VIRGINIA PUBLIC BUILDING AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2008

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VIRGINIA PUBLIC BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
AS OF JUNE 30, 2008

This section of the Virginia Public Building Authority's ("the Authority") annual financial report presents an analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2008. This information should be considered in conjunction with the information contained in the financial statements.

Authority Activities and Highlights

Upon approval of the General Assembly of the Commonwealth, the Authority is authorized to issue bonds or notes to construct, improve, furnish, maintain, acquire, finance, or refinance certain public facilities for the use of the Commonwealth and its agencies and instrumentalities, and to finance or refinance reimbursements to localities or regional jail authorities for the Commonwealth's share of the costs of certain jail and juvenile detention projects. The Authority serves exclusively as a financing entity with the sole function of issuing and managing debt. Debt service for all bonds issued by the Authority is secured by appropriations from the Commonwealth. During the past fiscal year, the Authority had two bond issuances to meet its purposes. The Authority issued $242 million in Public Facilities Revenue Bonds, Series 2007A to finance construction of certain public facilities. The Authority also issued $59 million in Public Facilities Revenue Refunding Bonds, Series 2008A. The issuance of the refunding bonds resulted in a decrease of future debt service payments of $2,744,136.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The Statement of Net Assets presents all of the Authority's assets and liabilities, with the difference between the two reported as "net assets."

Statement of Net Assets
(in millions)

	2008	2007
Current assets	$ 95	$ 21
Current liabilities	169	170
Noncurrent liabilities	1,594	1,463
Total liabilities	1,763	1,633
Net assets	$ (1,668)	$ (1,612)

The Authority's net assets decreased by 3% or $56 million in 2008. The decrease is due to the recordation of bonds payable related to the issuance of new bonds during the year. *Net assets consistently maintain a deficit balance because the Authority includes the bonds payable liability in its financial statements without including the future appropriation expected from the Commonwealth because future appropriations are not considered available and do not constitute a legally binding commitment.*

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

Changes in Net Assets
(in millions)

	2008	2007
Revenues:		
Appropriations from the Commonwealth	$ 183	$ 146
Other Revenue	11	10
Total Revenues	194	156
Expenses:		
Interest on long-term debt	80	72
Disbursements for state and local projects	170	323
Total Expenses	250	395
Change in net assets	(56)	(239)
Net assets July 1	(1,612)	(1,373)
Net assets June 30	$ (1,668)	$ (1,612)

The Authority’s revenues increased by 24% or $38 million compared to last year while expenses decreased by 37% or $145 million. The increase in revenue is largely due to the increase in the appropriation receipt from the Commonwealth, which resulted from the larger debt service requirement for the year. The increase was also due to slightly higher interest earnings from the proceeds of the revenue bonds issued. The decrease in expenses is mostly attributable to a decrease in distributions for construction projects and reimbursements made to localities for various regional jail projects. In the current year, $168 million was disbursed for construction and regional jails compared to $321 million in the prior year. The $153 million decrease represented a 48% decrease in distribution for construction projects and various regional jail projects. The fluctuations in revenues and expenses are expected due to the nature of the Authority’s operations.

Both statements report Governmental Activities backed by appropriations from the Commonwealth.

Fund Financial Statements

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

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

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

Notes to the Financial Statements

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

Purpose of the Authority

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

Debt Administration

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

The following is a summary of changes in long-term debt of the Authority at June 30, 2008:

Bonds payable at July 1, 2007	$ 1,503,466,067
Bonds issued	301,475,000
Bonds defeased	(60,775,000)
Bonds retired	(112,690,000)
Amortized discount for fiscal year 2008	2,327,894
Amortized deferral on debt defeasance for fiscal year 2008	1,978,697
Bonds payable at June 30, 2008	$ 1,635,782,658

The Authority's outstanding bonds are rated as follows:

Moody's Investors Service (Moody's)	Aa1
Standard and Poor's Rating Service (S&P)	AA+
Fitch Ratings, Inc. (Fitch)	AA+

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

Future Impact to Financial Position

The Authority issued $150,000,000 Series 2008B bonds in December 2008 to finance the acquisition, construction, improvement, rehabilitation, furnishing, and equipping of various public facilities for use by the Commonwealth of Virginia and its agencies; finance or refinance the Commonwealth's share of the cost of certain regional and local jail and juvenile detention projects; and pay costs of issuing the Series 2008B bonds.

The Authority plans to issue a taxable bond series in early 2009.

Financial Statements

VIRGINIA PUBLIC BUILDING AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
As of June 30, 2008

	Special Revenue Fund	Adjustments (Note 1D)	Statement of Net Assets
ASSETS			
Current assets:			
Cash and cash equivalents (Note 2A)	$ 94,862,307	$ -	$ 94,862,307
Interest receivable	233,857	-	233,857
Total assets	$ 95,096,164	-	95,096,164
LIABILITIES			
Current liabilities:			
Bond interest payble	$ -	33,733,330	33,733,330
Due to state institutions	9,473,857	-	9,473,857
Bonds payable (net of deferrals) (Notes 2B and 2C)	-	118,792,798	118,792,798
Premium on bonds sold	-	7,127,145	7,127,145
Total current liabilities	9,473,857	159,653,273	169,127,130
Noncurrent liabilities:			
Bonds payable (net of deferrals) (Note 2B and 2C)	-	1,516,989,860	1,516,989,860
Premium on bonds sold	-	76,544,713	76,544,713
Total noncurrent liabilities	-	1,593,534,573	1,593,534,573
Total liabilities	9,473,857	1,753,187,846	1,762,661,703
FUND BALANCE/NET ASSETS:			
Fund balance:			
Reserved (Note 2E)	85,622,307	(85,622,307)	-
Total liabilities and fund balance	$ 95,096,164		
Net assets:			
Restricted for capital projects			-
Unrestricted		(1,667,565,539)	(1,667,565,539)
Total net assets (Note 2F)		$ (1,667,565,539)	$ (1,667,565,539)

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

VIRGINIA PUBLIC BUILDING AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2008

	Special Revenue Fund	Adjustments (Note 1D)	Statement of Activities
REVENUES:			
Interest on investments	$ 4,817,015	$ -	$ 4,817,015
Appropriations from the Commonwealth	182,539,169	-	182,539,169
Original issue premium	-	6,162,704	6,162,704
Total revenues	187,356,184	6,162,704	193,518,888
EXPENDITURES/EXPENSES:			
Current:			
Legal and financial services	283,199	-	283,199
Printing and electronic distributions	11,806	-	11,806
Capital outlay	176,181	-	176,181
Disbursements to instituitions	140,870,635	-	140,870,635
Disbursements to localities	27,497,024	-	27,497,024
Underwriter's discount	595,226	-	595,226
Debt service:			
Principal retirement	112,690,000	(112,690,000)	-
Interest and fiscal charges	69,907,028	9,684,006	79,591,034
Total expenditures/expenses	352,031,099	(103,005,994)	249,025,105
Excess (deficiency) of revenue over (under) expenditures	(164,674,915)	-	-
Other financing sources (uses):			
Payments to refunded bond escrow agent	(62,756,957)	62,756,957	-
Debt issuance	301,475,000	(301,475,000)	-
Bond premium	18,113,305	(18,113,305)	-
Total other financing sources (uses)	256,831,348	(256,831,348)	-
Excess of revenues and other financing sources over expenditures and other financing uses	92,156,433	(92,156,433)	-
Change in net assets	-	(55,506,217)	(55,506,217)
Fund Balance/Net Assets, July 1, 2007	(6,534,126)	(1,605,525,196)	(1,612,059,322)
Fund Balance/Net Assets, June 30, 2008 (Note 2E and 2F)	$ 85,622,307	$ (1,753,187,846)	$ (1,667,565,539)

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

Notes to the Financial Statements

VIRGINIA PUBLIC BUILDING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Virginia Public Building Authority ("the Authority") was created in 1981 by §2.2-2260 et seq., of the *Code of Virginia* for the purpose of acquiring, constructing and operating public buildings for the use of the Commonwealth of Virginia ("the Commonwealth") and its political subdivisions. The Authority is authorized to issue bonds or notes to construct, improve, furnish, maintain, acquire, finance, or refinance certain public facilities for the use of the Commonwealth, its agencies and instrumentalities and to finance or refinance reimbursements to localities or regional jail authorities for the Commonwealth's share of the costs of certain jail projects. The Authority is authorized to undertake a project only upon approval of the General Assembly of the Commonwealth.

In 1997 the Authority created the 1997 Master Indenture of Trust ("the 1997 Indenture"). The 1997 Indenture utilizes a single payment agreement to provide for debt service payments. Debt service payments are subject to General Assembly appropriation. In addition, the 1997 Indenture provides for the issuance of commercial paper bond anticipation notes.

Bonds issued prior to the 1997 indenture were issued under its 1988 Master Indenture of Trust ("the 1988 Indenture"). These bonds were also ultimately supported by an appropriation from the Commonwealth. The Authority no longer issues bonds under the 1988 Indenture.

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 more significant policies.

B. Measurement Focus and Basis of Accounting

The accompanying financial statements are presented using the accounting principles generally accepted in the United States of America as prescribed by the GASB. The accompanying government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenditures are recognized when the related liability is incurred, regardless of the timing of related cash flows.

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

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

C. Fund Accounting

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

D. Adjustments

The adjustments column represents the recording of bonds payable liabilities on the Statement of Net Assets and the related effect of these transactions on the Statement of Activities. Governmental fund statements do not reflect bonds payable. The non-current portion of bonds payable includes those payments that are not due and payable in the current period.

E. Bond Issuance Costs, Premiums, and Discounts

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

2. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

Cash and cash equivalents of the Authority are held by The Bank of New York, as trustee (successor to Signet Bank), under the 1997 and 1988 Indentures. Cash is defined as demand deposits, time deposits and certificates of deposit in accordance with §2.2-4401 of the *Code of Virginia*. Cash equivalents represent deposits and short-term investments with original maturities of less than three months.

In accordance with the Trust Subsidiary Act, §6.1-32.8 of the *Code of Virginia*, cash held by the trustee while awaiting investment or distribution is not used by an affiliate bank of the trustee in the conduct of its business unless the affiliate bank delivers securities to the trust department as collateral that is at least equal to the market value of the trust funds held on deposit in excess of amounts insured by federal deposit insurance.

The 1988 and 1997 Indentures authorize the trustee, on behalf of the Authority, to invest in legal investments for public sinking funds and other public funds as outlined in §2.2-4500 and §2.2-4501 of the *Code of Virginia* which include repurchase agreements, certificates of deposit, commercial paper, bankers' acceptances, United States Government and agency securities, and money market funds.

Custodial credit risk for cash and cash equivalents is the risk that, in the event of a failure of the counterparty, the Authority will not be able to recover the value of the cash and cash equivalents or collateral securities that are in the possession of an outside party. The Trustee complies with the Trust Subsidiary Act, §6.1-32.8 of the *Code of Virginia* with regard to the Authority's assets. The Authority's investments at June 30, 2008 were held in the Authority's name by the Authority's custodial banks; therefore, the Authority has no custodial credit risk.

The Authority's cash and cash equivalents at June 30, 2008 are presented below.

Summary of Cash and Cash Equivalents
As of June 30, 2008

		Fair Value
Cash and cash equivalents:		
Money Market Funds [1]	$	59,922
Local Government Investment Pool [2]		94,802,385
Total cash and cash equivalents	$	94,862,307

[1] The Authority invests certain short-term cash balances held within its accounts in Federated Auto Government Money Trust Money Market. This open-ended mutual fund is registered under the Investment Company Act of 1940. This fund maintains a policy of investing all their assets in U.S. Treasury obligations and repurchase agreements backed by those obligations. This money market fund is rated AAA by Standard and Poor's.

[2] The Local Government Investment Pool (LGIP) enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is not registered with the SEC as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7. The LGIP is rated AAAm by Standard and Poor's .

B. Long-Term Debt

Changes in Long-Term Debt - The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2008.

Bonds payable at July 1, 2007	$ 1,503,466,067
Bonds issued	301,475,000
Bonds defeased	(60,775,000)
Bonds retired	(112,690,000)
Amortized discount	2,327,894
Amortized deferral on debt defeasance	1,978,697
Bonds payable at June 30, 2008	$ 1,635,782,658

Annual Requirements to Amortize Long-Term Debt:

Year Ending June 30		Principal		Interest		Total
2009	$	124,745,000	$	77,421,941	$	202,166,941
2010		132,345,000		69,064,700		201,409,700
2011		132,075,000		63,188,125		195,263,125
2012		130,815,000		56,950,206		187,765,206
2013		131,315,000		50,486,418		181,801,418
2014-2018		536,630,000		165,062,439		701,692,439
2019-2023		272,805,000		72,102,958		344,907,958
2024-2028		203,715,000		17,037,575		220,752,575
Less:						
Unamortized discount		(2,052,886)		-		(2,052,886)
Deferral on debt defeasance		(26,609,456)		-		(26,609,456)
Total	$	1,635,782,658	$	571,314,362	$	2,207,097,020

C. Defeasance of Debt

In May 2008, the Authority issued $58,995,000 of State Building Revenue Refunding Bonds Series 2008A. The proceeds refunded $60,775,000 of Series 1998A bonds. Bond proceeds of $62,756,957 were placed with an escrow agent to provide for the redemption of the bonds. The total debt service payments over the life of the bonds have been reduced by $2,744,136 resulting in an economic gain (savings) of $2,665,620 discounted at 2.486125%.

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments 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. At June 30, 2008, $209,990,000 of bonds outstanding is considered defeased for financial reporting purposes. The detail for those balances and the refinancing activities that resulted in the defeasance of the bonds is shown below:

Refunded State Building Revenue Bonds:	Refunded Amount:	Refunding Series:
Series 1998B (partial)	$25,120,000	2005B
Series 1999A (partial)	$45,405,000	2005B
Series 1999B (partial)	$11,605,000	2004D
Series 2000A (partial)	$67,085,000	2004D
Series 1998A (partial)	$60,775,000	2008A

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," the difference between the reacquisition price and the net carrying amount of the bonds defeased with refunding debt is amortized as a component of Interest on Bonds over the remaining life of the refunded debt. Therefore, Bonds Payable, as reflected on the government-wide statements, has been reduced by $26,609,456 to reflect the remaining deferral on debt defeasance at June 30, 2008.

D. Arbitrage Rebate

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

Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least every five years over the life of the bonds. Some bonds of the Authority may be exempt from the rebate regulations if they meet statutory exceptions per the rebate requirements. The Authority may also elect, on or before the date of the bond issue, to pay a penalty in lieu of rebate if it does not meet certain expenditure tests. The Authority would retain any arbitrage earnings. The Authority, to date, has not elected penalty in lieu of rebate.

Rebate and penalty payments are calculated and paid by the Authority as required by law on bond issues that fall under the regulations and do not qualify for exceptions. As of their 5 year and 10 year installment computation dates, the 1998A, 1998B, and 2003A bonds had no arbitrage rebate liabilities due. Therefore, no payments were made to the Internal Revenue Service.

E. Surplus Fund Balance

Generally accepted accounting principles direct that governmental funds recognize expenditures when the related liability is incurred while revenues are recognized when they become available. Due to the timing of the Authority's bond issuance, available resources at the close of the current year recognized by the Authority exceeded the expenditures recognized by the Authority at the close of the current period resulting in a surplus fund balance of $85,622,307.

F. Deficit Net Assets

Generally accepted accounting principles direct that governmental funds recognize revenues in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Authority bonds are secured by General Assembly appropriations. Because future appropriations are not considered available and do not constitute a legally binding commitment, the Authority ended the year with a net asset deficit of $1,667,565,539. The General Assembly has never failed to appropriate funds to the Authority for payment of debt service on the Authority's bonds.

G. Subsequent Events

In December 2008, the Authority issued series 2008B Virginia Public Building Authority, Public Facilities Revenue Bonds in the amount of $150,000,000, under the Twenty-Second Supplemental Indenture to fund various capital projects authorized for funding by VPBA. The 2008B bonds will be used to finance the of various public facilities for use by the Commonwealth of Virginia and its agencies: finance or refinance the Commonwealth's share of the construction of certain regional and local jail and juvenile detention projects; and pay costs of issuing the Series 2008B bonds.

H. 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 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.

Supplementary Information

Virginia Public Building Authority
Detail of Long-Term Indebtedness
June 30, 2008
(Dollars in Thousands)

Detail of Long-Term Indebtedness by Series

	Dated Date	True Interest Cost ("TIC")	Amount Issued	Outstanding July 1, 2007	Issued (Retired) During Year	Outstanding June 30, 2008 *	Original Maturity
Series 1992B	06/15/92	6.24%	$ 151,890	$ 48,724	$ (12,902)	$ 35,822	08/01/10
Series 1997A	04/15/97	5.56%	152,885	7,050	(7,050)	-	08/01/17
Series 1998A Refunding	03/01/98	4.66%	147,000	95,310	(77,625)	17,685	08/01/13
Series 1998B	05/15/98	4.84%	40,425	3,715	(1,810)	1,905	08/01/18
Series1999A	05/01/99	4.71%	68,920	6,040	(2,950)	3,090	08/01/19
Series 1999B	10/15/99	5.24%	27,730	5,645	(1,790)	3,855	08/01/14
Series 2000A	05/01/00	5.79%	104,990	17,995	(4,135)	13,860	08/01/20
Series 2001A	08/01/01	4.61%	35,830	29,445	(1,440)	28,005	08/01/21
Series 2002A	09/01/02	4.07%	55,000	47,215	(2,160)	45,055	08/01/22
Series 2003A Refunding	02/20/03	3.22%	38,810	31,725	(3,915)	27,810	08/01/14
Series 2004A Refunding	03/01/04	3.07%	187,105	176,845	(8,810)	168,035	08/01/16
Series 2004B	07/15/04	4.20%	207,065	188,755	(10,100)	178,655	08/01/24
Series 2004C Refunding	08/01/04	3.37%	39,260	33,250	(3,110)	30,140	08/01/15
Series 2004D Refunding	12/01/04	4.07%	106,460	105,715	(390)	105,325	08/01/20
Series 2005A Refunding	03/01/05	3.73%	47,305	43,475	(2,985)	40,490	08/01/18
Series 2005B Refunding	04/15/05	3.64%	135,675	135,575	(3,575)	132,000	08/01/19
Series 2005C	11/01/05	4.02%	165,810	155,510	(10,800)	144,710	08/01/22
Series 2005D	12/01/05	Variable	50,000	50,000	-	50,000	08/01/25
Series 2006A	08/24/06	4.15%	135,000	135,000	(6,920)	128,080	08/01/26
Series 2006B	11/30/06	4.07%	215,065	215,065	(8,670)	206,395	08/01/26
Series 2007A	10/10/07	4.25%	-	-	242,480	242,480	08/01/27
Series 2008A, Refunding	05/06/08	2.54%	-	-	58,995	58,995	08/01/12
Total			$ 2,112,225	$ 1,532,054	$ 130,338	$ 1,662,392	

* Excludes deferral on debt defeasance.

Commonwealth of Virginia

Walter J. Kucharski, Auditor

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

January 15, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

Board of Directors
Virginia Public Building Authority

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and major special revenue fund of the **Virginia Public Building Authority** (Authority), a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major special revenue fund of the Authority as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages one through four is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Detail of Long-Term Indebtedness is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The Detail of Long-Term Indebtedness has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2009 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 and should be considered in assessing the results of our audit.

AUDITOR OF PUBLIC ACCOUNTS

BEM/alh

VIRGINIA PUBLIC BUILDING AUTHORITY
Richmond, Virginia

BOARD MEMBERS
As of June 30, 2008

Sara B. Williams, Chairman

Priscilla Burbank, Vice Chairman

Steven R. Perkins

Monique Nadeau-Langridge

Sharon M. McDonald

EX OFFICIO

J. Braxton. Powell, Secretary/Treasurer, State Treasurer

David Von Moll, State Comptroller