VRA VIRGINIA RESOURCES AUTHORITY

Stephanie L. Hamlett
Executive Director

December 1, 2018

The Honorable Ralph S. Northam
Governor of Virginia
Patrick Henry Building, 3rd Floor
Richmond, Virginia 23219

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

Dear Governor Northam 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, 2018, is submitted pursuant to the requirements set forth in §62.1-222 of the Code of Virginia, as amended.

VRA's attached 2018 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.

The Authority was established in 1984 as an independent political subdivision of the Commonwealth to offer an additional source of funding for local infrastructure projects, particularly to provide for safe drinking water, wastewater treatment and solid waste management. Since that time, additional areas of infrastructure investment have been made eligible for financing in the enabling legislation, reflecting the evolving capital improvement priorities of local governments and the Commonwealth. Starting in FY19, there are 19 project areas eligible for infrastructure financing. With a focus on innovative financial solutions, the Authority is able to significantly reduce the cost of financing projects for borrowers. Through low-cost, custom tailored financing through the pooled bond program, and through joint administration of revolving loan programs with state agencies partners, borrowers benefit from shared expenses and a straightforward and customer-friendly loan process. This allows local governments to provide the best services while demonstrating responsible stewardship of public dollars.

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During FY18, the VRA Board and staff continued to address the financing needs and debt service requirements of counties, cities, towns and service authorities. This has included working to enhance the long-term financial health and stability of localities and the Commonwealth. VRA has been able to provide financing alternatives for infrastructure projects in fiscally distressed communities while maintaining its own credit standing and the Commonwealth's moral obligation pledge. At the same time, VRA increased the Authority's Portfolio Risk Management Reserve to provide greater credit enhancement and further protect the state's moral obligation pledge.

In FY18 VRA financed grants and loans across Virginia for 132 projects for $377 million in investment in our communities. VRA also facilitated refunding opportunities providing $12.6 million in net present value debt service savings for 10 localities through the VRA Virginia Pooled Financing Program. VRA delivers value to local governments while maintaining a strong financial position to ensure that the Authority can continue to provide financial solutions for infrastructure projects to improve the health, safety and general welfare of communities in the Commonwealth.

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

Sincerely,

Stephanie L. Hamlett
Executive Director

VRA 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, 2018

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, 2018

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

Virginia Resources Authority
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June 30, 2018

INTRODUCTORY SECTION

VRA Virginia Resources Authority

Stephanie L. Hamlett
Executive Director

October 19, 2018

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 2018 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.

The fiscal year ended June 30, 2018 was audited by CliftonLarsonAllen 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, CliftonLarsonAllen has issued an unmodified opinion on the Authority's financial statements for the year ended June 30, 2018.

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 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 2018, which ended on June 30, with positive general fund revenue growth over the last year. Preliminary figures indicate that the Commonwealth concluded fiscal year 2018 with 6.3% growth in general fund revenue collections, approximately $552 million ahead of the official forecast. Total general fund revenues were forecast to increase 3.4% in fiscal year 2018. This represents a 2.9% forecast variance from the official budget estimate, with payroll withholding and income tax collections driving the surplus.

FY2018 Accomplishments

Staff efforts along with those of state agency and private sector partners resulted in many successes and opportunities during FY2018. 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 FY2018 include:

- Maintaining outstanding credit ratings – 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 132 new loans and grants totaling $376.9 million through the Virginia Pooled Financing Program, Clean Water Revolving Loan Fund, Drinking Water State Revolving Fund, Virginia Airports Revolving Fund, Virginia Dam Safety, Flood Prevention and Protection Assistance Fund, Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund, VirginiaSAVES Green Community Program, and Virginia Tobacco Region Revolving Fund
- Facilitating refunding opportunities for net present value debt service savings of $12.6 million through the Virginia Pooled Financing Program for 10 localities
- Transferring approximately $2.0 million to the Portfolio Risk Management Reserve for FY2018 to further enhance the pooled bond program credit

Additional FY2018 accomplishments for the Authority include:

- Assisting state agency partners in successfully managing their loan and grant programs
    - Department of Environmental Quality – $115.6 million for 18 loans
    - Department of Health – $27.1 million for 24 loans/grants
    - Department of Aviation – $1.8 million for 1 loan
    - Department of Conservation & Recreation – $1.3 million for 45 grants
    - Virginia Economic Development Partnership – $1.0 million for 18 grants
    - Department of Mines, Minerals and Energy – $6.5 million for 1 loan
    - Tobacco Region Revitalization Commission – $540,000 for 1 loan
    - Commonwealth Transportation Board – 7 disbursements totaling $7.7 million
- 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 FY2017 Comprehensive Annual Financial Report (CAFR)

FY2018 Financial Results

VRA ended the fiscal year with assets and deferred outflows exceeding $5.3 billion, a 0.4% increase over the preceding year. With assets and deferred outflows exceeding liabilities and deferred inflows by $1.6 billion, VRA's net position increased 3.0%. Approximately 98.8% of total net position is restricted for making loans and grants through the various loan programs administered by VRA. Operating revenues ($139.7 million) and expenses ($141.2 million) both decreased during the fiscal year, primarily as a result of loan disbursement and repayment activity. Overall, VRA's financial position remains strong at the conclusion of fiscal year 2018.

Long-term Financial Planning

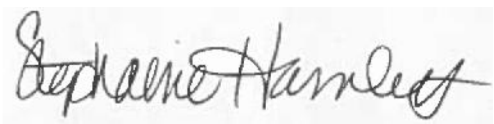
VRA works with its agency partners to project program demand. For the Virginia Water Facilities Revolving Fund, VRA utilizes a long-term financial model to determine lending capacity under various scenarios. The model is updated at least annually. Ongoing communications with agency partners helps ensure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

Acknowledgments

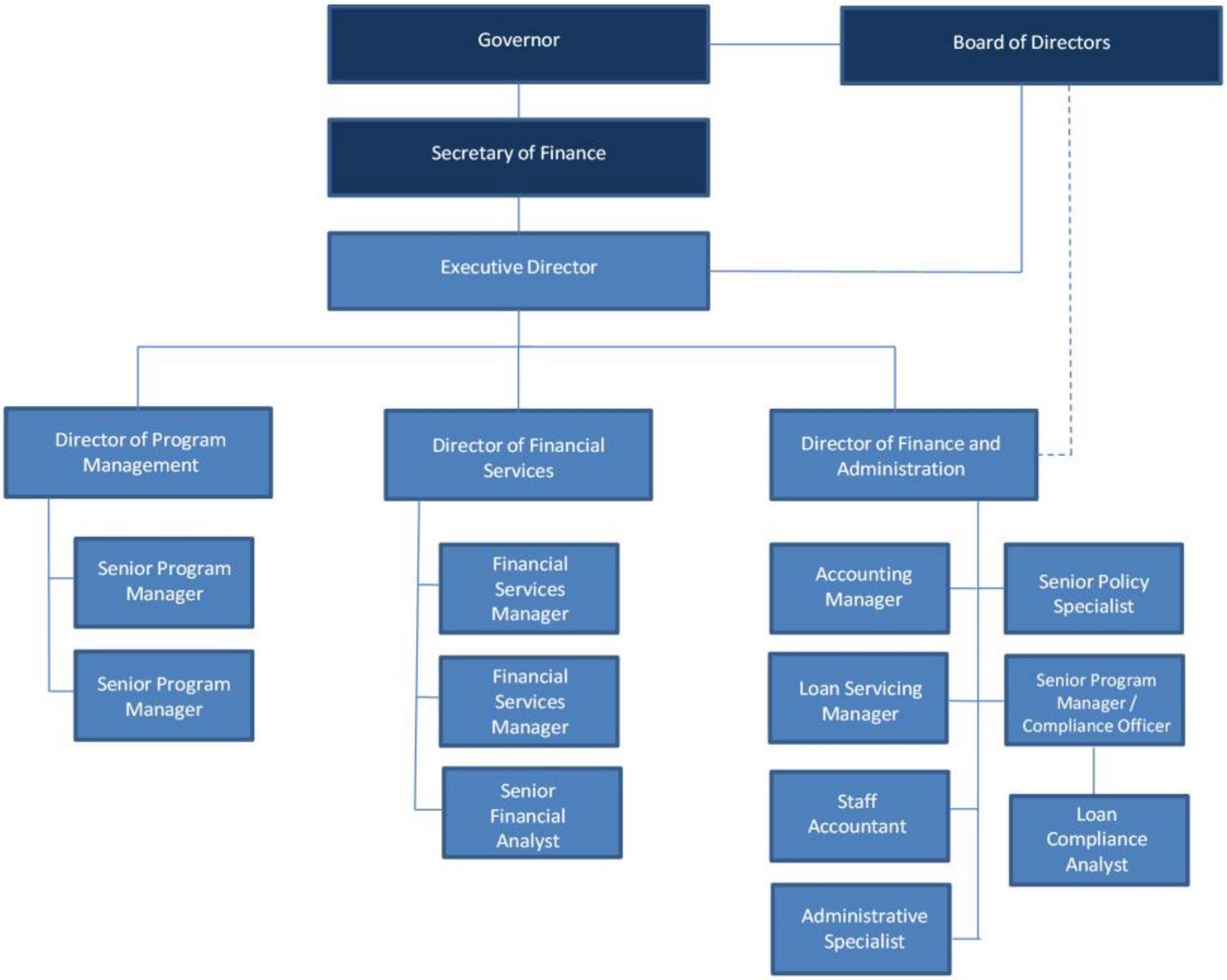
Finally, completion of the Authority's fiscal year 2018 CAFR would not have been possible without the Authority's knowledgeable and dedicated team of professionals. A special note of gratitude goes to the Authority's personnel who assisted in this effort. I would also like to extend our thanks to the 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,



Stephanie Hamlett
Executive Director

Virginia Resources Authority
Organizational Structure
June 30, 2018



Virginia Resources Authority
Directory of Principal Officials
June 30, 2018

Board of Directors

Thomas L. Hasty, III, Chairman

Cecil “Rhu” Harris, Jr., Vice-Chairman

Jennifer M. Bowles

David J. Branscome

Mary B. Bunting

Barbara McCarthy Donnellan

Reginald E. Gordon

Ex-Officio Board Members

Mark K. Flynn
Director of the Department of Aviation

David K. Paylor
Director of the Department of Environmental Quality

Manju Ganeriwala
Treasurer of Virginia

Dr. M. Norman Oliver
State Health Commissioner

Administrative Officials

Stephanie Hamlett, 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, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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, 2018, 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.

Auditors' 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 auditors' 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 Authority'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 Authority'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.

A member of Nexia International

The Honorable Members
of the Board of Directors
Virginia Resources Authority

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, 2018, and the respective 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.

Emphasis of Matter- Change in Accounting Principle

As described in Note-17 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Other Pension Employee Benefits – an amendment of GASB statement No. 45.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis other required supplementary information, as identified in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. 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 Honorable Members
of the Board of Directors
Virginia Resources Authority

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 October 19, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
October 19, 2018

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, 2018. 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 $47.7 million or 3.0%. The increase in net position is primarily due to lending and repayment activity during the fiscal year.

Operating revenues of $139.7 million decreased 1.0% primarily due to lower loan interest revenue, offset by increasing investment income. Operating expenses of $141.2 million decreased 1.3% primarily due to corresponding lower loan interest expenses, offset by increasing grant and principal forgiveness financing.

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 revolving loan programs. The following table presents a summary of the Authority's financial position for fiscal years 2018 and 2017, followed by a description of significant changes (in thousands):

	FY2018	FY2017	$ Change	% Change
Assets				
Cash and cash equivalents	$ 245,055	$ 199,914	$ 45,141	22.6%
Investments - current	55,765	56,460	(695)	-1.2%
Loans receivable - current	283,058	287,018	(3,960)	-1.4%
Other current assets	30,883	31,958	(1,075)	-3.4%
Investments - noncurrent	503,737	484,737	19,000	3.9%
Loans receivable - noncurrent	4,119,577	4,147,165	(27,588)	-0.7%
Capital assets, net	63	103	(40)	-38.8%
Other noncurrent assets	404	198	206	104.0%
Total assets	5,238,542	5,207,553	30,989	0.6%
Deferred outflows of resources	73,043	82,054	(9,011)	-11.0%
Total assets and deferred outflows of resources	$ 5,311,585	$ 5,289,607	$ 21,978	0.4%
Liabilities				
Loan and bonds payable - current	$ 216,214	$ 221,525	$ (5,311)	-2.4%
Accrued interest	27,261	27,558	(297)	-1.1%
Other current liabilities	3,749	7,103	(3,354)	-47.2%
Loan and bonds payable - noncurrent	3,413,917	3,429,450	(15,533)	-0.5%
Noncurrent liabilities	293	110	183	166.4%
Total liabilities	3,661,434	3,685,746	(24,312)	-0.7%
Deferred inflows of resources	34,982	36,417	(1,435)	-3.9%
Net position				
Investment in capital assets	63	103	(40)	-38.8%
Restricted	1,596,300	1,550,424	45,876	3.0%
Unrestricted	18,806	16,917	1,889	11.2%
Total net position	1,615,169	1,567,444	47,725	3.0%
Total liabilities, deferred inflows of resources, and net position	$ 5,311,585	$ 5,289,607	$ 21,978	0.4%

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

Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* in fiscal year 2018. A restatement to record the effects of the new reporting guidance decreased ending net position by $120,774 as of June 30, 2017. See Notes 11, 12, and 16 for additional information.

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 2018 and 2017, followed by a description of significant changes (in thousands):

	FY2018	FY2017	$ Change	% Change
Operating Revenues				
Interest on loans	$ 114,479	$ 118,894	$ (4,415)	-3.7%
Investment income	16,883	13,021	3,862	29.7%
Bond administration fees	3,218	2,755	463	16.8%
Loan administration fees	2,209	2,155	54	2.5%
Loan originiation revenue	2,735	4,054	(1,319)	-32.5%
Gain on early extinguishment of loans	164	127	37	29.1%
Other income	25	57	(32)	-56.1%
Total operating revenues	139,713	141,063	(1,350)	-1.0%
Operating Expenses				
Interest on bonds and loans	122,995	127,518	(4,523)	-3.5%
Bond issuance costs	2,302	2,849	(547)	-19.2%
Grants to local governments	11,126	8,475	2,651	31.3%
Principal forgiveness loans to local governments	1,783	667	1,116	167.3%
Loss on early extinguishment of bonds	168	127	41	32.3%
Personnel services	1,677	1,622	55	3.4%
General operating	690	1,257	(567)	-45.1%
Contractual services	444	463	(19)	-4.1%
Total operating expenses	141,185	142,978	(1,793)	-1.3%
Operating loss	(1,472)	(1,915)	443	-23.1%
Nonoperating revenues				
Contributions from other governments	49,662	42,779	6,883	16.1%
Federal interest subisidy	2,629	2,624	5	0.2%
Total nonoperating revenue	52,291	45,403	6,888	15.2%
Nonoperating expenses				
Contributions to other governments	421	641	(220)	-34.3%
Federal interest subisidy passthrough	2,552	2,547	5	0.2%
Total nonoperating expense	2,973	3,188	(215)	-6.7%
Change in net position	47,846	40,300	7,546	18.7%
Beginning net position	1,567,444	1,527,144	40,300	2.6%
Restatement, change in accounting principle	(121)	-	(121)	-
Ending net position	$1,615,169	$1,567,444	$ 47,725	3.0%

At the end of fiscal year 2018, net position increased 3.0% to $1.6 billion. Operating revenues decreased 1.0% primarily due to lower loan interest revenue in the Virginia Water Facilities Revolving Fund (VWFRF) and Virginia Pooled Financing Program (VPFP), as well as lower loan origination revenue in the VPFP. The revenue decrease was offset by increasing investment income. Operating expenses decreased 1.3% primarily due to corresponding lower bond and loan interest expense in the VWFRF and VPFP, offset by increasing grant and principal forgiveness financing, primarily in the VWFRF. The Authority typically shows an operating loss as several loan programs are supported by grant funding, which is recorded as a non-operating 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) a 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. Additional information is also available on the Authority's website at www.virginiaresources.org

Virginia Resources Authority
Statement of Net Position
June 30, 2018

Assets	
Current assets:	
Cash	$ 21,410,390
Cash equivalents (Note 3)	223,644,430
Investments (Note 3)	55,764,666
Loans receivable, net of allowance (Note 4)	283,057,654
Receivables:	
Investment interest	3,144,968
Loan interest	26,456,240
Loan administrative fees	1,213,445
Other	30,354
Other assets	38,064
Total current assets	614,760,211
Noncurrent assets:	
Investments (Note 3)	503,737,410
Loans receivable, net of allowance (Note 4)	4,119,576,950
Net pension asset (Note 10)	404,168
Capital assets, net of accumulated depreciation (Note 5)	63,451
Total noncurrent assets	4,623,781,979
Total assets	5,238,542,190
Deferred Outflows of Resources	
Deferred outflows related to pensions (Note 10)	97,429
Deferred outflows related to OPEB (Notes 11 and 12)	7,046
Deferred loss on refunding (Note 6)	72,938,301
Total deferred outflows of resources	73,042,776
Total assets and deferred outflows of resources	$ 5,311,584,966
Liabilities	
Current liabilities:	
Bonds payable, current (Note 6)	216,213,774
Accrued interest payable	27,260,984
Agency funds	2,938,687
Accounts payable and other liabilities (Note 8)	810,340
Total current liabilities	247,223,785
Noncurrent liabilities:	
Net OPEB liablity (Notes 11 and 12)	110,000
Bonds payable, net of current portion (Note 6)	3,413,916,680
Arbitrage rebate liability (Note 8)	183,640
Total noncurrent liabilities	3,414,210,320
Total liabilities	3,661,434,105
Deferred Inflows of Resources	
Deferred inflows related to pensions (Note 10)	138,864
Deferred inflows related to OPEB (Notes 11 and 12)	12,000
Deferred gain from localities on refunding (Note 6)	34,831,403
Total deferred outflows of resources	34,982,267
Total liabilities and deferred inflows of resources	3,696,416,372
Net position	
Investment in capital assets	63,451
Restricted (Note 7)	
Loan programs	1,588,501,316
Operating reserve	7,798,207
Unrestricted	18,805,620
Total net position	1,615,168,594
Total liabilities, deferred inflows of resources, and net position	$ 5,311,584,966

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, 2018

Operating revenues	
Interest on loans	$ 114,478,487
Investment income	16,883,169
Bond administrative fees	3,218,224
Loan administrative fees	2,208,795
Loan origination revenue	2,735,470
Gain on early extinguishment of loans	164,367
Other income	24,939
Total operating revenues	139,713,451
Operating expenses	
Interest on bonds and loans	122,994,971
Bond issuance costs	2,302,158
Grants to local governments	11,125,838
Principal forgiveness loans	1,783,252
Loss on early extinguishment of bonds	167,975
Personnel services	1,677,275
General operating	689,643
Contractual services	444,527
Total operating expenses	141,185,639
Operating loss	(1,472,188)
Nonoperating revenues	
Contributions from other governments (Note 9)	49,662,081
Federal interest subsidy	2,628,935
Total nonoperating revenues	52,291,016
Nonoperating expenses	
Contributions to other governments	421,041
Federal interest subsidy passthrough	2,551,863
Total nonoperating expenses	2,972,904
Change in net position	47,845,924
Net position - beginning, as restated	1,567,322,670
Net position - ending	$ 1,615,168,594

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, 2018

Cash flows from operating activities		
Loan disbursements to localities	$	(301,826,778)
Principal repayments from localities on loans		313,569,226
Interest received on loans		141,080,773
Loan origination fees received		2,735,470
Bond administrative fees received		3,216,663
Loan administrative fees received		2,173,270
Cash received from other income		23,361
Cash payments for salaries and benefits		(1,622,168)
Cash payments for general operating expenses		(681,730)
Cash payments for contractual services		(323,569)
Cash payments for operating grants		(11,125,838)
Cash payments for principal forgiveness loans		(1,783,252)
Interest paid on loans		(1,294)
Interest paid on bonds		(149,985,100)
Agency funds disbursed		(3,922,593)
Net cash used in operating activities		(8,473,559)
Cash flows from noncapital financing activities		
Proceeds from sale of bonds		258,887,428
Bond issuance costs		(2,302,158)
Principal paid on loans		(53,121)
Principal paid on bonds		(250,070,000)
Cash paid to escrow for defeased bonds		(786,495)
Proceeds from Federal interest subsidy		2,628,935
Cash payments to localities for Federal interest subsidy		(2,551,863)
Contributions from other governments		50,252,665
Contributions to other governments		(421,041)
Net cash provided by noncapital financing activities		55,584,350
Cash flows from investing activities		
Purchase of investments		(190,162,404)
Proceeds from sales or maturities of investments		169,623,816
Interest received on investments - net		18,568,451
Net cash used in investing activities		(1,970,137)
Net increase in cash and cash equivalents		45,140,654
Cash and cash equivalents - July 1		199,914,166
Cash and cash equivalents - June 30	$	245,054,820
Reconciliation to the Statement of Net Position		
Cash	$	21,410,390
Cash equivalents		223,644,430
	$	245,054,820

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, 2018

Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$	(1,472,188)
Depreciation expense		39,709
Pension expense		51,534
Current year pension contributions subsequent to the measurement date		(59,713)
OPEB expense		1,226
Current year OPEB contributions subsequent to the measurement date		(7,046)
Interest on investments		(15,571,300)
Gain on early extinguishment of loans		264,129
Loss on early extinguishment of bonds		(263,952)
Bond issuance costs		2,302,158
Interest on loans		(143)
Interest on bonds, amortization and accretion - net		(9,617,012)
Effect of changes in operating assets and liabilities:		
Loans receivable		11,703,448
Loan interest receivable		552,357
Loan administrative fee receivable		(37,086)
Other assets		222,011
Deferred charges		7,371,447
Accounts payable and other liabilities		(3,953,138)
Net cash used in operating activities	$	(8,473,559)
Schedule of non-cash activities		
Change in fair value of assets	$	2,181,015

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, the VirginiaSAVES Green Community Program, and the Virginia Tobacco Region Revolving Fund, 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.

The Virginia Tobacco Region Revolving Fund (VTRRF) was established in 2016 to create a long-term mechanism to fund revenue-generating economic revitalization projects in the tobacco region, and to recycle loan repayments to assist future projects. Funds were generally not available in the VTRRF until 2017. The Virginia Tobacco Region Revitalization Commission selects projects to be sent to VRA for credit analysis prior to a potential loan offer.

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 non-operating 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 also participates in the Commonwealth of Virginia Local Government Investment Pool (LGIP) program for public entities of the Commonwealth. This program offers two professionally managed investment portfolios: Virginia Treasury LGIP, a non-SEC registered external pool rated AAAm by Standard and Poor's, and Virginia Treasury LGIP Extended Maturity (EM), a non-SEC registered external pool rated AAAf/S1 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 and the fair value of the position in the LGIP is the same as the value of the pool shares. The LGIP EM portfolio is a diversified portfolio structured to provide an investment alternative for public entities who wish to invest monies not needed for daily liquidity. The LGIP EM portfolio targets a one-year weighted average maturity and the value of the LGIP EM shares will fluctuate with changes in the market value of the portfolio. Pursuant to Sections 2.2-4600 through 2.2-4606 of the *Code of Virginia*, the Treasury Board of the Commonwealth of Virginia is authorized to administer the LGIP program. As permitted by law, the Treasury Board has delegated administrative aspects of managing the LGIP program to the State Treasurer, subject to the regulations and guidelines established by the Treasury Board.

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 three items that qualify for reporting in this category: accounting loss on debt refunding, deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB. 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 are amortized and recognized in pension expense over various predetermined closed periods. Deferred outflows of resources related to OPEB are amortized and recognized in OPEB expense over various predetermined closed periods.

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

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 outflows of resources and 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.

Other Post-Employment Benefits, Group Life Insurance Program – The Authority participates in the VRS Group Life Insurance Program, a multiple-employer, cost-sharing plan. The Group Life Insurance Program was established pursuant to §51.1-500 of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The Group Life Insurance Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net Group Life Insurance Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance Program, and Group Life Insurance Program OPEB expense, information about the fiduciary net position of the Group Life Insurance Program OPEB and the additions to/deductions from the Group Life Insurance Program OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits, Virginia Local Disability Program - The Authority participates in the VRS Political Subdivision Employee Virginia Local Disability Program (VLDP), a multiple-employer, cost-sharing plan. For purposes of measuring the net VLDP OPEB liability, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB, and the VLDP OPEB expense, information about the fiduciary net position of the VLDP OPEB and the additions to/deductions from the VLDP OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments 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 three items that qualifies for reporting in this category: deferred gains on debt refundings, deferred inflows of resources related to pensions, and deferred inflows related to OPEB. 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. Deferred inflows of resources related to pensions are amortized and recognized in pension expense over various predetermined closed periods. Deferred inflows of resources related to OPEB are amortized and recognized in OPEB expense over various predetermined closed periods.

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 non-operating revenues and expenses – The Authority's policy is to report all revenues and expenses resulting from providing services in connection with the Authority's ongoing operations, including interest revenues from loans and investments as well as interest expense on bonds payable, as operating revenues and expenses 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 non-operating 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, 2018.

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, 2018, the Authority had the following recurring fair value measurements:

Investments by Fair Value	Fair Value	Level 1	Level 2	Level 3
Agency mortgage backed	$ 4,006,060	$ -	$ 4,006,060	$ -
Asset backed securities	30,484,718	-	30,484,718	-
Corporate bonds and notes	55,572,169	-	55,572,169	-
Municipal securities	4,647,527	-	4,647,527	-
Negotiable certificates of deposit	14,295,041	-	14,295,041	-
U.S. Agency securities	48,837,752	-	48,837,752	-
U.S. Treasury securities	357,150,882	-	357,150,882	-
	$ 514,994,149	$ -	$ 514,994,149	$ -
Investments Using Other Measurements				
Guaranteed investment contracts	38,481,987			
LGIP	212,660,098			
LGIP extended maturity portfolio	6,025,980			
Money market funds – Government	10,984,292			
	268,152,357			
Total investments	$ 783,146,506			

Reconciliation to Statement of Net Position	
Cash equivalents	$ 223,644,430
Investments – current	55,764,666
Investments – noncurrent	503,737,410
	$ 783,146,506

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 (LGIP) and LGIP extended maturity portfolio 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 LGIP and LGIP extended maturity portfolio.

As of June 30, 2018, 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	$ 4,006,060	$ 288,581	$3,712,573	$ 1,967	$ 2,939
Asset backed securities	30,484,718	358,942	30,125,776	-	-
Corporate bonds and notes	55,572,169	7,038,025	48,534,144	-	-
Municipal securities	4,647,527	1,998,845	2,648,682	-	-
Negotiable certificates of deposit	14,295,041	4,430,687	9,864,354	-	-
U.S. Agency securities	48,837,752	5,461,399	43,376,353	-	-
U.S. Treasury securities	357,150,882	33,832,240	106,959,890	63,812,692	152,546,060
Guaranteed investment contracts	38,481,987	2,355,988	15,812,152	14,522,880	5,790,967
LGIP	212,660,098	212,660,098	-	-	-
LGIP extended maturity portfolio	6,025,980	-	6,025,980	-	-
Money market funds–Government	10,984,292	10,984,292	-	-	-
	$783,146,506	$279,409,097	$267,059,904	$78,337,539	$158,339,966

Reconciliation to Statement of Net Position	
Cash equivalents	$223,644,430
Investments – current	55,764,666
Investments – noncurrent	503,737,410
	$783,146,506

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. Municipal obligations, 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 and "AA" by S&P. Corporate notes and bonds maturing in less than five years must have no less than a "A" rating by two rating agencies, one of which must be either Moody's or 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, 2018, the Authority had the following cash equivalent and investments:

Investment Type	Fair Value	S&P Rating	Percent of Portfolio
Agency mortgage backed	$ 4,006,060	AA+	0.5%
Asset backed securities	30,484,718	AAA	3.9%
Corporate bonds and notes	3,453,017	A	0.4%
Corporate bonds and notes	8,312,474	A+	1.1%
Corporate bonds and notes	9,959,368	A-	1.3%
Corporate bonds and notes	8,019,540	AA+	1.0%
Corporate bonds and notes	4,711,080	AA	0.6%
Corporate bonds and notes	14,797,871	AA-	1.9%
Corporate bonds and notes	3,860,105	AAA	0.5%
Corporate bonds and notes	2,458,714	BBB+	0.3%
Municipal securities	1,998,845	A	0.3%
Municipal securities	2,648,682	AA-	0.3%
Guaranteed investment contracts	38,481,987	See below	4.9%
LGIP	212,660,098	AAAm	27.2%
LGIP extended maturity portfolio	6,025,980	AAAf/S1	0.8%
Money market funds – Government	10,984,292	AAAm	1.1%
Negotiable certificates of deposit	4,430,687	A-1+	0.6%
Negotiable certificates of deposit	9,864,354	AA-	1.3%
U.S. Agency securities	48,837,752	AA+	6.3%
U.S. Treasury securities	357,150,882	AA+	45.7%
	$ 783,146,506		100%

The guaranteed investment contracts (GICs) that comprise 4.9% 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	$ 1,347,196	Baa1*	0.2%
FSA / Assured Guaranty	37,134,791	A3*	4.7%
	$ 38,481,987		4.9%

*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 to control the 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	$ 4,006,060	0.8%	25%
Asset backed securities	30,484,718	6.4%	25%
Corporate bonds and notes	55,572,169	11.6%	25%
Municipal securities	4,647,527	1.0%	25%
Negotiable certificates of deposit	14,295,041	3.0%	10%
U.S. Agency securities	48,837,752	10.2%	100%
U.S. Treasury securities	100,362,136	21.0%	100%
LGIP	212,660,098	44.5%	100%
LGIP extended maturity portfolio	6,025,980	1.3%	100%
Money market funds – Government	540,224	0.1%	100%
	$ 477,431,705	100.0%	

Reconciliation to Total Cash Equivalents and Investments

General and Program Funds	$ 477,431,705
Bond Funds*	305,714,801
	$ 783,146,506

*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 an 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 3% 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 and LGIP extended maturity portfolios, (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, 2018, 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	$ 4,006,060	$ 288,581	$ 3,712,573	$ 1,967	$ 2,939
Asset backed securities	30,484,718	358,942	30,125,776	-	-
Corporate bonds and notes	55,572,169	7,038,025	48,534,144	-	-
Municipal securities	4,647,527	1,998,845	2,648,682	-	-
Negotiable certificates of deposit	14,295,041	4,430,687	9,864,354	-	-
U.S. Agency securities	48,837,752	5,461,399	43,376,353	-	-
U.S. Treasury securities	100,362,136	4,013,204	96,348,932	-	-
LGIP	212,660,098	212,660,098	-	-	-
LGIP extended maturity portfolio	6,025,980	-	6,025,980	-	-
Money market funds-Government	540,224	540,224	-	-	-
	$477,431,705	$236,790,005	$240,636,794	$ 1,967	$ 2,939
Average maturity of investments	219 days				

The General Account includes $4,906 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	$ 38,481,987	$ 2,355,988	$ 15,812,152	$14,522,880	$ 5,790,967
Money market funds-Government	10,444,068	10,444,068	-	-	-
U.S. Treasury securities	256,788,746	29,819,036	10,610,958	63,812,692	152,546,060
	$305,714,801	$ 42,619,092	$ 26,423,110	$78,335,572	$158,337,027
Average maturity of investments	2,729 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, 2018 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, 2018, all of the Authority's investments were held by 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, VTRRF, and VGCP. 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, 2018:

Loan receivables related to bond issues:	
VPFP	$ 2,560,058,692
VWFRF – Leveraged	659,660,119
VARF	33,550,896
Unamortized discounts/premiums, net	224,221,552
Subtotal, bond issues	3,477,491,259
Loan receivables related to revolving loan funds:	
VWFRF	720,275,558
VWFRF – AgBMP	2,195,062
VWSRF	168,294,548
VTRRF	540,000
Subtotal, revolving loan funds	891,305,168
Other loan receivables:	
General Fund PRM Reserve	780,000
VGCP	33,597,177
Subtotal, other loan receivables	34,377,177
Total loans receivable	4,403,173,604
Less: allowance for loan losses – AgBMP	(539,000)
Total loans receivable, net of allowance	$ 4,402,634,604
Loans receivable – current	$ 283,057,654
Loans receivable – noncurrent	4,119,576,950
Total loans receivable, net of allowance	$ 4,402,634,604

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 FY2019 to FY2048.

The Authority also has outstanding loans to various localities and other governmental entities in the Commonwealth of Virginia from the VWFRF, VWSRF, VARF, VTRRF, and VGCP. These loans range in final maturity from FY2019 to FY2049 and accrue interest at various rates ranging from 0% to 5.15%.

As of June 30, 2018, the Authority is also obligated under outstanding commitment letters and undisbursed loans and grants to disburse approximately:

Type	VWFRF	VWSRF	VARF	VDSFPF	VBAF	VTRRF	Total
Committed (loan or grant closed)	$170,904,510	$15,210,288	$1,586,285	$2,037,378	$215,222	$ -	$189,953,683
Commitment letter only (loan or grant not closed)	4,076,567	47,284,489	-	-	-	1,100,000	52,461,056
Total	$174,981,077	$62,494,777	$1,586,285	$2,037,378	$215,222	$1,100,000	$242,414,739

There were no outstanding loans or loan commitments related to the ETF program at June 30, 2018.

As of June 30, 2018, 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 $539,000. 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.

Note 5 – Capital Assets

Capital asset activity for the year ending June 30, 2018 was as follows:

	June 30, 2017	Additions	Disposals	June 30, 2018
Office equipment	$ 212,269	$ -	$ -	$ 212,269
Less accumulated depreciation	(109,109)	(39,709)	-	(148,818)
Total capital assets, net	$ 103,160	$ (39,709)	$ -	$ 63,451

Depreciation expense was $39,709 for the year ended June 30, 2018.

Note 6 – Bonds Payable

The Authority had the following bonds outstanding as of June 30, 2018:

Description	Original Amount	Amount Outstanding
Virginia Pooled Financing Program Revenue Bonds		
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 $16,930,251 accretion for capital appreciation bonds; $5,623,192 of the bonds defeased in 2012	27,537,167	30,598,914
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	440,000
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	30,000
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; $545,000 of the bonds defeased in 2018	22,055,000	825,000
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; $235,000 of the bonds defeased in 2018	9,485,000	330,000
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	255,000
Series 2005C Subordinate (Non-AMT), dated December 7, 2005, interest rates ranging from 4.00% to 4.75%, final due date November 1, 2035; $595,000 of the bonds defeased in 2011; $4,260,000 of the bonds were defeased in 2012; $910,000 of the bonds were defeased in 2013; $2,375,000 of the bonds were defeased in 2014	16,365,000	100,000
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	300,000

Description	Original Amount	Amount Outstanding
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; $1,145,000 of the bonds defeased in 2018	25,825,000	125,000
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	295,000
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; $1,445,000 of the bonds defeased in 2018	18,410,000	125,000
Series 2008A Senior (Non-AMT), dated June 6, 2008, interest rates ranging from 3.00% to 5.00%, final due date November 1, 2038	48,890,000	5,805,000
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	4,150,000
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	25,010,000
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	15,990,000
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	22,185,000
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	19,550,000
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	11,025,000
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	10,810,000

Description	Original Amount	Amount Outstanding
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	19,685,000
Series 2009B Infrastructure Revenue Bonds (Taxable - Build America Bonds), dated November 19, 2009, interest rates ranging from 4.97 to 5.70%, final due date November 1, 2039; $2,260,000 of the bonds defeased in 2014	45,180,000	42,920,000
Series 2009B State Moral Obligation (Tax-Exempt), dated November 19, 2009, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2030; $410,000 of the bonds defeased in 2014; $5,985,000 of the bonds defeased in 2015	38,190,000	11,430,000
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; $9,345,000 of the bonds defeased in 2018	50,470,000	16,020,000
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; $3,895,000 of the bonds defeased in 2018	23,170,000	8,635,000
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	2,100,000
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	1,705,000
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; $3,715,000 of the bonds defeased in 2018	59,635,000	29,425,000
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

Description	Original Amount	Amount Outstanding
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; $1,565,000 of the bonds defeased in 2018	26,395,000	16,250,000
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	23,465,000
Series 2011A Infrastructure Revenue Bonds (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2041; $1,805,000 of the bonds defeased in 2014; $1,375,000 of the bonds defeased in 2016	50,795,000	33,055,000
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	5,085,000
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	14,030,000
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	2,195,000
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; $19,855,000 of the bonds defeased in 2018	129,660,000	62,370,000
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; $3,945,000 of the bonds defeased in 2018	55,635,000	31,660,000
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

Description	Original Amount	Amount Outstanding
Series 2012A Infrastructure Revenue Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042; $3,740,000 of the bonds defeased in 2018	205,405,000	135,250,000
Series 2012A State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042; $2,905,000 of the bonds defeased in 2018	92,735,000	66,830,000
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	30,320,000
Series 2012A-1 State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2042	14,365,000	13,780,000
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	33,660,000
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	1,995,000
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	16,010,000
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	830,000
Series 2012 Capital Appreciation Bonds (Tax-Exempt), dated November 15, 2012, final due date November 1, 2036. Amount outstanding includes $4,361,042 accretion for capital appreciation bonds	19,303,736	23,664,778
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	26,160,000

Description	Original Amount	Amount Outstanding
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	12,020,000
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
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	80,495,000
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	36,885,000
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	37,285,000
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	16,140,000
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	9,470,000
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	3,190,000
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	4,575,000
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	1,485,000
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	62,650,000

Description	Original Amount	Amount Outstanding
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	28,365,000
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	87,210,000
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	39,795,000
Series 2014C Infrastructure Revenue Bonds (Non-AMT), dated November 19, 2014, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2038, $3,495,000 of the bonds defeased in 2018	103,595,000	92,295,000
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	3,785,000
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, $1,600,000 of the bonds defeased in 2018	45,870,000	40,935,000
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; $270,000 of the bonds defeased in 2018	1,730,000	1,635,000
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	22,840,000
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	10,865,000
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; $580,000 of the bonds defeased in 2018	83,775,000	78,810,000
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	7,770,000
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	33,075,000

Description	Original Amount	Amount Outstanding
Series 2015A State Moral Obligation Bonds (Taxable), dated May 28, 2015, interest rates ranging from 0.68 to 4.69%, final due date November 1, 2035	5,225,000	3,815,000
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	40,435,000
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	5,590,000
Series 2015B State Moral Obligation (Tax-Exempt), dated November 18, 2015, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2035	18,505,000	17,785,000
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	2,685,000
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	21,525,000
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	9,695,000
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	103,450,000
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	3,795,000
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	50,275,000
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	2,135,000
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	86,050,000

Description	Original Amount	Amount Outstanding
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	45,415,000
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	31,540,000
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	2,120,000
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	15,800,000
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	1,130,000
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	144,905,000
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	66,275,000
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	42,440,000
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	18,895,000
Series 2017B Infrastructure Revenue Bonds (Taxable), dated August 16, 2017, interest rates ranging from 1.625 to 3.875%, final due date November 1, 2037	27,675,000	27,370,000
Series 2017B Infrastructure Revenue Bonds (Tax-Exempt), dated August 16, 2017, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2041	2,655,000	2,655,000
Series 2017B State Moral Obligation Bonds (Taxable), dated August 16, 2017, interest rates ranging from 1.625 to 4.05%, final due date November 1, 2037	1,215,000	1,215,000

Description	Original Amount	Amount Outstanding
Series 2017B State Moral Obligation Bonds (Tax-Exempt), dated August 16, 2017, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2037	7,620,000	7,480,000
Series 2017C Infrastructure Revenue Bonds, dated November 15, 2017, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2044	56,630,000	56,630,000
Series 2017C State Moral Obligation Bonds, dated November 15, 2017, interest rates ranging from 2.00 to 5.00%, final due date November 1, 2044	30,315,000	30,315,000
Series 2018A Infrastructure Revenue Bonds (Taxable), dated May 23, 2018, interest rates ranging from 2.125 to 5.00%, final due date November 1, 2047	2,510,000	2,510,000
Series 2018A Infrastructure Revenue Bonds (Tax-Exempt), dated May 23, 2018, interest rates ranging from 3.125 to 5.00%, final due date November 1, 2047	70,385,000	70,385,000
Series 2018A State Moral Obligation Bonds (Taxable), dated May 23, 2018, interest rates ranging from 2.275 to 4.17%, final due date November 1, 2047	1,160,000	1,160,000
Series 2018A State Moral Obligation Bonds (Tax-Exempt), dated May 23, 2018, interest rates ranging from 3.00 to 5.00%, final due date November 1, 2047	32,275,000	32,275,000
Total Virginia Pooled Financing Program Revenue Bonds	$3,851,920,903	$2,629,273,692
Airport Revolving Fund Revenue Bonds		
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	3,415,000
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	10,750,000
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	10,625,000
Total Airport Revolving Fund Revenue Bonds	$ 38,575,000	$ 24,790,000

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	$ 59,180,000
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	7,760,000
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	15,740,000
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	50,740,000
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	12,485,000
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	30,600,000
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	178,655,000
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	76,260,000
Total Virginia Water Facilities Revolving Loan Fund Leveraged	$1,253,200,000	$ 649,920,000
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	2,879,073
Warren County 2016, dated February 24, 2016, interest rate of 4.10%, final due date August 15, 2036	8,691,000	8,464,000
Fluvanna County 2017, dated February 21, 2017, interest rate of 3.88%, final due date August 1, 2032	7,653,740	7,417,740
Caroline County 2017, dated March 17, 2017, interest rate of 2.95%, final due date June 1, 2032	3,142,769	2,974,288

Description	Original Amount	Amount Outstanding
Russell County ,2017, dated April 19, 2017, interest rate of 4.60%, final due date October 1, 2036	5,588,478	5,349,932
Botetourt County 2017, dated July 5, 2017, interest rate of 3.75%, final due date August 15, 2032	6,512,144	6,512,144
Total VirginiaSAVES Green Community Program Bonds	$ 34,901,726	$ 33,597,177

Total Bonds Outstanding	$3,337,580,869
Unamortized discounts/premiums, net	292,549,585
Total bonds, net	$3,630,130,454
Total bonds, net – current portion	$ 216,213,774
Total bonds, net – noncurrent portion	3,413,916,680
Total bond, net	$3,630,130,454

Activity in the bonds payable and related accounts for fiscal year 2018 was as follows:

	June 30, 2017	Issued	Retired	June 30, 2018	Due within One Year
Total bonds outstanding	$3,347,331,162	$238,952,144	$(248,702,437)	$3,337,580,869	$182,141,743
Unamortized discounts/ premiums	303,590,898	26,447,428	(37,488,741)	292,549,585	34,072,031
	$3,650,922,060	$265,399,572	$(286,191,178)	$3,630,130,454	$216,213,774

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, 2018, $927,833,692 of the outstanding bonds were secured by the moral obligation of the Commonwealth.

At June 30, 2018, the Series 2002 Revenue Bonds and Series 2012 Revenue Bonds include capital appreciation bonds with unaccreted values of $27,576,308.

Advanced Refundings

During the current year, the Authority issued Virginia Pooled Financing Program Revenue Bonds, Series 2017B, Series 2017C, and Series 2018A, 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
2004B Series	$ 1,230,000	$ 319,437	$ 235,599
2006A Series	1,145,000	297,362	219,318
2006B Series	575,000	149,330	110,138
2006C Series	1,070,000	428,658	132,757
2007A Series	825,000	214,257	158,024
2007B Series	1,445,000	375,274	276,781
2010A Series	13,240,000	1,851,818	1,413,619
2010C Series	5,280,000	680,329	543,588
2011B Series	23,800,000	3,294,568	2,350,669
	$ 48,610,000	$ 7,611,033	$ 5,440,493

The amount outstanding at June 30, 2018 for bonds that have been in-substance defeased was $540,755,006. In addition to the refundings noted above, this includes bonds that were in-substance defeased during the current and prior years: Series 2002, CWSRF 2004, Series 2008A, Series 2008B, Series 2009A, Series 2009B, Series 2010A, Series 2010B, Series 2010C, Series 2011A, Series 2011B, Series 2012A, Series 2012C, and Series 2014C.

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

June 30,	Principal	Interest	Total
2019	$ 182,141,743	$ 141,202,669	$ 323,344,412
2020	184,861,531	133,413,930	318,275,461
2021	191,803,621	124,921,012	316,724,633
2022	190,967,050	116,264,767	307,231,817
2023	191,434,860	107,464,901	298,899,761
2024-2028	933,835,157	408,962,527	1,342,797,684
2029-2033	765,090,176	218,875,928	983,966,104
2034-2038	430,383,039	98,889,701	529,272,740
2039-2043	245,040,000	31,477,748	276,517,748
2044-2048	49,600,000	3,359,570	52,959,570
	$ 3,365,157,177	$ 1,384,832,753	$ 4,749,989,930

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, 2018 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to $7,798,207.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2018 consisted of:

	Current	Noncurrent	Total
Arbitrage rebate liability	$ -	$ 183,640	$ 183,640
Accounts payable and other liabilities	810,340	-	810,340
	$ 810,340	$ 183,640	$ 993,980

Accounts payable and other liabilities includes an accrued liability for compensated absences of $107,107.

Note 9 – Contributions from Other Governments

During the fiscal year, the Authority received $31,066,033 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 $6,223,076 from the Commonwealth as part of the required state match of federal funds.

In addition, the Authority received the following funds from the Commonwealth: $6,562,866 for the VWFRF's combined sewer overflow projects; $1,079,738 for VDSFPF; $3,090,368 for VBAF; and $1,640,000 for VTRRF.

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 different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out below:

VRS Plan 1
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, and they have not taken a refund.

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.

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.

VRS Hybrid Retirement Plan

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.

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

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

Inactive members or their beneficiaries currently receiving benefits	0
Inactive members:	
Vested inactive members	4
Non-vested inactive members	5
Inactive members elsewhere in VRS	5
Total inactive members	14
Active members	16
Total covered employees	30

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, 2018 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 $59,713 and $62,039 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net Pension Liability
The Authority's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Methods and Assumptions
The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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: 15% of deaths are assumed to be service related

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90
- Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: update to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: lowered rates
- Salary scale: no change
- Line of Duty Disability: increase rate from 14% to 15%

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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
Expected arithmetic nominal return*			7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take in account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, 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, 2019, 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, 2019 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, 2016	$ 1,381,814	$ 1,578,400	$ (196,586)
Changes for the year:			
Service cost	164,504	-	164,504
Interest	96,398	-	96,398
Changes of assumptions	(96,698)		(96,698)
Difference between expected and actual experience	(39,168)	-	(39,168)
Contributions – employer	-	60,777	(60,777)
Contributions – employee	-	71,356	(71,356)
Net investment income	-	202,035	(202,035)
Benefit payments, including refunds	(9,413)	(9,413)	-
Administrative expenses	-	(1,026)	1,026
Other changes	-	(524)	524
Net change	115,623	323,205	(207,582)
Balance at June 30, 2017	$ 1,497,437	$ 1,901,605	$ (404,168)

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)	$ (130,689)	$ (404,168)	$ (620,402)

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

For the year ended June 30, 2018, the Authority recognized pension expense of $51,534. At June 30, 2018, 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	$ 37,716	$ 31,255
Changes of assumptions	-	77,163
Net difference between projected and actual earnings on plan investments	-	30,446
Employer contributions subsequent to the measurement date	59,713	-
	$ 97,429	$ 138,864

Deferred outflows of resources of $59,713 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,

2019. Other amounts reported as deferred outflows of resources related to pensions and amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	$ (26,096)
2020	(7,711)
2021	(25,233)
2022	(42,108)
2023	-
Thereafter	-
	$ (101,148)

Pension Plan Data

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

Note 11 – Other Post-Employment Benefits – Group Life Insurance Program

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System ("System") along with pensions and other OPEB plans for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage, and benefits is set out below:

Eligible Employees

The Group Life Insurance Program was established July 1, 1960 for state employees, teachers and employees of political subdivisions that elect the program. Basic group life insurance is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contribution and accrued interest.

Benefit Amounts

The benefits payable under the Group Life Insurance Program have several components:

- Natural Death Benefit: Equal to the employee's covered compensation rounded to the next highest thousand, then doubled.
- Accidental Death Benefit: Double the natural death benefit.
- Other Benefit Provisions: In addition to the natural and accidental death benefits, the program provides additional benefits under specific circumstances, including the accidental dismember benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option.

Reduction in Benefit Amounts

The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)

For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at $8,000 by statue. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently $8,111.

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 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. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation; this was allocated into an employee and employer component using a 60/40 split, resulting in the employee component of 0.79% and the employer component of 0.52%. Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution.

Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program for the Authority were $6,774 and $7,010 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (in thousands):

Total OPEB liability	$ 2,942,426
Plan Fiduciary Net Positon	1,437,586
Employers' Net OPEB Liability	$ 1,504,840
Plan Fiduciary Net Positon as a percentage of the Total OPEB liability	48.86%

The total OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

At June 30, 2018, the Authority reported a liability of $110,000 for its proportionate share of the NOL. The NOL was measured as of June 30, 2017 and the total Group Life Insurance OPEB liability used to calculate the NOL was determined by an actuarial valuation as of that date. The Authority's proportion of the NOL was based on the Authority's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Authority's proportion was 0.00731% as compared to 0.00730% at June 30, 2016.

Actuarial Assumptions

The total Group Life insurance OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation	
General state employees	3.5-5.35%
Teachers	3.5-5.95%
SPORS employees	3.5-4.75%
VaLORS employees	3.5-4.75%
JRS employees	4.5%
Locality – General employees	3.5-5.35%
Locality – Hazardous Duty employees	3.5-4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

Mortality rates – General State Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 25%

Mortality rates – Teachers

- Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020

- Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75-90
- Post-Disablement: RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: adjusted rates to better match experience
- Salary scale: no change

<u>Mortality rates – SPORS Employees</u>

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% males

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: increased age 50 rates and lowered rates at older ages
- Withdrawal rates: adjusted rates to better fit experience
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: increased rate from 60% to 85%

<u>Mortality rates – VaLORS Employees</u>

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% males

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: increased age 50 rates and lowered rates at older ages
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: decreased rate from 50% to 35%

<u>Mortality rates – JRS Employees</u>

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: decreased rates at first retirement eligibility
- Withdrawal rates: no change
- Disability rates: removed disability rates
- Salary scale: no change

<u>Mortality rates – Largest Ten Locality Employers – General Employees</u>

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement age from 70 to 75

- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers – General Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement age from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 15%

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered retirement rates at older ages
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: increased disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: increased age 50 rates and lowered rates at older ages
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: decreased rate from 60% to 45%

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
Expected arithmetic nominal return*			7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take in account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate
The discount rate used to measure the total Group Life Insurance OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the Authority for the Group Life Insurance OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Group Life Insurance OPEB'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 Group Life Insurance OPEB liability.

Sensitivity of the Authority's Proportionate Share of the Net Group Life Insurance OPEB Liability to Changes in the Discount Rate
The following presents the Authority's proportionate share of the net Group Life Insurance OPEB liability using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net Group Life Insurance OPEB 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%)
Proportionate share of the net Group Life Insurance OPEB liability	$ 142,000	$ 110,000	$ 84,000

Group Life Insurance OPEB Expense and Deferred Outflows/Inflows of Resources Related to the Group Life Insurance Program
For the year ended June 30, 2018, the Authority recognized Group Life Insurance OPEB expense of $1,010. Since there was a change in proportionate share between measurement dates, a portion of the Group Life Insurance OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Group Life Insurance OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,000
Net difference between projected and actual earnings on plan investments	-	4,000
Change in assumptions	-	6,000
Changes in proportion	-	-
Employer contributions subsequent to the measurement date	6,774	-
	$ 6,774	$ 12,000

Deferred outflows of resources of $6,774 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Group Life Insurance OPEB Liability in the year ended June 30, 2019.

Amounts reported as deferred inflows of resources related to the Group Life Insurance OPEB will be recognized in the Group Life Insurance OPEB expense as follows:

Year Ended June 30,	
2019	$ (3,000)
2020	(3,000)
2021	(3,000)
2022	(3,000)
2023	-
Thereafter	-
	$ (12,000)

Group Life Insurance Plan Data
Information about the Group Life Insurance Program's Fiduciary Net Position is available in the separately issued VRS Comprehensive Annual Financial Report at http://www.varetire.org/Publications, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 12 – Other Post-Employment Benefits – Virginia Local Disability Program

Plan Description
All full-time, salaried permanent employees of the Authority who are in the VRS Hybrid Retirement Plan benefit structure are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program ("VLDP") upon employment. This plan is administered by the Virginia Retirement System ("System") along with pensions and other OPEB plans for public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the *Code of Virginia*, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

The specific information for the VLDP, including eligibility, coverage, and benefits is set out below:

Eligible Employees
The VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment.

Benefit Amounts
The VLDP provides the following benefits for eligible employees:

- Short-term disability
    - Beginning after a seven-calendar day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous participation in VLDP with their current employer.
    - During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work related or work-related disability.
    - Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.

- Long-term disability
  - Beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work at all or are working fewer than 20 hours per week.
  - Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

VLDP Program Notes
Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.

VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

Contributions
The contribution requirements for the active Hybrid employees is governed by §51.1-1178(C) 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. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VLDP. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Authority to the VLDP were $272 and $216 for the years ended June 30, 2018 and June 30, 2017, respectively.

Net OPEB Liability
The net OPEB liability (NOL) for the VLDP represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VLDP is as follows (in thousands):

Total OPEB liability	$	914
Plan Fiduciary Net Positon		351
Net OPEB Liability	$	563
Plan Fiduciary Net Positon as a percentage of the Total OPEB liability		38.4%

The total OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

At June 30, 2018, the Authority did not report a liability for its proportionate share of the NOL as its proportionate share was below $1,000 per the System's actuary. The NOL was measured as of June 30, 2017 and the total OPEB liability used to calculate the NOL was determined by an actuarial valuation as of that date. The Authority's proportion of the NOL was based on the Authority's actuarially determined employer contributions to the VLDP for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016 and June 30, 2017, the Authority's proportion was 0.00%.

Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

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

Mortality rates – Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and extended final retirement age from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each year age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and extended final retirement age from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each year age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 15%

Long-Term Expected Rate of Return

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
Inflation			2.50%
Expected arithmetic nominal return*			7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take in account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total VDLP OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the Authority for the VLDP OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100%

of the actuarially determined contribution rates. Based on those assumptions, the VLDP OPEB'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 VLDP OPEB liability.

VLDP OPEB Expense and Deferred Outflows/Inflows of Resources Related to the VLDP
For the year ended June 30, 2018, the Authority recognized VLDP OPEB expense of $216.

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ -
Net difference between projected and actual earnings on plan investments	-	-
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	272	-
	$ 272	$ -

Deferred outflows of resources of $272 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net VLDP OPEB Liability in the year ended June 30, 2019.

VLDP OPEB Plan Data
Information about the VLDP's Fiduciary Net Position is available in the separately issued VRS Comprehensive Annual Financial Report at http://www.varetire.org/Publications, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13 – 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, 2018, 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 6.6%, went into effect October 1, 2017 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2018) 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 6.6%, went into effect October 1, 2017 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2018) 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 14 – Leases

The Authority leases its office space under an operating lease. Rent expense totaled $176,538 for the year ended June 30, 2018. The future minimum rental payments under this operating lease are as follows:

Year Ended June 30,	
2019	$ 180,945
2020	185,490
2021	190,092
2022	111,335
	$ 667,862

Note 15 – 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, 2018 and there was no reduction in insurance coverage during the fiscal year.

Note 16 – Subsequent Events

On August 2, 2018, a local borrower prepaid an outstanding obligation with the Authority in the amount of $35,275,000. The local obligation was funded from bond proceeds from VPFP Series 2010C bonds. It is the Authority's intention to defease the related bonds with prepayment proceeds.

The Authority issued revenue bonds in the amount of $27,960,000 dated August 6, 2018 through the VPFP. Interest rates range from 3.00% to 5.00% with a final maturity date of November 1, 2038.

Note 17 – Restatement of Beginning Net Position

The Authority restated beginning net position due to a change in accounting principle from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This pronouncement changed the accounting and financial reporting requirements of other post-employment benefit (OPEB) obligations by reporting OPEB obligations not only in the note disclosure and required supplementary information sections, but also on the face of the basic financial statements. Accordingly, the restatement below records the beginning net OPEB liability and deferred outflows of resources related to OPEB.

	June 30, 2017 as Previously Reported	Restatement	June 30, 2017 as Restated
Deferred outflows related to OPEB	$ -	$ 7,226	$ 7,226
Net OPEB liability	-	(128,000)	(128,000)
	$ -	$ (120,774)	$ (120,774)

The fiscal year 2017 net position beginning balance adjustment is as follows:

Net position, June 30, 2017 as previously reported	$1,567,443,444
GASB 75 restatement	(120,774)
Net position, June 30, 2017 as restated	$1,567,322,670

Note 18 – New Accounting Standards

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

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. 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.

GASB Statement No. 88, *Certain Debt Extinguishment Issues* clarifies which liabilities governments should include in their note disclosures related to debt. This Statement requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. Direct borrowings and direct placements may expose a government to risks that are different from or additional to risks related to other types of debt. This Statement also requires the disclosure of additional essential debt-related information for all types of debt, including (1) amounts of unused lines of credit, (2) assets pledged as collateral for debt, and (3) terms specified in debt agreements related to significant (a) events of default with finance-related consequences, (b) termination events with finance-related consequences, and (c) subjective acceleration clauses. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also simplifies accounting for interest cost incurred before the end of a construction period. This Statement will be effective for the year ending June 30, 2021.

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2018

Schedule of Changes in Net Pension Liability and Related Ratios

	Plan Year Ended June 30,			
	2014	**2015**	**2016**	**2017**
Total Pension Liability				
Service cost	$ 113,609	$ 138,652	$ 146,176	$ 164,504
Interest	49,872	61,149	79,808	96,398
Changes of assumptions	-	-	-	(96,698)
Difference between expected and actual experience	-	66,756	15,713	(39,168)
Benefit payments, including refunds of employee contributions	(4,749)	-	-	(9,413)
Net change	158,732	266,557	241,697	115,623
Total pension liability, beginning	714,828	873,560	1,140,117	1,381,814
Total pension liability, ending (a)	$ 873,560	$ 1,140,117	$ 1,381,814	$ 1,497,437
Plan Fiduciary Net Position				
Contributions – employer	$ 85,767	$ 46,529	$ 45,908	$ 60,777
Contributions – employee	77,046	64,726	65,224	71,356
Net investment income	163,643	61,565	28,964	202,035
Benefit payments, including refunds of employee contributions	(4,749)	-	-	(9,413)
Administrative expense	(736)	(720)	(828)	(1,026)
Other	8	(13)	(11)	(524)
Net change	320,979	172,087	139,257	323,205
Plan fiduciary net position, beginning	946,077	1,267,056	1,439,143	1,578,400
Plan fiduciary net position, ending (b)	$ 1,267,056	$ 1,439,143	$ 1,578,400	$ 1,901,605
Net Pension Asset (a)-(b)	$ 393,496	$ 299,026	$ 196,586	$ 404,168
Plan fiduciary net position as a percentage of the total pension liability	145.1%	126.2%	114.2%	127.0%
Covered payroll	$ 1,170,504	$ 1,294,522	$ 1,311,484	$ 1,342,834
Net pension asset as a percentage of covered payroll	33.6%	23.1%	15.0%	30.1%

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

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2018

Schedule of Pension Contributions

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered 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%
2018	59,713	59,713	-	1,292,489	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 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, 2017 are not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

- Mortality rates: update to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: lowered rates
- Salary scale: no change
- Line of Duty Disability: increase rate from 14% to 15%

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2018

Schedule of Employer's Share of Net OPEB Liability – Group Life Insurance Program

	Plan Year Ended June 30, 2017
Proportion of the net Group Life Insurance (GLI) OPEB liability	0.00731%
Proportionate share of the net GLI OPEB liability	$ 110,000
Covered payroll	$ 1,342,834
Proportionate share of the net GLI OPEB liability as a percentage of covered payroll	8.19%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

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

Schedule of Employer OPEB Contributions – Group Life Insurance Program

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 7,037	$ 7,037	-	$ 1,342,834	0.52%
2018	6,774	6,774	-	1,292,489	0.52%

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

Notes to Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer OPEB Contributions – Group Life Insurance Program

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: increase rate from 14% to 25%

Teachers

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service

- Disability rates: adjusted rates to better match experience
- Salary scale: no change

<u>SPORS Employees</u>

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: increased age 50 rates and lowered rates at older ages
- Withdrawal rates: adjusted rates to better fit experience
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: increased rate from 60% to 85%

<u>VaLORS Employees</u>

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
- Retirement rates: increased age 50 rates and lowered rates at older ages
- Withdrawal rates: adjusted rates to better fit experience at each year age and service through 9 years of service
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: decreased rate from 50% to 35%

<u>JRS Employees</u>

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: decreased rates at first retirement eligibility
- Withdrawal rates: no change
- Disability rates: removed disability rates
- Salary scale: no change

<u>Largest Ten Locality Employers – General Employees</u>

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increase rate from 14% to 20%

<u>Non-Largest Ten Locality Employers – General Employees</u>

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered retirement rates at older ages and changed final retirement from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increase rate from 14% to 15%

Largest Ten Locality Employers – Hazardous Duty Employees

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered retirement rates at older ages
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increase rate from 60% to 70%

Non-Largest Ten Locality Employers – Hazardous Duty Employees

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: increased age 50 rates and lowered rates at older ages
- Withdrawal rates: adjusted termination rates to better fit experience at each age and service year
- Disability rates: adjusted rates to better match experience
- Salary scale: no change
- Line of Duty Disability: decreased rate from 60% to 45%

Schedule of Employer's Share of Net OPEB Liability – Virginia Local Disability Program

		Plan Year Ended June 30, 2017
Proportion of the net Virginia Local Disability Program (VLDP) OPEB liability		0.00 %
Proportionate share of the net VLDP OPEB liability	$	-
Covered payroll	$	36,057
Proportionate share of the net VLDP OPEB liability as a percentage of covered payroll		0.00%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability		0.21%

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

Schedule of Employer OPEB Contributions – Virginia Local Disability Program

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	$ 216	$ 216	-	$ 36,057	0.60%
2018	272	272	-	45,402	0.60%

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

Notes to Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer OPEB Contributions – Virginia Local Disability Program

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and extended final retirement age from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each year age and service year
- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 20%

Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees

- Mortality rates: updated to a more current mortality table – RP-2014 projected to 2020
- Retirement rates: lowered rates at older ages and extended final retirement age from 70 to 75
- Withdrawal rates: adjusted termination rates to better fit experience at each year age and service year

- Disability rates: lowered disability rates
- Salary scale: no change
- Line of Duty Disability: increased rate from 14% to 15%

Virginia Resources Authority
Combining Schedule of Net Position
June 30, 2018

	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	Brownfields & Miscellaneous Accounts	Total
Assets									
Current assets									
Cash	$ 1,970,549	$ 9,383,445	$ 4,851,855	$ -	$ -	$ 2,494,464	$ -	$ 2,710,077	$ 21,410,390
Cash equivalents	6,174,977	157,607,477	39,874,536	11,115,777	2,402,936	-	6,468,727	-	223,644,430
Investments	1,307,602	48,646,043	3,632,619	776,284	1,402,118	-	-	-	55,764,666
Loans receivable - current portion	80,000	117,107,362	8,291,945	4,439,473	151,500,342	-	-	1,638,532	283,057,654
Receivables:									
Investment interest	46,616	2,501,708	73,049	134,600	388,995	-	-	-	3,144,968
Loan interest	8,308	6,871,181	397,271	131,470	18,208,687	-	-	839,323	26,456,240
Loan administrative fees	-	462,576	212,899	-	537,970	-	-	-	1,213,445
Other	30,354	-	-	-	-	-	-	-	30,354
Other	38,064	-	-	-	-	-	-	-	38,064
Total current assets	9,656,470	342,579,792	57,334,174	16,597,604	174,441,048	2,494,464	6,468,727	5,187,932	614,760,211
Noncurrent assets									
Investments - non-current	16,998,985	379,094,586	16,058,317	13,491,961	76,084,485	-	2,009,076	-	503,737,410
Loans receivable - non-current	700,000	1,264,484,375	160,002,604	29,111,423	2,632,779,903	-	-	32,498,645	4,119,576,950
Net pension asset	404,168	-	-	-	-	-	-	-	404,168
Capital assets, net	63,451	-	-	-	-	-	-	-	63,451
Total noncurrent assets	18,166,604	1,643,578,961	176,060,921	42,603,384	2,708,864,388	-	2,009,076	32,498,645	4,623,781,979
Total assets	27,823,074	1,986,158,753	233,395,095	59,200,988	2,883,305,436	2,494,464	8,477,803	37,686,577	5,238,542,190
Deferred Outflows of Resources									
Deferred outflows - pension	97,429	-	-	-	-	-	-	-	97,429
Deferred outflows - OPEB	7,046	-	-	-	-	-	-	-	7,046
Deferred loss on refunding	-	38,748,887	-	70,821	34,118,593	-	-	-	72,938,301
Total deferred outflows of resources	104,475	38,748,887	-	70,821	34,118,593	-	-	-	73,042,776
Total assets and deferred outflows of resources	$ 27,927,549	$ 2,024,907,640	$ 233,395,095	$ 59,271,809	$ 2,917,424,029	$ 2,494,464	$ 8,477,803	$ 37,686,577	$ 5,311,584,966
Liabilities									
Current liabilities									
Bonds payable - current	$ -	$ 61,330,373	$ -	$ 2,715,927	$ 150,545,731	$ -	$ -	$ 1,621,743	$ 216,213,774
Accrued interest on bonds payable	-	7,252,661	-	511,323	18,665,752	-	-	831,248	27,260,984
Due to (from) other accounts	809,916	157,033	92,601	30,121	-	-	10,329	(1,100,000)	-
Agency funds	-	314,052	32,314	97,857	-	2,494,464	-	-	2,938,687
Accounts payable and other liabilities	189,491	619,911	938	-	-	-	-	-	810,340
Total current liabilities	999,407	69,674,030	125,853	3,355,228	169,211,483	2,494,464	10,329	1,352,991	247,223,785
Noncurrent liabilities									
Net OPEB liability	110,000	-	-	-	-	-	-	-	110,000
Bonds payable - noncurrent	-	642,984,220	-	23,424,715	2,715,532,311	-	-	31,975,434	3,413,916,680
Arbitrage rebate liability - noncurrent	-	183,640	-	-	-	-	-	-	183,640
Total noncurrent liabilities	110,000	643,167,860	-	23,424,715	2,715,532,311	-	-	31,975,434	3,414,210,320
Total liabilities	1,109,407	712,841,890	125,853	26,779,943	2,884,743,794	2,494,464	10,329	33,328,425	3,661,434,105
Deferred Inflows of Resources									
Deferred inflows - pension	138,864	-	-	-	-	-	-	-	138,864
Deferred inflows - OPEB	12,000	-	-	-	-	-	-	-	12,000
Deferred gain from localities on refunding	-	-	-	-	34,831,403	-	-	-	34,831,403
Total deferred inflows of resources	150,864	-	-	-	34,831,403	-	-	-	34,982,267
Net position									
Invested in capital assets	63,451	-	-	-	-	-	-	-	63,451
Restricted:									
Loan programs	-	1,312,065,750	233,269,242	32,491,866	(2,151,168)	-	8,467,474	4,358,152	1,588,501,316
Operating reserve	7,798,207	-	-	-	-	-	-	-	7,798,207
Unrestricted:	18,805,620	-	-	-	-	-	-	-	18,805,620
Total net position	26,667,278	1,312,065,750	233,269,242	32,491,866	(2,151,168)	-	8,467,474	4,358,152	1,615,168,594
Total liabilities, deferred inflows of resources, and net position	$ 27,927,549	$ 2,024,907,640	$ 233,395,095	$ 59,271,809	$ 2,917,424,029	$ 2,494,464	$ 8,477,803	$ 37,686,577	$ 5,311,584,966

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018

	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	$ 18,669	$ 22,269,800	$ 1,588,448	$ 1,085,891	$ 89,506,452	$ -	$ -	$ 1,151	$ 8,076	$ 114,478,487
Investment income	158,232	10,073,531	586,960	701,516	3,918,479	-	133,787	-	1,310,664	16,883,169
Bond administrative fees	-	-	-	-	3,218,224	-	-	-	-	3,218,224
Loan administrative fees	-	1,473,062	703,097	32,547	-	-	-	89	-	2,208,795
Loan origination revenue	-	-	-	-	2,727,330	-	-	-	8,140	2,735,470
Gain on early extinguishment of loans	-	-	-	-	164,367	-	-	-	-	164,367
Other income	3,362	21,577	-	-	-	-	-	-	-	24,939
Total operating revenues	180,263	33,837,970	2,878,505	1,819,954	99,534,852	-	133,787	1,240	1,326,880	139,713,451
Operating expenses										
Interest on bonds and loans	-	26,472,240	-	949,506	94,264,427	-	-	1,151	1,307,647	122,994,971
Bond issuance costs	-	-	-	-	2,302,158	-	-	-	-	2,302,158
Grants to local governments	-	6,562,866	2,217,765	-	-	-	1,347,437	-	997,770	11,125,838
Principal Forgiveness loans to local governments	-	1,124,548	585,579	-	-	-	-	-	73,125	1,783,252
Loss on early extinguishment of bonds	-	-	-	-	167,975	-	-	-	-	167,975
Personnel services	911,360	415,772	266,046	44,811	-	-	39,286	-	-	1,677,275
General operating	514,737	89,228	60,931	16,127	1,206	-	4,396	-	3,018	689,643
Contractual services	178,508	167,466	64,135	30,831	-	-	3,587	-	-	444,527
Total operating expenses	1,604,605	34,832,120	3,194,456	1,041,275	96,735,766	-	1,394,706	1,151	2,381,560	141,185,639
Operating income (loss)	(1,424,342)	(994,150)	(315,951)	778,679	2,799,086	-	(1,260,919)	89	(1,054,680)	(1,472,188)
Nonoperating revenues										
Contributions from other governments	-	29,880,712	13,971,263	-	-	-	1,079,738	-	4,730,368	49,662,081
Federal interest subsidy	-	-	-	-	2,628,935	-	-	-	-	2,628,935
Nonoperating expenses										
Contributions to other governments	-	-	-	-	-	-	(421,041)	-	-	(421,041)
Federal interest subsidy passthrough	-	-	-	-	(2,551,863)	-	-	-	-	(2,551,863)
Income (loss) before transfers	(1,424,342)	28,886,562	13,655,312	778,679	2,876,158	-	(602,222)	89	3,675,688	47,845,924
Operating transfers	3,432,504	-	-	-	(3,424,275)	-	-	(89)	(8,140)	-
Change in net position	2,008,162	28,886,562	13,655,312	778,679	(548,117)	-	(602,222)	-	3,667,548	47,845,924
Total net position - beginning, as restated	24,659,116	1,283,179,188	219,613,930	31,713,187	(1,603,051)	-	9,069,696	-	690,604	1,567,322,670
Total net position - ending	$ 26,667,278	$ 1,312,065,750	$ 233,269,242	$ 32,491,866	$ (2,151,168)	$ -	$ 8,467,474	$ -	$ 4,358,152	$ 1,615,168,594

Virginia Resources Authority
Combining Schedule of Cash Flows
Year Ended June 30, 2018

	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	$ -	$ (40,299,337)	$ (11,711,470)	$ (259,715)	$ (249,016,256)	$ -	$ -	$ -	$ (540,000)	$ (301,826,778)
Principal repayments from localities on loans	-	119,189,428	8,666,605	4,425,072	181,235,000	-	-	53,121	-	313,569,226
Interest received on loans	10,361	22,965,020	1,558,857	1,098,750	115,446,491	-	-	1,294	-	141,080,773
Loan origination fees received	-	-	-	-	2,727,330	-	-	-	8,140	2,735,470
Bond administrative fees received	-	-	-	-	3,216,663	-	-	-	-	3,216,663
Loan administrative fees received	-	1,504,897	635,726	32,547	-	-	-	100	-	2,173,270
Cash received from other income	1,784	21,577	-	-	-	-	-	-	-	23,361
Cash payments for salaries and related benefits	(856,253)	(415,772)	(266,046)	(44,811)	-	-	(39,286)	-	-	(1,622,168)
Cash payments for general operating expenses	(448,354)	(128,228)	(59,993)	(40,759)	-	-	(4,396)	-	-	(681,730)
Cash payments for contractual services	(57,550)	(167,466)	(64,135)	(30,831)	-	-	(3,587)	-	-	(323,569)
Cash payments for operating grants	-	(6,562,866)	(2,217,765)	-	-	-	(1,347,437)	-	(997,770)	(11,125,838)
Cash payments for principal forgiveness loans	-	(1,124,548)	(585,579)	-	-	-	-	-	(73,125)	(1,783,252)
Interest paid on loans	-	-	-	-	-	-	-	(1,294)	-	(1,294)
Interest paid on bonds	-	(30,218,585)	-	(1,288,101)	(118,478,414)	-	-	-	-	(149,985,100)
Agency funds disbursed	-	-	-	-	-	(3,922,593)	-	-	-	(3,922,593)
Interfund activity	971,630	93,812	20,033	14,452	-	-	84	(11)	(1,100,000)	-
Net cash provided by (used in) operating activities	(378,382)	64,857,932	(4,023,767)	3,906,604	(64,869,186)	(3,922,593)	(1,394,622)	53,210	(2,702,755)	(8,473,559)
Cash flows from noncapital financing activities										
Proceeds from sale of bonds	-	-	-	-	258,887,428	-	-	-	-	258,887,428
Bond issuance costs	-	-	-	-	(2,302,158)	-	-	-	-	(2,302,158)
Principal paid on loans	-	-	-	-	-	-	-	(53,121)	-	(53,121)
Principal paid on bonds	-	(50,645,000)	-	(2,885,000)	(196,540,000)	-	-	-	-	(250,070,000)
Cash paid to escrow for defeased bonds	(786,495)	-	-	-	-	-	-	-	-	(786,495)
Proceeds from interest subsidy	-	-	-	-	2,628,935	-	-	-	-	2,628,935
Cash payments to localities for interest subsidy	-	-	-	-	(2,551,863)	-	-	-	-	(2,551,863)
Contributions from other governments	-	30,471,296	13,971,263	-	-	-	1,079,738	-	4,730,368	50,252,665
Contributions to other governments	-	-	-	-	-	-	(421,041)	-	-	(421,041)
Cash received (paid) from other accounts	3,432,504	-	-	-	(3,424,275)	-	-	(89)	(8,140)	-
Net cash provided by (used in) noncapital financing activities	2,646,009	(20,173,704)	13,971,263	(2,885,000)	56,698,067	-	658,697	(53,210)	4,722,228	55,584,350
Cash flows from investing activities										
Purchase of investments	(5,646,874)	(165,156,867)	(8,453,203)	(4,047,069)	(4,851,328)	-	(2,007,063)	-	-	(190,162,404)
Proceeds from sales or maturities of investments	5,482,557	141,989,476	8,454,634	3,131,786	10,565,363	-	-	-	-	169,623,816
Interest received on investments - net	297,057	12,866,972	834,591	547,257	3,890,800	-	131,774	-	-	18,568,451
Net cash provided by (used in) investing activities	132,740	(10,300,419)	836,022	(368,026)	9,604,835	-	(1,875,289)	-	-	(1,970,137)
Net increase (decrease) in cash and cash equivalents	2,400,367	34,383,809	10,783,518	653,578	1,433,716	(3,922,593)	(2,611,214)	-	2,019,473	45,140,654
Cash and cash equivalents										
Beginning 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
End of year	$ 8,145,526	$ 166,990,922	$ 44,726,391	$ 11,115,777	$ 2,402,936	$ 2,494,464	$ 6,468,727	$ -	$ 2,710,077	$ 245,054,820
Reconciliation to the Statement of Net Position										
Cash	$ 1,970,549	$ 9,383,445	$ 4,851,855	$ -	$ -	$ 2,494,464	$ -	$ -	$ 2,710,077	$ 21,410,390
Cash Equivalents	6,174,977	157,607,477	39,874,536	11,115,777	2,402,936	-	6,468,727	-	-	223,644,430
	$ 8,145,526	$ 166,990,922	$ 44,726,391	$ 11,115,777	$ 2,402,936	$ 2,494,464	$ 6,468,727	$ -	$ 2,710,077	$ 245,054,820

Virginia Resources Authority
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2018

	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)	(1,424,342)	(994,150)	(315,951)	778,679	2,799,086	-	(1,260,919)	89	(1,054,680)	(1,472,188)
Depreciation expense	39,709	-	-	-	-	-	-	-	-	39,709
Pension expense	51,534	-	-	-	-	-	-	-	-	51,534
Pension contributions subsequent to the measurement date	(59,713)	-	-	-	-	-	-	-	-	(59,713)
OPEB expense	1,226	-	-	-	-	-	-	-	-	1,226
OPEB contributions subsequent to the measurement date	(7,046)	-	-	-	-	-	-	-	-	(7,046)
Interest on investments	(158,232)	(10,073,532)	(586,960)	(701,516)	(3,917,273)	-	(133,787)	-	-	(15,571,300)
Gain on early extinguishment of loans	-	-	-	-	264,129	-	-	-	-	264,129
Loss on early extinguishment of bonds	-	-	-	-	(263,952)	-	-	-	-	(263,952)
Bond issuance cost	-	-	-	-	2,302,158	-	-	-	-	2,302,158
Interest on loans	-	-	-	-	-	-	-	(143)	-	(143)
Interest on bonds, amortization and accretion - net	-	(10,293,337)	-	(354,522)	1,030,847	-	-	-	-	(9,617,012)
Effect of changes in operating assets and liabilities:	-	-	-	-	-	-	-	-	-	
Loans receivable	-	78,851,091	(3,044,865)	4,165,357	(67,781,256)	-	-	53,121	(540,000)	11,703,448
Loan interest receivable	(8,308)	695,220	(29,591)	12,859	(109,891)	-	-	143	(8,075)	552,357
Loan administrative fee receivable	-	31,835	(67,371)	-	(1,561)	-	-	11	-	(37,086)
Other assets	222,011	-	-	-	-	-	-	-	-	222,011
Deferred charges	-	6,546,993	-	15,927	808,527	-	-	-	-	7,371,447
Accounts payable and other liabilities	(6,851)	-	938	(24,632)	-	(3,922,593)	-	-	-	(3,953,138)
Due to other funds	971,630	93,812	20,033	14,452	-	-	84	(11)	(1,100,000)	-
Net cash provided by (used in) operating activities	$ (378,382)	$ 64,857,932	$ (4,023,767)	$ 3,906,604	$ (64,869,186)	$ (3,922,593)	$ (1,394,622)	$ 53,210	$ (2,702,755)	$ (8,473,559)
Schedule of non-cash activities										
Change in fair value of assets	$ 109,974	$ 2,028,718	$ 198,079	$ (4)	$ (153,739)	$ -	$ (2,013)	$ -	$ -	$ 2,181,015

Virginia Resources Authority
Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
June 30, 2018

	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	$ 8,584,885	$ -	$ 491,321	$ -	$ -	$ 307,239	$ 9,383,445
Cash equivalents	148,456,247	2,545,561	870,038	2,527,755	4,624	3,203,252	157,607,477
Investments	17,111,972	29,996,620	1,194,428	-	-	343,023	48,646,043
Loans receivable, net - current portion	58,727,127	58,379,142	1,093	-	-	-	117,107,362
Receivables:							
Investment interest	704,956	1,727,553	56,317	-	-	12,882	2,501,708
Loan interest	1,640,334	5,176,684	54,163	-	-	-	6,871,181
Loan administrative fees	-	-	-	-	-	462,576	462,576
Total current assets	235,225,521	97,825,560	2,667,360	2,527,755	4,624	4,328,972	342,579,792
Noncurrent assets							
Investments - non-current	183,375,937	177,536,168	14,930,862	-	-	3,251,619	379,094,586
Loans receivable - non-current	661,548,430	601,280,976	1,654,969	-	-	-	1,264,484,375
Total noncurrent assets	844,924,367	778,817,144	16,585,831	-	-	3,251,619	1,643,578,961
Total assets	1,080,149,888	876,642,704	19,253,191	2,527,755	4,624	7,580,591	1,986,158,753
Deferred Outflows of Resources							
Deferred loss on refunding	-	38,748,887	-	-	-	-	38,748,887
Total assets and deferred outflows of resources	$ 1,080,149,888	$ 915,391,591	$ 19,253,191	$ 2,527,755	$ 4,624	$ 7,580,591	$ 2,024,907,640
Liabilities							
Current liabilities							
Bonds payable - current	-	61,330,373	-	-	-	-	61,330,373
Accrued interest on bonds payable	-	7,252,661	-	-	-	-	7,252,661
Due to (from) other accounts	-	1,533	-	-	-	155,500	157,033
Agency funds	314,052	-	-	-	-	-	314,052
Accounts payable and other liabilities	619,911	-	-	-	-	-	619,911
Total current liabilities	933,963	68,584,567	-	-	-	155,500	69,674,030
Noncurrent liabilities							
Bonds payable - noncurrent	-	642,984,220	-	-	-	-	642,984,220
Arbitrage rebate liability - noncurrent	-	183,640	-	-	-	-	183,640
Total noncurrent liabilities	-	643,167,860	-	-	-	-	643,167,860
Total liabilities	933,963	711,752,427	-	-	-	155,500	712,841,890
Net position							
Restricted:							
Loan programs	1,079,215,925	203,639,164	19,253,191	2,527,755	4,624	7,425,091	1,312,065,750
Total net position	1,079,215,925	203,639,164	19,253,191	2,527,755	4,624	7,425,091	1,312,065,750
Total liabilities and net position	$ 1,080,149,888	$ 915,391,591	$ 19,253,191	$ 2,527,755	$ 4,624	$ 7,580,591	$ 2,024,907,640

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2018

	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	$ 5,838,718	$ 16,360,020	$ 71,062	$ -	$ -	$ -	$ 22,269,800
Investment income	2,203,454	7,717,822	44,535	37,011	20,525	50,184	10,073,531
Loan administrative fees	-	-	-	-	-	1,473,062	1,473,062
Other income	19,991	-	1,586	-	-	-	21,577
Total operating revenues	8,062,163	24,077,842	117,183	37,011	20,525	1,523,246	33,837,970
Operating expenses							
Interest on bonds and loans	-	26,472,240	-	-	-	-	26,472,240
Grants to local governments	-	-	-	6,562,866	-	-	6,562,866
Principal forgiveness loans to local governments	1,124,548	-	-	-	-	-	1,124,548
Personnel services	415,772	-	-	-	-	-	415,772
General operating	111,386	-	(26,084)	-	-	3,926	89,228
Contractual services	167,466	-	-	-	-	-	167,466
Total operating expenses	1,819,172	26,472,240	(26,084)	6,562,866	-	3,926	34,832,120
Operating income (loss)	6,242,991	(2,394,398)	143,267	(6,525,855)	20,525	1,519,320	(994,150)
Nonoperating revenues							
Contributions from other governments	21,182,066	-	-	6,562,866	2,135,780	-	29,880,712
Income (loss) before transfers	27,425,057	(2,394,398)	143,267	37,011	2,156,305	1,519,320	28,886,562
Operating transfers	16,336,772	(4,739,057)	(1,861)	-	(9,854,686)	(1,741,168)	-
Change in net position	43,761,829	(7,133,455)	141,406	37,011	(7,698,381)	(221,848)	28,886,562
Total net position - beginning	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 - ending	$ 1,079,215,925	$ 203,639,164	$ 19,253,191	$ 2,527,755	$ 4,624	$ 7,425,091	$ 1,312,065,750

Virginia Resources Authority
Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2018

	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	$ (40,296,758)	$ -	$ (2,579)	$ -	$ -	$ -	$ (40,299,337)
Principal repayments from localities on loans	59,031,864	59,392,956	764,608	-	-	-	119,189,428
Interest received on loans	6,042,625	16,855,770	66,625	-	-	-	22,965,020
Loan administrative fees received	-	-	-	-	-	1,504,897	1,504,897
Cash received from other income	19,991	-	1,586	-	-	-	21,577
Cash payments for salaries and related benefits	(415,772)	-	-	-	-	-	(415,772)
Cash payments for general operating expenses	(111,386)	-	(12,916)	-	-	(3,926)	(128,228)
Cash payments for contractual services	(167,466)	-	-	-	-	-	(167,466)
Cash payments for operating grants	-	-	-	(6,562,866)	-	-	(6,562,866)
Cash payments for principal forgiveness loans	(1,124,548)	-	-	-	-	-	(1,124,548)
Interest paid on bonds	-	(30,218,585)	-	-	-	-	(30,218,585)
Interfund activity	-	1,533	-	-	-	92,279	93,812
Net cash provided by (used in) operating activities	22,978,550	46,031,674	817,324	(6,562,866)	-	1,593,250	64,857,932
Cash flows from noncapital financing activities							
Principal paid on bonds	-	(50,645,000)	-	-	-	-	(50,645,000)
Contributions from other governments	21,772,650	-	-	6,562,866	2,135,780	-	30,471,296
Cash received (paid) from other accounts	16,336,772	(4,739,057)	(1,861)	-	(9,854,686)	(1,741,168)	-
Net cash provided by (used in) noncapital financing activities	38,109,422	(55,384,057)	(1,861)	6,562,866	(7,718,906)	(1,741,168)	(20,173,704)
Cash flows from investing activities							
Purchase of investments	(123,691,784)	(29,957,252)	(9,466,450)	-	-	(2,041,381)	(165,156,867)
Proceeds from sales or maturities of investments	99,955,319	32,010,024	8,034,209	-	-	1,989,924	141,989,476
Interest received on investments - net	4,574,663	7,908,848	228,577	37,011	20,525	97,348	12,866,972
Net cash provided by (used in) investing activities	(19,161,802)	9,961,620	(1,203,664)	37,011	20,525	45,891	(10,300,419)
Net increase (decrease) in cash and cash equivalents	41,926,170	609,237	(388,201)	37,011	(7,698,381)	(102,027)	34,383,809
Cash and cash equivalents							
Beginning of year	115,114,962	1,936,324	1,749,560	2,490,744	7,703,005	3,612,518	132,607,113
End of year	$ 157,041,132	$ 2,545,561	$ 1,361,359	$ 2,527,755	$ 4,624	$ 3,510,491	$ 166,990,922
Reconcilation to the Statement of Net Position							
Cash	$ 8,584,885	$ -	$ 491,321	$ -	$ -	$ 307,239	$ 9,383,445
Cash Equivalents	148,456,247	2,545,561	870,038	2,527,755	4,624	3,203,252	157,607,477
	$ 157,041,132	$ 2,545,561	$ 1,361,359	$ 2,527,755	$ 4,624	$ 3,510,491	$ 166,990,922

Virginia Resources Authority
Combining Schedule of Cash Flows (Continued)
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2018

	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)	6,242,991	(2,394,398)	143,267	(6,525,855)	20,525	1,519,320	$ (994,150)
Interest on investments	(2,203,454)	(7,717,823)	(44,535)	(37,011)	(20,525)	(50,184)	(10,073,532)
Bond issuance cost	-	-	-	-	-	-	-
Interest on bonds, amortization and accretion - net	-	(10,293,337)	-	-	-	-	(10,293,337)
Effect of changes in operating assets and liabilities:							
Loans receivable	18,735,106	59,392,956	723,029	-	-	-	78,851,091
Loan interest receivable	203,907	495,750	(4,437)	-	-	-	695,220
Loan administrative fee receivable	-	-	-	-	-	31,835	31,835
Deferred charges	-	6,546,993	-	-	-	-	6,546,993
Due to other funds	-	1,533	-	-	-	92,279	93,812
Net cash provided by (used in) operating activities	$ 22,978,550	$ 46,031,674	$ 817,324	$ (6,562,866)	$ -	$ 1,593,250	$ 64,857,932
Schedule of non-cash activities							
Change in fair value of assets	$ 1,843,358	$ -	$ 145,816	$ -	$ -	$ 39,544	$ 2,028,718

Virginia Resources Authority
Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2018

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	$ 4,430,386	$ 204,335	$ -	$ 217,134	$ 4,851,855
Cash equivalents	38,849,615	97,049	-	927,872	39,874,536
Investments	3,632,619	-	-	-	3,632,619
Loans receivable - current portion	8,287,307	4,638	-	-	8,291,945
Receivables:					
Investment interest	73,049	-	-	-	73,049
Loan interest	397,271	-	-	-	397,271
Loan administrative fees	-	-	-	212,899	212,899
Total current assets	55,670,247	306,022	-	1,357,905	57,334,174
Noncurrent assets					
Investments - non-current	16,058,317	-	-	-	16,058,317
Loans receivable - non-current	159,981,735	20,869	-	-	160,002,604
Total noncurrent assets	176,040,052	20,869	-	-	176,060,921
Total assets	231,710,299	326,891	-	1,357,905	233,395,095
Liabilities					
Current liabilities					
Due to (from) other accounts	-	-	-	92,601	92,601
Agency funds	32,314	-	-	-	32,314
Accounts payable and other liabilities	938	-	-	-	938
Total current liabilities	33,252	-	-	92,601	125,853
Total liabilities	33,252	-	-	92,601	125,853
Net position					
Restricted:					
Loan programs	231,677,047	326,891	-	1,265,304	233,269,242
Total net position	231,677,047	326,891	-	1,265,304	233,269,242
Total liabilities and net position	$ 231,710,299	$ 326,891	$ -	$ 1,357,905	$ 233,395,095

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2018

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	$ 1,588,448	$ -	$ -	$ -	$ 1,588,448
Investment income	574,571	1,729	-	10,660	586,960
Loan administrative fees	-	-	-	703,097	703,097
Total operating revenues	2,163,019	1,729	-	713,757	2,878,505
Operating expenses					
Grants to local governments	2,217,765	-	-	-	2,217,765
Principal forgiveness loans to local governments	585,579	-	-	-	585,579
Personnel services	-	-	266,046	-	266,046
General operating	28,844	308	31,779	-	60,931
Contractual services	-	-	64,135	-	64,135
Total operating expenses	2,832,188	308	361,960	-	3,194,456
Operating income (loss)	(669,169)	1,421	(361,960)	713,757	(315,951)
Nonoperating revenues					
Contributions from other governments	13,971,263	-	-	-	13,971,263
Income (loss) before transfers	13,302,094	1,421	(361,960)	713,757	13,655,312
Operating transfers	-	-	361,960	(361,960)	-
Change in net position	13,302,094	1,421	-	351,797	13,655,312
Total net position - beginning	218,374,953	325,470	-	913,507	219,613,930
Total net position - ending	$ 231,677,047	$ 326,891	$ -	$ 1,265,304	$ 233,269,242

Virginia Resources Authority
Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2018

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	$ (11,711,470)	$ -	$ -	$ -	$ (11,711,470)
Principal repayments from localities on loans	8,661,968	4,637	-	-	8,666,605
Interest received on loans	1,558,857	-	-	-	1,558,857
Loan administrative fees received	-	-	-	635,726	635,726
Cash payments for salaries and related benefits	-	-	(266,046)	-	(266,046)
Cash payments for general operating expenses	(27,906)	(308)	(31,779)	-	(59,993)
Cash payments for contractual services	-	-	(64,135)	-	(64,135)
Cash payments for operating grants	(2,217,765)	-	-	-	(2,217,765)
Cash payments for principal forgiveness loans	(585,579)	-	-	-	(585,579)
Interfund activity	-	-	-	20,033	20,033
Net cash provided by (used in) operating activities	(4,321,895)	4,329	(361,960)	655,759	(4,023,767)
Cash flows from noncapital financing activities					
Contributions from other governments	13,971,263	-	-	-	13,971,263
Cash received (paid) from other accounts	-	-	361,960	(361,960)	-
Net cash provided by (used in) noncapital financing activities	13,971,263	-	361,960	(361,960)	13,971,263
Cash flows from investing activities					
Purchase of investments	(8,453,203)	-	-	-	(8,453,203)
Proceeds from sales or maturities of investments	8,454,634	-	-	-	8,454,634
Interest received on investments - net	822,202	1,729	-	10,660	834,591
Net cash provided by investing activities	823,633	1,729	-	10,660	836,022
Net increase in cash and cash equivalents	10,473,001	6,058	-	304,459	10,783,518
Cash and cash equivalents					
Beginning of year	32,807,000	295,326	-	840,547	33,942,873
End of year	$ 43,280,001	$ 301,384	$ -	$ 1,145,006	$ 44,726,391
Reconcilation to the Statement of Net Position					
Cash	$ 4,430,386	$ 204,335	$ -	$ 217,134	$ 4,851,855
Cash Equivalents	38,849,615	97,049	-	927,872	39,874,536
	$ 43,280,001	$ 301,384	$ -	$ 1,145,006	$ 44,726,391
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (669,169)	$ 1,421	$ (361,960)	$ 713,757	$ (315,951)
Interest on investments	(574,571)	(1,729)	-	(10,660)	(586,960)
Loans receivable	(3,049,502)	4,637	-	-	(3,044,865)
Loan interest receivable	(29,591)	-	-	-	(29,591)
Loan administrative fee receivable	-	-	-	(67,371)	(67,371)
Accounts payable and other liabilities	938	-	-	-	938
Due to other funds	-	-	-	20,033	20,033
Net cash provided by (used in) operating activities	$ (4,321,895)	$ 4,329	$ (361,960)	$ 655,759	$ (4,023,767)
Schedule of non-cash activities					
Change in fair value of assets	$ 198,079	$ -	$ -	$ -	$ 198,079

STATISTICAL SECTION

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
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
2018	63,451	1,596,299,523	18,805,620	1,615,168,594

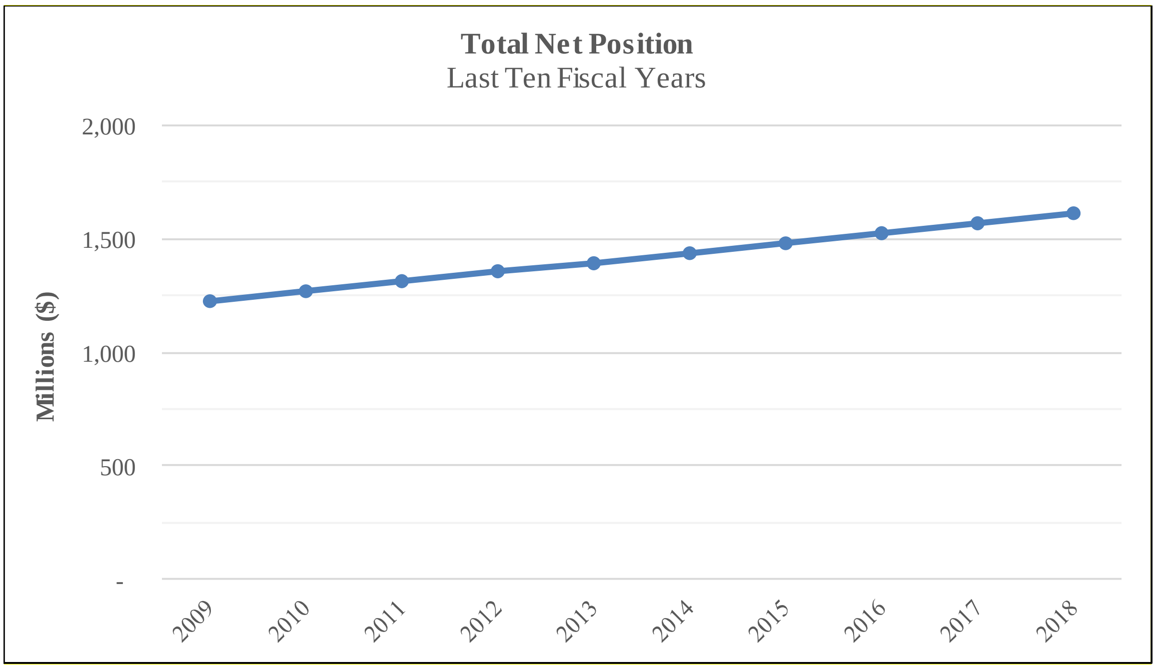


Table 2 – Change in Net Position, Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Operating Income	Non-operating Revenue (Expense), Net	Change in Net Position
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
2018	139,713,451	141,185,639	(1,472,188)	49,318,112	47,845,924

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
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
2018	114,478,487	16,883,169	-	3,218,224	2,208,795	2,735,470	189,306	139,713,451

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

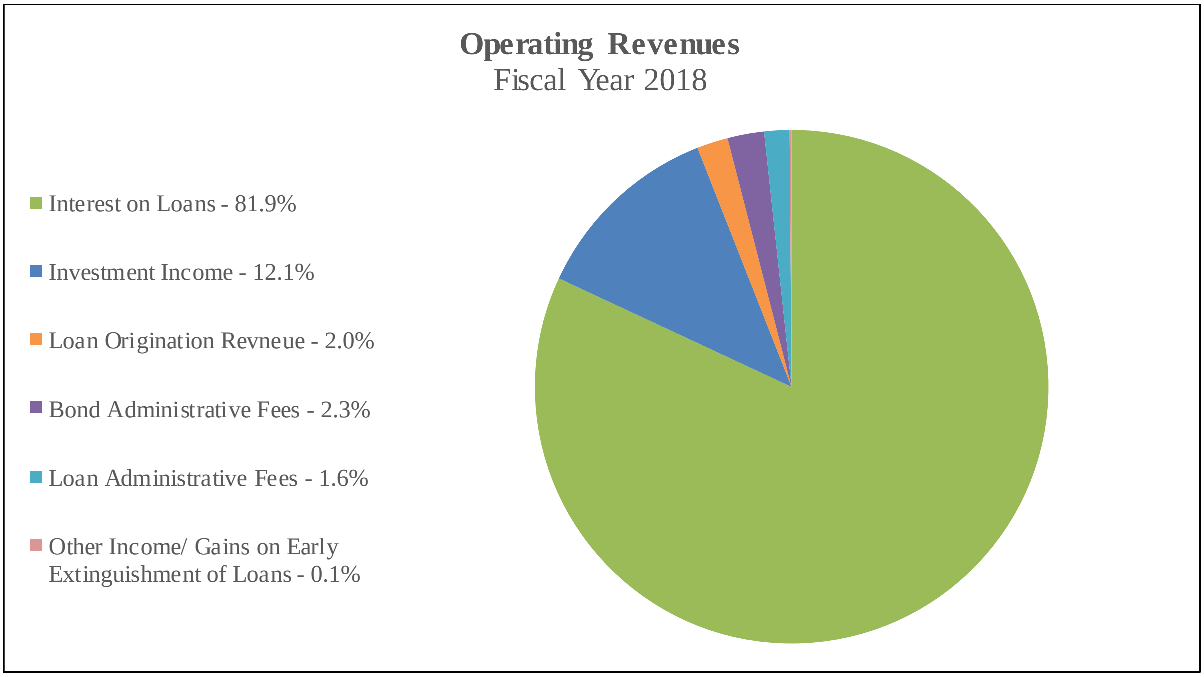


Table 4 – Operating Expenses, Last Ten Fiscal Years

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
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
2018	122,994,971	2,302,158	12,909,090	167,975	1,677,275	689,643	444,527	141,185,639

(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.

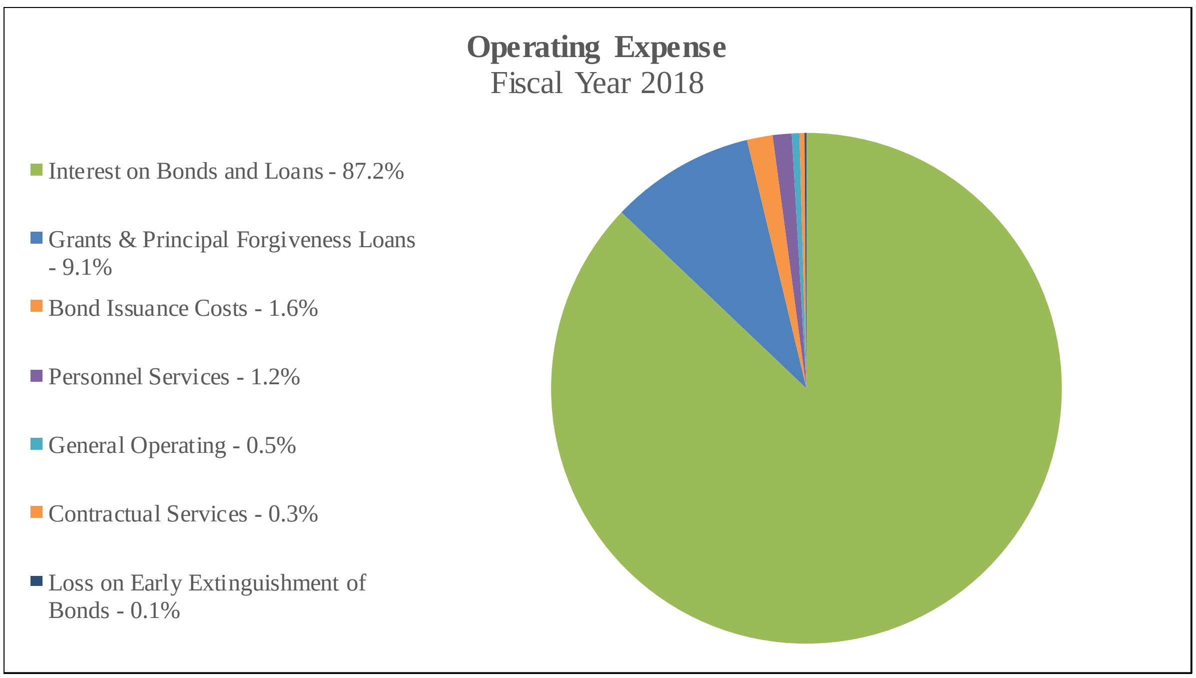


Table 5 – Outstanding Loans Receivable, Last Ten Fiscal Years

Loans from Bond Issues

Fiscal Year	Revenue Bonds	VWFRF – Leveraged	VARF	Unamortized Discount/ Premium (1)	Total
2009	$ 1,370,006,149	$ 602,992,744	$ 64,788,405	$ 8,494,710	$ 2,046,282,008
2010	1,413,962,642	805,685,000	61,290,594	18,831,358	2,299,769,594
2011	1,591,117,427	892,326,275	58,387,411	33,853,485	2,575,684,598
2012	2,058,638,456	912,046,985	56,455,812	99,850,641	3,126,991,894
2013	2,192,704,353	907,752,044	52,527,348	118,873,800	3,271,857,545
2014	2,194,934,597	874,358,580	48,430,013	159,999,677	3,277,722,867
2015	2,325,204,904	828,049,020	43,526,294	197,078,938	3,393,859,156
2016	2,438,694,318	781,696,843	40,580,256	221,659,494	3,482,630,911
2017	2,515,813,162	725,939,770	37,716,253	226,735,757	3,506,204,942
2018	2,560,058,692	659,660,119	33,550,896	224,221,552	3,477,491,259

(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.

Loans from Revolving Funds

Fiscal Year	VWFRF	VWFRF AgBMP	VWSRF	VTRRF	Total
2009	$ 654,863,805	$ 10,624,746	$ 109,415,361	$ -	$ 774,903,912
2010	676,622,675	9,056,810	113,487,646	-	799,167,131
2011	674,624,834	7,480,392	120,330,927	-	802,436,153
2012	694,033,376	7,099,516	126,771,814	-	827,904,706
2013	694,530,427	7,601,297	131,938,920	-	834,070,644
2014	699,775,722	5,691,138	144,578,587	-	850,045,447
2015	717,089,183	4,291,226	157,547,699	-	878,928,108
2016	729,475,535	3,920,074	163,074,966	-	896,470,575
2017	732,123,967	2,379,091	165,249,684	-	899,752,742
2018	720,275,558	2,195,062	168,294,548	540,000	891,305,168

Loans from Other Programs

Fiscal Year	ETF	VGCP	General Fund PRM Reserve	Total	Loans Receivable, Combined Total
2009	$ -	$ -	$ -	$ -	$ 2,821,185,920
2010	7,220,216	-	-	7,220,216	3,106,156,941
2011	5,663,892	-	-	5,663,892	3,383,784,643
2012	4,100,079	-	-	4,100,079	3,958,996,679
2013	2,383,510	-	-	2,383,510	4,108,311,699
2014	1,737,275	-	-	1,737,275	4,129,505,589
2015	325,102	-	-	325,102	4,273,112,366
2016	104,562	12,004,595	-	12,109,157	4,391,210,643
2017	53,121	28,173,001	-	28,226,122	4,434,183,806
2018	-	33,597,177	780,000	34,377,177	4,403,173,604

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)
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
2018	3,337,580,869	292,549,585	3,630,130,454	927,833,692	1,500,000,000	572,166,308	394.05

(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)*

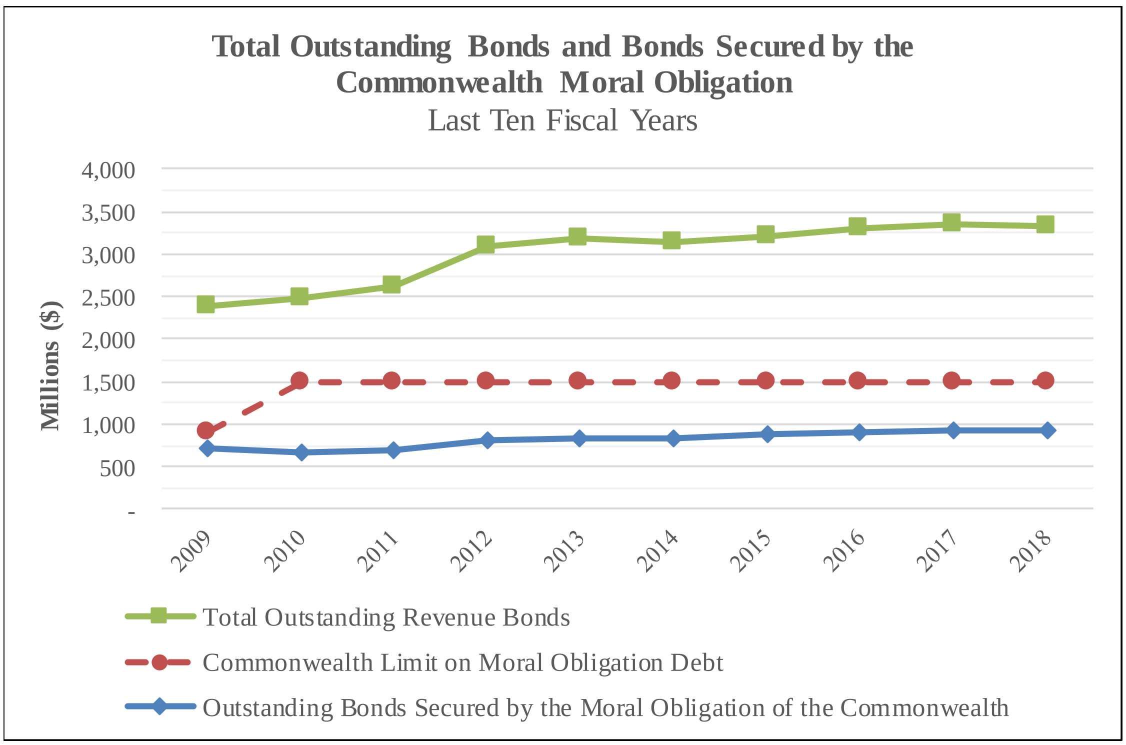


Table 7 – Virginia Principal Employers, Current and Ten Years Ago

Employer (1)	Fiscal Year 2018 (1) Ranking	Fiscal Year 2009 (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
Food Lion	7	6
County of Fairfax	8	8
U.S. Department of Homeland Defense	9	18
Inova Health System	10	10
City of Virginia Beach Schools	15	9

(1) Final quarter data for most recent calendar year (2017 and 2008).
(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)
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	6.7%
2012	8,096,604	371,796,308	45,920	1,258,521	6.2%
2013	8,185,867	385,403,843	47,082	1,264,880	5.6%
2014	8,260,405	402,880,713	48,773	1,273,211	5.1%
2015	8,326,289	413,897,533	49,710	1,279,773	4.6%
2016	8,382,993	448,565,127	53,291	1,283,494	3.9%
2017	8,411,808	451,912,000	53,723	1,288,481	3.8%
2018	8,470,020	459,449,000	54,244	1,293,049	3.3%

(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

Virginia Resources Authority
Statistical Section
June 30, 2018

Table 9 – Operating Indicators, Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Virginia Pooled Financing Program										
Projects	32	35	30	40	38	20	44	39	24	24
Lending	$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	$223,025,000
Clean Water Revolving Loan Fund										
Projects	22	62	18	22	22	14	12	13	14	18
Closed loans	$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	$115,555,569
Virginia Drinking Water State Revolving Fund										
Projects	19	34	16	15	15	19	20	24	19	24
Closed loans and grants	$ 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	$ 27,088,449
Virginia Airports Revolving Fund										
Projects	1	-	1	3	1	-	1	-	1	1
Closed loans	$ 633,000	$ -	$ 654,184	$ 2,239,000	$ 325,500	$ -	$ 1,612,000	$ -	$ 2,010,000	$ 1,846,000
Equipment and Term Financing										
Projects	6	-	-	-	-	-	-	-	-	-
Closed loans	$ 25,687,400	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Dam Safety and Flood Prevention										
Projects	-	2	1	25	37	55	65	70	40	45
Closed grants	$ -	$ 1,002,330	$ 1,000	$ 233,519	$ 558,711	$ 996,146	$ 824,860	$ 326,916	$ 1,041,301	$ 1,347,437
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund										
Projects	-	-	-	10	8	2	2	12	16	18
Closed grants	$ -	$ -	$ -	$ 199,873	$ 316,560	$ 100,000	$ 70,200	$ 445,585	$ 833,434	$ 997,770
VirginiaSAVES Green Communities										
Projects	-	-	-	-	-	-	-	2	3	1
Closed loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,004,595	$ 16,384,987	$ 6,512,144
Virginia Tobacco Region Revolving Fund										
Projects	-	-	-	-	-	-	-	-	-	1
Closed loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 540,000
Total new projects	80	133	66	115	121	110	144	160	117	132
Total entities served	61	96	53	71	74	80	101	104	88	93
Total new financings	$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	$376,912,369

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Executive Director	2	2	1	1	1	1	1	1	1	1
Financial Services	-	-	4	4	4	4	4	4	4	4
Finance and Administration	4	2	5	5	5	5	5	6	5	5
Program Management	2	2	2	2	1	3	3	3	3	3
Policy	1	1	2	2	2	2	2	2	2	3
Total	9	7	14	14	13	15	15	16	15	16

(1) Permanent employees

COMPLIANCE SECTION

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INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Virginia Resources Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 19, 2018.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
October 19, 2018

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

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

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 each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

A member of Nexia International

Honorable Board Members of the Board of Directors
Virginia Resources Authority

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
October 19, 2018

Virginia Resources Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CDFA Number	Pass-through Identifying Number	Federal Expenditure
Environmental Protection Agency			
Pass-through payments from the Commonwealth of Virginia:			
Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds (VWFRF) Cluster	66.458	90314, 90315	$ 21,182,066
Department of Health			
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF) Cluster	66.468	66165, 66175	9,883,967
Total Expenditures of Federal Awards			$ 31,066,033

See notes to the Schedule of Expenditures of Federal Awards

Virginia Resources Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

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 $170,904,510 from the VWFRF and $15,210,288 from the VWSRF as of June 30, 2018.

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	$ 29,880,712	$13,971,263	$ 5,810,106	$ 49,662,081
Total Governmental Revenues				
Less amounts not related to federal financial assistance	(8,698,646)	(4,087,296)	(5,810,106)	(18,596,049)
Schedule of Expenditures of Federal Awards	$ 21,182,066	$ 9,883,967	$ -	$ 31,066,033

Note 6 – Indirect Cost Rate

The Authority did not elect to use the 10% de minimis indirect cost rate.

Virginia Resources Authority
Schedule of Findings and Questioned Costs
June 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? ____ yes __x__ no

   - Significant deficiency(ies) identified? ____ yes __x__ none reported

3. Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

1. Internal control over major federal programs:

   - Material weakness(es) identified? ____ yes __x__ no

   - Significant deficiency(ies) identified? ____ yes __x__ none reported

2. Type of auditors' report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with
   - 2 CFR 200.516(a)? ____ yes __x__ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: $931,981

Auditee qualified as low-risk auditee? __x__ yes ____ no

Virginia Resources Authority
Schedule of Findings and Questioned Costs
June 30, 2018

Section II – Financial Statement Audit

None

Section III – Major Federal Award Program Audit

None