VIRGINIA PUBLIC SCHOOL AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

Authority Activities and Highlights

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

The Authority's 1997 Resolution, adopted on October 23, 1997, serves as the primary instrument under which the Authority issues bonds for its pooled bond program. The 1997 Resolution bonds are secured first by payments from Local Issuers on their local school bonds; second, from amounts obtained under the State Aid Intercept Provision under which the Authority can intercept state appropriations to the locality; and third, from a sum sufficient appropriation. The sum sufficient appropriation is first from available Literary Fund monies and then from the Commonwealth's General Fund. During the fiscal year, the Authority issued a total of $353,880,000 in bonds under the pooled bond program.

Also under its pooled bond program, the Authority has issued school tax credit bonds – Qualified School Construction Bonds ("QSCBs") and Qualified Zone Academy Bonds ("QZABs") – under a Master Indenture of Trust dated as of October 1, 2009. Qualified School Construction Bonds are tax credit bonds established under the American Recovery and Reinvestment Act of 2009 ("ARRA") and Qualified Zone Academy Bonds are tax credit bonds established in the Internal Revenue Code of 1986. Both QSCBs and QZABs provide the bondholder a federal tax credit in lieu of interest. These bonds are secured by payments from Local Issuers on their general obligation local school bonds, then from amounts obtained through the State Aid Intercept Provision, and then from any amounts received by the Authority pursuant to any current Appropriation Act Provision. It should be noted that the Authority can no longer issue QSCBs or QZABs since the Tax Cuts and Jobs Act of 2017 ("TCJA") repealed the ability to issue these types of bonds. The QSCBs and QZABs currently held by the Authority were issued under its 1997 Resolution prior to the TCJA.

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 $57,595,000 under the school technology and security note program. The Authority did not issue bonds under the stand-alone program during fiscal year 2019.

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	
	2019	2018
Current assets	$ 27	$ 25
Noncurrent assets	3,789	3,844
Total assets	3,816	3,869
Total deferred outflows	93	121
Current liabilities	495	494
Noncurrent liabilities	3,406	3,506
Total liabilities	3,901	4,000
Net position:		
Unrestricted	8	(10)
Total net position (deficit)	$ 8	$ (10)

Total assets decreased during the year by $53 million, or 1.4 percent. This is primarily due to a $78 million decrease in local school bonds outstanding, a $25 million increase due to principal payments received on Qualified School Construction Bonds (to be held for future payment on the Authority's bonds), a $6 million decrease in amounts due from the Literary Fund (resulting from current year bond payments exceeding current year bond issuances), a $8 million increase in the long-term investments due to increase in fair value, and a $3 million decrease on interest receivables. Total liabilities decreased by $99 million, or 2.5 percent, during the same period as a result of a decrease in net outstanding bonds and notes payable ($70 million), a decrease in amounts due to localities ($2 million), a decrease in outstanding premium on bonds sold ($23 million) and a decrease in interest payable ($3 million). Additionally, the deferred outflow of resources decreased by $27 million due to current year refunding activity and current year amortization of amounts deferred in prior years. Accordingly, an increase of $18 million is reflected in net position.

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

	Enterprise Fund	
	2019	2018
Revenues:		
Operating revenues:		
Charges for services	$ 137	$ 139
Other	8	(1)
Total revenues	145	138
Expenses:		
Interest on long-term debt	126	131
Other	1	2
Total expenses	127	133
Payments to Literary Fund	-	-
Change in net position	18	5
Net position (deficit), July 1	(10)	(15)
Net position (deficit), June 30	$ 8	$ (10)

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 6/30/18	Issued During Year	Retired During Year	Outstanding at 6/30/19
Pooled Bond Programs[1]	$ 2,707	$ 354	$ (379)	$ 2,682
Technology and Security Notes Programs	197	57	(64)	190
Special Obligation Bonds	727		(38)	689
Total	$ 3,631	$ 411	$ (481)	$ 3,561

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

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

Virginia Public School Authority Bond Ratings

	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 October 24, 2019, the Authority issued $27,315,000 Special Obligation School Financing Bonds, Montgomery County Series 2019. The Bonds will be used by the County to finance the costs of various school capital improvement projects for the County.

On October 29, 2019, the Authority issued $109,155,000 Special Obligation School Financing Bonds, Prince William County Series 2019A and $34,610,000 Special Obligation School Financing Refunding Bonds, Prince William County Series 2019B. The Bonds will be used by the County to finance the costs of various school capital improvement projects for the County and to refund certain previously issued bonds.

On November 12, 2019, the Authority issued $88,360,000 School Financing Bonds (1997 Resolution), Series 2019C, to purchase certain general obligation local school bonds to finance capital projects for schools, and $22,290,000 School Financing Refunding Bonds (1997 Resolution), Series 2019D (Taxable), to refund certain previously issued Authority Bonds.

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STATEMENT OF NET POSITION

As of June 30, 2019

ASSETS		
Current assets:		
Cash and cash equivalents (Note 2A)	$	26,586,090
Interest receivable		49,301
Total current assets		26,635,391
Noncurrent assets:		
Restricted cash and cash equivalents (Note 2A)		166,363,594
Restricted long-term investments (Note 2A)		81,397,792
Loans to localities:		
Local school bonds (Note 2B)		3,293,364,778
Interest receivable		57,973,303
Due from Literary Fund		189,935,000
Total noncurrent assets		3,789,034,467
Total assets		3,815,669,858
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding		93,352,400
Total deferred outflows of resources		93,352,400
LIABILITIES		
Current liabilities:		
Accounts payable		70,431
Current liabilities payable from restricted assets:		
Interest payable		53,974,623
Due to localities (Note 2D)		102,559,897
Notes payable (Note 2C)		63,025,000
Bonds payable (Note 2C)		251,750,000
Premium on bonds sold (Note 2C)		23,705,372
Total current liabilities payable from restricted assets		495,014,892
Noncurrent liabilities payable from restricted assets:		
Notes payable (Note 2C)		126,910,000
Bonds payable (Note 2C)		3,119,131,000
Premium on bonds sold (Note 2C)		160,016,872
Total noncurrent liabilities payable from restricted assets		3,406,057,872
Total liabilities		3,901,143,195
NET POSITION		
Unrestricted		7,879,063
Total net position (deficit)	$	7,879,063

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, 2019

Operating Revenues:	
Interest on:	
Local school bonds	$ 125,391,357
Cash equivalents and investments	3,834,647
Payments received from Literary Fund (Note 2J)	8,142,589
Premium on bonds sold	181,430
Net increase in fair value of investments	8,151,021
Other	88,026
Total operating revenues	145,789,070
Operating Expenses:	
Interest on bonds	126,258,843
Financial advisor fees	248,809
Bond Counsel	188,113
Bond rating fees	303,000
Printing and electronic distribution	4,250
Board expenses	127
Staffing expenses	448,305
Underwriters' discount	63,039
Rebate and penalty payments and calculation fees	82,125
Other	109,556
Total operating expenses	127,706,167
Operating Gain	18,082,903
Nonoperating Payments	
Payment to Literary Fund (Note 2J)	(145,329)
Total nonoperating revenues (expenses)	(145,329)
Change in net position	17,937,574
Net position (deficit), July 1, 2018	(10,058,511)
Net position (deficit), June 30, 2019	$ 7,879,063

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, 2019

Cash flows from operating activities:		
Interest on cash equivalents	$	3,761,366
Purchase of local school bonds		(197,320,000)
Principal received on local school bonds		275,680,372
Interest received on local school bonds		128,922,174
Payments to vendors for goods and services		(1,231,133)
Payments received from the Literary Fund		71,911,628
Other operating revenues		88,026
Net cash provided by operating activities		281,812,433
Cash flows from noncapital financing activities:		
Proceeds from the sale of bonds and notes		411,475,000
Principal paid on VPSA bonds and notes		(312,240,000)
Interest paid on VPSA bonds and notes		(137,276,873)
Premium on bonds sold		21,347,795
Underwriters' discount		(117,178)
Payments to localities (School Technology and Security Notes)		(65,047,058)
Payments to escrow agent		(172,895,090)
Rebate and penalty payments and calculation fees		(95,725)
Due to Localities (Note 2D)		9,242
Net cash used by noncapital financing activities		(254,839,887)
Net increase in cash and cash equivalents		26,972,546
Cash and cash equivalents, July 1, 2018		165,977,138
Cash and cash equivalents, June 30, 2019	$	192,949,684

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

Operating Gain	$ 18,082,903
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in interest receivable	3,457,536
Increase in accounts payable	56,400
Decrease in interest payable	(3,060,068)
Payments from the Literary Fund	63,769,039
Principal received on local school bonds	275,680,372
Purchase of local school bonds	(197,320,000)
Rebate and penalty payments to the Internal Revenue Service	95,725
Amortization of premium	(25,461,610)
Underwriters' discount	63,039
Premium on bonds sold	(181,430)
Amortization of interest deferral	15,040,327
Interest paid on VPSA bonds	137,276,873
Accrual of interest on defeasance	2,464,348
Increase in fair value of investments	(8,151,021)
Total adjustments	263,729,530
Net cash provided by operating activities	$ 281,812,433

Non-Cash Investing and Financing Activities:

Amortization of bond premium/discount on bonds	$ 25,461,610
Premium to be amortized from new bond issuance activity	(15,689,526)
Amortization of gain/loss on debt refinancing	(15,040,327)
Loss to be amortized from new refunding activity	801,800
Changes in fair value of investments recognized as a component of interest income	8,151,021

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, 2018 and June 15, 2019 payments were reduced by 6.2%. 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 $133,977,766 are held by the Treasurer of Virginia. Cash equivalents of $58,971,918 and investments of $81,397,792 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, 2019	Less Than 1	1-5	6-10	More Than 10	S&P Rating
U.S. Treasury Securities	$ 81,398	$ -	$ -	$ 55,854	$ 25,544	N/A
Money Market Accounts [1]	85,903	85,903	-	-	-	AAAm
State Non-Arbitrage Program ® [2]	107,046	107,046	-	-	-	AAAm
Total cash equivalents and investments	$ 274,347	$ 192,949	$ -	$ 55,854	$ 25,544	

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

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

The Authority does not limit the amount that may be invested in any one issuer. The Authority had investments of five percent or more in the State Non-Arbitrage Program® (39%), the First American Government Obligation Fund (21%), US Government Treasury Strips (30%), and the JP Morgan US Government Money Market Fund (10%).

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, 2019 are shown below.

Local school bonds:	
Held in 1997 Pledge Account	$ 2,374,751,557
Held in 2009 Purchase Fund (Qualified School Construction Bonds)	33,308,299
Held in 2010 Purchase Fund (Qualified School Construction Bonds)	37,550,000
Held in 2011-1 Purchase Fund (Qualified School Construction Bonds)	42,116,774
Held in 2011 Purchase Fund (Prince William County Stand Alone)	18,570,000
Held in 2011 Purchase Fund (Montgomery County Stand Alone)	8,630,000
Held in 2011-2 Purchase Fund (Qualified School Construction Bonds)	93,812,359
Held in 2012 Purchase Fund (Prince William County Stand Alone)	19,695,000
Held in 2012-1 Purchase Fund (Qualified School Construction Bonds)	18,303,123
Held in 2013 Purchase Fund (Prince William County Stand Alone)	29,990,000
Held in 2014 Purchase Fund (Prince William County Stand Alone)	66,025,000
Held in 2014 Purchase Fund (Warren County Stand Alone)	38,490,000
Held in 2014 Purchase Fund (Qualified Zone Academy Bonds)	2,631,000
Held in 2015 Purchase Fund (Prince William County Stand Alone)	83,710,000
Held in 2016 Purchase Fund (Prince William County Stand Alone)	159,130,000
Held in 2016 Purchase Fund (Montgomery County Stand Alone)	63,880,000
Held in 2016-1 Purchase Fund (Qualified Zone Academy Bonds)	2,036,666
Held in 2017 Purchase Fund (Prince William County Stand Alone)	69,890,000
Held in 2017 Purchase Fund (King George County Stand Alone)	20,740,000
Held in 2018 Purchase Fund (Prince William County Stand Alone)	110,105,000
Total local school bonds	$ 3,293,364,778

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, 2019.

	Current Liability	Long-Term Liability	Total
Balance July 1, 2018*	$ 312,240,000	$ 3,319,006,000	$ 3,631,246,000
Issued during fiscal 2019	14,750,000	396,725,000	411,475,000
Retired during fiscal 2019	(312,240,000)	-	(312,240,000)
Defeased during fiscal 2019		(169,665,000)	(169,665,000)
Maturing in fiscal 2020	300,025,000	(300,025,000)	-
Subtotal	314,775,000	3,246,041,000	3,560,816,000
Add: Unamortized Premium	23,705,372	160,016,872	183,722,244
Balance June 30, 2019	$ 338,480,372	$ 3,406,057,872	$ 3,744,538,244

* Reflects a $50,000 reclassification from Long-Term Liability to Current Liability.

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, 2019.

Year Ending June 30	Principal	Interest	Total
2020	$ 314,775,000	$ 145,065,404	$ 459,840,404
2021	294,055,000	132,864,542	426,919,542
2022	275,285,000	118,842,914	394,127,914
2023	250,385,000	105,664,909	356,049,909
2024	230,175,000	93,656,171	323,831,171
2025-2029	1,138,016,000	308,918,975	1,446,934,975
2030-2034	706,930,000	113,554,166	820,484,166
2035-2039	288,230,000	29,026,988	317,256,988
2040-2044	39,435,000	6,455,522	45,890,522
2045-2049	21,215,000	1,960,063	23,175,063
2050	2,315,000	37,619	2,352,619
Subtotal	3,560,816,000	1,056,047,273	4,616,863,273
Add: Unamortized Premium	183,722,244	-	183,722,244
Total	$ 3,744,538,244	$ 1,056,047,273	$ 4,800,585,517

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, 2019.

Technology and Security Notes

Issue	Description	Amount Issued	Outstanding Balance	Remaining Available for Disbursement
Ed Tech XIV	2014 Notes	57,625,000	-	1,542,442
School Technology and Security Series II	2014 Notes	5,375,000	-	-
Ed Tech XV	2015 Notes	60,050,000	13,150,000	4,207,435
School Technology and Security Series III	2015 Notes	5,415,000	1,185,000	-
Ed Tech XVI	2016 Notes	59,820,000	25,575,000	7,273,526
School Technology and Security Series IV	2016 Notes	5,370,000	2,295,000	-
Educ Tech XVII	2017 Notes	60,710,000	37,995,000	11,889,033
School Technology and Security Series V	2017 Notes	5,425,000	3,400,000	47,916
Educ Tech XVIII	2018 Notes	54,265,000	44,225,000	22,907,531
School Technology and Security Series VI	2018 Notes	5,540,000	4,515,000	670,717
Educ Tech XIX	2019 Notes	52,110,000	52,110,000	48,012,055
School Technology and Security Series VII	2019 Notes	5,485,000	5,485,000	6,000,000
		$ 377,190,000	$ 189,935,000	$ 102,550,655

Additionally, as of June 30, 2019, $9,242 was due to localities from other sources. First, the Internal Revenue Service paid interest of $4,488 related to Qualified School Construction Bonds (QSCB). Second, as part of 2019 King William refunding issuance, the County overpaid $4,754 to the Authority. Both amounts are scheduled to be returned to localities in August 2019.

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, 2019 is $353,400,000 (which includes the 2012 QZAB detailed under Note 2E that was issued as part of the 2012 School Tax Credit Bonds). These bonds are non-interest bearing; however, a taxpayer who holds such bonds during a taxable year will be allowed a federal income tax credit for such taxable year in accordance with the structure established at issuance.

G. Direct Placement Bonds

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

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

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

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

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

H. Defeasance of Debt

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

The Authority issued one series of refunding bonds during fiscal year 2019. 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 this 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 2019

Refunding Issue	Refunded Issue	Maturities Defeased	Amount Defeased
2019B	2009A	2020	$ 6,460,000
2019B	2009C	2020-2028	163,205,000
Total Defeased, FY 2019			$ 169,665,000

The issuance under the 1997 Resolution of the Authority's Series 2019B bonds refunded certain outstanding bonds under the 1997 resolution. This debt defeasance resulted in an accounting loss of $801,800. Total debt service payments over the next 10 years will be reduced by $15,547,108. Present value savings of $13,791,821 reflect the True Interest Cost of each component of the refunding at the discount rate.

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, 2019, $521,910,000 of bonds outstanding are considered defeased for financial reporting purposes.

I. Local School Bond Credits

Beginning in fiscal year 2015, the Authority modified its process for returning refunding savings to localities. Previously, these savings had been returned to localities in the form of lump sum payment when refunding bonds were issued. This process negatively impacted the Authority's net position. Under the current process, the Authority has calculated credit amounts to be returned to each locality annually as savings are actually achieved. The savings accrue to the Authority over time and the return of refunding savings to localities is now consistent with the timeframe in which the savings are earned by the Authority. As of June 30, 2019, the total remaining credits to be paid to the impacted localities over the next nineteen years is $67 million.

J. Payments to/from the Literary Fund

In fiscal year 2019, after final rebate computations on the School Educational Technology Notes XIII, the residual earnings of $145,329 on the related bond proceeds were paid to the Literary Fund, which had been the source of the debt service appropriation for these Notes.

The Authority received $8,142,589 from the Literary Fund to pay interest on the various outstanding Educational Technology and Security Notes.

K. Arbitrage Earnings

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

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

In most cases, rebate liability is payable by local issuers whose local school bonds were purchased by the Authority. During the year, the Authority's rebate calculation agent, or 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) 2008A	Final	8/1/2018	$ -	
(97 Resolution) 2008B	Final	8/1/2018	-	
(97 Resolution) 2013B	5 Year	8/1/2018	-	
(97 Resolution) 2014A&B	5 Year	8/1/2018	-	*
(97 Resolution) 2003D	15 Year	12/11/2018	-	
(97 Resolution) 2009A	10 Year	3/12/2019	-	
Educational Technology and School Security Notes Series II	Final	4/15/2019	66,025	**
(97 Resolution) 2009B	10 Year	5/7/2019	-	

* Per the Rebate Calculation Agent, The Series 2014A and Series 2014B Bonds are considered a single issue for calculating the bond yield and arbitrage rebate amount.

** VPSA's Series 2014 Notes (Series II) did not have a rebate liability, but did owe a yield reduction payment in the amount of $66,025.24. This amount was reimbursed to VPSA from DOE in May 2019.

The Authority paid $15,900 to its rebate calculation agent for services provided in connection with the above rebate calculations.

L. Subsequent Events

On October 24, 2019, the Authority issued $27,315,000 Special Obligation School Financing Bonds, Montgomery County Series 2019. The Bonds will be used by the County to finance the costs of various school capital improvement projects for the County.

On October 29, 2019, the Authority issued $109,155,000 Special Obligation School Financing Bonds, Prince William County Series 2019A and $34,610,000 Special Obligation School Financing Refunding Bonds, Prince William County Series 2019B. The Bonds will be used by the County to finance the costs of various school capital improvement projects for the County and to refund certain previously issued bonds.

On November 12, 2019, the Authority issued $88,360,000 School Financing Bonds (1997 Resolution), Series 2019C, to purchase certain general obligation local school bonds to finance capital projects for schools, and $22,290,000 School Financing Refunding Bonds (1997 Resolution), Series 2019D (Taxable), to refund certain previously issued Authority Bonds.

M. Risk Management

The Authority is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Department of the Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the Authority. The risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of the Treasury pays premiums to this Department for its insurance 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, 2019
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2018	Issued (Retired) During Year	Outstanding June 30, 2019	Original Maturity
Series 2003 D	12/11/03	1997	3.23%	286,670	-	9,405	(4,680)	4,725	08/01/19
Series 2005 B	04/20/05	1997	4.07%	230,580	-	40,710	(21,495)	19,215	08/01/20
Series 2008 A	05/01/08	1997	4.22%	134,950	134,950	6,005	(6,005)	-	08/01/37
Series 2008 B	12/01/08	1997	4.75%	118,930	118,927	5,660	(5,660)	-	08/01/33
2008 Series Fluvanna County	12/22/08	Stand Alone	5.95%	67,525	67,525	1,855	(1,855)	-	12/01/35
Series 2009 A	03/12/09	1997	2.60%	114,180	-	18,965	(12,665)	6,300	08/01/20
Series 2009 B	05/01/09	1997	3.69%	200,435	200,435	19,535	(9,705)	9,830	08/01/29
Series 2009 C	10/27/09	1997	2.85%	481,285	-	256,830	(209,505)	47,325	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	970	(475)	495	08/01/29
Series 2010 A	05/13/10	1997	3.01%	45,805	45,805	3,045	(975)	2,070	08/01/30
Series 2010 B	05/13/10	1997	5.09%	63,840	63,840	59,375	(4,475)	54,900	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	-	57,995	(13,250)	44,745	08/01/24
Series 2010 D	11/10/10	1997	2.98%	9,975	9,975	1,335	(450)	885	08/01/30
Series 2011 A	05/05/11	1997	3.72%	26,375	26,375	4,660	(1,160)	3,500	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	20,895	(2,325)	18,570	07/15/31
Series 2011 B	11/01/11	1997	3.37%	85,730	85,730	14,410	(3,500)	10,910	08/01/36
Series 2011 Montgomery County	12/06/11	Stand Alone	3.59%	86,115	86,115	11,215	(2,585)	8,630	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	-	236,850	(16,665)	220,185	08/01/30
Series 2012 B	05/10/12	1997	2.85%	63,945	63,945	14,660	(2,800)	11,860	08/01/32
Series 2012 Prince William County	08/15/12	Stand Alone	2.61%	65,675	65,675	22,980	(3,285)	19,695	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	57,070	(2,505)	54,565	08/01/41
Series 2012 D	12/20/12	1997	2.68%	66,120	66,120	63,175	(695)	62,480	08/01/35
Series 2013 A	05/09/13	1997	2.57%	141,840	141,840	121,640	(7,765)	113,875	08/01/33
Series 2013 Prince William County	07/31/13	Stand Alone	3.30%	59,990	59,990	32,990	(3,000)	29,990	07/15/33
Series 2013 B	11/21/13	1997	3.45%	45,075	45,075	39,015	(1,810)	37,205	08/01/40
Series 2014 A	05/15/14	1997	3.03%	51,510	51,510	46,175	(1,905)	44,270	08/01/39
Series 2014 B	05/15/14	1997	2.21%	215,405	-	195,140	(19,390)	175,750	08/01/26
Series 2014 School Technology and Security Series II	05/22/14	Equip. Notes	0.95%	63,000	-	13,790	(13,790)	-	04/15/19
Series 2014 Prince William County	10/07/14	Stand Alone	2.62%	82,545	82,545	70,155	(4,130)	66,025	07/15/34
Series 2014 C	11/20/14	1997	2.76%	81,265	81,265	70,775	(3,785)	66,990	08/01/35
Series 2014 Warren County	12/09/14	Stand Alone	3.42%	42,440	42,440	39,590	(1,100)	38,490	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	-	435,430	(15,575)	419,855	08/01/37
Series 2015 B	05/14/15	1997	3.11%	33,820	33,820	32,710	(1,025)	31,685	08/01/38

(a) Includes refunding bonds issued.

Detail of Long-Term Indebtedness
June 30, 2019
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series (continued)

	Dated Date	Bond Resolution	True Interest Cost ("TIC")	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2018	Issued (Retired) During Year	Outstanding June 30, 2019	Original Maturity
Series 2015 School Technology and Security Series III	05/19/15	Equip. Notes	1.20%	65,465	-	27,990	(13,655)	14,335	04/15/20
Series 2015 Prince William County	07/30/15	Stand Alone	2.89%	98,485	98,485	88,635	(4,925)	83,710	08/01/35
Series 2015 C	11/19/15	1997	2.91%	49,350	49,350	45,480	(1,780)	43,700	08/01/45
Series 2016 Prince William County	04/27/16	Stand Alone	2.38%	171,160	171,160	165,145	(6,015)	159,130	08/01/36
Series 2016 A	05/17/16	1997	2.40%	101,770	90,970	98,085	(3,820)	94,265	08/01/36
Series 2016 School Technology and Security Series IV	05/19/16	Equip. Notes	0.90%	65,190	-	40,820	(12,950)	27,870	04/15/21
Series 2016 Montgomery County	11/10/16	Stand Alone	2.22%	64,605	64,605	63,880	-	63,880	02/01/32
Series 2016 B	11/17/16	1997	2.49%	90,080	83,665	88,135	(3,030)	85,105	08/01/36
Series 2016-1 QZAB	11/30/16	School Tax Cr.	0.00%	2,350	2,350	2,350	-	2,350	12/15/31
Series 2017 Prince William County	03/09/17	Stand Alone	2.88%	77,660	77,660	73,775	(3,885)	69,890	03/01/37
Series 2017 A	05/16/17	1997	2.93%	18,470	18,470	18,470	(580)	17,890	08/01/37
Series 2017 School Technology and Security Series V	05/23/17	Equip. Notes	1.27%	66,135	-	53,900	(12,505)	41,395	04/15/22
Series 2017 B	08/22/17	1997	2.37%	106,075	-	106,075	(85)	105,990	08/01/36
Series 2017 C	11/07/17	1997	2.99%	115,820	115,820	115,820	(1,730)	114,090	08/01/47
Series 2017 King George County	11/09/17	Stand Alone	2.97%	20,840	20,840	20,840	(100)	20,740	02/01/38
Series 2018 A	05/15/18	1997	3.12%	63,920	63,920	63,920	-	63,920	08/01/38
Series 2018 School Technology and Security Series VI	05/22/18	Equip. Notes	2.02%	59,805	-	59,805	(11,065)	48,740	04/15/23
Series 2018 Prince William County	05/24/18	Stand Alone	2.97%	115,895	115,895	115,895	(5,790)	110,105	03/01/38
Series 2018 B	11/06/18	1997	3.36%	109,070	109,070	-	109,070	109,070	08/01/38
Series 2019 A	05/21/19	1997	2.89%	88,250	88,250	-	88,250	88,250	08/01/49
Series 2019 B	05/21/19	1997	1.69%	156,560	-	-	156,560	156,560	08/01/28
Series 2019 School Technology and Security Series VII	05/23/19	Equip. Notes	1.63%	57,595	-	-	57,595	57,595	4/15/2024
Total				$ 6,014,286	$ 3,225,668	$ 3,631,246	$ (70,430)	$ 3,560,816	

Detail of Long-Term Indebtedness by Resolution

	Amount Issued (a)	Local School Bonds Purchased	Outstanding July 1, 2018	Issued (Retired) During Year	Outstanding June 30, 2019
1997 Resolution	$ 4,278,150	$ 1,866,722	$ 2,347,525	$ (25,065)	$ 2,322,460
Stand Alone Issues	999,380	999,380	727,850	(38,995)	688,855
Technology and Security Notes	377,190	-	196,305	(6,370)	189,935
School Tax Credit	359,566	359,566	359,566	-	359,566
Total	$ 6,014,286	$ 3,225,668	$ 3,631,246	$ (70,430)	$ 3,560,816

(a) Includes refunding bonds issued.

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

December 13, 2019

The Honorable Ralph S. Northam
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
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** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2019, 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, 2019, 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, 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 13, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Martha S. Mavredes
AUDITOR OF PUBLIC ACCOUNTS

SAH/vks

VIRGINIA PUBLIC SCHOOL AUTHORITY
Richmond, Virginia

BOARD OF COMMISSIONERS
As of June 30, 2019

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