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Jan K. Yamane
Acting State Auditor
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Constitutional Mandate

The Office of the Auditor, pursuant to Article VII, Section 10 of the Hawai'i State Constitution, is required to conduct post-audits of the transactions, accounts, program and performance of departments, offices and agencies of the State and its political subdivisions, and to certify to the accuracy of all financial statements issued by the respective accounting officers.

Financial Audit of the Hawai'i Housing Finance and Development Corporation

Financial Statements, Fiscal Year Ended June 30, 2012

The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Housing Finance and Development Corporation (HHFDC) as of and for the fiscal year ended June 30, 2012, and to comply with the requirements of federal OMB Circular A-133, which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Accuity LLP.

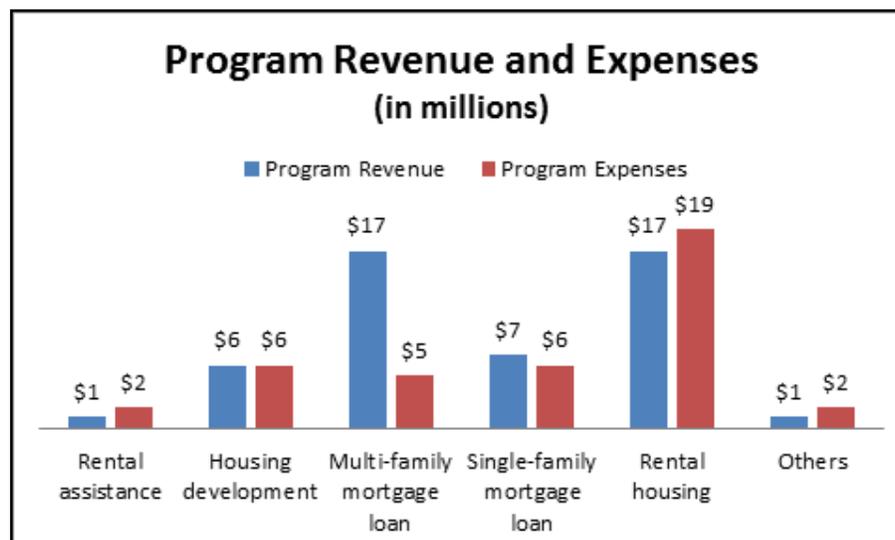
About the Corporation

The Hawai'i Housing Finance and Development Corporation was created to perform housing finance, housing development, and residential leasehold functions. The corporation's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land and expedited land use approvals. The corporation is administratively attached to the State Department of Business, Economic Development and Tourism.

Financial Highlights

The corporation has three types of funds: governmental, proprietary and fiduciary. The corporation's governmental funds are funded primarily from State appropriations and are used to account for essentially the same functions reported as governmental activities. The corporation's proprietary funds operate similar to business-type activities and are used to account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing services to customers.

For the fiscal year ended June 30, 2012, the corporation reported total revenues of \$103 million and total expenses of \$58 million. Revenues consisted of charges for services of \$42 million, operating grants and contributions of \$25 million, and state appropriations net of lapses of \$36 million.





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Auditors' Opinions

Financial Statements: +
Unmodified opinion

Federal Compliance: +
Unmodified opinion

Issues of Concern

Material Weaknesses

0

Significant Deficiencies

0

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Total assets were \$1 billion and total liabilities were \$530 million. Total assets were comprised of cash of \$239 million, investments of \$190 million, notes and loans receivables of \$458 million, capital assets of \$97 million, and other assets of \$16 million. Total liabilities was comprised of revenue bonds payable of \$447 million, deferred income of \$23 million, estimated future costs of development of \$35 million, and other liabilities of \$25 million.

As of June 30, 2012, the underlying ratings for the Single Family Mortgage Purchase Revenue Bond program were as follows:

- Standard and Poor's: AA+
- Moody's Investor Service: Aaa
- Fitch Ratings: AAA

Auditors' Opinions

The corporation received an unmodified opinion that the basic financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The department also received an unmodified opinion on its compliance with major federal programs in accordance with OMB Circular A-133.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. There were no findings that were considered material weaknesses or significant deficiencies. There was one prior audit finding that was considered a significant deficiency and remains unresolved.

Significant Deficiencies for prior audit:

- Perform complete and current analyses as of each year end to support significant estimates reported.

For the complete report, visit our website at:

http://files.hawaii.gov/auditor/Reports/2012_Audit/HHFDC2012.pdf