

**VIRGINIA COLLEGE BUILDING AUTHORITY**

**FINANCIAL STATEMENTS (Unaudited)**

**FOR THE YEAR ENDED JUNE 30, 2015**



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VIRGINIA COLLEGE BUILDING AUTHORITY  
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, 2015. 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 21<sup>st</sup> 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 \$284.1 million of bonds under this Program.

The 21<sup>st</sup> Century Program and the Equipment Program were established in 1996 and 1986, respectively, and provide financing for state-supported institutions of higher education. The 21<sup>st</sup> 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 21<sup>st</sup> Century College and Equipment Programs offering. During the year, the Authority issued \$584.9 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 19 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 Position 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.

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

The Statement of Activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position 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 21<sup>st</sup> 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.

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**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 Position**  
(in millions)

	2015	2014 (as restated)
Current assets	\$ 429	\$ 527
Noncurrent assets	1,627	1,662
Total assets	2,056	2,189
Total deferred outflows	26	11
Current liabilities	661	614
Noncurrent liabilities	4,919	4,731
Total liabilities	5,580	5,345
Net position (deficit):		
Restricted	46	176
Unrestricted	(3,544)	(3,321)
Total net position (deficit)	\$ (3,498)	\$ (3,145)

Net position decreased by \$353 million, or 11%, in fiscal year 2015 as compared to fiscal year 2014. The 21<sup>st</sup> Century College and Equipment Programs comprise the majority of the Authority's net position. During the year the Authority spent \$755 million on disbursements to institutions and on bond interest expenses. Offsetting revenues were only \$403 million. The Authority's total assets decreased by \$133 million, or 6%, primarily attributable to a \$109 million decrease in the 21<sup>st</sup> Century College and Equipment Programs' assets and a \$24 million decrease in the Pooled Bond Program's total assets. Decreases in assets were primarily driven by program disbursements exceeding program receipts. Decreases in liabilities under the Pooled Bond Program offset the Pooled Bond asset decrease, leaving a minimal change in Pooled Bond net position, while liabilities under the 21<sup>st</sup> Century College and Equipment Programs increased by \$248 million. The increase in 21<sup>st</sup> Century liabilities is tied to bonds issued. This increase is somewhat offset by the unspent proceeds available at year-end.

Deficit net position reported by the Authority is a function of the reporting of outstanding obligations for the 21<sup>st</sup> 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

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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)**

	2015	2014 (as restated)
Revenues:		
Appropriations from the Commonwealth	\$ 316	\$ 253
Other revenues	87	91
Total revenues	403	344
Expenses:		
Interest on long-term debt	192	179
Construction and equipment disbursements	563	464
Other	1	2
Total expenses	756	645
Decrease in net position	(353)	(301)
Net position (deficit) July 1	(3,145)	(2,844)
Net position (deficit) June 30	\$ (3,498)	\$ (3,145)

The increase in revenues of \$59 million, or 17%, is attributable to a \$62 million increase in debt service-related receipts. The increase in expenditures of \$111 million is primarily due to a \$99 million increase in disbursements to higher education institutions, combined with an increase of \$5 million in debt service-related disbursements.

**Financial Analysis of the Authority's Funds**

In the Special Revenue Fund, total assets decreased by \$102 million, or 26%, in fiscal year 2015. This is primarily attributable to current period receipts (comprised of \$550 million in spendable bond proceeds and \$502 million in receipts for debt service) exceeding current period expenditures (comprised of \$672 million in disbursements to institutions and \$502 million in debt service expenditures). Liabilities increased by \$20 million, or 20%. 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

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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, 7/1/14	\$ 2,813	\$ 239	\$ 1,761	\$ 4,813
Issued during year	585		284	869
Retired during year	(139)	(50)	(99)	(288)
Defeased during year	(180)		(216)	(396)
Unamortized premium on bonds	252			252
Outstanding, 6/30/15	<u>\$ 3,331</u>	<u>\$ 189</u>	<u>\$ 1,730</u>	<u>\$ 5,250</u>

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
21 <sup>st</sup> 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 (21<sup>st</sup> 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 plans to issue approximately \$54 million in Educational Facilities Revenue Bonds and \$140 million in Educational Facilities Revenue Refunding 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 Note proceeds to finance capital projects approved by the General Assembly. The bond sale is scheduled to occur on November 12, 2015, and is anticipated to close on December 3, 2015.

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## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (Unaudited)

As of June 30, 2015

	Special Revenue Fund	Adjustments (Note 1G)	Statement of Net Position
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 295,981,509	\$ -	\$ 295,981,509
Short-term notes receivable	-	103,285,000	103,285,000
Restricted interest receivable	10	24,312,698	24,312,708
Interest receivable	42,305	-	42,305
Due from the federal government	-	4,936,920	4,936,920
	<u>296,023,824</u>	<u>132,534,618</u>	<u>428,558,442</u>
Total current assets			
Noncurrent assets:			
Restricted cash and cash equivalents	1,287,806	-	1,287,806
Long-term notes receivable	-	1,626,090,000	1,626,090,000
	<u>1,287,806</u>	<u>1,626,090,000</u>	<u>1,627,377,806</u>
Total noncurrent assets			
	<u>\$ 297,311,630</u>	<u>1,758,624,618</u>	<u>2,055,936,248</u>
Total assets			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding		26,191,100	26,191,100
		<u>26,191,100</u>	<u>26,191,100</u>
Total deferred charge on refunding			
<b>LIABILITIES</b>			
Current liabilities:			
Due to higher education institutions	\$ 84,184,119	130,221,455	214,405,574
Allocation payable	35,327,627	-	35,327,627
Interest payable	-	80,567,995	80,567,995
Bonds payable	-	311,340,000	311,340,000
Premium on bonds sold	-	19,578,367	19,578,367
Accounts payable	-	4,284	4,284
	<u>119,511,746</u>	<u>541,712,101</u>	<u>661,223,847</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds payable	-	4,686,290,000	4,686,290,000
Premium on bonds sold	-	232,380,857	232,380,857
	<u>-</u>	<u>4,918,670,857</u>	<u>4,918,670,857</u>
Total noncurrent liabilities			
	<u>119,511,746</u>	<u>5,460,382,958</u>	<u>5,579,894,704</u>
Total liabilities			
<b>FUND BALANCE/NET POSITION:</b>			
Fund balance:			
Restricted for construction and equipment	176,512,078	(176,512,078)	-
Restricted for debt service	1,287,806	(1,287,806)	-
	<u>177,799,884</u>	<u>(177,799,884)</u>	<u>-</u>
Total fund balance			
	<u>\$ 297,311,630</u>		
Total liabilities and fund balance			
Net position (deficit):			
Restricted for construction and equipment purchases		46,286,329	46,286,329
Restricted for debt service		201	201
Unrestricted		(3,544,053,886)	(3,544,053,886)
		<u>(3,497,567,356)</u>	<u>(3,497,567,356)</u>
Total net position (deficit)			
		<u>\$ (3,497,767,356)</u>	<u>\$ (3,497,767,356)</u>

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, 2015

	Special Revenue Fund	Adjustments (Note 1G)	Statement of Activities
<b>REVENUES:</b>			
Interest on investments	\$ 361,722	\$ (210,887)	\$ 150,835
Interest on bonds	74,762,383	(464,208)	74,298,175
Receipt of note principal payments	99,104,358	(99,104,358)	-
Appropriations from the Commonwealth	315,689,723	-	315,689,723
Interest on Build America Bonds	12,555,180	(84,921)	12,470,259
	<u>502,473,366</u>	<u>(99,864,374)</u>	<u>402,608,992</u>
<b>EXPENDITURES/EXPENSES:</b>			
Current:			
Legal and financial services	521,568	(283,485)	238,083
Bond rating fees	397,258	(189,998)	207,260
Printing and electronic distributions	4,548	(2,362)	2,186
Equipment allocation	50,505,075	-	50,505,075
Disbursement to higher education institutions	621,368,200	(108,778,487)	512,589,713
Underwriter's discount	1,447,059	(1,085,046)	362,013
Miscellaneous	3,492	(1,556)	1,936
Debt service:			
Principal retirement	288,095,000	(288,095,000)	-
Interest and fiscal charges	214,026,836	(22,016,446)	192,010,390
	<u>1,176,369,036</u>	<u>(420,452,380)</u>	<u>755,916,656</u>
			-
Excess (deficiency) of revenues over (under) expenditures	<u>(673,895,670)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Bond issuance	868,970,000	(868,970,000)	-
Bond premium	102,410,919	(102,410,919)	-
Payments to refunded bond escrow agent	(419,580,450)	419,580,450	-
	<u>551,800,469</u>	<u>(551,800,469)</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures and other financing uses	(122,095,201)	122,095,201	-
Change in net position	-	(353,307,664)	(353,307,664)
Fund balance/Net position (deficit), July 1, 2014, as restated	<u>299,895,085</u>	<u>(3,444,354,777)</u>	<u>(3,144,459,692)</u>
Fund balance/Net position (deficit), June 30, 2015	<u>\$ 177,799,884</u>	<u>\$ (3,675,567,240)</u>	<u>\$ (3,497,767,356)</u>

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

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

AS OF JUNE 30, 2015

**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 21<sup>st</sup> 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 21<sup>st</sup> 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, 2015 was \$701,572,000. (Detailed information for this program is presented on page 19 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

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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 21<sup>st</sup> 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.

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**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. Premiums on Pooled Bonds are allocated to the participating institutions.

**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 Position 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.

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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, 2015, The Bank of New York Mellon Trust Company, N.A., which currently serves as trustee for both Indentures, maintained \$297,222,022 in cash and cash equivalents for the Authority. The Authority also directly held cash equivalents of \$47,293 for a total invested balance of \$297,269,315.

At June 30, 2015, the Authority's funds were held in the Local Government Investment Pool, the State Non-Arbitrage Program<sup>®</sup>, 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, 2015

	Fair Value
Cash and cash equivalents:	
State Non-Arbitrage Program <sup>®</sup> (1)	\$ 130,202,357
Local Government Investment Pool (2)	165,774,715
Money Market Funds (3)	1,287,958
Cash	4,285
Total cash and cash equivalents	\$ 297,269,315

(1) The Virginia State Non-Arbitrage Program<sup>®</sup> (SNAP<sup>®</sup>) 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<sup>®</sup> 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.

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**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 shown in the schedule below.

Future Minimum Note Payments Due from Institutions  
As of June 30, 2015

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 103,285,000	\$ 77,015,649	\$ 180,300,649
2017	103,180,000	72,238,474	175,418,474
2018	111,345,000	67,166,549	178,511,549
2019	110,985,000	61,895,530	172,880,530
2020	112,145,000	56,688,568	168,833,568
2021 - 2025	536,370,000	205,415,908	741,785,908
2026 - 2030	425,555,000	94,079,017	519,634,017
2031 - 2035	159,970,000	30,051,841	190,021,841
2036 - 2040	53,205,000	8,398,616	61,603,616
2041 - 2045	13,335,000	990,164	14,325,164
Total	<u>\$ 1,729,375,000</u>	<u>\$ 673,940,316</u>	<u>\$ 2,403,315,316</u>

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**C. Due from the Federal Government**

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 21<sup>st</sup> 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, 2015 (21<sup>st</sup> Century Bonds) and September 1, 2015 (Pooled Bonds). As a result of the Federal Sequestration, the actual August 1, 2015 payment was reduced by 7.3% 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, 2015 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.

VIRGINIA COLLEGE BUILDING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

**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 2015, institutions purchased and obtained reimbursement for \$56,418,446 in equipment, relating to the FY 2014 appropriation, leaving \$2,715,382 of this allocation outstanding at June 30, 2015. Institutions also purchased and obtained reimbursement for \$991,736 in equipment related to the FY 2013 allocation, leaving a balance of \$2,419 outstanding at June 30, 2015. Amounts reflected as “allocation payable” in the government-wide and fund financial statements represent normal year-end payables to institutions as a result of on-going operations.

**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, 2015.

Payable at July 1, 2014	\$ 5,037,572,635
Bonds issued	868,970,000
Bonds retired	(288,095,000)
Bonds refunded	(395,980,000)
Premium on bonds sold	54,135,231
Annual amortization of premium on bonds sold	(27,013,642)
Bonds payable at June 30, 2015	<u>\$ 5,249,589,224</u>



VIRGINIA COLLEGE BUILDING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

The schedule below reflects the amounts needed to amortize long-term debt.

Annual Requirements to Amortize Long-Term Debt  
As of June 30, 2015

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 311,340,000	\$ 213,204,009	\$ 524,544,009
2017	322,115,000	204,092,182	526,207,182
2018	318,195,000	189,277,727	507,472,727
2019	304,220,000	174,710,671	478,930,671
2020	304,310,000	160,820,134	465,130,134
2021 - 2025	1,468,120,000	601,126,068	2,069,246,068
2026 - 2030	1,314,265,000	298,983,704	1,613,248,704
2031 - 2035	588,525,000	71,806,304	660,331,304
2036 - 2040	53,205,000	8,398,616	61,603,616
2041 - 2045	13,335,000	990,164	14,325,164
Add: Unamortized			
Premium	251,959,224	-	251,959,224
Total	<u>\$5,249,589,224</u>	<u>\$1,923,409,579</u>	<u>\$ 7,172,998,803</u>

**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 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 and Fiscal Charges 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.

VIRGINIA COLLEGE BUILDING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

The Authority issued two series of refunding bonds in fiscal year 2015. The schedule below reflects the refunding activity during the year.

Refunding Bonds Issued During Fiscal Year 2015

Program	Refunding Issue	Refunded Issue	Maturities Defeased	Amount Defeased
Pooled	2014B	2004A	2029-2035	\$ 8,845,000
Pooled	2014B	2004B	2015-2019	25,260,000
Pooled	2014B	2005A	2016, 2025-26	15,025,000
Pooled	2014B	2006A	2017-2023	57,755,000
Pooled	2014B	2007A	2018-2025	90,480,000
21st Century	2015B	2007B	2025-2027	10,190,000
21st Century	2015B	2008A	2020-2027	46,800,000
21st Century	2015B	2009A	2021-2027	123,410,000
Total Defeased, FY 2015				<u>\$377,765,000</u>

The issuance of the Authority's Series 2014B Pooled Program refunding bonds refunded five series of the Authority's bonds as reflected on the above schedule. This defeasance resulted in an accounting loss of \$15,398,000. Total debt service payments over the next 22 years will be reduced by \$39,802,229 resulting in a present value savings of \$36,639,847 discounted at the rate of 2.1780046 percent.

The issuance of the Authority's Series 2015B 21<sup>st</sup> Century 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 \$16,722,000. Total debt service payments over the next 12 years will be reduced by \$17,213,208 resulting in a present value savings of \$15,015,194 discounted at the rate of 2.4947784 percent.

At June 30, 2015, \$427,435,000 of bonds outstanding are considered defeased for financial reporting purposes.

**H. Restatement of Beginning Net Position**

Beginning net position has been restated to reflect the removal of unamortized premiums related to bonds that matured in prior years.

**I. Deficit Net Position**

Generally accepted accounting principles direct that governmental funds recognize revenues in the accounting period in which they become both

VIRGINIA COLLEGE BUILDING AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

measurable and available to finance expenditures of the fiscal period. Under the 21<sup>st</sup> 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 \$3,497,767,356. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

**J. Subsequent Events**

The Authority plans to issue approximately \$54 million in Educational Facilities Revenue Bonds and \$140 million in Educational Facilities Revenue Refunding 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 Note proceeds to finance capital projects approved by the General Assembly. The bond sale is scheduled to occur on November 12, 2015, and is anticipated to close of December 3, 2015.

**K. 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, 2015**  
**(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, 2014	Issued (Retired) During Year	Outstanding June 30, 2015	Original Maturity
Series 2004A	10/01/04	Pooled	4.25%	112,935	112,935	13,655	(13,655)	-	09/01/35
Series 2004B Refunding	10/01/04	Pooled	3.75%	103,205	103,205	56,200	(56,200)	-	09/01/19
Series 2005A	05/15/05	21st Century/Equip.	3.79%	115,785	-	3,085	(3,085)	-	02/01/25
Series 2005A	11/03/05	Pooled	4.27%	115,975	115,975	25,485	(20,125)	5,360	09/01/26
Series 2006BC	09/14/06	21st Century/Equip.	VAR	120,000	-	89,555	(5,975)	83,580	02/01/26
Series 2006A	11/30/06	Pooled	4.16%	156,130	156,130	115,250	(64,000)	51,250	09/01/28
Series 2007A Refunding	02/27/07	21st Century	4.08%	59,125	-	58,195	(965)	57,230	02/01/22
Series 2007A	10/31/07	Pooled	4.38%	216,905	216,905	178,230	(98,545)	79,685	09/01/37
Series 2007B	05/31/07	21st Century/Equip.	4.04%	132,095	-	16,840	(12,320)	4,520	02/01/27
Series 2007B Refunding	10/31/07	Pooled	4.05%	100,765	100,765	95,800	(9,955)	85,845	09/01/19
Series 2008A	06/12/08	21st Century/Equip.	3.93%	144,075	-	83,445	(58,570)	24,875	02/01/28
Series 2009A	01/21/09	Pooled	4.19%	291,645	291,645	235,665	(14,855)	220,810	09/01/38
Series 2009A	04/28/09	21st Century	4.30%	284,020	-	237,635	(133,255)	104,380	02/01/29
Series 2009B	04/28/09	21st Century	5.04%	84,680	-	41,260	(9,510)	31,750	02/01/18
Series 2009C Refunding	04/28/09	21st Century	2.45%	12,945	-	5,530	(5,530)	-	02/01/15
Series 2009D	10/08/09	21st Century/Equip.	2.05%	52,420	-	24,815	(7,990)	16,825	02/01/17
Series 2009E1 Refunding	10/08/09	21st Century	3.01%	134,000	-	134,000	(6,245)	127,755	02/01/24
Series 2009E2 Refunding	10/08/09	21st Century	2.80%	74,860	-	60,260	(5,690)	54,570	02/01/23
Series 2009B	12/09/09	Pooled	4.01%	235,945	235,945	210,100	(7,910)	202,190	09/01/39
Series 2009F2	12/17/09	21st Century	3.31%	390,575	-	390,575	(19,605)	370,970	02/01/30
Series 2010A	06/02/10	21st Century/Equip.	1.80%	50,350	-	22,530	(7,210)	15,320	02/01/17
Series 2010B-1	10/26/10	21st Century	1.36%	55,815	-	15,690	(15,690)	-	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	45,140	(8,320)	36,820	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	85,870	(2,820)	83,050	09/01/27
Series 2011A	08/16/11	21st Century/Equip.	3.27%	272,515	-	251,050	(14,330)	236,720	02/01/32
Series 2011A	11/16/11	Pooled	3.32%	163,335	163,335	152,450	(7,885)	144,565	09/01/36
Series 2012A	03/29/12	Pooled	2.25%	164,475	164,475	164,475	(4,805)	159,670	09/01/30
Series 2012A	05/03/12	21st Century/Equip.	2.85%	335,075	-	301,100	(16,100)	285,000	02/01/32
Series 2012B	11/29/12	Pooled	2.55%	141,070	141,070	137,760	(4,880)	132,880	09/01/42
Series 2012B	12/13/12	21st Century	2.42%	349,255	-	341,075	(10,450)	330,625	02/01/33
Series 2012C	12/13/12	21st Century	1.18%	8,350	-	6,680	(1,670)	5,010	02/01/18
Series 2013A	09/26/13	21st Century	3.63%	331,705	-	331,705	(10,205)	321,500	02/01/34
Series 2013A	11/19/13	Pooled	3.67%	74,925	74,925	74,925	(165)	74,760	09/01/43
Series 2013B Refunding	11/19/13	Pooled	3.24%	12,355	12,355	12,355	(550)	11,805	09/01/28
Series 2014A	05/15/14	21st Century/Equip.	3.04%	319,155	-	319,155	(18,890)	300,265	02/01/34
Series 2014B Refunding	05/15/14	21st Century	1.71%	27,985	-	27,985	(6,120)	21,865	02/01/25
Series 2014A	11/13/14	Pooled	3.11%	98,040	98,040	-	98,040	98,040	09/01/44
Series 2014B Refunding	11/13/14	Pooled	2.09%	186,035	186,035	-	186,035	186,035	09/01/35
Series 2015A	04/15/15	21st Century	3.06%	373,230	-	-	373,230	373,230	02/01/35
Series 2015B Refunding	04/15/15	21st Century	2.23%	204,880	-	-	204,880	204,880	02/01/27
Series 2015C	04/15/15	21st Century	1.62%	6,785	-	-	6,785	6,785	02/01/20
Total				\$ 6,726,730	\$ 2,496,450	\$ 4,812,735	\$ 184,895	\$ 4,997,630	

**Detail of Long-Term Indebtedness by Program**

	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2014	Issued (Retired) During Year	Outstanding June 30, 2015
21st Century College Program	\$ 3,620,390	\$ -	\$ 2,813,885	\$ 265,315	\$ 3,079,200
Pooled Bond Program	2,496,450	2,496,450	1,759,970	(30,595)	1,729,375
Equipment Program	609,890	-	238,880	(49,825)	189,055
Total	\$ 6,726,730	\$ 2,496,450	\$ 4,812,735	\$ 184,895	\$ 4,997,630

**VIRGINIA COLLEGE BUILDING AUTHORITY**  
**SUPPLEMENTARY INFORMATION**  
**Schedule of Outstanding Bond Issues for Private Colleges and Universities (Unaudited)**  
**June 30, 2015**  
**(Dollars in Thousands)**

College/University	Series	Dated Date	Yield (a)	Amount Originally Issued	Amount of Notes Purchased	Outstanding July 1, 2014	Issued (Retired) During Year	Outstanding June 30, 2015	Original Final Maturity
Hampden-Sydney College	2010	05/13/10	2.57%	7,190	7,190	3,485	(1,005)	2,480	09/01/18
Hampton University	2005	04/29/05	4.16%	24,500	24,500	15,965	(1,840)	14,125	04/01/20
Liberty University	2010	12/21/10	4.85%	119,705	119,705	114,605	(2,180)	112,425	03/01/41
Lynchburg College	2010	12/21/10	VAR	8,838	8,838	7,339	(497)	6,842	12/01/34
Marymount University	1998	11/01/98	5.08%	26,015	26,015	15,070	(15,070)	-	07/01/28
	2009	03/04/09	VAR	40,000	40,000	37,300	(37,300)	-	03/01/39
	2015	04/08/15	3.25%	65,010	65,010	-	65,010	65,010	07/01/45
Regent University	2006	08/09/06	5.03%	99,105	99,105	87,435	(560)	86,875	06/01/36
Roanoke College	2007	06/06/07	4.64%	20,430	20,430	17,180	(910)	16,270	06/30/37
Shenandoah University	2011	12/09/11	VAR	36,455	36,455	33,970	(1,615)	32,355	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	21,610	(1,975)	19,635	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	8,600	(7,695)	905	01/01/26
	2015A	04/22/15	3.68%	32,040	32,040	-	32,040	32,040	01/01/40
	2015B	04/22/15	VAR	15,000	15,000	-	15,000	15,000	01/01/43
				<u>\$ 838,988</u>	<u>\$ 838,988</u>	<u>\$ 660,169</u>	<u>\$ 41,403</u>	<u>\$ 701,572</u>	

(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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