

VIRGINIA COLLEGE BUILDING AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018



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VIRGINIA COLLEGE BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the annual financial report of the Virginia College Building Authority (“the Authority”) presents an analysis of the Authority’s financial performance during the fiscal year that ended on June 30, 2018. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

Authority Activities and Highlights

The Virginia College Building Authority is authorized to issue revenue bonds and notes to finance (1) capital projects of public institutions of higher education under the Pooled Bond Program; (2) capital projects of public institutions of higher education under the 21st Century College and Equipment Programs; and (3) loans to private, non-profit institutions of higher education within the Commonwealth and non-profit foundations of public institutions of higher education.

Under the Pooled Bond Program, bonds of the Authority are secured by notes of participating institutions of higher education to which the general revenues of the college or university have been pledged. During the year, the Authority issued \$137.7 million of bonds under this Program.

The 21st Century Program and the Equipment Program were established in 1996 and 1986, respectively, and provide financing for state-supported institutions of higher education. The 21st Century Program provides funding for capital projects designated by the General Assembly. The Equipment Program provides funding for educational equipment. Bonds for both programs are payable from amounts to be appropriated by the General Assembly, and are frequently issued together as a single 21st Century College and Equipment Programs offering. During the year, the Authority issued \$1,228.9 million of bonds under this Program.

The Authority is also authorized to issue conduit revenue bonds and notes to finance educational projects through loans to private, non-profit institutions of higher education within the Commonwealth and non-profit foundations of public institutions of higher education (to date, no foundations of public institutions have participated in the program). Since these financings are not obligations of the Commonwealth, they are not included in these financial statements. However, for informational purposes only, a Schedule of Outstanding Bond Issues for Private Colleges and Universities is included on page 19 of this report.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority’s basic financial statements, which are comprised of two components: 1) combined government-wide and fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are two basic financial statements that report information about the Authority as a whole. The data is reported using

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, deferred outflows of resources, and liabilities, with net position representing the difference between these elements. Over time, increases and decreases in net position measure whether the Authority's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. receipt or payments on long-term debt obligations).

Both statements report governmental activities. The financial information in this section is related to Authority programs backed by appropriations from the Commonwealth and by note obligations from institutions of higher education. This includes the Authority's 21st Century College and Equipment Programs and Pooled Bond Program.

Fund Financial Statements

The fund financial statements provide detailed information about the major individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Authority uses to keep track of specific sources of funding and spending for a particular purpose.

All of the Authority's activity is reported in Governmental Funds Financial Statements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources. This approach is known as using the current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Authority's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Authority.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities. These reconciliations are presented in the adjustment column in each of the financial statements.

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Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Government-wide Financial Analysis of the Authority

The primary purpose of the Authority is to provide a vehicle for financing capital and equipment needs for state supported institutions of higher education. The Department of the Treasury provides staff support for the Authority. Consequently, the only operating costs are those attributable to its financing programs, which are paid from bond proceeds. The Authority owns no capital assets.

**Condensed Statement of Net Position
(in millions)**

	2018	2017
Current assets	\$ 642	\$ 285
Noncurrent assets	1,465	1,443
Total assets	2,107	1,728
Total deferred outflows	34	26
Current liabilities	751	645
Noncurrent liabilities	5,460	5,033
Total liabilities	6,211	5,678
Net position (deficit):		
Restricted	267	-
Unrestricted	(4,337)	(3,924)
Total net position (deficit)	\$ (4,070)	\$ (3,924)

Net position decreased by \$146 million, or 4%, in fiscal year 2018 as compared to fiscal year 2017. The 21st Century College and Equipment Programs comprise the majority of the Authority's net position. During the year the Authority spent \$650 million on disbursements to institutions and on bond interest expenses. Offsetting revenues were only \$505 million. The Authority's total assets increased by \$379 million, or 22%, primarily attributable to a \$272 million increase in the 21st Century College and Equipment Programs' assets and a \$107 million increase in the Pooled Bond Program's total assets. Increases in assets were primarily driven by new spendable bond proceeds exceeding disbursements against those proceeds. Increases in liabilities under the Pooled Bond Program offset the Pooled Bond asset increase, leaving a minimal change in Pooled Bond net position, while liabilities under the 21st Century College and Equipment Programs increased by \$426 million. The increase in 21st Century liabilities is tied to bonds issued exceeding bonds redeemed and refunded.

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

Condensed Statement of Activities
(in millions)

	2018	2017
Revenues:		
Appropriations from the Commonwealth	\$ 421	\$ 400
Other revenues/sources	84	76
Total revenues	505	476
Expenses:		
Interest on long-term debt	209	200
Construction and equipment disbursements	438	374
Other	4	1
Total expenses	651	575
Decrease in net position	(146)	(99)
Net position (deficit) July 1	(3,924)	(3,825)
Net position (deficit) June 30	\$ (4,070)	\$ (3,924)

The increase in revenues of \$29 million, or 6%, is attributable to a \$22 million increase in debt service-related receipts combined with an increase of \$6 million in investment income. Debt service receipts are tied to the structure of the repayment schedules on outstanding bonds, and investment income increased as a result of higher invested balances and better interest rates. The increase in expenses of \$76 million is primarily due to a \$64 million increase in disbursements to higher education institutions, an increase of \$9 million in debt service-related disbursements, along with smaller increases in other categories.

Financial Analysis of the Authority's Funds

In the Special Revenue Fund, total assets increased by \$355 million, or 240%, in fiscal year 2018. This is primarily attributable to current period receipts (comprised of \$881 million in spendable bond proceeds, \$611 million in receipts for debt service, and interest earnings of \$9 million) being more than current period expenditures (comprised of \$532 million in

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disbursements to institutions, \$611 million in debt service expenditures, and \$3 million in various other small categories). Liabilities decreased by \$30 million primarily due to an increase in payables to institutions of \$9 million combined with the payoff of the previously outstanding temporary loan of \$39 million. These liabilities generally fluctuate with construction schedules and reimbursement requests.

Debt Administration

As a financing entity, the whole business of the Authority is debt administration. The Authority issues bonds to finance capital projects approved by the General Assembly of the Commonwealth of Virginia. Depending on the program, certain bonds are secured by obligations of the recipient institutions of higher education; other bonds are secured by amounts to be appropriated by the General Assembly. The table below summarizes bond issuance activity during the year under each program.

Summary of Authority Bond Obligations
(in millions)

	21st Century Program - Capital	21st Century Program - Equipment	Pooled Bond Program	Total
Outstanding, 7/1/17	\$ 3,321	\$ 219	\$ 1,556	\$ 5,096
Issued during year	1,153	75	137	1,365
Retired during year	(230)	(49)	(113)	(392)
Defeased during year	(595)	-	-	(595)
Unamortized premium on bonds	410	-	-	410
Outstanding, 6/30/18	<u>\$ 4,059</u>	<u>\$ 245</u>	<u>\$ 1,580</u>	<u>\$ 5,884</u>

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

Virginia College Building Authority Bond Ratings

	Moody's	S&P	Fitch
21 st Century College and Equipment Programs	Aa1	AA+	AA+
Pooled Bond Program	Aa1	AA+	AA+

Since the Authority's bond programs are either backed by state appropriations (21st Century College and Equipment Programs) or carry the credit support of the State Aid Intercept Provision (Pooled Bond Program), the bond ratings are a direct reflection of the Commonwealth's triple-A rating from each of the three rating agencies.

VIRGINIA COLLEGE BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Future Impact to Financial Position

In July 2018 the Authority issued \$26,505,000 in Educational Facilities Revenue Bonds (Randolph-Macon College), Series 2018 under the Private School Financing Program. The Bonds are a general obligation of Randolph-Macon College and the proceeds will be used to refund three series of the Economic Development Authority of Ashland bonds and to refinance a commercial loan.

In December 2018, the Authority issued Educational Facilities Revenue Bonds, Series 2018A, in the amount of \$134,505,000, and Educational Facilities Federally Taxable Revenue Bonds, Series 2018B, in the amount of \$76,695,000, under the Public Higher Education Financing Program (the "Pool Program"). The Authority will use the proceeds of the Series 2018A and 2018B Bonds to acquire Institutional Notes from participating public institutions of higher education. Each participating Institution will use the proceeds of its Institutional Note to finance capital projects approved by the General Assembly.

VIRGINIA COLLEGE BUILDING AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET As of June 30, 2018

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Net Position
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 475,574,066	\$ -	\$ 475,574,066
Investments at fair value	24,470,233	-	24,470,233
Short-term notes receivable	-	115,895,000	115,895,000
Restricted interest receivable	2,100	20,936,253	20,938,353
Interest receivable	924,135	-	924,135
Due from the federal government	-	4,452,961	4,452,961
Total current assets	500,970,534	141,284,214	642,254,748
Noncurrent assets:			
Restricted cash and cash equivalents	1,509,954	-	1,509,954
Long-term notes receivable	-	1,463,380,000	1,463,380,000
Total noncurrent assets	1,509,954	1,463,380,000	1,464,889,954
Total assets	\$ 502,480,488	1,604,664,214	2,107,144,702
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding		34,045,300	34,045,300
Total deferred charge on refunding		34,045,300	34,045,300
LIABILITIES			
Current liabilities:			
Due to higher education institutions	\$ 42,448,026	134,234,603	176,682,629
Allocation payable	57,144,155	-	57,144,155
Interest payable	-	92,477,411	92,477,411
Bonds payable	-	389,600,000	389,600,000
Premium on bonds sold	-	34,616,458	34,616,458
Accounts payable	-	77,398	77,398
Total current liabilities	99,592,181	651,005,870	750,598,051
Noncurrent liabilities:			
Bonds payable	-	5,084,495,000	5,084,495,000
Premium on bonds sold	-	375,697,774	375,697,774
Total noncurrent liabilities	-	5,460,192,774	5,460,192,774
Total liabilities	99,592,181	6,111,198,644	6,210,790,825
FUND BALANCE/NET POSITION:			
Fund balance:			
Restricted for construction and equipment	401,378,353	(401,378,353)	-
Restricted for debt service	1,509,954	(1,509,954)	-
Total fund balance	402,888,307	(402,888,307)	-
Total liabilities and fund balance	\$ 502,480,488		
Net position (deficit):			
Restricted for construction and equipment purchases		267,064,252	267,064,252
Restricted for debt service		20,983	20,983
Unrestricted		(4,336,686,058)	(4,336,686,058)
Total net position (deficit)		\$ (4,069,600,823)	\$ (4,069,600,823)

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

VIRGINIA COLLEGE BUILDING AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE For the Fiscal Year Ended June 30, 2018

	Special Revenue Fund	Adjustments (Note 1F)	Statement of Activities
REVENUES:			
Interest on investments	\$ 8,903,299	\$ (1,690,599)	\$ 7,212,700
Interest on bonds	65,326,971	(76,469)	65,250,502
Receipt of note principal payments	113,359,809	(113,359,809)	-
Appropriations from the Commonwealth	420,660,198	-	420,660,198
Interest on Build America Bonds	11,650,904	(180,783)	11,470,121
Premium on bonds sold	-	313,085	313,085
Net change in fair value of investments	36,513	-	36,513
	<u>619,937,694</u>	<u>(114,994,575)</u>	<u>504,943,119</u>
EXPENDITURES/EXPENSES:			
Current:			
Legal and financial services	681,127	(208,346)	472,781
Bond rating fees	678,558	(111,000)	567,558
Printing and electronic distributions	10,417	(2,667)	7,750
Equipment allocation	76,510,214	-	76,510,214
Disbursement to higher education institutions	426,989,152	(65,881,061)	361,108,091
Underwriter's discount	3,569,219	(516,650)	3,052,569
Miscellaneous	4,443	1,297	5,740
Debt service:			
Principal retirement	392,575,000	(392,575,000)	-
Interest and fiscal charges	218,655,036	(9,798,954)	208,856,082
	<u>1,119,673,166</u>	<u>(469,092,381)</u>	<u>650,580,785</u>
			-
Excess (deficiency) of revenues over (under) expenditures	<u>(499,735,472)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):			
Bond issuance	1,366,565,000	(1,366,565,000)	-
Bond premium	191,115,563	(191,115,563)	-
Payments to refunded bond escrow agent	(672,948,876)	672,948,876	-
	<u>884,731,687</u>	<u>(884,731,687)</u>	<u>-</u>
			-
Excess of revenues and other financing sources over expenditures and other financing uses	<u>384,996,215</u>	<u>(384,996,215)</u>	<u>-</u>
			-
Change in net position	-	(145,637,666)	(145,637,666)
Fund balance/Net position (deficit), July 1, 2017	<u>17,892,092</u>	<u>(3,941,855,249)</u>	<u>(3,923,963,157)</u>
Fund balance/Net position (deficit), June 30, 2018	<u>\$ 402,888,307</u>	<u>\$ (4,472,489,130)</u>	<u>\$ (4,069,600,823)</u>

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

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia College Building Authority (“the Authority”) was created by the Virginia College Building Authority Act of 1966, Chapter 12, Title 23.1, *Code of Virginia*. The Authority is a public body corporate and a political subdivision, agency, and instrumentality of the Commonwealth. Under this chapter, the Authority is authorized to issue revenue bonds and notes to finance (i) capital projects under the Authority’s Pooled Bond Program, and (ii) capital projects under the Authority’s 21st Century College and Equipment Programs for all public institutions of higher education of the Commonwealth.

Under the Pooled Bond Program, the Authority issues its bonds and uses the proceeds thereof to purchase notes of public institutions of higher education in the Commonwealth. Proceeds are used by the institutions to finance or refinance capital projects approved by the General Assembly. Authority bonds issued under the Pooled Bond Program are secured by payments on the notes to which the institutions have pledged their general revenues. Pooled Bond Program bonds have been issued under a Master Indenture of Trust dated as of September 1, 1997 (“the 1997 Indenture”).

Under the 21st Century College and Equipment Programs, bonds are issued under the Master Indenture of Trust dated December 1, 1996 (“the 1996 Indenture”), which provides for the payment of debt service from amounts to be appropriated by the General Assembly through a payment agreement between the Authority and the Treasury Board. Title to the capital projects financed remains with the Commonwealth.

Pursuant to the Educational Facilities Authority Act, Article 2 of Chapter 12 of Title 23.1, *Code of Virginia*, the Authority is authorized to issue revenue bonds and notes and to use the proceeds thereof to finance educational facilities projects through loans to private, non-profit institutions of higher education within the Commonwealth as well as non-profit foundations of public institutions of higher education. Such financings are not obligations of the Commonwealth, but are limited obligations of the Authority payable solely from loan payments made by the private, non-profit institutions of higher education or non-profit foundations of public institutions of higher education. This indebtedness, therefore, is not included in the financial statements. Total debt outstanding under this program at June 30, 2018 was \$700,260,594. (Detailed information for this program is presented on page 19 in the Supplementary Information section following the Notes to the Financial Statements.)

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NOTES TO THE FINANCIAL STATEMENTS

A separate report is prepared for the Commonwealth of Virginia, which includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The Authority is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles applicable to governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Authority’s more significant policies.

B. Measurement Focus and Basis of Accounting

The accompanying financial statements are presented using the accounting principles generally accepted in the United States of America as prescribed by GASB. The government-wide statements use the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenditures are recognized when the related liability is incurred, regardless of the timing of related cash flows. For financial reporting purposes, the Authority defines payables as those items which have been identified by the submitting institutions 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 activities of the Authority are accounted for in a Special Revenue Fund. The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Fund consists of bond proceeds, bond funds and issuance expense funds. Included are funds established in accordance with the provisions of the 1996 Indenture with the Bank of New York Mellon Trust Company, N.A. for the

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

21st Century College Program and the Equipment Program revenue bonds issued by the Authority, since their consolidation in 1999. Also included are the outstanding bonds issued under the Authority's Pooled Bond Program.

D. Bond Issuance Costs, Premiums, and Discounts

Costs associated with issuing debt are expensed in the year incurred. The original issue premium or discount, for each bond issuance, is also expensed or recognized as revenue in the year incurred unless it exceeds 1% of the amount of the bonds issued. In that case, the original issue premium or discount is deferred and amortized, on a straight-line basis, over the life of the outstanding debt. Premiums on Pooled Bonds are allocated to the participating institutions.

E. Budget to Actual Statement

Due to the nature of activity accounted for by the Authority, a budget is not prepared. Therefore, a Statement of Revenues, Expenditures, and Changes in Balances – Budget to Actual is not included in the financial statements.

F. Adjustments

The adjustments column primarily represents the recording of bonds payable-related assets and liabilities on the Statement of Net Position and the effect of these transactions on the Statement of Activities. Governmental fund statements do not reflect bonds payable and related activity, but do reflect debt service payments that were made during the current period. The non-current portion of bonds payable includes those payments that are not due and payable in the current period.

2. DETAILED NOTES

A. Cash, Cash Equivalents, and Investments

The Bank of New York Mellon Trust Company, N.A. holds certain deposits and cash equivalents of the Authority as trustee. Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool. Cash is defined as demand deposits, non-negotiable time deposits and certificates of deposit in accordance with Section 2.2-4401 of the *Code of Virginia*. Cash equivalents are defined as investments with an original maturity of less than three months.

Deposits 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

VIRGINIA COLLEGE BUILDING AUTHORITY
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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.

Deposits held by trustees are collateralized in accordance with the Trust Subsidiary Act, Section 6.2-1057 et seq. of the *Code of Virginia*. Under the Act, the affiliate bank delivers securities to the trust department as collateral that is at least equal to the market value of the trust funds held on deposit in excess of amounts insured by federal deposit insurance.

Under a Master Indenture of Trust dated December 1, 1996, and under a Master Indenture of Trust dated September 1, 1997, the trustee is authorized to invest in the following investments: bonds, notes and other obligations issued or guaranteed by the United States government; bonds, notes and other evidences of indebtedness of any state of the United States of America or any locality of any state of the United States of America that meet the requirements of *Code* Sections 2.2-4500 and 2.2-4501A.3; and investments made pursuant to the Investment of Public Funds and Local Government Investment Pool Act. At June 30, 2018, The Bank of New York Mellon Trust Company, N.A., which currently serves as trustee for both Indentures, maintained \$501,519,611 in cash, cash equivalents, and investments for the Authority. The Authority also directly held cash equivalents of \$34,642 for a total invested balance of \$501,554,253.

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 for US Treasury securities are based upon quoted market prices (level 1 inputs), and other securities are valued using observable prices or a matrix pricing model (level 2 inputs), in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Details of cash equivalents and investments are presented on the following page.

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NOTES TO THE FINANCIAL STATEMENTS

Summary of Cash, Cash Equivalents, and Investments
As of June 30, 2018

<u>Investment Type</u>	<u>June 30, 2018</u>	<u>Investment Maturities (in years)</u>		<u>S&P Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	
U.S. Treasury Securities	\$ 23,082,212	\$ 1,384,684	\$ 21,697,528	N/A
Agency Securities	793,559	543,972	249,587	AA+
Foreign Sovereign Governments	594,462	-	594,462	N/A
State Non-Arbitrage Program ^{®(1)}	109,481,643	109,481,643	-	AAAm
Local Government Investment Pool ⁽²⁾	365,973,889	365,973,889	-	AAAm
Money Market Accounts ⁽³⁾	1,619,038	1,619,038	-	AAAm
Cash	9,450	-	-	
Total cash, cash equivalents, and investments	<u>\$ 501,554,253</u>	<u>\$ 479,003,226</u>	<u>\$ 22,541,577</u>	

⁽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.

⁽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.

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

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[®] (22%) and the Local Government Investment Pool (73%).

B. Notes Receivable

Under the Authority's Pooled Bond Program, note payments made by the public institutions of higher education under the terms of note agreements between the Authority and the institutions provide for the payment of debt service on the Pooled Bonds. A summary of future minimum note payments due from the institutions is shown in the schedule on the following page.

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Future Minimum Note Payments Due from Institutions
As of June 30, 2018

Year Ending June 30	Principal	Interest	Total
2019	\$ 115,895,000	\$ 66,447,828	\$ 182,342,828
2020	119,155,000	60,952,615	180,107,615
2021	118,825,000	55,365,879	174,190,879
2022	117,325,000	49,631,611	166,956,611
2023	116,490,000	43,934,989	160,424,989
2024-2028	533,045,000	147,293,383	680,338,383
2029-2033	295,080,000	56,614,852	351,694,852
2034-2038	126,520,000	17,638,324	144,158,324
2039-2043	31,040,000	3,950,889	34,990,889
2044-2048	5,900,000	306,688	6,206,688
Total	<u>\$ 1,579,275,000</u>	<u>\$ 502,137,058</u>	<u>\$ 2,081,412,058</u>

C. Due from the Federal Government

The America Recovery and Reinvestment Act of 2009 permitted the Authority to issue federally taxable bonds known as “Build America Bonds” to finance capital expenditures. Under the “Build America Bond” program, instead of issuing federally tax-exempt bonds, the Authority issued federally taxable Build America Bonds and elected to receive a subsidy payment from the federal government equal to 35% of each interest payment due semiannually on such taxable bonds. The Authority has issued three such series of bonds, beginning in fiscal year 2010 (the 21st Century College and Equipment Programs Series 2009F and 2010B, and the Pooled Bond Program Series 2010A). Therefore, the Authority is accruing a receivable from the federal government for the subsidy payments which will be due on August 1, 2018 (21st Century Bonds) and September 1, 2018 (Pooled Bonds). As a result of the Federal Sequestration, the actual August 1, 2018 payment was reduced by 6.6% and the corresponding accrual was adjusted to reflect this reduction. It should be noted that the subsidy payments have not been pledged to the payment of the Build America Bonds, and the subsidy payments are not full faith and credit obligations of the United States. As such, future debt service payments have been reflected in these financial statements at their gross amounts, without consideration of possible future subsidy payments.

D. Due to Higher Education Institutions

Bonds were issued under the Pooled Bond Program and the proceeds of these bonds were used to purchase institutional notes from various public institutions of higher education. These institutions in turn will use the proceeds of the notes to finance capital projects. Therefore, the unspent portion of the note proceeds

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

still held by the trustee at June 30, 2018 in the Special Revenue Fund is reflected as “due to higher education institutions” in the government-wide statements. Amounts reflected as “due to higher education institutions” in the fund financial statements represent normal year-end payables to institutions as a result of on-going operations.

E. Allocation Payable

In past fiscal years, the Authority has issued bonds to support the General Assembly allocations to finance the purchase of equipment at public institutions of higher education. The Authority is committed by this to reimburse institutions of higher education for the cost of equipment from its cash and investments.

In fiscal year 2018, institutions purchased and obtained reimbursement for \$2,646,403 in equipment, relating to the FY 2018 allocation, leaving \$80,353,597 of this allocation outstanding at June 30, 2018. Institutions purchased and obtained reimbursement for \$74,516,476 in equipment, relating to the FY 2017 allocation, leaving \$5,308,227 of this allocation outstanding at June 30, 2018. Institutions also purchased and obtained reimbursement for \$2,265,845 in equipment related to the FY 2016 allocation leaving \$551,892 of this allocation outstanding at June 30, 2018. The FY 2015, 2014 and 2013 allocations continue to have balances of \$532,542, \$497,109 and \$2,419, respectively, outstanding at June 30, 2018 as no additional reimbursements against these allocations occurred in FY 18. Amounts reflected as “allocation payable” in the government-wide and fund financial statements represent normal year-end payables to institutions as a result of on-going operations.

F. Long-Term Indebtedness

Changes in Long-Term Debt - The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2018.

Payable at July 1, 2017	\$ 5,413,880,313
Bonds issued	1,366,565,000
Bonds retired	(392,575,000)
Bonds refunded	(595,285,000)
Premium on bonds sold	180,742,617
Annual amortization of premium on bonds sold	(88,918,698)
Bonds payable at June 30, 2018	<u>\$ 5,884,409,232</u>

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

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

Annual Requirements to Amortize Long-Term Debt
As of June 30, 2018

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 389,600,000	\$ 234,857,925	\$ 624,457,925
2020	385,490,000	218,009,585	603,499,585
2021	395,730,000	200,197,018	595,927,018
2022	384,635,000	181,939,461	566,574,461
2023	378,735,000	164,163,308	542,898,308
2024-2028	1,728,180,000	582,462,924	2,310,642,924
2029-2033	1,297,100,000	237,983,781	1,535,083,781
2034-2038	477,685,000	43,747,524	521,432,524
2039-2043	31,040,000	3,950,889	34,990,889
2044-2048	5,900,000	306,688	6,206,688
Add: Unamortized			
Premium	410,314,232	-	410,314,232
Total	<u>\$5,884,409,232</u>	<u>\$1,867,619,103</u>	<u>\$ 7,752,028,335</u>

G. Defeasance of Debt

From time to time, when interest rates indicate that it would be favorable to do so, the Authority has issued refunding bonds to defease outstanding bonds. These refundings have placed the proceeds of the new bonds in irrevocable trusts with escrow agents to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the Authority's financial statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," 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. However, the deferral amount for the Pooled Bond Program has been allocated to the participating institutions and is therefore not reflected in the Authority's financial statements.

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

The Authority issued one series of refunding bonds in fiscal year 2018. The schedule below reflects the refunding activity during the year.

Refunding Bonds Issued During Fiscal Year 2018

Program	Refunding Issue	Refunded Issue	Maturities Defeased	Amount Defeased
21st Century	2017E	2008A	2019	\$ 4,730
21st Century	2017E	2009A	2020	14,460
21st Century	2017E	2011A	2021-22, 2029-32	75,565
21st Century	2017E	2012A	2023-26, 2028-30	115,990
21st Century	2017E	2012B	2023-25, 2027-28	96,740
21st Century	2017E	2013A	2024-2030	108,455
21st Century	2017E	2014A	2025, 2027-29	57,525
21st Century	2017E	2015A	2026-2031	121,820
Total Defeased, FY 2018				\$ 595,285

The issuance of the Authority’s Series 2017E 21st Century Program refunding bonds refunded eight series of the Authority’s bonds as reflected on the above schedule. This defeasance resulted in an accounting loss of \$12,162,000. Total debt service payments over the next 15 years will be reduced by \$38,136,266 resulting in a present value savings of \$31,484,285 discounted at the rate of 2.3188234 percent.

At June 30, 2018, \$1,151,165,000 of bonds outstanding are considered defeased for financial reporting purposes.

H. Deficit Net Position

Under the 21st Century College and Equipment Programs, bonds issued under the Master Indenture of Trust dated December 1, 1996 are secured by General Assembly appropriations through a payment agreement between the Authority and the Treasury Board. Because future appropriations do not constitute a legally binding commitment and do not meet the criteria for recognition under the accrual basis of accounting, the Authority ended the year with a net position deficit of \$4,069,600,823. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority’s bonds.

I. Subsequent Events

In July 2018 the Authority issued \$26,505,000 in Educational Facilities Revenue Bonds (Randolph-Macon College), Series 2018 under the Private School Financing Program. The Bonds are a general obligation of Randolph-Macon

VIRGINIA COLLEGE BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

College and the proceeds will be used to refund three series of the Economic Development Authority of Ashland bonds and to refinance a commercial loan.

In December 2018, the Authority issued Educational Facilities Revenue Bonds, Series 2018A, in the amount of \$134,505,000, and Educational Facilities Federally Taxable Revenue Bonds, Series 2018B, in the amount of \$76,695,000, under the Public Higher Education Financing Program (the "Pool Program"). The Authority will use the proceeds of the Series 2018A and 2018B Bonds to acquire Institutional Notes from participating public institutions of higher education. Each participating Institution will use the proceeds of its Institutional Note to finance capital projects approved by the General Assembly.

J. Risk Management

The Authority is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Department of the Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the Authority. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of the Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of the Treasury pays premiums to each of these Departments for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

VIRGINIA COLLEGE BUILDING AUTHORITY
SUPPLEMENTARY INFORMATION
Detail of Long-Term Indebtedness
June 30, 2018
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	Bond Program	True Interest Cost ("TIC")	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2017	Issued (Retired) During Year	Outstanding June 30, 2018	Original Maturity
Series 2007A	10/31/07	Pooled	4.38%	216,905	216,905	9,375	(9,375)	-	09/01/37
Series 2007B Refunding	10/31/07	Pooled	4.05%	100,765	100,765	64,685	(24,345)	40,340	09/01/19
Series 2008A	06/12/08	21st Century/Equip.	3.93%	144,075	-	9,280	(9,280)	-	02/01/28
Series 2009A	01/21/09	Pooled	4.19%	291,645	291,645	35,490	(11,235)	24,255	09/01/38
Series 2009A	04/28/09	21st Century	4.30%	284,020	-	39,590	(25,795)	13,795	02/01/29
Series 2009B	04/28/09	21st Century	5.04%	84,680	-	11,150	(11,150)	-	02/01/18
Series 2009E1 Refunding	10/08/09	21st Century	3.01%	134,000	-	107,670	(13,225)	94,445	02/01/24
Series 2009E2 Refunding	10/08/09	21st Century	2.80%	74,860	-	42,615	(6,335)	36,280	02/01/23
Series 2009B	12/09/09	Pooled	4.01%	235,945	235,945	28,675	(9,080)	19,595	09/01/39
Series 2009F2	12/17/09	21st Century	3.31%	390,575	-	330,515	(20,990)	309,525	02/01/30
Series 2010B-2	10/26/10	21st Century	2.82%	290,600	-	257,390	(17,025)	240,365	02/01/30
Series 2010A-1	11/18/10	Pooled	1.83%	65,060	65,060	18,875	(9,660)	9,215	09/01/18
Series 2010A-2	11/18/10	Pooled	3.40%	156,610	156,610	156,610	-	156,610	09/01/40
Series 2010B Refunding	11/18/10	Pooled	2.87%	101,040	101,040	76,990	(5,475)	71,515	09/01/27
Series 2011A	08/16/11	21st Century/Equip.	3.27%	272,515	-	123,215	(86,245)	36,970	02/01/32
Series 2011A	11/16/11	Pooled	3.32%	163,335	163,335	127,575	(9,165)	118,410	09/01/36
Series 2012A	03/29/12	Pooled	2.25%	164,475	164,475	139,465	(11,035)	128,430	09/01/30
Series 2012A	05/03/12	21st Century/Equip.	2.85%	335,075	-	250,340	(134,635)	115,705	02/01/32
Series 2012B	11/29/12	Pooled	2.55%	141,070	141,070	122,415	(5,640)	116,775	09/01/42
Series 2012B	12/13/12	21st Century	2.42%	349,255	-	308,070	(108,900)	199,170	02/01/33
Series 2012C	12/13/12	21st Century	1.18%	8,350	-	1,670	(1,670)	-	02/01/18
Series 2013A	09/26/13	21st Century	3.63%	331,705	-	288,530	(126,185)	162,345	02/01/34
Series 2013A	11/19/13	Pooled	3.67%	74,925	74,925	69,160	(3,005)	66,155	09/01/43
Series 2013B Refunding	11/19/13	Pooled	3.24%	12,355	12,355	10,030	(910)	9,120	09/01/28
Series 2014A	05/15/14	21st Century/Equip.	3.04%	319,155	-	268,210	(74,765)	193,445	02/01/34
Series 2014B Refunding	05/15/14	21st Century	1.71%	27,985	-	8,070	(1,025)	7,045	02/01/25
Series 2014A	11/13/14	Pooled	3.11%	98,040	98,040	92,525	(3,220)	89,305	09/01/44
Series 2014B Refunding	11/13/14	Pooled	2.09%	186,035	186,035	164,800	(9,200)	155,600	09/01/35
Series 2015A	04/15/15	21st Century	3.06%	373,230	-	348,500	(136,365)	212,135	02/01/35
Series 2015B Refunding	04/15/15	21st Century	2.23%	204,880	-	198,395	(2,880)	195,515	02/01/27
Series 2015C	04/15/15	21st Century	1.62%	6,785	-	4,285	(1,405)	2,880	02/01/20
Series 2015D	08/13/15	21st Century/Equip.	2.93%	290,065	-	268,910	(13,480)	255,430	02/01/35
Series 2015A	12/03/15	Pooled	3.24%	53,615	53,615	52,510	(2,015)	50,495	09/01/45
Series 2015B Refunding	12/03/15	Pooled	2.65%	153,895	153,895	153,895	-	153,895	09/01/38
Series 2016A	06/01/16	21st Century	2.50%	360,485	-	340,305	(16,020)	324,285	02/01/36
Series 2016B	06/01/16	21st Century	2.55%	49,300	-	49,300	-	49,300	02/01/29
Series 2016C	06/01/16	21st Century	2.02%	39,980	-	36,030	(3,750)	32,280	02/01/26
Series 2016A	07/12/16	Pooled	2.10%	231,880	231,880	231,880	-	231,880	09/01/39
Series 2017A	06/21/17	21st Century	1.30%	75,100	-	75,100	(10,220)	64,880	02/01/24
Series 2017B	06/21/17	21st Century	1.66%	173,295	-	173,295	(14,905)	158,390	02/01/28
Series 2017A	12/05/17	Pooled	2.67%	113,050	113,050	-	113,050	113,050	09/01/37
Series 2017B	12/05/17	Pooled	3.09%	24,630	24,630	-	24,630	24,630	09/01/37
Series 2017C	08/02/17	21st Century	2.96%	492,730	-	-	471,880	471,880	02/01/37
Series 2017D	08/02/17	21st Century	2.55%	99,915	-	-	89,760	89,760	02/01/27
Series 2017E Refunding	12/21/17	21st Century	2.52%	560,555	-	-	553,310	553,310	02/01/32
Series 2018A	06/06/18	21st Century/Equip.	2.22%	75,685	-	-	75,685	75,685	02/01/25
Total				<u>\$ 8,434,130</u>	<u>\$ 2,585,275</u>	<u>\$ 5,095,390</u>	<u>\$ 378,705</u>	<u>\$ 5,474,095</u>	

Detail of Long-Term Indebtedness by Program

	Amount Issued	Institutional Notes Purchased	Outstanding July 1, 2017	Issued (Retired) During Year	Outstanding June 30, 2018
21st Century College Program	\$ 5,460,285	\$ -	\$ 3,320,775	\$ 403,865	\$ 3,724,640
Pooled Bond Program	2,585,275	2,585,275	1,554,955	24,320	1,579,275
Equipment Program	388,570	-	219,660	(49,480)	170,180
Total	<u>\$ 8,434,130</u>	<u>\$ 2,585,275</u>	<u>\$ 5,095,390</u>	<u>\$ 378,705</u>	<u>\$ 5,474,095</u>

VIRGINIA COLLEGE BUILDING AUTHORITY
SUPPLEMENTARY INFORMATION
Schedule of Outstanding Bond Issues for Private Colleges and Universities
June 30, 2018
(Dollars in Thousands)

College/University	Series	Dated Date	Yield (a)	Amount Originally Issued	Amount of Notes Purchased	Outstanding July 1, 2017	Issued (Retired) During Year	Outstanding June 30, 2018	Original Final Maturity
Hampden-Sydney College	2010	05/13/10	2.57%	7,190	7,190	375	(240)	135	09/01/18
Hampton University	2015	07/23/15	2.30%	14,240	14,240	9,844	(2,221)	7,623	04/01/25
Liberty University	2010	12/21/10	4.85%	119,705	119,705	107,780	(2,455)	105,325	03/01/41
	2015	08/05/15	0.19%	150,000	85,000	- (b)	-	-	N/A
Lynchburg College	2010	12/21/10	VAR	8,838	8,838	5,961	(364)	5,597	12/01/34
Marymount University	2015A	04/08/15	3.25%	65,010	65,010	62,595	(1,150)	61,445	07/01/45
	2015B	07/15/15	5.13%	66,815	66,815	66,815	-	66,815	07/01/45
Regent University	2006	08/09/06	5.03%	99,105	99,105	85,670	(650)	85,020	06/01/36
Roanoke College	2007	06/06/07	4.64%	20,430	20,430	14,370	(980)	13,390	04/01/37
Shenandoah University	2011	12/09/11	VAR	36,455	36,455	28,990	(1,750)	27,240	12/27/36
University of Richmond	2004A	08/01/04	VAR	46,000	46,000	46,000	-	46,000	08/01/34
	2006	11/08/06	VAR	55,900	55,900	55,900	-	55,900	11/01/36
	2011A	02/01/11	3.14%	27,045	27,045	15,400	(2,275)	13,125	03/01/23
	2011B	02/28/11	3.19%	40,505	40,505	20,745	-	20,745	03/01/21
	2012	11/06/12	3.39%	60,000	60,000	60,000	-	60,000	03/01/42
Washington & Lee University	1998	04/01/98	5.10%	52,205	52,205	52,205	-	52,205	01/01/31
	2001	06/01/01	5.35%	43,000	43,000	37,235	(3,125)	34,110	01/01/34
	2015A	04/22/15	3.68%	32,040	32,040	31,325	(740)	30,585	01/01/40
	2015B	04/22/15	VAR	15,000	15,000	15,000	-	15,000	01/01/43
				\$ 959,483	\$ 894,483	\$ 716,210	\$ (15,950)	\$ 700,260	

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

(b) The \$85 million issue was a commercial paper issue that had no activity during the year but could be used again.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 14, 2018

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Virginia College Building Authority

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and major special revenue fund of the **Virginia College Building Authority** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major special revenue fund of the Virginia College Building Authority as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, 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 accompanying supplementary

information, including the Detail of Long-Term Indebtedness and Schedule of Outstanding Bond Issues for Private Colleges and Universities, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The Detail of Long Term Indebtedness and Schedule of Outstanding Bond Issues for Private Colleges and Universities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and Schedule of Outstanding Bond Issues for Private Colleges and Universities are 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 14, 2018, 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 and 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 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.

AUDITOR OF PUBLIC ACCOUNTS

SAH/vks

VIRGINIA COLLEGE BUILDING AUTHORITY
Richmond, Virginia

BOARD MEMBERS

As of June 30, 2018

Lane B. Ramsey, Chairman

John G. Dane, Vice Chairman

Dennis C. Laganza

Charles Mann

McLain T. O’Ferrall, Jr.

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Manju S. Ganeriwala, Treasurer, State Treasurer

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Daniel S. Timberlake, Director, Department of Planning and Budget