

Office of the Auditor
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Jan K. Yamane
Acting State Auditor
State of Hawai'i

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 Tourism Authority

Financial Statements, Fiscal Year Ended June 30, 2014

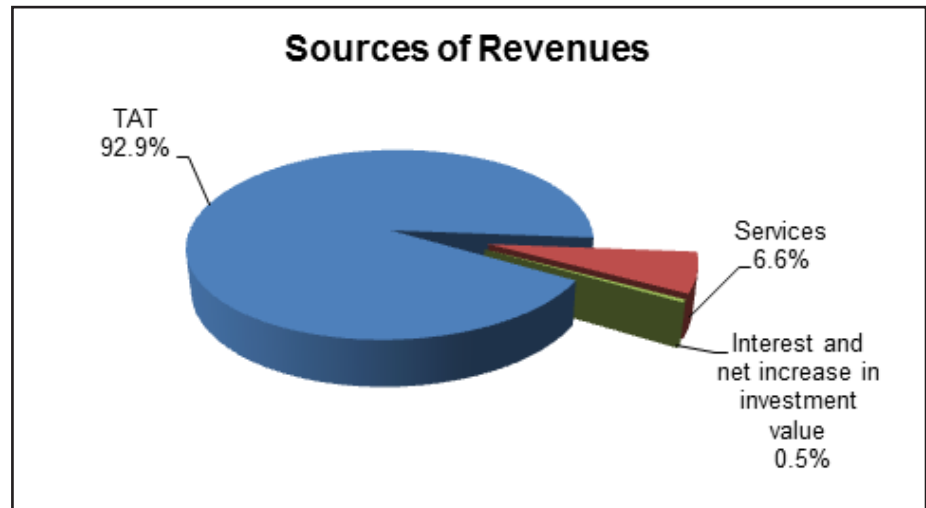
The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Tourism Authority as of and for the fiscal year ended June 30, 2014. The audit was conducted by KPMG, LLP.

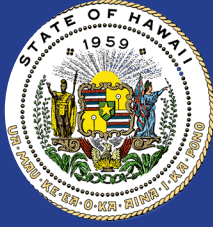
About the Authority

The Hawai'i Tourism Authority is responsible for developing and implementing a strategic tourism marketing plan to enhance and promote the tourism industry in the State of Hawai'i. The authority is also responsible for the Hawai'i Convention Center. The primary source of funding for the authority's operations is the Transient Accommodations Tax (TAT) collected by the State. The authority is governed by a board of directors comprised of 12 voting members, appointed by the governor. The authority was established on January 1, 1999, and was placed within the Department of Business, Economic Development and Tourism for administrative purposes.

Financial Highlights

For the fiscal year ended June 30, 2014, the authority reported total revenues of approximately \$123.8 million, along with \$190,000 in transfers from other state departments, and total expenses of approximately \$102.4 million. Revenues consisted primarily of \$115 million from the TAT and \$8.2 million from charges for services. Interest earnings totaled \$300,000 and the authority experienced a \$300,000 net increase in the fair value of investments.





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Auditors' Opinion

Financial Statements: **Unmodified opinion** +

Issues of Concern

Material Weaknesses

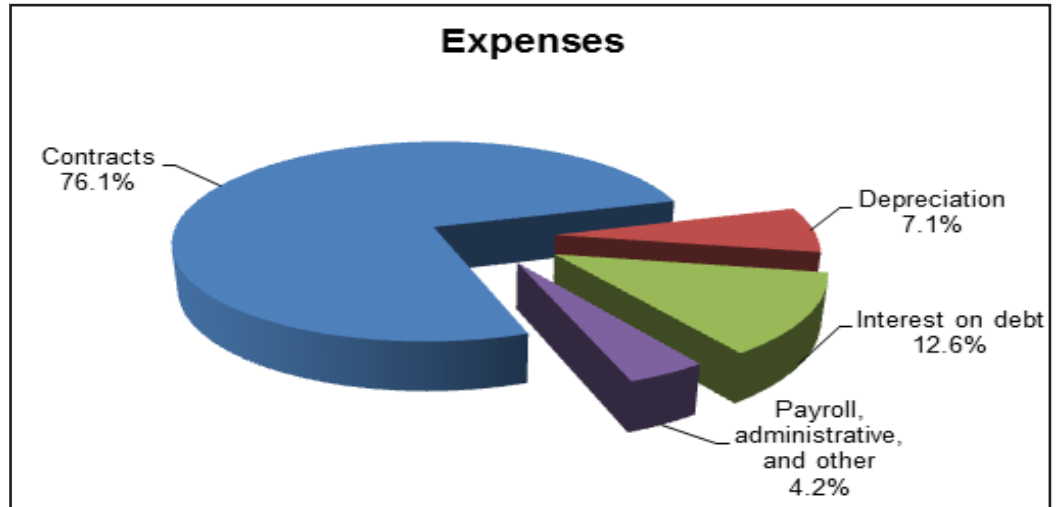
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Significant Deficiencies

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<http://auditor.hawaii.gov/>

Expenses consisted of \$77.9 million for contracts, \$12.9 million for interest on debt obligations, \$7.3 million for depreciation, and \$4.3 million for payroll, administrative, and other costs.



At June 30, 2014, the authority's total assets exceeded total liabilities, resulting in a net position of nearly \$24.6 million. Total assets of approximately \$299.8 million included cash of \$46 million, investments of \$18.7 million, land and net capital assets of \$223.6 million, and other assets of \$11.5 million. Liabilities totaled \$275.2 million, of which \$267.6 million represented amounts due to the State Department of Budget and Finance for general obligation bonds and accrued interest related to the construction of the Hawai'i Convention Center. Of the \$267.6 million, the amount attributable to bond principal totaled \$221.1 million and the accrued interest portion totaled \$46.5 million. The bonds are general obligations of the State of Hawai'i and are secured by the State's full faith and credit. The debt service payments are to be primarily funded by an allocated portion of the State's TAT and revenue generated by the Hawai'i Convention Center.

Auditors' Opinion

The authority received an unmodified opinion that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

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*.

For the complete report and financial statements, visit our website at:
http://files.hawaii.gov/auditor/Reports/2014_Audit/HTA2014.pdf