

**VIRGINIA COLLEGE BUILDING AUTHORITY
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

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November 10, 1999

The Honorable James S. Gilmore, III
Governor of Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
And Review Commission

Board of Directors
Virginia College Building Authority

INDEPENDENT AUDITOR'S REPORT

We have audited the balance sheet of the **Virginia College Building Authority** as of June 30, 1999, and the related statement of revenues, expenditures and changes in fund balance, statement of revenues, expenses and changes in retained earnings, and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia College Building Authority as of June 30, 1999, and the results of its operations and cash flows for the year then ended, in conformity with generally accepted accounting principles.

AUDITOR OF PUBLIC ACCOUNTS

JBS:jld
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FINANCIAL STATEMENTS

VIRGINIA COLLEGE BUILDING AUTHORITY
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 For Fiscal Year Ending June 30, 1999

ASSETS AND OTHER DEBITS	Government Fund Types			Account Group	Total
	General	Debt Service	Enterprise	General Long-Term Debt	(Memorandum Only)
Current assets:					
Cash and cash equivalents (Note 2)	\$ 63,635,036	\$ 92,521	\$ 35,061,798	\$ -	\$ 98,789,355
Interest receivable	290,195	627	151,525	-	442,347
Total current assets	63,925,231	93,148	35,213,323	-	99,231,702
Restricted assets:					
Cash and cash equivalents (Note 2)	-	14,753	420,273	-	435,026
Short-term lease receivable (Note 3)	-	-	24,430,000	-	24,430,000
Long-term lease receivable (Note 3)	-	-	58,615,000	-	58,615,000
Short-term notes receivable (Note 3)	-	-	3,805,000	-	3,805,000
Long-term notes receivable (Note 3)	-	-	101,375,000	-	101,375,000
Interest receivable	-	41	3,375,563	-	3,375,604
Discount on bonds	-	-	535,674	-	535,674
Total restricted assets	-	14,794	192,556,510	-	192,571,304
Other debits:					
Amount provided for retirement of general long-term debt	-	-	-	7,390	7,390
Amount to be provided for retirement of general long-term debt	-	-	-	165,137,610	165,137,610
Total other debits	-	-	-	165,145,000	165,145,000
Total assets and other debits	\$ 63,925,231	\$ 107,942	\$ 227,769,833	\$ 165,145,000	\$ 456,948,006
LIABILITIES AND FUND EQUITY					
Liabilities:					
Current liabilities:					
Due to higher education institutions (Note 6)	\$ 3,710,205	\$ -	\$ 34,901,681	\$ -	\$ 38,611,886
Interest payable	-	-	3,210,764	-	3,210,764
Accrued interest sold	-	7,363	-	-	7,363
Premium on bonds payable	-	-	30,790	-	30,790
Bonds payable (Note 4)	-	-	28,235,000	-	28,235,000
Allocation payable (Note 5)	12,914,638	-	-	-	12,914,638
Total current liabilities	16,624,843	7,363	66,378,235	-	83,010,441
Long-term liability:					
Premium on bonds payable	-	-	2,566	-	2,566
Bonds payable (Note 4)	-	-	159,990,000	165,145,000	325,135,000
Total long-term liabilities	-	-	159,992,566	165,145,000	325,137,566
Total liabilities	16,624,843	7,363	226,370,801	165,145,000	408,148,007
Fund equity:					
Retained earnings	-	-	1,399,032	-	1,399,032
Fund balance:					
Unreserved - designated	-	7,431	-	-	7,431
Unreserved - undesignated	47,300,388	93,148	-	-	47,393,536
Total fund equity	47,300,388	100,579	1,399,032	-	48,799,999
Total liabilities and fund equity	\$ 63,925,231	\$ 107,942	\$ 227,769,833	\$ 165,145,000	\$ 456,948,006

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

VIRGINIA COLLEGE BUILDING AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 ALL GOVERNMENTAL FUNDS
 For the Year Ended June 30, 1999

	General	Debt Service	Total (Memorandum Only)
Revenues:			
Interest on investments	\$ 2,038,248	\$ 18,226	\$ 2,056,474
Appropriations from the Commonwealth	-	5,989,247	5,989,247
Total revenues	2,038,248	6,007,473	8,045,721
Expenditures:			
Current:			
Financial services	106,496	44,273	150,769
Bond rating fees	-	71,950	71,950
Printing	-	7,596	7,596
Equipment allocation	23,796,112	-	23,796,112
Disbursement to higher education institutions	40,502,723	-	40,502,723
Miscellaneous	-	2,740	2,740
Debt service:			
Principal retirement	-	1,715,000	1,715,000
Interest and fiscal charges	-	4,287,094	4,287,094
Total expenditures	64,405,331	6,128,653	70,533,984
Excess (deficiency) of revenues over (under) expenditures	(62,367,083)	(121,180)	(62,488,263)
Other financing sources:			
Proceeds from the sale of bonds	60,061,500	130,589	60,192,089
Transfer from Enterprise Fund	292,277	-	292,277
Total other financing sources	60,353,777	130,589	60,484,366
Excess (deficiency) of revenue and other financing sources over (under) expenditures	(2,013,306)	9,409	(2,003,897)
Fund Balance, July 1, 1998	49,313,694	91,170	49,404,864
Fund Balance, June 30, 1999	\$ 47,300,388	\$ 100,579	\$ 47,400,967

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

VIRGINIA COLLEGE BUILDING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
ENTERPRISE FUND
For Fiscal Year Ended June 30, 1999

Revenues:	
Interest on investments	\$ 994,862
Interest on bonds	4,347,493
Lease income	<u>4,254,538</u>
Total revenues	<u>9,596,893</u>
Expenses:	
Interest on bonds	8,305,748
Legal and financial services	66,515
Printing services	13,801
Travel	59
Bond rating fees	39,000
Original issue discount	107,164
Underwriters' discount	263,315
Other	<u>46,864</u>
Total expenses	<u>8,842,466</u>
Operating transfers:	
Transfer to General Fund	<u>(292,277)</u>
Net income	462,150
Retained earnings, July 1, 1998	<u>936,882</u>
Retained earnings, June 30, 1999	<u><u>\$ 1,399,032</u></u>

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

VIRGINIA COLLEGE BUILDING AUTHORITY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For Fiscal Year Ended June 30, 1999

Cash flows from operating activities:	
Interest on cash equivalents	\$ 3,166,714
Payments to vendors for goods and services	(119,375)
Other expenses	(46,864)
Net cash provided by operating activities	<u>3,000,475</u>
Cash flows from capital and related financing activities:	
Receipt of payments on leased equipment	31,425,114
Receipt of principal payments on bonds	1,320,000
Bond proceeds	50,364,521
Purchase of equipment	(25,581,780)
Payment of principal on bonds	(28,530,000)
Payment of interest on bonds	(7,735,788)
Receipt of interest on notes	2,119,357
Payments to institutions	(55,307,558)
Net cash used for capital and related financing activities	<u>(31,926,134)</u>
Net increase in cash and cash equivalents	(28,925,659)
Cash and cash equivalents July 1, 1998	<u>64,407,730</u>
Cash and cash equivalents June 30, 1999	<u>\$ 35,482,071</u>
Reconciliation of operating income to net cash provided by operating activities:	
Net income	<u>\$ 462,150</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest on leases	(4,215,114)
Interest received on bonds	(2,119,357)
Interest paid on bonds	7,735,788
Amortization of premium	(30,790)
Amortization of discount	29,352
Underwriters' discount	263,315
Original issue discount	107,164
Principal received on notes	(1,320,000)
Operating transfers out	292,277
Increase in notes receivable	(49,415,000)
Increase in interest receivable (leases)	(39,424)
Decrease in interest receivable (cash equivalents)	167,919
Increase in interest receivable (bonds)	(702,773)
Increase in interest payable	719,109
Decrease in accrued interest sold	(147,711)
Decrease in payments due to higher education institutions	(4,093,988)
Payments to institutions	<u>55,307,558</u>
Net cash provided by operating activities	<u>\$ 3,000,475</u>

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

VIRGINIA COLLEGE BUILDING AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

AS OF JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia College Building Authority ("the Authority") was created by the Virginia College Building Authority Act of 1966, Chapter 3.2, Title 23, Code of Virginia. The Authority is a public body corporate and a political subdivision, agency, and instrumentality of the Commonwealth. Under this chapter, the Authority is authorized to issue revenue bonds and notes to finance (i) capital projects and (ii) a program of purchasing instructional and research equipment for public institutions of higher education within the Commonwealth.

Pursuant to the Educational Facilities Authority Act, Chapter 3.3 of Title 23, Code of Virginia, the Authority is authorized to issue revenue bonds and notes and to use the proceeds thereof to finance educational facilities projects through loans to private, non-profit institutions of higher education within the Commonwealth. Such financing or refinancing are not obligations of the Commonwealth, but are limited obligations of the Authority payable solely from loan payments made by the institutions. This indebtedness, therefore, is not included in the financial statements. Total debt outstanding under this program at June 30, 1999 was \$252,305,000. (Detailed information for this program is presented in the Supplementary Information section following these Notes.)

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 general-purpose financial statements of the Commonwealth.

B. Basis of Accounting

The governmental fund types are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are measurable and available to finance current expenditures; expenditures are recognized when incurred.

The Enterprise Fund is presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenditures are recognized when they are incurred. The cash basis of accounting is used during the year. Reports are prepared on the accrual basis and the modified accrual basis at the end of the fiscal year by the Authority.

C. Fund Accounting

The accounts of the Authority are organized on the basis of funds and accounts groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Authority resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. The individual funds are grouped, in the financial statements in this report, into two fund types as discussed below.

Governmental Funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. For the Authority, this includes the receipt and disbursement of bond proceeds issued under the 21st Century College Program.

Debt Service Fund - The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Debt Service funds consist of bond funds and issuance expense funds. The funds were established in accordance with the provisions of the Master Indenture of Trust Agreement entered into with Bank of New York for the 21st Century College Program revenue bonds issued by the Authority.

Enterprise Fund:

The Enterprise Fund accounts for transactions related to resources received and used for financing self-supporting activities of the Authority. Operations are accounted for in a manner similar to a private business enterprise. Included in this fund are the Authority's Equipment Leasing Program and the Authority's Pooled Bond Program.

D. Account Group

The General Long-Term Debt Account Group is used to establish accounting control and accountability for the unmatured principal of general long-term debt. Bonds payable reported in the General Long-Term Debt Account Group consists of unmatured principal on bonds issued by the Authority under the 21st Century College Program.

E. Total Columns

Total columns on the financial statements are captioned "Total Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

F. Bond Issuance Costs, Premiums, and Discounts

Costs associated with issuing debt are expensed in the year incurred. The original issue premium or discount for each bond issuance is also expensed in the year incurred, unless it exceeds 1 percent 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.

2. CASH AND INVESTMENTS

The Bank of New York and Crestar Bank hold certain deposits and investments of the Authority as trustees. Other funds of the Authority are invested in the State Treasurer's Local Government Investment Pool. Cash is defined as demand deposits, time deposits, and certificates of deposit in accordance with Section 2.1-329 of the Code of Virginia. Cash equivalents are defined as investments with an original maturity of less than three months.

Deposits held by trustees are collateralized in accordance with the Trust Subsidiary Act, Section 6.1-32.8 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 March 1, 1994, Crestar Bank, as trustee, is authorized to invest in the following instruments: government obligations; government certificates; bonds, notes and other evidences of indebtedness of the Commonwealth, any locality of the Commonwealth, or any agency of the United States of America; savings accounts, time deposits, certificates of deposit, or other interest bearing accounts of any bank or other financial institution that is approved for the deposit of funds of the Commonwealth that are secured in accordance with Section 2.1-329 of the Code of Virginia; money market funds permitted by Section 2.1-328 of the Code; units in any pool or pools of investments created under the Government Non-Arbitrage Investment Act; commercial paper permitted by Section 2.1-328.1 of the Code; and bankers acceptances permitted by Section 2.1-328.3 of the Code. At June 30, 1999, Crestar Bank held \$42,013 in cash and investments for the Authority.

Under a Master Indenture of Trust dated December 1, 1996, The Bank of New York, successor to Signet Bank as trustee, is authorized to invest in the following investments in addition to those noted above: 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 2.1-327 and 2.1-328A.3; and investments made pursuant to the Investment of Public Funds and Local Government Investment Pool Act. At June 30, 1999, The Bank of New York maintained \$99,118,090 in cash and investments for the Authority.

Details of the Authority's investments are presented on the following page. At June 30, 1999, the Authority's investments were held in the Local Government Investment Pool, the State Non-Arbitrage Program, or other money market funds which are not categorized by credit risk since they are not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Market Value</u>
Cash and cash equivalents:		
State Non-arbitrage Program	\$ 98,725,077	\$ 98,725,077
Local Government Investment Pool	64,278	64,278
Other money market funds	<u>435,026</u>	<u>435,026</u>
Total cash and cash equivalents	<u>\$ 99,224,381</u>	<u>\$ 99,224,381</u>

3. LEASES AND NOTES RECEIVABLE

Under the Authority's Equipment Leasing Program, lease payments made by the public institutions of higher education under the terms of lease agreements between the Authority and the institutions provide for the payment of debt service on the Equipment Leasing Bonds. 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 lease and note payments due from the institutions is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 28,235,000	\$ 8,341,576	\$ 36,576,576
2001	30,855,000	7,047,309	37,902,309
2002	26,645,000	5,761,736	32,406,736
2003	13,420,000	4,642,348	18,062,348
2004	4,430,000	4,036,435	8,466,435
2005 - 2019	<u>84,640,000</u>	<u>32,064,515</u>	<u>116,704,515</u>
Total	<u>\$188,225,000</u>	<u>\$ 61,893,919</u>	<u>\$250,118,919</u>

4. LONG-TERM INDEBTEDNESS

On June 2, 1999, the Authority issued \$59,495,000 of its Educational Facilities Revenue Bonds, Series 1999 to finance capital projects and the acquisition of equipment located at various higher educational institutions through the 21st Century College Program. This was the first time the Equipment Program was consolidated with the 21st Century College Program in one bond issuance. Accordingly, beginning with the 1999 Bonds, leases will no longer be associated with the Equipment Program. Debt service payments on these bonds will be derived from Commonwealth appropriations. As of June 30, 1999, the outstanding balance on this series is \$59,495,000. The final bond principal payment will be made on February 1, 2019.

On October 28, 1998, the Authority issued \$50,735,000 of its Educational Facilities Revenue Bonds, Series 1998A, to acquire Institutional Notes of various public higher education institutions and to pay certain issuance costs. The institutions in turn will use the proceeds of the Notes to finance capital projects. Debt service will be payable by the institutions in accordance with the terms of the Institutional Notes. As of June 30, 1999, the outstanding balance on this series is \$50,735,000. The final bond principal payment will be made on September 1, 2018.

On June 11, 1998, the Authority issued \$54,785,000 of its Educational Facilities Revenue Bonds, Series 1998, to finance capital projects at various higher educational institutions through the 21st Century College Program. Debt service payments on these bonds will be derived from Commonwealth appropriations. As of June 30, 1999, the outstanding balance on this series is \$54,785,000. The final bond principal payment will be made on August 1, 2017.

On May 20, 1998, the Authority issued \$38,875,000 in Educational Facilities Revenue Bonds, Series 1998, to finance the acquisition of equipment at public institutions of higher education and to pay associated issuance costs. As of June 30, 1999, the outstanding balance on this series is \$32,925,000. The final bond principal payment will be made on February 1, 2003.

On October 8, 1997, the Authority issued \$55,765,000 of its Educational Facilities Revenue Bonds, Series 1997A, to acquire Institutional Notes of various public higher education institutions. The institutions in turn will use the proceeds of the Notes to finance capital projects. Debt service will be payable by the institutions in accordance with the terms of the Institutional Notes. As of June 30, 1999, the outstanding balance on this series is \$54,445,000. The final bond principal payment will be made on September 1, 2017.

On May 29, 1997, the Authority issued \$38,905,000 in Educational Facilities Revenue Bonds, Series 1997, to finance the acquisition of equipment at public institutions of higher education and to pay associated issuance costs. As of June 30, 1999, the outstanding balance on this series is \$23,690,000. The final bond principal payment will be made on February 1, 2002.

On December 13, 1996, the Authority issued \$53,160,000 of its Educational Facilities Revenue Bonds, Series 1996, to finance capital projects at various higher educational institutions through the 21st Century College Program. Debt service payments on these bonds will be derived from Commonwealth appropriations. As of June 30, 1999, the outstanding balance on this series is \$50,865,000. The final bond principal payment will be made on August 1, 2016.

On May 30, 1996 the Authority issued \$25,150,000 in Educational Facilities Revenue Bonds, Series 1996, to finance the acquisition of equipment at public institutions of higher education and to pay associated issuance costs. As of June 30, 1999, the outstanding balance on this series is \$15,805,000. The final bond principal payment will be made on August 1, 2001.

On May 31, 1995, the Authority issued \$24,680,000 in Educational Facilities Revenue Bonds, Series 1995, to finance the acquisition of equipment at public institutions of higher education and to pay associated issuance costs. As of June 30, 1999, the outstanding balance on this series is \$10,625,000. The final bond principal payment will be made on August 1, 2000.

On March 31, 1994, the Authority issued \$20,040,000 in Educational Facilities Revenue Bonds, Series 1994, to finance the acquisition of equipment at public institutions of higher education and to pay certain costs of issuance. As of June 30, 1999, there was no outstanding balance on this series. The final bond principal payment was made during fiscal year 1999 on August 1, 1998.

Annual Requirements to Amortize Long-Term Debt

The following schedules provide the annual debt service requirements on the Authority's debt outstanding at June 30, 1999.

Enterprise Fund

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 28,235,000	\$ 8,341,576	\$ 36,576,576
2001	30,855,000	7,047,309	37,902,309
2002	26,645,000	5,761,736	32,406,736
2003	13,420,000	4,642,348	18,062,348
2004	4,430,000	4,036,435	8,466,435
2005-2019	<u>84,640,000</u>	<u>32,064,515</u>	<u>116,704,515</u>
Total	<u>\$ 188,225,000</u>	<u>\$ 61,893,919</u>	<u>\$ 250,118,919</u>

General Long-Term Debt Group

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 12,200,000	\$ 6,864,582	\$ 19,064,582
2001	12,250,000	7,276,204	19,526,204
2002	12,770,000	6,755,775	19,525,775
2003	13,365,000	6,162,847	19,527,847
2004	13,995,000	5,537,335	19,532,335
2005-2019	<u>100,565,000</u>	<u>38,957,186</u>	<u>139,522,186</u>
Total	<u>\$ 165,145,000</u>	<u>\$ 71,553,929</u>	<u>\$ 236,698,929</u>

Changes in Long-Term Debt

The following schedule is a summary of changes in long-term debt of the Authority for the year ended June 30, 1999.

	<u>Enterprise Fund</u>	<u>General Long-Term Debt Account Group</u>
Bonds payable at July 1, 1998	\$166,020,000	\$107,365,000
Bonds issued	50,735,000	59,495,000
Bonds redeemed	<u>(28,530,000)</u>	<u>(1,715,000)</u>
Bonds Payable at June 30, 1999	<u>\$188,225,000</u>	<u>\$165,145,000</u>

5. ALLOCATION PAYABLE

During fiscal year 1999, the General Assembly appropriated \$42,615,065 for the purchase of equipment at public institutions of higher education. The Authority is committed by this appropriation to pay the equipment costs from its cash and investments. Institutions purchased and obtained reimbursement for \$10,881,472 in equipment relating to this appropriation during the fiscal year, leaving \$31,733,593 of this allocation outstanding at June 30, 1999. A portion of this allocation payable is presented in the General Fund to represent that amount, which is currently due and payable.

In addition, the institutions purchased and obtained reimbursement for \$25,289,503 of equipment relating to a prior year's appropriation by the General Assembly.

6. 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 higher education institutions. These institutions will in turn use the proceeds of the notes to finance capital projects. Therefore, the unspent portion of the note proceeds still held by the trustee at June 30, 1999 in the Enterprise Fund are reflected as "Due to higher education institutions." Amounts reflected as "Due to higher education institutions" in the General Fund represent normal year-end payables to institutions as a result of on-going operations.

7. SUBSEQUENT EVENTS

The Authority plans to issue bonds late in 1999 for the following:

- \$71,200,000 VCBA Educational Facilities Revenue Bonds (Public Higher Education Financing Program) Series 1999
- \$15,400,000 VCBA Educational Facilities Revenue Refunding Bonds (University of Richmond) Series 1999
- \$21,500,000 VCBA Educational Facilities Revenue Refunding Bonds (Hampton University) Series 1999

On June 22, 1999 the Board of the Virginia College Building Authority unanimously adopted a resolution approving an application filed by Regent University in March 1999, requesting financing through the Authority pursuant to the Educational Facilities Authority Act (Title 23, Chapter 3.3, *Code of Virginia* of 1950, as amended (the "Code")). The application was for an amount not to exceed \$55 million. The resolution also approved the validation of the bonds pursuant to Section 15.2-2600 et seq. of the Code. Pursuant to the bond validation statute, the Authority filed a friendly suit in the Circuit Court of the City of Richmond, Virginia on June 29, 1999 requesting that the Court validate the bonds. Americans United for Separation of Church and State and the American Civil Liberties Union filed briefs in opposition to the validation. On July 30, 1999, Judge Randall G. Johnson of the Richmond Circuit Court ruled against the Authority and Regent University. In continuance with the validation process, the Authority filed an appeal with the Virginia Supreme Court on September 3, 1999. The outcome of the suit is uncertain, however, if the courts do not approve the issuance of the bonds, they will not be issued. Regent University is paying expenses associated with the validation proceedings.

8. SURETY BOND

Ms. Mary G. Morris, Treasurer of Virginia and Treasurer of the Authority at June 30, 1999, was covered under a Faithful Performance of Duty Bond in the amount of \$500,000 with the Fidelity and Deposit Company of Maryland as surety.

Certain employees of the State Treasury are responsible for maintaining the accounting records of the Authority. Such employees, as well as parties acting on behalf of the Authority, such as Authority board members, were covered by a Faithful Performance Duty Bond administered by the Commonwealth of Virginia's Department of General Services, Division of Risk Management, with liability limits of \$500,000 for each occurrence.

SUPPLEMENTAL INFORMATION

VIRGINIA COLLEGE BUILDING AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

AS OF JUNE 30, 1999

YEAR 2000 READINESS

Many existing computer and embedded technology systems use only two digits to identify a year in the date field. These systems were designed and developed without considering the impact of the upcoming change in the century. If not corrected, these systems could fail or create erroneous results by or at the Year 2000. In addition, the Year 2000 is a leap year, which may generate additional problems. The Authority recognizes the need to ensure its operations will not be adversely impacted by Year 2000 failures.

The Authority is a public body corporate and a political subdivision, agency, and instrumentality of the Commonwealth of Virginia (the "Commonwealth") and is staffed by the Department of the Treasury ("Treasury"). Treasury has modified its systems to address this issue, with particular emphasis on its "mission critical" systems, which include, but are not limited to, various financial systems. However, due to the interdependent nature of business processes, Treasury may be adversely impacted in the Year 2000 depending on whether it or other entities not affiliated with the Commonwealth address this issue successfully. For example, while the Commonwealth anticipates having sufficient funds to pay debt service, problems may disrupt external systems necessary to send payments to bondholders. Therefore, Treasury cannot provide assurance against problems that may disrupt external systems not affiliated with the Commonwealth.

As of June 30, 1999, Treasury had completed the Awareness, Assessment, and Remediation Stages of its Year 2000 compliance efforts and is nearing the completion of the Validation/Testing Stage. As of June 30, 1999, Treasury had incurred approximately \$236,121 in Year 2000 related costs and it was estimated that approximately \$108,000 of additional costs would be required to complete the testing, validation, and implementation of systems to ensure Year 2000 compliance.

Virginia College Building Authority
Supplemental Information
Schedule of Outstanding Bond Issues for Private Colleges and Universities
As of June 30, 1999
(Dollars in Thousands)

College/University	Series	Dated Date	Yield*	Amount Originally Issued	Amount of Notes Purchased	Outstanding July 1, 1998	Issued (Retired) During Year	Outstanding June 30, 1999	Original Final Maturity
Hampden-Sydney College	1992	01/15/1992	6.49%	\$ 10,840	\$ 10,840	\$ 1,195	\$ (275)	\$ 920	09/01/2016
	1998	04/01/1998	5.08%	13,340	13,340	13,340	(250)	13,090	09/01/2018
Hampton University	1989A	03/15/1989	7.71%	14,680	14,680	430	(430)	-	04/01/2014
	1992	04/01/1992	6.71%	6,660	6,660	4,860	(3,630)	1,230	04/01/2008
	1993	05/15/1993	5.85%	22,640	22,640	20,760	(430)	20,330	04/01/2014
	1998	12/01/1998	4.55%	10,745	10,745	-	10,460	10,460	04/01/2018
Marymount University	1992	07/01/1992	7.11%	16,880	16,880	15,880	(14,675)	1,205	07/01/2022
	1998	11/01/1998	5.08%	26,015	26,015	-	26,015	26,015	07/01/2028
Randolph Macon College	1998	04/01/1998	4.59%	9,830	9,830	9,830	-	9,830	03/01/2013
University of Richmond	1991	06/01/1991	6.4%/VAR	17,520	17,520	17,520	-	17,520	11/01/2022
	1992	10/15/1992	6.16%	16,125	16,125	16,125	-	16,125	11/01/2012
	1994	06/01/1994	VAR	17,000	17,000	17,000	-	17,000	11/01/2019
	1996	08/07/1996	VAR	22,500	22,500	22,500	-	22,500	11/01/2026
Roanoke College	1992	10/15/1992	6.67%	5,190	5,190	4,375	(185)	4,190	10/15/2012
Washington & Lee University	1979	09/01/1979	N/A	4,500	4,500	700	(340)	360	10/01/1999
	1990A	01/15/1990	7.09%	5,945	5,945	3,180	(450)	2,730	01/01/2004
	1990B	01/15/1990	7.09%	7,605	7,605	425	(205)	220	01/01/2015
	1992	01/15/1992	6.44%	8,390	8,390	520	-	520	01/01/2012
	1994	06/01/1994	5.97%	40,500	40,500	31,530	(50)	31,480	01/01/2024
	1998	04/01/1998	5.09%	52,205	52,205	52,205	-	52,205	01/01/1931
Virginia Wesleyan College	1990	11/15/1990	7.22%	2,500	2,500	940	(290)	650	11/01/2000
	1992	05/15/1992	6.68%	4,750	4,750	3,900	(175)	3,725	05/01/2002
				<u>\$ 336,360</u>	<u>\$ 336,360</u>	<u>\$ 237,215</u>	<u>\$ 15,090</u>	<u>\$ 252,305</u>	

* "Yield" refers to the NIC in most cases, to the TIC when available, and to the ARB Yield in other cases.

VIRGINIA COLLEGE BUILDING AUTHORITY
Richmond, Virginia

BOARD MEMBERS

As of June 30, 1999

Stephen Hartwell, Chairman

Allen B. Rider, III, Vice Chairman

Mary G. Morris, Treasurer

William Allen
William E. Landside
Scott D. Pattison

Thomas G. Digges, Jr.
Danna Nottingham
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