

December 4, 2019

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, 2019, is submitted pursuant to the requirements set forth in §62.1-222 of the Code of Virginia, as amended.

VRA’s attached 2019 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, reflecting the evolving capital improvement priorities of local governments and the Commonwealth, though the concentration continues to be water, wastewater, transportation, public safety and other core government infrastructure. With a focus on innovative financial solutions, the Authority is able to significantly reduce the cost of financing projects for local government borrowers. Through low-cost, custom tailored financing through the pooled bond program, and through the 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.

During FY19, the VRA Board and staff continued 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 FY19 VRA provided 123 loans and grants totaling over \$285 million for capital improvement investment in Virginia communities. VRA also facilitated refunding opportunities providing \$10.8 million in net present value debt service savings for 5 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.

VRA also coordinated the Governor's Infrastructure Financing Conference during FY19, bringing together government and private sector professionals in discussions to help facilitate the planning and delivery of much-needed capital improvement projects across the Commonwealth.

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

Sincerely,

A handwritten signature in cursive script, reading "Stephanie L. Hamlett".

Stephanie L. Hamlett
Executive Director



Richmond, Virginia

Comprehensive Annual Financial Report of the Virginia Resources Authority

A Component Unit of the Commonwealth of Virginia

Year Ended June 30, 2019

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, 2019

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
Table of Contents
June 30, 2019

INTRODUCTORY SECTION

Letter of Transmittal.....	1
Organizational Structure.....	5
Directory of Principal Officials.....	6
Certificate of Achievement for Excellence in Financial Reporting.....	7

FINANCIAL SECTION

Independent Auditor’s Report.....	9
Management’s Discussion and Analysis.....	12

Basic Financial Statements

Statement of Net Position.....	16
Statement of Revenues, Expenses and Changes in Net Position.....	17
Statement of Cash Flows.....	18
Notes to the Financial Statements.....	20

Required Supplementary Information (Unaudited)

Schedule of Changes in Net Pension Liability and Related Ratios.....	72
Schedule of Pension Contributions.....	73
Notes to Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Pension Contributions.....	73
Schedule of Employer’s Share of Net OPEB Liability – Group Life Insurance Program.....	74
Schedule of Employer OPEB Contributions – Group Life Insurance Program.....	74
Notes to Schedule of Employer’s Share of Net OPEB Liability and Schedule of Employer OPEB Contributions – Group Life Insurance Program.....	74
Schedule of Employer’s Share of Net OPEB Liability – Virginia Local Disability Program.....	77
Schedule of Employer OPEB Contributions – Virginia Local Disability Program.....	77
Notes to Schedule of Employer’s Share of Net OPEB Liability and Schedule of Employer OPEB Contributions – Virginia Local Disability Program.....	77
Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree Health Plan.....	79
Notes to Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree Health Plan.....	79

Combining Fund Financial Schedules

Combining Schedule of Net Position.....	80
Combining Schedule of Revenues, Expenses and Changes in Net Position.....	81
Combining Schedule of Cash Flows.....	82
Combining Schedule of Net Position – Virginia Revolving Loan Fund Accounts – Water Facilities.....	84
Combining Schedule of Revenues, Expenses and Changes in Net Position – Virginia Revolving Loan Fund Accounts – Water Facilities.....	85
Combining Schedule of Cash Flows – Virginia Revolving Loan Fund Accounts – Water Facilities.....	86
Combining Schedule of Net Position – Virginia Revolving Loan Fund Accounts – Water Supply.....	88
Combining Schedule of Revenues, Expenses, and Changes in Net Position – Virginia Revolving Loan Fund Accounts – Water Supply.....	89
Combining Schedule of Cash Flows – Virginia Revolving Loan Fund Accounts – Water Supply.....	90

Virginia Resources Authority
Table of Contents
June 30, 2019

STATISTICAL SECTION

Table 1 Net Position by Component	93
Table 2 Change in Net Position	94
Table 3 Operating Revenues	95
Table 4 Operating Expenses	96
Table 5 Outstanding Loans Receivable	97
Table 6 Outstanding Debt	98
Table 7 Virginia Principal Employers	99
Table 8 Virginia Demographic and Economic Statistics	100
Table 9 Operating Indicators	101
Table 10 Employees by Identifiable Activity	102

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	104
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	106
Schedule of Expenditures of Federal Awards	108
Notes to Schedule of Expenditures of Federal Awards	109
Schedule of Findings and Questioned Costs	110

INTRODUCTORY SECTION

September 10, 2019

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 2019 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, 2019 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, 2019.

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. VPFPP 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 VPFPP, the Authority currently serves as co-manager of five state capitalized loan/grant funds: Virginia Water Facilities Revolving Fund (VWFRF), Virginia Water Supply Revolving Fund (VWSRF), the Virginia Airports Revolving Fund (VARF), Virginia Dam Safety and Flood Prevention and Protection Fund (VDSFPPF), and 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 2019, which ended on June 30, with positive general fund revenue growth over the last year. Preliminary figures indicate that the Commonwealth concluded fiscal year 2019 with 7.2% growth in general fund revenue collections, approximately \$778 million ahead of the official forecast. Total general fund revenues were forecast to increase 3.3% in fiscal year 2019. This represents a 3.9% forecast variance from the official budget estimate, with non-withholding income tax collection and lower individual income tax refunds driving the surplus. The majority of the surplus can be attributed to an estimated \$450 million from the federal *Tax Cuts and Jobs Act* that was anticipated but not included in the official General Fund Revenue forecast.

FY2019 Accomplishments

Staff efforts along with those of state agency and private sector partners resulted in many successes and opportunities during FY2019. 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 managing technical aspects of the program.

Major accomplishments for the Authority during FY2019 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 123 new loans and grants totaling \$285.1 million for 77 different entities through VRA programs
- Facilitating refunding opportunities for net present value debt service savings of \$10.8 million through the Virginia Pooled Financing Program for five localities
- Transferring approximately \$2.1 million to the Portfolio Risk Management Reserve to further enhance the pooled bond program credit

Additional FY2019 accomplishments for the Authority include:

- Assisting state agency partners in successfully managing their loan and grant programs
 - Department of Environmental Quality – \$69.3 million for 10 loans
 - Department of Health – \$19.3 million for 34 loans
 - Department of Aviation – \$2.4 million for 1 loan
 - Department of Conservation & Recreation – \$0.5 million for 39 grants
 - Virginia Economic Development Partnership – \$1.3 million for 18 grants
 - Tobacco Region Revitalization Commission – \$1,100,000 for 1 loan
 - Commonwealth Transportation Board – 7 disbursements totaling \$1.7 million
- Coordinating the Governor’s Infrastructure Financing Conference to bring together government and private sector professionals in discussions to help facilitate the planning and delivery of much-needed capital improvement projects across Virginia
- 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 FY2018 Comprehensive Annual Financial Report (CAFR)

FY2019 Financial Results

VRA ended the fiscal year with assets and deferred outflows of \$5.3 billion, a 0.1% increase over the preceding year. With assets and deferred outflows exceeding liabilities and deferred inflows by \$1.7 billion, VRA’s net position increased 5.0%. Approximately 98.7% of total net position is restricted for making loans and grants through the various loan programs administered by VRA. Operating revenues (\$148.8 million) and expenses (\$155.6 million) both increased 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 2019.

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 2019 CAFR would not have been possible without the Authority’s knowledgeable and dedicated team of professionals. A special note of gratitude goes to the

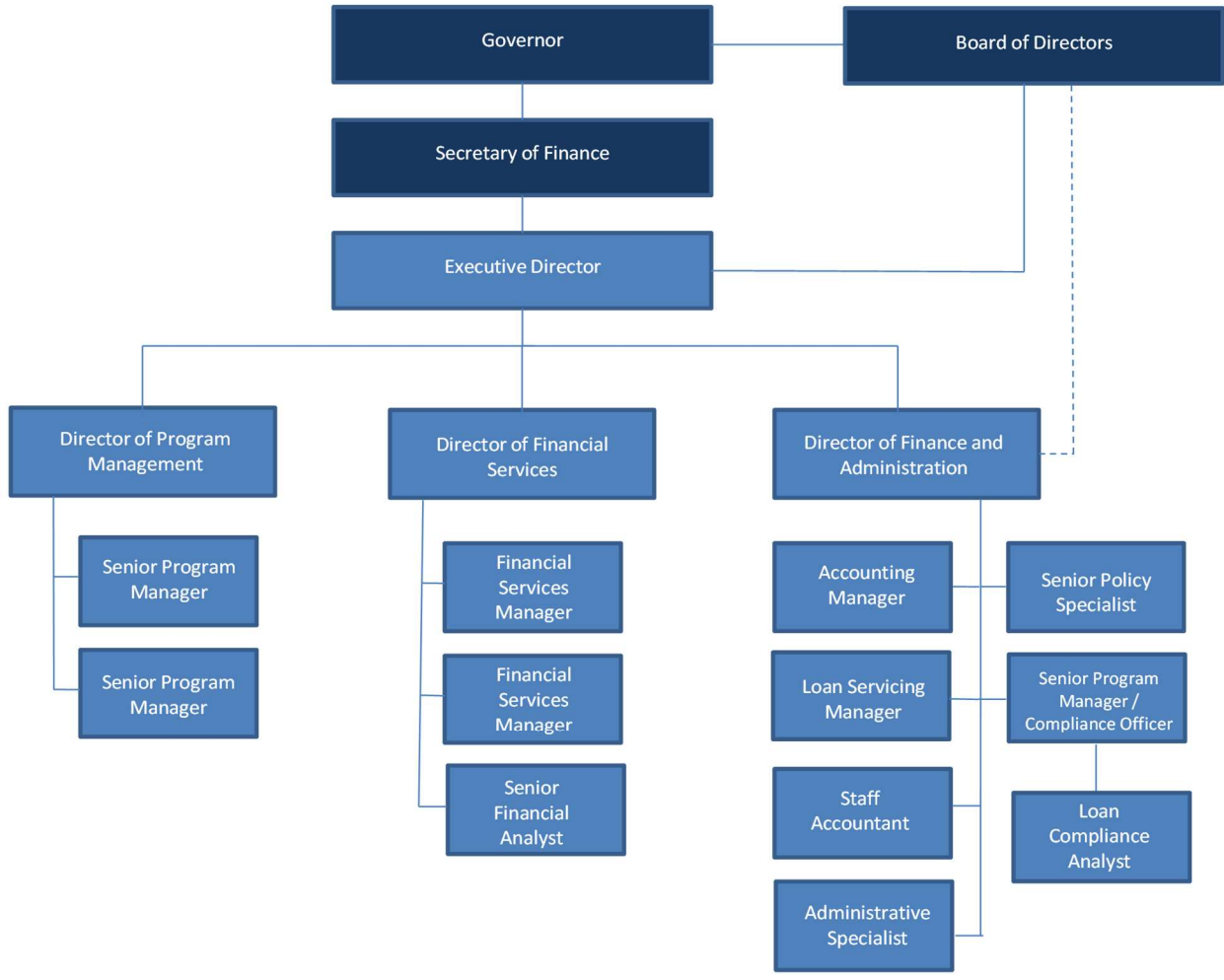
Authority's personnel who assisted in this effort. I would also like to extend our thanks to the Authority's Board of Directors for their continuing support in planning and conducting the financial operations of the Virginia Resources Authority in a responsible manner.

Sincerely,

A handwritten signature in black ink on a light-colored background. The signature reads "Stephanie Hamlett" in a cursive, flowing script.

Stephanie Hamlett
Executive Director

**Virginia Resources Authority
Organizational Structure
June 30, 2019**



**Virginia Resources Authority
Directory of Principal Officials
June 30, 2019**

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, 2018

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



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, 2019, 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.

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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis of 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 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.

The Honorable Members
of the Board of Directors
Virginia Resources Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report August 25, 2019, 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

Arlington, Virginia
August 25, 2019

Virginia Resources Authority
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 \$1.7 billion (net position), an increase of \$80.6 million or 5.0%. The increase in net position is primarily due to lending and repayment activity during the fiscal year.

Operating revenues of \$148.8 million increased 6.5% primarily due to additional investment income. Operating expenses of \$155.6 million increased 10.2% primarily due to 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 and OPEB 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

Virginia Resources Authority
Management's Discussion and Analysis
June 30, 2019

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 following table presents a summary of the Authority's financial position for fiscal years 2019 and 2018, followed by a description of significant changes (in thousands):

	<u>FY2019</u>	<u>FY2018</u>	<u>\$ Change</u>	<u>% Change</u>
Assets				
Cash and cash equivalents	\$ 285,557	\$ 245,055	\$ 40,502	16.5%
Investments - current	119,687	55,765	63,922	114.6%
Loans receivable - current	282,961	283,058	(97)	0.0%
Other current assets	36,382	30,883	5,499	17.8%
Investments - noncurrent	506,520	503,737	2,783	0.6%
Loans receivable - noncurrent	4,023,694	4,119,577	(95,883)	-2.3%
Capital assets, net	122	63	59	93.7%
Other noncurrent assets	449	404	45	11.1%
Total assets	<u>5,255,372</u>	<u>5,238,542</u>	<u>16,830</u>	0.3%
Deferred outflows of resources	<u>63,750</u>	<u>73,043</u>	<u>(9,293)</u>	-12.7%
Total assets and deferred outflows of resources	<u>\$ 5,319,122</u>	<u>\$ 5,311,585</u>	<u>\$ 7,537</u>	0.1%
Liabilities				
Bonds payable - current	\$ 225,083	\$ 216,214	\$ 8,869	4.1%
Accrued interest	26,825	27,261	(436)	-1.6%
Other current liabilities	1,409	3,749	(2,340)	-62.4%
Bonds payable - noncurrent	3,338,623	3,413,917	(75,294)	-2.2%
Noncurrent liabilities	206	293	(87)	-29.7%
Total liabilities	<u>3,592,146</u>	<u>3,661,434</u>	<u>(69,288)</u>	-1.9%
Deferred inflows of resources	<u>31,245</u>	<u>34,982</u>	<u>(3,737)</u>	-10.7%
Net position				
Investment in capital assets	122	63	59	93.7%
Restricted	1,674,042	1,596,300	77,742	4.9%
Unrestricted	21,567	18,806	2,761	14.7%
Total net position	<u>1,695,731</u>	<u>1,615,169</u>	<u>80,562</u>	5.0%
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,319,122</u>	<u>\$ 5,311,585</u>	<u>\$ 7,537</u>	0.1%

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.

Virginia Resources Authority
Management's Discussion and Analysis
June 30, 2019

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 2019 and 2018, followed by a description of significant changes (in thousands):

	<u>FY2019</u>	<u>FY2018</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenues				
Interest on loans	\$ 113,394	\$ 114,479	\$ (1,085)	-0.9%
Investment income	26,978	16,883	10,095	59.8%
Bond administration fees	3,319	3,218	101	3.1%
Loan administration fees	2,354	2,209	145	6.6%
Loan origination revenue	2,140	2,735	(595)	-21.8%
Gain on early extinguishment of loans	635	164	471	287.2%
Other income	1	25	(24)	-96.0%
Total operating revenues	<u>148,821</u>	<u>139,713</u>	<u>9,108</u>	6.5%
Operating Expenses				
Interest on bonds and loans	120,046	122,995	(2,949)	-2.4%
Bond issuance costs	1,925	2,302	(377)	-16.4%
Grants to local governments	22,523	11,126	11,397	102.4%
Principal forgiveness loans to local governments	6,712	1,783	4,929	276.4%
Loss on early extinguishment of bonds	670	168	502	298.8%
Personnel services	2,090	1,677	413	24.6%
General operating	1,184	690	494	71.6%
Contractual services	401	444	(43)	-9.7%
Total operating expenses	<u>155,551</u>	<u>141,185</u>	<u>14,366</u>	10.2%
Operating loss	<u>(6,730)</u>	<u>(1,472)</u>	<u>(5,258)</u>	357.2%
Nonoperating revenues				
Contributions from other governments	87,874	49,662	38,212	76.9%
Federal interest subsidy	2,169	2,629	(460)	-17.5%
Total nonoperating revenue	<u>90,043</u>	<u>52,291</u>	<u>37,752</u>	72.2%
Nonoperating expenses				
Contributions to other governments	655	421	234	55.6%
Federal interest subsidy passthrough	2,096	2,552	(456)	-17.9%
Total nonoperating expense	<u>2,751</u>	<u>2,973</u>	<u>(222)</u>	-7.5%
Change in net position	80,562	47,846	32,716	68.4%
Beginning net position	1,615,169	1,567,444	47,725	3.0%
Restatement, change in accounting principle	-	(121)	121	-
Ending net position	<u>\$1,695,731</u>	<u>\$1,615,169</u>	<u>\$ 80,562</u>	5.0%

At the end of fiscal year 2019, net position increased 5.0% to \$1.7 billion. Operating revenues increased 6.5% primarily through increasing investment income. Operating expenses increased 10.2% primarily due

Virginia Resources Authority
Management's Discussion and Analysis
June 30, 2019

to increasing grant and principal forgiveness financing. The Authority typically shows an operating loss as several loan programs are supported by grant funding, which is presented 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, 2019

Assets

Current assets:	
Cash	\$ 18,508,325
Cash equivalents (Note 3)	267,048,368
Investments (Note 3)	119,687,141
Loans receivable, net of allowance (Note 4)	282,961,060
Receivables:	
Investment interest	3,710,318
Loan interest	26,066,843
Loan administrative fees	1,270,439
Federal funds	3,876,797
Other	1,411,748
Other assets	45,322
Total current assets	<u>724,586,361</u>
Noncurrent assets:	
Investments (Note 3)	506,520,291
Loans receivable, net of allowance (Note 4)	4,023,693,677
Net pension asset (Note 10)	449,298
Capital assets, net of accumulated depreciation (Note 5)	122,088
Total noncurrent assets	<u>4,530,785,354</u>
Total assets	<u>5,255,371,715</u>

Deferred Outflows of Resources

Deferred outflows related to pensions (Note 10)	89,936
Deferred outflows related to OPEB (Notes 11 and 12)	13,322
Deferred loss on refunding (Note 6)	63,647,315
Total deferred outflows of resources	<u>63,750,573</u>

Total assets and deferred outflows of resources \$ 5,319,122,288

Liabilities

Current liabilities:	
Bonds payable, current (Note 6)	225,083,286
Accrued interest payable	26,824,624
Agency funds	899,207
Arbitrage rebate liability (Note 8)	247,785
Accounts payable and other liabilities (Note 8)	262,298
Total current liabilities	<u>253,317,200</u>
Noncurrent liabilities:	
Net OPEB liability (Notes 11 and 12)	205,649
Bonds payable, net of current portion (Note 6)	3,338,623,206
Total noncurrent liabilities	<u>3,338,828,855</u>
Total liabilities	<u>3,592,146,055</u>

Deferred Inflows of Resources

Deferred inflows related to pensions (Note 10)	128,597
Deferred inflows related to OPEB (Notes 11 and 12)	17,000
Deferred gain from localities on refunding (Note 6)	31,098,883
Total deferred outflows of resources	<u>31,244,480</u>

Total liabilities and deferred inflows of resources 3,623,390,535

Net position

Investment in capital assets	122,088
Restricted (Note 7)	
Loan programs	1,666,282,269
Operating reserve	7,760,076
Unrestricted	21,567,320
Total net position	<u>1,695,731,753</u>

Total liabilities, deferred inflows of resources, and net position \$ 5,319,122,288

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

Virginia Resources Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

Operating revenues	
Interest on loans	\$ 113,394,150
Investment income	26,978,747
Bond administrative fees	3,319,259
Loan administrative fees	2,353,592
Loan origination revenue	2,139,511
Gain on early extinguishment of bonds	635,483
Other income	853
Total operating revenues	<u>148,821,595</u>
Operating expenses	
Interest on bonds and loans	120,045,825
Bond issuance costs	1,925,208
Grants to local governments	22,523,294
Principal forgiveness loans	6,712,323
Loss on early extinguishment of loans	669,613
Personnel services	2,089,310
General operating	1,183,969
Contractual services	401,497
Total operating expenses	<u>155,551,039</u>
Operating loss	<u>(6,729,444)</u>
Nonoperating revenues	
Contributions from other governments (Note 9)	87,873,954
Federal interest subsidy	2,169,813
Total nonoperating revenues	<u>90,043,767</u>
Nonoperating expenses	
Contributions to other governments	655,051
Federal interest subsidy passthrough	2,096,113
Total nonoperating expenses	<u>2,751,164</u>
Change in net position	<u>80,563,159</u>
Net position - beginning	<u>1,615,168,594</u>
Net position - ending	<u>\$ 1,695,731,753</u>

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, 2019

Cash flows from operating activities	
Loan disbursements to localities	\$ (308,781,914)
Principal repayments from localities on loans	374,306,422
Interest received on loans	141,128,354
Loan origination fees received	2,139,511
Bond administrative fees received	3,337,305
Loan administrative fees received	2,278,552
Cash received from other income	853
Cash payments for salaries and benefits	(1,989,842)
Cash payments for general operating expenses	(939,472)
Cash payments for contractual services	(385,044)
Cash payments for operating grants	(22,533,773)
Cash payments for principal forgiveness loans	(6,885,800)
Interest paid on bonds	(147,522,390)
Agency funds disbursed	(2,074,150)
Interfund activity	(382,376)
Net cash provided by operating activities	<u>31,696,236</u>
Cash flows from noncapital financing activities	
Proceeds from sale of bonds	230,839,131
Bond issuance costs	(1,925,208)
Principal paid on bonds	(261,735,000)
Proceeds from Federal interest subsidy	2,169,813
Cash payments to localities for Federal interest subsidy	(2,096,113)
Contributions from other governments	83,152,288
Contributions to other governments	(655,051)
Net cash provided by noncapital financing activities	<u>49,749,860</u>
Cash flows from capital and financing related activities	
Purchase of office equipment	(95,442)
Net cash used in noncapital financing activities	<u>(95,442)</u>
Cash flows from investing activities	
Purchase of investments	(225,007,305)
Proceeds from sales or maturities of investments	163,541,441
Interest received on investments - net	20,617,083
Net cash used in investing activities	<u>(40,848,781)</u>
Net increase in cash and cash equivalents	40,501,873
Cash and cash equivalents - July 1	245,054,820
Cash and cash equivalents - June 30	<u>\$ 285,556,693</u>
Reconciliation to the Statement of Net Position	
Cash	\$ 18,508,325
Cash equivalents	267,048,368
	<u>\$ 285,556,693</u>

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 provided by operating activities	
Operating loss	\$ (6,729,444)
Depreciation expense	36,805
Pension expense	18,711
Current year pension contributions subsequent to the measurement date	(66,615)
OPEB expense	102,695
Current year OPEB contributions subsequent to the measurement date	(8,322)
Interest on investments	(26,943,959)
Gain on early extinguishment of loans	(669,613)
Loss on early extinguishment of bonds	635,483
Bond issuance costs	1,925,208
Interest on bonds, amortization and accretion - net	(5,625,983)
Effect of changes in operating assets and liabilities:	
Loans receivable	65,671,508
Loan interest receivable	359,286
Loan administrative fee receivable	(56,994)
Other assets	(161,407)
Deferred charges	5,592,596
Accounts payable and other liabilities	(2,001,343)
Due to other funds	(382,376)
Net cash used in operating activities	<u>\$ 31,696,236</u>
 Schedule of non-cash activities	
Change in fair value of assets	<u>\$ 5,680,786</u>

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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, and the Director of the Department of Aviation. 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 Virginia Transportation Infrastructure Bank, the Virginia Brownfield Restoration and Economic Development Assistance Fund, the Virginia SAVES 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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 Virginia SAVES 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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 AAAsf/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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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 prior to 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.

Other Post-Employment Benefits, Health Insurance – The Authority provides post-employment health care benefits for qualifying retirees through a single-employer defined benefit plan. The plan is governed by the Authority's Board of Directors and can be amended at its discretion. The Authority has estimated the cost of providing this benefit using the alternative measurement method in place of an actuarial valuation. The

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

alternative measurement method is an approach that includes the same broad measurement steps as an actuarial valuation (projecting benefit payments, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method). However, it permits simplification of certain assumptions.

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 qualify 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019.

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, 2019, the Authority had the following recurring fair value measurements:

<u>Investments by Fair Value</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Agency mortgage backed	\$ 12,603,628	\$ -	\$ 12,603,628	\$ -
Asset backed securities	42,062,700	-	42,062,700	-
Commercial paper	14,811,080	-	14,811,080	-
Corporate bonds and notes	64,848,054	-	64,848,054	-
Municipal securities	2,898,967	-	2,898,967	-
Negotiable certificates of deposit	25,161,410	-	25,161,410	-
U.S. Agency securities	14,985,524	-	14,985,524	-
U.S. Treasury securities	168,981,302	-	168,981,302	-
	<u>\$ 346,352,665</u>	<u>\$ -</u>	<u>\$ 346,352,665</u>	<u>\$ -</u>

Investments Using Other Measurements

Guaranteed investment contracts	36,037,918
LGIP	257,635,754
LGIP extended maturity portfolio	6,193,882
Money market funds – Government	9,412,615
U.S. Treasury SLGS	237,622,966
	<u>546,903,135</u>

Total investments \$ 893,255,800

Reconciliation to Statement of Net Position

Cash equivalents	\$ 267,048,368
Investments – current	119,687,141
Investments – noncurrent	506,520,291
	<u>\$ 893,255,800</u>

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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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. U.S. Treasury SLGS are reported at historical 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, 2019, the Authority had the following cash equivalents and investments:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Agency mortgage backed	\$ 12,603,628	\$ 1,619	\$ 12,597,994	\$ 1,631	\$ 2,384
Asset backed securities	42,062,700	48,780	42,013,920	-	-
Commercial paper	14,811,080	14,811,080	-	-	-
Corporate bonds and notes	64,848,054	5,968,584	58,879,470	-	-
Municipal securities	2,898,967	-	2,898,967	-	-
Negotiable certificates of deposit	25,161,410	15,167,345	9,994,065	-	-
U.S. Agency securities	14,985,524	2,749,469	12,236,055	-	-
U.S. Treasury securities	168,981,302	54,208,909	107,122,984	1,471,524	6,177,885
Guaranteed investment contracts	36,037,918	2,519,604	16,536,525	15,020,444	1,961,345
LGIP	257,635,754	257,635,754	-	-	-
LGIP extended maturity portfolio	6,193,882	-	6,193,882	-	-
Money market funds – Gov't.	9,412,615	9,412,615	-	-	-
U.S. Treasury SLGS	237,622,966	18,017,868	8,511,439	67,373,366	143,720,293
	<u>\$893,255,800</u>	<u>\$380,541,627</u>	<u>\$276,985,301</u>	<u>\$83,866,965</u>	<u>\$151,861,907</u>

Reconciliation to Statement of Net Position

Cash equivalents	\$267,048,368
Investments – current	119,687,141
Investments – noncurrent	506,520,291
	<u>\$893,255,800</u>

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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019, the Authority had the following cash equivalent and investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&P Rating</u>	<u>Moody’s Rating</u>	<u>Percent of Portfolio</u>
Agency Mortgage Backed	\$12,603,628	AA+	Aaa	1.4%
Asset Backed Securities (AAA)	27,183,110	AAA	Various	3.0%
Asset Backed Securities (AAA)	14,879,590	NR	Aaa	1.7%
Commercial Paper	14,811,080	A-1	P-1	1.7%
Corporate Bonds and Notes (AAA)	2,215,455	AAA	Aaa	0.3%
Corporate Bonds and Notes (AA+)	5,192,278	AA+	Aaa/Aa1	0.6%
Corporate Bonds and Notes (AA)	6,089,441	AA	Aa2	0.7%
Corporate Bonds and Notes (AA-)	18,276,847	AA-	Aa1 to Aa3	2.0%
Corporate Bonds and Notes (A+)	7,696,782	A+	Aa2/A1	0.9%
Corporate Bonds and Notes (A)	10,534,595	A	A1 to A3	1.2%
Corporate Bonds and Notes (A-)	9,484,180	A-	A1/A2	1.1%
Corporate Bonds and Notes (BBB+)	5,358,476	BBB+	A3	0.6%
Guaranteed Investment Contracts	36,037,918	Various	See below	4.0%
LGIP	257,635,754	AAAm	-	28.8%
LGIP – extended maturity portfolio	6,193,882	AAAf/S1	-	0.7%
Money Market Funds - Government	9,412,615	AAAm	-	1.0%
Municipal Securities	2,898,967	AA-	Aa3	0.3%
Negotiable Certificates of Deposit (A-1)	10,149,395	A-1	P-1	1.1%
Negotiable Certificates of Deposit (AA)	15,012,015	AA-	Aa2/Aa3	1.7%
U.S. Agency Securities	14,985,524	AA+	Aaa	1.7%
U.S. Treasury Securities	141,733,770	AA+	Aaa	15.9%
U.S. Treasury Securities	27,247,532	A-1+	P-1	3.0%
U.S. Treasury SLGS	237,622,966	AA+	Aaa	26.6%
	<u>\$ 893,255,800</u>			<u>100.00%</u>

The guaranteed investment contracts (GICs) that comprise 4.0% of the investment portfolio were entered into based upon the credit rating of the GIC provider. The Moody’s ratings of the GIC providers are as follows:

<u>Provider</u>	<u>Fair Value</u>	<u>Moody’s Rating</u>	<u>Percent of Portfolio</u>
Citigroup	\$ 1,259,116	Baa1*	0.1%
FSA / Assured Guaranty	34,778,802	A3*	3.9%
	<u>\$ 36,037,918</u>		<u>4.0%</u>

*Rating fell below approved level and was collateralized with U.S. Treasury and Agency securities in accordance with the Credit Risk Policy.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Maximum</u>
Agency mortgage backed	\$ 12,603,628	2.4%	25%
Asset backed securities	42,062,700	7.9%	25%
Commercial paper	14,811,080	2.8%	25%
Corporate bonds and notes	64,848,054	12.2%	25%
LGIP	257,635,754	48.5%	100%
LGIP extended maturity portfolio	6,193,882	1.2%	10%
Money market funds – Government	434,117	0.1%	100%
Municipal securities	2,898,967	0.5%	25%
Negotiable certificates of deposit	25,161,410	4.7%	10%
U.S. Agency securities	14,985,524	2.8%	100%
U.S. Treasury securities	81,530,851	15.4%	100%
U.S. Treasury SLGS	7,759,905	1.5%	100%
	<u>\$ 530,925,872</u>	<u>100.0%</u>	

Reconciliation to Total Cash Equivalents and Investments

General and Program Funds	\$ 530,925,872
Bond Funds*	362,329,928
	<u>\$ 893,255,800</u>

*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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019, the Authority had the following investments and maturities:

General and Program Funds

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Agency mortgage backed	\$ 12,603,628	\$ 1,619	\$ 12,597,994	\$ 1,631	\$ 2,384
Asset backed securities	42,062,700	48,780	42,013,920	-	-
Commercial paper	14,811,080	14,811,080	-	-	-
Corporate bonds and notes	64,848,054	5,968,584	58,879,470	-	-
LGIP	257,635,754	257,635,754	-	-	-
LGIP extended maturity portfolio	6,193,882	-	6,193,882	-	-
Money market funds – Gov’t.	434,118	434,118	-	-	-
Municipal securities	2,898,967	-	2,898,967	-	-
Negotiable certificates of deposit	25,161,410	15,167,345	9,994,065	-	-
U.S. Agency securities	14,985,524	2,749,469	12,236,055	-	-
U.S. Treasury securities	81,530,850	25,161,586	56,369,264	-	-
U.S. Treasury SLGS	7,759,905	7,759,905	-	-	-
	<u>\$530,925,872</u>	<u>\$329,738,240</u>	<u>\$201,183,617</u>	<u>\$ 1,631</u>	<u>\$ 2,384</u>

Average maturity of investments 0.89 years

The General Account includes \$4,015 of investments with maturities over five years. These investments are not expected to be held until maturity.

Bond Funds

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	Over 10 Years
Guaranteed investment contracts	\$ 36,037,918	\$ 2,519,604	\$ 16,536,525	\$15,020,444	\$ 1,961,345
Money market funds-Government	8,978,497	8,978,497	-	-	-
U.S. Treasury securities	87,450,452	29,047,323	50,753,720	1,471,524	6,177,885
U.S. Treasury SLGS	229,863,061	10,257,963	8,511,439	67,373,366	143,720,293
	<u>\$362,329,928</u>	<u>\$ 50,803,386</u>	<u>\$ 75,801,685</u>	<u>\$83,865,334</u>	<u>\$151,859,523</u>

Average maturity of investments 8.7 years

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, 2019 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019, 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, VTTRF, 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, 2019:

Loan receivables related to bond issues:	
VFPF	\$ 2,514,255,420
VWFRF – Leveraged	601,280,976
VARF	27,708,574
Unamortized discounts/premiums, net	211,481,241
	<u>3,354,726,211</u>
Loan receivables related to revolving loan funds:	
VWFRF	739,019,014
VWFRF – AgBMP	1,692,364
VWSRF	178,362,854
VTTRF	1,603,062
	<u>920,677,294</u>
Other loan receivables:	
VGCP	31,937,232
	<u>31,937,232</u>
Total loans receivable	4,307,340,737
Less: allowance for loan losses – AgBMP	(686,000)
Total loans receivable, net of allowance	<u>\$ 4,306,654,737</u>
Loans receivable – current	\$ 282,961,060
Loans receivable – noncurrent	4,023,693,677
Total loans receivable, net of allowance	<u>\$ 4,306,654,737</u>

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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 FY2049.

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 FY2020 to FY2049 and accrue interest at various rates ranging from 0% to 5.15%.

As of June 30, 2019, the Authority is also obligated under outstanding commitment letters and undisbursed loans and grants to disburse approximately:

<u>Type</u>	<u>VWFRF</u>	<u>VWSRF</u>	<u>VARF</u>	<u>VDSFPF</u>	<u>VBAF</u>	<u>VTRRF</u>	<u>Total</u>
Committed (loan or grant closed)	\$138,912,467	\$ 17,988,457	\$3,655,499	\$ 328,863	\$827,843	\$ 3,139	\$161,716,268
Commitment letter only (loan or grant not closed)	12,233,959	40,343,119	-	-	-	750,000	53,327,078
Total	<u>\$151,146,426</u>	<u>\$ 58,331,576</u>	<u>\$3,655,499</u>	<u>\$ 328,863</u>	<u>\$827,843</u>	<u>\$ 753,139</u>	<u>\$215,043,346</u>

As of June 30, 2019, all loan payments other than AgBMP loans 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 \$686,000. 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, 2019 was as follows:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2019</u>
Office equipment	\$ 212,269	\$ 95,442	\$ (13,428)	\$ 294,283
Less accumulated depreciation	(148,818)	(36,805)	13,428	(172,195)
Total capital assets, net	<u>\$ 63,451</u>	<u>\$ 58,637</u>	<u>\$ -</u>	<u>\$ 122,088</u>

Depreciation expense was \$36,805 for the year ended June 30, 2019.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Note 6 – Long-Term Debt

The Authority had the following debt outstanding as of June 30, 2019:

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
<i>Virginia Pooled Financing Program Revenue Bonds</i>		
Series 2002 (Capital Appreciation Bonds), dated July 31, 2002, interest rates ranging from 4.14% to 5.59%, final maturity November 1, 2031. Amount outstanding includes \$16,796,079 accretion for capital appreciation bonds; \$5,623,192 of the bonds defeased in 2012	27,537,167	29,051,053
Series 2002A, dated June 6, 2002, interest rates ranging from 3.00% to 5.13%, final maturity May 1, 2027; \$20,125,000 of the bonds defeased in 2010; \$985,000 of the bonds defeased in 2011	42,845,000	340,000
Series 2005B Senior (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final maturity 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	685,000
Series 2005B Subordinate (Non-AMT), dated June 8, 2005, interest rates ranging from 3.00% to 5.00%, final maturity 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	270,000
Series 2005C Senior (Non-AMT), dated December 7, 2005, interest rates ranging from 4.63% to 5.00%, final maturity 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	230,000
Series 2005C Subordinate (Non-AMT), dated December 7, 2005, interest rates ranging from 4.00% to 4.75%, final maturity 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	90,000
Series 2006A Senior (Non-AMT), dated June 8, 2006, interest rates ranging from 3.50% to 5.00%, final maturity November 1, 2036; \$4,390,000 of the bonds defeased in 2014	49,145,000	275,000
Series 2006A Subordinate (Non-AMT), dated June 8, 2006, interest rates ranging from 3.65% to 5.00%, final maturity November 1, 2036; \$1,895,000 of the bonds defeased in 2014; \$1,145,000 of the bonds defeased in 2018	25,825,000	115,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
Series 2007B Senior (Non-AMT), dated December 13, 2007, interest rates ranging from 3.30% to 5.00%, final maturity November 1, 2037; \$1,740,000 of the bonds defeased in 2011; \$25,605,000 of the bonds defeased in 2014	38,470,000	150,000
Series 2007B Subordinate (Non-AMT), dated December 13, 2007 interest rates ranging from 3.30% to 5.00%, final maturity 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	65,000
Series 2008A Senior (Non-AMT), dated June 6, 2008, interest rates ranging from 3.00% to 5.00%, final maturity November 1, 2038; \$2,350,000 of the bonds defeased in 2019	48,890,000	1,090,000
Series 2008A Subordinate (Non-AMT), dated June 6, 2008, interest ranging from 2.50% to 4.625%, final maturity November 1, 2038; \$2,680,000 of the bonds defeased in 2019	22,450,000	465,000
Series 2009A Senior (ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final maturity November 1, 2039	42,440,000	19,410,000
Series 2009A Senior (Non-ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final maturity November 1, 2039	76,985,000	14,770,000
Series 2009A Subordinate (ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final maturity November 1, 2039	18,915,000	9,920,000
Series 2009A Subordinate (Non-ACE), dated June 17, 2009, interest rates ranging from 4.00 to 5.00%, final maturity November 1, 2039	42,985,000	8,800,000
Series 2009B Infrastructure Revenue Bonds (Tax-Exempt), dated November 19, 2009, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2030; \$1,000,000 of the bonds defeased in 2014; \$13,955,000 of the bonds defeased in 2015	82,175,000	14,335,000
Series 2009B Infrastructure Revenue Bonds (Taxable - Build America Bonds), dated November 19, 2009, interest rates ranging from 4.97 to 5.70%, final maturity 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 maturity November 1, 2030; \$410,000 of the bonds defeased in 2014; \$5,985,000 of the bonds defeased in 2015	38,190,000	9,195,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
Series 2009B State Moral Obligation Bonds (Taxable - Build America Bonds), dated November 19, 2009, interest rates ranging from 5.22 to 6.00%, final maturity 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 maturity 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	13,580,000
Series 2010A State Moral Obligation, dated June 17, 2010, interest rates ranging from 2.00 to 5.00%, final maturity 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	7,605,000
Series 2010B Infrastructure Revenue Bonds, dated August 18, 2010, interest rates ranging from 1.25 to 5.00%, final maturity November 1, 2040	28,320,000	1,425,000
Series 2010B State Moral Obligation, dated August 18, 2010, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2040	12,910,000	1,415,000
Series 2010C Infrastructure Revenue Bonds (Tax-Exempt), dated November 23, 2010, interest rates ranging from 2.00 to 5.00%, final maturity 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; \$3,560,000 of the bonds defeased in 2019	59,635,000	22,350,000
Series 2010C Infrastructure Revenue Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 3.83 to 5.79%, final maturity November 1, 2040; \$21,165,000 of the bonds defeased in 2019; \$27,605,000 of the bonds defeased in 2019	54,740,000	33,575,000
Series 2010C State Moral Obligation (Tax-Exempt), dated November 23, 2010, interest rates ranging from 2.50 to 5.00%, final maturity 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; \$1,495,000 of the bonds defeased in 2019	26,395,000	13,335,000
Series 2010C State Moral Obligation Bonds (Taxable - Build America Bonds), dated November 23, 2010, interest rates ranging from 6.19 to 6.29%, final maturity November 1, 2040; \$9,055,000 of the bonds defeased in 2019; \$14,320,000 of the bonds defeased in 2019	25,920,000	14,410,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
Series 2011A Infrastructure Revenue Bonds (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2041; \$1,805,000 of the bonds defeased in 2014; \$1,375,000 of the bonds defeased in 2016	50,795,000	30,660,000
Series 2011A Infrastructure Revenue Bonds (Taxable), dated June 2, 2011, interest rates ranging from 3.80 to 5.10%, final maturity November 1, 2031	6,455,000	4,825,000
Series 2011A State Moral Obligation (Tax-Exempt), dated June 2, 2011, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2041; \$755,000 of the bonds defeased in 2014; \$565,000 of the bonds defeased in 2016	21,475,000	13,030,000
Series 2011A State Moral Obligation Bonds (Taxable), dated June 2, 2011, interest rates ranging from 3.95 to 5.25%, final maturity November 1, 2031	2,790,000	2,080,000
Series 2011B Infrastructure Revenue Bonds (Tax-Exempt), dated November 16, 2011, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2041; \$9,070,000 of the bonds defeased in 2017; \$19,855,000 of the bonds defeased in 2018	129,660,000	55,790,000
Series 2011B Infrastructure Revenue Bonds (Taxable), dated November 16, 2011, interest rates ranging from 4.05 to 4.65%, final maturity 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 maturity November 1, 2041; \$3,885,000 of the bonds defeased in 2017; \$3,945,000 of the bonds defeased in 2018	55,635,000	28,885,000
Series 2011B State Moral Obligation Bonds (Taxable), dated November 16, 2011, interest rates ranging from 4.50 to 5.05%, final maturity November 1, 2041	12,935,000	12,935,000
Series 2012A Infrastructure Revenue Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2042; \$3,740,000 of the bonds defeased in 2018; \$1,620,000 of the bonds defeased in 2019	205,405,000	128,280,000
Series 2012A State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2042; \$2,905,000 of the bonds defeased in 2018; \$1,075,000 of the bonds defeased in 2019	92,735,000	63,495,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
Series 2012A-1 Infrastructure Revenue Bonds, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2042	31,705,000	29,605,000
Series 2012A-1 State Moral Obligation, dated June 13, 2012, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2042	14,365,000	13,475,000
Series 2012B Infrastructure Revenue Bonds (Non-AMT), dated August 2, 2012, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2041	50,240,000	29,160,000
Series 2012B Infrastructure Revenue Bonds (AMT), dated August 2, 2012, interest rates ranging from 2.00 to 2.50%, final maturity November 1, 2024	3,840,000	1,625,000
Series 2012B State Moral Obligation Bonds (Non-AMT), dated August 2, 2012, interest rates ranging from 2.50 to 5.00%, final maturity November 1, 2041	23,385,000	13,545,000
Series 2012B State Moral Obligation Bonds (AMT), dated August 2, 2012, interest rates ranging from 2.00 to 2.75%, final maturity November 1, 2024	1,590,000	685,000
Series 2012 Capital Appreciation Bonds (Tax-Exempt), dated November 15, 2012, final maturity November 1, 2036. Amount outstanding includes \$5,260,630 accretion for capital appreciation bonds	19,303,736	24,564,366
Series 2012 Current Interest Bonds (Tax-Exempt), dated November 15, 2012, interest rate of 4.00%, final maturity 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 maturity 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 maturity November 1, 2042; \$1,370,000 of the bonds defeased in 2014; \$2,860,000 of the bonds defeased in 2019	34,040,000	22,715,000
Series 2012C Infrastructure Revenue Bonds (AMT), dated December 6, 2012, interest rates ranging from 2.00 to 4.00%, final maturity 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 maturity November 1, 2042; \$585,000 of the bonds defeased in 2014; \$1,220,000 of the bonds defeased in 2019	15,375,000	10,565,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2012C State Moral Obligation Bonds (AMT), dated December 6, 2012, interest rates ranging from 2.50 to 3.00%, final maturity 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 maturity November 1, 2042; \$585,000 of the bonds defeased in 2014	92,810,000	76,620,000
Series 2013A State Moral Obligation, dated June 5, 2013, interest rates ranging from 2.00 to 4.00%, final maturity November 1, 2042	42,135,000	35,250,000
Series 2013B Infrastructure Revenue Bonds, dated August 14, 2013, interest rates ranging from 1.75 to 5.00%, final maturity November 1, 2043	46,410,000	34,655,000
Series 2013B State Moral Obligation, dated August 14, 2013, interest rates ranging from 4.00 to 4.75%, final maturity November 1, 2043	20,080,000	15,025,000
Series 2013C Infrastructure Revenue Bonds (Tax-Exempt), dated November 20, 2013, interest rates ranging from 1.50 to 5.00%, final maturity November 1, 2033.	13,535,000	8,420,000
Series 2013C Infrastructure Revenue Bonds (Taxable), dated November 20, 2013, interest rates ranging from 0.55 to 4.95%, final maturity November 1, 2033	3,615,000	3,045,000
Series 2013C State Moral Obligation (Tax-Exempt), dated November 20, 2013, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2033	6,280,000	4,120,000
Series 2013C State Moral Obligation Bonds (Taxable), dated November 20, 2013, interest rates ranging from 0.70 to 5.10%, final maturity November 1, 2033	1,670,000	1,420,000
Series 2014A Infrastructure Revenue Bonds, dated May 21, 2014, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2044	66,290,000	60,575,000
Series 2014A State Moral Obligation, dated May 21, 2014, interest rates ranging from 3.00 to 4.00%, final maturity November 1, 2044	29,870,000	27,495,000
Series 2014B Infrastructure Revenue Bonds, dated August 13, 2014, interest rates ranging from 1.25 to 5.00%, final maturity November 1, 2038	92,405,000	85,010,000
Series 2014B State Moral Obligation, dated August 13, 2014, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2038	42,085,000	38,840,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2014C Infrastructure Revenue Bonds (Non-AMT), dated November 19, 2014, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2038, \$3,495,000 of the bonds defeased in 2018	103,595,000	88,630,000
Series 2014C Infrastructure Revenue Bonds (AMT), dated November 19, 2014, interest rates ranging from 2.00 to 4.00%, final maturity November 1, 2044	4,040,000	3,700,000
Series 2014C State Moral Obligation (Non-AMT), dated November 19, 2014, interest rates ranging from 4.00 to 5.00%, final maturity November 1, 2038, \$1,600,000 of the bonds defeased in 2018	45,870,000	39,335,000
Series 2014C State Moral Obligation Bonds (AMT), dated November 19, 2014, interest rates ranging from 2.00 to 4.00%, final maturity November 1, 2044; \$270,000 of the bonds defeased in 2018	1,730,000	1,600,000
Series 2014D Infrastructure Revenue Bonds, dated December 17, 2014, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2028	27,465,000	21,210,000
Series 2014D State Moral Obligation, dated December 17, 2014, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2028	12,835,000	10,165,000
Series 2015A Infrastructure Revenue Bonds (Tax-Exempt), dated May 28, 2015, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2040; \$580,000 of the bonds defeased in 2018	83,775,000	76,230,000
Series 2015A Infrastructure Revenue Bonds (Taxable), dated May 28, 2015, interest rates ranging from 0.48 to 4.25%, final maturity November 1, 2035	11,110,000	6,725,000
Series 2015A State Moral Obligation (Tax-Exempt), dated May 28, 2015, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2040	35,225,000	32,025,000
Series 2015A State Moral Obligation Bonds (Taxable), dated May 28, 2015, interest rates ranging from 0.68 to 4.69%, final maturity November 1, 2035	5,225,000	3,375,000
Series 2015B Infrastructure Revenue Bonds (Tax-Exempt), dated November 18, 2015, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2035	42,250,000	39,450,000
Series 2015B Infrastructure Revenue Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0.22 to 4.01%, final maturity November 1, 2030	6,310,000	5,465,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
Series 2015B State Moral Obligation (Tax-Exempt), dated November 18, 2015, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2035	18,505,000	17,395,000
Series 2015B State Moral Obligation Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0.37 to 4.16%, final maturity November 1, 2030	3,005,000	2,625,000
Series 2015C Infrastructure Revenue Bonds, dated October 14, 2015, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2035	21,910,000	21,230,000
Series 2015C State Moral Obligation Bonds, dated October 14, 2015, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2035	9,850,000	9,570,000
Series 2015D Infrastructure Revenue Bonds (Tax-Exempt), dated November 18, 2015, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2036; \$710,000 of the bonds defeased in 2019	107,760,000	100,050,000
Series 2015D Infrastructure Revenue Bonds (Taxable), dated November 18, 2015, interest rates ranging from 0,80 to 3.20%, final maturity November 1, 2025	4,475,000	3,445,000
Series 2015D State Moral Obligation (Tax-Exempt), dated November 18, 2015, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2038; \$325,000 of the bonds defeased in 2019	52,290,000	48,735,000
Series 2015D State Moral Obligation Bonds (Taxable), dated November 18, 2015, interest ranging from 0.90 to 3.35%, final maturity November 1, 2025	2,455,000	1,975,000
Series 2016A Infrastructure Revenue Bonds, dated May 25, 20126, interest rates ranging from 4.00 to 5.00%, final maturity November 1, 2037	89,580,000	82,840,000
Series 2016A State Moral Obligation Bonds, dated May 25, 2016, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2037	47,040,000	43,945,000
Series 2016B Infrastructure Revenue Bonds (Tax-Exempt), dated August 10, 2016, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2036	32,635,000	30,475,000
Series 2016B Infrastructure Revenue Bonds (Taxable), dated August 10, 2016, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2046	2,340,000	1,900,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
Series 2016B State Moral Obligation (Tax-Exempt), dated August 10, 2016, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2036	16,330,000	15,285,000
Series 2016B State Moral Obligation Bonds (Taxable), dated August 10, 2016, interest ranging from 2.75 to 3.00%, final maturity November 1, 2046	1,230,000	1,025,000
Series 2016C Infrastructure Revenue Bonds, dated November 16, 2016, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2046	146,095,000	143,455,000
Series 2016C State Moral Obligation Bonds, dated November 16, 2016, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2046	66,820,000	65,590,000
Series 2017A Infrastructure Revenue Bonds, dated May 18, 2017, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2037	42,965,000	41,795,000
Series 2017A State Moral Obligation Bonds, dated May 18, 2017, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2038	19,130,000	18,615,000
Series 2017B Infrastructure Revenue Bonds (Taxable), dated August 16, 2017, interest rates ranging from 1.625 to 3.875%, final maturity November 1, 2037	27,675,000	27,040,000
Series 2017B Infrastructure Revenue Bonds (Tax-Exempt), dated August 16, 2017, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2041	2,655,000	2,560,000
Series 2017B State Moral Obligation Bonds (Taxable), dated August 16, 2017, interest rates ranging from 1.625 to 4.05%, final maturity November 1, 2037	1,215,000	1,170,000
Series 2017B State Moral Obligation Bonds (Tax-Exempt), dated August 16, 2017, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2037	7,620,000	7,340,000
Series 2017C Infrastructure Revenue Bonds, dated November 15, 2017, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2044	56,630,000	53,835,000
Series 2017C State Moral Obligation Bonds, dated November 15, 2017, interest rates ranging from 2.00 to 5.00%, final maturity November 1, 2044	30,315,000	28,795,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

<u>Description</u>	<u>Original Amount</u>	<u>Amount Outstanding</u>
Series 2018A Infrastructure Revenue Bonds (Taxable), dated May 23, 2018, interest rates ranging from 2.125 to 5.00%, final maturity November 1, 2047	2,510,000	2,460,000
Series 2018A Infrastructure Revenue Bonds (Tax-Exempt), dated May 23, 2018, interest rates ranging from 3.125 to 5.00%, final maturity November 1, 2047	70,385,000	68,755,000
	1,160,000	1,135,000
Series 2018A State Moral Obligation Bonds (Taxable), dated May 23, 2018, interest rates ranging from 2.275 to 4.17%, final maturity November 1, 2047		
Series 2018A State Moral Obligation Bonds (Tax-Exempt), dated May 23, 2018, interest rates ranging from 3.00 to 5.00%, final maturity November 1, 2047	32,275,000	31,590,000
Series 2018B Infrastructure Revenue Bonds, dated August 16, 2018, interest rates ranging from 3.0 to 5.0%, final maturity November 1, 2038	19,595,000	19,595,000
Series 2018B State Moral Obligation Bonds, dated August 16, 2018, interest rates ranging from 3.0 to 5.0%, final maturity Nov. 1, 2038	8,365,000	8,365,000
Series 2018C Infrastructure Revenue Bonds (Taxable), dated November 13, 2018, interest rates ranging from 2.75 to 4.25%, final maturity November 1, 2038	4,610,000	4,610,000
Series 2018C Infrastructure Revenue Bonds (Tax-Exempt), dated November 13, 2018, interest rates ranging from 4.0 to 5.0%, final maturity November 1, 2048	72,960,000	72,960,000
Series 2018C State Moral Obligation Bonds (Taxable), dated November 13, 2018, interest rates ranging from 2.875 to 4.35%, final maturity November 1, 2038	2,285,000	2,285,000
Series 2018C State Moral Obligation Bonds (Tax-Exempt), dated November 13, 2018, interest rates ranging from 3.25 to 5.0%, final maturity November 1, 2048	39,105,000	39,105,000
Series 2019A Infrastructure Revenue Bonds (Tax-Exempt), dated November 13, 2018, interest rates ranging from 2.625 to 5.0%, final maturity November 1, 2040	37,365,000	37,365,000
Series 2019A State Moral Obligation Bonds (Tax-Exempt), dated November 13, 2018, interest rates ranging from 3.0 to 5.0%, final maturity November 1, 2040	18,625,000	18,625,000
<i>Total Virginia Pooled Financing Program Revenue Bonds</i>	\$3,804,365,903	\$2,627,510,419

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Description	Original Amount	Amount Outstanding
<i><u>Airport Revolving Fund Revenue Bonds</u></i>		
Series 2007 (Taxable), dated March 18, 2007, interest rates ranging from 4.98% to 5.70%, final maturity August 1, 2032	5,425,000	3,175,000
Series 2011A (Non-AMT) (Refunding), dated August 23, 2011, interest rates ranging from 2.00% to 5.00%, final maturity August 1, 2027	16,425,000	9,700,000
Series 2011B (AMT) (Refunding), dated August 23, 2011, interest rates ranging from 2.00% to 5.00%, final maturity August 1, 2026	16,725,000	9,495,000
<i><u>Total Airport Revolving Fund Revenue Bonds</u></i>	\$ 38,575,000	\$ 22,370,000
<i><u>Virginia Water Facilities Revolving Loan Fund Leveraged</u></i>		
Series 2005 CWSRF (Refunding), dated June 30, 2005, interest rates ranging from 3.00% to 5.50%, final maturity October 1, 2022	\$ 188,475,000	\$ 46,790,000
Series 2009 CWSRF, dated April 15, 2009, interest rates ranging from 3.00% to 5.00%, final maturity October 1, 2031	178,320,000	8,070,000
Series 2010A CWSRF (Refunding), dated April 21, 2010 interest rates ranging from 3.00% to 5.00%, final maturity October 1, 2026	94,410,000	44,860,000
Series 2010B CWSRF, dated April 21, 2010, interest rates ranging from 2.25% to 5.00%, final maturity October 1, 2031	98,785,000	8,500,000
Series 2011B CWSRF, dated September 28, 2011, interest rates ranging from 2.00% to 5.00%, final maturity October 1, 2034	34,655,000	29,265,000
Series 2013 CWSRF (Refunding), dated June 20, 2013, interest rates ranging from 1.00% to 5.00%, final maturity October 1, 2025	104,275,000	91,290,000
Series 2014B CWSRF (Refunding), dated September 30, 2014, interest rates ranging from 2.00% to 5.00%, final maturity October 1, 2031	178,935,000	178,555,000
Series 2015 CWSRF (Refunding), dated April 14, 2015, interest rate of 5.00%, final maturity October 1, 2031	115,225,000	115,225,000
Series 2016 CWSRF (Refunding), dated June 30, 2016, interest rate of 2.31%, final maturity October 1, 2032 (Direct Borrowing)	78,840,000	75,155,000
Series 2019 Clean Water State Match Revenue, dated June 18, 2019, interest rate of 1.97%, final maturity April 1, 2021 (Direct Borrowing)	8,881,000	8,881,000
<i><u>Total Virginia Water Facilities Revolving Loan Fund</u></i>	\$1,080,801,000	\$ 606,591,000

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Changes in long-term debt for the year ended June 30, 2019 are as follows:

	<u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>	<u>Due within One Year</u>
Bonds outstanding	\$3,227,723,692	\$202,910,000	\$(258,198,273)	\$3,172,435,419	\$183,530,001
Unamortized discounts and premiums on bonds	292,549,585	19,048,132	(36,299,876)	275,297,841	34,089,754
Notes from direct borrowings	76,260,000	8,881,000	(1,105,000)	84,036,000	5,787,000
Conduit debt	33,597,177	-	(1,659,945)	31,937,232	1,676,531
	<u>\$3,630,130,454</u>	<u>\$230,839,132</u>	<u>\$(297,263,094)</u>	<u>\$3,563,706,492</u>	<u>\$225,083,286</u>

All bonds and direct placements 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, 2019, \$926,540,419 of the outstanding bonds were secured by the moral obligation of the Commonwealth.

At June 30, 2019, the Series 2002 Revenue Bonds and Series 2012 Revenue Bonds include capital appreciation bonds with unaccreted values of \$25,144,581.

The Authority's outstanding note from direct borrowings for Series 2019 Clean Water State Match in the Water Facilities Revolving Loan Fund contains a provision that in the event of default, the annual interest rate increases to the higher of (i) the Prime Rate plus four percent (4.00%), (ii) the Fed Funds Rate plus five percent (5.00%), or (iii) ten percent (10.00%).

Conduit Debt

The Authority issued bonds through the Virginia Green Communities Program (VGCP), which uses the Commonwealth's allocation of Qualified Energy Conservation Bonds to provide subsidized financing for energy efficiency, renewable energy, alternative fueling, and other qualified conservation purposes. The Authority is a conduit issuer for public borrowers with a third-party funding source providing financing for eligible projects. The terms of the VGCP bonds stipulate that the Authority does not guarantee repayment of principal and interest to the bondholders. The Authority has elected to show these bonds as liabilities and the associated loans from local borrowers as assets in the accompanying financial statements. As of June 30, 2019, the total outstanding principal amount of conduit debt obligations in the VGCP was \$31,937,232.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Refundings

During the fiscal year, the Authority issued Virginia Pooled Financing Program Revenue Bonds, Series 2018B, Series 2018C, and Series 2019A, 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:

<u>Issue</u>	<u>Principal Defeased</u>	<u>Difference between Previous and New Debt Services</u>	<u>Economic Gain as a Result of the Refunding</u>
2008A Series	\$ 5,030,000	\$ 496,937	\$ 381,752
2008B Series	34,525,000	8,714,551	6,532,253
	<u>\$ 39,555,000</u>	<u>\$ 9,211,488</u>	<u>\$ 6,914,005</u>

The amount outstanding at June 30, 2019 for bonds that have been in-substance defeased was \$466,362,006. 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, Series 2014C, and Series 2015D.

Debt service requirements on bonds and direct borrowings at June 30, 2019 are as follows:

<u>June 30,</u>	<u>Bonds</u>			<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 185,206,532	\$ 136,187,822	\$ 321,394,354	\$ 5,787,000	\$ 1,761,757	\$ 7,548,757
2021	192,033,620	127,747,464	319,781,084	5,379,000	1,726,692	7,105,692
2022	188,142,050	119,048,806	307,190,856	5,725,000	1,595,132	7,320,132
2023	188,659,860	110,228,094	298,887,954	5,845,000	1,461,037	7,306,037
2024	178,069,097	101,570,381	279,639,478	5,990,000	1,323,784	7,313,784
2025-2029	926,248,572	380,441,442	1,306,690,014	32,240,000	4,437,780	36,677,780
2030-2034	690,676,608	201,295,158	891,971,766	23,070,000	834,488	23,904,488
2035-2039	427,285,893	91,331,404	518,617,297	-	-	-
2040-2044	207,185,000	26,301,100	233,486,100	-	-	-
2045-2049	46,010,000	3,131,995	49,141,995	-	-	-
	<u>\$ 3,229,517,232</u>	<u>\$ 1,297,283,666</u>	<u>\$ 4,526,800,898</u>	<u>\$ 84,036,000</u>	<u>\$13,140,670</u>	<u>\$ 97,176,670</u>

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019 the cash, cash equivalents, and investments restricted for use related to the Operating Reserve Fund amounted to \$7,760,076.

Note 8 – Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2019 consisted of:

	Current	Noncurrent	Total
Arbitrage rebate liability	\$ 247,785	\$ -	\$ 247,785
Accounts payable and other liabilities	140,124	-	140,124
Compensated absences	122,174	-	122,174
	\$ 510,083	\$ -	\$ 510,083

Note 9 – Contributions from Other Governments

During the fiscal year, the Authority received \$58,557,998 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 \$6,098,668 from the Commonwealth as part of the required state match of federal funds.

In addition, the Authority received the following funds from the Commonwealth: \$19,028,708 for the VWFRF’s combined sewer overflow projects; \$1,220,956 for VDSFPF; \$2,250,000 for VBAF; and \$717,624 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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. 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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.

VRS Plan 2

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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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	1
Inactive members:	
Vested inactive members	6
Non-vested inactive members	4
Inactive members elsewhere in VRS	5
Total inactive members	<u>15</u>
Active members	<u>14</u>
Total covered employees	<u><u>30</u></u>

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.

The Authority’s contractually required contribution rate for the year ended June 30, 2019 was 4.67% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$68,090 and \$59,713 for the years ended June 30, 2019 and June 30, 2018, respectively.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Actuarial Methods and Assumptions

The total pension liability for the Authority was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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, 2017 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return*			<u>7.30%</u>

*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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2017	\$ 1,497,437	\$ 1,901,605	\$ (404,168)
Changes for the year:			
Service cost	148,916	-	148,916
Interest	96,332	-	96,332
Changes of assumptions	-	-	-
Difference between expected and actual experience	(28,307)	-	(28,307)
Contributions – employer	-	58,238	(58,238)
Contributions – employee	-	64,628	(64,628)
Net investment income	-	140,948	(140,948)
Benefit payments, including refunds	(242,525)	(242,525)	-
Administrative expenses	-	(1,323)	1,323
Other changes	-	(420)	420
Net change	(25,584)	19,546	(45,130)
Balance at June 30, 2018	<u>\$ 1,471,853</u>	<u>\$ 1,921,151</u>	<u>\$ (449,298)</u>

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)	\$ (145,752)	\$ (449,298)	\$ (689,668)

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

For the year ended June 30, 2019, the Authority recognized pension expense of \$18,711. At June 30, 2019, 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	\$ 21,846	\$ 45,373
Changes of assumptions	-	57,628
Net difference between projected and actual earnings on plan investments	-	25,596
Employer contributions subsequent to the measurement date	68,090	-
	<u>\$ 89,936</u>	<u>\$ 128,597</u>

Deferred outflows of resources of \$68,090 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,

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

2020. 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:

<u>Year Ended June 30,</u>	
2020	\$ (16,404)
2021	(33,926)
2022	(50,801)
2023	(5,620)
2024	-
Thereafter	-
	<u>\$ (106,751)</u>

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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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 statute. 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$7,640 and \$6,774 for the years ended June 30, 2019 and June 30, 2018, 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, 2018, NOL amounts for the Group Life Insurance Program is as follows (in thousands):

Total OPEB liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net OPEB Liability	<u>\$ 1,518,735</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB liability 51.22%

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, 2019, the Authority reported a liability of \$104,000 for its proportionate share of the NOL. The NOL was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018 and June 30, 2017 the Authority's proportion was 0.01%

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2017 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

- 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, 2017 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

Mortality rates – SPORS 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% males

The actuarial assumptions used in the June 30, 2017 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%

Mortality rates – VaLORS 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% males

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

The actuarial assumptions used in the June 30, 2017 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%

Mortality rates – JRS 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, 2017 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

Mortality rates – 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, 2017 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

- 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, 2017 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, 2017 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%

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2017 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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
Inflation			<u>2.50%</u>
Expected arithmetic nominal return*			<u>7.30%</u>

*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%.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2018, 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, 2018 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	\$ 136,000	\$ 104,000	\$ 78,000

Group Life Insurance OPEB Expense and Deferred Outflows/Inflows of Resources Related to the Group Life Insurance Program

For the year ended June 30, 2019, the Authority recognized Group Life Insurance OPEB expense of \$774. 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, 2019, 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	\$ 5,000	\$ 3,000
Net difference between projected and actual earnings on plan investments	-	3,000
Change in assumptions	-	4,000
Changes in proportion	-	7,000
Employer contributions subsequent to the measurement date	7,640	-
	\$ 12,640	\$ 17,000

Deferred outflows of resources of \$7,640 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, 2020.

Virginia Resources Authority
Notes to the Financial Statements
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:

<u>Year Ended June 30,</u>		
2020	\$	(3,000)
2021		(3,000)
2022		(3,000)
2023		(3,000)
2024		-
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.

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

- 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019 was 0.72% 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, 2017. 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 \$682 and \$272 for the years ended June 30, 2019 and June 30, 2018, 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, 2018, NOL amounts for the VLDP is as follows (in thousands):

Total OPEB liability	\$ 1,588
Plan Fiduciary Net Positon	816
Net OPEB Liability	<u>\$ 772</u>

Plan Fiduciary Net Positon as a percentage of the Total OPEB liability	51.2%
--	-------

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, 2019, the Authority reported a liability of \$144 for its proportionate share of the NOL. The NOL was measured as of June 30, 2018 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, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018 and June 30, 2017 the Authority's proportion was 0.02%.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Actuarial Assumptions

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018.

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, 2017 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 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

The actuarial assumptions used in the June 30, 2017 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	<u>100.00%</u>		<u>4.80%</u>
Inflation			2.50%
Expected arithmetic nominal return*			<u>7.30%</u>

*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 VLDP 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, 2018, 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, 2018 on, participating employers are assumed to contribute 100%

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

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, 2019, the Authority recognized VLDP OPEB expense of \$272.

At June 30, 2019, 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	682	-
	\$ 682	\$ -

Deferred outflows of resources of \$682 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, 2020.

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 – Other Post-Employment Benefits – Retiree Healthcare Plan

Plan Description

Effective July 1, 2018, the Authority began administering a single-employer defined benefit healthcare plan (the “Plan”), which provides post-employment healthcare benefits to retirees of the Authority. The Plan may be modified or discontinued at any time by the Authority’s Board of Directors.

Retirees are eligible to participate in the Plan upon retiring at 50 years old with ten years of service with the Authority or 55 years old with five years of service with the Authority. Upon reaching Medicare age, participating retirees are required to join a Medicare-supplement plan.

A separate report is not issued for the Plan.

Employees Covered by Benefit Terms

As of the June 30, 2019 actuarial valuation, the following employees were covered by the benefit terms of the Plan:

Inactive employees currently receiving benefits	-
Inactive employees entitled but not receiving benefits	-
Active employees	16
Total	16

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Funding Policy

Participating retirees must pay the full cost of these benefits, which results in an implicit rate subsidy for the Authority. Benefits are paid on a pay-as-you-go basis and there are no plan assets set aside in trust. This funding policy may be modified at any time by the Authority's Board of Directors.

Total OPEB Liability and OPEB Expense

Since the plan became effective in fiscal year 2019, the Authority recognized OPEB expense of \$101,505 in the year ended June 30, 2019.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance at June 30, 2018	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	-	-	-
Interest	-	-	-
Changes of assumptions	101,505		101,505
Difference between expected and actual experience	-	-	-
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds	-	-	-
Administrative expenses	-	-	-
Other changes	-	-	-
Net change	101,505	-	101,505
Balance at June 30, 2019	\$ 101,505	\$ -	\$ 101,505

Actuarial Assumptions

The total OPEB liability was measured as of June 30, 2019 using the alternative measurement method, using the following assumptions:

Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percentage of Payroll
Healthcare cost trend rates:	From 7.6% in the current year to 4.7% in future years, consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projection
Payroll growth assumption:	average annual percentage change in the Consumer Price Index – Urban Wage Earners and Clerical Workers CPI-W from 2008 to 2018.
Amortization period:	20 years
Mortality table:	RP2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity
Turnover assumption:	from data maintained by the US Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Sensitivity of the Plan’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the Plan’s total OPEB liability using healthcare trend rates 1% greater than and 1% less than the baseline trends are shown in the table below:

	Baseline Trend -1%	Baseline Trend	Baseline Trend +1%
Total OPEB liability	\$ 80,277	\$ 101,505	\$ 128,803

Discount Rate and Sensitivity of the Plan’s Total OPEB Liability to Changes in the Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. This rate reflects the Bond Buyer 20-Bond GO index as of the measurement date.

The following presents the Plan’s total OPEB liability using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Current Rate -1%	Current Rate	Current Rate +1%
Total OPEB liability	\$ 122,116	\$ 101,505	\$ 84,989

Note 14 – 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, 2019, 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 6.2%, went into effect October 1, 2018 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2019) 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 6.2%, went into effect October 1, 2018 and the reduction rate will be applied until the end of the federal fiscal year (September 30, 2019) 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.

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

Note 15 – Leases

The Authority leases its office space under an operating lease. Rent expense totaled \$180,945 for the year ended June 30, 2019. The future minimum rental payments under this operating lease are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 185,490
2021	190,092
2022	111,335
	<u>\$ 486,917</u>

Note 16 – 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, 2019 and there was no reduction in insurance coverage during the fiscal year.

Note 17 – Subsequent Events

On July 8, 2019, a local borrower prepaid an outstanding obligation with the Authority in the amount of \$19,035,000. The local obligation was funded from bond proceeds from the VPFP Series 2011A and 2011B bonds. It is the Authority's intention to defease the related bonds with prepayment proceeds.

On August 8, 2019, a local borrower prepaid an outstanding obligation with the Authority in the amount of \$4,660,000. The local obligation was funded from bond proceeds from the VPFP Series 2009A (ACE) bonds. It is the Authority's intention to defease the related bonds with prepayment proceeds.

The Authority issued revenue bonds in the amount of \$93,890,000 dated August 14, 2019 through the VPFP. Interest rates range from 1.95% to 5.00% with a final maturity date of November 1, 2049.

Note 18 – New Accounting Standards

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

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of 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 is effective for the year ending June 30, 2020.

GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61* improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. This Statement is 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

Virginia Resources Authority
Notes to the Financial Statements
June 30, 2019

consistency of information about governments' leasing activities. This Statement is effective for the year ending June 30, 2021.

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 is effective for the year ending June 30, 2021.

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

Schedule of Changes in Net Pension Liability and Related Ratios

	Plan Year Ended June 30,				
	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 113,609	\$ 138,652	\$ 146,176	\$ 164,504	\$ 148,916
Interest	49,872	61,149	79,808	96,398	96,332
Changes of assumptions	-	-	-	(96,698)	-
Difference between expected and actual experience	-	66,756	15,713	(39,168)	(28,307)
Benefit payments, including refunds of employee contributions	(4,749)	-	-	(9,413)	(242,525)
Net change	158,732	266,557	241,697	115,623	(25,584)
Total pension liability, beginning	714,828	873,560	1,140,117	1,381,814	1,497,437
Total pension liability, ending (a)	<u>\$ 873,560</u>	<u>\$1,140,117</u>	<u>\$1,381,814</u>	<u>\$1,497,437</u>	<u>\$1,471,853</u>
Plan Fiduciary Net Position					
Contributions – employer	\$ 85,767	\$ 46,529	\$ 45,908	\$ 60,777	\$ 58,238
Contributions – employee	77,046	64,726	65,224	71,356	64,628
Net investment income	163,643	61,565	28,964	202,035	140,948
Benefit payments, including refunds of employee contributions	(4,749)	-	-	(9,413)	(242,525)
Administrative expense	(736)	(720)	(828)	(1,026)	(1,323)
Other	8	(13)	(11)	(524)	(420)
Net change	320,979	172,087	139,257	323,205	19,546
Plan fiduciary net position, beginning	946,077	1,267,056	1,439,143	1,578,400	1,901,605
Plan fiduciary net position, ending (b)	<u>\$1,267,056</u>	<u>\$1,439,143</u>	<u>\$1,578,400</u>	<u>\$1,901,605</u>	<u>\$1,921,151</u>
Net Pension Asset (a)-(b)	\$ 393,496	\$ 299,026	\$ 196,586	\$ 404,168	\$ 449,298
Plan fiduciary net position as a percentage of the total pension liability	145.1%	126.2%	114.2%	127.0%	130.5%
Covered payroll	\$1,170,504	\$1,294,522	\$1,311,484	\$1,342,834	\$1,292,489
Net pension asset as a percentage of covered payroll	33.6%	23.1%	15.0%	30.1%	34.8%

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

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

Schedule of Pension Contributions

Fiscal Year	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	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%
2019	68,090	68,090	-	1,363,302	4.7%

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, 2019

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

	Plan Year Ended June 30,	
	2017	2018
Proportion of the net Group Life Insurance (GLI) OPEB liability	0.01%	0.01%
Proportionate share of the net GLI OPEB liability	\$ 110,000	\$ 104,000
Covered-employee payroll	\$ 1,342,834	\$ 1,292,489
Proportionate share of the net GLI OPEB liability as a percentage of covered-employee payroll	8.19%	8.05%
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%	51.22%

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)	Covered-Employee 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%
2019	7,640	7,640	-	1,458,029	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

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

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

SPORS Employees

- 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%

VaLORS Employees

- 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%

JRS Employees

- 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

Largest Ten Locality Employers – General 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 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%

Non-Largest Ten Locality Employers – General Employees

- 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%

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

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%

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

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

	Plan Year Ended June 30,	
	2017	2018
Proportion of the net Virginia Local Disability Program (VLDP) OPEB liability	0.02%	0.02%
Proportionate share of the net VLDP OPEB liability	\$ 111	\$ 144
Covered-employee payroll	\$ 36,057	\$ 45,402
Proportionate share of the net VLDP OPEB liability as a percentage of covered-employee payroll	0.31%	0.32%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.4%	51.2%

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)	Covered-Employee Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 216	\$ 216	-	\$ 36,057	0.60%
2018	272	272	-	45,402	0.60%
2019	682	682	-	94,727	0.72%

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

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

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

Virginia Resources Authority
Required Supplementary Information (Unaudited)
June 30, 2019

Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree Healthcare Plan

Plan Year Ended June 30, 2019

Total OPEB Liability	
Service cost	\$ -
Interest	-
Changes of assumptions	101,505
Difference between expected and actual experience	-
Benefit payments, including refunds	-
Net change	<u>101,505</u>
Total OPEB liability, beginning	-
Total OPEB liability, ending (a)	<u>\$ 101,505</u>
 Plan Fiduciary Net Position	
Contributions – employer	\$ -
Contributions – employee	-
Net investment income	-
Benefit payments, including refunds	-
Administrative expense	-
Other changes	-
Net change	<u>-</u>
 Plan fiduciary net position, beginning	 -
Plan fiduciary net position, ending (b)	<u>\$ -</u>
 Net OPEB Liability (a)-(b)	 \$ 101,505
 Plan fiduciary net position as a percentage of the total pension liability	 NA
 Covered-employee payroll	 \$1,363,302
Net OPEB liability as a percentage of covered-employee payroll	7.45%

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

Notes to Schedule of Changes in Net OPEB Liability and Related Ratios – Retiree Healthcare Plan

The Retiree Healthcare Plan became effective July 1, 2018. Benefits are paid on a pay-as-you-go basis and there are no plan assets set aside in trust.

Virginia Resources Authority
Combining Schedule of Net Position
June 30, 2019

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Tobacco Region Revolving Fund	Brownfields & Miscellaneous Accounts	Total
		Water Facilities	Water Supply							
Assets										
Current assets										
Cash	\$ 1,675,921	\$ 12,870,282	\$ 2,206,758	\$ -	\$ 1,012,495	\$ 420,314	\$ -	\$ 59,405	\$ 263,150	\$ 18,508,325
Cash equivalents	9,610,287	180,309,011	52,154,547	15,687,693	1,344,408	-	4,591,138	-	3,351,284	267,048,368
Investments	10,111,907	92,449,407	5,604,114	5,299,304	4,157,355	-	2,065,054	-	-	119,687,141
Loans receivable - current portion	-	117,447,789	8,718,503	4,002,956	151,081,038	-	-	34,243	1,676,531	282,961,060
Receivables:										
Investment interest	65,662	2,846,516	109,080	127,851	561,209	-	-	-	-	3,710,318
Loan interest	-	6,626,991	428,676	133,924	18,060,038	-	-	16,078	801,136	26,066,843
Loan administrative fees	-	473,043	277,472	-	519,924	-	-	-	-	1,270,439
Federal funds	-	1,795,618	2,081,179	-	-	-	-	-	-	3,876,797
Other	547	1,227,245	183,956	-	-	-	-	-	-	1,411,748
Other	45,322	-	-	-	-	-	-	-	-	45,322
Total current assets	21,509,646	416,045,902	71,764,285	25,251,728	176,736,467	420,314	6,656,192	109,726	6,092,101	724,586,361
Noncurrent assets										
Investments - non-current	8,546,648	354,063,865	15,083,150	8,216,500	120,610,128	-	-	-	-	506,520,291
Loans receivable - non-current	-	1,223,858,565	169,644,351	23,705,618	2,574,655,623	-	-	1,568,819	30,260,701	4,023,693,677
Net pension asset	449,298	-	-	-	-	-	-	-	-	449,298
Capital assets, net	122,088	-	-	-	-	-	-	-	-	122,088
Total noncurrent assets	9,118,034	1,577,922,430	184,727,501	31,922,118	2,695,265,751	-	-	1,568,819	30,260,701	4,530,785,354
Total assets	30,627,680	1,993,968,332	256,491,786	57,173,846	2,872,002,218	420,314	6,656,192	1,678,545	36,352,802	5,255,371,715
Deferred Outflows of Resources										
Deferred outflows - pension	89,936	-	-	-	-	-	-	-	-	89,936
Deferred outflows - OPEB	13,322	-	-	-	-	-	-	-	-	13,322
Deferred loss on refunding	-	32,463,515	-	55,304	31,128,496	-	-	-	-	63,647,315
Total deferred outflows of resources	103,258	32,463,515	-	55,304	31,128,496	-	-	-	-	63,750,573
Total assets and deferred outflows of resources	\$ 30,730,938	\$ 2,026,431,847	\$ 256,491,786	\$ 57,229,150	\$ 2,903,130,714	\$ 420,314	\$ 6,656,192	\$ 1,678,545	\$ 36,352,802	\$ 5,319,122,288
Liabilities										
Current liabilities										
Bonds payable - current	\$ -	\$ 67,843,236	\$ -	\$ 2,786,166	\$ 152,777,353	\$ -	\$ -	\$ -	\$ 1,676,531	\$ 225,083,286
Accrued interest on bonds payable	-	6,631,605	-	469,470	18,922,413	-	-	-	801,136	26,824,624
Due to (from) other accounts	667,910	(186,494)	540,967	19,991	-	-	(324,750)	(717,624)	-	-
Agency funds	-	325,690	55,346	97,857	-	420,314	-	-	-	899,207
Arbitrage rebate liability - current	-	247,785	-	-	-	-	-	-	-	247,785
Accounts payable and other liabilities	262,298	-	-	-	-	-	-	-	-	262,298
Total current liabilities	930,208	74,861,822	596,313	3,373,484	171,699,766	420,314	(324,750)	(717,624)	2,477,667	253,317,200
Noncurrent liabilities										
Net OPEB liability	205,649	-	-	-	-	-	-	-	-	205,649
Bonds payable - noncurrent	-	584,021,984	-	20,638,549	2,703,701,972	-	-	-	30,260,701	3,338,623,206
Total noncurrent liabilities	205,649	584,021,984	-	20,638,549	2,703,701,972	-	-	-	30,260,701	3,338,828,855
Total liabilities	1,135,857	658,883,806	596,313	24,012,033	2,875,401,738	420,314	(324,750)	(717,624)	32,738,368	3,592,146,055
Deferred Inflows of Resources										
Deferred inflows - pension	128,597	-	-	-	-	-	-	-	-	128,597
Deferred inflows - OPEB	17,000	-	-	-	-	-	-	-	-	17,000
Deferred gain from localities on refunding	-	-	-	-	31,098,883	-	-	-	-	31,098,883
Total deferred inflows of resources	145,597	-	-	-	31,098,883	-	-	-	-	31,244,480
Net position										
Invested in capital assets	122,088	-	-	-	-	-	-	-	-	122,088
Restricted:										
Loan programs	-	1,367,548,041	255,895,473	33,217,117	(3,369,907)	-	6,980,942	2,396,169	3,614,434	1,666,282,269
Operating reserve	7,760,076	-	-	-	-	-	-	-	-	7,760,076
Unrestricted	21,567,320	-	-	-	-	-	-	-	-	21,567,320
Total net position	29,449,484	1,367,548,041	255,895,473	33,217,117	(3,369,907)	-	6,980,942	2,396,169	3,614,434	1,695,731,753
Total liabilities, deferred inflows of resources, and net position	\$ 30,730,938	\$ 2,026,431,847	\$ 256,491,786	\$ 57,229,150	\$ 2,903,130,714	\$ 420,314	\$ 6,656,192	\$ 1,678,545	\$ 36,352,802	\$ 5,319,122,288

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2019

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Tobacco Region Revolving Fund	Brownfields & Miscellaneous Accounts	Total
		Water Facilities	Water Supply							
Operating revenues										
Interest on loans	\$ 26,727	\$ 20,425,967	\$ 1,620,238	\$ 959,151	\$ 89,058,513	\$ -	\$ -	\$ 30,059	\$ 1,273,495	\$ 113,394,150
Investment income	660,386	19,885,910	1,892,348	663,898	3,650,241	-	181,827	998	43,139	26,978,747
Bond administrative fees	-	-	-	-	3,319,259	-	-	-	-	3,319,259
Loan administrative fees	-	1,425,041	897,573	30,978	-	-	-	-	-	2,353,592
Loan origination revenue	-	-	-	-	2,139,511	-	-	-	-	2,139,511
Gain on early extinguishment of bonds	-	-	-	-	635,483	-	-	-	-	635,483
Other income	-	670	-	183	-	-	-	-	-	853
Total operating revenues	687,113	41,737,588	4,410,159	1,654,210	98,803,007	-	181,827	31,057	1,316,634	148,821,595
Operating expenses										
Interest on bonds and loans	-	24,292,255	-	854,688	93,625,387	-	-	-	1,273,495	120,045,825
Bond issuance costs	-	79,360	-	-	1,845,848	-	-	-	-	1,925,208
Grants to local governments	-	19,028,708	-	-	-	-	2,181,694	-	1,312,892	22,523,294
Principal Forgiveness loans to local governments	-	1,017,772	5,694,551	-	-	-	-	-	-	6,712,323
Loss on early extinguishment of loans	-	-	-	-	669,613	-	-	-	-	669,613
Personnel services	1,131,002	499,215	371,930	42,401	-	-	44,762	-	-	2,089,310
General operating	597,725	420,652	66,917	16,475	987	-	4,736	587	75,890	1,183,969
Contractual services	129,791	171,376	81,863	15,395	-	-	3,072	-	-	401,497
Total operating expenses	1,858,518	45,509,338	6,215,261	928,959	96,141,835	-	2,234,264	587	2,662,277	155,551,039
Operating income (loss)	(1,171,405)	(3,771,750)	(1,805,102)	725,251	2,661,172	-	(2,052,437)	30,470	(1,345,643)	(6,729,444)
Nonoperating revenues										
Contributions from other governments	-	59,254,041	24,431,333	-	-	-	1,220,956	717,624	2,250,000	87,873,954
Federal interest subsidy	-	-	-	-	2,169,813	-	-	-	-	2,169,813
Nonoperating expenses										
Contributions to other governments	-	-	-	-	-	-	(655,051)	-	-	(655,051)
Federal interest subsidy passthrough	-	-	-	-	(2,096,113)	-	-	-	-	(2,096,113)
Income (loss) before transfers	(1,171,405)	55,482,291	22,626,231	725,251	2,734,872	-	(1,486,532)	748,094	904,357	80,563,159
Operating transfers	3,953,611	-	-	-	(3,953,611)	-	-	-	-	-
Change in net position	2,782,206	55,482,291	22,626,231	725,251	(1,218,739)	-	(1,486,532)	748,094	904,357	80,563,159
Total net position - beginning	26,667,278	1,312,065,750	233,269,242	32,491,866	(2,151,168)	-	8,467,474	1,648,075	2,710,077	1,615,168,594
Total net position - ending	\$ 29,449,484	\$ 1,367,548,041	\$ 255,895,473	\$ 33,217,117	\$ (3,369,907)	\$ -	\$ 6,980,942	\$ 2,396,169	\$ 3,614,434	\$ 1,695,731,753

Virginia Resources Authority
Combining Schedule of Cash Flows
Year Ended June 30, 2019

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Tobacco Region Revolving Fund	Brownfields & Miscellaneous Accounts	Total
		Water Facilities	Water Supply							
Cash flows from operating activities										
Cash payments to localities for loans	\$ -	\$ (78,885,042)	\$ (18,759,395)	\$ (330,786)	\$ (209,709,829)	\$ -	\$ -	\$ (1,096,862)	\$ -	\$ (308,781,914)
Principal repayments from localities on loans	780,000	119,023,425	8,691,090	6,173,108	239,605,000	-	-	33,799	-	374,306,422
Interest received on loans	35,035	20,670,157	1,588,833	956,697	117,855,575	-	-	22,057	-	141,128,354
Loan origination fees received	-	-	-	-	2,139,511	-	-	-	-	2,139,511
Bond administrative fees received	-	-	-	-	3,337,305	-	-	-	-	3,337,305
Loan administrative fees received	-	1,414,574	833,000	30,978	-	-	-	-	-	2,278,552
Cash received from other income	-	670	-	183	-	-	-	-	-	853
Cash payments for salaries and related benefits	(1,031,534)	(499,215)	(371,930)	(42,401)	-	-	(44,762)	-	-	(1,989,842)
Cash payments for general operating expenses	(535,016)	(243,203)	(66,917)	(16,475)	-	-	(4,736)	-	(73,125)	(939,472)
Cash payments for contractual services	(113,338)	(171,376)	(81,863)	(15,395)	-	-	(3,072)	-	-	(385,044)
Cash payments for operating grants	-	(19,028,708)	(10,479)	-	-	-	(2,181,694)	-	(1,312,892)	(22,533,773)
Cash payments for principal forgiveness loans	-	(1,017,772)	(5,868,028)	-	-	-	-	-	-	(6,885,800)
Interest paid on bonds	-	(27,748,312)	-	(1,176,951)	(118,597,127)	-	-	-	-	(147,522,390)
Agency funds disbursed	-	-	-	-	-	(2,074,150)	-	-	-	(2,074,150)
Interfund activity	(142,006)	(343,527)	448,366	(10,130)	-	-	(335,079)	-	-	(382,376)
Net cash provided by (used in) operating activities	(1,006,859)	13,171,671	(13,597,323)	5,568,828	34,630,435	(2,074,150)	(2,569,343)	(1,041,006)	(1,386,017)	31,696,236
Cash flows from noncapital financing activities										
Proceeds from sale of bonds	-	8,881,000	-	-	221,958,131	-	-	-	-	230,839,131
Bond issuance costs	-	(79,360)	-	-	(1,845,848)	-	-	-	-	(1,925,208)
Principal paid on bonds	-	(52,210,000)	-	(2,420,000)	(207,105,000)	-	-	-	-	(261,735,000)
Proceeds from interest subsidy	-	-	-	-	2,169,813	-	-	-	-	2,169,813
Cash payments to localities for interest subsidy	-	-	-	-	(2,096,113)	-	-	-	-	(2,096,113)
Contributions from other governments	-	56,231,178	22,350,154	-	-	-	1,220,956	1,100,000	2,250,000	83,152,288
Contributions to other governments	-	-	-	-	-	-	(655,051)	-	-	(655,051)
Cash received (paid) from other accounts	3,953,611	-	-	-	(3,953,611)	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	3,953,611	12,822,818	22,350,154	(2,420,000)	9,127,372	-	565,905	1,100,000	2,250,000	49,749,860
Cash flows from capital and financing related activities										
Purchase of office equipment	(95,442)	-	-	-	-	-	-	-	-	(95,442)
Net cash used in noncapital financing activities	(95,442)	-	-	-	-	-	-	-	-	(95,442)
Cash flows from investing activities										
Purchase of investments	(5,954,608)	(159,284,278)	(11,727,146)	(91,425)	(47,904,121)	-	(45,727)	-	-	(225,007,305)
Proceeds from sales or maturities of investments	5,808,770	144,333,154	11,129,249	864,364	1,405,904	-	-	-	-	163,541,441
Interest received on investments - net	435,210	15,145,006	1,479,980	650,149	2,694,377	-	171,576	411	40,374	20,617,083
Net cash provided by (used in) investing activities	289,372	193,882	882,083	1,423,088	(43,803,840)	-	125,849	411	40,374	(40,848,781)
Net increase (decrease) in cash and cash equivalents	3,140,682	26,188,371	9,634,914	4,571,916	(46,033)	(2,074,150)	(1,877,589)	59,405	904,357	40,501,873
Cash and cash equivalents										
Beginning 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
End of year	\$ 11,286,208	\$ 193,179,293	\$ 54,361,305	\$ 15,687,693	\$ 2,356,903	\$ 420,314	\$ 4,591,138	\$ 59,405	\$ 3,614,434	\$ 285,556,693
Reconciliation to the Statement of Net Position										
Cash	\$ 1,675,921	\$ 12,870,282	\$ 2,206,758	\$ -	\$ 1,012,495	\$ 420,314	\$ -	\$ 59,405	\$ 263,150	\$ 18,508,325
Cash Equivalents	9,610,287	180,309,011	52,154,547	15,687,693	1,344,408	-	4,591,138	-	3,351,284	267,048,368
	\$ 11,286,208	\$ 193,179,293	\$ 54,361,305	\$ 15,687,693	\$ 2,356,903	\$ 420,314	\$ 4,591,138	\$ 59,405	\$ 3,614,434	\$ 285,556,693

Virginia Resources Authority
Combining Schedule of Cash Flows (Continued)
Year Ended June 30, 2019

	General Accounts	Virginia Revolving Loan Fund Accounts		Airport Accounts	Bond Accounts	Transportation Infrastructure Bank	Dam Safety Accounts	Tobacco Region Revolving Fund	Brownfields Accounts	Total
		Water Facilities	Water Supply							
Reconciliation of operating income (loss)										
to net cash provided by (used in) operating activities										
Operating income (loss)	(1,171,405)	(3,771,750)	(1,805,102)	725,251	2,661,172	-	(2,052,437)	30,470	(1,345,643)	(6,729,444)
Depreciation expense	36,805	-	-	-	-	-	-	-	-	36,805
Pension expense	18,711	-	-	-	-	-	-	-	-	18,711
Pension contributions subsequent to the measurement date	(66,615)	-	-	-	-	-	-	-	-	(66,615)
OPEB expense	102,695	-	-	-	-	-	-	-	-	102,695
OPEB contributions subsequent to the measurement date	(8,322)	-	-	-	-	-	-	-	-	(8,322)
Interest on investments	(660,386)	(19,855,461)	(1,892,348)	(663,898)	(3,649,254)	-	(181,827)	(411)	(40,374)	(26,943,959)
Gain on early extinguishment of loans	-	-	-	-	(669,613)	-	-	-	-	(669,613)
Loss on early extinguishment of bonds	-	-	-	-	635,483	-	-	-	-	635,483
Bond issuance cost	-	79,360	-	-	1,845,848	-	-	-	-	1,925,208
Interest on bonds, amortization and accretion - net	-	(9,741,429)	-	(337,780)	4,453,226	-	-	-	-	(5,625,983)
Effect of changes in operating assets and liabilities:										
Loans receivable	780,000	40,285,383	(10,068,305)	5,842,322	29,895,171	-	-	(1,063,063)	-	65,671,508
Loan interest receivable	8,308	244,190	(31,405)	(2,454)	148,649	-	-	(8,002)	-	359,286
Loan administrative fee receivable	-	(10,467)	(64,573)	-	18,046	-	-	-	-	(56,994)
Other assets	22,549	-	(183,956)	-	-	-	-	-	-	(161,407)
Deferred charges	-	6,285,372	-	15,517	(708,293)	-	-	-	-	5,592,596
Accounts payable and other liabilities	72,807	-	-	-	-	(2,074,150)	-	-	-	(2,001,343)
Due to other funds	(142,006)	(343,527)	448,366	(10,130)	-	-	(335,079)	-	-	(382,376)
Net cash provided by (used in) operating activities	<u>\$ (1,006,859)</u>	<u>\$ 13,171,671</u>	<u>\$ (13,597,323)</u>	<u>\$ 5,568,828</u>	<u>\$ 34,630,435</u>	<u>\$ (2,074,150)</u>	<u>\$ (2,569,343)</u>	<u>\$ (1,041,006)</u>	<u>\$ (1,386,017)</u>	<u>\$ 31,696,236</u>
Schedule of non-cash activities										
Change in fair value of assets	\$ 195,586	\$ 4,225,514	\$ 397,389	\$ 19,841	\$ 832,204	\$ -	\$ 10,252	\$ -	\$ -	\$ 5,680,786

Virginia Resources Authority
Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
June 30, 2019

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	State Match Investment Fund Accounts	Administrative Fee Accounts	Total
Assets							
Current assets							
Cash	\$ 3,565,477	\$ -	\$ 427,309	\$ -	\$ 8,689,666	\$ 187,830	\$ 12,870,282
Cash equivalents	168,657,588	1,216,139	1,560,549	2,589,009	2,156,847	4,128,879	180,309,011
Investments	50,959,972	36,497,057	4,204,146	-	-	788,232	92,449,407
Loans receivable, net - current portion	57,136,343	60,570,666	(259,220)	-	-	-	117,447,789
Receivables:							
Investment interest	968,473	1,780,269	78,231	-	-	19,543	2,846,516
Loan interest	1,876,529	4,690,689	59,773	-	-	-	6,626,991
Loan administrative fees	-	-	-	-	-	473,043	473,043
Federal funds	1,795,618	-	-	-	-	-	1,795,618
Other	1,227,245	-	-	-	-	-	1,227,245
Total current assets	<u>286,187,245</u>	<u>104,754,820</u>	<u>6,070,788</u>	<u>2,589,009</u>	<u>10,846,513</u>	<u>5,597,527</u>	<u>416,045,902</u>
Noncurrent assets							
Investments - non-current	155,987,267	182,699,915	12,467,548	-	-	2,909,135	354,063,865
Loans receivable - non-current	681,882,671	540,710,310	1,265,584	-	-	-	1,223,858,565
Total noncurrent assets	<u>837,869,938</u>	<u>723,410,225</u>	<u>13,733,132</u>	<u>-</u>	<u>-</u>	<u>2,909,135</u>	<u>1,577,922,430</u>
Total assets	<u>1,124,057,183</u>	<u>828,165,045</u>	<u>19,803,920</u>	<u>2,589,009</u>	<u>10,846,513</u>	<u>8,506,662</u>	<u>1,993,968,332</u>
Deferred Outflows of Resources							
Deferred loss on refunding	-	32,463,515	-	-	-	-	32,463,515
Total assets and deferred outflows of resources	<u>\$ 1,124,057,183</u>	<u>\$ 860,628,560</u>	<u>\$ 19,803,920</u>	<u>\$ 2,589,009</u>	<u>\$ 10,846,513</u>	<u>\$ 8,506,662</u>	<u>\$ 2,026,431,847</u>
Liabilities							
Current liabilities							
Bonds payable - current	-	63,186,236	-	-	4,657,000	-	67,843,236
Accrued interest on bonds payable	-	6,621,496	-	-	10,109	-	6,631,605
Due to (from) other accounts	(384,998)	-	-	-	-	198,504	(186,494)
Agency funds	325,690	-	-	-	-	-	325,690
Arbitrage rebate liability - current	-	247,785	-	-	-	-	247,785
Total current liabilities	<u>(59,308)</u>	<u>70,055,517</u>	<u>-</u>	<u>-</u>	<u>4,667,109</u>	<u>198,504</u>	<u>74,861,822</u>
Noncurrent liabilities							
Bonds payable - noncurrent	-	579,797,984	-	-	4,224,000	-	584,021,984
Total noncurrent liabilities	<u>-</u>	<u>579,797,984</u>	<u>-</u>	<u>-</u>	<u>4,224,000</u>	<u>-</u>	<u>584,021,984</u>
Total liabilities	<u>(59,308)</u>	<u>649,853,501</u>	<u>-</u>	<u>-</u>	<u>8,891,109</u>	<u>198,504</u>	<u>658,883,806</u>
Net position							
Restricted:							
Loan programs	1,124,116,491	210,775,059	19,803,920	2,589,009	1,955,404	8,308,158	1,367,548,041
Total net position	<u>1,124,116,491</u>	<u>210,775,059</u>	<u>19,803,920</u>	<u>2,589,009</u>	<u>1,955,404</u>	<u>8,308,158</u>	<u>1,367,548,041</u>
Total liabilities and net position	<u>\$ 1,124,057,183</u>	<u>\$ 860,628,560</u>	<u>\$ 19,803,920</u>	<u>\$ 2,589,009</u>	<u>\$ 10,846,513</u>	<u>\$ 8,506,662</u>	<u>\$ 2,026,431,847</u>

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2019

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	State Match Investment Fund Accounts	Administrative Fee Accounts	Total
Operating revenues							
Interest on loans	\$ 5,531,791	\$ 14,840,684	\$ 53,492	\$ -	\$ -	\$ -	\$ 20,425,967
Investment income	11,596,831	7,329,851	657,668	61,254	16,958	223,348	19,885,910
Loan administrative fees	-	-	-	-	-	1,425,041	1,425,041
Other income	-	-	670	-	-	-	670
Total operating revenues	17,128,622	22,170,535	711,830	61,254	16,958	1,648,389	41,737,588
Operating expenses							
Interest on bonds and loans	-	24,282,146	-	-	10,109	-	24,292,255
Bond issuance costs	-	-	-	-	79,360	-	79,360
Grants to local governments	-	-	-	19,028,708	-	-	19,028,708
Principal forgiveness loans to local governments	1,017,772	-	-	-	-	-	1,017,772
Personnel services	499,215	-	-	-	-	-	499,215
General operating	243,313	-	160,961	-	516	15,862	420,652
Contractual services	171,376	-	-	-	-	-	171,376
Total operating expenses	1,931,676	24,282,146	160,961	19,028,708	89,985	15,862	45,509,338
Operating income (loss)	15,196,946	(2,111,611)	550,869	(18,967,454)	(73,027)	1,632,527	(3,771,750)
Nonoperating revenues							
Contributions from other governments	38,089,553	-	-	19,028,708	2,135,780	-	59,254,041
Income (loss) before transfers	53,286,499	(2,111,611)	550,869	61,254	2,062,753	1,632,527	55,482,291
Operating transfers	(8,385,933)	9,247,506	(140)	-	(111,973)	(749,460)	-
Change in net position	44,900,566	7,135,895	550,729	61,254	1,950,780	883,067	55,482,291
Total net position - beginning	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 - ending	\$ 1,124,116,491	\$ 210,775,059	\$ 19,803,920	\$ 2,589,009	\$ 1,955,404	\$ 8,308,158	\$ 1,367,548,041

Virginia Resources Authority
Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2019

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	State Match Investment Fund Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities							
Cash payments to localities for loans	\$ (78,885,042)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (78,885,042)
Principal repayments from localities on loans	60,141,585	58,379,142	502,698	-	-	-	119,023,425
Interest received on loans	5,295,596	15,326,679	47,882	-	-	-	20,670,157
Loan administrative fees received	-	-	-	-	-	1,414,574	1,414,574
Cash received from other income	-	-	670	-	-	-	670
Cash payments for salaries and related benefits	(499,215)	-	-	-	-	-	(499,215)
Cash payments for general operating expenses	(243,313)	-	110	-	-	-	(243,203)
Cash payments for contractual services	(171,376)	-	-	-	-	-	(171,376)
Cash payments for operating grants	-	-	-	(19,028,708)	-	-	(19,028,708)
Cash payments for principal forgiveness loans	(1,017,772)	-	-	-	-	-	(1,017,772)
Interest paid on bonds	-	(27,748,312)	-	-	-	-	(27,748,312)
Interfund activity	(384,998)	(1,533)	-	-	-	43,004	(343,527)
Net cash provided by (used in) operating activities	(15,764,535)	45,955,976	551,360	(19,028,708)	-	1,457,578	13,171,671
Cash flows from noncapital financing activities							
Proceeds from sale of bonds	-	-	-	-	8,881,000	-	8,881,000
Bond issuance costs	-	-	-	-	(79,360)	-	(79,360)
Principal paid on bonds	-	(52,210,000)	-	-	-	-	(52,210,000)
Contributions from other governments	35,066,690	-	-	19,028,708	2,135,780	-	56,231,178
Cash received (paid) from other accounts	(8,385,933)	9,247,506	(140)	-	(111,973)	(749,460)	-
Net cash provided by (used in) noncapital financing activities	26,680,757	(42,962,494)	(140)	19,028,708	10,825,447	(749,460)	12,822,818
Cash flows from investing activities							
Purchase of investments	(107,855,057)	(41,540,834)	(8,418,174)	-	-	(1,470,213)	(159,284,278)
Proceeds from sales or maturities of investments	104,716,192	29,996,621	8,186,698	-	-	1,433,643	144,333,154
Interest received on investments - net	7,404,576	7,221,309	306,755	61,254	16,442	134,670	15,145,006
Net cash provided by (used in) investing activities	4,265,711	(4,322,904)	75,279	61,254	16,442	98,100	193,882
Net increase (decrease) in cash and cash equivalents	15,181,933	(1,329,422)	626,499	61,254	10,841,889	806,218	26,188,371
Cash and cash equivalents							
Beginning of year	157,041,132	2,545,561	1,361,359	2,527,755	4,624	3,510,491	166,990,922
End of year	\$ 172,223,065	\$ 1,216,139	\$ 1,987,858	\$ 2,589,009	\$ 10,846,513	\$ 4,316,709	\$ 193,179,293
Reconciliation to the Statement of Net Position							
Cash	\$ 3,565,477	\$ -	\$ 427,309	\$ -	\$ 8,689,666	\$ 187,830	\$ 12,870,282
Cash Equivalents	168,657,588	1,216,139	1,560,549	2,589,009	2,156,847	4,128,879	180,309,011
	\$ 172,223,065	\$ 1,216,139	\$ 1,987,858	\$ 2,589,009	\$ 10,846,513	\$ 4,316,709	\$ 193,179,293

Virginia Resources Authority
Combining Schedule of Cash Flows (Continued)
Virginia Revolving Loan Fund Accounts - Water Facilities
Year Ended June 30, 2019

	Direct Loan Accounts	Leveraged Loan Accounts	Agricultural Best Management Practices Account	Combined Sewer Overflow Fund Account	State Match Investment Fund Accounts	Administrative Fee Accounts	Total
Reconciliation of operating income (loss)							
to net cash provided by (used in) operating activities							
Operating income (loss)	15,196,946	(2,111,611)	550,869	(18,967,454)	(73,027)	1,632,527	\$ (3,771,750)
Interest on investments	(11,596,831)	(7,329,851)	(643,597)	(61,254)	(16,442)	(207,486)	(19,855,461)
Bond issuance cost	-	-	-	-	79,360	-	79,360
Interest on bonds, amortization and accretion - net	-	(9,751,538)	-	-	10,109	-	(9,741,429)
Effect of changes in operating assets and liabilities:	-	-	-	-	-	-	-
Loans receivable	(18,743,457)	58,379,142	649,698	-	-	-	40,285,383
Loan interest receivable	(236,195)	485,995	(5,610)	-	-	-	244,190
Loan administrative fee receivable	-	-	-	-	-	(10,467)	(10,467)
Deferred charges	-	6,285,372	-	-	-	-	6,285,372
Due to other funds	(384,998)	(1,533)	-	-	-	43,004	(343,527)
Net cash provided by (used in) operating activities	<u>\$ (15,764,535)</u>	<u>\$ 45,955,976</u>	<u>\$ 551,360</u>	<u>\$ (19,028,708)</u>	<u>\$ -</u>	<u>\$ 1,457,578</u>	<u>\$ 13,171,671</u>
Schedule of non-cash activities							
Change in fair value of assets	\$ 3,821,790	\$ 28,141	\$ 310,425	\$ -	\$ -	\$ 65,158	\$ 4,225,514

Virginia Resources Authority
Combining Schedule of Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
June 30, 2019

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Assets					
Current assets					
Cash	\$ 1,679,831	\$ 204,997	\$ -	\$ 321,930	\$ 2,206,758
Cash equivalents	50,810,134	99,401	-	1,245,012	52,154,547
Investments	5,604,114	-	-	-	5,604,114
Loans receivable - current portion	8,713,866	4,637	-	-	8,718,503
Receivables:					
Investment interest	109,080	-	-	-	109,080
Loan interest	428,676	-	-	-	428,676
Loan administrative fees	-	-	-	277,472	277,472
Federal funds	2,081,179	-	-	-	2,081,179
Other	183,956	-	-	-	183,956
Total current assets	<u>69,610,836</u>	<u>309,035</u>	<u>-</u>	<u>1,844,414</u>	<u>71,764,285</u>
Noncurrent assets					
Investments - non-current	15,083,150	-	-	-	15,083,150
Loans receivable - non-current	169,628,120	16,231	-	-	169,644,351
Total noncurrent assets	<u>184,711,270</u>	<u>16,231</u>	<u>-</u>	<u>-</u>	<u>184,727,501</u>
Total assets	<u>254,322,106</u>	<u>325,266</u>	<u>-</u>	<u>1,844,414</u>	<u>256,491,786</u>
Liabilities					
Current liabilities					
Due to (from) other accounts	386,390	5,985	-	148,592	540,967
Agency funds	55,346	-	-	-	55,346
Total current liabilities	<u>441,736</u>	<u>5,985</u>	<u>-</u>	<u>148,592</u>	<u>596,313</u>
Total liabilities	<u>441,736</u>	<u>5,985</u>	<u>-</u>	<u>148,592</u>	<u>596,313</u>
Net position					
Restricted:					
Loan programs	253,880,370	319,281	-	1,695,822	255,895,473
Total net position	<u>253,880,370</u>	<u>319,281</u>	<u>-</u>	<u>1,695,822</u>	<u>255,895,473</u>
Total liabilities and net position	<u>\$ 254,322,106</u>	<u>\$ 325,266</u>	<u>\$ -</u>	<u>\$ 1,844,414</u>	<u>\$ 256,491,786</u>

Virginia Resources Authority
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2019

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Operating revenues					
Interest on loans	\$ 1,620,238	\$ -	\$ -	\$ -	\$ 1,620,238
Investment income	1,862,793	3,363	-	26,192	1,892,348
Loan administrative fees	-	-	-	897,573	897,573
Total operating revenues	3,483,031	3,363	-	923,765	4,410,159
Operating expenses					
Principal forgiveness loans to local governments	5,684,072	10,479	-	-	5,694,551
Personnel services	-	-	371,930	-	371,930
General operating	27,601	494	38,822	-	66,917
Contractual services	-	-	81,863	-	81,863
Total operating expenses	5,711,673	10,973	492,615	-	6,215,261
Operating income (loss)	(2,228,642)	(7,610)	(492,615)	923,765	(1,805,102)
Nonoperating revenues					
Contributions from other governments	24,431,333	-	-	-	24,431,333
Income (loss) before transfers	22,202,691	(7,610)	(492,615)	923,765	22,626,231
Operating transfers	632	-	492,615	(493,247)	-
Change in net position	22,203,323	(7,610)	-	430,518	22,626,231
Total net position - beginning	231,677,047	326,891	-	1,265,304	233,269,242
Total net position - ending	\$ 253,880,370	\$ 319,281	\$ -	\$ 1,695,822	\$ 255,895,473

Virginia Resources Authority
Combining Schedule of Cash Flows
Virginia Revolving Loan Fund Accounts - Water Supply
Year Ended June 30, 2019

	Construction Accounts	Supply Accounts	Administrative Accounts	Administrative Fee Accounts	Total
Cash flows from operating activities					
Cash payments to localities for loans	\$ (18,759,395)	\$ -	\$ -	\$ -	\$ (18,759,395)
Principal repayments from localities on loans	8,686,451	4,639	-	-	8,691,090
Interest received on loans	1,588,833	-	-	-	1,588,833
Loan administrative fees received	-	-	-	833,000	833,000
Cash payments for salaries and related benefits	-	-	(371,930)	-	(371,930)
Cash payments for general operating expenses	(27,601)	(494)	(38,822)	-	(66,917)
Cash payments for contractual services	-	-	(81,863)	-	(81,863)
Cash payments for operating grants	-	(10,479)	-	-	(10,479)
Cash payments for principal forgiveness loans	(5,868,028)	-	-	-	(5,868,028)
Interfund activity	386,390	5,985	-	55,991	448,366
Net cash provided by (used in) operating activities	<u>(13,993,350)</u>	<u>(349)</u>	<u>(492,615)</u>	<u>888,991</u>	<u>(13,597,323)</u>
Cash flows from noncapital financing activities					
Contributions from other governments	22,350,154	-	-	-	22,350,154
Cash received (paid) from other accounts	632	-	492,615	(493,247)	-
Net cash provided by (used in) noncapital financing activities	<u>22,350,786</u>	<u>-</u>	<u>492,615</u>	<u>(493,247)</u>	<u>22,350,154</u>
Cash flows from investing activities					
Purchase of investments	(11,727,146)	-	-	-	(11,727,146)
Proceeds from sales or maturities of investments	11,129,249	-	-	-	11,129,249
Interest received on investments - net	1,450,425	3,363	-	26,192	1,479,980
Net cash provided by investing activities	<u>852,528</u>	<u>3,363</u>	<u>-</u>	<u>26,192</u>	<u>882,083</u>
Net increase in cash and cash equivalents	9,209,964	3,014	-	421,936	9,634,914
Cash and cash equivalents					
Beginning of year	43,280,001	301,384	-	1,145,006	44,726,391
End of year	<u>\$ 52,489,965</u>	<u>\$ 304,398</u>	<u>\$ -</u>	<u>\$ 1,566,942</u>	<u>\$ 54,361,305</u>
Reconciliation to the Statement of Net Position					
Cash	\$ 1,679,831	\$ 204,997	\$ -	\$ 321,930	\$ 2,206,758
Cash Equivalents	50,810,134	99,401	-	1,245,012	52,154,547
	<u>\$ 52,489,965</u>	<u>\$ 304,398</u>	<u>\$ -</u>	<u>\$ 1,566,942</u>	<u>\$ 54,361,305</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	(2,228,642)	(7,610)	(492,615)	923,765	\$ (1,805,102)
Interest on investments	(1,862,793)	(3,363)	-	(26,192)	(1,892,348)
Loans receivable	(10,072,944)	4,639	-	-	(10,068,305)
Loan interest receivable	(31,405)	-	-	-	(31,405)
Loan administrative fee receivable	-	-	-	(64,573)	(64,573)
Other assets	(183,956)	-	-	-	(183,956)
Accounts payable and other liabilities	-	-	-	-	-
Due to other funds	386,390	5,985	-	55,991	448,366
Net cash provided by (used in) operating activities	<u>\$ (13,993,350)</u>	<u>\$ (349)</u>	<u>\$ (492,615)</u>	<u>\$ 888,991</u>	<u>\$ (13,597,323)</u>
Schedule of non-cash activities					
Change in fair value of assets	\$ 397,389	\$ -	\$ -	\$ -	\$ 397,389

STATISTICAL SECTION

Virginia Resources Authority
Statistical Section
June 30, 2019

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.

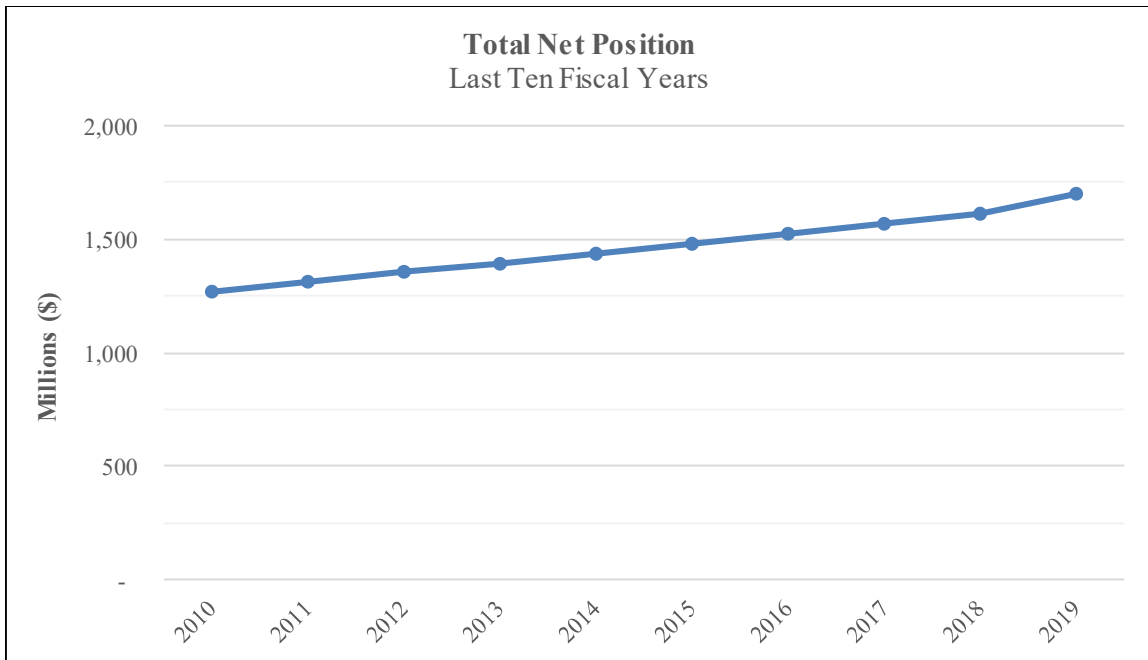
Table 9	Operating Indicators
Table 10	Employees by Identifiable Activity

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

**Virginia Resources Authority
Statistical Section
June 30, 2019**

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

Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total
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
2019	122,088	1,674,042,345	21,567,753	1,695,731,753



Virginia Resources Authority
Statistical Section
June 30, 2019

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
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
2019	148,821,595	155,551,039	(6,729,444)	87,292,603	80,563,159

Virginia Resources Authority
Statistical Section
June 30, 2019

Table 3 – Operating Revenues, Last Ten Fiscal Years

Fiscal Year	Interest on Loans	Investment Income	Admin. Reimbursement	Bond Admin. Fees	Loan Admin. Fees	Loan Origination Revenue (1)	Other	Total
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
2019	113,394,150	26,978,747	-	3,319,259	2,353,592	2,139,511	636,336	148,821,595

(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.

**Virginia Resources Authority
Statistical Section
June 30, 2019**

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 Extinguishment of Bonds	Personnel Services	General Operating	Contractual Services	Total
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
2019	120,045,825	1,925,208	29,235,617	669,613	2,089,310	1,183,969	401,497	155,551,039

(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.

Virginia Resources Authority
Statistical Section
June 30, 2019

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
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
2019	2,514,255,420	601,280,976	27,708,574	211,481,241	3,354,726,211

(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
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
2019	739,019,014	1,692,364	178,362,854	1,603,062	920,677,294

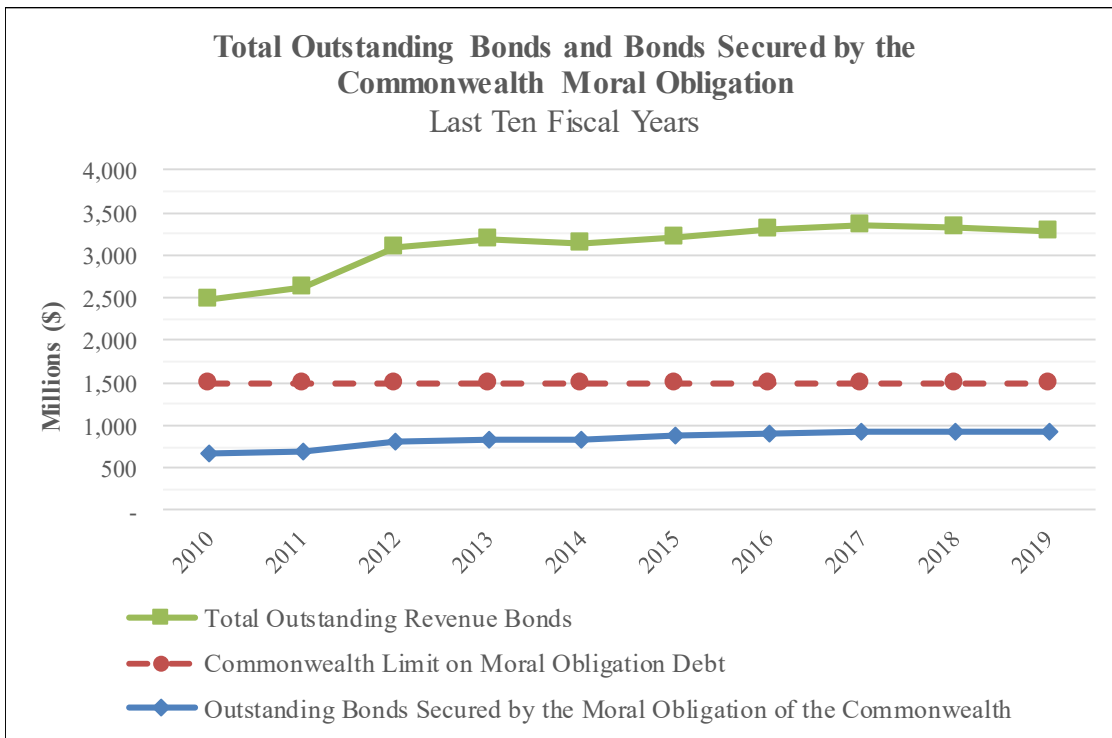
Loans from Other Programs					
Fiscal Year	ETF	VGCP	General Fund PRM Reserve	Total	Loans Receivable, Combined Total
2010	\$ 7,220,216	\$ -	\$ -	\$ 7,220,216	\$ 3,106,156,941
2011	5,663,892	-	-	5,663,892	3,383,784,643
2012	4,100,079	-	-	4,100,079	3,958,996,679
2013	2,383,510	-	-	2,383,510	4,108,311,699
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
2019	-	31,937,232	-	31,937,232	4,307,340,737

**Virginia Resources Authority
Statistical Section
June 30, 2019**

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)
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
2019	3,288,408,651	275,297,841	3,563,706,492	926,540,419	1,500,000,000	573,459,581	386.07

- (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 preceding calendar year (*Source: Table 8*)



**Virginia Resources Authority
Statistical Section
June 30, 2019**

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

Employer (1)	Fiscal Year 2019 (1) Ranking	Fiscal Year 2010 (1) Ranking
U.S. Department of Defense	1	1
Wal-Mart	2	2
Fairfax County Public Schools	3	3
Sentara Health Care	4	6
Huntington Ingalls Industries, Inc.	5	4
Food Lion	6	7
U.S. Postal Services	7	5
County of Fairfax	8	8
Inova Health System	9	11
U.S. Department of Homeland Defense	10	16
Booz, Allen, and Hamilton	20	10
City of Virginia Beach Schools	15	9

(1) Final quarter data for most recent calendar year (2018 and 2009).

(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

**Virginia Resources Authority
Statistical Section
June 30, 2019**

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 (1) (2)
2010	7,928,779	\$ 345,840,751	\$ 43,874	1,245,036	7.2%
2011	8,025,514	358,140,177	44,762	1,252,266	6.7%
2012	8,096,604	371,796,308	45,920	1,258,896	6.2%
2013	8,185,867	385,403,843	47,082	1,265,277	5.6%
2014	8,260,405	402,880,713	48,773	1,273,532	5.1%
2015	8,326,289	413,897,533	49,710	1,280,370	4.6%
2016	8,382,993	448,565,127	53,291	1,284,114	3.9%
2017	8,411,808	451,912,000	53,723	1,288,033	3.8%
2018	8,470,020	466,743,000	54,244	1,292,706	3.2%
2019	8,517,685	485,098,000	56,952	1,290,513	2.6%

- (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, 2019

Table 9 – Operating Indicators, Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Virginia Pooled Financing Program										
Projects	35	30	40	38	20	44	39	24	24	20
Lending	\$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	\$191,370,000
Clean Water Revolving Loan Fund										
Projects	62	18	22	22	14	12	13	14	18	10
Closed loans	\$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	\$69,252,668
Virginia Drinking Water State Revolving Fund										
Projects	34	16	15	15	19	20	24	19	24	34
Closed loans	\$ 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	\$ 19,256,987
Virginia Airports Revolving Fund										
Projects	-	1	3	1	-	1	-	1	1	1
Closed loans	\$ -	\$ 654,184	\$ 2,239,000	\$ 325,500	\$ -	\$ 1,612,000	\$ -	\$ 2,010,000	\$ 1,846,000	\$ 2,400,000
Dam Safety and Flood Prevention										
Projects	2	1	25	37	55	65	70	40	45	39
Closed grants	\$ 1,002,330	\$ 1,000	\$ 233,519	\$ 558,711	\$ 996,146	\$ 824,860	\$ 326,916	\$ 1,041,301	\$ 1,347,437	\$ 473,179
Virginia Brownfields Restoration and Economic Redevelopment Assistance Fund										
Projects	-	-	10	8	2	2	12	16	18	18
Closed grants	\$ -	\$ -	\$ 199,873	\$ 316,560	\$ 100,000	\$ 70,200	\$ 445,585	\$ 833,434	\$ 997,770	\$ 1,288,352
Virginia SAVES Green Communities										
Projects	-	-	-	-	-	-	2	3	1	-
Closed loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,004,595	\$ 16,384,987	\$ 6,512,144	\$ -
Virginia Tobacco Region Revolving Fund										
Projects	-	-	-	-	-	-	-	-	1	1
Closed loans	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,000	\$ 1,100,000
Total new projects	133	66	115	121	110	144	160	117	132	123
Total entities served	96	53	71	74	80	101	104	88	93	77
Total new financings	\$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	\$285,141,186

**Virginia Resources Authority
Statistical Section
June 30, 2019**

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Executive Director	2	1	1	1	1	1	1	1	1	1
Financial Services	-	4	4	4	4	4	4	4	4	4
Finance and Administration	2	5	5	5	5	5	6	5	5	5
Program Management	2	2	2	1	3	3	3	3	3	3
Policy and Compliance	1	2	2	2	2	2	2	2	3	4
Total	<u>7</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>15</u>	<u>15</u>	<u>16</u>	<u>15</u>	<u>16</u>	<u>16</u>

(1) Permanent employees

COMPLIANCE SECTION



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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 25, 2019.

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

Arlington, Virginia
August 25, 2019



**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, 2019. 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, 2019.

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

Arlington, Virginia
August 25, 2019

Virginia Resources Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CDFA Number</u>	<u>Pass-through Identifying Number</u>	<u>Federal Expenditure</u>
Environmental Protection Agency Pass-through payments from the Commonwealth of Virginia:			
Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds (VWFRE) Cluster	66.458	90316, 90317, 90318	\$ 38,089,554
Department of Health			
Capitalization Grants for Drinking Water State Revolving Funds (VWSRF) Cluster	66.468	66175, 66185	<u>20,468,444</u>
 Total Expenditures of Federal Awards			 <u>\$ 58,557,998</u>

See notes to the Schedule of Expenditures of Federal Awards

Virginia Resources Authority
Notes to Schedule of Expenditures of Federal Awards
June 30, 2019

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 \$151,146,426 from the VWFRF and \$58,331,576 from the VWSRF as of June 30, 2019.

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:

	<u>VWFRF</u>	<u>VWSRF</u>	<u>Other</u>	<u>Total</u>
Revenue per Financial Statements:				
Contributions from other Governments	\$ 59,254,041	\$24,431,333	\$ 4,188,580	\$ 87,873,954
Total Governmental Revenues				
Less amounts not related to federal financial assistance	<u>(21,164,487)</u>	<u>(3,962,889)</u>	<u>(4,188,580)</u>	<u>(29,315,956)</u>
Schedule of Expenditures of Federal Awards	<u>\$ 38,089,554</u>	<u>\$ 20,468,444</u>	<u>\$ -</u>	<u>\$ 58,557,998</u>

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, 2019

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?
reported | _____ yes | ___ x ___ none |
| 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?
reported | _____ yes | ___ x ___ none |
| 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
66.458	Capitalization Grants for Clean Water State Revolving Funds
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	___ x ___ yes _____ no

Virginia Resources Authority
Schedule of Findings and Questioned Costs
June 30, 2019

Section II – Financial Statement Audit

None

Section III – Major Federal Award Program Audit

None