

VIRGINIA PUBLIC BUILDING AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2024



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

This section of the Virginia Public Building Authority's (the Authority) annual financial report presents an analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2024. This information should be considered in conjunction with the information contained in the financial statements.

Authority Activities and Highlights

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

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of two components: 1) combined government-wide and fund financial statements, and 2) notes to the financial statements.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are two basic financial statements that report information about the Authority as a whole. The data is reported using the accrual basis of accounting, and provides insight as to whether or not the Authority's total financial position has improved as a result of the current year's activities.

The Statement of Net Position presents all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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).

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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Both statements report governmental activities. The financial information in this section is related to Authority programs backed by appropriations from the Commonwealth as authorized by the General Assembly.

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Government-wide Financial Analysis of the Authority

The primary purpose of the Authority is to provide a vehicle for financing public facilities for the use of the Commonwealth and its agencies and instrumentalities, and to finance reimbursements of the Commonwealth's share of local or regional jails and juvenile detention facilities costs. The Department of the Treasury provides staff support for the Authority. Consequently, the only operating costs are those attributable to its financing programs, which are paid primarily from bond proceeds.

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

Condensed Statement of Net Position
(in millions)

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current assets	\$ 194	\$ 291	\$ (97)
Deferred Outflows of Resources	<u>11</u>	<u>19</u>	<u>(8)</u>
Current liabilities	376	374	2
Noncurrent liabilities	<u>3,255</u>	<u>3,259</u>	<u>(4)</u>
Total liabilities	<u>3,631</u>	<u>3,633</u>	<u>(2)</u>
Deferred Inflows of Resources	<u>6</u>	<u>-</u>	<u>6</u>
Net position (deficit)	<u>\$ (3,432)</u>	<u>\$ (3,323)</u>	<u>\$ (109)</u>

The Authority's net position decreased by \$109 million or 3% in fiscal year 2024 compared to fiscal year 2023. The decrease is due to several factors. Available cash decreased by \$97 million due to project disbursements during the year and interest receivable decreased by \$1 million due to lower cash balances. Deferred outflows of resources decreased by \$8 million as a result of current year amortization of the charge on refunding. The amounts due to state agencies and other entities decreased by \$1 million as a result of normal fluctuations in project activity. Outstanding bonds premium decreased by \$16 million (due to current year amortization net of premium on new bond issuances). Outstanding bonds payable increased by \$21 million (due to bonds refunded and retired) and bonds interest payable decreased by \$6 million as a result of the underlying structure of the outstanding bonds. In addition, the deferred gain on refunding increased by \$6 million as a result of a current year deferred gain on refunding bonds.

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

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

Condensed Statement of Activities
(in millions)

Revenues:	2024	2023	Change
Appropriation from the Commonwealth	\$ 354	\$ 357	\$ (3)
Other revenue	11	21	(10)
Total revenues	<u>365</u>	<u>378</u>	<u>(13)</u>
Expenses:			
Interest on long-term debt	87	104	(17)
Disbursements for state and local projects	<u>387</u>	<u>342</u>	<u>45</u>
Total expenses	<u>474</u>	<u>446</u>	<u>28</u>
Gain on Cash Defeasance	<u>-</u>	<u>1</u>	<u>(1)</u>
Changes in net position	(109)	(67)	(42)
Net position (deficit), July 1	<u>(3,323)</u>	<u>(3,256)</u>	<u>(67)</u>
Net position (deficit), June 30	<u>\$ (3,432)</u>	<u>\$ (3,323)</u>	<u>\$ (109)</u>

The Authority's revenues decreased by \$13 million or 3% compared to last year while expenses increased by \$28 million or 6% compared to fiscal year 2023. The decrease in revenues is due to a \$3 million decrease in the appropriation receipt from the Commonwealth as a result of a smaller debt service requirement for the year and a \$10 million decrease in interest on investments due to lower invested balances. The increase in expenses is attributable to a \$34 million increase in disbursements for state and local construction projects as a result of normal fluctuations in project activity, a \$16 million decrease in interest on long term debt as a result of the underlying structure of the outstanding bonds and a \$9 million arbitrage rebate in 2024 with no corresponding payment in fiscal year 2023. The fluctuations in revenues and expenses are expected due to the nature of the Authority's operations.

Financial Analysis of the Authority's Funds

In the Special Revenue Fund, total assets decreased by \$98 million, or 34% in fiscal year 2024. This is primarily attributable to current period receipts, comprised of new bond issuances of \$280 million and interest on investment of \$9 million offset by disbursements to state agencies and other entities of \$377 million and the \$9 million arbitrage rebate. Liabilities decreased by \$1 million, or 1%, due to a decrease in payables to state agencies and other entities of \$1 million. Liabilities generally fluctuate with construction schedules and reimbursement requests.

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

Debt Administration

As a financing entity, the sole business of the Authority is debt administration. The Authority issues bonds to finance capital projects approved by the General Assembly of the Commonwealth of Virginia. All bonds are secured by amounts to be appropriated by the General Assembly.

The following is a summary of changes in long-term debt of the Authority at June 30, 2024:

Payable at July 1, 2023	\$ 3,519,630,028
Bonds issued	388,370,000
Bonds redeemed	(223,880,000)
Bonds defeased	(143,445,000)
Premium on bonds sold	37,277,863
Annual amortization of premium on bonds sold and other decreases	<u>(53,890,923)</u>
Payable at June 30, 2024	<u><u>\$ 3,524,061,968</u></u>

Additional information can be found in Note 2B on page 12.

The Authority's outstanding bonds are rated as follows:

Moody's Investors Service (Moody's)	Aa1
S&P Global Ratings (S&P)	AA+
Fitch Ratings, Inc. (Fitch)	AA+

Since the Authority's bonds are backed by state appropriations, the bond ratings are a direct reflection of the Commonwealth's triple-A rating from each of the three rating agencies.

Future Impact to Financial Position

The Authority did not issue bonds prior to December 13, 2024.

VIRGINIA PUBLIC BUILDING AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
As of June 30, 2024

	Special Revenue Fund	Adjustments (Note 1D)	Statement of Net Position
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2A)	\$ 191,859,134	\$ -	\$ 191,859,134
Due from the Federal Government (Note 2G)	-	872,576	872,576
Interest receivable	720,346	-	720,346
Total assets	<u>\$ 192,579,480</u>	<u>872,576</u>	<u>193,452,056</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding (Note 2C)		11,433,743	11,433,743
Total deferred outflows of resources		<u>11,433,743</u>	<u>11,433,743</u>
LIABILITIES			
Current liabilities:			
Bond interest payable	\$ -	51,577,308	51,577,308
Due to state agencies and other entities	55,392,726	-	55,392,726
Bonds payable (Note 2B)	-	234,485,000	234,485,000
Premium on bonds sold (Note 2B)	-	34,618,530	34,618,530
Total current liabilities	<u>55,392,726</u>	<u>320,680,838</u>	<u>376,073,564</u>
Noncurrent liabilities:			
Bonds payable (Note 2B)	-	2,905,745,000	2,905,745,000
Premium on bonds sold (Note 2B)	-	349,213,438	349,213,438
Total noncurrent liabilities	<u>-</u>	<u>3,254,958,438</u>	<u>3,254,958,438</u>
Total liabilities	<u>55,392,726</u>	<u>3,575,639,276</u>	<u>3,631,032,002</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding (Note 2C)		6,330,771	6,330,771
Total deferred outflows of resources		<u>6,330,771</u>	<u>6,330,771</u>
FUND BALANCE/NET POSITION:			
Fund balance:			
Restricted for construction projects	137,087,570	(137,087,570)	-
Restricted for debt service	99,184	(99,184)	-
Total fund balance (Note 2E)	<u>137,186,754</u>	<u>(137,186,754)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 192,579,480</u>		
Net position (deficit):			
Unrestricted		(3,432,476,974)	(3,432,476,974)
Total net position (deficit) (Note 2F)		<u>\$ (3,432,476,974)</u>	<u>\$ (3,432,476,974)</u>

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

VIRGINIA PUBLIC BUILDING AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2024

	Special Revenue Fund	Adjustments (Note 1D)	Statement of Activities
REVENUES:			
Interest on investments	\$ 8,948,177	\$ -	\$ 8,948,177
Interest on Build America Bonds	2,184,719	(77,865)	2,106,854
Appropriations from the Commonwealth	353,761,695	-	353,761,695
	<u>364,894,591</u>	<u>(77,865)</u>	<u>364,816,726</u>
Total revenues			
EXPENDITURES/EXPENSES:			
Current:			
Legal and financial services	1,500	-	1,500
Printing and electronic distributions	9,701	-	9,701
Disbursements to state agencies and other entities	376,890,813	-	376,890,813
Underwriter's discount	428,488	-	428,488
Bond rating fees	46,604	-	46,604
Rebate payment	9,277,227	-	9,277,227
Debt service:			
Principal retirement	223,880,000	(223,880,000)	-
Interest and fiscal charges	132,085,178	(44,639,737)	87,445,441
	<u>742,619,511</u>	<u>(268,519,737)</u>	<u>474,099,774</u>
Total expenditures/expenses			
Deficiency of revenues under expenditures	<u>(377,724,920)</u>	-	-
Other financing sources (uses):			
Payments to refunded bond escrow agent	(144,878,119)	144,878,119	-
Debt issuance	388,370,000	(388,370,000)	-
Bond premium	37,277,862	(37,277,862)	-
	<u>280,769,743</u>	<u>(280,769,743)</u>	<u>-</u>
Total other financing sources (uses)			
Deficiency of revenues and other financing sources under expenditures and other financing uses	(96,955,177)	96,955,177	-
Change in net position	-	(109,283,048)	(109,283,048)
Fund balance/Net position (deficit), July 1, 2023	<u>234,141,931</u>	<u>(3,557,335,857)</u>	<u>(3,323,193,926)</u>
Fund balance/Net position (deficit), June 30, 2024 (Note 2E and Note 2F)	<u>\$ 137,186,754</u>	<u>\$ (3,569,663,728)</u>	<u>\$ (3,432,476,974)</u>

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

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

B. Measurement Focus and Basis of Accounting

The accompanying financial statements are presented using the accounting principles generally accepted in the United States of America as prescribed by the GASB. The accompanying government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenditures are recognized when the related liability is incurred, regardless of the timing of related cash flows. For financial reporting purposes, the Authority defines payables as those items which have been identified by the submitting agencies as payable at June 30 and which have been presented to the Authority for payment by the annually established submission date.

The accompanying governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available to fund current operations. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt which is recognized when due.

The Authority uses the cash basis of accounting during the year and reports on the accrual and modified accrual basis for financial statement purposes at the end of the fiscal year.

C. Fund Accounting

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Fund consists of bond proceeds, bond funds, and issuance expense funds. The fund was established in accordance with the provisions of the Trust Agreement entered into with the trustee for each bond indenture.

D. Adjustments

The adjustments column 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 and other financing sources and uses associated with debt. The non-current portion of bonds payable includes those payments that are not due and payable in the current period.

VIRGINIA PUBLIC BUILDING AUTHORITY
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E. Bond Issuance Costs, Premiums, and Discounts

Costs associated with issuing debt are expensed in the year incurred. The original issue premium or discount, for each bond issuance, is also recorded in the year incurred unless it exceeds 1% of the par 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, in the case of tax-exempt bonds, and on an effective interest basis, in the case of taxable bonds.

F. Budget to Actual Statement

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

2. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Cash and cash equivalents of \$191,859,134 are held by The Bank of New York Mellon, as trustee under the 1997 Indenture. Cash is defined as currency on hand and demand deposits, or monies in accounts or cash management pools having the characteristics of demand deposit accounts. Cash equivalents represent deposits and short-term investments with original maturities 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 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.

In accordance with the Trust Subsidiary Act, §6.2-1057 of the *Code of Virginia*, cash held by the trustee while awaiting investment or distribution is not used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the market value of the trust funds held on deposit in excess of amounts insured by federal deposit insurance.

The 1997 Indenture authorizes the trustee, on behalf of the Authority, to invest in legal investments for public sinking funds and other public funds as outlined in §2.2-4500 and §2.2-4501 of the *Code of Virginia* which include repurchase

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

agreements, certificates of deposit, commercial paper, bankers' acceptances, United States Government and agency securities, and money market funds.

Custodial credit risk for cash and cash equivalents is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of the cash and cash equivalents or collateral securities that are in the possession of an outside party. The Trustee complies with the Trust Subsidiary Act, §6.2-1057 of the *Code of Virginia* with regard to the Authority's assets. The Authority's investments at June 30, 2024 were held in the Authority's name by the Authority's custodial banks; therefore, the Authority has no custodial credit risk.

Details of the Authority's cash and cash equivalents are presented below.

As of June 30, 2024

Cash and cash equivalents:

Cash held by Treasurer of Virginia	\$ 8,751
State Non-Arbitrage Program ⁽¹⁾	166,983,033
Local Government Investment Pool ⁽²⁾	<u>24,867,350</u>
	<u>\$ 191,859,134</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. SNAP® is rated 'AAAm' by S&P's rating service.

⁽²⁾ The Local Government Investment Pool (LGIP) enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. The LGIP is rated AAAm by S&P's rating service.

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

B. Long-Term Debt

Changes in Long-Term Debt - The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2024.

	Balance July 1, 2023	Issuances and Other Increases	Retirements and Other Decreases	Balance June 30, 2024	Due Within One Year
Bonds	\$ 3,119,185,000	\$ 388,370,000	\$ (367,325,000)	\$ 3,140,230,000	\$ 234,485,000
Add: Unamortized Premium	400,445,028	37,277,863	(53,890,923)	383,831,968	34,618,530
Total	<u>\$ 3,519,630,028</u>	<u>\$ 425,647,863</u>	<u>\$ (421,215,923)</u>	<u>\$ 3,524,061,968</u>	<u>\$ 269,103,530</u>

Annual Requirements to Amortize Long-Term Debt:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	234,485,000	128,054,017	362,539,017
2026	234,900,000	123,835,704	358,735,704
2027	231,345,000	112,509,653	343,854,653
2028	212,245,000	101,773,939	314,018,939
2029	208,235,000	91,839,348	300,074,348
2030-2034	890,725,000	327,005,927	1,217,730,927
2035-2039	724,850,000	151,102,244	875,952,244
2040-2044	383,980,000	31,662,535	415,642,535
2045	19,465,000	486,625	19,951,625
Unamortized Premium	383,831,968		383,831,968
Total	<u>\$ 3,524,061,968</u>	<u>\$ 1,068,269,992</u>	<u>\$ 4,592,331,960</u>

C. 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. The Authority 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.

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The Authority issued one series of refunding bonds in fiscal year 2024. The schedule below reflects this refunding activity during the year.

Refunding Bonds Issued During Fiscal Year 2024

Refunding Issue	Refunded Issue	Maturities Defeased	Amount Defeased
2024B	2014A	2025, 2028-2034	\$ 65,370,000
2024B	2014C	2025-2027	78,075,000
		Total Defeased, FY 2024	<u>\$ 143,445,000</u>

In June 2024, the Commonwealth issued \$135,965,000 of Public Facilities Revenue Refunding Bonds, Series 2024B, for the purpose of refunding certain outstanding maturities (“Refunding Bonds”), pursuant to Section 9(d) of Article X of the Constitution. Bonds were issued with a true interest cost (TIC) of 3.160155 percent to refund \$143,445,000 of outstanding Commonwealth of Virginia Public Facilities Revenue Bonds, Series, 2014A and 2014C (the “Refunded Bonds”). The net proceeds from the sale of the Refunding Bonds of \$144,878,119 (after payment of underwriter’s fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service and redemption premiums on the Refunded Bonds. The debt defeasance resulted in an accounting gain of \$7,257,938. It will also reduce total debt service payments over the next 11 years by \$4,318,833 resulting in an economic gain of \$3,847,861 discounted at the rate of 3.3322041 percent.

D. Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986 calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986.

The Authority must comply with the rebate regulations in order for the Authority’s bonds to maintain a tax-exempt status. The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the investments were invested at a rate equal to the bond yield to be rebated to the federal government.

Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least every five years over the life of the bonds. Some bonds

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

of the Authority may be exempt from the rebate regulations if they meet statutory exceptions per the rebate requirements. The Authority may also elect, on or before the date of the bond issue, to pay a penalty in lieu of rebate if it does not meet certain expenditure tests. The Authority would retain any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate.

Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that fall under the regulations and do not qualify for exceptions. In fiscal year 2024, the Series 2019A and Series 2019B bond issues were subject to their initial 5-year installment computation and it was determined there was no arbitrage rebate liability. In fiscal year 2024, no bonds were subject to a 10-year installment computation, a 15-year installment computation or subject to a final rebate payment calculation. Through arbitrage rebate liability monitoring, the Authority became aware that a liability was accruing on its Series 2022A bond issue. As the Authority planned its final draw to support projects, the Authority simultaneously performed a first installment period arbitrage rebate calculation in advance of the more typical 5-year computation date. The arbitrage rebate calculation determined a rebate payment of \$9,277,226.55 was due to the Internal Revenue Service. On June 6, 2024, the Authority submitted a requisition to the Trustee to pay this liability from the interest earnings held by the Trustee and to then close the Series 2022A related project account. For the fiscal year ending June 30, 2024, no additional rebate payments were made to the Internal Revenue Service.

E. Fund Balance

Restricted fund balances are amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Generally accepted accounting principles direct that governmental funds recognize expenditures when the related liability is incurred while revenues are recognized when they become available. Due to the timing of the Authority's bond issuance, available resources at the close of the current year recognized by the Authority exceeded the expenditures recognized by the Authority at the close of the current period resulting in a surplus balance of \$137,186,754.

F. Deficit Net Position

Authority bonds are secured by General Assembly appropriations. 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 \$3,432,476,974. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

G. Due from the Federal Government

The American 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 Bonds program, instead of issuing federally tax-exempt bonds, the Authority could issue federally taxable Build America Bonds and elect to receive a subsidy payment from the federal government equal to 35% of each interest payment due semiannually on such taxable bonds. The Authority has issued two such series of bonds, beginning in fiscal year 2010 (Series 2010A-2 Bonds and Series 2010B-2 Bonds). The Series 2010A-2 Bonds were refunded on April 23, 2020. The Authority is accruing a receivable from the federal government for the subsidy payment which will be due on August 1, 2024. As a result of the Federal Sequestration, the August 1, 2024 payment is expected to be reduced by 5.7% and the corresponding accrual was adjusted to reflect this reduction. It should be noted that the subsidy payments have not been pledged to the payment of the Build America Bonds, and the subsidy payments are not full faith and credit obligations of the United States. As such, future debt service payments have been reflected in these financial statements at their gross amounts, without consideration of possible future subsidy payments.

H. Subsequent Events

The Authority did not issue bonds prior to December 13, 2024.

I. Risk Management

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

VIRGINIA PUBLIC BUILDING AUTHORITY
SUPPLEMENTARY INFORMATION
DETAIL OF LONG-TERM INDEBTEDNESS
AS OF JUNE 30, 2024
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	True Interest Cost ("TIC")	Amount Issued	Outstanding July 1, 2023	Issued (Retired) During Year	Outstanding June 30, 2024	Original Maturity
Series 2010B-2 (Taxable)	11/23/10	3.40%	195,310	128,690	(15,275)	113,415	08/01/30
Series 2012A Refunding	02/23/12	1.74%	72,415	19,905	(9,820)	10,085	08/01/24
Series 2013A	02/21/13	2.70%	143,400	59,265	(6,895)	52,370	08/01/33
Series 2013B Refunding	02/21/13	1.74%	72,370	11,930	(11,930)	-	08/01/23
Series 2014A	09/17/14	2.93%	132,875	77,810	(71,435)	6,375	08/01/34
Series 2014B (Taxable)	09/17/14	3.22%	29,735	19,720	(1,375)	18,345	08/01/34
Series 2014C Refunding	09/17/14	2.14%	298,390	126,295	(95,465)	30,830	08/01/27
Series 2015A	06/09/15	3.28%	232,980	173,485	(10,130)	163,355	08/01/35
Series 2015B Refunding	06/09/15	2.45%	134,730	59,095	(8,900)	50,195	08/01/28
Series 2016A	10/05/16	2.52%	206,420	161,810	(8,770)	153,040	08/01/36
Series 2016B Refunding	10/05/16	1.85%	178,955	146,165	(25,375)	120,790	08/01/29
Series 2016C (AMT)	10/05/16	2.89%	147,420	117,390	(5,935)	111,455	08/01/36
Series 2016D (Taxable)	10/05/16	2.81%	13,830	10,355	(625)	9,730	08/01/36
Series 2017A Refunding	12/14/17	2.48%	145,325	127,920	-	127,920	08/01/31
Series 2018A	05/08/18	3.16%	160,605	139,360	(5,975)	133,385	08/01/38
Series 2018B (Taxable)	05/08/18	3.63%	17,400	14,880	(695)	14,185	08/01/38
Series 2019A	04/02/19	2.92%	178,105	161,025	(6,255)	154,770	08/01/39
Series 2019B (AMT)	04/02/19	3.10%	133,805	121,090	(4,680)	116,410	08/01/39
Series 2019C (Taxable)	04/02/19	2.60%	25,040	10,040	(5,000)	5,040	08/01/24
Series 2020A	04/23/20	2.49%	204,180	191,535	(6,755)	184,780	08/01/40
Series 2020B Refunding	04/23/20	1.39%	204,770	167,330	(25,650)	141,680	08/01/30
Series 2020C (Taxable)	04/23/20	2.92%	100,295	92,260	(4,115)	88,145	08/01/40
Series 2021A	03/31/21	1.87%	535,225	518,855	(17,210)	501,645	08/01/41
Series 2021B Refunding	03/31/21	1.44%	11,030	9,970	(1,065)	8,905	08/01/31
Series 2022A	04/26/22	3.02%	432,950	432,950	(12,995)	419,955	08/01/42
Series 2022B (Taxable)	04/26/22	2.76%	20,055	20,055	(5,000)	15,055	08/01/26
Series 2024A	06/12/24	3.77%	222,305		222,305	222,305	08/01/44
Series 2024B Refunding	06/12/24	3.16%	135,965		135,965	135,965	08/01/34
Series 2024C (Taxable)	06/12/24	4.93%	30,100		30,100	30,100	08/01/30
Total			<u>\$ 4,415,985</u>	<u>\$ 3,119,185</u>	<u>\$ 21,045</u>	<u>\$ 3,140,230</u>	



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2024

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Board Members
Virginia Public Building Authority

David L. Richardson
State Treasurer

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and major special revenue fund of the **Virginia Public Building Authority** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2024, 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 governmental activities and major special revenue fund of the Authority as of June 30, 2024, 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.

Basis for Opinions

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 opinions.

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 opinions. 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 opinions 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 13, 2024, 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

EMS/clj

VIRGINIA PUBLIC BUILDING AUTHORITY
Richmond, Virginia

BOARD MEMBERS

As of June 30, 2024

Sarah B. Williams, Chairman

John A. Mahone, Vice Chairman

Michelle L. Attreed

Carolyn L. Bishop

Suzanne S. Long

EX OFFICIO

David L. Richardson, Secretary/Treasurer, State Treasurer

Sharon H. Lawrence, Acting State Comptroller