VIRGINIA COLLEGE BUILDING AUTHORITY

FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2013

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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, 2013. 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 $141.1 million of bonds under this 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 frequently issued together as a single 21st Century College and Equipment Programs offering. During the year, the Authority issued $357.6 million of bonds under this Program.

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 18 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 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.

Condensed Statement of Net Assets
(in millions)

	2013	2012
Current assets	$ 271	$ 451
Noncurrent assets	1,712	1,664
Total assets	1,983	2,115
Current liabilities	585	578
Noncurrent liabilities	4,242	3,958
Total liabilities	4,827	4,536
Net assets (deficit):		
Restricted	-	90
Unrestricted	(2,844)	(2,511)
Total net assets (deficit)	$ (2,844)	$ (2,421)

Net assets decreased by $423 million, or 17%, in fiscal year 2013 as compared to fiscal year 2012. The 21st Century College and Equipment Programs comprise the majority of the Authority's net assets. During the year the Authority spent $740 million on disbursements to institutions and on bond interest expenses. Offsetting revenues were only $318 million. The Authority's total assets decreased by $132 million, or 6%, primarily attributable to a $149 million decrease in the 21st Century College and Equipment Programs' assets and an $18 million increase in the Pooled Bond Program's total assets. Decreases in assets were primarily driven by program disbursements exceeding program receipts. Increases in liabilities under the Pooled Bond Program offset the Pooled Bond asset increase, leaving a minimal change in Pooled Bond net assets, while liabilities under the 21st Century College and Equipment Programs increased by $274 million. The increase in 21st Century liabilities is tied to bonds issued. 21st Century bond proceeds are spent almost as fast as they are received, leaving little to no increase in total assets to offset the increase in liabilities which results from the issuance of bonds.

Deficit net assets reported by the Authority are a function of the reporting of outstanding obligations for the 21st Century College and Equipment Programs without the reporting of the corresponding appropriation receivable from the Commonwealth, which secures these bonds. This is done since future appropriations are not considered available and do not constitute a legally binding commitment, and generally accepted accounting principles do not permit the reporting of these receivables prior to their receipt. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

Condensed Statement of Activities
(in millions)

	2013	2012
Revenues:		
Appropriations from the Commonwealth	$ 227	$ 190
Other revenues	91	89
Total revenues	318	279
Expenses:		
Interest on long-term debt	175	160
Construction and equipment disbursements	565	529
Other	1	3
Total expenses	741	692
Decrease in net assets	(423)	(413)
Net assets (deficit) July 1	(2,421)	(2,008)
Net assets (deficit) June 30	$ (2,844)	$ (2,421)

The increase in revenues of $39 million, or 14%, is attributable to a $39 million increase in debt service-related receipts. The increase in expenditures of $49 million is primarily due to a $36 million increase in disbursements to higher education institutions, combined with an increase of $15 million in debt service-related disbursements.

Financial Analysis of the Authority's Funds

In the Special Revenue Fund, total assets decreased by $190 million, or 51%, in fiscal year 2013. This is primarily attributable to current period expenditures (comprised of $762 million in disbursements to institutions and $401 million in debt service expenditures) exceeding current period receipts (comprised of $557 million in bond proceeds and $401 million in receipts for debt service). Liabilities increased by $16 million, or 16%. This is primarily due to an increase in year-end payables due to the institutions, which fluctuate 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, 7/1/12	$ 2,130	$ 196	$ 1,716	$ 4,042
Issued during year	358	-	141	499
Retired during year	(99)	(33)	(83)	(215)
Defeased during year			-	0
Deferral on debt defeasance	(13)		-	(13)
Outstanding, 6/30/13	$ 2,376	$ 163	$ 1,774	$ 4,313

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

The Authority issued approximately $332 million in Educational Facilities Revenue Bonds to finance certain capital projects and to acquire equipment at public institutions of higher education. The bond sale occurred on September 17, 2013, and closed on September 26, 2013.

The Authority sold $74.9 million in Educational Facilities Revenue Bonds and $12.3 million in Educational Facilities Federally Taxable Revenue Bonds to acquire Institutional Notes from participating public institutions of higher education and to refund portions of maturities of prior Authority bonds. Each participating institution will use these Institutional Notes proceeds to finance capital projects approved by the General Assembly. The bond sale occurred on October 23, 2013, and is anticipated to close of November 19, 2013.

VIRGINIA COLLEGE BUILDING AUTHORITY

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET (Unaudited)
As of June 30, 2013

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Net Assets
ASSETS			
Current assets:			
Cash and cash equivalents	$ 178,915,505	$ -	$ 178,915,505
Short-term notes receivable	-	92,410,000	92,410,000
Interest receivable	26,528	-	26,528
Total current assets	178,942,033	92,410,000	271,352,033
Noncurrent assets:			
Restricted cash and cash equivalents	1,373,864	-	1,373,864
Long-term notes receivable	-	1,680,780,000	1,680,780,000
Restricted interest receivable	11	25,200,850	25,200,861
Due from the federal government	-	4,940,669	4,940,669
Total noncurrent assets	1,373,875	1,710,921,519	1,712,295,394
Total assets	$ 180,315,908	1,803,331,519	1,983,647,427
LIABILITIES			
Current liabilities:			
Due to higher education institutions	$ 63,050,021	138,685,207	201,735,228
Allocation payable	51,492,889	-	51,492,889
Interest payable	-	76,092,538	76,092,538
Bonds payable (net of deferral on debt defeasance)	-	239,659,800	239,659,800
Premium on bonds sold	-	16,988,199	16,988,199
Accounts payable	-	8,579	8,579
Total current liabilities	114,542,910	471,434,323	585,977,233
Noncurrent liabilities:			
Bonds payable (net of deferral on debt defeasance)	-	4,073,589,000	4,073,589,000
Premium on bonds sold	-	168,211,562	168,211,562
Total noncurrent liabilities	-	4,241,800,562	4,241,800,562
Total liabilities	114,542,910	4,713,234,885	4,827,777,795
FUND BALANCE/NET ASSETS:			
Fund balance:			
Restricted for construction and equipment	64,399,134	(64,399,134)	-
Restricted for debt service	1,373,864	(1,373,864)	-
Total fund balance	65,772,998	(65,772,998)	-
Total liabilities and fund balance	$ 180,315,908		
Net assets (deficit):			
Restricted for construction and equipment purchases		-	-
Restricted for debt service		1,195	1,195
Unrestricted		(2,844,131,563)	(2,844,131,563)
Total net assets (deficit)		$ (2,844,130,368)	$ (2,844,130,368)

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, 2013

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Activities
REVENUES:			
Interest on investments	$ 640,133	$ (403,778)	$ 236,355
Interest on bonds	76,751,098	1,201,028	77,952,126
Receipt of note principal payments	83,394,982	(83,394,982)	-
Appropriations from the Commonwealth	227,084,843	-	227,084,843
Interest on Build America Bonds	13,536,582	(470,798)	13,065,784
Total revenues	401,407,638	(83,068,530)	318,339,108
EXPENDITURES/EXPENSES:			
Current:			
Legal and financial services	272,893	(131,238)	141,655
Bond rating fees	365,050	(110,150)	254,900
Printing and electronic distributions	6,579	(2,533)	4,046
Equipment allocation	78,268,339	-	78,268,339
Disbursement to higher education institutions	684,188,653	(197,818,641)	486,370,012
Underwriter's discount	2,277,159	(1,382,486)	894,673
Miscellaneous	152,387	(149,066)	3,321
Debt service:			
Principal retirement	214,980,000	(214,980,000)	-
Interest and fiscal charges	185,801,546	(10,570,409)	175,231,137
Total expenditures/expenses	1,166,312,606	(425,144,523)	741,168,083
			-
Excess (deficiency) of revenues over (under) expenditures	(764,904,968)	-	-
Other financing sources (uses):			
Bond issuance	498,675,000	(498,675,000)	-
Bond premium	60,760,375	(60,760,375)	-
Proceeds from the sale of bonds	-	-	-
Payments to refunded bond escrow agent	-	-	-
Total other financing sources (uses)	559,435,375	(559,435,375)	-
Excess of revenues and other financing sources over expenditures and other financing uses	(205,469,593)	205,469,593	-
Change in net assets	-	(422,828,975)	(422,828,975)
Fund balance/Net assets (deficit), July 1, 2012	271,242,591	(2,692,543,984)	(2,421,301,393)
Fund balance/Net assets (deficit), June 30, 2013	$ 65,772,998	$ (2,909,903,366)	$ (2,844,130,368)

The accompanying notes are an integral part of 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 for all 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 Programs, 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, 2013 was $675,511,000. (Detailed information for this program is presented on page 18 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 Mellon Trust Company, N.A. 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 Cash Equivalents

The Bank of New York Mellon Trust Company, N.A. 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 6.2-1057 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: 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, 2013, The Bank of New York Mellon Trust Company, N.A., which currently serves as trustee for both Indentures, maintained $180,240,836 in cash and cash equivalents for the Authority. The Authority also directly held cash equivalents of $48,533 for a total invested balance of $180,289,369.

At June 30, 2013, the Authority's funds were held in the Local Government Investment Pool, the State Non-Arbitrage Program®, and other money market funds. All investments of the Authority are rated AAA by Standard and Poor's. Details of the Authority's investments are presented in the following schedule.

Summary of Cash and Cash Equivalents
As of June 30, 2013

	Fair Value
Cash and cash equivalents:	
State Non-Arbitrage Program ® (1)	$ 138,673,500
Local Government Investment Pool (2)	40,241,067
Money Market Funds (3)	1,373,993
Cash	809
Total cash and cash equivalents	$ 180,289,369

(1) The Virginia State Non-Arbitrage Program® (SNAP®) 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® 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 Securities Exchange Commission (SEC) as an investment company, but maintains a policy to operate in conformity with the SEC's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.

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

B. <u>Notes Receivable</u>

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 shown in the schedule below.

Future Minimum Note Payments Due from Institutions
As of June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	$ 92,410,000	$ 80,016,329	$ 172,426,329
2015	98,785,000	75,527,688	174,312,688
2016	103,205,000	70,778,425	173,983,425
2017	102,995,000	65,834,100	168,829,100
2018	107,890,000	60,837,550	168,727,550
2019 - 2023	525,900,000	227,933,006	753,833,006
2024 - 2028	458,045,000	113,106,742	571,151,742
2029 - 2033	203,540,000	35,706,148	239,246,148
2034 - 2038	59,400,000	11,069,514	70,469,514
2039 - 2043	21,020,000	1,461,661	22,481,661
Total	$ 1,773,190,000	$ 742,271,163	$ 2,515,461,163

C. <u>Due from the Federal Government</u>

The America Recovery and Reinvestment Act of 2009 permits the Authority to issue federally taxable bonds known as “Build America Bonds” to finance capital expenditures. Under the “Build America Bond” program, instead of issuing federally tax-exempt bonds, the Authority can issue federally taxable Build America Bonds and elect to receive a subsidy payment from the federal government equal to 35% of each interest payment due semiannually on such taxable bonds. The Authority has issued three such series of bonds, beginning in fiscal year 2010 (the 21st Century College and Equipment Programs Series 2009F and 2010B, and the Pooled Bond Program Series 2010A). Therefore, the Authority is accruing a receivable from the federal government for the subsidy payments which will be due on August 1, 2013 (21st Century Bonds) and September 1, 2013 (Pooled Bonds). As a result of the Federal Sequestration, the actual August 1, 2013 payment was reduced by 8.7% and the corresponding accrual was adjusted to reflect this reduction. It should be noted that the subsidy payments have not been pledged to the payment of the Build America Bonds, and the subsidy payments are not full faith and credit obligations of the United States. As such, future debt service payments have been reflected in these financial statements at their gross amounts, without consideration of possible future subsidy payments.

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, 2013 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

In past fiscal years, the Authority has issued bonds to support the General Assembly allocations to finance the purchase of equipment at public institutions of higher education. The Authority is committed by this to reimburse institutions of higher education for the cost of equipment from its cash and investments. In fiscal year 2013, institutions purchased and obtained reimbursement for $46,769,271 in equipment, relating to the FY 2012 appropriation, leaving $332,535 of this allocation outstanding at June 30, 2013. Institutions also purchased and obtained reimbursement for $1,513,300 in equipment, relating to the FY 2011 appropriation during the current fiscal year, leaving a balance of zero at June 30, 2013.

The allocation payable of the $51,492,889 presented in the financial statements reflects expenditures related to the FY 2013 allocation to finance the purchase of equipment at public institutions of higher education. Reimbursements will be made to institutions upon the issuance of the Education Facilities Revenue Bonds which closed on September 26, 2013.

F. 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, 2013.

Bonds payable at July 1, 2012	$ 4,027,879,700
Bonds issued	498,675,000
Bonds retired	(214,980,000)
Annual amortization of debt defeasance	1,674,100
Bonds payable at June 30, 2013	$ 4,313,248,800

The schedule on the following page reflects the amounts needed to amortize long-term debt.

Annual Requirements to Amortize Long-Term Debt
As of June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	$ 241,315,000	$ 194,310,597	$ 435,625,597
2015	260,790,000	181,246,195	442,036,195
2016	263,880,000	169,502,910	433,382,910
2017	270,500,000	157,627,487	428,127,487
2018	260,915,000	145,282,548	406,197,548
2019 - 2023	1,225,555,000	554,228,906	1,779,783,906
2024 - 2028	1,130,635,000	284,607,808	1,415,242,808
2029 - 2033	591,885,000	70,794,164	662,679,164
2034 - 2038	59,400,000	11,069,514	70,469,514
2039 - 2043	21,020,000	1,461,661	22,481,661
Less: Deferral on debt defeasance	(12,646,200)	-	(12,646,200)
Total	$4,313,248,800	$1,770,131,790	$ 6,083,380,590

G. Defeasance of Debt

From time to time, when interest rates indicate that it would be favorable to do so, the Authority has issued refunding bonds to defease outstanding bonds. 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 $12,646,200 related to 21st Century College Program, to reflect the remaining deferral on debt defeasance at June 30, 2013.

There were no refunding bonds issued by the Authority in fiscal year 2013.

At June 30, 2013, $335,165,000 of bonds outstanding are considered defeased for financial reporting purposes.

H. 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 $2,844,130,368. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

I. Subsequent Events

The Authority issued approximately $332 million in Education Facilities Revenue Bonds to finance certain capital projects and to acquire equipment at public institutions of higher education. The bond sale occurred on September 17, 2013, and closed on September 26, 2013.

The Authority sold $74.9 million in Educational Facilities Revenue Bonds and $12.3 million in Educational Facilities Federally Taxable Revenue Bonds to acquire Institutional Notes from participating public institutions of higher education and to refund portions of maturities of prior Authority bonds. Each participating institution will use these Institutional Notes proceeds to finance capital projects approved by the General Assembly. The bond sale occurred on October 23, 2013, and is anticipated to close of November 19, 2013.

J. 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 the 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 the 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 the 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.

VIRGINIA COLLEGE BUILDING AUTHORITY
SUPPLEMENTARY INFORMATION

Detail of Long-Term Indebtedness (Unaudited)

June 30, 2013

(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, 2012	Issued (Retired) During Year	Outstanding June 30, 2013 *	Original Maturity
Series 2002A	10/15/02	Pooled	4.60%	134,945	134,945	6,235	(6,235)	-	09/01/27
Series 2003A	05/15/03	21st Century/Equip.	3.66%	140,250	-	5,060	(5,060)	-	02/01/23
Series 2003A	11/01/03	Pooled	4.22%	115,715	115,715	10,160	(4,960)	5,200	09/01/30
Series 2004A	07/01/04	21st Century/Equip.	4.13%	172,745	-	11,615	(5,665)	5,950	02/01/24
Series 2004A	10/01/04	Pooled	4.25%	112,935	112,935	22,590	(4,360)	18,230	09/01/35
Series 2004B Refunding	10/01/04	Pooled	3.75%	103,205	103,205	85,110	(14,100)	71,010	09/01/19
Series 2004B Refunding	12/01/04	21st Century	4.06%	61,395	-	40,270	(7,420)	32,850	02/01/20
Series 2005A	05/15/05	21st Century/Equip.	3.79%	115,785	-	13,665	(2,800)	10,865	02/01/25
Series 2005A	11/03/05	Pooled	4.27%	115,975	115,975	34,970	(4,630)	30,340	09/01/26
Series 2006BC	09/14/06	21st Century/Equip.	VAR	120,000	-	100,825	(5,525)	95,300	02/01/26
Series 2006A	11/30/06	Pooled	4.16%	156,130	156,130	133,955	(5,940)	128,015	09/01/28
Series 2007A Refunding	02/27/07	21st Century	4.08%	59,125	-	59,125	-	59,125	02/01/22
Series 2007A	10/31/07	Pooled	4.38%	216,905	216,905	193,210	(7,305)	185,905	09/01/37
Series 2007B	05/31/07	21st Century/Equip.	4.04%	132,095	-	20,860	(1,970)	18,890	02/01/27
Series 2007B Refunding	10/31/07	Pooled	4.05%	100,765	100,765	96,655	(420)	96,235	09/01/19
Series 2008A	06/12/08	21st Century/Equip.	3.93%	144,075	-	105,330	(10,675)	94,655	02/01/28
Series 2009A	01/21/09	Pooled	4.19%	291,645	291,645	265,430	(13,790)	251,640	09/01/38
Series 2009A	04/28/09	21st Century	4.30%	284,020	-	256,005	(8,965)	247,040	02/01/29
Series 2009B	04/28/09	21st Century	5.04%	84,680	-	59,135	(8,760)	50,375	02/01/18
Series 2009C Refunding	04/28/09	21st Century	2.45%	12,945	-	8,585	(2,010)	6,575	02/01/15
Series 2009D	10/08/09	21st Century/Equip.	2.05%	52,420	-	39,670	(7,245)	32,425	02/01/17
Series 2009E1 Refunding	10/08/09	21st Century	3.01%	134,000	-	134,000	-	134,000	02/01/24
Series 2009E2 Refunding	10/08/09	21st Century	2.80%	74,860	-	74,325	(4,315)	70,010	02/01/23
Series 2009B	12/09/09	Pooled	4.01%	235,945	235,945	224,795	(7,165)	217,630	09/01/39
Series 2009F1	12/17/09	21st Century	0.91%	53,880	-	28,050	(13,685)	14,365	02/01/14
Series 2009F2	12/17/09	21st Century	3.31%	390,575	-	390,575	-	390,575	02/01/30
Series 2010A	06/02/10	21st Century/Equip.	1.80%	50,350	-	36,530	(6,930)	29,600	02/01/17
Series 2010B-1	10/26/10	21st Century	1.36%	55,815	-	44,870	(14,235)	30,635	02/01/15
Series 2010B-2	10/26/10	21st Century	2.82%	290,600	-	290,600	-	290,600	02/01/30
Series 2010A-1	11/18/10	Pooled	1.83%	65,060	65,060	60,600	(7,540)	53,060	09/01/18
Series 2010A-2	11/18/10	Pooled	3.40%	156,610	156,610	156,610	-	156,610	09/01/40
Series 2010B Refunding	11/18/10	Pooled	2.87%	101,040	101,040	97,385	(2,580)	94,805	09/01/27
Series 2011A	08/16/11	21st Century/Equip.	3.27%	272,515	-	272,515	(7,690)	264,825	02/01/32
Series 2011A	11/16/11	Pooled	3.32%	163,335	163,335	163,335	(3,375)	159,960	09/01/36
Series 2012A	03/29/12	Pooled	2.25%	164,475	164,475	164,475	-	164,475	09/01/30
Series 2012A	05/03/12	21st Century/Equip.	2.85%	335,075	-	335,075	(18,635)	316,440	02/01/32
Series 2012B	11/29/12	Pooled	2.55%	141,070	141,070	-	140,075	140,075	09/01/42
Series 2012B	12/13/12	21st Century	2.42%	349,255	-	-	349,255	349,255	02/01/33
Series 2012C	12/13/12	21st Century	1.18%	8,350	-	-	8,350	8,350	02/01/18
Total				$ 6,021,460	$ 2,495,855	$ 4,042,200	$ 283,695	$ 4,325,895	

Detail of Long-Term Indebtedness by Program

	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2012	Issued (Retired) During Year	Outstanding June 30, 2013 *
21st Century College Program	$ 3,026,250	$ -	$ 2,130,370	$ 259,175	$ 2,389,545
Pooled Bond Program	2,495,855	2,495,855	1,715,515	57,675	1,773,190
Equipment Program	499,355	-	196,315	(33,155)	163,160
Total	$ 6,021,460	$ 2,495,855	$ 4,042,200	$ 283,695	$ 4,325,895

* Excludes deferral on debt defeasance

VIRGINIA COLLEGE BUILDING AUTHORITY
SUPPLEMENTARY INFORMATION

Schedule of Outstanding Bond Issues for Private Colleges and Universities (Unaudited)

June 30, 2013

(Dollars in Thousands)

College/University	Series	Dated Date	Yield (a)	Amount Originally Issued	Amount of Notes Purchased	Outstanding July 1, 2012	Issued (Retired) During Year	Outstanding June 30, 2013	Original Final Maturity
Hampden-Sydney College	2010	05/13/10	2.57%	7,190	7,190	5,415	(950)	4,465	09/01/18
Hampton University	2003	04/16/03	3.64%	16,670	16,670	3,545	(1,730)	1,815	04/01/14
	2005	04/29/05	4.16%	24,500	24,500	19,425	(1,695)	17,730	04/01/20
Liberty University	2010	12/21/10	4.85%	119,705	119,705	118,795	(2,055)	116,740	03/01/41
Lynchburg College	2010	12/21/10	VAR	8,838	8,838	8,257	(447)	7,810	12/01/34
Marymount University	1998	11/01/98	5.08%	26,015	26,015	17,095	(990)	16,105	07/01/28
	2009	03/04/09	VAR	40,000	40,000	39,700	(1,200)	38,500	03/01/39
Randolph Macon College	1998	04/01/98	4.59%	9,830	9,830	9,830	(9,830)	-	03/01/13
Regent University	2006	08/09/06	5.03%	99,105	99,105	88,475	(505)	87,970	06/01/36
Roanoke College	2007	06/06/07	4.64%	20,430	20,430	18,360	(310)	18,050	06/30/37
Shenandoah University	2011	12/09/11	VAR	36,455	36,455	36,455	(1,220)	35,235	12/27/36
University of Richmond	2004A	08/01/04	VAR	46,000	46,000	46,000	-	46,000	08/01/34
	2006	11/08/06	VAR	55,900	55,900	55,900	-	55,900	11/01/36
	2011A	02/01/11	3.14%	27,045	27,045	25,355	(1,845)	23,510	03/01/23
	2011B	02/28/11	3.19%	40,505	40,505	40,505	-	40,505	03/01/21
	2012	11/06/12	3.39%	60,000	60,000	-	60,000	60,000	03/01/42
Washington & Lee University	1998	04/01/98	5.10%	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
	2006	08/10/06	4.26%	20,045	20,045	11,280	(1,310)	9,970	01/01/26
				$ 753,438	$ 753,438	$ 639,597	$ 35,913	$ 675,510	

(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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