VIRGINIA PUBLIC SCHOOL AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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

Authority Activities and Highlights

The Virginia Public School Authority, created by Chapter 11, Title 22.1, *Code of Virginia*, 1950, as amended, provides financing to localities under its pooled bond program. Under the program, the Authority issues its bonds and uses the proceeds to purchase a "pool" of general obligation bonds from localities (the "Local Issuers"). Each Local Issuer uses the proceeds for the purpose of financing capital projects for public schools.

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

Also under its pooled bond program, the Authority has issued school tax credit bonds – Qualified School Construction Bonds ("QSCBs") and Qualified Zone Academy Bonds ("QZABs") – under a Master Indenture of Trust dated as of October 1, 2009. Qualified School Construction Bonds are tax credit bonds established under the American Recovery and Reinvestment Act of 2009 (ARRA) and Qualified Zone Academy Bonds are tax credit bonds established in the Internal Revenue Code of 1986. Both QSCBs and QZABs provide the bondholder a federal tax credit in lieu of interest. These bonds are secured by payments from Local Issuers on their general obligation local school bonds, then from amounts obtained through the State Aid Intercept Provision, and then from any amounts received by the Authority pursuant to any current Appropriation Act Provision. During the fiscal year, the Authority issued a total of $110,900,000 in pooled bonds under these two programs.

In addition to its pooled bond program, the Authority also issues special obligation bonds under its stand-alone program and its technology and security program. Bonds issued under the stand-alone program are secured solely by the local school bonds purchased from one or more specific localities. The Authority acts as a conduit issuer under the stand-alone program. Under the School Technology and Security Notes Program, the Authority issues obligations to finance technology equipment purchases and fund a grant program for the purchase of security equipment for local public school systems within the Commonwealth. These obligations are payable from or otherwise secured by, the assets and income of the Literary Fund and now benefit from a sum sufficient appropriation from the Commonwealth's General Fund. The Authority issued $66,135,000 under the school technology and security note program. The Authority also issued $142,265,000 under the stand-alone program.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Authority's basic financial statements, which are comprised of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements. The Authority is not required to present government-wide financial statements since all of its activity is reported in an enterprise fund, which would not change in measurement focus (economic resources) or basis of accounting (accrual) for government-wide statements.

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

Financial Analysis of the Authority

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

Condensed Statement of Net Position
(in millions)

	Enterprise Fund	
	2017	2016
Current assets	$ 23	$ 23
Noncurrent assets	3,787	3,833
Total assets	3,810	3,856
Total deferred outflows	124	138
Current liabilities	499	484
Noncurrent liabilities	3,450	3,533
Total liabilities	3,949	4,017
Net position:		
Unrestricted	(15)	(23)
Total net position (deficit)	$ (15)	$ (23)

Total assets decreased during the year by $46 million, or 1 percent. This is primarily due to a $74 million decrease in local school bonds outstanding, a $22 million increase due to principal payments received on Qualified School Construction Bonds (to be held for future payment on the Authority's bonds), and a $6 million increase in amounts due from the Literary Fund (resulting from current year bond issuances exceeding current year bond payments). Total liabilities decreased by $68 million, or 2 percent, during the same period as a result of a decrease in net outstanding bonds and notes payable ($51 million), a decrease in amounts due to localities ($1 million), a decrease in outstanding premium on bonds sold ($18 million), and an increase in interest payable ($2 million). Additionally, the deferred outflow of resources decreased by $14 million due to current year refunding activity and current year amortization of amounts deferred in prior years. Accordingly, an increase of $8 million is reflected in net position.

Deficit net position on the Authority's statements results from the effect of passing on refunding savings to localities prior to the Authority's full realization of the savings from the refunding transaction. As further explained in the Notes to the Financial Statements, this situation has occurred as a result of the Authority's desire to provide maximum benefit to the localities with minimal burden.

Condensed Statement of Changes in Net Position
(in millions)

	Enterprise Fund	
	2017	2016
Revenues:		
Operating revenues:		
Charges for services	$ 137	$ 135
Total revenues	137	135
Expenses:		
Interest on long-term debt	136	132
Other	1	2
Total expenses	137	134
Transfers	8	8
Change in net position	8	9
Net position (deficit), July 1	(23)	(32)
Net position (deficit), June 30	$ (15)	$ (23)

Debt Administration

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

Summary of Authority Bond Obligations
(in millions)

	Outstanding at 6/30/16 [2]	Issued During Year	Retired During Year	Outstanding at 6/30/17
Pooled Bond Programs[1]	$ 2,857	$ 110	$ (220)	$ 2,747
Technology and Security Notes Programs	194	66	(60)	200
Special Obligation Bonds	570	142	(89)	623
Total	$ 3,621	$ 318	$ (369)	$ 3,570

[1] Includes 1997 Resolution and School Tax Credit bonds.

[2] Reflects reclassification of the 2014-1 QZAB from the "Special Obligation" category to the "Pooled Bond" category.

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 Public School Authority Bond Ratings

	Moody's	S&P	Fitch
Pooled Bond Programs[1]	Aa1	AA+	AA+
School Technology and Security Notes	Aa1	AA+	AA+

[1] 1997 Resolution Bonds

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

Future Impact to Financial Position

On August 22, 2017, the Authority issued School Financing and Refunding Bonds Series 2017B in the amount of $106,075,000. The proceeds will be used to refund certain outstanding bonds of the Authority.

On November 7, 2017, the Authority issued School Financing Bonds (1997 Resolution), Series 2017C in the amount of $115,820,000. The proceeds will be used to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2017, the Authority issued its Special Obligation School Financing Bonds, King George County Series 2017 in the amount of $20,840,000. The Bonds will be used by the County to finance the costs of various capital school improvement projects for the County.

VIRGINIA PUBLIC SCHOOL AUTHORITY

STATEMENT OF NET POSITION

As of June 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	$ 23,534,340
Interest receivable	14,986
Total current assets	23,549,326
Noncurrent assets:	
Restricted cash and cash equivalents	121,415,538
Restricted long-term investments	74,544,119
Loans to localities:	
Local school bonds	3,327,925,587
Interest receivable	63,664,927
Due from Literary Fund	199,905,000
Total noncurrent assets	3,787,455,171
Total assets	3,811,004,497
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	123,987,900
Total deferred outflows of resources	123,987,900
LIABILITIES	
Current liabilities:	
Accounts payable	139,847
Current liabilities payable from restricted assets:	
Interest payable	58,475,229
Due to localities	110,416,372
Notes payable	63,405,000
Bonds payable	248,235,000
Premium on bonds sold	18,918,291
Total current liabilities payable from restricted assets	499,449,892
Noncurrent liabilities payable from restricted assets:	
Notes payable	136,500,000
Bonds payable	3,122,161,000
Premium on bonds sold	191,639,356
Total noncurrent liabilities payable from restricted assets	3,450,300,356
Total liabilities	3,949,890,095
NET POSITION	
Unrestricted	(14,897,698)
Total net position (deficit)	$ (14,897,698)

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

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2017

Operating Revenues:	
Interest on:	
Local school bonds	$ 132,895,878
Cash equivalents and investments	741,455
Premium on bonds sold	252,453
Net increase in fair value of investments	2,635,527
Other	119,615
Total operating revenues	136,644,928
Operating Expenses:	
Interest on bonds	136,074,524
Financial advisor fees	210,249
Bond Counsel	262,865
Bond rating fees	242,500
Board expenses	583
Staffing expenses	380,987
Underwriters' discount	14,118
Rebate and penalty payments and calculation fees	16,125
Other	88,879
Total operating expenses	137,290,830
Operating Loss	(645,902)
Nonoperating Transfers:	
Transfers from Literary Fund	8,584,738
Total nonoperating transfers	8,584,738
Change in net position	7,938,836
Net position (deficit), July 1, 2016	(22,836,534)
Net position (deficit), June 30, 2017	$ (14,897,698)

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

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STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2017

Cash flows from operating activities:	
Interest on cash equivalents	$ 744,451
Purchase of local school bonds	(246,750,000)
Principal received on local school bonds	256,243,954
Interest received on local school bonds	132,274,587
Payments to vendors for goods and services	(1,328,271)
Payments received from the Literary Fund	68,696,963
Other operating revenues	119,615
Net cash provided by operating activities	210,001,299
Cash flows from noncapital financial activities:	
Proceeds from the sale of bonds and notes	319,300,000
Principal paid on VPSA bonds and notes	(298,168,003)
Interest paid on VPSA bonds and notes	(138,118,753)
Premium on bonds sold	8,434,457
Underwriters' discount	(41,708)
Transfers to the Literary Fund	(17,224)
Payments to localities (School Technology and Security Notes)	(73,754,002)
Payments to escrow agent	(7,517,021)
Rebate and penalty payments and calculation fees	(38,410)
Net cash used by noncapital financing activities	(189,920,664)
Cash flows from investing activities:	
Purchase of investment securities	(71,908,592)
Net cash used in investing activities	(71,908,592)
Net decrease in cash and cash equivalents	(51,827,957)
Cash and cash equivalents, July 1, 2016	196,777,835
Cash and cash equivalents, June 30, 2017	$ 144,949,878

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

Operating Loss	$	(645,902)
Adjustments to reconcile operating income to net cash used by operating activities:		
Increase in interest receivable		(637,034)
Decrease in accounts payable		(164,844)
Increase in interest payable		2,673,148
Payments from the Literary Fund		68,696,963
Principal received on local school bonds		256,243,954
Purchase of local school bonds		(246,750,000)
Rebate and penalty payments to the Internal Revenue Service		38,410
Amortization of premium		(19,354,777)
Underwriters' discount		14,118
Premium on bonds sold		(252,453)
Amortization of interest deferral		14,637,752
Interest paid on VPSA bonds		138,118,753
Increase in fair value of investments		(2,635,527)
Interest on Qualified Zone Academy Bonds reflected in local school bonds held		18,738
Total adjustments		210,647,201
Net cash provided by operating activities	$	210,001,299

Non-Cash Investing and Financing Activities:

Amortization of bond premium/discount on bonds	$	19,354,777
Premium to be amortized from new bond issuance activity	$	(1,102,344)
Amortization of gain/loss on debt refinancing	$	(14,637,752)
Loss to be amortized from new refunding activity	$	513,000
Changes in fair value of investments recognized as a component of interest income	$	2,635,527

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

Currently, the Authority has pooled bonds outstanding under its 1997 Resolution. Bonds issued under the 1997 Resolution are secured by local school bonds purchased and a "sum sufficient appropriation," first from available Literary Fund monies and then from the Commonwealth's General Fund. The State Aid Intercept Provision is also available to the Authority should any locality default on any payment due.

The Authority also has Qualified School Construction Bonds outstanding, which also fall under the pooled bond program. These bonds are taxable, but they expect to receive a 100% interest rate subsidy from the federal government. They are secured by general obligation local school bonds in a pool pledged to their security. As a result of the Federal Sequestration, the actual December 15, 2016 and June 15, 2017 payments were reduced by 6.9%. Therefore, the localities are not receiving the full benefit of the tax credit.

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

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

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

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

B. Basis of Accounting

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

C. Fund Accounting

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

D. Bond Issuance Costs, Discounts, and Premiums

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

2. DETAILED NOTES

A. Cash Equivalents and Investments (Unrestricted and Restricted)

Cash equivalents of $135,163,353 are held by the Treasurer of Virginia. Cash equivalents of $9,786,525 and investments of $74,544,119 are held by U.S. Bank. Cash equivalents are defined as investments with an original maturity of less than three months.

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

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

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

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

Summary of Cash Equivalents and Investments
(Dollars in Thousands)

		Investment Maturities (in years)				
Investment Type	June 30, 2017	Less Than 1	1-5	6-10	More Than 10	S&P Rating
U.S. Treasury Securities	$ 74,544	$ -	$ -	$ 51,476	$ 23,068	AA+
Money Market Accounts [1]	33,321	33,321	-	-	-	AAAm
State Non-Arbitrage Program ® [2]	111,629	111,629	-	-	-	AAAm
Total cash equivalents and investments	$ 219,494	$ 144,950	$ -	$ 51,476	$ 23,068	

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

2 The Virginia State Non-Arbitrage Program® (SNAP®) offers a professionally-managed money market mutual fund, which provides issuers with a temporary pooled investment vehicle for proceeds pending expenditure, and with record keeping, depository and arbitrage rebate calculation services. SNAP® is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in SNAP® should also report their investments in SNAP® at amortized cost. SNAP® is rated 'AAAm' by Standard & Poor's rating service

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® (51%), US Government Treasury Strips (34%), and the JP Morgan US Government Money Market Fund (11%).

B. Local School Bonds

The Authority purchases bonds from (makes loans to) various localities throughout the Commonwealth, which are issued to finance the construction of local public school facilities. These bonds are recorded at purchase price that is equal to the face value of the bonds. Local school bonds purchased under the 1997 Resolution are held in a pledge account of the General Pledge Fund established under its bond resolution. Local school bonds purchased under the stand-alone program are deposited in separate purchase funds established for each issue. Assets of the Authority that are held or received in purchase

funds, pledge funds, or debt service funds are classified as restricted assets because their use is limited to the purpose of the funds in which they reside, in accordance with applicable bond resolutions. The local school bonds are held and pledged to repay the Authority's bonds.

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

Local school bonds held by the Authority as of June 30, 2017 are shown on the following page.

Local school bonds:		
Held in 1997 Pledge Account	$	2,426,468,659
Held in 2008 Purchase Fund (Fluvanna County Stand Alone)		3,625,000
Held in 2009 Purchase Fund (Qualified School Construction Bonds)		42,436,067
Held in 2010 Purchase Fund (Qualified School Construction Bonds)		47,200,000
Held in 2011-1 Purchase Fund (Qualified School Construction Bonds)		52,167,416
Held in 2011 Purchase Fund (Prince William County Stand Alone)		23,220,000
Held in 2011 Purchase Fund (Montgomery County Stand Alone)		13,210,000
Held in 2011-2 Purchase Fund (Qualified School Construction Bonds)		110,288,071
Held in 2012 Purchase Fund (Prince William County Stand Alone)		26,265,000
Held in 2012-1 Purchase Fund (Qualified School Construction Bonds)		20,189,375
Held in 2013 Purchase Fund (Prince William County Stand Alone)		35,990,000
Held in 2014 Purchase Fund (Prince William County Stand Alone)		74,285,000
Held in 2014 Purchase Fund (Warren County Stand Alone)		40,640,000
Held in 2014 Purchase Fund (Qualified Zone Academy Bonds)		3,330,999
Held in 2015 Purchase Fund (Prince William County Stand Alone)		93,560,000
Held in 2016 Purchase Fund (Prince William County Stand Alone)		171,160,000
Held in 2016 Purchase Fund (Montgomery County Stand Alone)		63,880,000
Held in 2017 Purchase Fund (Prince William County Stand Alone)		77,660,000
Held in 2016-1 Purchase Fund (Qualified Zone Academy Bonds)		2,350,000
Total local school bonds	$	3,327,925,587

C. Long-Term Indebtedness

1. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2017.

	Current Liability	Long-Term Liability	Total
Balance July 1, 2016	$ 297,443,003	$ 3,323,526,000	$ 3,620,969,003
Issued during fiscal 2017	18,790,000	300,510,000	319,300,000
Retired during fiscal 2017	(298,168,003)	-	(298,168,003)
Defeased during fiscal 2017	-	(71,800,000)	(71,800,000)
Maturing in fiscal 2018	293,575,000	(293,575,000)	-
Subtotal	311,640,000	3,258,661,000	3,570,301,000
Add: Unamortized Premium	18,918,291	191,639,356	210,557,647
Balance June 30, 2017	$ 330,558,291	$ 3,450,300,356	$ 3,780,858,647

2. Annual Requirements to Amortize Bonds Payable and Notes Payable

The following schedule provides the annual funding requirements necessary to amortize long-term debt of the Authority outstanding at June 30, 2017.

Year Ending June 30	Principal	Interest	Total
2018	$ 311,640,000	$ 151,048,092	$ 462,688,092
2019	293,520,000	136,026,120	429,546,120
2020	278,430,000	122,163,726	400,593,726
2021	255,720,000	109,192,454	364,912,454
2022	235,715,000	97,145,501	332,860,501
2023-2027	1,152,746,000	337,068,336	1,489,814,336
2028-2032	727,465,000	123,405,602	850,870,602
2033-2037	287,530,000	26,132,422	313,662,422
2038-2042	25,720,000	2,078,578	27,798,578
2043-2047	1,815,000	134,309	1,949,309
Subtotal	3,570,301,000	1,104,395,140	4,674,696,140
Add: Unamortized Premium	210,557,647	-	210,557,647
Total	$ 3,780,858,647	$ 1,104,395,140	$ 4,885,253,787

D. Technology and Security Notes

Periodically, the Authority issues Technology and Security Notes, the proceeds of which are used to make grants to school divisions for the purchase of educational technology and security equipment. The proceeds are invested in the Virginia State Non-Arbitrage Program® until requisitioned by localities. The following schedule details the notes that have been issued which still have either bonds outstanding or funds remaining to be disbursed to localities as of June 30, 2017.

Technology and Security Notes

Issue	Description	Amount Issued	Outstanding Balance	Remaining Available for Disbursement
Ed Tech XII	2012 Notes	52,025,000	-	22,260
Ed Tech XIII	2013 Notes	53,030,000	11,555,000	1,732,417
School Technology and Security Series I	2013 Notes	5,325,000	1,150,000	-
Ed Tech XIV	2014 Notes	57,625,000	24,625,000	4,903,745
School Technology and Security Series II	2014 Notes	5,375,000	2,300,000	-
Ed Tech XV	2015 Notes	60,050,000	37,600,000	13,349,204
School Technology and Security Series III	2015 Notes	5,415,000	3,390,000	1,333
Ed Tech XVI	2016 Notes	59,820,000	48,775,000	583,485
School Technology and Security Series IV	2016 Notes	5,370,000	4,375,000	25,699,001
Educ Tech XVII	2017 Notes	60,710,000	60,710,000	58,124,927
School Technology and Security Series V	2017 Notes	5,425,000	5,425,000	6,000,000
		$ 370,170,000	$ 199,905,000	$ 110,416,372

E. Qualified Zone Academy Bonds

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

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

F. Qualified School Construction Bonds

In prior years, the Authority has issued Qualified School Construction Bonds and has used the proceeds to purchase general obligation school bonds issued by certain localities. The bonds have been issued as "qualified school construction bonds" in accordance with Section 54F of the Internal Revenue Code of 1986, as amended. The total amount outstanding under this program as of June 30, 2017 is $353,400,000 (which includes the 2012 QZAB detailed under Note 2E that was issued as part of the 2012 School Tax Credit Bonds). These bonds are non-interest bearing; however, a taxpayer who holds such bonds during a taxable year will be allowed a federal income tax credit for such taxable year in accordance with the structure established at issuance.

G. 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.

The Authority issued one series of refunding bonds during fiscal year 2017. Additionally, under the Authority's stand-alone program, Montgomery County also issued refunding bonds. The proceeds of the refunding bonds were placed with an escrow agent to provide for all future debt service on the defeased bonds. Accordingly, the liability for the defeased bonds is not included on the Authority's financial statements. Any savings realized as a result of these refunding will be passed through, on a pro rata basis, to the issuers of the related underlying local school bonds in accordance with the Authority's Enabling Legislation. The following table reflects the refunding activity during the year.

Refunding Bonds Issued During Fiscal Year 2017

Refunding Issue	Refunded Issue	Maturities Defeased	Amount Defeased
2016B	2009D	2018-2029	$ 6,955,000
Montgomery 2016	Montgomery 2011	2022-2032	64,845,000
Total Defeased, FY 2017			$ 71,800,000

The issuance under the 1997 Resolution of the Authority's Series 2016B bonds refunded certain outstanding bonds under the 1997 resolution. This debt defeasance resulted in an accounting loss of $513,000. Total debt service payments over the next 13 years will be reduced by $430,030 resulting in a present value savings of $390,022 discounted at the rate of 1.961831 percent.

On November 10, 2016, under the Authority's stand-alone program, Montgomery County issued $64,605,000 of its school refunding bonds, which was used to refund $64,845,000 of the Authority's 2011 Series Montgomery County bonds. Total debt service payments over the next 15 years will be reduced by $6,043,551 resulting in a present value savings of $5,302,690 discounted at the rate of 1.9324768 percent.

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

At June 30, 2017, $652,060,000 of bonds outstanding are considered defeased for financial reporting purposes.

H. Transfers

In June 2017, after final rebate computations on the School Technology and Security Notes Series I and Series II, the residual earnings of $17,225 on the related bond proceeds were transferred to the Literary Fund, which had been the source of the debt service appropriation for these Notes.

The Authority received $8,601,963 from the Literary Fund to pay interest on the various outstanding Educational Technology and Security Notes.

I. Arbitrage Earnings

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

Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least every five years over the life of the bonds. Some Authority bonds may be exempt from the rebate requirement if they meet statutory exceptions per the rebate regulations. The Authority may also elect, on or before the date of the bond issue, to pay a penalty in lieu of rebate if it does not meet certain expenditure schedules. If such an election is made and if the Authority (local issuer) meets the expenditure schedule, the Authority (local issuer) retains any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate due to the difficulty in estimating local issuer's expenditure schedules. Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that do not meet the statutory exceptions. Rebate installments must be paid no later than 60 days after the computation date.

In most cases, rebate liability is payable by local issuers whose local school bonds were purchased by the Authority. During the year, the Authority's rebate calculation agent, or the locality's rebate calculation agent in the case of special obligation stand-alone bonds,

calculate rebate liability or penalty in lieu of rebate if selected by a locality. Rebate calculations were performed for the following issues during the year:

Bond Issue	Computation Time Frame	Computation Date	Liability
(97 Resolution) 2004C	Final	8/1/2016	-
(97 Resolution) 2006A	Final	8/1/2016	-
(97 Resolution) 2006B	Final	8/1/2016	-
(97 Resolution) 2007A	10 Year	5/10/2017	-
(97 Resolution) 2011B	5 Year	11/9/2016	-
(97 Resolution) 2012A	5 Year	3/8/2017	-
(97 Resolution) 2012B	5 Year	5/10/2017	-
Qualified School Construction Bonds 2011-2	5 Year	12/15/2016	-
Qualified School Construction Bonds 2012-1	5 Year	12/15/2016	-
Educational Technology Notes Series XII	Final	4/15/2017	-

The Authority paid $16,125 to its rebate calculation agent for services provided in connection with the above rebate calculations.

J. Deficit Net Position

In fiscal year 2012, pursuant to Section 22.1-167.1 of the *Code of Virginia*, the Authority accrued credits from the allocable savings generated from the 2012A Refunding Bonds of $4,441,293 to the Literary Fund against debt service payments that were due on October 15, 2013, and accrued a credit to localities of $17,514,011 against debt service payments on Local School Bonds that were due on January 15, 2014.

In fiscal year 2011, pursuant to Section 22.1-167.1 of the *Code of Virginia*, the Authority transferred the allocable savings generated from the 2010C Refunding Bonds of $284,030 to the Literary Fund and accrued a credit to localities of $3,138,124 against debt service payments on Local School Bonds that were due on July 15, 2012.

In fiscal year 2010, pursuant to Section 22.1-167.1 of the *Code of Virginia*, the Authority transferred the allocable savings generated from the 2009C Refunding Bonds of $4,497,137 to the Literary Fund and accrued a credit to localities of $24,224,935 against debt service payments on Local School Bonds that were due on July 15, 2010.

Each of the above transactions was structured to provide maximum savings benefits to the localities up front without the added burden of localities issuing their own refunding bonds. The savings to be realized by the issuance of the 2009C Refunding Bonds, the 2010C Refunding Bonds, and the 2012A Refunding Bonds will be generated over time as a result of the differential in the debt service payments due from the localities and the debt service payments that will be made by the Authority over the life of the refunded bonds. The Authority generated sufficient cash flow to make the savings available to the localities on the front end by restructuring the timing of its own bond payments through the refunding bonds. Since the Authority chose to provide the full savings benefit to the localities prior to achieving the full savings benefit from the refunding, the Authority's Statement of Net Position reflects deficit net position in the amount of $14,897,698. It is anticipated that

absent any additional transactions of a similar nature, the deficit will continue to decline as the savings are actually realized in the future.

K. Subsequent Events

On August 22, 2017, the Authority issued School Financing and Refunding Bonds Series 2017B in the amount of $106,075,000. The proceeds will be used to refund certain outstanding bonds of the Authority.

On November 7, 2017, the Authority issued School Financing Bonds (1997 Resolution), Series 2017C in the amount of $115,820,000. The proceeds will be used to purchase certain general obligation local school bonds to finance capital projects for schools.

On November 9, 2017, the Authority issued its Special Obligation School Financing Bonds, King George County Series 2017 in the amount of $20,840,000. The Bonds will be used by the County to finance the costs of various capital school improvement projects for the County.

L. Risk Management

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

VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION

Detail of Long-Term Indebtedness
June 30, 2017
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)(b)	Local School Bonds Purchased (b)	Outstanding July 1, 2016 (b)	Issued (Retired) During Year	Outstanding June 30, 2017	Original Maturity
Series 2002 QZAB, Accomack County	12/31/02	Stand Alone	0.00%	1,433	1,433	1,433	(1,433)	-	12/31/16
Series 2003 D	12/11/03	1997	3.23%	286,670	-	18,660	(4,610)	14,050	08/01/19
Series 2004 C	12/08/04	1997	3.34%	156,125	-	8,425	(8,425)	-	08/01/16
Series 2005 A	03/15/05	1997	3.64%	55,200	-	9,335	(4,635)	4,700	08/01/17
Series 2005 B	04/20/05	1997	4.07%	230,580	-	99,995	(29,395)	70,600	08/01/20
Series 2006 A	05/01/06	1997	4.39%	202,175	202,175	9,195	(9,195)	-	08/01/31
Series 2006 B	11/01/06	1997	4.22%	240,955	240,954	11,395	(11,395)	-	08/01/32
Series 2007 A	05/01/07	1997	4.24%	112,235	112,235	10,565	(5,250)	5,315	08/01/32
Series 2007 B	11/01/07	1997	4.28%	223,080	223,076	21,520	(10,690)	10,830	08/01/32
Series 2008 A	05/01/08	1997	4.22%	134,950	134,950	17,725	(5,810)	11,915	08/01/37
Series 2008 B	12/01/08	1997	4.75%	118,930	118,927	16,695	(5,470)	11,225	08/01/33
2008 Series Fluvanna County	12/22/08	Stand Alone	5.95%	67,525	67,525	5,325	(1,700)	3,625	12/01/35
Series 2009 A	03/12/09	1997	2.60%	114,180	-	31,045	(5,970)	25,075	08/01/20
Series 2009 B	05/01/09	1997	3.69%	200,435	200,435	38,555	(9,450)	29,105	08/01/29
Series 2009 C	10/27/09	1997	2.85%	481,285	-	347,060	(44,730)	302,330	08/01/28
Series 2009-1 QSCB	11/13/09	School Tax Cr.	0.63%	61,120	61,120	61,120	-	61,120	09/15/26
Series 2009 D	11/30/09	1997	3.48%	11,645	11,645	8,965	(7,465)	1,500	08/01/29
Series 2010 A	05/13/10	1997	3.01%	45,805	45,805	9,310	(5,315)	3,995	08/01/30
Series 2010 B	05/13/10	1997	5.09%	63,840	63,840	63,840	-	63,840	08/01/30
Series 2010-1 QSCB	07/08/10	School Tax Cr.	0.06%	72,655	72,655	72,655	-	72,655	06/15/27
Series 2010 C	10/19/10	1997	2.49%	85,510	-	83,900	(12,865)	71,035	08/01/24
Series 2010 D	11/10/10	1997	2.98%	9,975	9,975	7,620	(485)	7,135	08/01/30
Series 2011 A	05/05/11	1997	3.72%	26,375	26,375	22,015	(1,130)	20,885	08/01/36
Series 2011-1 QSCB	06/28/11	School Tax Cr.	0.05%	67,400	67,400	67,400	-	67,400	06/15/27
Series 2011 Prince William County	08/04/11	Stand Alone	3.15%	46,445	46,445	25,545	(2,325)	23,220	07/15/31
Series 2011 B	11/01/11	1997	3.37%	85,730	85,730	74,005	(3,275)	70,730	08/01/36
Series 2011 Montgomery County	12/06/11	Stand Alone	3.59%	86,115	86,115	79,640	(66,430)	13,210	01/15/32
Series 2011-2 QSCB	12/15/11	School Tax Cr.	0.00%	128,960	128,960	128,960	-	128,960	12/15/30
Series 2012 A	03/08/12	1997	2.28%	282,230	-	269,285	(16,125)	253,160	08/01/30
Series 2012 B	05/10/12	1997	2.85%	63,945	63,945	56,475	(2,650)	53,825	08/01/32
Series 2012 E Ed Tech Series XII	06/06/12	Equip. Notes	0.70%	52,025	-	11,065	(11,065)	-	04/15/17
Series 2012 P	08/15/12	Stand Alone	2.61%	65,675	65,675	29,550	(3,285)	26,265	07/15/32
Series 2012-1 QTCB	10/31/12	School Tax Cr.	0.01%	23,265	23,265	23,265	-	23,265	12/15/34
Series 2012 C	11/15/12	1997	2.67%	65,950	65,950	61,805	(2,315)	59,490	08/01/41
Series 2012 D	12/20/12	1997	2.68%	66,120	66,120	64,510	(660)	63,850	08/01/35

(a) Includes refunding bonds issued.

(b) Reflects reclassification of the 2014-1 QZAB from the "Stand Alone" category to the "School Tax Credit" category.

VIRGINIA PUBLIC SCHOOL AUTHORITY
SUPPLEMENTARY INFORMATION

Detail of Long-Term Indebtedness
June 30, 2017
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series (continued)

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)(b)	Local School Bonds Purchased (b)	Outstanding July 1, 2016 (b)	Issued (Retired) During Year	Outstanding June 30, 2017	Original Maturity
Series 2013 A	05/09/13	1997	2.57%	141,840	141,840	132,975	(4,740)	128,235	08/01/33
Series 2013 School Technology and Security Series I	05/23/13	Equip. Notes	0.62%	58,355	-	24,800	(12,095)	12,705	04/15/18
Series 2013 Prince William County	07/31/13	Stand Alone	3.30%	59,990	59,990	38,990	(3,000)	35,990	07/15/33
Series 2013 B	11/21/13	1997	3.45%	45,075	45,075	42,395	(1,655)	40,740	08/01/40
Series 2014 A	05/15/14	1997	3.03%	51,510	51,510	49,790	(1,780)	48,010	08/01/39
Series 2014 B	05/15/14	1997	2.21%	215,405	-	214,135	(85)	214,050	08/01/26
Series 2014 School Technology and Security Series II	05/22/14	Equip. Notes	0.95%	63,000	-	39,435	(12,510)	26,925	04/15/19
Series 2014 Prince William County	10/07/14	Stand Alone	2.62%	82,545	82,545	78,415	(4,130)	74,285	07/15/34
Series 2014 C	11/20/14	1997	2.76%	81,265	81,265	78,070	(3,565)	74,505	08/01/35
Series 2014 Warren County	12/09/14	Stand Alone	3.42%	42,440	42,440	41,640	(1,000)	40,640	07/15/39
Series 2014-1 QZAB	12/30/14	School Tax Cr.	0.00%	3,816	3,816	3,816	-	3,816	12/15/24
Series 2015 A	02/17/15	1997	2.20%	435,715	-	435,500	(35)	435,465	08/01/37
Series 2015 B	05/14/15	1997	3.11%	33,820	33,820	33,820	(355)	33,465	08/01/38
Series 2015 School Technology and Security Series III	05/19/15	Equip. Notes	1.20%	65,465	-	53,375	(12,385)	40,990	04/15/20
Series 2015 C	11/19/15	1997	2.91%	49,350	49,350	49,350	(1,395)	47,955	08/01/45
Series 2016 A	05/17/16	1997	2.40%	101,770	90,970	101,770	-	101,770	08/01/36
Series 2016 School Technology and Security Series IV	05/19/16	Equip. Notes	0.90%	65,190	-	65,190	(12,040)	53,150	04/15/21
Series 2015 Prince William County	07/30/15	Stand Alone	2.89%	98,485	98,485	98,485	(4,925)	93,560	08/01/35
Series 2016 Prince William County	04/27/16	Stand Alone	2.38%	171,160	171,160	171,160	-	171,160	08/01/36
Series 2016-1 QZAB	11/30/16	School Tax Cr.	0.00%	2,350	2,350	-	2,350	2,350	12/15/31
Series 2016 B	11/17/16	1997	2.49%	90,080	83,665	-	90,080	90,080	08/01/36
Series 2016 Montgomery County	11/10/16	Stand Alone	2.22%	64,605	64,605	-	63,880	63,880	02/01/32
Series 2017 A	05/16/17	1997	2.93%	18,470	18,470	-	18,470	18,470	08/01/37
Series 2017 School Technology and Security Series V	05/23/17	Equip. Notes	1.27%	66,135	-	-	66,135	- 66,135	04/15/22
Series 2017 Prince William County	03/09/17	Stand Alone	2.88%	77,660	77,660	-	77,660	77,660	03/01/37
Total				$ 6,222,039	$ 3,491,746	$ 3,620,969	$ (50,668)	$ 3,570,301	

Detail of Long-Term Indebtedness by Resolution

	Amount Issued (a)(b)	Local School Bonds Purchased (b)	Outstanding July 1, 2016 (b)	Issued (Retired) During Year	Outstanding June 30, 2017
1997 Resolution	$ 4,628,225	$ 2,268,102	$ 2,499,705	$ (112,370)	$ 2,387,335
Stand Alone Issues	864,078	864,078	570,183	53,312	623,495
Technology and Security Notes	370,170	-	193,865	6,040	199,905
School Tax Credit	359,566	359,566	357,216	2,350	359,566
Total	$ 6,222,039	$ 3,491,746	$ 3,620,969	$ (50,668)	$ 3,570,301

(a) Includes refunding bonds issued. (b) Reflects reclassification of the 2014-1 QZAB from the "Stand Alone" category to the "School Tax Credit" category.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 15, 2017

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

Board of Commissioners
Virginia Public School Authority

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of the Virginia Public School Authority, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2017, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Virginia Public School Authority as of June 30, 2017, and the changes in its financial position and its cash flows 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 5 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 the 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 Virginia Public School Authority's basic financial statements. The accompanying supplementary information, such as 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.

The Detail of Long-Term Indebtedness 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. 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 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2017, on our consideration of the Virginia Public School 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/alh

VIRGINIA PUBLIC SCHOOL AUTHORITY
Richmond, Virginia

BOARD OF COMMISSIONERS
As of June 30, 2017

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