159,999,677	2,403,364,287	1,737,275	-	1,737,275
2015	2,325,204,904	43,526,294	197,078,938	2,565,810,136	325,102	-	325,102
2016	2,438,694,318	40,580,256	221,659,494	2,700,934,068	104,562	12,004,595	12,109,157
2017	2,515,813,162	37,716,253	226,735,757	2,780,265,172	53,121	28,173,001	28,226,122

(1) GASB 65 was implemented in fiscal year 2014, which required the immediate recognition of bond issuance costs. In this table, prior years include the cost of issuance in the Unamortized Discount/Premium column.

Fiscal Year	Loans from Revolving Funds: VWFRF	VWFRF – Leveraged	VWFRF AgBMP	VWSRF	Total	Loans Receivable, Combined Total
2008	$ 617,467,421	$ 418,335,308	$ 10,229,714	$ 101,266,951	$ 1,147,299,394	$ 2,302,094,426
2009	654,863,805	602,992,744	10,624,746	109,415,361	1,377,896,656	2,821,185,920
2010	676,622,675	805,685,000	9,056,810	113,487,646	1,604,852,131	3,106,156,941
2011	674,624,834	892,326,275	7,480,392	120,330,927	1,694,762,428	3,383,784,643
2012	694,033,376	912,046,985	7,099,516	126,771,814	1,739,951,691	3,958,996,679
2013	694,530,427	907,752,044	7,601,297	131,938,920	1,741,822,688	4,108,311,699
2014	699,775,722	874,358,580	5,691,138	144,578,587	1,724,404,027	4,129,505,589
2015	717,089,183	828,049,020	4,291,226	157,547,699	1,706,977,128	4,273,112,366
2016	729,475,535	781,696,843	3,920,074	163,074,966	1,678,167,418	4,391,210,643
2017	732,123,967	725,939,770	2,379,091	165,249,684	1,625,692,512	4,434,183,806

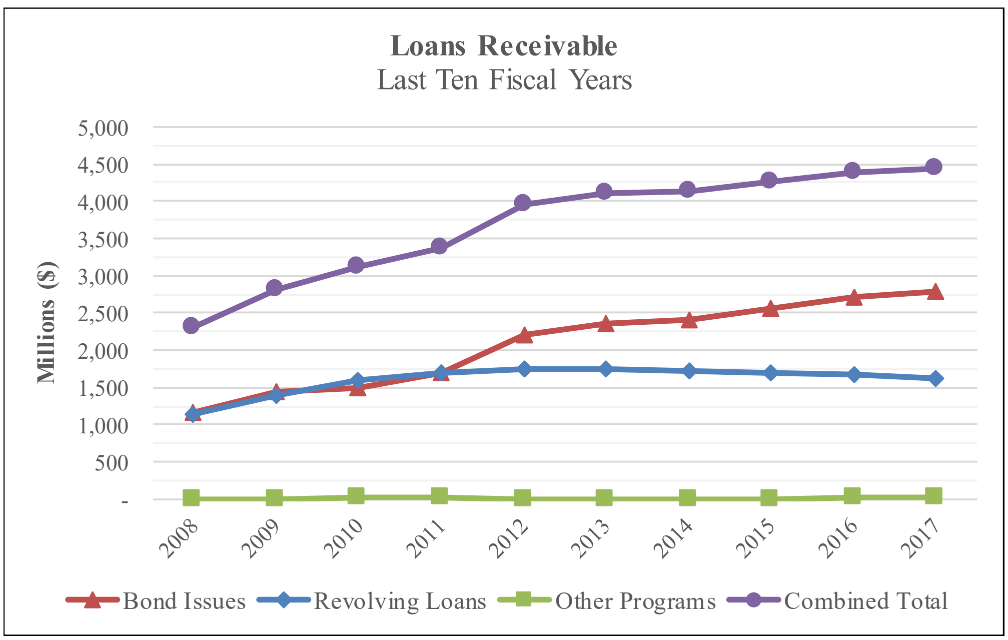


Table 6 – Outstanding Debt, Last Ten Fiscal Years

Fiscal Year	Total Outstanding Revenue Bonds	Unamortized Discounts / Premiums (1)	Net Bonds Payable	Outstanding Bonds Secured by the Moral Obligation of the Commonwealth	Commonwealth Limit on Moral Obligation Debt	Remaining Capacity for Moral Obligation Debt	Revenue Bonds per Capita (2)
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
2017	3,347,331,162	303,590,898	3,650,922,060	928,088,162	1,500,000,000	571,911,838	397.93

(1) The Authority adopted GASB 65 in FY2013, which treated all cost of issuance amounts as expensed in the year incurred. For this table, FY2012 and prior amounts in the Unamortized Discount/Premium column include the cost of issuance.
(2) Population for the proceeding calendar year (*Source: Table 8)*

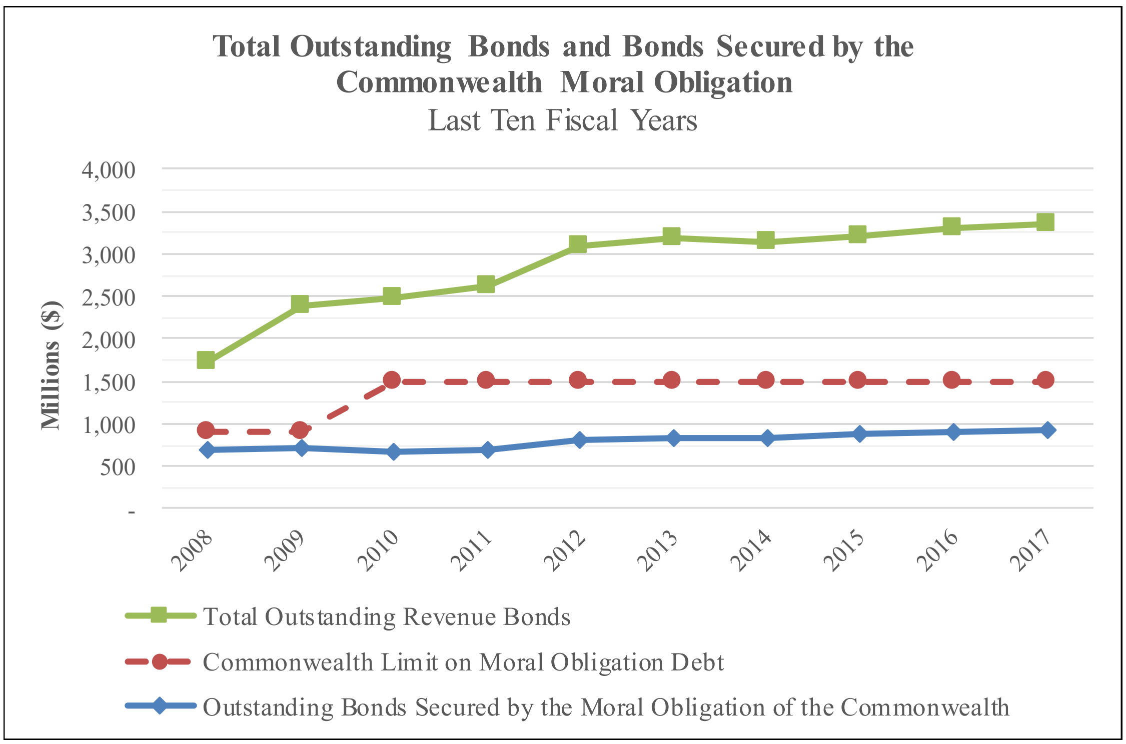


Table 7 – Virginia Principal Employers, Current and Ten Years Ago

Employer (1)	Fiscal Year 2017 (1) Ranking	Fiscal Year 2008 (1) Ranking
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Sentara Health Care	4	7
Huntington Ingalls Industries, Inc.	5	5
U.S. Postal Services	6	4
County of Fairfax	7	8
Food Lion	8	6
U.S. Department of Homeland Defense	9	21
HCA Virginia Health System	10	13
Inova Health System	11	10
City of Virginia Beach Schools	15	9

(1) Final quarter data for most recent calendar year (2016 and 2007).
(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 in this table have over 1,000 individuals employed.

Source: Virginia Employment Commission

Table 8 – Virginia Demographic and Economic Statistics, Current and Ten Years Ago

Fiscal Year	Population Estimate(1)	Personal Income (1)	Per Capita Income (1)	Public Primary and Secondary School Enrollment	Unemployment Rate (2)
2008	7,749,603	$ 333,166,957	$ 43,158	1,232,436	4.0%
2009	7,854,031	343,580,294	44,075	1,236,546	7.0%
2010	7,928,779	345,840,751	43,874	1,230,857	7.2%
2011	8,025,514	358,140,177	44,762	1,245,340	6.9%
2012	8,096,604	371,796,308	45,920	1,258,521	6.4%
2013	8,185,867	385,403,843	47,082	1,264,880	6.1%
2014	8,260,405	402,880,713	48,773	1,273,211	5.4%
2015	8,326,289	413,897,533	49,710	1,279,773	4.7%
2016	8,382,993	448,565,127	53,291	1,283,494	4.2%
2017	8,411,808	451,912,000	53,723	1,288,481	3.9%

(1) For the preceding calendar year
(2) Not seasonally adjusted, as revised

Sources: Population – Weldon Cooper Center for Public Service, University of Virginia
Personal Income and Per Capita Income – U.S. Bureau of Economic Analysis
Public Primary and Secondary School Enrollment – Virginia Department of Education
Unemployment Rate – U.S. Bureau of Labor Statistics

Table 9 – Operating Indicators, Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Virginia Pooled Financing Program										
Projects	16	32	35	30	40	38	20	44	39	24
Lending	$135,865,000	$451,100,000	$253,165,000	$284,180,000	$561,860,000	$318,753,736	$185,115,000	$458,215,000	$396,200,000	$321,620,000
Clean Water Revolving Loan Fund										
Projects	22	22	62	18	22	22	14	12	13	14
Closed loans	$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	$ 30,952,582
Virginia Drinking Water State Revolving Fund										
Projects	13	19	34	16	15	15	19	20	24	19
Closed loans and grants	$ 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	$ 17,157,567
Virginia Airports Revolving Fund										
Projects	1	1	-	1	3	1	-	1	-	1
Closed loans	$ 140,000	$ 633,000	$ -	$ 654,184	$ 2,239,000	$ 325,500	$ -	$ 1,612,000	$ -	$ 2,010,000
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	40
Closed grants	$ -	$ -	$ 1,002,330	$ 1,000	$ 233,519	$ 558,711	$ 996,146	$ 824,860	$ 326,916	$ 1,041,301
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund										
Projects	-	-	-	-	10	8	2	2	12	16
Closed grants	$ -	$ -	$ -	$ -	$ 199,873	$ 316,560	$ 100,000	$ 70,200	$ 445,585	$ 833,434
VirginiaSAVES Green Community Program										
Projects	-	-	-	-	-	-	-	-	2	3
Closed loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,004,595	$ 16,384,987
Total new projects	56	80	133	66	115	121	110	144	160	117
Total entities served	50	61	96	3	71	74	80	101	104	88
Total new financings	$340,041,975	$837,319,455	$640,824,153	$373,021,104	$686,783,869	$432,812,503	$353,614,866	$589,263,217	$462,918,193	$389,999,871

Table 10 – Employees (1) by Identifiable Activity, Current and Ten Years Ago

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Executive Director	1	2	2	1	1	1	1	1	1	1
Financial Services	5	-	-	4	4	4	4	4	4	4
Finance and Administration	3	4	2	5	5	5	5	5	6	5
Program Management (2)	-	2	2	2	2	1	3	3	3	3
Policy (2)	-	1	1	2	2	2	2	2	2	2
Total	9	9	7	14	14	13	15	15	16	15

(1) Permanent employees
(2) Program Management and Policy divisions were created in FY2009

COMPLIANCE SECTION

BROWNEDWARDS
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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 1, 2017.

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, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 1, 2017

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, 2017. 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 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.

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, 2017.

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 1, 2017

Virginia Resources Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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 the Commonwealth of Virginia:				
Department of Environmental Quality				
Capitalization Grants for Clean Water State Revolving Funds (VWFRF)	7/27/2015, 6/10/2016	66.458	90314, 90315	$ 18,105,087
Department of Health				
Capitalization Grants for Drinking Water State Revolving Funds (VWFRF)	8/24/2015, 9/19/2016	66.468	66145, 66155	10,044,330
Total expenditures of federal awards				$ 28,149,417

See notes to the Schedule of Expenditures of Federal Awards

Virginia Resources Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

Note 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.

Note 2 – Basis of Accounting

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

Note 3 – Loan and Grant Commitments

The Authority is obligated under outstanding commitments for undisbursed loans and grants to disburse approximately $43,355,283 from the VWFRF and $11,708,416 from the VWSRF as of June 30, 2017.

Note 4 – Relationship to Federal Financial Reports

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

Note 5 – Relationship to the Authority's Basic Financial Statements

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

	VWFRF	VWSRF	Other	Total
Revenue per Financial Statements:				
Contributions from other Governments	$ 23,427,886	$13,906,032	$ 5,445,577	$ 42,779,494
Total Governmental Revenues				
Less amounts not related to federal financial assistance	(5,322,799)	(3,861,702)	(5,445,577)	(14,630,077)
Schedule of Expenditures of Federal Awards	$ 18,105,087	$ 10,044,330	$ -	$ 28,149,417

Virginia Resources Authority
Schedule of Findings and Questioned Costs
June 30, 2017

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 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 Clean Water State Revolving Funds CFDA# 66.458
8. The threshold for distinguishing Type A and B programs was **$844,483**.
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.