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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, 2013

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 as of and for the fiscal year ended June 30, 2013, 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 the tools and resources to facilitate housing development, such things as housing tax credits, low-interest construction loans, equity gap loans, and developable land and expedited land use approvals. The corporation is administratively attached to the Department of Business, Economic Development and Tourism.

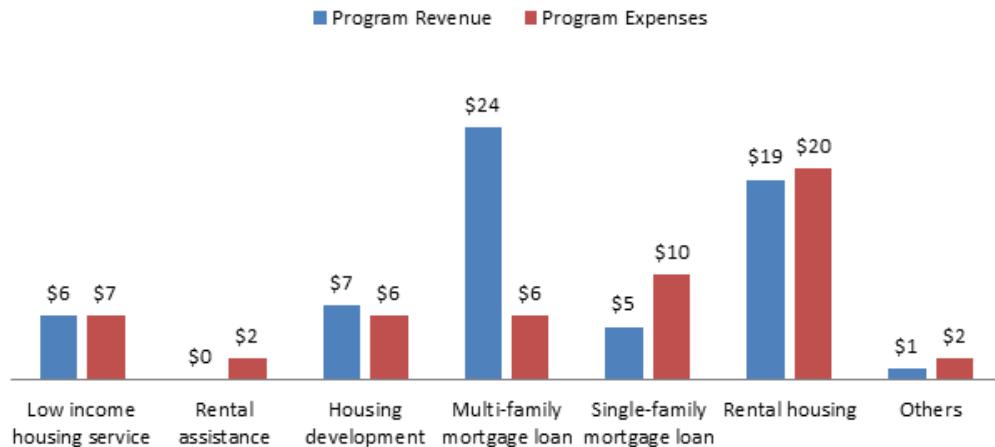
Financial Highlights

The corporation has two types of funds: governmental and proprietary. The corporation's governmental funds are supported primarily by federal grants and proceeds of the State's general obligation bonds allotted to the corporation. Governmental funds include the Home Program Fund, the National Foreclosure Mitigation Counseling Program Fund, the General Obligation Bond Fund, the Neighborhood Stabilization Fund, the Tax Credit Assistance Program Fund, and the Emergency Homeowners' Loan Fund.

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. The corporation's proprietary funds include the Rental Housing Trust Fund, the Dwelling Unit Revolving Fund, three revenue bond funds and eight other funds.

For the fiscal year ended June 30, 2013, the corporation reported total program revenues of \$62 million and total program expenses of \$53 million.

Program Revenues and Expenses (in millions)





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Auditors' Opinion

Financial Statements: Unmodified opinion	+
Federal Compliance: Unmodified opinion	+

Issues of Concern

Material Weaknesses	0
Significant Deficiencies	1

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The corporation reported total assets in excess of \$1 billion and total liabilities of nearly \$472 million. Total assets included cash (\$249 million), investments (\$118 million), notes and loans receivable (\$509 million), capital assets (\$92 million), and other assets (\$62 million). Total liabilities included revenue bonds payable (\$391 million), deferred income (\$23 million), estimated future costs of development (\$35 million), and other liabilities (\$23 million).

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 corporation 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*. However, the auditors reported that one prior audit finding is still considered a significant deficiency and remains unresolved.

Significant Deficiency:

The auditors recommended the corporation perform a complete and current analysis annually to support significant estimates reported.

The corporation disagreed with this finding, claiming that updated analyses are unnecessary and not feasible at this time.

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http://files.hawaii.gov/auditor/Reports/2014_Audit/HHFDC2013.pdf