



January 25, 2024

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

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

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Hawai'i Housing Finance and Development Corporation for the fiscal year ended June 30, 2023, was issued on January 10, 2024. The Office of the Auditor retained Eide Bailly LLP to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

https://files.hawaii.gov/auditor/Reports/2023_Audit/HHFDC2023.pdf; and

https://files.hawaii.gov/auditor/Reports/2023_Audit/HHFDC_Summary_2023.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

emo

Attachment

ec/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

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

Financial Statements, Fiscal Year Ended June 30, 2023



PHOTO: HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

***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, 2023, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which set forth audit requirements for state and local governmental units that receive federal awards. The audit was conducted by Eide Bailly LLP.*

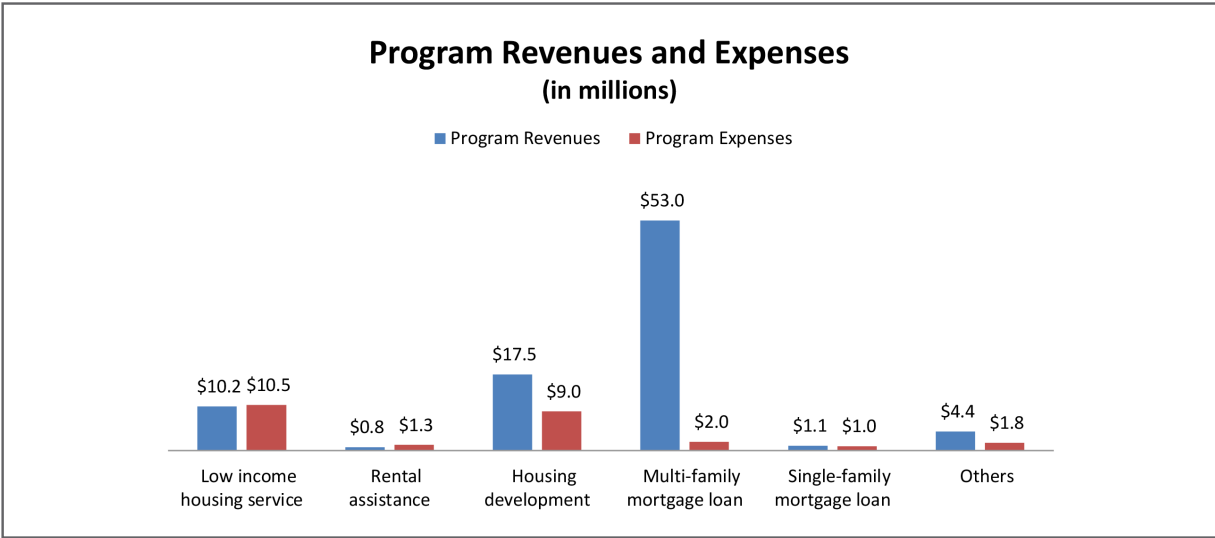
About the Corporation

The Hawai'i Housing Finance and Development Corporation (HHFDC) was established by the State Legislature in 2006. Its mission is to increase the State's supply of workforce and affordable homes by providing tools and resources to facilitate housing development, such as housing tax credits, low-interest construction loans, equity gap loans, and developable land and expedited land use approvals. The agency is administratively attached to the Hawai'i Department of Business, Economic Development and Tourism.

Financial Highlights

HHFDC HAS TWO TYPES OF FUNDS – governmental funds and proprietary funds. HHFDC's governmental funds are supported primarily by appropriations from the State's General Fund, federal grants, and proceeds of the State's general obligation bonds allotted to HHFDC. HHFDC's governmental funds include (1) the General Fund, (2) the General Obligation Bond Fund, (3) the HOME Investment Partnership Program, (4) the Housing Trust Fund Program, and (5) the Homeowner Assistance Fund Program.

HHFDC'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. HHFDC's proprietary funds include (1) the Rental Housing Revolving Fund, (2) the Dwelling Unit Revolving Fund, (3) the Single Family Mortgage Purchase Revenue Bond Fund, (4) the Housing Finance Revolving Fund, and (5) several other non-major enterprise funds.



For the fiscal year ended June 30, 2023, HHFDC reported total program revenues of \$87 million and total program expenses of \$25.6 million. In addition, HHFDC reported state-allotted appropriations, net of lapses, of \$62 million and a loss on disposal of capital assets of \$1.7 million for the fiscal year ended June 30, 2023. Together with program revenues and expenses, this resulted in an overall increase in net position of \$121.7 million.

As of June 30, 2023, the agency reported total assets and deferred outflows of resources of \$1.84 billion, comprised of (1) cash of \$628.9 million, (2) investments of \$19.3 million, (3) notes and loans receivable of \$120.6 million, (4) moneys due from the State of \$103.3 million, (5) net capital assets of \$84 million, and (6) other assets and deferred outflows of resources of \$887.2 million. The agency reported total liabilities and deferred inflows of resources of \$82.6 million, comprised of (1) revenue bonds payable of \$3.7 million, (2) unearned income of \$22.6 million, (3) moneys due to other state departments of \$103.3 million, and (4) other liabilities and deferred inflows of resources of \$33.6 million.

Auditors' Opinions

HHFDC RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HHFDC also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THE AUDITORS IDENTIFIED A MATERIAL WEAKNESS in internal control over financial reporting that was required to be reported under *Government Auditing Standards*. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The material weakness is described on page 97 of the report.

There were no findings that were considered material weaknesses in internal control over compliance that are required to be reported under the *Uniform Guidance*.



For the complete report and financial statements, visit our website at:
https://files.hawaii.gov/auditor/Reports/2023_Audit/HHFDC2023.pdf