VIRGINIA PUBLIC BUILDING AUTHORITY

FINANCIAL STATEMENTS (Unaudited)

FOR THE YEAR ENDED JUNE 30, 2017

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This section of the Virginia Public Building Authority's (the Authority) annual financial report presents an analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2017. This information should be considered in conjunction with the information contained in the financial statements.

Authority Activities and Highlights

The Authority is a political subdivision of the Commonwealth of Virginia (the Commonwealth) and was created under the Virginia Public Building Authority Act of 1981, Article 6, Chapter 22, Title 2.2, *Code of Virginia* of 1950, as amended. The Authority is authorized to issue bonds or notes to construct, improve, furnish, maintain, acquire, finance and refinance certain public facilities for the use of the Commonwealth, its agencies and instrumentalities; to finance or refinance capital projects that benefit the Commonwealth and any of its authorities, agencies, instrumentalities or regional or local authorities; and to finance or refinance reimbursements to localities or governmental entities of the Commonwealth's share of the capital costs for certain authorized projects. All projects financed by the Authority must first be authorized/approved by the General Assembly. The Authority serves exclusively as a financing entity with the sole function of issuing and managing debt. Debt service for all bonds issued by the Authority is secured by appropriations from the Commonwealth, as authorized by the General Assembly.

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.

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.

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 backed by appropriations from the Commonwealth, as authorized by the General Assembly.

Fund Financial Statements

The fund financial statements provide detailed information about the Authority's major fund. 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 financial statements 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the 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 public facilities for the use of the Commonwealth and its agencies and instrumentalities, and to finance reimbursements of the Commonwealth's share of local or regional jails and juvenile detention facilities costs. 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 primarily from bond proceeds.

Statement of Net Position
(in millions)

	2017	2016
Current assets	$ 218	$ 67
Deferred Outflows of Resources	44	38
Current liabilities	301	255
Noncurrent liabilities	2,428	2,246
Total liabilities	2,729	2,501
Net position (deficit)	$ (2,467)	$ (2,396)

The Authority's net position decreased by 3.0% or $71 million in 2017. The decrease is due to several factors. Outstanding bonds payable increased by $176 million (as a result of new bonds issued in excess of bonds redeemed), and outstanding bond premiums increased by $57 million (due to premium on new bond issuances net of current year premium amortization). Bond interest payable increased by $3 million (as a result of the underlying structure of the outstanding bonds). This activity is offset by an increase in available cash by $151 million (as a result of bond proceeds on new issuances), an increase in deferred outflows of resources by $7 million (as a result of deferral on new bond refundings net of current year amortization of the charge on refunding) and a decrease in the amounts due to agencies and localities by $7 million (as a result of normal fluctuations in project activity).

Net position consistently maintains a deficit balance because the Authority includes the bonds payable liability in its financial statements without including the future appropriations expected from the Commonwealth. Future appropriations are not considered available and do not constitute a legally binding commitment and are therefore not eligible to be included in the financial statements. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

Changes in Net Position
(in millions)

	2017	2016
Revenues:		
Appropriation from the Commonwealth	$ 272	$ 255
Other revenue	9	9
Total revenues	281	264
Expenses:		
Interest on long-term debt	87	86
Disbursements for state and local projects	265	232
Total expenses	352	318
Changes in net assets	(71)	(54)
Net position (deficit), July 1	(2,396)	(2,342)
Net position (deficit), June 30	$ (2,467)	$ (2,396)

The Authority's revenues increased by 6.4% or $17 million compared to last year while expenses increased by 10.7% or $34 million. The increase in revenues is largely due to an increase in the appropriation receipt from the Commonwealth by $17 million (as a result of the larger debt service requirement for the year). The increase in expenses is attributable to a net increase in distributions for construction projects of $80 million, cost of issuance expenses of $3 million and interest on long term debt of $1 million. This activity is offset by a decrease in reimbursements made to localities for various regional jail projects of $50 million. The fluctuations in revenues and expenses are expected due to the nature of the Authority's operations.

Debt Administration

As a financing entity, the sole 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. All bonds are secured by amounts to be appropriated by the General Assembly.

The following is a summary of changes in long-term debt of the Authority at June 30, 2017:

Payable at July 1, 2016	$ 2,441,413,129
Bonds issued	546,625,000
Bonds redeemed	(177,020,000)
Bonds defeased	(193,930,000)
Net amortized premium on bonds sold	57,474,413
Payable at June 30, 2017	$ 2,674,562,542

The Authority's outstanding bonds are rated as follows:

Moody's Investors Service (Moody's)	Aa1
Standard and Poor's Rating Service (S&P)	AA+
Fitch Ratings, Inc. (Fitch)	AA+

Since the Authority's bonds are backed by state appropriations, 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 currently does not have any plans to issue bonds in the immediate future.

VIRGINIA PUBLIC BUILDING AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
(Unaudited)

As of June 30, 2017

	Special Revenue Fund	Adjustments	Statement of Net Position
ASSETS			
Current assets:			
Cash and cash equivalents	$ 214,614,199	$ -	$ 214,614,199
Due from the Federal Government	-	3,036,319	3,036,319
Interest receivable	265,117	-	265,117
Total assets	$ 214,879,316	3,036,319	217,915,635
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		44,645,779	44,645,779
Total deferred outflows of resources		44,645,779	44,645,779
LIABILITIES			
Current liabilities:			
Bond interest payable	$ -	45,845,246	45,845,246
Due to state agencies	9,000,042	-	9,000,042
Bonds payable	-	222,245,000	222,245,000
Premium on bonds sold	-	24,094,019	24,094,019
Total current liabilities	9,000,042	292,184,265	301,184,307
Noncurrent liabilities:			
Bonds payable	-	2,210,420,000	2,210,420,000
Premium on bonds sold	-	217,803,523	217,803,523
Total noncurrent liabilities	-	2,428,223,523	2,428,223,523
Total liabilities	9,000,042	2,720,407,788	2,729,407,830
FUND BALANCE/NET POSITION:			
Fund balance:			
Restricted for construction projects	205,871,363	(205,871,363)	-
Restricted for debt service	7,911	(7,911)	-
Total fund balance	205,879,274	(205,879,274)	-
Total liabilities and fund balance	$ 214,879,316		
Net position (deficit):			
Unrestricted		(2,466,846,416)	(2,466,846,416)
Total net position (deficit)		$ (2,466,846,416)	$ (2,466,846,416)

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

VIRGINIA PUBLIC BUILDING AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (Unaudited)
For the Fiscal Year Ended June 30, 2017

	Special Revenue Fund	Adjustments	Statement of Activities
REVENUES:			
Interest on investments	$ 2,220,436	$ -	$ 2,220,436
Interest on Build America Bonds	7,369,286	(68,434)	7,300,852
Appropriations from the Commonwealth	272,361,973	-	272,361,973
Original issue premium	-	62,853	62,853
Total revenues	281,951,695	(5,581)	281,946,114
EXPENDITURES/EXPENSES:			
Current:			
Legal and financial services	192,411	-	192,411
Disbursements to agencies	261,447,791	-	261,447,791
Disbursements to localities	290,586	-	290,586
Underwriter's discount	3,172,339	-	3,172,339
Bond rating fees	200,101	-	200,101
Miscellaneous expenditures	2,331	-	2,331
Debt service:			
Principal retirement	177,020,000	(177,020,000)	-
Interest and fiscal charges	102,711,261	(15,561,593)	87,149,668
Total expenditures/expenses	545,036,820	(192,581,593)	352,455,227
Deficiency of revenues under expenditures	(263,085,125)	-	-
Other financing sources (uses):			
Payments to refunded bond escrow agent	(221,577,577)	221,577,577	-
Debt issuance	546,625,000	(546,625,000)	-
Bond premium	96,540,969	(96,540,969)	-
Total other financing sources (uses)	421,588,392	(421,588,392)	-
Deficiency of revenues and other financing sources under expenditures and other financing uses	158,503,267	(158,503,267)	-
Change in net position	-	(70,509,113)	(70,509,113)
Fund balance/Net position (deficit), July 1, 2016	47,376,007	(2,443,713,310)	(2,396,337,303)
Fund balance/Net position (deficit), June 30, 2017	$ 205,879,274	$ (2,672,725,690)	$ (2,466,846,416)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Authority was created in 1981 by §2.2-2260 et seq., of the *Code of Virginia*, and is authorized to issue bonds or notes to construct, improve, furnish, maintain, acquire, finance and refinance certain public facilities for the use of the Commonwealth, its agencies and instrumentalities; to finance or refinance capital projects that benefit the Commonwealth and any of its authorities, agencies, instrumentalities or regional or local authorities; and to finance or refinance reimbursements to localities or governmental entities of the Commonwealth's share of the capital costs for certain authorized projects. The Authority is authorized to undertake a project only upon approval of the General Assembly of the Commonwealth.

In 1997 the Authority created the 1997 Master Indenture of Trust (the 1997 Indenture). The 1997 Indenture utilizes a single payment agreement to provide for debt service payments. Debt service payments are subject to General Assembly appropriation. In addition, the 1997 Indenture provides for the issuance of commercial paper bond anticipation notes. All bonds currently outstanding have been issued under the 1997 Indenture and no obligations issued under the Authority's previous 1988 Indenture remain outstanding.

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 (GAAP) 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 the GASB. The accompanying government-wide financial statements are presented using 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. For financial reporting purposes, the Authority defines payables as those items which have been identified by the submitting agencies as payable at June 30 and which have been presented to the Authority for payment by the annually established submission date.

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 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. The fund was established in accordance with the provisions of the Trust Agreement entered into with the trustee for each bond indenture.

D. 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.

E. 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 recorded 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.

F. 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.

2. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Cash and cash equivalents of $214,614,199 are held by The Bank of New York Mellon, as trustee (successor to Signet Bank), under the 1997 Indenture. Cash is defined as demand deposits, time deposits and certificates of deposit in accordance with §2.2-4401 of the *Code of Virginia*. Cash equivalents represent deposits and short-term investments with original maturities of less than three months.

In accordance with the Trust Subsidiary Act, §6.2-1057 of the *Code of Virginia*, cash held by the trustee while awaiting investment or distribution is not used by an affiliate bank of the trustee in the conduct of its business unless 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.

The 1997 Indenture authorizes the trustee, on behalf of the Authority, to invest in legal investments for public sinking funds and other public funds as outlined in §2.2-4500 and §2.2-4501 of the *Code of Virginia* which include repurchase agreements, certificates of deposit, commercial paper, bankers' acceptances, United States Government and agency securities, and money market funds.

Custodial credit risk for cash and cash equivalents is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of the cash and cash equivalents or collateral securities that are in the possession of an outside party. The Trustee complies with the Trust Subsidiary Act, §6.2-1057 of the *Code of Virginia* with regard to the Authority's assets. The Authority's investments at June 30, 2017 were held in the Authority's name by the Authority's custodial banks; therefore, the Authority has no custodial credit risk.

The Authority's cash and cash equivalents at June 30, 2017 are presented below.

As of June 30, 2017

Cash and cash equivalents:	
Cash	$ 7,911
State Non-Arbitrage Program [1]	193,709,330
Local Government Investment Pool [2]	20,896,958
	$ 214,614,199

[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 in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in SNAP® should also report their investments in SNAP® at amortized cost. SNAP® is rated 'AAAm' by Standard & Poor's rating service.

[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 managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. The LGIP is rated AAAm by Standard & Poor's rating service.

B. Long-Term Debt

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, 2017.

Payable at July 1, 2016	$ 2,441,413,129
Bonds issued	546,625,000
Bonds redeemed	(177,020,000)
Bonds defeased	(193,930,000)
Net amortized premium on bonds sold	57,474,413
Payable at June 30, 2017	$ 2,674,562,542

Annual Requirements to Amortize Long-Term Debt:

Year Ending June 30	Principal	Interest	Total
2018	$ 172,245,000 [1]	$ 106,240,059	$ 278,485,059
2019	157,355,000	98,329,285	255,684,285
2020	159,185,000	90,840,785	250,025,785
2021	153,035,000	83,447,959	236,482,959
2022	151,300,000	76,180,132	227,480,132
2023-2027	803,930,000	270,743,703	1,074,673,703
2028-2032	595,425,000	104,888,195	700,313,195
2033-2037	240,190,000	20,070,030	260,260,030
Add: unamortized premium	241,897,542		241,897,542
Total	$ 2,674,562,542	$ 850,740,148	$ 3,525,302,690

(1) This amount excludes $50,000,000 for 2005D variable rate demand bonds subject to a remarketing agreement and classified as a current liability in the accompanying financial statements.

The Series 2005D variable rate demand bonds (the Bonds) were issued by the VPBA on December 7, 2005 for the purpose of financing various facilities for Commonwealth agencies and the Commonwealth's share of the costs of regional and local jail and juvenile detention facilities. The Bonds are subject to optional redemption. The principal balance outstanding on June 30, 2017 of $50,000,000 is scheduled to be paid based on mandatory sinking fund requirements as follows:

Due August 1,	Installment
2022	$ 6,585,000
2023	13,760,000
2024	14,460,000
2025	15,195,000

The Bonds were issued in weekly interest rate mode and have remained in that mode with Goldman Sachs serving as the remarketing agent for an annual fee of 0.05%. Through remarketing, the Bonds are subject to changing market conditions that have resulted in temporary rates ranging from 0.01% to 8.00%. The bond documents set a maximum interest rate of 10% per annum through remarketing.

On August 1, 2011, Wells Fargo, N.A., entered into a standby bond purchase agreement (the SBPA) with VPBA and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee and tender agent. Through the SBPA, Wells Fargo is providing a liquidity facility to purchase the bonds in the event of a failed remarketing. Purchased Bonds held by Wells Fargo are subject to a maximum rate of 25% per annum until they are paid in full, remarketed or retained. All Purchased Bonds shall be due and payable by the VPBA 180 days after Wells Fargo purchases the Bonds, provided that Wells Fargo provides term-out funding. Purchased Bonds are subject to special mandatory redemption over a three-year period with principal payable in 12 equal quarterly installments and interest at the purchased bond rate or the default rate, as applicable, payable monthly in arrears, the first such installment due three months from the date of purchase by Wells Fargo. From and after the term-out date, the purchased bond rate shall be the bank rate plus 1% with the bank rate being, for any day, a per annum rate equal to the greatest of (i) the prime rate plus 1%, (ii) the federal funds rate plus 2%, or (iii) 7%. At June 30, 2017, the liquidity facility was being provided at a cost of 0.32% per annum. On October 2, 2017, the VPBA and Wells Fargo extended the liquidity facility through October 1, 2020 at a cost of 0.37% per annum.

C. Defeasance of Debt

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments 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. At June 30, 2017, $403,595,000 of bonds outstanding is considered defeased for financial reporting purposes. The detail for those balances and the refinancing activities that resulted in the defeasance of the bonds is presented below.

Refunded State Building Revenue Bonds:	Refunded Amount:	Refunding Series:
Series 2007A (partial)	$ 116,170,000	2014C
Series 2008B (partial)	$ 93,495,000	2015B
Series 2009B (partial)	$ 130,890,000	2016B
Series 2011A (partial)	$ 63,040,000	2016B

In accordance with GASB Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," as amended by GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities," the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of Interest on Bonds over the shorter of the remaining life of the refunded debt or the life of the new debt.

In October 2016, the Commonwealth issued $178,955,000 of Public Facilities Revenue Refunding Bonds, Series 2016B, for the purpose of refunding certain outstanding maturities ("Refunding Bonds"), pursuant to Section 9(d) of Article X of the Constitution. Bonds were issued with a true interest cost (TIC) of 1.8516 percent to refund $193,930,000 of outstanding Commonwealth of Virginia Public Facilities Revenue Bonds, Series, 2009B and 2011A (the “Refunded Bonds”). The net proceeds from the sale of the Refunding Bonds of $221,577,577 (after payment of underwriter’s fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. The debt defeasance resulted in an accounting loss of $11,457,568. It will, however, reduce total debt service payments over the next 14 years by $24,108,795 resulting in an economic gain of $20,901,462 discounted at the rate of 2.0702 percent.

D. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. The Authority must comply with the rebate regulations in order for the Authority’s bonds to maintain a tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the investments were invested at a rate equal to the bond yield to be rebated to the federal government.

Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least every five years over the life of the bonds. Some bonds of the Authority may be exempt from the rebate regulations if they meet statutory exceptions per the rebate requirements. The Authority may also elect, on or before the date of the bond issue, to pay a penalty in lieu of rebate if it does not meet certain expenditure tests. The Authority would retain any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate.

Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that fall under the regulations and do not qualify for exceptions. As of their 5-year installment computation date, the 2011A and 2012A bonds had no arbitrage rebate liabilities due. In fiscal year 2017, no bonds were subject to a 10-year or 15-year installment computation. The 2006A and 2006B bonds were subject to a final rebate payment calculation, but no rebate payment was due. Therefore, no payments were made to the Internal Revenue Service.

E. Fund Balance

Generally accepted accounting principles direct that governmental funds recognize expenditures when the related liability is incurred while revenues are recognized when they become available. Due to the timing of the Authority's bond issuance, available resources at the close of the current year recognized by the Authority exceeded the expenditures recognized by the Authority at the close of the current period resulting in a surplus balance of $205,879,274.

F. Deficit Net Position

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. Authority bonds are secured by General Assembly appropriations. Because future appropriations are not considered available and do not constitute a legally binding commitment, the Authority ended the year with a net position deficit of $2,466,846,416. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

G. Due from the Federal Government

The American 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 Bonds 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 two such series of bonds, beginning in fiscal year 2010 (Series 2010A-2 Bonds and Series 2010B-2 Bonds). Therefore, the Authority is accruing a receivable from the federal government for the subsidy payments which will be due on August 1, 2017. As a result of the Federal Sequestration, the actual August 1, 2017 payment was reduced by 6.9% 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.

H. Subsequent Events

The Authority currently does not have any plans to issue bonds in the immediate future.

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 the Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the Authority. 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 this Department 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 PUBLIC BUILDING AUTHORITY
SUPPLEMENTARY INFORMATION
DETAIL OF LONG-TERM INDEBTEDNESS (Unaudited)
AS OF JUNE 30, 2017
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	True Interest Cost ("TIC")	Amount Issued	Outstanding July 1, 2016	Issued (Retired) During Year	Outstanding June 30, 2017	Original Maturity
Series 2005D	12/07/05	Variable	50,000	50,000	-	50,000	08/01/25
Series 2006A	08/24/06	4.15%	135,000	10,730	(10,730)	-	08/01/26
Series 2006B	11/30/06	4.07%	215,065	12,770	(12,770)	-	08/01/26
Series 2007A	10/10/07	4.25%	242,480	31,425	(15,320)	16,105	08/01/27
Series 2008B	12/11/08	4.90%	150,000	19,965	(6,360)	13,605	08/01/28
Series 2009A (Taxable)	04/22/09	5.61%	40,995	23,690	(3,395)	20,295	08/01/21
Series 2009B	06/03/09	3.66%	265,000	191,770	(144,990)	46,780	08/01/29
Series 2009C (Taxable)	06/03/09	4.70%	10,000	5,625	(830)	4,795	08/01/21
Series 2009D Refunding	06/03/09	2.81%	42,745	26,805	(5,065)	21,740	08/01/21
Series 2010A-2 (Taxable)	02/24/10	3.36%	256,710	256,710	(13,700)	243,010	08/01/30
Series 2010B-1	11/23/10	1.62%	87,510	37,625	(11,940)	25,685	08/01/18
Series 2010B-2 (Taxable)	11/23/10	3.40%	195,310	195,260	-	195,260	08/01/30
Series 2010B-3 Refunding	11/23/10	2.82%	50,780	49,395	(365)	49,030	08/01/22
Series 2011A	10/19/11	3.49%	280,000	243,315	(73,325)	169,990	08/01/31
Series 2011B (Taxable)	10/19/11	3.59%	18,500	15,615	(760)	14,855	08/01/31
Series 2012A Refunding	02/23/12	1.74%	72,415	72,415	(7,100)	65,315	08/01/24
Series 2013A	02/21/13	2.70%	143,400	134,315	(4,880)	129,435	08/01/33
Series 2013B Refunding	02/21/13	1.74%	72,370	72,370	-	72,370	08/01/23
Series 2014A	09/17/14	2.93%	132,875	128,810	(4,275)	124,535	08/01/34
Series 2014B (Taxable)	09/17/14	3.22%	29,735	28,535	(1,200)	27,335	08/01/34
Series 2014C Refunding	09/17/14	2.14%	298,390	282,135	(35,300)	246,835	08/01/27
Series 2015A	06/09/15	3.28%	232,980	232,980	(7,135)	225,845	08/01/35
Series 2015B Refunding	06/09/15	2.45%	134,730	134,730	(11,510)	123,220	08/01/28
Series 2016A	10/05/16	2.52%	206,420	-	206,420	206,420	08/01/36
Series 2016 B Refunding	10/05/16	1.85%	178,955	-	178,955	178,955	08/01/29
Series 2016C (AMT)	10/05/16	2.89%	147,420	-	147,420	147,420	08/01/36
Series 2016D (Taxable)	10/05/16	2.81%	13,830	-	13,830	13,830	08/01/36
Total			$ 3,703,615	$ 2,256,990	$ 175,675	$ 2,432,665	

VIRGINIA PUBLIC BUILDING AUTHORITY
Richmond, Virginia

BOARD MEMBERS
As of June 30, 2017

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Sarah B. Williams, Vice Chairman

Carolyn L. Bishop

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