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**Report to the Governor, the Secretary  
of Commerce and Trade, the House  
Appropriations Committee and the  
Senate Finance Committee**

**Status of the Virginia Housing Partnership Fund**

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**Submitted by:  
The Board of Housing and Community Development**

**December 2004**

# VIRGINIA HOUSING DEVELOPMENT AUTHORITY

Notes to Financial Statements  
June 30, 2004 and 2003

## *Virginia Housing Partnership Revolving Fund and the Commonwealth Priority Housing Fund*

The Virginia Housing Partnership Revolving Fund (the Fund), established by the 1988 Session of the Virginia General Assembly, used funds provided by the state to provide loans and grants for a wide variety of housing initiatives. The Department of Housing and Community Development developed the program guidelines and the Authority acted as administrator for the Fund. On June 30, 2003, the Authority purchased all the assets of the Fund. A portion of the proceeds from the sale have been designated by the Commonwealth to establish the Commonwealth Priority Housing Fund. Similar to the Fund, the Department of Housing and Community Development will develop and oversee program guidelines and the Authority will act as administrator for the new fund.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

Schedule of Assets and Liabilities Held on Behalf of  
Virginia Housing Partnership Revolving Fund

June 30, 2004

<b>Asset</b>	<b>General Fund</b>
Investments, net	\$ <u>144,401</u>
<b>Fund Balance</b>	
Fund balance	\$ <u>144,401</u>

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

Schedule of Revenues, Expenses, and Fund Balances Information  
Virginia Housing Partnership Revolving Fund

Year ended June 30, 2004

<b>Revenue</b>	<b><u>General Fund</u></b>
Investment income	\$ <u>1,807</u>
Excess of revenue over expense	1,807
Fund balance at beginning of year	—
Fund contribution	<u>142,594</u>
Fund balance at end of year	<u>\$ 144,401</u>

See accompanying independent auditors' report.

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

Schedule of Assets Held on Behalf of  
Commonwealth Priority Housing Fund

June 30, 2004

	<b><u>General Fund</u></b>
Assets:	
Cash	\$ 34,597
Investments, net	18,426,174
Interest receivable – investments	13,373
Other receivables	<u>498,620</u>
Total assets	<u>18,972,764</u>
Liabilities:	
Other liabilities	<u>40,946</u>
Fund balance	<u>18,931,818</u>
Total liabilities and fund balance	<u>\$ 18,972,764</u>

See accompanying independent auditor's report

**VIRGINIA HOUSING DEVELOPMENT AUTHORITY**

Schedule of Revenues, Expenses, and Fund Balances Information  
Commonwealth Priority Housing Fund

Year ended June 30, 2004

	<b>Revenue</b>	<b><u>General Fund</u></b>
Investment income		\$ <u>281,474</u>
	<b>Expenses</b>	
Fund management fees		68,808
Grant expense		<u>565,000</u>
Total expenses		<u>633,808</u>
Deficiency of revenue over expenses		(352,334)
Fund balance at beginning of year		<u>19,284,152</u>
Fund balance at end of year		\$ <u>18,931,818</u>

See accompanying independent auditors' report.



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**Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Commissioners  
Virginia Housing Development Authority:

We have audited the financial statements of Virginia Housing Development Authority, a component unit of the Commonwealth of Virginia as of and for the year ended June 30, 2004, and have issued our report thereon dated September 24, 2004. 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.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Virginia Housing Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Virginia Housing Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of commissioners and the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

September 24, 2004