VIRGINIA COLLEGE BUILDING AUTHORITY

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE YEAR ENDING JUNE 30, 2004

VIRGINIA COLLEGE BUILDING AUTHORITY
FINANCIAL STATEMENTS (UNAUDITED)
FOR THE YEAR ENDING JUNE 30, 2004

Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Virginia College Building Authority ("the Authority") presents an analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2004. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

Authority Activities and Highlights

The Virginia College Building Authority is authorized to issue revenue bonds and notes to finance capital projects of (1) public institutions of higher education under the Pooled Bond Program; (2) public institutions of higher education under the 21st Century College and Equipment Programs; and (3) loans to private, non-profit institutions of higher education within the Commonwealth.

Under the Pooled Bond Program, bonds of the Authority are secured by notes of participating institutions of higher education to which the general revenues of the college or university have been pledged. During the year, the Authority issued $115.7 million of bonds under the Program.

The 21st Century Program and the Equipment Program were established in 1996 and 1986, respectively, and provide financing for state-supported institutions of higher education. The 21st Century Program provides funding for capital projects designated by the General Assembly. The Equipment Program provides funding for educational equipment. Bonds for both programs are payable from amounts to be appropriated by the General Assembly, and are issued together as a single 21st Century College and Equipment Programs offering.

The Authority is also authorized to issue conduit revenue bonds and notes to finance educational projects through loans to private, non-profit institutions of higher education within the Commonwealth. Since these financings are not obligations of the Commonwealth, they are not included in these financial statements. However, for informational purposes only, a Schedule of Outstanding Bond Issues for Private Colleges and Universities is included on page 21 of this report.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of two components: 1) combined government-wide and fund financial statements 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities are two basic financial statements that report information about the Authority as a whole. The data is reported using the accrual basis of accounting, and provides insight as to whether or not the Authority's total financial position has improved as a result of the current year's activities.

The Statement of Net Assets presents all of the Authority's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets measure whether the Authority's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. receipt or payments on long-term debt obligations).

Both statements report Governmental activities:

> The financial information in this section is related to Authority programs backed by appropriations from the Commonwealth and by note obligations from institutions of higher education. This includes the Authority's 21st Century College and Equipment Programs and Pooled Bond Program.

Fund Financial Statements

The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to keep track of specific sources of funding and spending for a particular purpose.

> Governmental Funds Financial Statements – These funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Authority's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Authority.
>
> Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented in the adjustment column in each of the financial statements.
>
> The Authority has one governmental fund, Special Revenue, which is considered to be a major fund for presentation purposes.

Notes to the Financial Statements
The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Analysis of the Authority

The primary purpose of the Authority is to provide a vehicle for financing capital and equipment needs for state supported institutions of higher education. The Department of the Treasury provides staff support for the Authority. Consequently, the only operating costs are those attributable to its financing programs, which are paid from bond proceeds. The Authority owns no capital assets.

Virginia College Building Authority's Net Assets
(in millions)

	2004	2003
Current assets	$ 128	$ 234
Noncurrent assets	526	429
Total assets	654	663
Current liabilities	254	203
Noncurrent liabilities	869	824
Total liabilities	1,123	1,027
Net assets:		
Restricted	(6)	105
Unrestricted	(462)	(469)
Total net assets	$ (468)	$ (364)

The decrease of $9 million, or 1%, in total assets is due primarily to continued disbursements against existing 21st Century College Program proceeds without the addition of new 21st Century bonds, offset by the issuance of new Pooled Bond Program bonds. Total liabilities increased by $96 million, or 9%. The new bonds issued for the Pooled Bond Program, caused outstanding bonds to increase by $41 million, or 5%. Additionally, the Authority obtained a temporary loan of $52 million for the first time in fiscal year 2004.

Virginia College Building Authority's Changes in Net Assets
(in millions)

	2004	2003
Revenues	$ 111	$ 88
Expenditures	215	192
Decrease in net assets	(104)	(104)
Net assets July 1	(364)	(260)
Net assets June 30	$ (468)	$ (364)

The increases in revenues ($23 million, or 26%) and in expenditures ($23 million, or 12%) are primarily due to higher receipts and payments on bond-related activity. Also reflected in the increased expenditures are higher disbursements to institutions as capital project activity increased. For both revenues and expenditures, fiscal year 2004 reflects initial payments on new bonds issued and full annual payments for bonds issued in fiscal year 2003.

Financial Analysis of the Authority's Funds

In the Special Revenue fund, total assets decreased by $111 million, or 51%, in fiscal year 2004. This is primarily attributable to continued disbursements of existing 21st Century proceeds without the addition of new 21st Century proceeds in the current fiscal year. Liabilities also decreased by $10 million, or 67%. This is primarily due to lower year-end payables due to the institutions, which fluctuates with construction schedules and reimbursement requests.

Debt Administration

As a financing entity, the whole business of the Authority is debt administration. The Authority issues bonds to finance capital projects approved by the General Assembly of the Commonwealth of Virginia. Depending on the program, certain bonds are secured by obligations of the recipient institutions of higher education; other bonds are secured by amounts to be appropriated by the General Assembly. The table on the following page summarizes bond issuance activity during the year under each program.

Summary of Authority Bond Obligations
(in millions)

	Outstanding 7/1/03	Issued During Year	Retired During Year	Outstanding 6/30/04
21st Century Program - Capital	$ 324	$ -	$ (13)	$ 311
21st Century Program - Equipment	124	-	(46)	78
Pooled Bond Program	436	116	(15)	537
Total	$ 884	$ 116	$ (74)	$ 926

The Authority obtains bond ratings from Moody's Investors Service (Moody's), Standard and Poor's Rating Service (S&P) and Fitch Ratings, Inc. (Fitch). The table below summarizes the ratings on outstanding Authority bonds.

Virginia College Building Authority Bond Ratings

	Moody's	S&P	Fitch
21st Century College and Equipment Programs	Aa1	AA+	AA+
Pooled Bond Program	Aa1	AA	AA+

Since the Authority's bond programs are either backed by state appropriations (21st Century College and Equipment Programs) or carry the credit support of the State Aid Intercept Provision (Pooled Bond Program), the bond ratings are a direct reflection of the Commonwealth's triple-A rating from each of the three rating agencies.

Future Impact to Financial Position

On July 8 2004, the VCBA sold $172,745,000 of its 21st Century College and Equipment Bonds. The overall true interest cost on the bonds, which have a 20-year component for capital projects and a 5-year component for equipment, was 4.13%. The bonds will provide $142 million for capital projects and $39.9 million for equipment at institutions of higher education. This bond issue was closed on July 22, 2004.

On August 5, 2004, the VCBA closed its $46 million private college bond issue for the University of Richmond under the Authority's Private College Program. The University will use the proceeds of the bonds to refund bonds issued by the VCBA on behalf of the University in 1994 and to renovate, expand and enhance certain facilities at the University. The bond issue is structured in a variable rate mode where the interest rate will change every seven days. The initial interest rate was 1.08%.

On October 7, the VCBA sold a total of $216,140,000 of new money and refunding bonds through the pooled bond program. The par amount of the new money 2004A Bonds is $112,935,000 and the 2004A Bonds were sold at a True Interest Cost of 4.25%. The funds made available through this bond issuance will finance the construction of fifteen projects at eight public institutions of higher education. The institutions include Christopher Newport University, College of William and Mary, George Mason University, Longwood University, Norfolk State University, Old Dominion University, University of Mary Washington and Virginia Commonwealth University. The par amount of the refunding 2004B Bonds is $103,205,000. The proceeds of the bonds will be used to advance refund a portion of the Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 1997A, 1998A, 1999A, and 2000A. Net present value savings of approximately $5.7 million or 5.62% of the refunded bonds were realized. The savings will accrue directly to the institutions of higher education that participated in the above series and that had bonds maturing in the years in which bonds were refunded. The bond issue is expected to close on October 28, 2004.

Financial Statements

VIRGINIA COLLEGE BUILDING AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET (Unaudited)
As of June 30, 2004

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Net Assets
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2A)	$ 108,145,174	$ -	$ 108,145,174
Short-term notes receivable (Note 2B)	-	19,550,000	19,550,000
Interest receivable	102,336	-	102,336
Total current assets	108,247,510	19,550,000	127,797,510
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2A)	23,494	-	23,494
Long-term notes receivable (Note 2B)	-	517,485,000	517,485,000
Discount on bonds	-	388,915	388,915
Restricted interest receivable	15	8,794,820	8,794,835
Total noncurrent assets	23,509	526,668,735	526,692,244
Total assets	$ 108,271,019	546,218,735	654,489,754
LIABILITIES			
Current liabilities:			
Due to higher education institutions (Note 2D)	4,350,436	107,951,958	112,302,394
Allocation payable (Note 2E)	2,036,538	-	2,036,538
Interest payable	-	16,711,402	16,711,402
Bonds payable (Note 2C)	-	70,490,000	70,490,000
Temporary loan payable (Note 2F)	-	52,040,079	52,040,079
Premium on bonds sold	-	728,864	728,864
Accounts payable	-	66,639	66,639
Total current liabilities	6,386,974	247,988,942	254,375,916
Noncurrent liabilities:			
Bonds payable (Note 2C)	-	855,935,000	855,935,000
Premium on bonds sold	-	12,675,281	12,675,281
Total noncurrent liabilities	-	868,610,281	868,610,281
Total liabilities	6,386,974	1,116,599,223	1,122,986,197
FUND BALANCES/NET ASSETS:			
Fund Balances:			
Unreserved	101,884,045	(101,884,045)	-
Total liabilities and fund balances	$ 108,271,019		
Net Assets:			
Restricted for construction and equipment purchases		(6,197,386)	(6,197,386)
Restricted for debt service		348,422	348,422
Unrestricted		(462,647,479)	(462,647,479)
Total Net Assets (Note 2G)		$ (468,496,443)	$ (468,496,443)

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

VIRGINIA COLLEGE BUILDING AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (unaudited)
For the Fiscal Year Ended June 30, 2004

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Activities
REVENUES:			
Interest on investments	$ 1,768,052	$ (1,295,685)	$ 472,367
Interest on bonds	18,397,479	13,499,885	31,897,364
Receipt of note principal payments	14,722,782	(14,722,782)	-
Appropriations from the Commonwealth	78,794,421	-	78,794,421
Total revenues	113,682,734	(2,518,582)	111,164,152
EXPENDITURES:			
Current:			
Legal and financial services	186,659	(80,957)	105,702
Bond rating fees	60,165	(60,165)	-
Printing and electronic distributions	10,662	(6,116)	4,546
Equipment allocation	24,875,852	(8,174,821)	16,701,031
Disbursement to higher education institutions	193,757,384	(63,591,971)	130,165,413
Miscellaneous	116,860	(115,760)	1,100
Debt service:			
Principal retirement	73,865,000	(73,865,000)	-
Interest and fiscal charges	42,502,798	9,821,614	52,324,412
Total expenditures	335,375,380	(136,073,176)	199,302,204
Excess (deficiency) of revenue over expenditures	(221,692,646)	133,554,594	(88,138,052)
Other financing sources (uses):			
Proceeds from the sale of bonds	120,411,002	(120,411,002)	-
Change in Net Assets	(101,281,644)	13,143,592	(88,138,052)
Fund Balance/Net Assets, July 1, 2003	203,165,689	(567,174,438)	(364,008,749)
Fund Balance/Net Assets, June 30, 2004 (Note 2G)	$ 101,884,045	$ (554,030,846)	$ (452,146,801)

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia College Building Authority (the "Authority") was created by the Virginia College Building Authority Act of 1966, Chapter 3.2, Title 23, *Code of Virginia*. The Authority is a public body corporate and a political subdivision, agency, and instrumentality of the Commonwealth. Under this chapter, the Authority is authorized to issue revenue bonds and notes to finance (i) capital projects under the Authority's Pooled Bond Program, and (ii) capital projects under the Authority's 21st Century College and Equipment Programs all for public institutions of higher education of the Commonwealth.

Under the Pooled Bond Program, the Authority issues its bonds and uses the proceeds thereof to purchase notes of public institutions of higher education in the Commonwealth. Proceeds are used by the institutions to finance or refinance capital projects approved by the General Assembly. Authority bonds issued under the Pooled Bond Program are secured by payments on the notes to which the institutions have pledged their general revenues. Pooled Bond Program bonds have been issued under a Master Indenture of Trust dated as of September 1, 1997 (the "1997 Indenture").

Under the 21st Century College and Equipment Program, bonds are issued under the Master Indenture of Trust dated December 1, 1996 (the "1996 Indenture"), which provides for the payment of debt service from amounts to be appropriated by the General Assembly through a payment agreement between the Authority and the Treasury Board. Title to the capital projects financed remains with the Commonwealth.

Pursuant to the Educational Facilities Authority Act, Chapter 3.3 of Title 23, *Code of Virginia*, the Authority is authorized to issue revenue bonds and notes and to use the proceeds thereof to finance educational facilities projects through loans to private, non-profit institutions of higher education within the Commonwealth. Such financings are not obligations of the Commonwealth, but are limited obligations of the Authority payable solely from loan payments made by the private, non-profit institutions of higher education. This indebtedness, therefore, is not included in the financial statements. Total debt outstanding under this program at June 30, 2004 was $358,615,000. (Detailed information for this program is presented on page 21 in the Supplementary Information section following the Notes to the Financial Statements.)

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Authority is a component unit of the Commonwealth of Virginia and is included in the general-purpose financial statements of the Commonwealth.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority's more significant policies.

B. Measurement Focus and Basis of Accounting

The accompanying financial statements are presented using the accounting principles generally accepted in the United States of America as prescribed by GASB. The government-wide statements use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenditures are recognized when the related liability is incurred, regardless of the timing of related cash flows.

The accompanying governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to fund current operations. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which is recognized when due.

The Authority uses the cash basis of accounting during the year and reports on the accrual and modified accrual basis for financial statement purposes at the end of the fiscal year.

C. Fund Accounting

The financial statements in this report are discussed as follows:

Governmental Fund Type: Special Revenue Fund

The Special Revenue fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The Special Revenue fund consists of bond proceeds, bond funds and issuance expense funds. Included are funds established in accordance with the provisions of the 1996 Indenture with the Bank of New York for the 21st Century College Program and the Equipment Program revenue bonds issued by the Authority, since their consolidation in 1999. Also included are the outstanding bonds issued under the Authority's Pooled Bond Program.

D. Bond Issuance Costs, Premiums, and Discounts

Costs associated with issuing debt are expensed in the year incurred. The original issue premium or discount, for each bond issuance, is also expensed in the year incurred unless it exceeds 1% of the amount of the bonds issued. In that case, the original issue premium or discount is deferred and amortized, on a straight-line basis, over the life of the outstanding debt.

E. Budget to Actual Statement

Due to the nature of activity accounted for by the Authority, a budget is not prepared. Therefore, a Statement of Revenues, Expenditures, and Changes in Balances – Budget to Actual is not included in the financial statements.

F. Adjustments

The adjustments column represents the recording of bonds payable liabilities on the Statement of Net Assets and the related effect of these transactions on the Statement of Activities. Governmental fund statements do not reflect bonds payable. The non-current portion of bonds payable includes those payments that are not due and payable in the current period.

2. DETAILED NOTES

A. Cash and Investments

The Bank of New York holds certain deposits and investments of the Authority as trustee. Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool. Cash is defined as demand deposits, non-negotiable time deposits and certificates of deposit in accordance with Section 2.2-4401 of the *Code of Virginia*. Cash equivalents are defined as investments with an original maturity of less than three months.

Deposits held by trustees are collateralized in accordance with the Trust Subsidiary Act, Section 6.1-32.8 et seq. of the *Code of Virginia*. Under the Act, the affiliate bank delivers securities to the trust department as collateral that is at least equal to the market value of the trust funds held on deposit in excess of amounts insured by federal deposit insurance.

Under a Master Indenture of Trust dated December 1, 1996, The Bank of New York, successor to Signet Bank as trustee, and under a Master Indenture of Trust dated September 1, 1997, is authorized to invest in the following investments in addition to those noted above: bonds, notes and other obligations issued or guaranteed by the United States government; bonds, notes and other evidences of indebtedness of any state of the United States of America or any locality of any state of the United States of America that meet the requirements of *Code* Sections 2.2-4500 and 2.2-4501A.3; and investments made pursuant to the Investment of Public Funds and Local Government Investment Pool Act. At June 30, 2004, The Bank of New York maintained $108,070,109 in cash and investments for the Authority.

At June 30, 2004, the Authority's investments were held in the Local Government Investment Pool, the State Non-Arbitrage Program^{sm}, or other money market funds which are not categorized by credit risk since they are not evidenced by securities that exist in physical or book entry form. Details of the Authority's investments are presented on the following page.

Summary of Cash and Cash Equivalents
As of June 30, 2004

	Carrying Amount	Fair Value
Cash and cash equivalents:		
State Non-Arbitrage Program sm [(1)]	$ 108,046,613	$ 108,046,613
Fidelity Treasury Fund	23,496	23,496
Local Government Investment Pool [(2)]	98,559	98,559
Total cash and cash equivalents	$ 108,168,668	$ 108,168,668

[(1)] The Virginia State Non-Arbitrage Program^sm (SNAP^sm) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP^sm is an external investment pool registered under the Investment Company Act of 1940.

[(2)] The Local Government Investment Pool (LGIP) enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is not registered with the SEC as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7.

B. Notes Receivable

Under the Authority's Pooled Bond Program, note payments made by the public institutions of higher education under the terms of note agreements between the Authority and the institutions provide for the payment of debt service on the Pooled Bonds. A summary of future minimum note payments due from the institutions is as follows:

Year Ending June 30	Principal	Interest	Total
2005	$ 19,550,000	$ 26,013,031	$ 45,563,031
2006	21,535,000	25,202,675	46,737,675
2007	23,415,000	24,262,065	47,677,065
2008	22,890,000	23,202,714	46,092,714
2009	23,785,000	22,114,824	45,899,824
2010-2014	134,355,000	91,553,913	225,908,913
2015-2019	163,320,000	53,127,454	216,447,454
2020-2024	105,040,000	15,998,666	121,038,666
2025-2029	20,370,000	2,463,063	22,833,063
2030-2031	2,775,000	133,356	2,908,356
Total	$ 537,035,000	$ 284,071,761	$ 821,106,761

C. Long-Term Indebtedness

Changes in Long-Term Debt - The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2004.

Bonds payable at July 1, 2003	$ 884,575,000
Bonds issued	115,715,000
Bonds retired	(73,865,000)
Bonds payable at June 30, 2004	$ 926,425,000

Annual Requirements to Amortize Long-Term Debt:

Year Ending June 30	Principal	Interest	Total
2005	$ 70,490,000	$ 44,910,002	$ 115,400,002
2006	51,155,000	41,425,234	92,580,234
2007	54,380,000	39,140,356	93,520,356
2008	44,510,000	36,673,824	81,183,824
2009	39,180,000	34,542,509	73,722,509
2010-2014	223,225,000	141,795,410	365,020,410
2015-2019	263,250,000	79,195,771	342,445,771
2020-2024	157,090,000	21,351,466	178,441,466
2025-2029	20,370,000	2,463,063	22,833,063
2030-2031	2,775,000	133,356	2,908,356
Total	$ 926,425,000	$ 441,630,991	$ 1,368,055,991

D. Due to Higher Education Institutions

Bonds were issued under the Pooled Bond Program and the proceeds of these bonds were used to purchase institutional notes from various public institutions of higher education. These institutions in turn will use the proceeds of the notes to finance capital projects. Therefore, the unspent portion of the note proceeds still held by the trustee at June 30, 2004 in the Special Revenue fund is reflected as “due to higher education institutions” in the government-wide statements. Amounts reflected as “due to higher education institutions” in the fund financial statements represent normal year-end payables to institutions as a result of on-going operations.

E. Allocation Payable

During fiscal year 2004, the General Assembly appropriated $39,500,000 for the purchase of equipment at public institutions of higher education. The Authority is committed by this appropriation to pay the equipment costs from its cash and investments. Institutions purchased and obtained reimbursement for $8,030,162 in equipment, relating to this appropriation during the fiscal year, leaving $31,469,838 of this allocation outstanding at June 30, 2004. A portion of this allocation payable is presented in the Special Revenue fund, which represents the amount that is currently due and payable.

In addition, the institutions purchased and obtained reimbursement for $26,629,607 of equipment relating to a prior year's appropriation by the General Assembly.

F. Temporary Loan Payable

During fiscal year 2004, bonds for the 21st Century College and Equipment Programs were not issued. The Authority determined that it would be prudent to wait until July 2004 to issue the next series of bonds for this program for a variety of market-related reasons. In order to meet the short-term needs of the Authority until the bonds could be issued, the Authority obtained a temporary loan from the Commonwealth. Proceeds from the loan were used to reimburse institutions for expenses incurred in accordance with existing appropriations and allocations. The loan was repaid in its entirety in July 2004 when the 2004 21st Century College and Equipment Programs bonds were sold.

G. Deficit Net Assets

Generally accepted accounting principles direct that governmental funds recognize revenues in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Under the 21st Century College and Equipment Programs, bonds issued under the Master Indenture of Trust dated December 1, 1996 are secured by General Assembly appropriations through a payment agreement between the Authority and the Treasury Board. Because future appropriations are not considered available and do not constitute a legally binding commitment, the Authority ended the year with a fund deficit of $468,496,443. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

H. Subsequent Events

On July 8, 2004, the VCBA sold $172,745,000 of its 21st Century College and Equipment Bonds. The overall true interest cost on the bonds, which have a 20-year component for capital projects and a 5-year component for equipment, was 4.13%. The bonds will provide $142 million for capital projects and $39.9 million for equipment at institutions of higher education. This bond issue closed on July 22, 2004.

On August 5, 2004, the VCBA closed its $46 million private college bond issue for the University of Richmond under the Authority's Private College Program. The University will use the proceeds of the bonds to refund bonds issued by the VCBA on behalf of the University in 1994 and to renovate, expand and enhance certain facilities at the University.

The bond issue is structured in a variable rate mode where the interest rate will change every seven days. The initial interest rate was 1.08%.

On October 7, the VCBA sold a total of $216,140,000 of new money and refunding bonds through the pooled bond program. The par amount of the new money 2004A Bonds is $112,935,000 and the 2004A Bonds were sold at a True Interest Cost of 4.25%. The funds made available through this bond issuance will finance the construction of fifteen projects at eight public institutions of higher education. The institutions include Christopher Newport University, College of William and Mary, George Mason University, Longwood University, Norfolk State University, Old Dominion University, University of Mary Washington and Virginia Commonwealth University. The par amount of the refunding 2004B Bonds is $103,205,000. The proceeds of the bonds will be used to advance refund a portion of the Educational Facilities Revenue Bonds (Public Higher Education Financing Program), Series 1997A, 1998A, 1999A, and 2000A. Net present value savings of approximately $5.7 million or 5.62% of the refunded bonds were realized. The savings will accrue directly to the institutions of higher education that participated in the above series and that had bonds maturing in the years in which bonds were refunded. The bond issue is expected to close on October 28, 2004.

I. Risk Management

The Authority is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Department of Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the Authority. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of Treasury pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

Supplementary Information

Virginia College Building Authority
Detail of Long-Term Indebtedness
June 30, 2004
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	Bond Program	True Interest Cost ("TIC")	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Original Maturity
Series 1996	12/01/96	21st Century	5.18%	53,160	-	43,115	(2,160)	40,955	08/01/16
Series 1997A	09/15/97	Pooled	5.05%	55,765	55,765	46,115	(2,310)	43,805	09/01/17
Series 1998	06/01/98	21st Century	4.85%	54,785	-	46,865	(2,210)	44,655	08/01/17
Series 1998A	10/01/98	Pooled	4.56%	50,735	50,735	42,955	(2,120)	40,835	09/01/18
Series 1999	06/01/99	21st Century/Equip.	4.44%	59,495	-	24,580	(9,625)	14,955	02/01/19
Series 1999A	10/15/99	Pooled	5.62%	71,200	71,200	65,150	(2,460)	62,690	09/01/19
Series 2000	06/01/00	21st Century/Equip.	5.49%	60,900	-	32,965	(10,145)	22,820	02/01/20
Series 2000A	11/01/00	Pooled	5.17%	83,010	83,010	78,480	(2,730)	75,750	09/01/20
Series 2001	05/01/01	21st Century/Equip.	4.40%	65,795	-	41,635	(12,580)	29,055	02/01/21
Series 2001A	10/01/01	Pooled	4.51%	69,365	69,365	68,405	(3,675)	64,730	09/01/26
Series 2002	05/15/02	21st Century/Equip.	4.55%	130,795	-	119,115	(11,660)	107,455	02/01/22
Series 2002A	10/15/02	Pooled	4.60%	134,945	134,945	134,945	(1,435)	133,510	09/01/27
Series 2003A	05/15/03	21st Century/Equip.	3.66%	140,250	-	140,250	(10,755)	129,495	02/01/23
Series 2003A	11/01/03	Pooled	4.22%	115,715	115,715	-	115,715	115,715	09/01/30
Total				$ 1,145,915	$ 580,735	$ 884,575	$ 41,850	$ 926,425	

Detail of Long-Term Indebtedness by Program

	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2003	Issued (Retired) During Year	Outstanding June 30, 2004
21st Century College Program	$ 350,300	$ -	$ 324,590	$ (13,465)	$ 311,125
Pooled Bond Program	580,735	580,735	436,050	100,985	537,035
Equipment Program	214,880	-	123,935	(45,670)	78,265
Total	$ 1,145,915	$ 580,735	$ 884,575	$ 41,850	$ 926,425

Virginia College Building Authority
Schedule of Outstanding Bond Issues for Private Colleges and Universities
June 30, 2004
(Dollars in Thousands)

College/University	Series	Dated Date	Yield (a)	Amount Originally Issued	Amount of Notes Purchased	Outstanding July 1, 2003	Issued (Retired) During Year	Outstanding June 30, 2004	Original Final Maturity
Hampden-Sydney College	1998	04/01/98	5.08%	13,340	13,340	11,780	(575)	11,205	09/01/18
Hampton University	1998	12/01/98	4.55%	10,745	10,745	8,745	(825)	7,920	04/01/18
	2000	02/15/00	5.90%	21,500	21,500	19,625	(725)	18,900	04/01/20
	2003	04/16/03	3.64%	16,670	16,670	16,670	(1,235)	15,435	04/01/14
Marymount University	1998	11/01/98	5.08%	26,015	26,015	24,875	(740)	24,135	07/01/28
Randolph Macon College	1998	04/01/98	4.59%	9,830	9,830	9,830	-	9,830	03/01/13
Regent University	2001	06/15/01	5.38%	65,170	65,170	65,170	-	65,170	10/01/31
Roanoke College	1992	10/15/92	6.67%	5,190	5,190	3,330	(245)	3,085	10/15/12
Shenandoah University	2002	05/23/02	VAR	17,445	17,445	17,445	-	17,445	05/01/32
University of Richmond	1994	06/01/94	VAR	17,000	17,000	17,000	-	17,000	11/01/19
	1996	08/07/96	VAR	22,500	22,500	22,500	-	22,500	11/01/26
	1999	11/01/99	VAR	15,400	15,400	15,400	-	15,400	11/01/22
	2002A	03/01/02	4.47%	22,170	22,170	22,170	-	22,170	03/01/32
	2002B	08/01/02	4.47%	7,445	7,445	7,445	-	7,445	03/01/32
Washington & Lee University	1992	01/15/92	6.44%	8,390	8,390	120	(120)	-	01/01/12
	1994	06/01/94	5.97%	40,500	40,500	6,210	(440)	5,770	01/01/24
	1998	04/01/98	5.09%	52,205	52,205	52,205	-	52,205	01/01/31
	2001	06/01/01	5.35%	43,000	43,000	43,000	-	43,000	01/01/34
				$ 414,515	$ 414,515	$ 363,520	$ (4,905)	$ 358,615	

(a) "Yield" refers to the NIC in most cases, to the TIC when available, and to the Arbitrage Yield in other cases.