

Minutes of the Meeting of the Audit Committee Held on September 21, 2007

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on September 21, 2007 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Yvonne Allmond (via speaker telephone)
John P. McCann
Nancy O'Brien
Edward McCoy
Braxton Powell

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Russ E. Wyatt, General Auditor
Melody Barackman, Controller
Michelle S. Edmonds, Sr. Executive Assistant
Donna Craver, KPMG Audit Partner
Mike Jaeger, KPMG Audit Manager

Meeting Called to Order The meeting was called to order at 10:20 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting. Commissioner Allmond was unable to attend the meeting due to a medical condition that prevented her physical attendance and participated in the meeting from her office at TowneBank in Norfolk, Va. on a speaker telephone that enabled her voice to be heard by all persons at the meeting.

FY 2007 Audited Financials Melody Barackman presented highlights of VHDA's audited financial statements for fiscal year (FY) ending June 30, 2007, noting the external auditors, KPMG, issued an unqualified opinion in their audit report.

KPMG representatives, Donna Craver and Mike Jaeger reported the results of their recently completed audit of VHDA's financial statements for the FY 2007. The reports presented by KPMG included their opinion letter and report on internal controls, noting that they did not identify any deficiencies in internal control over financial reporting that they considered to be material weaknesses. They also presented a letter to the Committee describing their responsibilities for expressing an opinion on the fair presentation of the financial statements. The Committee then met with KPMG, without the presence of staff, to discuss any matters in which KPMG believed the Committee should be aware.

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**Audit
Committee
Charter
Reporting
Requirements**

In accordance with the annual reporting requirements of the Audit Committee Charter KPMG reported and provided handouts to the Audit Committee describing the following:

- All relationships the independent auditors have with the Authority, including any non-audit services and related fees, and any other matter relating to the firm's engagement that could prevent the firm from being independent with respect to the Authority:
 - o KPMG handed out their SAS 61 letter and reported that the last paragraph of this letter indicates that they are independent with respect to the Authority. KPMG indicated that this sentence implies that there are no relationships, including non-audit services, that would prevent KPMG from being independent.
- The firm's internal quality-control procedures:
 - o KPMG handed out two papers to the audit committee members entitled: Our System of Quality Controls and Our System of Quality Controls: an Addendum, which describe KPMG internal quality control procedures.
- The firm's partner rotation policies and compliance with such policies in the performance of audit services for the Authority:
 - o The quality control documents handed out by KPMG also describe KPMG's partner rotation policies. KPMG's managing partner, Donna Craver, confirmed that KPMG has complied with these policies. Ms. Craver indicated that the statement in KPMG's SAS 61 letter regarding their independence also covers this objective.
- Any employment of a former partner, principal, shareholder or professional employee of the firm in a financial reporting oversight role at the Authority that would adversely affect the firm's independence
 - o KPMG reported that VHDA has not employed any KPMG professional in a financial reporting oversight role.
- Any material issues raised by the Public Company Accounting Oversight Board, by internal quality-control reviews or peer reviews of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, and any steps taken to address any such issues.
 - o KPMG discussed the PCAOB report and indicated that the paper handed out on their system of quality controls addresses their internal quality control reviews as well as their triennial peer review and inquiries and investigations by authorities. KPMG reported that their last peer review report from PricewaterhouseCoopers was handed out and discussed at the meeting with the audit committee in November 2006. KPMG reported that this report was issued to KPMG in March of 2006 and no peer reviews have been performed since that time.

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Adjournment There being no further business, Commissioner McCann moved for adjournment of the meeting at 10:55 a.m.

Russ E. Wyatt
General Auditor

Yvonne Allmond
Chairman