DAVID Y. IGE
GOVERNOR

MIKE MCCARTNEY
DIRECTOR

RANDALL TANAKA
DEPUTY DIRECTOR

DEPT. COMM. NO. 398

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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January 15, 2020

The Honorable Ronald D. Kouchi,
President and Members
of the Senate
Thirtieth State Legislature
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Scott K. Saiki,
Speaker and Members of the
House of Representatives
Thirtieth State Legislature
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Hawaii Housing Finance and Development Corporation 2019 Annual Report, as required by Section 201H-21, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at: http://dbedt.hawaii.gov/overview/annual-reports-reports-to-the-legislature/.

With aloha,

Mike McCartney

Enclosure

c: Legislative Reference Bureau

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION

2019 ANNUAL REPORT

The mission of the Hawaii Housing Finance and Development Corporation is to increase and preserve the supply of workforce and affordable housing statewide by providing leadership, tools, and resources to facilitate housing development.

TABLE OF CONTENTS

This report fulfills the reporting requirement in Section 201H-21, HRS

The Hawaii Housing Finance and Development Corporation (HHFDC) is administratively attached to the Department of Business, Economic Development and Tourism and is the primary agency charged with overseeing affordable housing finance and development in Hawaii by working with the State's residents,

THE HONORABLE

DAVID Y. IGE, GOVERNOR, STATE OF HAWAII

Dear Governor Ige,

In Fiscal Year 2019, the HHFDC assisted in the delivery of 798 workforce/affordable units while managing assets of approximately $1.3 billion. Since its inception in 2006, the HHFDC has facilitated the development of 10,140 workforce and affordable units statewide and currently has a production plan in place to add 8,133 more units over the next five years.

In the immediate future, the HHFDC is concentrating on increasing the production pipeline and accelerating the delivery of homes that people can afford while we continue to leverage additional state funding to attract more private investment to develop more housing.

Forward-Looking Goals

• Build more affordable housing statewide and in Kaka`ako

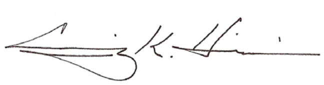
• Leverage HHFDC resources (LIHTC, Loans, Bonds, Land 201H, General Excise Tax Exemptions)

• Facilitate the development of rental units

• Transit-Oriented Development

• Reduce regulatory barriers to expedite delivery

As we move forward, the HHFDC remains committed to being good stewards of the resources entrusted to us, and being strategic about developing long-term sustainable solutions to benefit future generations in Hawaii.



CRAIG K. HIRAI
Executive Director, HHFDC

Legislative History
The Hawaii Housing Finance and Development Corporation (HHFDC) was created to focus on the financing and development of affordable housing.

In 1997, the Legislature established the Housing and Community Development Corporation of Hawaii (HCDCH) by consolidating the Hawai`i Housing Authority, the Housing Finance and Development Corporation and Rental Housing Trust Fund Commission. The HCDCH administered the state's public housing, homeless assistance, housing finance and housing development programs.

In 2005, the Legislature found that "the burden of administering the public housing projects in the State has overshadowed the ability of the corporation to pay sufficient attention to the financing and development of affordable housing." Therefore, Act 196 of 2005, as amended by Act 180 of 2006, separated the housing financing and development functions from the HCDCH to create the HHFDC.

Organizational Structure
The HHFDC is administratively attached to the Department of Business, Economic Development and Tourism. It is governed by a nine-member Board of Directors which establishes policies and executive direction for the Corporation.

Six members are appointed by the Governor from each of the counties of Honolulu, Hawaii, Maui and Kauai. At least four members must have knowledge and expertise in public or private financing and development of affordable housing, and one member must represent community advocates for low-income housing. The three ex-officio members are the Director of Business, Economic Development and Tourism, the Director of Finance, and a representative of the Governor's office.

Five-Year Production Plan
The HHFDC has a production plan in place to assist in the finance and development of approximately 8,133 workforce/affordable units over the next five years.

Fiscal Years	Rental	For Sale	Total
2020	1,196	667	1,863
2021	1,818	708	2,526
2022	2,019	200	2,219
2023	625	300	925
2024	550	50	600
Total	**6,208**	**1,925**	**8,133**

MUTUAL HOUSING ASSOCIATION OF HAWAII

KULIA @ HO`OPILI

Kulia @ Ho`opili is a 120-unit rental in East Kapolei's master planned community of Ho`opili.

One to three-bedroom rental units targeting families earning less than 60 percent of area median income range in size from 580 to 1,225 square feet.

The transit-oriented development project has an estimated completion date of March 2021.

DEVELOPMENT RESOURCES

The HHFDC has a toolbox of resources to facilitate the development of affordable rental or for-sale housing including financing, expedited land use approvals under Chapter 201H, Hawaii Revised Statutes, exemptions from general excise taxes, and real property.

FINANCING TOOLS

Rental Housing Revolving Fund (aka Rental Housing Trust Fund))

The Rental Housing Revolving Fund (RHRF) provides equity gap low-interest loans or grants to qualified owners and developers for the development, pre-development, construction, acquisition or preservation of affordable rental housing. Preference is given to projects that meet certain statutory criteria. Included is a preference for projects that provide at least 5 percent of the total number of units for persons and families with incomes at or below 30 percent of the median family income. Another preference is projects that provide the maximum number of units for persons or families with incomes at or below 80 percent of the median family income.

As of June 30, 2019, the RHRF has outstanding commitments totaling $229,216,439, and a cash balance of $362,907,065. It also has General Obligation Bond appropriations of $25,000,000 in FY2018, $50,000,000 in FY2020, and $50,000,000 in FY2021, that have not been released and deposited into the RHRF as of June 30, 2019.

Low Income Housing Tax Credits (LIHTC)

The LIHTC program is a major financing tool for non-profit and for-profit developers to construct or rehabilitate affordable rental housing. Under the program, HHFDC is the designated state housing credit agency that may allocate LIHTC established under the Tax Reform Act of 1986. The State has a matching LIHTC program equal to 50% of the Federal LIHTC amount. Eligible taxpayers may claim LIHTC on their federal tax returns as a dollar-for-dollar offset on their tax liability for ten years. Act 129, SLH 2016 shortened the State LIHTC period from 10 years to 5 years. Generally, affordable housing project owners that qualify for LIHTC find investors for these tax credits through Syndicators to generate project equity financing for their projects.

There are two types of LIHTC:

Volume Cap (or 9%) LIHTC: Tax credits that the IRS allows the State to issue for affordable housing purposes based on an annual per capita factor and the State's population. The annual per capita limit for 2019 is $2.75, translating to $3,915,228 in LIHTC that the State can allocate.

Non-Volume Cap (or 4%) LIHTC: LIHTC exempt from the volume cap limitation. These credits must be accompanied by tax-exempt financing under the State's bond volume cap. The limit under the non-volume cap LIHTC is based on the amount of State bond volume cap used for affordable multi-family housing.

Hula Mae Multi-Family Revenue Bond Program

The Hula Mae Multi-Family program provides low interest rate financing through the issuance of tax-exempt revenue bonds for the construction and/or acquisition and rehabilitation of rental housing projects. Developers can secure 4% non-competitive low-income housing tax credits in conjunction with the Hula Mae multi-family financing. The HHFDC, with the approval of the Governor, is authorized to issue up to $1.5 billion in revenue bonds. As of June 30, 2019, the program has issued 41 series of bonds, including one refunding series, totaling $848,231,111. Uncommitted bond issuance authority is $412,816,006, of which $238,952,883 has been committed to 8 projects pending bond issuance.

Dwelling Unit Revolving Fund (DURF)

DURF was established pursuant to Act 105, SLH 1970, which authorized the issuance of $125,000,000 of general obligation bonds to carry out the purposes of the Housing Development Program. Funds may be used for the acquisition of real property; development and construction of residential, commercial and industrial properties; interim and permanent loans to developers; and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses. As of June 30, 2019, DURF has outstanding commitments of $137,236,838 and a cash balance of $159,079,789.

HIGHRIDGE COSTA DEVELOPMENT COMPANY/COASTAL RIM PROPERTIES

KULANA HALE AT KAPOLEI

Kulana Hale at Kapolei is a 154-unit, new construction affordable project targeting seniors earning 30-60 percent of area medium income. The 11-story residential tower will be built over a two-story structure housing commercial space, community areas, and parking.

The project is the first of three phases. Phase two will add 143 more family units, with Phase three adding commercial and retail space. All phases will connect via the two-story structure.

FEDERAL FUNDS

HOME Investment Partnerships Program (HOME)

The HHFDC administers the federal HOME program which is intended to expand the supply of decent, safe, affordable and sanitary housing. HOME funds may be used for a variety of activities including tenant-based rental assistance, down payment loans for first-time homebuyers, rehabilitation loans for existing homeowners, property acquisition, new construction, reconstruction, moderate or substantial rehabilitation, site improvements, demolition, relocation expenses, loan guarantees, and other reasonable and necessary expenses related to development of affordable housing. The HHFDC receives approximately $3 million in HOME funds from the U.S. Department of Housing and Urban Development (HUD) each year. Funds are allocated on an annual rotating basis to the Counties of Hawaii, Kauai and Maui. For Program Year (PY) 2020-2021, the County of Maui will receive the HOME allocation, less five percent for HHFDC's administration of the program.

Neighborhood Stabilization Program (NSP)

The NSP was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment. Through the purchase and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized.

HHFDC received two awards of NSP funds. In 2009, the HHFDC received an award of $19.6 million from NSP Round 1, authorized under Division B, Title III of the Housing and Economic Recovery Act of 2008 (HERA). In 2011, HHFDC received a subsequent award of $5 million from NSP Round 3 authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. NSP funds were allocated to all four counties to create affordable rental and homeownership opportunities for households whose incomes do not exceed 120% of the area median income.

Housing Trust Fund (HTF)

The National Housing Trust Fund was established by HUD for the purpose of production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of no-luxury housing with suitable amenities. All HTF–assisted units will be required to have a minimum affordability period of 30 years. HHFDC is the designated HTF agency for the State of Hawaii. HHFDC anticipates receiving $3 million in HTF each year. Funds are allocated as follows: 50 percent to the City and County of Honolulu; the other 50 percent to be allocated on an annual rotating basis to the Counties of Hawaii, Kauai, and Maui. As of September 4, 2019, for PY2020-2021, the County of Maui is designated to receive a HTF allocation, less five percent for HHFDC's administration of the program. Due to inability to fully expend its prior year allocations, the City and County of Honolulu's HTF allocation for PY2020-2021 will be awarded to one of the other counties to be determined at a later date.

KAM DEVELOPMENT LLC

ILILANI

Ililani is a mixed-use 328-unit for-sale project located minutes away from the Civic Rail Station in Kakaako. The 42-story tower will have a mix of retail space on the ground floor and an eight-story parking structure with an amenity deck on the ninth floor.

165 units will be affordable for families earning up to 140 percent of the median area income.

DEVELOPMENT TOOLS

Land

A portfolio of real property acquired by negotiation, exchange, or purchase, is made available to developers through the Request for Proposals (RFP) process.

Chapter 201H Expedited Processing

Pursuant to Chapter 201H, Hawaii Revised Statutes, the HHFDC may develop, on behalf of the State or with an eligible developer, or may assist under a government assistance program in the development of housing projects which are exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units thereon. These Chapter 201H exemptions provide for greater flexibility in the design of housing projects. The appropriate county councils must approve, approve with modifications, or disapprove projects within 45 days. All 201H projects must comply with the County building permit process, HRS Chapter 104 (Wages and Hours of Employees on Public Works), and HRS Chapter 343 (Environmental Impact Statements).

Developers are encouraged to begin the 201H process by first contacting the appropriate county. If the county government does not accept the developer's 201H application, the HHFDC will consider the developer's application. The HHFDC requires that the developer conduct at least one public meeting to solicit community input on the proposed project.

Exemptions from General Excise Taxes

The HHFDC may approve and certify for exemption from GET any qualified person or firm involved with a newly constructed or moderately or substantially rehabilitated project meeting specific income limit and eligibility criteria.

STANFORD CARR DEVELOPMENT

HALE KEWALO

All 128 units in Hale Kewalo are affordable to families earning up to 60% of Honolulu's median income.13 units are available for households earning up 30% of Honolulu's median income, 65 units for those earning up to 50% of the median income, and 49 units for those earning up to 60% of the median income. One unit is dedicated for the manager. Rents range between $451 for a one bedroom to $1,358 for a 3 bedroom.

FINANCING RESOURCES FOR FIRST-TIME HOMEBUYERS

The HHFDC's single-family programs are consumer oriented, providing below-market rate mortgage financing, tax credits, and down payment loans to assist eligible first-time homebuyers.

Hula Mae Single Family Program

The Hula Mae Single Family program offers eligible first-time homebuyers with mortgage financing at very competitive interest rates. Borrowers apply directly with participating lending institutions and must meet federal eligibility requirements including income and purchase price limitations, as well as the three year no prior ownership interest in a principal residence requirement. As of June 30, 2019, 10,154 families were able to purchase their first homes.

Mortgage Credit Certificate (MCC) Program

The MCC program provides eligible first-time homebuyers with a direct tax credit against their federal income tax liability to make more income available to qualify for a mortgage loan and make monthly payments. The amount of credit is equivalent to 20% of the annual interest paid on a mortgage loan. MCCs are offered through participating lenders. As of June 30, 2019, the HHFDC has assisted 6,923 families in purchasing their first homes. During FY 2019, the program assisted 665 families in purchasing their first homes.

ANCILLARY RESPONSIBILITIES

Maintaining Waiahole Valley Subdivision

The HHFDC owns approximately 750 acres in Waiahole Valley and a potable water system with a 1.0 million gallon The HHFDC owns approximately 750 acres in Waiahole Valley and a 1.0 million gallon water system that services the residents and Waiahole Elementary School. There are 159 total lots for residential, agricultural and commercial use, open space, water lots, stream lots, and roadways. Approximately $23 million has been spent to acquire the property and for capital improvements as of June 30, 2019. A contract for the design a new reservoir tank was executed with a notice to proceed date of February 15, 2018, and a completion date of February 14, 2021. In addition, a total of $11.4 million has been charged to the project for General Obligation Bond interest through June 30, 2003, when the bonds were retired. It currently costs HHFDC approximately $300,000 to $400,000 per year to maintain Waiahole Valley. About half of this expense is covered by lease rental income and the remainder is subsidized by DURF.

Maintaining Infrastructure in the Villages of Kapolei

The City and County of Honolulu has not yet accepted dedication of infrastructure in the Villages of Kapolei. Therefore, the HHFDC maintains the infrastructure and has engaged a consultant to assist with the dedication. The time frame for dedication cannot be readily estimated as the dedication process involves many different agencies, entities, consultants and contractors.

The current infrastructure budget is approximately $195 million. There has been no interest charge to the project because it was initially funded by the Homes Revolving Fund, which was repealed in 2003.

The Villages of Kapolei was developed pursuant to Act 15, SLH 1988. The Act provided the Housing Finance and Development Corporation (HFDC) (predecessor to the HCDCH and HHFDC) with temporary powers to expedite the development of affordable housing. It authorized the HFDC to develop housing projects that were exempt from all statutes, ordinances, charter provisions, and rules of any governmental agency relating to planning, zoning, construction standards for subdivisions, development and improvement of land, and the construction of units thereon; provided that the project met minimum requirements of health and safety; did not contravene any safety standards or tariffs approved by the Public Utilities Commission for public utilities; and the HFDC first conducted a public hearing after reasonable notice in the county in which project was situated.

Land Programs – Chapters 516 and 519, HRS

The purpose of the Land Reform Act of 1967 was to encourage widespread ownership of fee simple lands among Hawaii's people. Pursuant to Chapter 516, HRS, the HHFDC assists lessees of single family homes to purchase the leased fee interest in their houselots by petitioning the state to facilitate a lease-to-fee conversion through its use of eminent domain powers. Since inception of the Land Reform Program, over 14,600 lessees have been assisted. The HHFDC continues to provide assistance and information on the lease to fee conversion process, as well as promote negotiated settlements to reduce conversion costs.

Chapter 519, HRS provides the framework for the fair arbitration of renegotiated ground lease rents for one- or two-family residential leasehold lots and cooperative housing corporations. The Lease Rent Renegotiation Program is used when lessees and lessors are unable to agree on the amount of the new lease rent upon expiration of the fixed term of the lease.

Planned/In Construction

The Central – Mixed use residential project in Ala Moana near the HART Ala Moana Station

690 Pohukaina Phase I & II – 590-unit rental with at least 60 percent of 390 units in Phase I for households at 140 percent AMI. Phase II component to serve families at 60 percent and below AMI. *Developer - Alakai Development, LLC*

Alder Street – P200-unit mixed-use affordable rental and juvenile services/shelter facility located near the HART Ala Moana Station. Redevelopment of underutilized state-owned site will address both affordable rental housing and juvenile justice needs.
Developer - HHFDC/Judiciary

Eight Zero Three Waimanu – 153-unit for-sale project in Kakaako, near the HART Civic Center Station. The project is targeted toward buyers earning 80 to 140 percent of AMI.
Developer - Coastal Rim Properties, Inc.

Halawa View Apartments II & III – 300-unit family rental project near the HART Aloha Stadium Station. The one, two and three-bedroom units are targeted toward families earning 30 to 60 percent of AMI.
Developer - Hawaii Community Development

Hale Makana O Maili – 52-unit family rental project in Waianae, Oahu. The one, two and three -bedroom units are targeted toward families earning 30 to 60 percent of AMI.
Developer - Hawaii Community Development

Hale Mahaolu Ewalu Senior Phase I – 39-unit senior rental project in Pukalani, Maui. The one, two and three -bedroom units are targeted toward seniors earning 30 to 60 percent of AMI.
Developer - Hale Mahaolu Ewalu LP

Ililani – 328-unit for-sale project in Kakaako, 165 of which are affordable.
Developer – KAM Development LLC

Kahului Lani Phase I – 82-unit senior rentals for seniors earning 30 - 60 percent of AMI in Kahului, Maui. *Developer -Catholic Charities Hawaii*

Kaiaulu O Waikoloa – 60-units for families earning 30 - 60 percent of AMI in Waikoloa, Hawaii. *Developer - Ikaika Ohana*

Kaiwahine Village Phases I-II – 120 rental units in Kihei, Maui serving families earning 30 to 60 percent of AMI. *Developer - Ikaika Ohana*

Kaloko Heights – 81-unit family rental in Kailua-Kona, Hawaii. Koloko Heights will serve households earning 30 to 60 percent of AMI. *Developer - Hawaii Island Community Development Corporation*

Keahumoa Place I-IV – 320 rental units in East Kapolei, near the HART Kapolei Station, serving families earning 30 to 100 percent of AMI. *Developer - Michaels Development Company*

Keawe Street Apartments – 200-unit rental for families earning 60 percent of AMI in Lahaina. *Developer - Ikaika Ohana*

Kenolio Apartments – 186 family rental units in Kihei, Maui serving households earning 30 to 60 percent of AMI. *Developer - Pacific West Communities*

**Koa`e Workforce Housing Development** – 134-unit family rental located in Koloa, Kauai. The one-, two- and three-bedroom units will serve households earning 30 to 60 percent of AMI. *Developer - Koa`e Workforce Housing, LP*

Kukui Tower – 378-unit acquisition/rehabilitation of a 32-story high-rise in Downtown Honolulu for families earning 60 percent and below of AMI. *Developer – EAH Inc.*

Kulana Hale at Kapolei Phase I – 154-unit elderly rental project serving seniors earning 30 to 60 AMI. The first of three phases, Kulana Hale at Kapolei will remain affordable for 61 years. *Developer - Coastal Rim Properties, Inc.*

Kulia at Ho`opili – 128-unit rental for families earning 30 to 60 percent AMI in East Kapolei near the UH West Oahu Station. *Developer – Mutual Housing Association of Hawaii, Inc.*

Lima Ola Workforce Development - Proposed affordable multi-family housing project located on approximately 75 acres of land owned by the County of Kauai. Located in 'Ele'ele, the project will include approximately 550 residential units, a community park, community center and bike and pedestrian paths. All units to be affordable and offered for sale or rent to households earning no more than 140 percent of AMI. *Developer - County of Kauai*

Meheula Vista Senior I-IV – 301-unit master planned community for seniors located in Mililani, Oahu. Meheula Vista will provide low-income seniors an affordable permanent living option where residents can age in place. *Developer - Catholic Charities Hawaii*

Mohouli Heights Seniors Phase 2 – 30-unit senior rental located in Hilo. The second of three planned phases, Mohouli Heights Seniors. Phase 2 will serve seniors earning 30 to 60 percent of AMI and adds to the 60 units in Phase 1. *Developer - Hawaii Island Community Development Corporation*

Mohouli Heights Seniors Phase 3 – 93-unit senior rental located in Hilo. The last of three planned phases, Mohouli Heights Seniors Phase 3 will serve seniors earning 30 to 60 percent of AMI. *Developer - Hawaii Island Community Development Corporation*

Nohona Hale – 105 smaller, efficient rentals to serve families earning 30 to 60 percent of AMI in Kakaako. *Developers – EAH Inc./ Bronx Pro*

Ohana Hale – 180-unit for-sale project in McCully. The project consists of 78 studio, 87 one-bedroom and 15 two-bedroom units targeted at buyers earning 80 to 120 percent of AMI. *Developer - MJF Development Corporation*

Ola Ka `Ilima Artspace Lofts – 84-unit mixed use affordable rentals and commercial space for arts-oriented businesses. Units are targeted to families earning 30 to 60 percent of AMI. *Developers - Artspace/Ford Foundation/EAH Inc.*

Pokai Bay Self Help – HHFDC provided interim DURF loans, for predevelopment and infrastructure costs for 70 vacant lots located on the Waianae Coast of Oahu. *Developer - Self Help Housing Corporation of Hawaii*

Queen Emma Tower – 71-unit acquisition/rehabilitation of an abandoned office building in Downtown Honolulu for families earning 30-60 percent of AMI. *Developer - Ahe Group LLC*

The Central – 513-unit mixed use residential project in Ala Moana near the HART Ala Moana Station. The Central is a 43-story residential and commercial project with approximately 10,500 sq. ft. of retail space. 60 percent of the units (310) will be affordable with the remaining 40 percent at market rate. *Developer - SamKoo Pacific, LLC*

Waikoloa Family – 111- rental for families earning 30-60 percent of AMI. *Developer – Waikoloa Family Affordable*

Wailuku Apartments – 324-unit family rental project with 195-units serving households earning 50-140 percent AMI *Developer – Legacy Wailuku LLC*

Pursuant to Section 201H-95(g), Hawaii Revised Statutes, Relating to Hula Mae Multifamily Revenue Bond Activity for Fiscal Year 2019.

Section 201H-95(g), Hawaii Revised Statutes, requires the Hawaii Housing Finance and Development Corporation (HHFDC) to submit an annual report to the Legislature describing the multifamily revenue bond activity under the Housing Loan and Mortgage Program, popularly known as the Hula Mae Multifamily Program (HMMF). Specifically, it requires annual reporting of the following information:

1. The amount of multifamily revenue bond authority utilized and remaining balance;
2. A description of multifamily project activity including dates, project names and descriptions, and bond amounts for the following activities:
    a. Application;
    b. Approval of inducement resolution;
    c. Approval to issue bonds; and
    d. Issuance of bonds; and
3. A summary of the activity of the fund by quarter.

The required information, as of June 30, 2019, is provided below.

Multifamily Revenue Bond Authority as of June 30, 2019

Total number of HMMF Bonds issued to date	41
Total amount of HMMF Bonds issued to date	$848,231,111
HMMF Bonds approved by HHFDC Board and pending issuance	8
Total amount of HMMF Bonds pending issuance	$238,952,883
Total Bond Authority	$1,500,000,000
Net Bond Authority available	$412,816,006

Multifamily Project Activity During Fiscal Year 2018-2019

Project Applications Received (10):

Project Name	Location	Project Type	Unit Count	HMMF Request
Hale O' Hauoli	Oahu	Elderly	100	$ 9,850,000
902 Alder Street	Oahu	Family	201	$ 49,574,388
Halawa View II	Oahu	Family	156	$ 40,200,000
Halawa View III	Oahu	Family	146	$ 40,000,000
Hale Makana O Moiliili	Oahu	Family	105	$ 22,000,000
Kaiaulu O Kapiolani	Hawaii	Family	64	$ 17,832,960
Kaiaulu O Kupuohi	Maui	Family	89	$ 27,346,140
Kapuna One Apartments	Oahu	Elderly	162	$ 40,000,000
Kupuna Hale	Oahu	Elderly	193	$ 38,355,017
DE Thompson Village	Oahu	Elderly	84	$ 8,000,000
TOTAL			**1300**	**$293,158,505**

Approval of Inducement Resolutions (5):

Project	Location	Project Type	Unit Count	HMMF approved
Queen Emma Tower	Oahu	Family	71	$ 20,000,000
Waikoloa Family Affordable Rental	Hawaii	Family	111	$ 23,988,000
Kulia @Ho'opili	Oahu	Family	120	$ 22,900,000
Kokua	Oahu	Elderly	223	$ 45,928,783
Halewai'olu Senior Residences	Oahu	Elderly	156	$ 43,550,000
TOTAL			**681**	**$156,366,783**

Approval to Issue Bonds & Issuance of Bonds (8):

Project	**Location**	**Project Type**	**Unit Count**	**HMMF Issued**
Keahumoa Place Ph. 1	Oahu	Family	75	$13,400,000
Kulana Hale at Kapolei	Oahu	Family	154	$43,291,103
Kaiwahine Village	Maui	Family	64	$17,500,000
Kaiwahine Village Ph. II	Maui	Family	56	$15,680,000
Kukui Tower	Oahu	Family	378	$28,467,000
Kenolio Apartments	Maui	Family	186	$50,000,000
Kahului Lani I Sr. Affordable	Maui	Elderly	82	$19,689,902
Mohouli Sr. Neighborhood Ph. 3	Hawaii	Elderly	93	$19,749,407
TOTAL			**1088**	**$207,777,412**

Quarterly Summary of Fund Activity for Fiscal Year 2018-2019

	1st Quarter	**2nd Quarter**	**3rd Quarter**	**4th Quarter**
Total Bond Authority	**$1,500,000,000**	**$1,500,000,000**	**$1,500,000,000**	**$1,500,000,000**
Total Bonds Issued to Date	$ 730,324,802	$ 828,481,704	$ 848,231,111	$ 848,231,111
Total Bonds Pending Issuance	$ 262,748,000	$ 157,998,000	$ 235,952,883	$ 238,952,883
Total Uncommitted Bond Authority	$ 506,927,198	$ 513,520,296	$ 415,816,006	$ 412,816,006
Total Applications Under Review	$ 99,328,783	$ 99,328,783	$ 288,158,505	$ 293,158,505

Pursuant to Section 201H-202(f), Hawaii Revised Statutes, Relating to Rental Housing Revolving Fund Project Awards for Calendar Year 2019.

Section 201H-202, Hawaii Revised Statutes (HRS), requires the Hawaii Housing Finance and Development Corporation (HHFDC) to "describe the projects funded and, with respect to rental housing projects targeted for persons and families with incomes at or below thirty per cent of the median family income, its efforts to develop those rental housing projects, a description of proposals submitted for this target group and action taken on the proposals, and any barriers to developing housing for this target group" (§201H-202(f)). All projects receiving RHRF awards must set aside a minimum of 5% of total units for households at or below 30% of the median family income (MFI), and the remaining units have income restrictions that do not exceed 60% MFI.

During Calendar Year 2019, HHFDC made RHRF awards to the following project applicants:

Project	**Location**	**RHRF Request**	**RHRF Award**	**Unit Count**	**30% MFI UNITS**
Kokua	Oahu	$ 35,852,811	$ 35,852,811	222	12
Halewai'olu Sr. Residences	Oahu	$ 41,111,270	$ 41,111,270	156	8
Hale Uhiwai Nalu Phase II	Oahu	$ 3,378,100	$ 3,378,100	50	3
Villages of La'i'opua	Hawaii	$ 7,620,000	$ 7,620,000	60	6
Kahului Lani II	Maui	$ 14,250,000	$ 14,250,000	83	8
Halawa View Apts. II	Oahu	$ 21,300,000	$ 21,300,000	156	8
Halawa View Apts. III	Oahu	$ 21,000,000	$ 21,000,000	146	8
902 Alder Street	Oahu	$ 24,500,000	$ 24,500.000	201	10
Hale Makana O Moiliili	Oahu	$ 13,600,000	$ 13,600,000	105	6
Kaiaulu O Kapiolani	Hawaii	$ 12,800,000	$ 12,800,000	63	4
Kaiaulu O Kupuohi	Maui	$ 17,132,500	$ 17,132,500	88	5
TOTAL		**$212,544,681**	**$212,544,681**	**1,329**	**78**

During Calendar Year 2019, HHFDC also received 2 project applications that did not receive RHRF awards, as follows:

Project	**Location**	**RHRF Request**	**RHRF Award**	**Unit Count**	**30% MFI UNITS**
Meheula Vista IV	Oahu	$ 5,000,000	None	75	
Kupuna Hale	Oahu	$16,056,125	None	192	

HOUSING LEGISLATION PASSED IN 2019

Act 189, Session Laws of Hawaii (SLH) 2019 (House Bill 1312 H.D. 1, S.D. 1, C.D. 1) Relating to Housing. This Act makes General Obligation Bond (G.O. Bond) appropriations for infusion of $50,000,000 into the Rental Housing Revolving Fund in Fiscal Year 2019-2020 and another $50,000,000 in FY 2020-2021.

Act 5, SLH 2019 (House Bill 2, H.D. 1, S.D. 1, C.D. 1) Relating to the State Budget. HHFDC received operating budget adjustments that resulted in the following for the fiscal biennium 2019-2021:

- FY2019-2020:
  - o $11,753,751 (Means of Financing (MOF): Revolving funds (W))
  - o $3,100,000 (MOF: Federal funds (N))
  - o $3,000,000 (MOF: Other Federal funds (P))
- FY2020-2021:
  - o $11,818,751 (MOF: W)
  - o $3,100,000 (MOF: N)
  - o $3,000,000 (MOF: P)

Act 40, SLH 2019 (House Bill 1259, S.D. 1, C.D. 1) Relating to Capital Improvement Projects. HHFDC received the following Capital Improvement Project appropriations in this bill:

- Dwelling Unit Revolving Fund Infusion, Statewide:
  - o FY2019-2020: $42,000,000 (MOF: G.O. Bonds (C))
  - o FY2020-2021: $25,000,000 (MOF: C)

  Note: this appropriation is subject to a proviso that HHFDC shall use up to $5,00,000 of the appropriated funds in FY2019-2020 for rehabilitating or replacing 5 structures on a site in Kahului, Maui owned by the County of Maui as affordable rental housing.

Act 167, SLH 2019 (House Bill 820, H.D. 1, S.D. 1, C.D. 1) Relating to Housing. This bill requires HHFDC to study a plan to implement an ALOHA Homes Program to provide low-cost, high-density leasehold homes for Hawaii residents on state-owned lands located along the planned public transit line. The study is to take place over two years, with an interim and final Legislative reporting requirement. The bill appropriates $150,000 in General Funds for the study.

Act 98, SLH 2019 (House Bill 543, H.D. 1, S.D. 1, C.D. 1) Relating to Affordable Housing. Directs HHFDC to initiate negotiations or exercise its power of eminent domain to acquire the leased fee interest in Front Street Apartments affordable housing project on Maui. Deletes the appropriation made in Act 150, SLH 2018 and replaces it with a new appropriation of $37,000,000 from the Rental Housing Revolving Fund for the construction of Keawe Street Apartments affordable rental housing project on Maui, subject to a proviso that the project must obtain all necessary entitlements before April 2020.

BOARD OF DIRECTORS

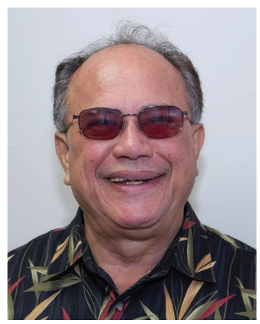
Leilani Pulmano
Chairman (Maui)

Donn Mende
Vice-Chair (Hawaii)

Rona Fukumoto
Secretary

Gary Mackler
Director (Kauai)

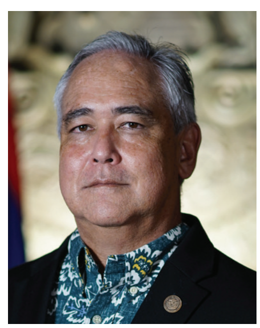
George Atta
Director (Oahu)



Melvin Kahele
Director (At Large)

Sara Lin
Director (Ex-Officio)

Robert Yu
Director (Ex-Officio)



Mike McCartney
Director (Ex-Officio)

Additional information is provided in the Audited Financial Statements available online at: www.dbedt.hawaii.gov/hhfdc/

HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, 300
HONOLULU, HAWAII 96813

Phone
(808) 587-0620

Website
www.dbedt.hawaii.gov/hhfdc/

CERTIFIED PUBLIC ACCOUNTANTS

State of Hawai‘i
Hawaii Housing Finance and Development Corporation

(A Component Unit of the State of Hawai‘i)

Financial and Compliance Audit

June 30, 2019

Submitted b
The Auditor
State of Hawai‘i

Quality *Integrity* *Insight*

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Index
June 30, 2019

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(A Component Unit of the State of Hawai‘i)
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Required Supplementar Information Other than Management's Discussion and Analysis (Unaudited)

Supplementar Information

PART II – COMPLIANCE AND INTERNAL CONTROL

PART I
Financial Statements

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Auditor
State of Hawai'i

The Board of Directors
State of Hawai'i, Hawaii Housing Finance and Development Corporation

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hawaii Housing Finance and Development Corporation (the "Corporation"), a component unit of the of the State of Hawai'i, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the index.

Management's Responsibilit   for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilit
Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Honolulu, Hawaii 96813
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Accuity LLP is a member f the global network f aker Tilly International Limited, the members f which are separate and independent legal entities.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corporation as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the Corporation include only the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corporation, and are not intended to present fairly the financial position of the State of Hawaiʻi as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principles
As discussed in Note 1 to the financial statements, effective July 1, 2018, the Corporation adopted new accounting guidance under Governmental Accounting Standards Board ("GASB") Statement No. 91, *Conduit Debt Obligations*. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 and budgetary comparison statements for the General Fund, HOME Investment Partnership Program, and Housing Trust Fund Program on pages 61 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The combining non-major fund financial statements and reconciliation of cash and short-term investments are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required b Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Adm nistrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. As described in Note 1 to the schedule of expenditures of federal awards, the accompanying schedule of expenditures of federal awards was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The combining non-major fund financial statements, reconciliation of cash and short-term investments, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining non-major fund financial statements, reconciliation of cash and short-term investments, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required b Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2019 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawai‘i
December 13, 2019

The management of the State of Hawai‘i, Hawaii Housing Finance and Development Corporation (the “Corporation”) offers readers of the Corporation’s financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2019. This document should be read in conjunction with the audited financial statements. All amounts presented in tables, unless otherwise indicated, are expressed in thousands of dollars.

Introduction

The Corporation was established by the State Legislature effective July 1, 2006 in accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006.

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. The Corporation’s Board of Directors consists of nine members, six of whom are public members appointed by the Governor and confirmed by the State Senate. Public members are appointed from each of the counties of Honolulu, Hawai‘i, Maui and Kaua‘i. At least four of the public members must have knowledge and expertise in public or private financing and development of affordable housing. At least one public member represents community advocates for low-income housing affiliated with private nonprofit organizations that serve the residents of low-income housing. The Director of Business, Economic Development and Tourism; the Director of Finance; and a representative of the Governor’s Office are ex-officio voting members. All Corporation action is taken by the affirmative vote of at least five members.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Corporation for the period ended June 30, 2019. The financial statements consist of the basic financial statements, related notes to the financial statements, and other required supplementary information. These components are described below:

Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the Corporation:

- The first two statements are government-wide financial statements that provide information about the Corporation’s overall financial position and results of operations. These statements are presented on an accrual basis of accounting and consist of the Statement of Net Position and the Statement of Activities.

- The remaining statements are the fund financial statements of the Corporation’s governmental funds, for which activities are funded primarily from appropriations from the State, and the Corporation’s major and non-major proprietary funds, which operate similarly to business-type activities. The governmental funds are presented on a modified accrual basis of accounting while the proprietary funds are presented on an accrual basis of accounting.

Government-wide Financial Statements
The government-wide financial statements report information about the Corporation as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position provides both short-term and long-term information about the Corporation’s financial position, which assists in assessing the Corporation’s economic condition at the end of the fiscal ear. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. Most of the Corporation’s activities are business-type activities and are reported in its proprietary funds. The government-wide financial statements include two statements:

- The *Statement of Net Position* presents all of the Corporation’s assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as “net position.” Over time, increases and decreases in the Corporation’s net position may serve as a useful indicator of the health of the financial position of the Corporation.

- The *Statement of Activities* presents information indicating how the Corporation’s net position changed during the most recent fiscal year.

The government-wide financial statements of the Corporation are divided into two categories:

- *Governmental activities* – The activities in this section are primarily supported by State or Federal appropriations or by Federal contributions.

- *Business-type activities* – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users.

Fund Financial Statements
The fund financial statements provide more detailed information about the Corporation’s most significant funds and not the Corporation as a whole. The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are either reported as a major fund or a non-major fund. The Governmental Accounting Standards Board (“GASB”) issued Statement No. 34, *Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments*, which sets forth the minimum criteria for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and are detailed in the supplementary information.

The Corporation has two types of funds:

- *Governmental Funds*
  - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.
  - Governmental funds financial statements help determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation’s programs.
  - The focus of the governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decision.
  - Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- *Proprietary Funds* – The Corporation's only type of proprietary funds are its enterprise funds, which 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.

Notes to Financial Statements
The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

Required Supplementar Information Other Than Management's Discussion and Analysis
In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information ("RSI") other than management's discussion and analysis which contain budget-to-actual schedules for the Corporation's General Fund, HOME Investment Partnership Program, and Housing Trust Fund Program, as well as accompanying notes, which are required for major governmental funds with legally adopted budgets.

Supplementar Information
Following the RSI other than management's discussion and analysis section, supplementary information presents details on combining information and reconciliation of cash and short-term investments of the non-major Governmental and Proprietary funds, which are not required to be presented

Supplementary information also includes the Schedule of Expenditures of Federal Awards ("SEFA"). The SEFA reports federal awards expended by the Corporation on the accrual basis of accounting for the year ended June 30, 2019.

Implementation of GASB Statement No. 91
During fiscal year 2019, the Corporation implemented GASB Statement No. 91, *Conduit Debt Obligations*. Statement No. 91 establishes that conduit debt obligations are not a liability of the issuer. Accordingly, the adoption of Statement No. 91 resulted in the derecognition of all conduit debt and related accounts as of and for the year ended June 30, 2019. The conduit debt and related accounts were previously recognized in the Multifamily Housing Revenue Bond Fund.

Currently Known Facts, Decisions or Conditions

In June 2018, the Corporation entered into a Purchase and Sale Agreement to convey its leasehold interests in six of its affordable multifamily rental housing projects in the Hawaii Rental Housing System Revenue Bond Fund to an experienced, private-sector operator. Such private-sector partnership is intended to preserve the long-term affordability of the projects while relieving the Corporation of the burden of active management. The Corporation believes that the private sector can more efficiently operate the projects and undertake necessary capital-intensive improvements.

In May 2019, the Corporation conveyed its leasehold interests on five of the six affordable multifamily rental housing projects. The sixth affordable rental project under the Purchase and Sale Agreement is planned to be conveyed during fiscal year 2020.

In June and October 2019, the Corporation entered into a Letter of Intent and Purchase and Sale Agreement, respectively, to acquire the leased-fee interest in land beneath the sixth affordable rental project. The acquisition is planned to be completed in December 2019.

In May 2019, cash, cash equivalents, and investments held by the trustee and a portion of the proceeds of the conveyance transaction consummated in May 2019 were deposited into an irrevocable redemption fund for the in-substance defeasance of the entire outstanding bond payable balance under the Hawaii Rental Housing System Revenue Bond Fund effectuating the wind-up of the Hawaii Rental Housing System Revenue Bond Fund. The remaining account balances were transferred to the Dwelling Unit Revolving Fund during the fiscal year ended June 30, 2019.

In October 2019, the Corporation acquired the leased-fee interest situated under the Front Street Apartments project on the island of Maui for $14,930,000, as directed by Act 98 of Session Laws of Hawaii 2019.

Government-wide Financial Analysis

As noted earlier, the Statement of Net Position presents all of the Corporation’s assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as net position. Over time, changes in net position may serve as a useful indicator of the Corporation’s financial statements. As indicated below, as of June 30, 2019, the Corporation’s total net position was approximatel $1,229,239,000, an increase of $160,832,000 (or 15.1%) from the previous year.

Government-Wide Condensed Statements of Net Position
June 30, 2019 and 2018
(in thousands of dollars)

	Governmental Activities		Business-T pe Activities		Total		Percent
	2019	2018	2019	2018	2019	2018	Change
Current assets	$ 32,979	$ 9,669	$ 610,802	$ 624,850	$ 643,781	$ 634,519	1.5%
Restricted assets held b trustee	-	-	57,248	132,238	57,248	132,238	-56.7%
Capital assets	-	-	64,018	82,163	64,018	82,163	-22.1%
Other assets	9,861	9,862	560,429	598,056	570,290	607,918	-6.2
Total assets	42,840	19,531	1,292,497	1,437,307	1,335,337	1,456,838	-8.3
Deferred outflows of resources	-	-	3,352	4,077	3,352	4,077	-17.8
Total deferred outflows of resources	-	-	3,352	4,077	3,352	4,077	-17.8%
Total assets and deferred outflows of resources	$ 42,840	$ 19,531	$ 1,295,849	$ 1,441,384	$ 1,338,689	$ 1,460,915	-8.4
Current liabilities	$ -	$ 18	$ 6,834	$ 20,138	$ 6,834	$ 20,156	-66.1%
Noncurrent liabilities	-	-	101,710	371,380	101,710	371,380	-72.6
Total liabilities	-	18	108,544	391,518	108,544	391,536	-72.3
Deferred inflows of resources	-	-	906	972	906	972	-6.8%
Total deferred inflows of resources	-	-	906	972	906	972	-6.8%
Net position							
Net investment in capital assets	-	-	63,904	51,088	63,904	51,088	25.1%
Restricted	11,367	11,139	58,507	90,946	69,874	102,085	-31.6
Unrestricted	31,473	8,374	1,063,988	906,860	1,095,461	915,234	19.7
Total net position	42,840	19,513	1,186,399	1,048,894	1,229,239	1,068,407	15.1
Total liabilities, deferred inflows of resources and net position	$ 42,840	$ 19,531	$ 1,295,849	$ 1,441,384	$ 1,338,689	$ 1,460,915	-8.4

Total assets and deferred outflows of resources decreased by approximately $122,216,000 (8.4%) during fiscal year 2019 primarily related to the decrease in restricted assets held by trustee by approximately $74,990,000 (56.7%), decrease in capital assets by approximately $18,145,000 (22.1%), and decrease in other assets by $37,628,000 (6.2%).

- Restricted assets held by trustee result from the trust indentures of the revenue bond funds requiring cash, cash equivalents, and investments to be held in trusteed capacity. Cash and cash equivalents held by trustee decreased by approximately $42,752,000 primarily due to funding the in-substance bond defeasance of approximately $45,200,000 for which the funds remained in an irrevocable redemption fund through the bond redemption date. Additionally, investments held by trustee decreased by approximately $32,237,000 primarily due to the derecognition of conduit bond activity of approximately $28,212,000 and repayment of issued bonds of approximately $6,234,000 offset by increases in fair value of investments of approximately $1,177,000. The Statement of Activities below presents information indicating how the Corporation’s net position changed during the most recent fiscal year.

- Capital assets are comprised of propert and equipment reported net of depreciation. Net capital assets decreased by approximately $18,145,000 due to the conveyance of leasehold interest in five affordable multifamily rental housing properties of approximately $14,716,000 and depreciation expense of approximately $3,421,000.

- Other assets are mainly comprised of the long-term portion of mortgage and construction loans receivable and balance due from other State departments. The long-term portion of mortgage and construction loans receivable decreased by approximately $36,037,000 due to derecognition of conduit bonds of approximately $164,588,000 offset b funding of additional loans of approximately $128,670,000. Due from other State departments decreased by approximately $1,771,000 due to receipt of the scheduled pa ment.

Total liabilities and deferred inflows of resources decreased by $283,100,000 (72.1%) during fiscal year 2019 primarily related to the decrease in current liabilities of $13,322,000 (66.1%) and decrease in noncurrent liabilities of $269,670,000 (72.6%).

- Current liabilities are mainl comprised of revenue bonds payable and accrued interest. As a result of the derecognition of conduit bond activity, revenue bonds payable and accrued interest decreased by approximately $6,159,000 and $1,488,000, respectively. As a result of the in-substance defeasance of revenue bonds, revenue bonds payable and accrued interest decreased by approximately $3,315,000 and $1,779,000, respectivel .

- Noncurrent liabilities are mainly comprised of revenue bonds payable balances due beyond one fiscal year. Revenue bonds payable decreased as a result of the derecognition of conduit bond activity, in-substance defeasance, and repayment of issued bonds by approximately $192,731,000, $70,273,000, and $6,063,000, respectively.

Net investment in capital assets portion of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net investments in capital assets increased by approximately $12,816,000 (25.1%) primarily due to the redemption and defeasance of outstanding bonds of approximately $73,587,000 with restricted investments of approximatel $42,299,000 and the conveyance of net capital assets of approximately $18,079,000.

Net position restrictions, which represent resources that are subject to external restrictions on how funds may be used, primarily include the assets held by trustee and decreased by approximately $32,211,000 (31.2%) during fiscal year 2019.

Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment” in capital assets.

The Statement of Activities below presents information indicating how the Corporation’s net position changed during the most recent fiscal year:

Government-Wide Statements of Activities
Years Ended June 30, 2019 and 2018
(in thousands of dollars)

	Governmental Activities		Business-T pe Activities		Total		Percent
	2019	2018	2019	2018	2019	2018	Change
Revenues							
Program revenues							
Charges for services	$ -	$ -	$ 69,012	$ 77,036	$ 69,012	$ 77,036	-10.4%
Operating grants and contributions	7,654	3,352	15,391	7,347	23,045	10,699	115.4
General revenues							
State allotted appropriations, net of lapses	27,797	205,249	-	-	27,797	205,249	-86.5
Gain on sale of capital assets	-	-	84,779	-	84,779	-	N/A
Total revenues	35,451	208,601	169,182	84,383	204,633	292,984	-30.2
Expenses							
Governmental activities							
Expenditures	7,434	2,946	-	-	7,434	2,946	152.3
Business-type activities							
Rental assistance program	-	-	1,780	1,801	1,780	1,801	-1.2%
Housing development program	-	-	10,173	12,814	10,173	12,814	-20.6
Multi-famil mortgage loan programs	-	-	1,072	8,369	1,072	8,369	-87.2
Single-famil mortgage loan program	-	-	129	3,206	129	3,206	-96.0
Rental housing program	-	-	17,209	18,629	17,209	18,629	-7.6
Others	-	-	6,004	2,197	6,004	2,197	173.3
Total expenses	7,434	2,946	36,367	47,016	43,801	49,962	-12.3
Net change before transfers and lapses	28,017	205,655	132,815	37,367	160,832	243,022	-33.8
Transfers	(4,690)	(312,549)	4,690	312,549	-	-	100.0
Change in net position	23,327	(106,894)	137,505	349,916	160,832	243,022	-33.8
Net position							
Beginning of ear	19,513	126,407	1,048,894	698,978	1,068,407	825,385	29.4
End of ear	$ 42,840	$ 19,513	$ 1,186,399	$ 1,048,894	$ 1,229,239	$ 1,068,407	15.1%

Governmental Activities

For the fiscal year ended June 30, 2019, governmental activities increased the Corporation’s net position by approximately $23,327,000 (119.5%), primarily the result of the due from State for an allotment of $25,000,000 that was not received during fiscal year 2019. The increase from fiscal 2018 of approximatel $130,000,000 is due to the decrease in transfers of approximatel $308,000,000 net of a decrease in State allotted appropriations, net of lapses of approximately $177,000,000.

Business-t pe Activities

Revenues of the Corporation’s business-type activities were primarily from charges for services, program investment income, and federal assistance program funds. Charges for services consist primarily of rental income and interest income of loans related to the Corporation’s lending programs.

For the fiscal year ended June 30, 2019, business-type activities increased the Corporation’s net position by approximately $137,505,000. Revenues primarily consisted of approximatel $38,000,000 in conveyance taxes, $21,267,000 in rental income, $8,394,000 in interest income on loans, $84,779,000 in gain on sale of capital assets, and $11,976,000 in interest income, while approximately $37,401,000 in expenses primarily consisted of operating expenses for the Corporation’s various business-type functions.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
As of June 30, 2019, the Corporation’s governmental funds reported total fund balance of approximately $42,840,000.

The governmental funds consist of five major funds. The major funds are the (1) General Fund, (2) HOME Investment Partnership Program, (3) Housing Trust Fund Program, (4) General Obligation Bond Fund, and (5) Tax Credit Assistance Program.

- The General Fund accounts for the State’s general fund revenues appropriated by the State Legislature to the Corporation and transfers for subsequent use by the Corporation’s other funds. The fund had a fund balance of approximately $500,000 as of June 30, 2019.
- The HOME Investment Partnership Program was established for the purpose of enhancing the State and local government’s ability to provide affordable housing for low- and very low-income families through funding strategies designed to increase the supply of decent affordable housing by offering financial and technical assistance to participating jurisdictions. The fund had a fund balance of approximately $1,505,000 as of June 30, 2019.
- The Housing Trust Fund Program was established for the purpose of enhancing the State and local government’s ability to provide affordable housing for extremely low-income families through funding strategies designed to increase the supply of decent affordable housing by offering financial and technical assistance to participating jurisdictions. The fund had a fund balance of approximatel ($13,000) as of June 30, 2019.
- The General Obligation Bond Fund is used to transfer proceeds from the State’s issuance of general obligation bonds to the Corporation for subsequent use by the Corporation’s other funds. The fund had a fund balance of approximately $30,986,000 as of June 30, 2019.
- The Tax Credit Assistance Program (“TCAP”) is used to account for all financial activities funded by the related federal grant. Substantially all of the fund’s activities relate to providing funds directly to designated state housing credit agencies for award to affordable rental housing developments that have been allocated low income housing tax credits and are in need of additional gap equity funding. TCAP had a fund balance of approximately $9,862,000 as of June 30, 2019.

Proprietar Funds
As of June 30, 2019, the Corporation’s proprietar funds reported total net position of approximately $1,186,399,000.

The proprietary funds consist of five major and four non-major funds. The major funds are the (1) Rental Housing Revolving Fund, (2) Dwelling Unit Revolving Fund, (3) Hawaii Rental Housing System Revenue Bond Fund, (4) Single Family Mortgage Purchase Revenue Bond Fund, and (5) the Grants in Aid Fund.

- The Rental Housing Revolving Fund provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units. The fund recognized increases in net position of approximately $48,627,000 and $318,892,000 in fiscal years 2019 and 2018, respectively. The increase in net position in fiscal year 2019 was a result of conveyance tax collections of $38,000,000, loan interest income of $3,061,000, and investment interest income of $7,902,000, less operating expenses of approximately $540,000. The primary year-over-year decrease was due to a decrease in the net transfers from the General Fund and General Obligation Bond Fund of approximately $276,600,000 as there were no transfers-in during fiscal year 2019, offset by an increase in interest income and loan interest income by approximately $6,427,000 while operating revenues and expenses remained fairly consistent.

- The Dwelling Unit Revolving Fund accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing mortgage and interim financing, rental income, sales proceeds, and interest earnings from the financing and investment of such funds. The fund recognized increases in net position of approximately $72,526,000 and $30,914,000 in fiscal years 2019 and 2018, respectivel . The increase in net position in fiscal year 2019 was primarily the result of transfers-in of approximately $72,529,000. The primary year-over-year increase was due to the increase of transfers-in of approximately $37,327,000, of which approximately $72,235,000 were from the closure of the Hawaii Rental Housing System Revenue Bond Fund. In addition, the net loss decreased by approximately $4,285,000.

- The Hawaii Rental Housing System Revenue Bond Fund accounted for special funds for housing projects or systems of housing projects financed from proceeds of bonds secured under the same trust indenture. The fund accounted for six affordable multifamily rental housing projects located throughout the State prior to the conveyance of five of the six affordable multifamily rental housing projects and the wind-up of the fund during fiscal year 2019. The fund recognized a decrease in net position of approximately $4,357,000 in comparison to an increase in net position of approximately $2,960,000 in fiscal year 2018. The decrease in net position in fiscal year 2019 was due to the wind-up of the fund following the conveyance of five of the six affordable multifamily rental housing projects and in-substance defeasance of the outstanding bonds. The remaining assets, liabilities and fund balance were transferred to the Dwelling Unit Revolving Fund. For the fiscal year 2019, the fund recognized operating income of approximately $2,417,000, gain on sale of capital assets of approximately $84,779,000, and transferred approximately $72,235,000 and $19,875,000 to the Dwelling Unit Revolving Fund and the Rental Assistance Revolving Fund, respectively.

- The Single Family Mortgage Purchase Revenue Bond Fund accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment, interest and earnings from such loans and investment of such funds. The fund recognized an increase in net position of approximately $1,699,000 in fiscal year 2019 in comparison to a decrease in net position of approximately $1,139,000 in fiscal year 2018. The changes in net position were primarily due to changes in the fair value of mortgage-backed securities in fiscal years 2019 and 2018.

- The Grants In Aid Fund accounts for State funds used towards grants relating to housing as approved by the legislature and administered by the Corporation. The Corporation makes payments to the grantees on a reimbursement basis. The change in net position was $0 for fiscal years 2019 and 2018.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2019, the Corporation's capital assets amounted to approximatel $64,018,000 (net of accumulated depreciation of approximately $38,412,000), a decrease of approximately $18,145,000 primarily due to the conveyance of leasehold interest in five affordable multifamily rental housing properties of approximatel $14,716,000 and depreciation expense of approximately $3,421,000.

Corporation's Capital Assets
June 30, 2019 and 2018
(in thousands of dollars)

	Governmental Activities		Business-T pe Activities		Total		Percent
	2019	2018	2019	2018	2019	2018	Change
Land	$ -	$ -	$ 49,895	$ 49,903	$ 49,895	$ 49,903	0.0%
Buildings and improvements	-	-	51,900	157,022	51,900	157,022	-66.9%
Equipment	166	198	635	2,623	801	2,821	-71.6
Total	166	198	102,430	209,548	102,596	209,746	-51.1
Accumulated depreciation	(166)	(198)	(38,412)	(127,385)	(38,578)	(127,583)	-69.8%
Total capital assets, net	$ -	$ -	$ 64,018	$ 82,163	$ 64,018	$ 82,163	-22.1%

Debt Administration

Through June 30, 2019, approximately $3.1 billion of revenue bonds have been issued, of which approximatel $900,000,000 represents conduit debt. The revenue bonds are payable solely from the revenues and other monies and assets of the Revenue Bond Funds and other assets of the Corporation pledged under the various bond indentures. Revenue bonds payable, net of premiums, decreased by approximatel $278,710,000 to approximately $20,646,000 as of June 30, 2019.

During the fiscal year ended June 30, 2019, the Corporation defeased all the bonds under the Hawaii Rental Housing System Revenue Bond Fund of approximately $70,035,000 and recognized a loss on defeasance of approximately $74,000. The Corporation adopted GASB Statement No. 91 and therefore derecognized all conduit bonds payable under the Multifamily Housing Revenue Bond Fund. As a result, the revenue bonds payable, net of premiums, balance of approximately $20,646,000 as of June 30, 2019 was comprised solely of bonds payable under the Single Family Mortgage Purchase Revenue Bond Fund. Bond redemptions were approximately $6,234,000 for the Single Family Mortgage Purchase.

As of June 30, 2019, the Corporation's revenue bond programs consisted of Single Family Mortgage Purchase revenue bonds, the bond ratings for which were Standard & Poor's Rating Services: AA+; Moody's Investor Service: Aaa; and Fitch Ratings: AAA.

Requests for Information

This report is designed to provide an overview of the Corporation's finances. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Financial Officer, Hawaii Housing Finance and Development Corporation, 677 Queen Street, Suite 300, Honolulu, Hawai'i 96813.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-T pe Activities	Total
Assets and Deferred Outflows of Resources			
Current assets			
Equity in cash and cash equivalents and investments in State Treasur	$ -	$ 555,504,880	$ 555,504,880
Cash in banks	591	4,101,236	4,101,827
Receivables			
Mortgage loans	-	546,394	546,394
Notes and loans	-	2,895,579	2,895,579
Accrued interest	-	42,873,819	42,873,819
Tenant receivables, less allowance for doubtful accounts of $2,897,928	-	109,669	109,669
Other receivables, less allowance for doubtful accounts of $135,591	3,849	2,211,214	2,215,063
Total receivables	3,849	48,636,675	48,640,524
Cash held by third parties	1,505,291	417,468	1,922,759
Due from State	31,486,283	-	31,486,283
Internal balances	(17,165)	17,165	-
Due from other State departments, net	-	1,620,980	1,620,980
Prepaid expenses and other assets	-	18,673	18,673
Deposits held in trust	-	485,248	485,248
Total current assets	32,978,849	610,802,325	643,781,174
Restricted assets held by trustee under revenue bond program			
Cash and cash equivalents	-	11,800,872	11,800,872
Investments	-	45,447,575	45,447,575
	-	57,248,447	57,248,447
Due from other State departments	-	1,228,586	1,228,586
Inventories – development in progress and dwelling units	-	33,871,599	33,871,599
Restricted deposits held in escrow	-	1,259,037	1,259,037
Investments	-	850,577	850,577
Mortgage loans, net of allowance for loan losses of $154,076	-	428,662,355	428,662,355
Notes and loans	9,861,610	94,555,367	104,416,977
Capital assets, net	-	64,018,194	64,018,194
Total assets	42,840,459	1,292,496,487	1,335,336,946
Deferred outflows of resources			
Deferred outflows on net pension liability	-	2,257,052	2,257,052
Deferred outflows on net OPEB liability	-	1,095,304	1,095,304
Total deferred outflows of resources	-	3,352,356	3,352,356
Total assets and deferred outflows of resources	$ 42,840,459	$ 1,295,848,843	$ 1,338,689,302

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-T pe Activities	Total
Liabilities, Deferred Inflows of Resources, and Net Position			
Current liabilities			
Accounts pa able	$ -	$ 567,583	$ 567,583
Accrued expenses			
Interest	-	207,379	207,379
Other	-	1,172,004	1,172,004
Security deposits	-	2,782,458	2,782,458
Note pa able	-	14,286	14,286
Unearned income	-	384,615	384,615
Revenue bonds pa able, net	-	1,706,000	1,706,000
Total current liabilities	-	6,834,325	6,834,325
Noncurrent liabilities			
Note payable	-	100,356	100,356
Revenue bonds pa able, net	-	18,939,807	18,939,807
Estimated future costs of development	-	38,982,282	38,982,282
Unearned income	-	21,456,344	21,456,344
Unrealized gain on sale of units and land	-	1,776,258	1,776,258
Net OPEB liability	-	10,315,713	10,315,713
Net pension liability	-	10,139,024	10,139,024
Total liabilities	-	108,544,109	108,544,109
Deferred inflows of resources			
Deferred inflows on net pension liability	-	691,276	691,276
Deferred inflows on net OPEB liability	-	214,856	214,856
Total deferred inflows of resources	-	906,132	906,132
Commitments and contingencies			
Net position			
Net investment in capital assets	-	63,903,552	63,903,552
Restricted by legislation and contractual agreements	11,366,901	58,507,484	69,874,385
Unrestricted	31,473,558	1,063,987,566	1,095,461,124
Total net position	42,840,459	1,186,398,602	1,229,239,061
Total liabilities, deferred inflows of resources, and net position	$ 42,840,459	$ 1,295,848,843	$ 1,338,689,302

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Statement of Activities
Year Ended June 30, 2019

		Program Revenues		Net (Expense Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-T pe Activities	Total
Functions/Programs						
Governmental activities						
Low-income housing service and assistance programs	$ 7,434,130	$ -	$ 7,654,376	$ 220,246	$ -	$ 220,246
Total governmental activities	7,434,130	-	7,654,376	220,246	-	220,246
Business-type activities						
Rental assistance program	1,780,478	29,437	301,372	-	(1,449,669)	(1,449,669)
Housing development program	10,173,524	3,842,860	6,327,733	-	(2,931)	(2,931)
Multifamily mortgage loan program	1,071,629	42,442,453	7,902,399	-	49,273,223	49,273,223
Single family mortgage loan program	129,422	1,828,024	-	-	1,698,602	1,698,602
Rental housing program	17,208,859	19,482,507	699,724	-	2,973,372	2,973,372
Others	6,004,060	1,387,082	160,254	-	(4,456,724)	(4,456,724)
Total business-type activities	36,367,972	69,012,363	15,391,482	-	48,035,873	48,035,873
Total	$ 43,802,102	$ 69,012,363	$ 23,045,858	220,246	48,035,873	48,256,119
General revenues and transfers						
State allotted appropriations, net of lapses of $3,253				27,796,747	-	27,796,747
Net transfers				(4,689,654)	4,689,654	-
Gain on sale of capital assets				-	84,779,486	84,779,486
Total general revenues and transfers				23,107,093	89,469,140	112,576,233
Change in net position				23,327,339	137,505,013	160,832,352
Net position						
Beginning of ear				19,513,120	1,048,893,589	1,068,406,709
End of ear				$ 42,840,459	$ 1,186,398,602	$ 1,229,239,061

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Tax Credit Assistance Program	Total Governmental Funds
Assets						
Cash in banks	$ -	$ -	$ 91	$ 500	$ -	$ 591
Receivables						
Other receivables	-	-	1,946	1,903	-	3,849
Total receivables	-	-	1,946	1,903	-	3,849
Cash held by third parties	-	-	1,505,291	-	-	1,505,291
Notes and loans receivable	-	-	-	-	9,861,610	9,861,610
Due from State	500,000	30,986,283	-	-	-	31,486,283
Total assets	$ 500,000	$ 30,986,283	$ 1,507,328	$ 2,403	$ 9,861,610	$ 42,857,624
Liabilities and Fund Balances						
Liabilities						
Due to other funds	$ -	$ -	$ 2,037	$ 15,128	$ -	$ 17,165
Total liabilities	-	-	2,037	15,128	-	17,165
Fund balances						
Restricted	-	-	1,505,291	-	9,861,610	11,366,901
Committed	500,000	30,986,283	-	-	-	31,486,283
Unassigned	-	-	-	(12,725)	-	(12,725)
Total fund balances	500,000	30,986,283	1,505,291	(12,725)	9,861,610	42,840,459
Total liabilities and fund balances	$ 500,000	$ 30,986,283	$ 1,507,328	$ 2,403	$ 9,861,610	$ 42,857,624

The accompanying notes are an integral part of these financial statements.

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Total fund balances – governmental funds		$ 42,840,459
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the funds. These assets consist of the following		
Equipment	$ 166,292	
Accumulated depreciation	(166,292)	
Capital assets, net		-
Net position of governmental activities		$ 42,840,459

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Governmental Funds
Statement of Revenues, Expenditures and Change in Fund Balances
Year Ended June 30, 2019

	General Fund	General Obligation Bond Fund	HOME Investment Partnership Program	Housing Trust Fund Program	Tax Credit Assistance Program	Total Governmental Funds
Revenues						
State allotted appropriations	$ 300,000	$ 27,500,000	$ -	$ -	$ -	$ 27,800,000
Intergovernmental revenue	-	-	4,085,032	3,569,344	-	7,654,376
Total revenue	300,000	27,500,000	4,085,032	3,569,344	-	35,454,376
Expenditures						
Programs	-	-	3,701,635	3,442,003	-	7,143,638
Personnel services	-	-	102,768	111,989	-	214,757
Administration	-	-	30,966	23,269	-	54,235
Professional services	-	-	21,500	-	-	21,500
Total expenditures	-	-	3,856,869	3,577,261	-	7,434,130
Excess (deficienc) of revenues over (under) over expenditures	300,000	27,500,000	228,163	(7,917)	-	28,020,246
Other financing uses						
Net transfers	(310,300)	(4,379,354)	-	-	-	(4,689,654)
Excess (deficienc) of revenues over (under) expenditures and other financing uses	(10,300)	23,120,646	228,163	(7,917)	-	23,330,592
Lapsed appropriations	(3,253)	-	-	-	-	(3,253)
Net change in fund balances	(13,553)	23,120,646	228,163	(7,917)	-	23,327,339
Fund balances						
Beginning of ear	513,553	7,865,637	1,277,128	(4,808)	9,861,610	19,513,120
End of ear	$ 500,000	$ 30,986,283	$ 1,505,291	$ (12,725)	$ 9,861,610	$ 42,840,459

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balances to the Statement of Activities
Year Ended June 30, 2019

Net change in fund balances – total governmental funds		$ 23,327,339
Amounts reported for governmental activities in the statement of activities are different because		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays during the year.		
Depreciation expense	$ -	-
Change in fund balances – governmental activities		$ 23,327,339

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Net Position
June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing S stem Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Assets and Deferred Outflows of Resources							
Current assets							
Equity in cash and cash equivalents and investments in State Treasur	$ 362,907,065	$ 154,571,085	$ -	$ -	$ -	$ 38,026,730	$ 555,504,880
Cash in banks	-	4,091,236	-	-	-	10,000	4,101,236
Receivables							
Mortgage loans	497,311	-	-	49,083	-	-	546,394
Notes and loans	-	2,895,579	-	-	-	-	2,895,579
Accrued interest	20,309,033	21,283,011	-	130,926	-	1,150,849	42,873,819
Tenant receivables, less allowance for doubtful accounts of $2,897,928	-	109,669	-	-	-	-	109,669
Other receivables, less allowance for doubtful accounts of $135,591	-	2,068,385	-	-	-	142,829	2,211,214
Total receivables	20,806,344	26,356,644	-	180,009	-	1,293,678	48,636,675
Cash held by third parties	-	417,468	-	-	-	-	417,468
Due from other funds	-	688,017	-	-	-	4,175,132	4,863,149
Due from other State departments	-	1,700,000	-	-	-	-	1,700,000
Prepaid expenses and other assets	-	-	-	2,685	-	15,988	18,673
Deposits held in trust	-	485,248	-	-	-	-	485,248
Total current assets	383,713,409	188,309,698	-	182,694	-	43,521,528	615,727,329
Restricted assets held by trustee under revenue bond program							
Cash and cash equivalents	-	-	-	11,800,872	-	-	11,800,872
Investments	-	-	-	45,447,575	-	-	45,447,575
	-	-	-	57,248,447	-	-	57,248,447
Due from other State departments	-	1,228,586	-	-	-	-	1,228,586
Inventories – development in progress and dwelling units	-	33,871,599	-	-	-	-	33,871,599
Restricted deposits held in escrow	-	1,259,037	-	-	-	-	1,259,037
Investments	-	-	-	-	-	850,577	850,577
Mortgage loans, net of allowance for loan losses of $154,076	400,237,654	20,966,242	-	44,067	-	7,414,392	428,662,355
Notes and loans	-	94,555,367	-	-	-	-	94,555,367
Capital assets, net	-	64,006,414	-	-	-	11,780	64,018,194
Total assets	783,951,063	404,196,943	-	57,475,208	-	51,798,277	1,297,421,491
Deferred outflows of resources							
Deferred outflows on net pension liability	141,001	1,467,275	-	128,175	-	520,601	2,257,052
Deferred outflows on net OPEB liability	64,514	718,847	-	53,013	-	258,930	1,095,304
Total deferred outflows of resources	205,515	2,186,122	-	181,188	-	779,531	3,352,356
Total assets and deferred outflows of resources	$ 784,156,578	$ 406,383,065	$ -	$ 57,656,396	$ -	$ 52,577,808	$ 1,300,773,847

The accompanying notes are an integral part of these financial statements.

State of Hawai'i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai'i)
Proprietary Funds
Statement of Net Position
June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing S stem Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Liabilities, Deferred Inflows of Resources, and Net Position							
Current liabilities							
Accounts payable	$ -	$ 372,341	$ -	$ 8,250	$ -	$ 186,992	$ 567,583
Accrued expenses							
Interest	-	-	-	207,379	-	-	207,379
Other	70,207	764,958	-	111,801	-	225,038	1,172,004
Due to other funds	10,264	754,991	-	165,928	-	3,914,801	4,845,984
Due to other State departments	-	69,020	-	-	-	10,000	79,020
Security deposits	-	768,589	-	-	-	2,013,869	2,782,458
Note payable	-	14,286	-	-	-	-	14,286
Unearned income	-	384,615	-	-	-	-	384,615
Revenue bonds payable	-	-	-	1,706,000	-	-	1,706,000
Total current liabilities	80,471	3,128,800	-	2,199,358	-	6,350,700	11,759,329
Noncurrent liabilities							
Note payable	-	100,356	-	-	-	-	100,356
Revenue bonds payable	-	-	-	18,939,807	-	-	18,939,807
Estimated future costs of development	-	38,982,282	-	-	-	-	38,982,282
Unearned income	-	21,456,344	-	-	-	-	21,456,344
Unrealized gain on sale of units and land	-	1,776,258	-	-	-	-	1,776,258
Net OPEB liability	597,416	6,741,013	-	533,124	-	2,444,160	10,315,713
Net pension liability	589,445	6,625,669	-	517,882	-	2,406,028	10,139,024
Total liabilities	1,267,332	78,810,722	-	22,190,171	-	11,200,888	113,469,113
Deferred inflows of resources							
Deferred inflows on net pension liability	27,458	466,100	-	60,833	-	136,885	691,276
Deferred inflows on net OPEB liability	12,640	140,966	-	10,449	-	50,801	214,856
Total deferred inflows of resources	40,098	607,066	-	71,282	-	187,686	906,132
Commitments and contingencies							
Net position							
Net investment in capital assets	-	63,891,772	-	-	-	11,780	63,903,552
Restricted by legislation and contractual agreements	-	1,259,037	-	57,248,447	-	-	58,507,484
Unrestricted	782,849,148	261,814,468	-	(21,853,504)	-	41,177,454	1,063,987,566
Total net position	782,849,148	326,965,277	-	35,394,943	-	41,189,234	1,186,398,602
Total liabilities, deferred inflows of resources, and net position	$ 784,156,578	$ 406,383,065	$ -	$ 57,656,396	$ -	$ 52,577,808	$ 1,300,773,847

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Famil Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues							
Conveyance tax	$ 38,000,000	$ -	$ -	$ -	$ -	$ -	$ 38,000,000
Rental	-	2,576,985	18,689,955	-	-	-	21,266,940
Interest on mortgages, notes, loans and mortgage-backed securities	3,061,059	3,461,758	-	1,828,024	-	43,595	8,394,436
Sale of land and units, net	-	378,713	-	-	-	-	378,713
Other	203,685	887,162	792,552	-	-	2,550,633	4,434,032
Total operating revenues	41,264,744	7,304,618	19,482,507	1,828,024	-	2,594,228	72,474,121
Operating expenses							
Programs	-	3,762,298	9,288,770	-	4,334,738	-	17,385,806
Interest expense	-	-	3,347,887	643,182	-	-	3,991,069
Personnel services	423,323	4,014,873	513,925	346,139	-	1,568,297	6,866,557
Depreciation	-	93,068	3,363,885	-	-	-	3,456,953
Administration	81,747	1,144,436	137,229	244,426	60,300	407,592	2,075,730
Housing assistance payments	-	-	-	-	-	1,588,547	1,588,547
Professional services	33,964	326,572	44,707	57,649	-	139,896	602,788
Capital expenses	939	67,420	180,519	2,179	-	4,229	255,286
Insurance	39	10,176	139,755	117	-	183	150,270
Provision for losses	-	744,257	29,719	-	-	24,362	798,338
Other	-	10,424	18,780	12,375	-	187,756	229,335
Total operating expenses	540,012	10,173,524	17,065,176	1,306,067	4,395,038	3,920,862	37,400,679
Operating income (loss) carried forward	40,724,732	(2,868,906)	2,417,331	521,957	(4,395,038)	(1,326,634)	35,073,442

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Famil Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Operating income (loss) brought forward	40,724,732	(2,868,906)	2,417,331	521,957	(4,395,038)	(1,326,634)	35,073,442
Nonoperating revenues (expenses)							
Interest income	7,902,399	2,865,975	699,724	-	-	508,278	11,976,376
Gain on sale of capital assets	-	-	84,779,486	-	-	-	84,779,486
Net increase in fair value of mortgage-backed securities	-	-	-	1,176,645	-	-	1,176,645
Net decrease in fair value of other investments	-	-	-	-	-	(46,652)	(46,652)
Loss on defeasance of debt	-	-	(74,041)	-	-	-	(74,041)
Amortization of deferred loss on refunding	-	-	(36,042)	-	-	-	(36,042)
Other expenses	-	-	(33,600)	-	-	(255)	(33,855)
Total nonoperating revenues	7,902,399	2,865,975	85,335,527	1,176,645	-	461,371	97,741,917
Income (loss) before transfers	48,627,131	(2,931)	87,752,858	1,698,602	(4,395,038)	(865,263)	132,815,359
Net transfers	-	72,529,245	(92,109,629)	-	4,395,038	19,875,000	4,689,654
Change in net position	48,627,131	72,526,314	(4,356,771)	1,698,602	-	19,009,737	137,505,013
Net position							
Beginning of ear	734,222,017	254,438,963	4,356,771	33,696,341	-	22,179,497	1,048,893,589
End of ear	$ 782,849,148	$ 326,965,277	$ -	$ 35,394,943	$ -	$ 41,189,234	$ 1,186,398,602

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Famil Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities							
Cash received from tenants	$ -	$ 4,009,188	$ 17,759,496	$ -	$ -	$ 282,620	$ 22,051,304
Cash received from borrowers							
Principal repayments	11,956,882	6,878,359	-	85,625	-	28,191	18,949,057
Interest income	640,845	4,835,087	-	1,846,403	-	87,833	7,410,168
Cash received from sale of land	-	3,077,991	-	-	-	-	3,077,991
Cash received from conveyance taxes	38,000,000	-	-	-	-	-	38,000,000
Cash received for payments on mortgage-backed securities, net	-	-	-	5,201,633	-	-	5,201,633
Cash payments for issuance of loans receivable	(120,000,997)	(27,129,599)	(223,851)	-	-	-	(147,354,447)
Interest payments	-	-	(3,515,803)	(720,923)	-	-	(4,236,726)
Payments to employees	(381,754)	(3,457,441)	(818,116)	(310,684)	-	(1,403,062)	(6,371,057)
Payments to suppliers	(106,425)	(12,739,508)	(9,103,052)	(316,746)	(4,395,038)	(2,404,775)	(29,065,544)
Cash receipts from (pa ments to) other funds	-	2,340,396	19,355	(4,801)	-	(33,524)	2,321,426
Other cash receipts	203,687	3,209,125	1,015,429	-	-	2,594,811	7,023,052
Net cash provided by (used in) operating activities	(69,687,762)	(18,976,402)	5,133,458	5,780,507	(4,395,038)	(847,906)	(82,993,143)
Cash flows from noncapital financing activities							
Principal paid on revenue bond maturities and redemptions	-	-	-	(6,233,645)	-	-	(6,233,645)
Transfers in (out)	-	54,351,051	(55,052,047)	-	4,395,038	19,875,000	23,569,042
Net cash provided by (used in) noncapital financing activities	-	54,351,051	(55,052,047)	(6,233,645)	4,395,038	19,875,000	17,335,397
Cash flows from capital and related financing activities							
Payments to defeasance revenue bonds	-	-	(71,645,917)	-	-	-	(71,645,917)
Principal paid on revenue bond maturities and redemptions	-	-	(3,285,000)	-	-	-	(3,285,000)
Principal paid on new mortgage loans	-	-	(20,654,113)	-	-	-	(20,654,113)
Purchases of capital assets	-	(43,682)	-	-	-	-	(43,682)
Sales of capital assets	-	-	99,495,000	-	-	15,753	99,510,753
Net cash provided by (used in) capital and related financing activities	-	(43,682)	3,909,970	-	-	15,753	3,882,041
Subtotal carried forward	(69,687,762)	35,330,967	(46,008,619)	(453,138)	-	19,042,847	(61,775,705)

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Famil Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Subtotal brought forward	(69,687,762)	35,330,967	(46,008,619)	(453,138)	-	19,042,847	(61,775,705)
Cash flows from investing activities							
Interest received	1,859,847	1,603,014	672,647	-	-	193,488	4,328,996
Net cash provided by investing activities	1,859,847	1,603,014	672,647	-	-	193,488	4,328,996
Net increase (decrease) in cash and cash equivalents	(67,827,915)	36,933,981	(45,335,972)	(453,138)	-	19,236,335	(57,446,709)
Cash and cash equivalents							
Beginning of ear	430,734,980	123,890,093	45,335,972	12,254,010	-	18,800,395	631,015,450
End of ear	$ 362,907,065	$ 160,824,074	$ -	$ 11,800,872	$ -	$ 38,036,730	$ 573,568,741
Components of cash and cash equivalents							
Equity in cash and cash equivalents and investments in State Treasury	$ 362,907,065	$ 154,571,085	$ -	$ -	$ -	$ 38,026,730	$ 555,504,880
Cash in banks	-	4,091,236	-	-	-	10,000	4,101,236
Cash held by third parties	-	417,468	-	-	-	-	417,468
Restricted cash and cash equivalents held by trustee	-	-	-	11,800,872	-	-	11,800,872
Deposits held in trust	-	485,248	-	-	-	-	485,248
Restricted deposits held in escrow	-	1,259,037	-	-	-	-	1,259,037
Cash and cash equivalents	$ 362,907,065	$ 160,824,074	$ -	$ 11,800,872	$ -	$ 38,036,730	$ 573,568,741

The accompanying notes are an integral part of these financial statements.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Grants in Aid Fund	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities							
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	$ 40,724,732	$ (2,868,906)	$ 2,417,331	$ 521,957	$ (4,395,038)	$ (1,326,634)	$ 35,073,442
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	-	93,068	3,363,885	-	-	-	3,456,953
Provision for losses	-	744,257	29,719	-	-	24,362	798,338
Rent subsidies applied to note payable	-	(15,465)	-	-	-	-	(15,465)
Interest expense settled through reduction of rental subsidies	-	1,318	-	-	-	-	1,318
Other income	-	-	(33,600)	-	-	-	(33,600)
Net pension expense	38,395	427,812	-	31,550	-	154,101	651,858
Net OPEB benefit	(234)	(2,595)	-	(192)	-	(939)	(3,960)
Changes in assets and liabilities							
Mortgage loans receivable	(108,044,115)	(20,632,479)	-	85,625	-	28,191	(128,562,778)
Notes and loans receivable	-	3,802,448	-	-	-	-	3,802,448
Accrued interest receivable	(2,420,214)	(2,048,474)	-	18,379	-	44,238	(4,406,071)
Tenant receivables	-	(31,180)	106,236	-	-	-	75,056
Other receivables	-	(228,561)	-	-	-	47,780	(180,781)
Due to (from) other funds	10,264	668,644	19,355	(4,801)	-	(33,524)	659,938
Due to other State departments	-	1,671,752	-	-	-	-	1,671,752
Inventories – development in progress and dwelling units	-	75,005	-	-	-	-	75,005
Prepaid expenses and other assets	-	-	37,020	-	-	100,339	137,359
Investments	-	-	-	5,201,633	-	-	5,201,633
Accounts payable	-	243,847	672,328	-	-	(180,514)	735,661
Accrued interest payable	-	-	(167,916)	(77,741)	-	-	(245,657)
Other accrued expenses	3,410	132,214	(304,191)	4,097	-	12,074	(152,396)
Security deposits	-	655,074	(1,006,709)	-	-	282,620	(69,015)
Unearned income	-	839,977	-	-	-	-	839,977
Unreali ed gain on sale of units and land	-	(20,722)	-	-	-	-	(20,722)
Estimated future costs of development	-	(2,483,436)	-	-	-	-	(2,483,436)
Net cash provided by (used in) operating activities	$ (69,687,762)	$ (18,976,402)	$ 5,133,458	$ 5,780,507	$ (4,395,038)	$ (847,906)	$ (82,993,143)
Supplemental information							
Non-cash capital and related financing activities							
Principal payments on note payable settled through reduction of rental subsidies	$ -	$ 14,147	$ -	$ -	$ -	$ -	$ 14,147

The accompanying notes are an integral part of these financial statements.

1. Organization and Summar of Significant Accounting Policies

Financial Reporting Entity

Chapter 201E, Hawaii Revised Statutes and Act 337, Session Laws of Hawaii (“SLH”) 1987, created the Housing Finance and Development Corporation (“HFDC”). The HFDC was created to perform housing finance, housing development, and residential leasehold functions. The Hawaii Housing Authority, State of Hawai‘i (“Authority”) was organized pursuant to the provisions of Chapter 356, Hawaii Revised Statutes. The Authority was created to provide safe and sanitary dwelling accommodations for low and moderate-income residents of Hawai‘i.

In accordance with Act 350, SLH 1997, effective July 1, 1998, the functions and employees of HFDC as well as those of the Authority and the Rental Housing Trust Fund Commission, were transferred to the newly created Housing and Community Development Corporation of Hawaii (“HCDCH”). The purpose of Act 350, SLH 1997, was to consolidate all state housing functions previously administered by the Authority, HFDC and the Rental Housing Trust Fund Commission. HCDCH was a public body, both corporate and politic, and was for administrative purposes considered to be a part of the State Department of Business, Economic Development and Tourism. In accordance with Act 92, SLH 2003, effective July 1, 2003, the functions and employees of HCDCH were transferred to the State Department of Human Services for administrative purposes.

In accordance with Act 196, SLH 2005, as amended by Act 180, SLH 2006, HCDCH was split into two organizations to more effectively concentrate on the development of affordable housing. Effective July 1, 2006, HCDCH was bifurcated into (1) the Hawaii Public Housing Authority (“HPHA”) and (2) the Hawaii Housing Finance and Development Corporation (the “Corporation”).

For financial reporting purposes, the Corporation includes all funds that are controlled by or dependent on the Corporation’s Board of Directors. Control by or dependence on the Corporation was determined on the basis of statutory authority and monies flowing through the Corporation to each fund.

The financial statements of the Corporation include only the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corporation, and are not intended to present fairly the financial position of the State of Hawai‘i (the “State”) as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annuall, which include the Corporation’s financial activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position, and the statement of activities report information on the activities of the Corporation. Governmental activities, which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues. The Corporation employs an indirect cost allocation system. The Corporation provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of benefits provided to the funds.

Net position is restricted when constraints placed on it are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restrictions of net position. When both restricted and unrestricted resources are available for use, generally it is the Corporation’s policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, the Corporation would first use restricted, committed, then assigned, and lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

The fund financial statements are provided for governmental and proprietary funds. Major individual governmental fund and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summari ed into a single column.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements
Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. In applying the susceptible to accrual concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when applicable requirements, including timing requirements, are met.

Principal revenue sources considered susceptible to accrual include federal grants and interest on investments. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State’s present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles (“GAAP”) since they have been earned and are expected to be collected within 60 days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the Corporation.

Expenditures generally are recorded when a liability is incurred.

Proprietary Funds
The financial statements of proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund’s principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Corporation’s enterprise funds are conveyance tax revenues, rental income, and interest income earned on mortgages, notes, loans and mortgage-backed securities. Interest income from investments in State Treasury is reported as nonoperating income.

Fund Accounting
The financial activities of the Corporation are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Corporation uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

Governmental Funds

- **General Fund** – The General Fund accounts for all financial resources of the State’s general fund revenues appropriated by the State Legislature to the Corporation, except those required to be accounted for in another fund.

- **HOME Investment Partnership Program** – The HOME Investment Partnership Program is used to account for all financial activities that are funded by the related federal grants. Substantially all of the fund’s activity relates to providing affordable housing to residents of the State of Hawai‘i.

- **Housing Trust Fund Program**– The Housing Trust Fund Program is used to account for all financial activities funded by the related federal grant. Substantially all of the fund’s activity is related to providing affordable housing, with primary attention to rental housing for extremely low-income households.

- **General Obligation Bond Fund** – The General Obligation Bond Fund is used to account for the transfers of the proceeds of the State's general obligation bonds allotted to the Corporation for subsequent use by the Corporation's other funds.

- **Tax Credit Assistance Program** – The Tax Credit Assistance Program ("TCAP") is used to account for all financial activities funded by the related federal grant. Substantially all of the fund's activities relate to providing funds directly to designated state housing credit agencies for award to affordable rental housing developments that have been allocated low-income housing tax credits and are in need of additional gap equity funding.

Proprietary Funds

- **Enterprise Funds** – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate. Enterprise Funds include the Rental Housing Revolving Fund, Dwelling Unit Revolving Fund, revenue bond funds, and other funds.

  Under the revenue bond funds, proceeds from bond issues are used to make below-market interest rate mortgage loans to persons and families of low to moderate income for the purchase of owner-occupied single-famil and condominium dwellings, provide interim construction loans and permanent financing of affordable rental housing projects, and to finance affordable multifamily rental housing projects. These funds include the Hawaii Rental Housing System Revenue Bond Fund and Single Family Mortgage Purchase Revenue Bond Fund. The other funds include the Rental Assistance Revolving Fund, Housing Finance Revolving Fund, Disbursing Fund, Multifamily Housing Revenue Bond Fund, and Grants in Aid Fund.

  The Corporation reports the following as major proprietary funds:

  - <u>Rental Housing Revolving Fund</u> provides developers of qualified rental housing projects with loans and/or grants for the development, predevelopment, construction, acquisition, preservation and rehabilitation of rental housing units.

  - <u>Dwelling Unit Revolving Fund</u> accounts for State funds used for acquiring, developing, selling, leasing and renting residential, commercial and industrial properties, providing mortgage and interim financing, rental income, sales proceeds, and interest earnings from the financing and investment of such funds.

  - <u>Single Family Mortgage Purchase Revenue Bond Fund</u> accounts for the proceeds from the issuance of bonds used to make below-market interest rate mortgage loans and the repayment of such loans, and investment income earned.

  - <u>Grants in Aid Fund</u> accounts for State funds designated by the Hawaii State Legislature for capital improvement projects or operating funds to support programs of qualified nonprofit and other organizations. The Legislature designates which executive department agency will administer and oversee the expenditures for grants.

- Hawaii Rental Housing System Revenue Bond Fund accounted for housing projects or systems of housing projects financed from the proceeds of bonds secured under the same trust indenture. The fund accounted for six affordable multifamily rental housing projects located throughout the State of Hawai'i. The fund was closed upon the defeasance of the fund's revenue bonds issues in conjunction with the sale of five of the fund's affordable multifamily rental housing projects in fiscal year 2019.

In May 2019, the Corporation completed the sale of five of six properties in the Hawaii Rental Housing System's Revenue Bond Fund's rental housing portfolio. The sale of the sixth property is expected to close in the year ending June 30, 2020.

Equit in Cash and Cash Equivalents and Investments in State Treasury
The State Director of Finance is responsible for the safekeeping of cash and investments in the State Treasury in accordance with State laws. The Director of Finance may invest any monies of the State, which in the Director's judgment, are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury Investment Pool System. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

GAAP requires disclosures over common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. Investments can be categori ed by type, maturity and custodian to determine the level of interest rate, credit and custodial risk assumed by the Corporation. However, as these funds are held in the State cash pool, the Corporation does not manage these investments and the types of investments, and related interest rate, credit and custodial risks are not determinable at the Corporation's level. The risk disclosures and fair value leveling table of the State's cash pool are included in the State's Comprehensive Annual Financial Report ("CAFR") which may be obtained from the Department of Accounting and General Services' ("DAGS") website: *https://ags.hawaii.gov/blog/category/main/.*

Cash and short-term investments held outside of the State Treasury are primarily held in a financial institution outside of the State of Hawai'i. The Corporation considers all cash and investments with original maturities of three months or less to be cash equivalents.

Cash and cash equivalents for the purpose of the statement of cash flows include all cash and highly liquid investments with original purchased maturities of three months or less. Cash and cash equivalents also include the Corporation's equity in cash and cash equivalents and investments held in the State Treasury.

The State's investments are reported at fair value within the fair value hierarchy established b GAAP. Investments in mutual funds are reported at fair value based on quoted market prices. Investments in U.S. government obligations are reported at fair value based on quoted prices or other observable inputs, including pricing matrices.

Investments
Investments in U.S. government securities with maturities of one year or less when purchased are stated at cost, which approximate fair value. Certificates of deposits are stated at amortized cost. All other investments are reported at fair value as described below.

Fair Value Measurements
For financial assets reported at fair value, the Corporation defines fair value as the price that would be received to sell an asset in the principal or most advantageous market in an orderly transaction between market participants. The Corporation measures fair value using assumptions developed based on market data obtained from independent external sources and the reporting entity's own assumptions. The hierarchy is broken down into levels based on the reliability of the inputs as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

Inventories
Inventories consist of developments in progress and units available for sale. Developments in progress include construction in progress and land held for future development related to the remaining portions of three master planned communit projects – Kapolei (Oahu), Kamakana Villages of Keahuolu (West Hawai'i), and Leiali'i (Maui). Costs included in developments in progress relate to the infrastructure construction for these master planned communities. Units available for sale include constructed units, developed lots, and repurchased units available for sale.

Inventories are stated at the lower of cost or estimated net reali able value. All estimated development, holding and disposition costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Estimated net reali able value represents management's estimates, based on management's plans and intentions, of sales price less development, holding and disposition costs, assuming that the development and disposition occurs in the normal course of business. Write-downs for estimated losses on inventories are recorded to the extent total estimated costs exceed total estimated revenues for a project.

The recognition of gain from the sale of units is dependent on a number of factors relating to the nature of the property sold, the terms of the sale, and the future involvement of the Corporation in the propert sold. If a real estate transaction does not meet established financial criteria, profit recognition is deferred and recognized under the installment or cost recovery method until such time as the criteria are met.

Receivables
Receivable balances are composed of mortgage loans receivable and tenant receivables from the various projects and funds within the Corporation. Mortgage loans receivable are primarily second mortgages from nonprofit organizations and for-profit developers for the development, pre-development, construction, acquisition, preservation and substantial rehabilitation of rental

housing units. Receivable amounts from tenants are related to rental arrangements. Allowance for doubtful accounts on receivables are typically established for an accounts over 90 days outstanding. For the year ended June 30, 2019, there were allowances for mortgage loan receivables and tenant receivables of $136,000 and $2,898,000, respectively.

Interfund Receivables and Pa ables

During the course of operations, transactions occur between funds that may result in amounts owed between funds. Those related to transactions for goods and services are classified as “due to and from other funds.” See Note 17 for details of interfund transactions, including receivables and payables at fiscal year-end.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. The capitalization thresholds are $5,000 for equipment, and $100,000 for land improvements, building, and building improvements.

Purchased and constructed capital assets are valued at cost. Donated assets are recorded at their fair value at the date of donation.

Depreciation expense is recorded in the government-wide and proprietary funds financial statements utilizing the straight-line method over the assets’ estimated useful lives. No depreciation is recorded for land and land improvements. Generally, the useful lives are as follows:

	Governmental Activities	**Proprietar Funds and Business-T pe Activities**
Building and building improvements	25 years	10–40 years
Equipment	7 years	5–10 years

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that apply to a future period. The Corporation defers recognition of the loss on debt refunding related to issuance of its revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method.

The deferred outflow of resources related to pensions and other postemployment benefits (“OPEB”) resulted from differences between expected and actual experiences which will be amortized over five years and the Corporation’s contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension and OPEB liability in the subsequent fiscal year. The deferred inflow of resources related to pensions and OPEB resulted from differences between expected and actual experiences and changes in proportion to the pension and OPEB plans which will be amortized over five years.

Unearned Revenues

Unearned revenues at the fund level and government-wide level arise when the Corporation receives resources before it has a legal claim to them. In subsequent periods, when the revenue recognition criteria are met or when the Corporation has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

Accrued Vacation

Vacation leave accumulates at a rate of one and three-quarters working day for each month of service. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as other accrued expenses in the government-wide and the proprietar funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately $225,000. Accrued vacation, which is included in other accrued expenses in the statement of net position, changed during fiscal year 2019 as follows:

Balance at Jul 1, 2018	$ 664,000
Additions	381,000
Reductions	(355,000)
Balance at June 30, 2019	$ 690,000

Accumulated Sick Leave Pa

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. Generally, sick leave may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement S stem of the State of Hawai‘i ("ERS"). Accumulated unpaid sick leave at June 30, 2019 amounted to approximately $2,637,000.

Postemplo ment Benefits Other than Pensions

The actuarial valuation of the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") does not provide OPEB information by department or agency. Accordingly, the State's polic on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, and any adjustment to the net OPEB liability, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's CAFR. The State allocates annual OPEB expense to component units and proprietary funds based on their proportionate percentage of the State's total contribution to the EUTF plan.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the EUTF, and additions to/deductions from the EUTF's fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Pension Benefits
The actuarial valuation of the ERS does not provide pension benefits information by department or agency. Accordingly, the State’s policy on the accounting and reporting for pension benefits is to allocate a portion of the State’s net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State’s CAFR. The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State’s total covered pa roll.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS’s fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Risk Management
Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters, and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonabl estimated.

Governmental Fund Balances
The Corporation accounts for governmental fund balances through a hierarchical fund balance classification structure based primarily on the extent to which a government is bound to follow constraints on how resources can be spent. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes b external parties such as creditors, grantors or other governments.
- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the State legislature and the Corporation’s Board of Directors.
- **Assigned** – Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.
- **Unassigned** – Residual balances that are not contained in the other classifications.

The fund balance of the TCAP was restricted for use in the construction of qualified low-income buildings for which a housing credit agency has made an allocation of low-income housing credits under Section 42 of the Internal Revenue Code.

The fund balance of the General Obligation Bond Fund was committed to purchase land for or finance the development or rehabilitation of affordable housing.

The fund balance of the HOME Investment Partnership Program was restricted to provide affordable housing to residents of the State of Hawai‘i.

Use of Estimates
In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results may differ from those estimates.

New Accounting Pronouncements
The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Corporation has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. The objective of this Statement is to include additional information related to debt in the notes to financial statements, including unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements related to significant events of default with finance-related consequences and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Corporation included the additional information required by this statement in the notes to the financial statements.

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement replaces Paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Corporation has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Corporation implemented this Statement during fiscal year 2019, and accordingly derecognized all conduit debt obligations and related accounts in the Multifamily Housing Revenue Bond Fund. Accordingly, this fund is classified as a non-major enterprise fund. At June 30, 2019, the time of adoption, total conduit debt amounted to approximately $276,946,000.

Subsequent Events
Subsequent to June 30, 2019, the Corporation entered into a purchase and sale agreement to acquire the leased-fee interest in land underlying its Kamakee Vista affordable multifamily rental housing project in Honolulu. The transaction is expected to close during the year ending June 30, 2020.

In October 2019, the Corporation purchased the leased-fee interest in land underlying a rental town home complex in Lahaina, Maui for approximately $14,900,000.

2. Deposits

At June 30, 2019, total cash and cash equivalents reported in the statement of net position consisted of the following:

	Governmental Activities	Business-T pe Activities	Total
Equity in cash and cash equivalents and investments in State Treasur	$ -	$ 555,504,880	$ 555,504,880
Cash in banks (book balance)	591	4,101,236	4,101,827
Cash held by third parties	1,505,291	417,468	1,922,759
Restricted cash and cash equivalents held b trustee	-	11,800,872	11,800,872
Deposits held in trust	-	485,248	485,248
Restricted deposits held in escrow	-	1,259,037	1,259,037
Total cash	$ 1,505,882	$ 573,568,741	$ 575,074,623

The bank balance of cash in bank was approximately $4,141,000, of which $538,000 was covered by federal deposit insurance and $3,603,000 was not covered and is uncollateralized. As of June 30, 2019, Level 1 inputs were used to determine the fair value of the money market funds that are included in cash and cash equivalents. The fair value of equity in investments in State Treasury are described in Note 1.

3. Investments

Investments at June 30, 2019 are summari ed by maturity (in years) as follows:

	Less than 1	Greater than 1 and up to 5	Greater than 5 and up to 10	Greater than 10 and up to 20	Greater than 20	Reported Value
Mortgage-backed securities	$ -	$ 968,895	$ 5,399,221	$ 11,849,228	$ 28,080,808	$ 46,298,152

Investments summari ed in the table above are reflected in the statement of net position as follows:

Investments held by trustee under revenue bond program	$ 45,447,575
Investments – noncurrent	850,577
Total investments	$ 46,298,152

As of June 30, 2019, Level 2 inputs were used to determine the fair value of mortgage-backed securities.

The risks related to the Corporation's investments are as follows:

- **Interest Rate Risk** – The Corporation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

- **Credit Risk** – The revenue bond funds' trust indentures authorize the trustee to invest in certificates of deposit, money market funds, U.S. government or agency obligations, and repurchase agreements. The Corporation has no investment policy that would further limit its investment decisions. As of June 30, 2019, Federal National Mortgage Association ("FNMA") mortgage-backed securities were rated Aaa, AAA, and AA+ by Moody's Investor Service, Fitch, and Standard & Poor's Rating Services, respectively. Money market funds are not rated. Certificates of deposit and securities of the Government National Mortgage Association are not considered to have credit risk exposure.

- **Concentration of Credit Risk** – The Corporation has no limit on the amount the Corporation may invest in any one issuer. As of June 30, 2019, the Corporation's investments were primarily with the Federal National Mortgage Association. These investments are 96% of the Corporation's total investments.

- **Custodial Risk** – For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation's investments that are uninsured and unregistered are held by the Corporation's trust agent in the Corporation's name. The Corporation monitors the market value of these securities and obtains additional collateral when appropriate.

4. Mortgage Loans and Notes and Loans Receivable

Mortgage loans and notes and loans receivable at June 30, 2019 comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 8.75%, maturing at various dates through 2075	$ 429,362,825	$ -
Promissor notes bearing interest up to 5%, maturing at various dates through 2072	-	97,450,946
Non-interest bearing promissor notes, maturing at various dates through 2066	-	9,861,610
Allowance for loan losses	(154,076)	-
	429,208,749	107,312,556
Less: Current portion	(546,394)	(2,895,579)
Noncurrent portion	$ 428,662,355	$ 104,416,977

The collection of the Kamakana Villages at Keahuolu note receivable of approximately $5,300,000 is contingent upon the completion of certain construction and conditional terms as set forth in the amended development agreement.

Mortgage and development loans are collateralized by real property. The mortgage loans of the revenue bond funds are also subject to primary mortgage and mortgage pool insurance coverage that, subject to aggregate loss limitations, reimburses the Corporation for all losses incurred, if any, from the disposition of real property acquired through foreclosure.

The promissory notes are collateralized by a second mortgage on the improvements of Kukui Gardens (see Note 12). The non-interest bearing notes are collateralized by real property.

5. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
Governmental activities				
Depreciable assets				
Equipment	$ 197,617	$ -	$ (31,325)	$ 166,292
Accumulated depreciation				
Equipment	(197,617)	-	31,325	(166,292)
Governmental activities capital assets, net	$ -	$ -	$ -	$ -
Business-t pe activities				
Depreciable assets				
Building and improvements	$ 157,021,561	$ -	$ (105,121,209)	$ 51,900,352
Equipment	2,622,709	36,044	(2,023,787)	634,966
	159,644,270	36,044	(107,144,996)	52,535,318
Accumulated depreciation				
Building and improvements	(125,116,806)	(3,348,219)	90,593,204	(37,871,821)
Equipment	(2,267,950)	(108,734)	1,836,281	(540,403)
	(127,384,756)	(3,456,953)	92,429,485	(38,412,224)
	32,259,514	(3,420,909)	(14,715,511)	14,123,094
Land	49,903,215	-	(8,115)	49,895,100
Business-type activities capital assets, net	$ 82,162,729	$ (3,420,909)	$ (14,723,626)	$ 64,018,194

Depreciation expense for the year ended June 30, 2019 was charged to functions as follows:

Governmental activities	
Low-income housing service and assistance	$ -
Business-t pe activities	
Housing development program	$ 93,068
Rental housing program	3,363,885
Total depreciation expense – business-type activities	$ 3,456,953

At June 30, 2019, capital assets for the proprietary funds consisted of the following:

	Revenue Bond Funds	Dwelling Unit Revolving Fund	Other Funds	Total
Buildings and improvements	$ -	$ 51,900,352	$ -	$ 51,900,352
Equipment	5,635	490,395	138,936	634,966
	5,635	52,390,747	138,936	52,535,318
Less: Accumulated depreciation	(5,635)	(38,279,433)	(127,156)	(38,412,224)
	-	14,111,314	11,780	14,123,094
Land	-	49,895,100	-	49,895,100
Net capital assets	$ -	$ 64,006,414	$ 11,780	$ 64,018,194

6. Revenue Bond Funds – Reserve Requirements

Under the trust indentures between the Corporation and the trustee for the Single Family Mortgage Purchase revenue bonds, investment assets and cash are required to be held by the trustee in various accounts and funds, including debt service reserve accounts, loan funds, and mortgage loan reserve funds. The uses of these assets are restricted by the terms of the trust indentures.

At June 30, 2019, the following debt service reserves and mortgage loan reserves were required by the trust indentures in the Single Family Mortgage Purchase Revenue Bond Fund.

Debt service reserve requirements	$ 2,065,000
Mortgage loan reserve requirements	561,000
	$ 2,626,000

At June 30, 2019, approximately $2,782,000 and $3,589,000 of investment securities were being held in the debt service reserve funds and mortgage loan reserve funds, respectively, and are included in assets held by trustee in the statement of net position.

The trust indenture agreement also requires that the mortgage loan reserves for these Revenue Bond Funds be funded from other than bond proceeds and, accordingly, the reserves have been funded by commitment fees at June 30, 2019.

7. Note Pa able

The Dwelling Unit Revolving Fund has a mortgage note payable to the U.S. Department of Agriculture Office of Rural Development. The note was originated in October 1994, and is payable in monthly installments of approximately $1,300, including annual interest at 1%, due in April 2027. The note is collaterali ed by property and rental receipts. In the event of default, the lender may declare the remaining loan balance to be immediately due and payable, take possession of the property, foreclose the mortgage, or exercise other options stated in the loan agreement. At June 30, 2019, the balance outstanding on the mortgage note was approximatel $115,000.

Note payable activity during the year was as follows:

	Balance at July 1, 2018	Addition	Reductions	Balance at June 30, 2019	Current Portion
Note payable	$ 128,789	$ -	$ (14,147)	$ 114,642	$ 14,286

The approximate debt service requirement of the mortgage and note payable is as follows:

	Principal	Interest	Total
Year ending June 30,			
2020	$ 14,000	$ 1,000	$ 15,000
2021	14,000	1,000	15,000
2022	15,000	1,000	16,000
2023	15,000	1,000	16,000
2024	15,000	1,000	16,000
2025 – 2027	42,000	1,000	43,000
	$ 115,000	$ 6,000	$ 121,000

8. Revenue Bonds Pa able

Through June 30, 2019, approximately $2.2 billion of revenue bonds have been issued. The revenue bonds are payable from and collaterali ed by the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the indentures.

During the year ended June 30, 2019, the Corporation defeased all the Hawaii Rental Housing System Revenue Bond Fund bonds, and in accordance with GASB Statement No. 86, recognized a loss on the defeasance of debt in the amount of approximately $74,000.

Revenue bonds payable at June 30, 2019 consisted of the following issuances:

Single Family Mortgage Purchase revenue bonds	
2009 Series A-1	
Term bonds maturing in 2026 through 2042 (2.40%)	$ 7,060,000
2011 Series B	
Serial bonds maturing in 2020 through 2023 (2.95% to 3.45%)	2,600,000
Term bonds maturing in 2023 through 2026 (3.875%)	2,490,000
Planned Amortization Class bonds maturing in 2019 through 2026 (4.50%)	675,000
	5,765,000
2013 Series A	
Term bonds maturing in 2019 through 2038 (2.60%)	7,820,807
Total Single Family Mortgage Purchase revenue bonds	$ 20,645,807

Interest on the Single Family Mortgage Purchase revenue bonds is payable in monthly or semi-annual payments.

The Single Family Mortgage Purchase revenue bonds with designated maturity dates may be redeemed at the option of the Corporation. The revenue bonds may also be redeemed without premium prior to maturity, at the option of the Corporation, as funds become available from undisbursed bond proceeds, principal payments, and prepayments of mortgages, excess amounts in the debt service reserve account, or excess revenues (as defined in the bond indentures).

During the year ended June 30, 2019, early redemptions totaled $4,130,000.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019
Single Family Mortgage Purchase	$ 26,879,452	$ -	$ (6,233,645)	$ 20,645,807
Hawaii Rental Housing S stem	73,320,000	-	(73,320,000)	-
	100,199,452	-	(79,553,645)	20,645,807
Add: Unamortized premium	267,040	-	(267,040)	-
	$ 100,466,492	$ -	$ (79,820,685)	20,645,807
Less: Current portion				(1,706,000)
				$ 18,939,807

The approximate annual debt service requirements through 2024 and in five-year increments thereafter to maturity for revenue bonds are as follows:

	Principal	Interest	Total
Year ending June 30,			
2020	$ 1,706,000	$ 553,000	$ 2,259,000
2021	1,760,000	502,000	2,262,000
2022	1,806,000	449,000	2,255,000
2023	1,851,000	392,000	2,243,000
2024	1,913,000	331,000	2,244,000
2025 – 2029	5,990,000	926,000	6,916,000
2030 – 2034	2,050,000	540,000	2,590,000
2035 – 2039	2,325,000	277,000	2,602,000
2040 – 2042	1,245,000	30,000	1,275,000
	$ 20,646,000	$ 4,000,000	$ 24,646,000

In order to ensure the exclusion of interest on the Corporation’s Hawaii Rental Housing System and Single Family Mortgage Purchase revenue bonds from gross income for federal income tax purposes, the Corporation calculates rebates due to the U.S. Treasury annually. The rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. At June 30, 2019, the Corporation determined that no rebate amounts were due to the U.S. Treasury.

Interest expense of approximately $3,991,000 was included as direct function expenses in the government-wide financial statement of activities during the year ended June 30, 2019.

In the event of default, as defined in the bond indenture, the bond trustee may, by giving 30 days written notice to the Corporation, declare the principal and interest on all bonds outstanding to be due and payable immediately, subject to remedies provided in the indenture.

9. Conduit Debt Obligations

From time to time, the Corporation has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and rehabilitation of affordable multifamily rental housing developments. These bonds are special limited obligations of the Corporation, payable solely from and collateralized by a pledge of payments on the mortgage-backed securities. Neither the Corporation, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

During the year ended June 30, 2019, the Corporation adopted GASB Statement No. 91, *Conduit Debt Obligations*, which established that conduit debt is not a liability of the issuer. Accordingly, as of and for the year ended June 30, 2019, the Corporation derecognized all conduit debt obligations and related accounts.

As of June 30, 2019, conduit debt obligations outstanding amounted to approximately $277,000,000.

10. Leases

Lessee

The Corporation leases land, buildings and improvements under various noncancelable operating leases expiring at various dates through 2057. The leases have scheduled rent increases at various times throughout their terms.

The minimum rental commitments under operating leases are as follows:

Year ending June 30,	
2020	$ 608,000
2021	626,000
2022	635,000
2023	635,000
2024	635,000
2025 – 2029	3,493,000
2030 – 2034	3,810,000
2035 – 2039	4,191,000
2040 – 2044	4,572,000
2045 – 2049	5,030,000
2050 – 2054	5,487,000
2055 – 2057	2,743,000
	$ 32,465,000

Rent expense for the year ended June 30, 2019 totaled approximately $591,000.

Lessor
The Corporation leases land with a carrying value of approximately $33,444,000 to various developers and home buyers. The leases expire at various dates through 2094. Lease rental income for the year ended June 30, 2019 was approximately $1,058,000.

As discussed in Note 12, the Corporation’s lease related to Kukui Gardens was prepaid with a promissory note. The promissory note does not have fixed repayment terms. Accordingly, the minimum amounts to be received are excluded from the following table.

The future minimum lease rent from these operating leases at June 30, 2019 is as follows:

Year ending June 30,	
2020	$ 616,000
2021	594,000
2022	596,000
2023	596,000
2024	482,000
2025 – 2029	2,843,000
2030 – 2034	1,200,000
2035 – 2039	342,000
2040 – 2044	260,000
2045 – 2049	155,000
2050 – 2094	96,000
	$ 7,780,000

11. Commitments and Contingencies

Construction Contracts
At June 30, 2019, the Dwelling Unit Revolving Fund (“DURF”) had outstanding commitments to expend approximately $71,065,000 for land development and the construction and renovation of housing projects.

Loan Commitments
At June 30, 2019, the Rental Housing Revolving Fund had aggregate outstanding loan commitments of approximately $22,620,000.

Development Costs
The Kapolei development project primarily consists of eight residential villages, a golf course, and certain commercial parcels spread over approximately 888 acres of land. As of June 30, 2019, all but 35 acres of remnant residential and business mixed-use parcels have been developed and sold. The estimated future cost of development is recorded as a liability in the accompanying statement of net position and relates primarily to the completion of certain infrastructure improvements at this project. This liability represents estimated amounts charged to the cost of land sold in excess of costs incurred. Management believes that the future revenues from this project will meet or exceed the net amount of this liability and the remaining costs to be incurred on the project.

Additionally, the Corporation has been in the process of developing two master planned communities on the neighbor islands. The Villages of Leialiʻi is in West Maui and is located on public trust (ceded) land owned by the State of Hawaiʻi. As of June 30, 2019, the Corporation still has development rights for most of the Leialiʻi project and development costs related to Leialiʻi were approximately $8,672,000 at June 30, 2019.

In 2008, the Corporation embarked on the development of another master planned community on non-ceded land in West Hawaiʻi, named the Kamakana Villages at Keahuolu. On March 31, 2009, the Corporation entered into a development agreement and a related loan agreement to finance necessary predevelopment, planning and infrastructure costs with a master plan developer. Over the past several years, the master plan developer has worked on the project and was successful in obtaining numerous development entitlements and rights under related agreements (collectively, the “entitlements”). In fiscal year 2018, the Corporation and the master plan developer agreed to terminate all of its rights, duties and obligations to each other under the development agreement with certain entitlements assigned and assumed by the Corporation with consideration of certain outstanding loan balances deemed repaid in full, which amounted to approximately $21,918,000. Additionally, a portion of the development agreement and outstanding loan balance was transferred to another plan developer for completion. As of June 30, 2019, development costs related to Kamakana Villages of Keahuolu were approximately $22,303,000.

Also, the Corporation has other development costs and dwelling units of approximately $2,897,000 at June 30, 2019.

Torts and Litigation
The Corporation is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Corporation’s financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State of Hawaiʻi’s general fund.

Insurance
The State maintains certain insurance coverage to satisfy the bond indenture agreements as well as for other purposes, but is substantially self-insured for all other perils including workers’ compensation. The State records a liability for risk financing and insurance related losses, including incurred but not reported, if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. At June 30, 2019, the State recorded an estimated loss for workers’ compensation, automobile and general liability claims as long-term liabilities as the losses will not be liquidated with currently expendable available financial resources. The estimated losses will be paid from legislative appropriations of the State’s general fund. The Corporation’s portion of the State’s workers’ compensation liability was not material at June 30, 2019.

12. Kukui Gardens

On December 18, 2007, the Corporation purchased a portion of Kukui Gardens (the “Project”), an affordable housing project in Honolulu, Hawaiʻi, for approximatel $59,569,000. Concurrent with DURF’s purchase of the Project, DURF sold the Project’s improvements (including apartment units) and operating cash of approximately $38,527,000 to Kukui EAH/DGI Associates, L.P. (“EAH”), an unrelated third party, for no gain or loss, and leased the underlying land of approximatel $21,042,000 to EAH pursuant to the terms of a 65-year land lease that expires on December 18, 2072.

To assist in financing the acquisition and redevelopment of the Project, the State contributed $25,000,000 to DURF during December 2007. Additionally, the Multifamily Housing Revenue Bond Fund issued $45,000,000 of revenue bonds to provide conduit financing to EAH for their acquisition of the Project’s improvements and operating cash, as well as to provide capital for rental operations and the planned renovation of the apartment units. Upon completion of the renovations, $34,605,000 of the bonds was scheduled to be redeemed, leaving $10,395,000 of bonds outstanding to their stated maturity. In 2010, due to unfavorable global economic conditions, EAH requested and Citicorp Municipal Mortgage Inc., bondholder, agreed to increase the unredeemed bond balance by $3,270,000 to $13,665,000, which decreased the redemption at conversion to $31,335,000 from $34,605,000. In May 2012, the Project was completed and a payment of $31,335,000 was received. As of June 30, 2019, the conduit debt obligations of and notes receivable from EAH related to the project amounted to approximatel $12,601,000 and $12,534,000, respectively. Currently, $3,040,000 of the conduit debt obligation bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $9,562,000 bears interest at a rate of 2.25% and matures annuall through January 2042. The conduit debt obligation includes monthly payments of principal and interest with principal payments that range from approximately $2,000 to $54,000. Any unpaid principal and accrued interest, together with any other expenses, are due upon maturity.

Additionally, EAH executed three promissory notes to DURF in an aggregate amount of $29,055,000, including approximately $4,055,000 related to cash advanced from DURF to EAH and $25,000,000 related to the terms of the land lease. Additionally, DURF recorded $25,000,000 of unearned income on the accompanying statement of net position related to this transaction. The unearned income will be amortized to rental income on a straight-line basis and the notes receivable will be reduced as cash is collected. Unearned income at June 30, 2019 related to the Project was approximately $20,558,000. The notes bear interest at 4.72% and are for a term of 58 years, with a final maturity date of December 17, 2065. Repayment of the notes is distributed into three periods as follows: (1) December 18, 2007 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses, and other charges due to be paid at maturity.

EAH also executed a promissory note to DURF for $26,000,000 in September 2009 to assist EAH in rehabilitating the property. The note bears no interest and is for a term of 56 years, with a final maturity date of December 17, 2065. Repayment of the note is distributed into three periods as follows: (1) September 1, 2009 to December 31, 2012, no payments due; (2) January 1, 2013 to December 31, 2042, beginning April 1, 2013, 85% of the residual cash flow generated by the rental operations of the Project after expenses, as defined; and (3) January 1, 2043 to December 17, 2065, beginning April 1, 2043, 90% of the residual cash flow generated by the rental operations of the Project after expenses, as defined, with any unpaid principal sum and accrued interest together with any other costs, expenses and other charges due to be paid at maturity.

During the year ended June 30, 2019, DURF recognized approximately $2,900,000 of interest income related to the outstanding promissory notes. As of June 30, 2019, DURF has recorded approximatel $17,300,000 of interest income receivable related to the outstanding promissory notes.

13. Pension Plan

Plan Description
Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State’s pension benefits program. Benefits, eligibility and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation.

The ERS issues publicly available annual financial reports that can be obtained at ERS’s website: *https://ers.ehawaii.gov/resources/financials*.

Benefits Provided
The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied b years of credit service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree’s original retirement allowance is increased on each Jul 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

<u>Noncontributory Class</u>

- *<u>Retirement Benefits</u>* – General employees’ retirement benefits are determined as 1.25% of average final compensation multiplied b the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

  Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied b the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

- *Death Benefits* – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100 joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied b the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

  Death benefits for contributory class members hired after June 30, 2012 are generally the same as those for contributory class members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied b the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General emplo ees with 30 years of credited service are eligible to retire at age 55.

- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

- *Death Benefits* – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/ reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

  Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied b the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions
Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the emplo er contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2019 were 31% for police officers and firefighters and 19% for all other employees. Contributions to the pension plan from the Corporation were approximately $762,000 for the year ended June 30, 2019.

Per Act 17, SLH 2017, employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for police and firefighters increased to 31% on Jul 1, 2018; and increases to 36% on Jul 1, 2019 and 41% on July 1, 2020. The rate for all other employees increased to 19% on July 1, 2018; and increases to 22% on July 1, 2019 and 24% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributor members hired prior to July 1, 2012 are required to contribute 7.8% of their salary. Contributor members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2019, the Corporation reported a net pension liability of approximatel $10,139,000 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Corporation's proportion of the net pension liability was based on a projection of the Corporation's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2018, the Corporation's proportion was 0.15% which represents no change in proportion measured as of June 30, 2017.

There was no change in actuarial assumptions as of June 30, 2017 to June 30, 2018. There were no changes between the measurement date, June 30, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2019, the Corporation recognized pension expense of approximately $1,414,000. At June 30, 2019, the Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 181,681	$ (48,021)
Changes in assumptions	925,356	-
Net difference between projected and actual earnings on pension plan investments,	-	(205,523)
Changes in proportion and differences between Corporation contributions and proportional share of contributions	30,452	(80,431)
Corporation contributions subsequent to the measurement date	762,262	-
	$ 1,899,751	$ (333,975)

At June 30, 2019, approximately $762,000 reported as deferred outflows of resources related to pensions resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2020	$ 379,000
2021	317,000
2022	116,000
2023	(10,000)
2024	1,000
	$ 803,000

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on December 12, 2016, based on the 2015 Experience Study for the five-year period from July 1, 2010 through June 30, 2015:

Inflation	2.50%
Pa roll growth rate	3.50%
Investment rate of return	7.00% per ear, compounded annual including inflation

There were no changes to ad hoc postemployment benefits including cost of living allowances.

Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the RP-2014 mortality table based on the occupation of the member.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated b the ERS’s Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Strategic Allocation (risk based classes)		
Broad growth	63.0%	7.10%
Principal protection	7.0%	2.50%
Real return	10.0%	4.10%
Crisis risk offset	20.0%	4.60%
Total investments	100.0%	

Discount Rate
The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivit of the Corporation's Proportionate Share of the Net Pension Liabilit to Changes in the Discount Rate
The following presents the Corporation's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00) than the current rate:

	1% Decrease (6.00%	Discount Rate (7.00%	1% Increase (8.00%
Corporation's proportionate share of the net pension liability	$ 13,188,000	$ 10,139,000	$ 7,625,000

Pension Plan Fiduciar Net Position
The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS's financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciar net position is available in the separatel -issued ERS financial report. The ERS's complete financial statements are available at *https://ers.ehawaii.gov/ resources/f nancials.*

Pa ables to the Pension Plan
At June 30, 2019, the Corporation prepaid expense to the ERS was $12,000.

Required Supplementar Information and Disclosures
The State's CAFR includes the required disclosures and required supplementary information on the State's pension plan.

14. Post-retirement Health Care and Life Insurance Benefits

Plan Description
The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at *https://eutf.hawaii.gov/reports.*

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before Jul 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75 of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Emplo ees Covered b Benefit Terms
At July 1, 2018, the following number of plan members of the State were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	36,340
Inactive plan members entitled to but not yet receiving benefits	7,588
Active plan members	50,519
Total plan members	94,447

Contributions
Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Corporation was approximately $782,000 for the fiscal year ended June 30, 2019. The employer is required to make all contributions for members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2019, the Corporation reported a net OPEB liability of approximately $10,300,000. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2019, the Corporation recognized OPEB expense of approximately $970,000. At June 30, 2019, the Corporation reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (200,550)
Changes of assumptions	121,379	-
Difference between projected and actual earnings on OPEB plan investments	-	(14,306)
Corporation contributions subsequent to the measurement date	973,925	-
	$ 1,095,304	$ (214,856)

At June 30, 2019, the approximate $974,000 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recogni ed in OPEB expense as follows:

Year ending June 30,	
2020	$ (23,000)
2021	(23,000)
2022	(23,000)
2023	(24,000)
	$ (93,000)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF’s Board of Trustees on January 8, 2018, based on the experience study covering the five-year period ended June 30, 2015 as conducted for the ERS:

Inflation	2.50%
Salar increases	3.50% to 7.00% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 10.00% declining to a rate of 4.86% after 13 years
HMO*	Initial rate of 10.00% declining to a rate of 4.86% after 13 years
Part B & Base Monthly Contribution	Initial rates of 4.00% and 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rates of 5.00% for the first three ears, followed by 4.00%
Vision	Initial rates of 0.00% for the first three ears, followed by 2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

Mortality rates are based on system-specific mortality tables utilizing scale BB to project generational mortality improvement.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return b the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summari ed in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Private equity	10.0%	8.65%
U.S. microcap	7.0%	7.00%
U.S. equity	15.0%	5.05%
Non-U.S. equity	17.0%	6.50%
Global options	7.0%	4.50%
Core real estate	10.0%	4.10%
Private credit	6.0%	5.25%
Core bonds	3.0%	1.30%
TIPS	5.0%	0.75%
Long treasuries	6.0%	1.90%
Alternative risk premia	5.0%	2.45%
Trend following	9.0%	3.00%
Total investments	100.0%	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.62% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-year Municipal GO AA Index"). Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciar Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at *https://eutf.hawaii.gov.*

Changes in Net OPEB Liabilit

The following table represents a schedule of changes in the Corporation's net OPEB liability. The ending balances are as of the measurement date, July 1, 2018.

	Total OPEB Liabilit	Plan Fiduciar Net Position	Net OPEB Liabilit
Balance at July 1, 2018	$ 11,077,609	$ 870,568	$ 10,207,041
Service cost	262,531	-	262,531
Interest on total net OPEB liability	812,855	-	812,855
Difference between expected		-	
and actual experience	(240,358)		(240,358)
Changes of assumptions	145,472	-	145,472
Corporation contributions	-	782,019	(782,019)
Net investment income	-	90,102	(90,102)
Benefit payments	(395,791)	(395,791)	-
Administrative expenses	-	(293)	293
Net change	584,709	476,037	108,672
Balance at June 30, 2019	$ 11,662,318	$ 1,346,605	$ 10,315,713

Sensitivit to the Net OPEB Liabilit to Changes in Discount Rate and Healthcare Cost Trend Rates

The following table presents the Corporation's net OPEB liability calculated using the discount rate of 7.00%, as well as what the Corporation's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%	Discount Rate (7.00%	1% Increase (8.00%
Corporation's proportionate share of the net OPEB liabilit	$ 12,196,000	$ 10,316,000	$ 8,839,000

The following table presents the Corporation’s net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Corporation’s net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Corporation’s proportionate share of the net OPEB liabilit	$ 8,758,000	$ 10,316,000	$ 12,337,000

Pa ables to the OPEB Plan
The Corporation’s contribution payable to EUTF by fiscal year end was paid by June 30, 2019.

Required Supplementar   Information and Disclosures
The State’s CAFR includes the required disclosures and required supplementary information on the State’s OPEB plan.

15. Deferred Compensation Plan

The State offers its emplo ees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor.

16. Related Part   Transactions

Amounts due from the Department of Hawaiian Home Lands (“DHHL”) related to a previous agreement to transfer certain land development rights to DHHL include approximately $9,098,000. Pursuant to this agreement, DHHL was required to commence 15 annual $1,700,000 payments to the Corporation in December 2004. Effective at that time, the Corporation recorded the sale of the land and development rights at the net present value of the estimated future cash flow from DHHL using an imputed interest rate of approximately 2.6%. In September 2013, the agreement was amended to extend the term by three years and reduce annual payments from $2,200,000 to $1,700,000. As of June 30, 2019, amounts due from DHHL include approximately $2,929,000 of principal, net of approximately $71,000 of imputed interest, and approximately $48,000 of accrued interest receivable. Interest income related to imputed interest on payments due from DHHL was approximately $97,000 during the year ended June 30, 2019.

The Rental Assistance Revolving Fund provides rent subsidies to certain lessees of the Corporation's various projects. Total rent subsidies provided to lessees of the Corporation's various projects approximated $1,225,000 during the year ended June 30, 2019. These amounts were recorded by the Corporation as rental income in the Hawaii Rental Housing System Revenue Bond Fund for the period July 2018 to May 2019. In May 2019, the fund's residual assets, liabilities, revenues and expenses, including the assets, revenues and expenses for Kamakee Vista, the sixth of the rental properties of the Hawaii Rental Housing S stem Revenue Bond Fund, were transferred to DURF. For June 2019 the rental subsidies related to Kamakee Vista were recorded by the Corporation in DURF. In addition, the Corporation leases office space in the Pohulani building. During the year ended June 30, 2019, the Hawaii Rental Housing System Revenue Bond Fund recorded rental income of approximately $1,228,000, which was allocated as office rental expense to various funds of the Corporation. In addition, DAGS incurred approximatel $1,010,000 in rent to the Hawaii Rental Housing System Revenue Bond Fund for leased space in the Pohulani building. The lease term with the Corporation and DAGS expires in August 2022. Minimum annual rent is renegotiated every five years, with the rent for the first year of each five-year period being no less than 97% and no more than 103% of the preceding year's minimum rent. Minimum rent for the subsequent four years of each five-year period increases by 3% annually. In May 2019, these leases with the Corporation and DAGS were assumed by the buyer of the Pohulani building.

17. Interfund Receivables and Pa ables

The composition of interfund balances as of June 30, 2019 is as follows:

Receivable Fund	Pa able Fund	Amount
Dwelling Unit Revolving Fund	Non-major Enterprise Funds	$ 688,017
Non-major Enterprise Funds	Non-major Enterprise Funds	3,998,940
Non-major Enterprise Funds	Single Family Mortgage Purchase Revenue Bond Fund	165,928
Non-major Enterprise Funds	Rental Housing Revolving Fund	10,264
	Total Proprietar interfund balances	4,863,149
Non-major Enterprise Funds	HOME Investment Partnership Program Fund	2,037
Non-major Enterprise Funds	Housing Trust Fund Program	15,128
	Total Governmental interfund balances	$ 17,165

These balances are due to interfund goods or services provided or reimbursable expenditures and payments between funds.

Required Supplementary Information Other than Management's Discussion and Analysis (Unaudited)

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Budgetar Comparison Statement – General Fund (Unaudited)
Year Ended June 30, 2019

	Original Budget	Final Budget	Budgetar Actual	Variance With Final Budget Positive (Negative
Revenues				
Intergovernmental revenue	$ 300,000	$ 300,000	$ 300,000	$ -
Expenditures				
Programs	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	$ 300,000	$ 300,000	$ 300,000	$ -

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Budgetar Comparison Statement – HOME Investment Partnership Program (Unaudited)
Year Ended June 30, 2019

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	$ 2,283,000	$ 3,802,576	$ 1,519,576
Expenditures			
Low-income housing service and assistance programs	2,283,000	3,802,576	(1,519,576)
Total expenditures	2,283,000	3,802,576	(1,519,576)
Excess of revenues over expenditures	$ -	$ -	$ -

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Budgetar Comparison Statement – Housing Trust Fund Program (Unaudited)
Year Ended June 30, 2019

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	$ 1,000,000	$ 3,569,344	$ 2,569,344
Expenditures			
Low-income housing service and assistance programs	1,000,000	3,569,344	(2,569,344)
Total expenditures	1,000,000	3,569,344	(2,569,344)
Excess of revenues over expenditures	$ -	$ -	$ -

1. Budgeting and Budgetar Control

Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the budgetary comparison statement are those estimates as compiled and reviewed by the State of Hawai‘i, Department of Budget and Finance.

Budgeted expenditures are derived primarily from the General Appropriations Act of 2005 (Act 178, Session Laws of Hawaii ("SLH") 2005), and from other authorizations contained in the State Constitution, Hawaii Revised Statutes, and other specific appropriation acts in various SLH.

All expenditures of these appropriated funds are made pursuant to the appropriations in the fiscal 2017 – 2019 biennial budget. The General Fund and HOME Investment Partnership Program and Housing Trust Fund program have legall appropriated annual budgets.

The final legally adopted budget in the accompanying budgetary comparison statements represents the original appropriation, transfers, and other legally authori ed legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program and source of funds as established in the appropriations act. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authori ation. Records and reports reflecting the detail level of control are maintained by and are available at the Corporation. During the year ended June 30, 2019, there were no expenditures in excess of available appropriations at the legal level of budgetary control.

To the extent not expended or encumbered, general fund appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse date and any other contingencies which may terminate the authorizations for other appropriations.

The Corporation's annual budget is prepared on the budgetary basis of accounting with several differences from the preparation of the statement of revenues, expenditures and change in fund balances under GAAP, principally related to (1) encumbrance of purchase orders and contract obligations, (2) accrued revenues and expenditures, and (3) unbudgeted programs (federal award programs). A reconciliation of the budgetary to GAAP basis operating results for the year ended June 30, 2019 was as follows:

	General Fund	HOME Investment Partnership Program	Housing Trust Fund Program
Excess of revenues over expenditures – actual (budgetar basis)	$ 300,000	$ -	$ -
Revenues (expenses) for unbudgeted programs	-	228,163	(7,917)
Excess of revenues over expenditures – GAAP basis	$ 300,000	$ 228,163	$ (7,917)

Supplementary Information

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Non-major Enterprise Funds
Combining Statement of Net Position
June 30, 2019

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Total
Assets and Deferred Outflows of Resources					
Current assets					
Equity in cash and cash equivalents and investments in State Treasur	$ 28,899,491	$ 8,297,262	$ -	$ 829,977	$ 38,026,730
Cash in banks	-	-	-	10,000	10,000
Receivables					
Accrued interest	970,257	180,592	-	-	1,150,849
Other receivables, less allowance for doubtful accounts of $135,591	-	-	142,829	-	142,829
	970,257	180,592	142,829	-	1,293,678
Due from other funds	-	1,362,779	2,812,353	-	4,175,132
Prepaid expenses and other assets	15,988	-	-	-	15,988
Total current assets	29,885,736	9,840,633	2,955,182	839,977	43,521,528
Investments	850,577	-	-	-	850,577
Mortgage loans, net of allowance for loan losses of $67,181	2,249,985	5,164,407	-	-	7,414,392
Capital assets, net	-	-	-	11,780	11,780
Total assets	32,986,298	15,005,040	2,955,182	851,757	51,798,277
Deferred outflows of resources					
Deferred outflows on net pension liability	38,057	363,191	119,353	-	520,601
Deferred outflows on net OPEB liability	19,497	173,715	65,718	-	258,930
Total deferred outflows of resources	57,554	536,906	185,071	-	779,531
Total assets and deferred outflows of resources	$ 33,043,852	$ 15,541,946	$ 3,140,253	$ 851,757	$ 52,577,808
Liabilities, Deferred Inflows of Resources, and Net Position					
Current liabilities					
Accounts payable	$ 17,782	$ 27,453	$ -	$ 141,757	$ 186,992
Accrued expenses	24,049	140,690	60,299	-	225,038
Due to other funds, net	-	3,214,801	-	700,000	3,914,801
Due to other State departments	-	-	-	10,000	10,000
Security deposits	-	2,013,869	-	-	2,013,869
Total current liabilities	41,831	5,396,813	60,299	851,757	6,350,700
Noncurrent liabilities					
Net OPEB liability	208,200	1,680,760	555,200	-	2,444,160
Net pension liability	204,845	1,652,952	548,231	-	2,406,028
Total liabilities	454,876	8,730,525	1,163,730	851,757	11,200,888
Deferred inflows of resources					
Deferred inflows on net pension liability	13,580	91,564	31,741	-	136,885
Deferred inflows on net OPEB liability	3,862	34,144	12,795	-	50,801
Total deferred inflows of resources	17,442	125,708	44,536	-	187,686
Commitments and contingencies					
Net position					
Net investment in capital assets	-	-	-	11,780	11,780
Restricted by legislation and contractual agreements	-	-	-	-	-
Unrestricted	32,571,534	6,685,713	1,931,987	(11,780)	41,177,454
Total net position	32,571,534	6,685,713	1,931,987	-	41,189,234
Total liabilities, deferred inflows of resources, and net position	$ 33,043,852	$ 15,541,946	$ 3,140,253	$ 851,757	$ 52,577,808

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Non-major Enterprise Funds
Combining Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2019

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Total
Operating revenues					
Interest on mortgages, notes, loans and mortgage-backed securities	$ 29,437	$ 14,158	$ -	$ -	$ 43,595
Other	-	1,372,924	1,177,709	-	2,550,633
Total operating revenues	29,437	1,387,082	1,177,709	-	2,594,228
Operating expenses					
Personnel services	128,950	1,014,773	424,574	-	1,568,297
Housing assistance payments	1,588,547	-	-	-	1,588,547
Administration	55,243	327,667	24,682	-	407,592
Professional services	7,353	51,546	80,997	-	139,896
Insurance	-	144	39	-	183
Provision for losses	-	24,362	-	-	24,362
Capital expenses	385	2,519	1,325	-	4,229
Other	-	187,756	-	-	187,756
Total operating expenses	1,780,478	1,608,767	531,617	-	3,920,862
Operating income (loss)	(1,751,041)	(221,685)	646,092	-	(1,326,634)
Nonoperating revenues (expenses)					
Interest income	348,024	160,254	-	-	508,278
Net decrease in fair value of other investments	(46,652)	-	-	-	(46,652)
Other expenses	-	(255)	-	-	(255)
Total nonoperating revenues	301,372	159,999	-	-	461,371
Income (loss) before transfers	(1,449,669)	(61,686)	646,092	-	(865,263)
Net transfers	19,875,000	-	-	-	19,875,000
Change in net position	18,425,331	(61,686)	646,092	-	19,009,737
Net position					
Beginning of ear	14,146,203	6,747,399	1,285,895	-	22,179,497
End of ear	$ 32,571,534	$ 6,685,713	$ 1,931,987	$ -	$ 41,189,234

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Non-major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2019

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Multifamily Housing Revenue Bond Fund	Disbursing Fund	Total
Cash flows from operating activities					
Cash received from tenants	$ -	$ 282,620	$ -	$ -	$ 282,620
Cash received from borrowers					
Principal repa ments	-	28,191	-	-	28,191
Interest income	73,534	14,299	-	-	87,833
Payments to employees	(114,001)	(905,560)	(383,501)	-	(1,403,062)
Payments to suppliers	(1,533,407)	(547,429)	(429,446)	105,507	(2,404,775)
Cash receipts from other funds	-	379,018	(412,542)	-	(33,524)
Other cash receipts	-	1,369,322	1,225,489	-	2,594,811
Net cash provided by (used in) operating activities	(1,573,874)	620,461	-	105,507	(847,906)
Cash flows from noncapital financing activities					
Transfers in	19,875,000	-	-	-	19,875,000
Net cash provided by noncapital financing activities	19,875,000	-	-	-	19,875,000
Cash flows from capital and related financing activities					
Sale of capital assets	-	-	-	15,753	15,753
Net cash provided by capital and related financing activities	-	-	-	15,753	15,753
Cash flows from investing activities					
Interest received	135,040	58,448	-	-	193,488
Net cash provided by investing activities	135,040	58,448	-	-	193,488
Net increase in cash and cash equivalents	18,436,166	678,909	-	121,260	19,236,335
Cash and cash equivalents					
Beginning of ear	10,463,325	7,618,353	-	718,717	18,800,395
End of ear	$ 28,899,491	$ 8,297,262	$ -	$ 839,977	$ 38,036,730
Components of cash and cash equivalents					
Equity in cash and cash equivalents and investments in State Treasur	$ 28,899,491	$ 8,297,262	$ -	$ 829,977	$ 38,026,730
Cash in banks	-	-	-	10,000	10,000
Cash and cash equivalents	$ 28,899,491	$ 8,297,262	$ -	$ 839,977	$ 38,036,730
Cash flows from operating activities					
Reconciliation of operating income (loss) to net cash provided b (used in) operating activities					
Operating income (loss)	$ (1,751,041)	$ (221,685)	$ 646,092	$ -	$ (1,326,634)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Provision for recover of losses	-	24,362	-	-	24,362
Net pension expense	11,605	103,384	39,112	-	154,101
Net OPEB benefit	(71)	(630)	(238)	-	(939)
Changes in assets and liabilities					
Mortgage loans receivable	-	28,191	-	-	28,191
Accrued interest receivable	44,097	141	-	-	44,238
Other receivables	-	-	47,780	-	47,780
Due from other funds	-	(95,571)	(412,542)	-	(508,113)
Prepaid expenses and other assets	100,339	-	-	-	100,339
Accounts payable	17,782	18,601	(322,404)	105,507	(180,514)
Other accrued expenses	3,415	6,459	2,200	-	12,074
Due to other funds	-	474,589	-	-	474,589
Security deposits	-	282,620	-	-	282,620
Net cash provided by (used in) operating activities	$ (1,573,874)	$ 620,461	$ -	$ 105,507	$ (847,906)

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawaiʻi)
Reconciliation of Cash and Short-Term Investments
June 30, 2019

The Corporation's cash and short-term investments consist of the following as of June 30, 2019:

Equity in State Treasur investment pool – Government-wide	$ 555,504,880
Cash in banks	4,101,827
Cash held by third parties	1,922,759
Restricted cash and cash equivalents held by trustee	11,800,872
Deposits held in trust	485,248
Restricted deposits held in escrow	1,259,037
	$ 575,074,623

Total cash and short-term investments are in agreement with the State Comptroller's central accounting records as of June 30, 2019, as reconciled below:

	Appropriation Symbol	Balance at June 30, 2019
Cash in State Treasur		
Special Funds	S-15-375-B	$ 188,140
	S-16-375-B	7,958
	S-17-375-B	378,814
	S-17-376-B	34,589
	S-18-375-B	3,556,106
	S-18-376-B	4,010,764
	S-18-378-B	66,595
	S-19-375-B	150,795,107
	S-19-376-B	3,978,356
	S-19-378-B	28,831,877
	S-19-380-B	362,740,474
	S-18-314-B	4,109
	S-18-321-B	58,000
	S-19-314-B	688,799
	S-19-320-B	15,000
	S-19-321-B	250,500
Total cash held in State Treasur , as reported by State Comptroller's accounting records		555,605,188

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Reconciliation of Cash and Short-Term Investments
June 30, 2019

	Balance at June 30, 2019
Balance carried forward	555,605,188
Reconciling items	
Journal vouchers not recorded by DAGS	377,912
Restricted cash held in State Treasur	(478,220)
Cash and short-term investments held outside State Treasury	
Cash in bank	4,101,827
Cash held by third parties	1,922,759
Restricted cash held by trustee	11,800,872
Deposits held in trust	485,248
Restricted deposits held in escrow	1,259,037
	19,569,743
Cash and short-term investments on Statement of Net Position	$ 575,074,623

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development			
HOME Investment Partnership Program	14.239	$ 3,856,869	$ 3,701,635
Housing Trust Fund	14.275	3,577,261	3,442,003
Total federal expenditures		$ 7,434,130	$ 7,143,638

See accompanying independent auditors' report and notes to the schedule of expenditures of federal awards.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Corporation and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Indirect Costs

The Corporation has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

PART II
Compliance and Internal Control

Accuity LLP

CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors 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*

The Auditor
State of Hawaiʻi

The Board of Directors
Hawaii Housing Finance and Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaiʻi, Hawaii Housing Finance and Development Corporation (the "Corporation") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated December 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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 *overnment Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawai'i
December 13, 2019

Accuity LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required b the Uniform Guidance

The Auditor
State of Hawai‘i

The Board of Directors
Hawaii Housing Finance and Development Corporation

Report on Compliance for Each Major Federal Program
We have audited the State of Hawai‘i, Hawaii Housing Finance and Development Corporation's (the "Corporation") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2019. The Corporation's major federal program is identified in the summary of auditors' results section of the accompan ing schedule of findings and questioned costs.

Management's Responsibilit
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibilit
Our responsibility is to express an opinion on compliance for each of the Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit 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"). Those standards and the Uniform Guidance 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 Corporation's compliance with those requirements and performing such other procedures as we considered necessar in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

Opinion on Each Major Federal Program
In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Other Matter
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2019-001. Our opinion on the major federal program is not modified with respect to this matter.

The Corporation's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The Corporation's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly we express no opinion on the response.

Report on Internal Control over Compliance
Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Corporation'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2019-001 that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawai'i
December 13, 2019

Section I – Summar of Auditors’ Results

Financial Statements

T pe of auditors’ report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	__ es	√ No
• Significant deficienc (ies) identified?	__ es	√ None reported
Noncompliance material to financial statements noted?	__ es	√ No

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	__ es	√ No
• Significant deficienc (ies) identified?	√ es	__ None reported
T pe of auditors’ report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	√ Yes	__ No

Identification of major programs

CFDA Number	Name of Federal Program
14.275	Housing Trust Fund Program

Dollar threshold used to distinguish between T pe A and T pe B programs	$750,000	
Auditee qualified as low-risk auditee?	√ Yes	__ No

Section II – Financial Statement Findings

No current year financial statement findings.

Section III – Federal Award Findings and Questioned Costs

Finding No. 2019-001: Written Policies, Procedures, and Systems (Significant Deficienc

Repeat Finding? No

Condition

The Corporation has established policies and procedures to ensure compliance with the Housing Trust Fund program requirements in accordance with 24 CFR §93.404 which includes but not limited to executed written agreements, performed on-site inspections, annual performance and compliance reviews, and provided financial oversight over subgrantees, however, these policies and procedures are not written as required by 24 CFR §93.404.

Criteria

24 CFR §93.404 states that the “grantee must have and follow written policies, procedures, and systems, including a system for assessing risk of activities and projects and a system for monitoring entities consistent with this section to ensure that the requirements of this part are met.”

Effect

Lack of written policies and procedures, including a system for assessing risk of activities and projects, increases the likelihood of failing to identify noncompliance with the regulations specified in 24 CFR §93.404.

Cause and View of Responsible Officials

The Corporation recognizes the partnership with the subgrantees to carry out the activities of the Housing Trust Fund Program and holds the subgrantee accountable to the Federal regulations. The Corporation executes written agreements with subgrantees which includes provisions to ensure that the subgrantees understand their responsibilities and obligations and are held accountable to the requirements of the Federal regulations. In order to mitigate risks, the Corporation continuously educates the subgrantees such as disseminating Federal regulations to the subgrantees, meeting quarterl with subgrantees at the local U.S. Department of Housing and Urban Development Office, and conducting annual on-site inspections. As the Housing Trust Fund Program is a relatively new Federal program with limited guidance from the U.S. Department Housing and Urban Development, the Corporation continues to modify its policies and procedures as the program matures.

Recommendation

We recommend that the Corporation’s management commence the preparation of a set of written policies and procedures, including assessment of risk of activities and projects, to ensure subgrantees comply with the requirements of 24 CFR §93.404.

DAVID Y. IGE
GOVERNOR

CRAIG K. HIRAI
EXECUTIVE DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
HONOLULU, HAWAII 96813
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IN REPLY PLEASE REFER TO:

19:FMB/115

December 13, 2019

Accuity LLP
First Hawaiian Center
999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813

Thank you for the opportunity to provide comments on the Schedule of Findings and Questioned Costs issued in connection with the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance. Please refer to the attachment for our comment.

If you should have any questions, please contact Holly Osumi, Chief Financial Officer, at 587-0644.

Sincerely,

Craig K. Hirai
Executive Director

Attachment

Corrective Action Plan

Finding No. 2019-001 Written Policies, Procedures, and Systems (Significant Deficiency)

Corrective Action Plan

CFDA No. None
Direct Award from the U.S. Department of Housing and Urban Development

Concur. The Corporation has started the process of establishing written policies and procedures in accordance with 24 CRF §93.404.

Person Responsible: Darren Ueki, Finance Manager

Anticipated Completion Date: June 30, 2020

Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.