

VIRGINIA PUBLIC SCHOOL AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022



VIRGINIA PUBLIC SCHOOL AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2022

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VIRGINIA PUBLIC SCHOOL AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

This section of the annual financial report of the Virginia Public School Authority (the “Authority”) presents an analysis of the Authority’s financial performance during the fiscal year that ended on June 30, 2022. 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 Public School Authority, created by Chapter 11, Title 22.1, *Code of Virginia*, 1950, as amended, provides financing to localities under its pooled bond program. Under the program, the Authority issues its bonds and uses the proceeds to purchase a “pool” of general obligation bonds from localities (the “Local Issuers”). Each Local Issuer uses the proceeds for the purpose of financing capital projects for public schools.

The Authority’s 1997 Resolution, adopted on October 23, 1997, serves as the primary instrument under which the Authority issues bonds for its pooled bond program. The 1997 Resolution bonds are secured first by payments from Local Issuers on their local school bonds; second, from amounts obtained under the State Aid Intercept Provision under which the Authority can intercept state appropriations to the locality; and third, from a sum sufficient appropriation. The sum sufficient appropriation is first from available Literary Fund monies and then from the Commonwealth’s General Fund. During the fiscal year, the Authority issued a total of \$363,315,000 in bonds under the pooled bond program.

Also under its pooled bond program, the Authority has issued school tax credit bonds – Qualified School Construction Bonds (“QSCBs”) and Qualified Zone Academy Bonds (“QZABs”) – under a Master Indenture of Trust dated as of October 1, 2009. Qualified School Construction Bonds are tax credit bonds established under the American Recovery and Reinvestment Act of 2009 (“ARRA”) and Qualified Zone Academy Bonds are tax credit bonds established in the Internal Revenue Code of 1986. Both QSCBs and QZABs provide the bondholder a federal tax credit in lieu of interest. These bonds are secured by payments from Local Issuers on their general obligation local school bonds, then from amounts obtained through the State Aid Intercept Provision, and then from a sum sufficient appropriation received by the Authority pursuant to any current Appropriation Act Provision. It should be noted that the Authority can no longer issue QSCBs or QZABs since the Tax Cuts and Jobs Act of 2017 (“TCJA”) repealed the ability to issue these types of bonds. The QSCBs and QZABs currently held by the Authority were issued under its 2009 Master Indenture of Trust prior to the TCJA.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program and notes under its technology and security program. Bonds issued under the stand-alone program are secured by the local school bonds purchased from one or more specific localities and by the State Aid Intercept Provision. The Authority acts as a conduit issuer under the stand-alone program. Under the School Technology and Security Notes Program, the Authority issues obligations to finance technology equipment purchases and fund a grant program for the purchase of security equipment for local public school systems within the Commonwealth. These obligations are payable from, or otherwise secured by, appropriations by the General Assembly from the Literary Fund and now benefit from a sum sufficient appropriation from the Commonwealth’s General Fund. The Authority issued \$63,740,000 under the school technology and security note program. The Authority also issued \$308,265,000 under the stand-alone program during fiscal year 2022.

VIRGINIA PUBLIC SCHOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is not required to present government-wide financial statements since all of its activity is reported in an enterprise fund, which would not change in measurement focus (economic resources) or basis of accounting (accrual) for government-wide statements.

The financial statements of the Authority offer short- and long-term financial information about its activities. The Statement of Net Position provides information about the nature and amounts of the Authority's cash, investments, and receivables (assets), deferred outflows of resources, and its obligations to creditors (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures whether the Authority successfully recovered all its costs through investment earnings, bond proceeds, appropriations from the Commonwealth, and the collection of receivables. The Statement of Cash Flows provides information on the Authority's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financial activities.

Financial Analysis of the Authority

The Authority provides a vehicle for financing capital projects for primary and secondary public schools in the Commonwealth's counties, cities and towns. On local school bonds held by the Authority that were issued prior to March 26, 2009, localities pay interest 10 basis points (0.10%) above the rates paid by the Authority on corresponding maturities of its bonds. As a result of a policy change made by the Authority on March 26, 2009, local school bonds held by the Authority issued subsequent to March 26, 2009 pay interest 5 basis points (0.05%) above the rates paid by the Authority on corresponding maturities of its bonds. This revenue is received by the Authority and used to pay the operating costs attributable to its financing programs, including costs of issuance and administration, such as rebate compliance expenses. The Department of the Treasury provides staff support for the Authority. The Authority owns no capital assets.

VIRGINIA PUBLIC SCHOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Condensed Statement of Net Position
(in millions)

	Enterprise Fund	
	2022	2021
Current assets	\$ 446	\$ 440
Noncurrent assets	3,889	3,474
Total assets	4,335	3,914
Total deferred outflows	71	83
Current liabilities	538	513
Noncurrent liabilities	3,833	3,447
Total liabilities	4,371	3,960
Net position:		
Restricted for debt service	2	2
Unrestricted	33	35
Total net position (deficit)	\$ 35	\$ 37

Total assets increased during the year by \$421 million, or 11 percent. This is primarily due to a \$380 million increase in local school bonds outstanding (new local school bonds were purchased in the amount of \$672 million, payments of \$292 million were made against existing local school bonds), a \$4 million increase on interest receivable, a \$27 million increase due to principal payments received on Qualified School Construction Bonds and Qualified Zone Academy Bonds (to be held for future payment on the Authority's bonds), an \$8 million decrease in the fair value of long-term investments and receipt of proceeds for new Educational Technology and Security Notes of \$68 million. These receipts were offset by current year payments to localities from Educational Technology and Security Notes' new and existing proceeds of \$50 million. Total liabilities increased by \$411 million, or 10 percent, during the same period as a result of an increase in net outstanding bonds and notes payable of \$409 million and an increase in amounts due to localities of \$18 million, offset by a decrease in outstanding premium on bonds sold of \$16 million. Additionally, the deferred outflow of resources decreased by \$12 million due to current year amortization of amounts deferred in prior years. Accordingly, a decrease of \$2 million is reflected in net position.

VIRGINIA PUBLIC SCHOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

**Condensed Statement of Revenues, Expenses,
and Changes in Net Position (in millions)**

	Enterprise Fund	
	2022	2021
Revenues:		
Operating revenues:		
Charges for services	\$ 129	\$ 127
Other	(7)	(3)
Total revenues	122	124
Expenses:		
Interest on long-term debt	121	111
Other	2	4
Total expenses	123	115
Payments to Literary Fund	(1)	(1)
Change in net position	(2)	8
Net position (deficit), July 1	37	29
Net position (deficit), June 30	\$ 35	\$ 37

The decrease in revenues of \$2 million, or 2%, is mainly attributable to a \$4 million decrease in the fair value adjustment of investments and a \$2 million increase in interest on local school bonds. The increase in expenses of \$8 million, or 7%, is primarily due to an \$11 million increase in interest on bonds, offset by a decrease of \$1 million in discount on bonds purchased, and combined with small decreases in other accounts.

Debt Administration

As a financing entity, the whole business of the Authority is debt administration. The Authority issues bonds, pursuant to its pooled bond programs, to finance capital projects approved by the local governing bodies of counties, cities, and towns of the Commonwealth of Virginia. Such bonds are secured by general obligation bonds of the participating local issuers, which provide payment of principal and interest when due. Obligations issued pursuant to the school technology and security notes programs, in conjunction with the Board of Education, are paid from, and secured by, appropriations made from the Literary Fund. The table on the following page summarizes bond issuance activity during the year under each program. Please see Note 2.C.1 on page 15 for additional details on the table.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Summary of Authority Bond Obligations
(in millions)

	<u>Outstanding at 6/30/21</u>	<u>Issued During Year</u>	<u>Retired During Year</u>	<u>Outstanding at 6/30/22</u>
Pooled Bond Programs ¹	\$ 2,687	\$ 363	\$ (215)	\$ 2,835
Technology and Security Notes Programs	185	64	(61)	188
Special Obligation Bonds	<u>795</u>	<u>308</u>	<u>(50)</u>	<u>1,053</u>
Total	<u>\$ 3,667</u>	<u>\$ 735</u>	<u>\$ (326)</u>	<u>\$ 4,076</u>

¹ Includes 1997 Resolution and School Tax Credit bonds.

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

Virginia Public School Authority Bond Ratings

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>
Pooled Bond Programs ¹	Aa1	AA+	AA+
School Technology and Security Notes	Aa1	AA+	AA+

¹ 1997 Resolution Bonds

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

Future Impact to Financial Position

On September 28, 2022, the Authority issued its \$41,285,000 Special Obligation School Financing Bonds, Hanover County, Series 2022 to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2022, the Authority issued its \$99,915,000 School Financing Bonds (1997 Resolution), Series 2022B to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 10, 2022, the Authority issued its \$42,400,000 Special Obligation School Financing Bonds, Prince William County, Series 2022 to purchase certain general obligation local school bonds to finance capital projects for schools.

VIRGINIA PUBLIC SCHOOL AUTHORITY

STATEMENT OF NET POSITION

As of June 30, 2022

ASSETS

Current assets:

Cash and cash equivalents (Note 2A)	\$	33,047,121
Loans to localities:		
Restricted local school bonds (Note 2B)		295,692,595
Unrestricted interest receivable		26,905
Restricted interest receivable		56,827,147
Restricted due from Literary Fund		60,295,000
Total current assets		445,888,768

Noncurrent assets:

Restricted cash and cash equivalents (Note 2A)		276,844,052
Restricted long-term investments (Note 2A)		81,627,052
Loans to localities:		
Restricted local school bonds (Note 2B)		3,402,863,559
Restricted due from Literary Fund		128,125,000
Total noncurrent assets		3,889,459,663
Total assets		4,335,348,431

DEFERRED OUTFLOWS OF RESOURCES

Deferred charge on refunding		71,093,400
Total deferred outflows of resources		71,093,400

LIABILITIES

Current liabilities:

Accounts payable		173,344
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Current liabilities payable from restricted assets:

Interest payable		53,125,829
Due to localities (Note 2D)		135,856,874
Notes payable (Note 2C)		60,295,000
Bonds payable (Note 2C)		272,935,000
Premium on bonds sold (Note 2C)		15,645,945
Total current liabilities payable from restricted assets		537,858,648

Noncurrent liabilities payable from restricted assets:

Notes payable (Note 2C)		128,125,000
Bonds payable (Note 2C)		3,614,786,000
Premium on bonds sold (Note 2C)		90,493,255
Total noncurrent liabilities payable from restricted assets		3,833,404,255

Total liabilities		4,371,436,247
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NET POSITION

Restricted for debt service		2,104,902
Unrestricted		32,900,682
Total net position (deficit)		35,005,584

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

VIRGINIA PUBLIC SCHOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
For the Year Ended June 30, 2022

Operating Revenues:	
Interest on:	
Local school bonds	\$ 121,779,819
Cash equivalents and investments	517,796
Payments received from Literary Fund (Note 2J)	6,949,495
Premium on bonds sold	197,905
Net decrease in fair value of investments	(7,633,891)
Rebate payments from localities	314,735
Other	88,000
	<u>122,213,859</u>
Total operating revenues	<u>122,213,859</u>
Operating Expenses:	
Interest on bonds	121,882,192
Financial advisor fees	220,084
Bond Counsel	233,929
Bond rating fees	310,250
Printing and electronic distribution	3,000
Staffing expenses	492,987
Rebate and penalty payments and calculation fees	328,510
Other	111,329
	<u>123,582,281</u>
Total operating expenses	<u>123,582,281</u>
Operating Loss	<u>(1,368,422)</u>
Nonoperating Payments	
Payment to Literary Fund (Note 2J)	<u>(1,008,074)</u>
Total nonoperating revenues (expenses)	<u>(1,008,074)</u>
Change in net position	(2,376,496)
Net position (deficit), July 1, 2021	<u>37,382,080</u>
Net position (deficit), June 30, 2022	<u>\$ 35,005,584</u>

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

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STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2022

Cash flows from operating activities:	
Interest on cash equivalents	\$ 407,569
Purchase of local school bonds	(671,580,000)
Principal received on local school bonds	291,446,939
Interest received on local school bonds	117,995,452
Payments to vendors for goods and services	(1,397,326)
Payments received from the Literary Fund	65,106,236
Rebate payments received from localities	314,735
Other operating revenues	<u>88,000</u>
Net cash used by operating activities	<u>(197,618,395)</u>
Cash flows from noncapital financing activities:	
Proceeds from the sale of bonds and notes	739,888,705
Principal paid on VPSA bonds and notes	(326,535,000)
Interest paid on VPSA bonds and notes	(124,671,153)
Payments to localities (School Technology and Security Notes)	(48,583,551)
Rebate and penalty payments and calculation fees	<u>(330,610)</u>
Net cash provided by noncapital financing activities	<u>239,768,391</u>
Cash flows from investing activities:	
Interest on investments	<u>8,608</u>
Net cash provided by investing activities	<u>8,608</u>
Net increase in cash and cash equivalents	42,158,604
Cash and cash equivalents, July 1, 2021	<u>267,732,569</u>
Cash and cash equivalents, June 30, 2022	<u><u>\$ 309,891,173</u></u>

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Reconciliation of operating income to net cash provided by operating activities:

Operating Loss	<u>\$ (1,368,422)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in interest receivable	(3,885,987)
Decrease in accounts payable	(27,847)
Increase in interest payable	1,653,741
Payments from the Literary Fund	58,156,741
Principal received on local school bonds	291,446,939
Purchase of local school bonds	(671,580,000)
Rebate and penalty payments to the Internal Revenue Service	330,610
Amortization of premium	(16,347,602)
Premium on bonds sold	(197,905)
Amortization of interest deferral	11,904,901
Interest paid on VPSA bonds	124,671,153
Decrease in fair value of investments	7,633,891
Interest on investments	<u>(8,608)</u>
Total adjustments	<u>(196,249,973)</u>
Net cash provided by operating activities	<u>\$ (197,618,395)</u>

Non-Cash Investing and Financing Activities:

Amortization of bond premium/discount on bonds	\$ 16,347,602
Amortization of gain/loss on debt refinancing	(11,904,901)
Changes in fair value of investments recognized as a component of interest income	(7,633,891)

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

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Virginia Public School Authority (the “Authority” or “VPSA”) was created by Chapter 11, Title 22.1, *Code of Virginia*, 1950, as amended (the “Enabling Act”). The Authority provides financing to localities through the sale of its bonds. With the proceeds of its bonds, the Authority purchases a predetermined number of general obligation bonds issued by localities. The Enabling Act authorizes the Authority to purchase local school bonds issued by counties, cities, and towns under the provisions of Section 15.2-2600, et seq., *Code of Virginia* (the “Public Finance Act of 1991”). The Enabling Act further authorizes the Authority to issue bonds which are payable from the funds of the Authority including:

- 1) principal and interest received on local school bonds held by the Authority;
- 2) proceeds from the sale of such local school bonds;
- 3) any moneys transferred from the Literary Fund or funds appropriated from the General Assembly; and
- 4) a reserve fund(s) created from bond proceeds pledged to secure designated bonds.

Currently, the Authority has pooled bonds outstanding under its 1997 Resolution. Bonds issued under the 1997 Resolution are secured by local school bonds purchased, the State Aid Intercept Provision, and a “sum sufficient appropriation,” first from available Literary Fund monies and then from the Commonwealth’s General Fund.

The Authority also has Qualified School Construction Bonds and Qualified Zone Academy Bonds outstanding under a separate Master Indenture of Trust. These bonds are taxable, but they expect to receive a 100% interest rate subsidy from the federal government. They are secured by general obligation local school bonds in a pool pledged to their security. As a result of the Federal Sequestration, the actual December 15, 2021 and June 15, 2022 payments were reduced by 5.7%. Therefore, the localities are not receiving the full benefit of the tax credit.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program. Bonds issued under the stand-alone program are secured by the local school bonds purchased from one or more specific localities and by the State Aid Intercept Provision. The Authority acts as a conduit issuer under the stand-alone program.

As directed by the General Assembly, the Authority has also issued obligations to finance technology and security equipment purchases for local public school systems within the Commonwealth. These obligations are payable from, or otherwise secured by, appropriations by the General Assembly from the Literary Fund and the Commonwealth’s General Fund.

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

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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 significant policies.

B. Basis of Accounting

The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting under which revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. The cash basis of accounting is used during the year. The financial statements are prepared on the accrual basis at the end of the fiscal year by the Authority.

C. Fund Accounting

The activities of the Authority are accounted for in an enterprise fund, used to account for governmental operations that are financed and operated in a manner similar to private business enterprises. Enterprise fund accounting is used where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate. All fund accounts of the Authority are presented in total on the financial statements.

The Authority considers revenues and expenses as operating if the revenue or expense results from the Authority's principal purpose. The Authority's principal purpose is to provide financing to localities through the sale of its bonds. With the proceeds of its bonds, the Authority purchases a predetermined number of general obligation bonds issued by localities. Therefore, the Authority's operating revenues or expenses generally include revenues or expenses related to bonds purchased or sold and revenues or expenses related to usual operating activities such as cash management.

D. Bond Issuance Costs, Discounts, and Premiums

Costs associated with issuing debt, which are either offset by fees collected over the life of the respective pooled bond issues from local issuers, or reimbursed directly by localities participating in stand-alone issues, are expensed in the year incurred. The net original issue discount or premium (after distributing the allocable share to various participating localities), for each bond issuance, is also expensed or recorded as revenue in the year incurred unless it exceeds 1% of the amount of bonds issued. In that case, the net original issue discount or premium is deferred and amortized, on a straight-line basis, over the life of the outstanding debt.

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

2. DETAILED NOTES

A. Cash, Cash Equivalents and Investments (Unrestricted and Restricted)

Cash and Cash equivalents of \$173,491,204 are held by the Treasurer of Virginia. Cash equivalents of \$136,399,969 and investments of \$81,627,052 are held by U.S. Bank. Cash is defined as demand deposits, non-negotiable time deposits, and certificates of deposit. Cash equivalents are defined as investments with an original maturity of less than three months.

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”). Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice will pledge collateral that ranges in amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Section 2.2-4500 and Section 2.2-4501 of the *Code of Virginia* outline the instruments in which public sinking funds and other public funds may legally invest. The Authority adheres to these general guidelines unless bond resolutions require more restrictive investment policies.

Custodial credit risk for cash equivalents and investments is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of its cash equivalents and investments. All cash equivalents and investments of the Authority are held in the Authority’s name and are therefore not exposed to custodial credit risk.

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Authority has elected to disclose the risk for its debt investments using the segmented time distribution method.

The Authority’s cash equivalents are valued at amortized cost, which approximates fair value, and its investments are valued at fair value. Fair values are based upon quoted market prices (level 1 inputs, in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*). Details of cash equivalents and investments are presented below.

Summary of Cash, Cash Equivalents, and Investments
(Dollars in Thousands)

Investment Type	June 30, 2022	Investment Maturities (in years)			S&P Rating
		Less Than 1	1-5	6-10	
U.S. Treasury Securities	\$ 81,627	\$ -	\$56,448	\$21,592	N/A
Money Market Accounts ¹	169,447	169,447	-	-	AAAm
State Non-Arbitrage Program ^{® 2}	140,444	140,444	-	-	AAAm
Total cash, cash equivalents, and investments	<u>\$ 391,518</u>	<u>\$ 309,891</u>	<u>\$56,448</u>	<u>\$21,592</u>	<u>\$ 3,587</u>

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

- 1 The Authority invests certain short-term cash balances held within its accounts in the JP Morgan US Government Money Market Fund. This is a rated fund, which maintains a policy of investing all assets in U.S. Treasury obligations and repurchase agreements backed by those obligations. The Authority also invests certain short-term cash balances held within the First American Government Obligation Fund which seeks to provide maximum current income and daily liquidity by purchasing U.S. government securities and repurchase agreements collateralized by such obligations.
- 2 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.

The Authority does not limit the amount that may be invested in any one issuer. The Authority had investments of five percent or more in the State Non-Arbitrage Program[®] (36%), the First American Government Obligation Fund (35%), US Government Treasury Strips (21%), and the JP Morgan US Government Money Market Fund (8%).

B. Local School Bonds

The Authority purchases bonds from (makes loans to) various localities throughout the Commonwealth, which are issued to finance the construction of local public school facilities. These bonds are recorded at a purchase price that is equal to the face value of the bonds. Local school bonds purchased under the 1997 Resolution are held in a pledge account of the General Pledge Fund established under its bond resolution. Local school bonds purchased under the stand-alone program are deposited in separate purchase funds established for each issue. Assets of the Authority that are held or received in purchase funds, pledge funds, or debt service funds are classified as restricted assets because their use is limited to the purpose of the funds in which they reside, in accordance with applicable bond resolutions. The local school bonds are held and pledged to repay the Authority's bonds.

The interest rates on the local school bonds are determined by the Authority and fixed at the time of sale of the Authority bonds issued to fund the acquisition of the local school bonds. On local school bonds held by the Authority that were issued prior to March 26, 2009, the interest rate on each maturity of the local bonds is ten basis points (0.10%) higher than the interest rate paid by the Authority on the corresponding maturity on its bonds. As a result of a policy change made by the Authority on March 26, 2009, local school bonds issued by localities subsequent to March 26, 2009, and held by the Authority, will pay interest 5 basis points (0.05%) above the rates paid by the Authority on corresponding maturities of its bonds.

Local school bonds held by the Authority as of June 30, 2022 are shown on the following page.

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NOTES TO THE FINANCIAL STATEMENTS

Local school bonds:

Held in 1997 Pledge Account	\$ 2,492,796,588
Held in 2009 Purchase Fund (Qualified School Construction Bonds)	20,530,298
Held in 2010 Purchase Fund (Qualified School Construction Bonds)	23,400,000
Held in 2011-1 Purchase Fund (Qualified School Construction Bonds)	26,368,943
Held in 2011-2 Purchase Fund (Qualified School Construction Bonds)	65,196,297
Held in 2012-1 Purchase Fund (Qualified School Construction Bonds)	14,509,361
Held in 2013 Purchase Fund (Prince William County Stand Alone)	6,000,000
Held in 2014 Purchase Fund (Prince William County Stand Alone)	45,385,000
Held in 2014 Purchase Fund (Warren County Stand Alone)	15,265,000
Held in 2014-1 Purchase Fund (Qualified Zone Academy Bonds)	1,323,000
Held in 2015 Purchase Fund (Prince William County Stand Alone)	49,250,000
Held in 2016 Purchase Fund (Prince William County Stand Alone)	141,090,000
Held in 2016 Purchase Fund (Montgomery County Stand Alone)	57,855,000
Held in 2016 Purchase Fund (Qualified Zone Academy Bonds)	1,566,667
Held in 2017 Purchase Fund (Prince William County Stand Alone)	58,235,000
Held in 2017 Purchase Fund (King George County Stand Alone)	19,800,000
Held in 2018 Purchase Fund (Prince William County Stand Alone)	92,720,000
Held in 2019 Purchase Fund (Montgomery County Stand Alone)	25,530,000
Held in 2019-1 Purchase Fund (Prince William County Stand Alone)	98,235,000
Held in 2019-2 Purchase Fund (Prince William County Stand Alone)	34,055,000
Held in 2020 Purchase Fund (Prince William County Stand Alone)	101,180,000
Held in 2021 Purchase Fund (Henrico County Stand Alone)	48,115,000
Held in 2021 Purchase Fund (Prince William County Stand Alone)	58,855,000
Held in 2022 Purchase Fund (Chesterfield County Stand Alone)	116,605,000
Held in 2022 Purchase Fund (Montgomery County Stand Alone)	84,690,000
 Total local school bonds	 <u>\$ 3,698,556,154</u>

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

C. Long-Term Indebtedness

1. Changes in Long-Term Debt

The following schedules reflect summary changes in long-term debt of the Authority for the year ended June 30, 2022.

Change in Long-Term Debt - Authority Bonds and Notes					
	Balance July 1, 2021	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2022	Due Within One Year
Pooled Bond Programs	\$ 2,591,420,000	\$ 363,315,000	\$ (211,125,000)	\$ 2,743,610,000	\$ 206,790,000
Technology and Security Notes Programs	185,545,000	63,740,000	(60,865,000)	188,420,000	60,295,000
Special Obligation Bonds	795,235,000	308,265,000	(50,635,000)	1,052,865,000	62,185,000
Add: Unamortized Premium	122,486,802	0	(16,347,602)	106,139,200	15,645,945
Total	<u>\$ 3,694,686,802</u>	<u>\$ 735,320,000</u>	<u>\$ (338,972,602)</u>	<u>\$ 4,091,034,200</u>	<u>\$ 344,915,945</u>

Change in Long-Term Debt - Authority Direct Placement Bonds					
	Balance July 1, 2021	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2022	Due Within One Year
Pooled Bond Programs	\$ 95,156,000	\$ -	\$ (3,910,000)	\$ 91,246,000	\$ 3,960,000
Total	<u>\$ 95,156,000</u>	<u>\$ -</u>	<u>\$ (3,910,000)</u>	<u>\$ 91,246,000</u>	<u>\$ 3,960,000</u>

2. Annual Requirements to Amortize Bonds Payable and Notes Payable

The following schedules provide the annual funding requirements necessary to amortize long-term debt of the Authority outstanding at June 30, 2022.

Annual Requirements to Amortize Long-Term Debt Authority Bonds and Notes			
<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 329,270,000	\$ 143,915,329	\$ 473,185,329
2024	314,030,000	131,784,211	445,814,211
2025	297,360,000	118,287,622	415,647,622
2026	281,555,000	105,569,819	387,124,819
2027	457,220,000	93,941,989	551,161,989
2028-2032	1,124,585,000	291,768,046	1,416,353,046
2033-2037	686,140,000	125,437,238	811,577,238
2038-2042	360,620,000	46,712,382	407,332,382
2043-2047	74,585,000	17,005,972	91,590,972
2048-2052	59,530,000	5,038,738	64,568,738
Unamortized Premium	106,139,200	-	106,139,200
Total	<u>\$ 4,091,034,200</u>	<u>\$ 1,079,461,346</u>	<u>\$ 5,170,495,546</u>

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

Annual Requirements to Amortize Long-Term Debt
Authority Direct Placement Bonds

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,960,000	\$ 2,368,350	\$ 6,328,350
2024	4,010,000	2,254,778	6,264,778
2025	7,871,000	2,139,851	10,010,851
2026	4,105,000	2,023,571	6,128,571
2027	4,160,000	1,905,795	6,065,795
2028-2032	24,005,000	7,706,471	31,711,471
2033-2037	23,240,000	4,510,695	27,750,695
2038-2042	19,895,000	1,145,344	21,040,344
Total	<u>\$ 91,246,000</u>	<u>\$ 24,054,855</u>	<u>\$ 115,300,855</u>

D. Technology and Security Notes

Periodically, the Authority issues Technology and Security Notes, the proceeds of which are used to make grants to school divisions for the purchase of educational technology and security equipment. The proceeds are invested in the Virginia State Non-Arbitrage Program[®] until requisitioned by localities. The following schedule details the notes that have been issued which still have either bonds outstanding or funds remaining to be disbursed to localities as of June 30, 2022.

Technology and Security Notes

<u>Issue</u>	<u>Description</u>	<u>Amount Issued</u>	<u>Outstanding Balance</u>	<u>Remaining Available for Disbursement</u>
Educ Tech Series XVII	2017 Notes	\$ 60,710,000	\$ -	\$ 4,841,480
Educ Tech Series XVIII	2018 Notes	54,265,000	11,880,000	3,954,564
Security Series VI	2018 Notes	5,540,000	1,215,000	-
Educ Tech Series XIX	2019 Notes	52,110,000	22,265,000	6,188,462
Security Series VII	2019 Notes	5,485,000	2,345,000	10,752
Educ Tech Series XX	2020 Notes	49,670,000	31,020,000	16,359,606
Security Series VIII	2020 Notes	10,595,000	6,615,000	549,986
Educ Tech Series XXI	2021 Notes	49,800,000	40,645,000	33,290,292
Security Series IX	2021 Notes	10,655,000	8,695,000	9,108,932
Educ Tech Series XXII	2022 Notes	52,510,000	52,510,000	49,552,800
Security Series X	2022 Notes	11,230,000	11,230,000	12,000,000
		<u>\$ 362,570,000</u>	<u>\$ 188,420,000</u>	<u>\$ 135,856,874</u>

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

E. Qualified Zone Academy Bonds

On October 31, 2012, the Authority issued \$2,014,104 for the City of Roanoke as a QZAB, as part of the School Tax Credit Bonds (Direct Payment) Series 2012-1. On December 30, 2014, the Authority issued \$3,816,000 for the Cities of Franklin and Petersburg as QZABs, as part of the School Tax Credit Bonds (Direct Payment) Series 2014-1. On November 30, 2016, the Authority issued \$2,350,000 for the Cities of Covington and Danville as QZABs, as part of the School Tax Credit Bonds (Direct Payment) Series 2016. These bonds were issued pursuant to Section 1297E of the Internal Revenue Code of 1986, as amended, and the Authority purchased certain general obligation school bonds of the Cities of Roanoke, Franklin, Petersburg, Covington, and Danville to finance capital projects for public schools.

The localities will make annual principal payments to the Authority on the anniversary date of each issuance. Such payments received by the Authority will be held in trust and invested in accordance with the funding agreements, until the QZABs mature. The final annual principal payments on the 2012 QZAB, the 2014 QZABs, and the 2016 QZABs are due December 15, 2034, December 1, 2024, and December 1, 2031, respectively, at which dates the QZABs will mature.

F. Qualified School Construction Bonds

In prior years, the Authority has issued Qualified School Construction Bonds and has used the proceeds to purchase general obligation school bonds issued by certain localities. The bonds have been issued as “qualified school construction bonds” in accordance with Section 54F of the Internal Revenue Code of 1986, as amended. The total amount outstanding under this program as of June 30, 2022 is \$353,400,000 (which includes the 2012 QZAB detailed under Note 2E that was issued as part of the 2012 School Tax Credit Bonds). These bonds are non-interest bearing; however, a taxpayer who holds such bonds during a taxable year will be allowed a federal income tax credit for such taxable year in accordance with the structure established at issuance.

G. Direct Placement Bonds

The Authority has issued the 2014-1 Qualified Zone Academy Bond (QZAB) in the amount of \$3,816,000, and the 2016 QZAB, in the amount of \$2,350,000, as direct placement bonds. These bonds were issued as QZABs within the meaning of Sections 54A and 54E of the Internal Revenue Code of 1986, as amended.

The bonds are non-interest bearing bonds. The owner of the bonds is entitled to a tax credit on each tax credit allowance date equal to one-fourth of the product of the principal amount of the bonds owned, times the applicable tax credit rate.

Should the 2014-1 QZAB become disqualified as a QZAB, it shall bear interest at the tax credit rate on each tax credit allowance date, beginning on the first such date after the disqualification date. Not later than 60 days after the disqualification date, the Authority shall pay to the owner of the 2014-1 Bonds the amount which, after taking into account all penalties, fines, interest and additions to federal income tax (including lost tax credits) that are imposed on the owner of the 2014-1 Bonds as a result of the determination of

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

disqualification, would restore the owner of the 2014-1 Bonds to the same after-tax yield on the 2014-1 Bonds that the owner would have realized had the determination of disqualification not occurred.

From and after an event of default under the Master Indenture, the 2014-1 Bonds shall bear interest at the default rate, payable on demand by the owner of the 2014-1 Bonds.

Should the 2016 QZAB become disqualified as a QZAB, it shall be subject to extraordinary mandatory redemption prior to its fixed maturity date, in whole or in relevant part, within ninety (90) days after the disqualification notice date, at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus the redemption premium, plus the amount which, after taking into account all penalties, fines, interest and additions to federal income tax (including lost tax credits taken by the owner prior to the disqualification notice date) that are imposed on the owner of this Bond as a result of the determination of disqualification, would restore the owner of this Bond to the same after-tax yield on this Bond that the owner would have realized had the determination of disqualification not occurred.

The Authority also issued its Series 2020A Pooled Bonds as direct placement bonds. These bonds are secured by the State Aid Intercept Provision and a sum sufficient appropriation from the Commonwealth. Therefore, there are no other default provisions related to these bonds.

H. 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," 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 and Fiscal Charges over the shorter of the remaining life of the refunded debt or the life of the new debt.

The Authority did not issue refunding bonds during fiscal year 2022. At June 30, 2022, \$415,030,000 of bonds outstanding are considered defeased for financial reporting purposes.

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

I. Local School Bond Credits

Beginning in fiscal year 2015, the Authority modified its process for returning refunding savings to localities. Previously, these savings had been returned to localities in the form of lump sum payment when refunding bonds were issued. This process negatively impacted the Authority's net position. Under the current process, the Authority has calculated credit amounts to be returned to each locality annually as savings are actually achieved. The savings accrue to the Authority over time and the return of refunding savings to localities is now consistent with the timeframe in which the savings are earned by the Authority. As of June 30, 2022, the total remaining credits to be paid to the impacted localities over the next nineteen years is \$67 million.

J. Payments to/from the Literary Fund

In fiscal year 2022, after final rebate computations on the School Educational Technology Notes XVI, the residual earnings of \$1,008,074 on the related bond proceeds were paid to the Literary Fund, which had been the source of the debt service appropriation for these Notes.

The Authority received \$6,949,495 from the Literary Fund to pay interest on the various outstanding Educational Technology and Security Notes.

K. Arbitrage Earnings

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 and the issuers of local school bonds purchased by 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 the bond proceeds over the amount that would have been earned if the proceeds 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 Authority bonds may be exempt from the rebate requirement if they meet statutory exceptions per the rebate regulations. 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 schedules. If such an election is made and if the Authority (local issuer) meets the expenditure schedule, the Authority (local issuer) retains any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate due to the difficulty in estimating local issuer's expenditure schedules. Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that do not meet the statutory exceptions. Rebate installments must be paid no later than 60 days after the computation date.

In most cases, rebate liability is payable by local issuers whose local school bonds were purchased by the Authority. During the year, the Authority's rebate calculation agent, or

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

the locality's rebate calculation agent in the case of special obligation stand-alone bonds, calculate rebate liability or penalty in lieu of rebate if selected by a locality. Rebate calculations were performed for the following issues during the year:

Bond Issue	Computation Time Frame	Computation Date	Liability	Fee
(97 Resolution) 2011B	Final	8/1/2021	\$ -	\$ 1,875
(97 Resolution) 2012A	10 Year	3/8/2022	-	1,200
(97 Resolution) 2012B	10 Year	5/10/2022	-	800 *
(97 Resolution) 2016B	5 Year	8/1/2021	-	1,875
(97 Resolution) 2017A	5 Year	8/1/2021	-	1,875
School Tax Credit Bonds				
(Qualified School Construction Bonds) 2011-2	10 Year	12/15/2021	-	1,875
School Tax Credit Bonds				
(Qualified School Construction Bonds) 2012-1	10 Year	12/15/2021	-	1,875
Educational Technology and School Security Notes Series V	Final	4/15/2022	314,734	2,400 **

* The arbitrage rebate report for Series 2012B was completed for the period ending May 10, 2022, while the rebate calculation agent fee of \$800.00 was paid in July 2022.

** VPSA's Series 2017 Notes (Series V) owed a rebate liability of \$314,734.76 as of April 15, 2022. This amount was paid from VPSA's operating fund on May 26, 2022 and VPSA was reimbursed from excess earnings on the related proceeds account on June 1, 2022.

The Authority paid \$13,775 to its rebate calculation agent for services provided in connection with the above rebate calculations.

L. Subsequent Events

On September 28, 2022, the Authority issued its \$41,285,000 Special Obligation School Financing Bonds, Hanover County, Series 2022 to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2022, the Authority issued its \$99,915,000 School Financing Bonds (1997 Resolution), Series 2022B to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 10, 2022, the Authority issued its \$42,400,000 Special Obligation School Financing Bonds, Prince William County, Series 2022 to purchase certain general obligation local school bonds to finance capital projects for schools.

M. 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 the Treasury pays premiums to this Department for its insurance

VIRGINIA PUBLIC SCHOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Annual Comprehensive Financial Report.

**VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION**

**Detail of Long-Term Indebtedness
June 30, 2022
(Dollars in Thousands)**

Detail of Long-Term Indebtedness by Series

	Dated	Bond	True Interest	Amount	Local	Outstanding	Issued	Outstanding	Original
	Date	Resolution	Cost ("TIC")	Issued (a)	School Bonds Purchased	July 1, 2021	(Retired) During Year	June 30, 2022	Maturity
Series 2009 C	10/27/09	1997	2.85%	\$ 481,285	\$ -	\$ 115	\$ (115)	\$ -	08/01/28
Series 2009-1 QSCB	11/13/09	School Tax Cr.	0.63%	61,120	61,120	61,120	-	61,120	09/15/26
Series 2010 B	05/13/10	1997	5.09%	63,840	63,840	45,910	(4,515)	41,395	08/01/30
Series 2010-1 QSCB	07/08/10	School Tax Cr.	0.06%	72,655	72,655	72,655	-	72,655	06/15/27
Series 2011 A	05/05/11	1997	3.72%	26,375	26,375	1,190	(1,190)	-	08/01/36
Series 2011-1 QSCB	06/28/11	School Tax Cr.	0.05%	67,400	67,400	67,400	-	67,400	06/15/27
Series 2011 B	11/01/11	1997	3.37%	85,730	85,730	3,760	(3,760)	-	08/01/36
Series 2011-2 QSCB	12/15/11	School Tax Cr.	0.00%	128,960	128,960	128,960	-	128,960	12/15/30
Series 2012 A	03/08/12	1997	2.28%	282,230	-	56,930	(25,365)	31,565	08/01/30
Series 2012 B	05/10/12	1997	2.85%	63,945	63,945	6,115	(3,010)	3,105	08/01/32
Series 2012 Prince William County	08/15/12	Stand Alone	2.61%	65,675	65,675	3,285	(3,285)	-	07/15/32
Series 2012-1 QTCB	10/31/12	School Tax Cr.	0.01%	23,265	23,265	23,265	-	23,265	12/15/34
Series 2012 C	11/15/12	1997	2.67%	65,950	65,950	6,250	(3,055)	3,195	08/01/41
Series 2012 D	12/20/12	1997	2.68%	66,120	66,120	5,770	(2,820)	2,950	08/01/35
Series 2013 A	05/09/13	1997	2.57%	141,840	141,840	24,730	(8,025)	16,705	08/01/33
Series 2013 Prince William County	07/31/13	Stand Alone	3.30%	59,990	59,990	9,000	(3,000)	6,000	07/15/33
Series 2013 B	11/21/13	1997	3.45%	45,075	45,075	13,530	(2,075)	11,455	08/01/40
Series 2014 A	05/15/14	1997	3.03%	51,510	51,510	39,275	(2,720)	36,555	08/01/39
Series 2014 B	05/15/14	1997	2.21%	215,405	-	135,405	(20,975)	114,430	08/01/26
Series 2014 Prince William County	10/07/14	Stand Alone	2.62%	82,545	82,545	49,515	(4,130)	45,385	07/15/34
Series 2014 C	11/20/14	1997	2.76%	81,265	81,265	59,760	(3,685)	56,075	08/01/35
Series 2014 Warren County	12/09/14	Stand Alone	3.42%	42,440	42,440	16,545	(1,280)	15,265	07/15/39
Series 2014-1 QZAB	12/30/14	School Tax Cr.	0.00%	3,816	3,816	3,816	-	3,816	12/15/24
Series 2015 A	02/17/15	1997	2.20%	435,715	-	357,030	(36,405)	320,625	08/01/37
Series 2015 B	05/14/15	1997	3.11%	33,820	33,820	29,470	(1,185)	28,285	08/01/38
Series 2015 Prince William County	07/30/15	Stand Alone	2.89%	98,485	98,485	54,175	(4,925)	49,250	08/01/35
Series 2015 C	11/19/15	1997	2.91%	49,350	49,350	40,010	(1,895)	38,115	08/01/45
Series 2016 Prince William County	04/27/16	Stand Alone	2.38%	171,160	171,160	147,100	(6,010)	141,090	08/01/36
Series 2016 A	05/17/16	1997	2.40%	101,770	90,970	86,245	(5,285)	80,960	08/01/36
Series 2016 Montgomery County	11/10/16	Stand Alone	2.22%	64,605	64,605	63,880	(6,025)	57,855	02/01/32
Series 2016 B	11/17/16	1997	2.49%	90,080	83,665	78,065	(4,045)	74,020	08/01/36
Series 2016-1 QZAB	11/30/16	School Tax Cr.	0.00%	2,350	2,350	2,350	-	2,350	12/15/31
Series 2017 Prince William County	03/09/17	Stand Alone	2.88%	77,660	77,660	62,120	(3,885)	58,235	03/01/37
Series 2017 A	05/16/17	1997	2.93%	18,470	18,470	16,645	(675)	15,970	08/01/37
Series 2017 School Technology and Security Series V	05/23/17	Equip. Notes	1.27%	66,135	-	14,480	(14,480)	-	04/15/22
Series 2017 B	08/22/17	1997	2.37%	106,075	-	105,990	(430)	105,560	08/01/36
Series 2017 C	11/07/17	1997	2.99%	115,820	115,820	108,245	(3,155)	105,090	08/01/47
Series 2017 King George County	11/09/17	Stand Alone	2.97%	20,840	20,840	20,115	(315)	19,800	02/01/38
Series 2018 A	05/15/18	1997	3.12%	63,920	63,920	59,945	(2,490)	57,455	08/01/38
Series 2018 School Technology and Security Series VI	05/22/18	Equip. Notes	2.02%	59,805	-	25,560	(12,465)	13,095	04/15/23

(a) Includes refunding bonds issued.

**VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION**

**Detail of Long-Term Indebtedness
June 30, 2022
(Dollars in Thousands)**

Detail of Long-Term Indebtedness by Series (continued)

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2021	Issued (Retired) During Year	Outstanding June 30, 2022	Original Maturity
Series 2018 Prince William County	05/24/18	Stand Alone	2.97%	115,895	115,895	98,515	(5,795)	92,720	03/01/38
Series 2018 B	11/06/18	1997	3.36%	109,070	109,070	100,310	(4,760)	95,550	08/01/38
Series 2019 A	05/21/19	1997	2.89%	88,250	88,250	85,740	(2,585)	83,155	08/01/49
Series 2019 B	05/21/19	1997	1.69%	156,560	-	112,705	(45,545)	67,160	08/01/28
Series 2019 School Technology and Security Series VII	05/23/19	Equip. Notes	1.63%	57,595	-	36,045	(11,435)	24,610	04/15/24
Series 2019 Montgomery County	10/24/19	Stand Alone	2.21%	27,315	27,315	26,445	(915)	25,530	02/01/40
Series 2019 A Prince William County	10/29/19	Stand Alone	2.18%	109,155	109,155	103,695	(5,460)	98,235	10/01/39
Series 2019 B Prince William County	10/29/19	Stand Alone	2.67%	34,610	34,610	34,335	(280)	34,055	07/15/33
Series 2019 C	11/12/19	1997	2.36%	88,360	88,360	85,585	(3,035)	82,550	08/01/39
Series 2019 D	11/12/19	1997	2.72%	22,290	-	21,935	(195)	21,740	08/01/40
Series 2020 A	05/08/20	1997	2.85%	88,990	88,990	88,990	(3,910)	85,080	08/01/40
Series 2020 School Technology and Security Series VIII	06/09/20	Equip. Notes	0.34%	60,265	-	49,005	(11,370)	37,635	04/15/25
Series 2020 Prince William County	10/15/20	Stand Alone	1.43%	106,510	106,510	106,510	(5,330)	101,180	10/01/40
Series 2020 B	11/10/20	1997	1.63%	142,195	118,820	142,195	(9,015)	133,180	08/01/50
Series 2020 C	11/10/20	1997	1.63%	320,840	11,910	320,840	(8,115)	312,725	08/01/41
Series 2021 A	05/11/21	1997	1.74%	77,790	77,790	77,790	(825)	76,965	08/01/50
Series 2021 B	05/11/21	1997	2.30%	10,535	10,535	10,535	(175)	10,360	08/01/39
Series 2021 School Technology and Security Series IX	05/13/21	Equip. Notes	0.32%	60,455	-	60,455	(11,115)	49,340	04/15/26
Series 2021 Henrico County	10/12/21	Stand Alone	1.50%	48,115	48,115	-	48,115	48,115	08/15/41
Series 2021 Prince William County	10/21/21	Stand Alone	1.68%	58,855	-	-	58,855	58,855	10/01/41
Series 2021 C	11/09/21	1997	1.76%	150,235	150,235	-	150,235	150,235	08/01/41
Series 2022 Chesterfield County	02/08/22	Stand Alone	1.78%	116,605	116,605	-	116,605	116,605	01/15/42
Series 2022 Montgomery County	04/26/22	Stand Alone	3.21%	84,690	84,690	-	84,690	84,690	02/01/42
Series 2022 A	05/17/22	1997	3.63%	213,080	213,080	-	213,080	213,080	08/01/51
Series 2022 School Technology and Security Series X	05/24/22	Equip. Notes	2.47%	63,740	-	-	63,740	63,740	04/15/27
Total				<u>\$ 5,785,211</u>	<u>\$ 3,849,421</u>	<u>\$ 3,667,241</u>	<u>\$ 408,900</u>	<u>\$ 4,076,141</u>	

Detail of Long-Term Indebtedness by Resolution

	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2021	Issued (Retired) During Year	Outstanding June 30, 2022
1997 Resolution	\$ 4,153,785	\$ 2,104,705	\$ 2,327,010	\$ 148,280	\$ 2,475,290
Stand Alone Issues	1,385,150	1,385,150	795,235	257,630	1,052,865
Technology and Security Notes	367,995	-	185,545	2,875	188,420
School Tax Credit	359,566	359,566	359,566	-	359,566
Total	<u>\$ 6,266,496</u>	<u>\$ 3,849,421</u>	<u>\$ 3,667,356</u>	<u>\$ 408,785</u>	<u>\$ 4,076,141</u>

(a) Includes refunding bonds issued.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2022

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board of Commissioners
Virginia Public School Authority

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Virginia Public School Authority** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2022, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the

relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements: Management's Discussion and Analysis on pages 1 through 5. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Detail of Long-Term Indebtedness is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Detail of Long-Term Indebtedness is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2022, on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control over financial reporting and compliance.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

SAH/vks

VIRGINIA PUBLIC SCHOOL AUTHORITY
Richmond, Virginia

BOARD OF COMMISSIONERS

As of June 30, 2022

Bonnie M. France, Chairman

Betty J. Burrell, Vice Chairman

Honorable Cardell C. Patillo Jr.

Vik G. Murthy

Michael Nguyen

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David L. Richardson, Secretary and Treasurer, State Treasurer

Lewis R McCabe, State Comptroller

Jillian Balow, Superintendent of Public Instruction