



## North Carolina Housing Finance Agency

Schedule of Expenditures of Federal Awards  
and Reports Required by *Government  
Auditing Standards* and OMB Circular A-133  
Year Ended June 30, 2012

## North Carolina Housing Finance Agency

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Schedule of Expenditures of Federal Awards and Reports Required by  
*Government Auditing Standards* and OMB Circular A-133  
Year Ended June 30, 2012

# North Carolina Housing Finance Agency

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## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Audit Committee of the Board of Directors  
North Carolina Housing Finance Agency

We have audited the balance sheet of the North Carolina Housing Finance Agency (the "Agency"), a public agency and component unit of the State of North Carolina, as of June 30, 2012, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated September 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.



However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Audit Committee of the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BDO USA, LLP*

September 13, 2012



## Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Audit Committee of the Board of Directors  
North Carolina Housing Finance Agency

### Compliance

We have audited the North Carolina Housing Finance Agency's (the "Agency") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended June 30, 2012. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.



*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the Agency as of and for the year ended June 30, 2012, and have issued our report thereon dated September 13, 2012. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Audit Committee of the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*BDO USA, LLP*

September 13, 2012

# North Carolina Housing Finance Agency

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Number	Federal Expenditures <i>(In Thousands)</i>
<b>U.S. Department of Housing and Urban Development:</b>			
Direct:			
Section 8 Project-Based Cluster:			
Section 8 New Construction and Substantial Rehabilitation	14.182	A-3259	\$ 1,416
Section 8 Housing Assistance Payments Program - Special Allocations	14.195	NC80-OCCO-001	146,620
Total Section 8 Project-Based Cluster			148,036
Stewart B. McKinney Homeless Assistance Act	n/a	n/a	573
HOME Investment Partnerships Program	14.239	n/a	23,711
Rural Housing and Economic Development Grant	14.250	RH-09-NC-I-0082	66
ARRA - Tax Credit Assistance Program	14.258	M09-ES370100	593
Passed through from North Carolina Department of Commerce-Division of Community Assistance			
Community Development Block Grants/Entitlement Grants	14.218	08-N-1904	470
<b>Total U.S. Department of Housing and Urban Development</b>			<b>173,449</b>
<b>U.S. Department of Treasury - Chartered by Congress:</b>			
Direct:			
Hardest Hit Fund	n/a	n/a	77,741
Pass through from Neighbor Works America			
National Foreclosure Mitigation Counseling Program	21.000	PL110-161.95X1350	2,024
<b>Total U.S. Department of Treasury - Chartered by Congress</b>			<b>79,765</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 253,214</b>

# North Carolina Housing Finance Agency

## Notes to the Schedule of Expenditures of Federal Awards

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the North Carolina Housing Finance Agency (the "Agency") under programs of the federal government for the year ended June 30, 2012. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency. Therefore, some amounts presented in the Schedule may differ from amounts presented in the Agency's basic financial statements.

All of the Agency's federal awards were in the form of cash assistance for the year ended June 30, 2012.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. As directed by the Office of the State Auditor of North Carolina, expenditures of funds from the State of North Carolina totaling \$63,803,951 are excluded from the Schedule.

### 3. Administrative Expenses

The expenditures of federal awards included the following administrative fees:

<i>Year ended June 30,</i>		<b>2012</b>
Section 8 New Construction and Substantial Rehabilitation	\$	1,615
Section 8 Housing Assistance Payments Program - Special Allocations		4,653,432
HOME Investment Partnership Program		2,489,179
Rural Housing and Economic Development Grant		8,761
Community Development Block Grants/Entitlement Grants		20,126
Hardest Hit Program		14,002,441
National Foreclosure Mitigation Counseling Program		152,082
<b>Total</b>	<b>\$</b>	<b>21,327,636</b>

# North Carolina Housing Finance Agency

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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### Part I—Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

#### Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported	

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	_____ Yes	_____ <u>X</u> No	
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.182, 14.195	Section 8 Project-Based Cluster
14.258	ARRA-Tax Credit Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?	_____ <u>X</u> Yes	_____ No	
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# North Carolina Housing Finance Agency

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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### Part II—Financial Statement Findings Section

This section is to identify the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

There were no findings related to the financial statements which are required to be reported in accordance with generally accepted government auditing standards.

### Part III—Federal Award Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by section .510(a) of Circular A-133 (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal awards that are material to a major program. Where practical, findings should be organized by federal agency or pass-through entity.

There were no findings and questioned costs for federal awards (as defined in section .510(a) of Circular A-133) that are required to be reported.