VIRGINIA COLLEGE BUILDING AUTHORITY

FINANCIAL STATEMENTS (UNAUDITED)

FOR THE YEAR ENDING JUNE 30, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2005. 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 (1) capital projects of public institutions of higher education under the Pooled Bond Program; (2) capital projects of 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 $216.1 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 23 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 and 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.

All of the Authority's activity is reported in Governmental Funds Financial Statements. Governmental 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.

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)

	2005	2004
Current assets	$ 282	$ 128
Noncurrent assets	619	526
Total assets	901	654
Current liabilities	239	254
Noncurrent liabilities	1,194	868
Total liabilities	1,433	1,122
Net assets:		
Restricted	125	(6)
Unrestricted	(657)	(462)
Total net assets	$ (532)	$ (468)

The increase of $247 million, or 38%, in total assets is due primarily to new construction bond proceeds totaling $424 million offset by related disbursements totaling $271 million. Also contributing were net new notes receivable from the institutions' participation in the Pooled Bond program totaling $95 million. Total liabilities increased by $311 million, or 28%. The new bonds issued caused outstanding bonds to increase by $313 million and amounts due to higher education institutions to increase by $23 million. The deferral of the premiums on bonds sold also increased by $21 million. These increases were offset by the decrease in temporary loans payable, as there was no need for the Authority to obtain a loan at the end of fiscal year 2005, though there was an outstanding loan for $52 million last year.

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

	2005	2004
Revenues	$ 128	$ 111
Expenditures	192	215
Decrease in net assets	(64)	(104)
Net assets July 1	(468)	(364)
Net assets June 30	$ (532)	$ (468)

The increase in revenues ($17 million, or 15%) is primarily due to higher receipts and payments on bond-related activity combined with increases in interest earnings due to higher invested balances and higher interest rates. The decrease in expenditures ($23 million, or 11%) is primarily due to a net decrease in disbursements to institutions for capital project activity. For both revenues and expenditures, fiscal year 2005 reflects initial payments on new bonds issued and full annual payments for bonds issued in fiscal year 2004.

Financial Analysis of the Authority's Funds

In the Special Revenue Fund, total assets increased by $150 million, or 139%, in fiscal year 2005. This is primarily attributable to availability of new construction proceeds resulting from three new bond issuances. Liabilities decreased by $1.6 million, or 26%. This is primarily due to higher 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 below summarizes bond issuance activity during the year under each program.

Summary of Authority Bond Obligations
(in millions)

	21st Century Program - Capital	21st Century Program - Equipment	Pooled Bond Program	Total
Outstanding, 7/1/04	$ 311	$ 78	$ 537	$ 926
Issued during year	262	88	216	566
Retired during year	(20)	(46)	(20)	(86)
Defeased during year	(62)	-	(101)	(163)
Deferral on debt defeasance	(4)	-	-	(4)
Outstanding, 6/30/05	$ 487	$ 120	$ 632	$ 1,239

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 on the following page 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 October 19, 2005 the VCBA sold $115.9 million of its Educational Facilities Revenue Bonds, (Public Higher Education Financing Program), Series 2005A. The bonds were sold at a true interest cost of 4.27% and are expected to close on November 3, 2005. The proceeds of the Series 2005A Bonds will be used to purchase institutional notes from eight higher education institutions. The institutions will in turn use the proceeds of the notes to finance a total of twenty-three capital projects. The participating institutions are Christopher Newport University, Old Dominion University, the College of William and Mary, Longwood University, Virginia Polytechnic Institute and State University, Virginia State University, George Mason University, and Virginia Commonwealth University.

Financial Statements

VIRGINIA COLLEGE BUILDING AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET (Unaudited)
As of June 30, 2005

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Net Assets
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2A)	$ 257,607,353	$ -	$ 257,607,353
Short-term notes receivable (Note 2B)	-	23,530,000	23,530,000
Interest receivable	653,325	-	653,325
Total current assets	258,260,678	23,530,000	281,790,678
Noncurrent assets:			
Restricted cash and cash equivalents (Note 2A)	458,026	-	458,026
Long-term notes receivable (Note 2B)	-	608,665,000	608,665,000
Discount on bonds	-	187,503	187,503
Restricted interest receivable	874	10,041,711	10,042,585
Total noncurrent assets	458,900	618,894,214	619,353,114
Total assets	$ 258,719,578	642,424,214	901,143,792
LIABILITIES			
Current liabilities:			
Due to higher education institutions (Note 2E)	$ 4,299,060	131,934,131	136,233,191
Allocation payable (Note 2F)	3,461,584	-	3,461,584
Interest payable	-	20,023,416	20,023,416
Accrued interest sold	266,555	-	266,555
Bonds payable (net of deferral on debt defeasance) (Notes 2C, 2D)	-	76,606,500	76,606,500
Premium on bonds sold	-	1,935,579	1,935,579
Accounts payable	-	37,481	37,481
Total current liabilities	8,027,199	230,537,107	238,564,306
Noncurrent liabilities:			
Bonds payable (net of deferral on debt defeasance) (Notes 2C, 2D)	-	1,162,537,000	1,162,537,000
Premium on bonds sold	-	32,565,181	32,565,181
Total noncurrent liabilities	-	1,195,102,181	1,195,102,181
Total liabilities	8,027,199	1,425,639,288	1,433,666,487
FUND BALANCE/NET ASSETS:			
Fund Balance:			
Unreserved	250,692,379	(250,692,379)	-
Total liabilities and fund balance	$ 258,719,578		
Net assets:			
Restricted for construction and equipment purchases		124,248,891	124,248,891
Restricted for debt service		620,338	620,338
Unrestricted		(657,391,924)	(657,391,924)
Total net assets (Note 2G)		$ (532,522,695)	$ (532,522,695)

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, 2005

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Activities
REVENUES:			
Interest on investments	$ 4,665,548	$ (1,449,411)	$ 3,216,137
Interest on bonds	21,237,053	14,978,197	36,215,250
Receipt of note principal payments	19,547,491	(19,547,491)	-
Appropriations from the Commonwealth	88,283,636	-	88,283,636
Total revenues	133,733,728	(6,018,705)	127,715,023
EXPENDITURES/EXPENSES:			
Current:			
Legal and financial services	405,282	(171,304)	233,978
Bond rating fees	297,961	(100,647)	197,314
Printing and electronic distributions	23,200	(7,411)	15,789
Equipment allocation	54,204,625	(8,174,821)	46,029,804
Disbursement to higher education institutions	218,752,145	(135,116,066)	83,636,079
Payment to escrow agent	177,943,545	(177,943,545)	-
Underwriter's discount	1,669,905	(976,338)	693,567
Miscellaneous	114,483	(112,935)	1,548
Debt service:			
Principal retirement	85,670,000	(85,670,000)	-
Interest and fiscal charges	48,838,113	12,095,083	60,933,196
Total expenditures/expenses	587,919,259	(396,177,984)	191,741,275
Excess (deficiency) of revenues over (under) expenditures	- (454,185,531)	-	-
Other financing sources (uses):			
Bond issuance	566,065,000	(566,065,000)	-
Bond premium	36,928,865	(36,928,865)	-
Total other financing sources (uses)	602,993,865	(602,993,865)	-
Revenues and other financing sources over expenditures and other financing uses	148,808,334	(148,808,334)	-
Change in net assets		(64,026,252)	(64,026,252)
Fund Balance/Net Assets, July 1, 2004	101,884,045	(570,380,488)	(468,496,443)
Fund Balance/Net Assets, June 30, 2005 (Note 2G)	$ 250,692,379	$ (783,215,074)	$ (532,522,695)

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

Notes to the Financial Statements

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)
AS OF JUNE 30, 2005

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, 2005 was $390,580,000. (Detailed information for this program is presented on page 23 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 basic 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 activities of the Authority are accounted for in a Special Revenue Fund. The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures 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 or recorded as revenue 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 Cash Equivalents

The Bank of New York holds certain deposits and cash equivalents 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, and under a Master Indenture of Trust dated September 1, 1997, the trustee 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, 2005, The Bank of New York, which currently serves as trustee for both Indentures, maintained $257,961,526 in cash and cash equivalents for the Authority. The Authority also directly held cash equivalents of $103,853, for a total invested balance of $258,065,379.

At June 30, 2005, the Authority's investments were held in the Local Government Investment Pool, the State Non-Arbitrage Program^{sm}, and 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. All investments of the Authority are rated AAA by Standard and Poor's. Details of the Authority's investments are presented on the following page.

Summary of Cash and Cash Equivalents
As of June 30, 2005

	Fair Value
Cash and cash equivalents:	
State Non-Arbitrage Program sm (1)	$ 131,961,192
Local Government Investment Pool (2)	125,634,508
Money Market Funds (3)	469,679
Total cash and cash equivalents	$ 258,065,379

(1) The Virginia State Non-Arbitrage Programsm (SNAPsm) 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. SNAPsm 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.

(3) The Authority invests certain short-term cash balances held within its accounts in Federated Auto Government Money Trust. This is open-ended mutual funds registered under the Investment Company Act of 1940. This fund maintains a policy of investing all their assets in U.S. Treasury obligations and repurchase agreements backed by those obligations.

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
2006	$ 23,530,000	$ 29,656,281	$ 53,186,281
2007	27,155,000	28,629,646	55,784,646
2008	26,740,000	27,456,445	54,196,445
2009	27,755,000	26,251,255	54,006,255
2010	28,540,000	24,984,790	53,524,790
2011-2015	162,375,000	102,297,360	264,672,360
2016-2020	191,005,000	58,105,273	249,110,273
2021-2025	113,835,000	18,902,547	132,737,547
2026-2030	22,910,000	3,875,603	26,785,603
2031-2035	7,060,000	1,034,788	8,094,788
2036	1,290,000	30,638	1,320,638
Total	$ 632,195,000	$ 321,224,626	$ 953,419,626

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, 2005.

Bonds payable at July 1, 2004	$ 926,425,000
Bonds issued	566,065,000
Bonds retired	(85,670,000)
Bonds refunded	(163,045,000)
Deferral on debt defeasance	(4,631,500)
Bonds payable at June 30, 2005	$ 1,239,143,500

Annual Requirements to Amortize Long-Term Debt:

Year Ending June 30	Principal	Interest	Total
2006	$ 76,990,000	$ 57,506,733	$ 134,496,733
2007	81,530,000	55,575,896	137,105,896
2008	72,940,000	51,826,389	124,766,389
2009	68,800,000	48,420,149	117,220,149
2010	63,035,000	45,156,515	108,191,515
2011-2015	298,445,000	182,714,595	481,159,595
2016-2020	340,645,000	101,801,623	442,446,623
2021-2025	210,130,000	29,826,995	239,956,995
2026-2030	22,910,000	3,875,603	26,785,603
2031-2035	7,060,000	1,034,788	8,094,788
2036	1,290,000	30,637	1,320,637
Deferral on debt defeasance	(4,631,500)	-	(4,631,500)
Total	$ 1,239,143,500	$ 577,769,923	$ 1,816,913,423

D. Defeasance of Debt

This fiscal year the Authority, for the first time, had the opportunity to issue refunding bonds to defease outstanding debt for both the 21st Century College Program and the Pooled Bond Program. These refundings have placed the proceeds of the new bonds in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the Authority's financial statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of Interest on Bonds over the remaining life of the refunded debt. However, the deferral amount for the Pooled Bond Program has been allocated to the participating institutions and is therefore not reflected in the Authority's financial statements. Therefore, Bonds Payable has been reduced by $4,631,500 to reflect the remaining deferral on debt defeasance at June 30, 2005.

The Authority issued two series of refunding bonds during fiscal year 2005. The proceeds of the refunding bonds were placed with an escrow agent to provide for all future debt service on the defeased bonds. Accordingly, the liability for the defeased bonds is not included on the Authority's financial statements. The following schedule reflects the refunding activity during the year.

Refunding Bonds Issued During Fiscal Year 2005

Program	Refunding Issue	Refunded Issue	Maturities Defeased	Amount Defeased
21st Century	2004 B	1996	2008-16	$ 31,160,000
21st Century	2004 B	1998	2010-15	20,705,000
21st Century	2004 B	2000	2010-20	9,750,000
Pooled	2004 B	1997	2009-16	26,685,000
Pooled	2004 B	1998	2012-13	5,465,000
Pooled	2004 B	1999	2010-19	45,150,000
Pooled	2004 B	2000	2012-16	24,130,000
		Total Defeased, FY 2005		$ 163,045,000

The issuance of the Authority's Series 2004 B 21st Century College Program refunding bonds refunded three series of the Authority's bonds as reflected on the above schedule. This defeasance resulted in an accounting loss of $5,015,000. Total debt service payments over the next 16 years will be reduced by $1,808,217 resulting in a present value savings of $2,131,608 discounted at the rate of 3.9012665 percent.

The issuance of the Authority's Series 2004B Pooled refunding bonds refunded four series of the Authority's outstanding bonds as detailed above. This defeasance resulted in an accounting loss of $10,068,000. Total debt service payments over the next 15 years will be reduced by $7,209,455 resulting in a present value savings of $5,650,847 discounted at the rate of 3.6383582 percent.

At June 30, 2005, $163,045,000 of bonds outstanding are considered defeased for financial reporting purposes.

E. 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, 2005 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.

F. Allocation Payable

During fiscal year 2005, the General Assembly appropriated $52,669,843 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 $13,283,349 in equipment, relating to this appropriation during the fiscal year, leaving $39,386,494 of this allocation outstanding at June 30, 2005. 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 $31,154,377 of equipment relating to a prior year's appropriation by the General Assembly.

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 $532,522,695. 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 October 19, 2005 the VCBA sold $115.9 million of its Educational Facilities Revenue Bonds, (Public Higher Education Financing Program), Series 2005A. The bonds were sold at a true interest cost of 4.27% and are expected to close on November 3, 2005. The proceeds of the Series 2005A Bonds will be used to purchase institutional notes from eight higher education institutions. The institutions will in turn use the proceeds of the notes to finance a total of twenty-three capital projects. The participating institutions are Christopher Newport University, Old Dominion University, the College of William and Mary, Longwood University, Virginia Polytechnic Institute and State University, Virginia State University, George Mason University, and Virginia Commonwealth University.

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, 2005
(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, 2004	Issued (Retired) During Year	Outstanding June 30, 2005 *	Original Maturity
Series 1996	12/01/96	21st Century	5.18%	53,160	-	40,955	(33,420)	7,535	08/01/16
Series 1997A	09/15/97	Pooled	5.05%	55,765	55,765	43,805	(29,095)	14,710	09/01/17
Series 1998	06/01/98	21st Century	4.85%	54,785	-	44,655	(23,015)	21,640	08/01/17
Series 1998A	10/01/98	Pooled	4.56%	50,735	50,735	40,835	(7,665)	33,170	09/01/18
Series 1999	06/01/99	21st Century/Equip.	4.44%	59,495	-	14,955	(725)	14,230	02/01/19
Series 1999A	10/15/99	Pooled	5.62%	71,200	71,200	62,690	(47,750)	14,940	09/01/19
Series 2000	06/01/00	21st Century/Equip.	5.49%	60,900	-	22,820	(20,480)	2,340	02/01/20
Series 2000A	11/01/00	Pooled	5.17%	83,010	83,010	75,750	(26,975)	48,775	09/01/20
Series 2001	05/01/01	21st Century/Equip.	4.40%	65,795	-	29,055	(13,210)	15,845	02/01/21
Series 2001A	10/01/01	Pooled	4.51%	69,365	69,365	64,730	(3,725)	61,005	09/01/26
Series 2002	05/15/02	21st Century/Equip.	4.55%	130,795	-	107,455	(12,345)	95,110	02/01/22
Series 2002A	10/15/02	Pooled	4.60%	134,945	134,945	133,510	(4,285)	129,225	09/01/27
Series 2003A	05/15/03	21st Century/Equip.	3.66%	140,250	-	129,495	(9,360)	120,135	02/01/23
Series 2003A	11/01/03	Pooled	4.22%	115,715	115,715	115,715	(1,485)	114,230	09/01/30
Series 2004A	07/01/04	21st Century/Equip.	4.13%	172,745	-	-	158,670	158,670	02/01/24
Series 2004A	10/01/04	Pooled	4.25%	112,935	112,935	-	112,935	112,935	09/01/35
Series 2004B Refunding	10/01/04	Pooled	3.75%	103,205	103,205	-	103,205	103,205	09/01/19
Series 2004B Refunding	12/01/04	21st Century	4.06%	61,395	-	-	60,290	60,290	02/01/20
Series 2005A	05/15/05	21st Century/Equip.	3.79%	115,785	-	-	115,785	115,785	02/01/25
Total				$ 1,711,980	$ 796,875	$ 926,425	$ 317,350	$ 1,243,775	

Detail of Long-Term Indebtedness by Program

	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2004	Issued (Retired) During Year	Outstanding June 30, 2005 *
21st Century College Program	$ 700,225	$ -	$ 311,125	$ 179,890	$ 491,015
Pooled Bond Program	796,875	796,875	537,035	95,160	632,195
Equipment Program	214,880	-	78,265	42,300	120,565
Total	$ 1,711,980	$ 796,875	$ 926,425	$ 317,350	$ 1,243,775

* Excludes deferral on debt defeasance.

Virginia College Building Authority
Schedule of Outstanding Bond Issues for Private Colleges and Universities
June 30, 2005
(Dollars in Thousands)

College/University	Series	Dated Date	Yield (a)	Amount Originally Issued	Amount of Notes Purchased	Outstanding July 1, 2004	Issued (Retired) During Year	Outstanding June 30, 2005	Original Final Maturity
Hampden-Sydney College	1998	04/01/98	5.08%	13,340	13,340	11,205	(610)	10,595	09/01/18
Hampton University	1998	12/01/98	4.55%	10,745	10,745	7,920	(855)	7,065	04/01/18
	2000	02/15/00	5.90%	21,500	21,500	18,900	(14,445)	4,455	04/01/20
	2003	04/16/03	3.64%	16,670	16,670	15,435	(1,295)	14,140	04/01/14
	2005	04/29/05	4.16%	24,500	24,500	-	24,500	24,500	04/01/20
Marymount University	1998	11/01/98	5.08%	26,015	26,015	24,135	(780)	23,355	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	3,085	(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
	2004A	08/01/04	VAR	46,000	46,000	-	46,000	46,000	08/01/34
Washington & Lee University	1994	06/01/94	5.97%	40,500	40,500	5,770	(465)	5,305	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
				$ 476,625	$ 476,625	$ 358,615	$ 31,965	$ 390,580	

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

VIRGINIA COLLEGE BUILDING AUTHORITY
Richmond, Virginia

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