Hawaii Housing Finance
and Development Corporation

ANNUAL REPORT
2017




HHFDC
Hawaii Housing Finance &
Development Corporation

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.

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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, housing developers and financiers.

THE HONORABLE DAVID Y. IGE, GOVERNOR, STATE OF HAWAII

Dear Governor Ige,

Since its inception in 2006, the HHFDC has assisted in the development of 8,117 workforce and affordable units statewide and has a production plan in place to add approximately 6,849 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. We will continue focusing on leveraging state funds and reducing regulatory barriers within our control to increase the inventory of housing for a continuum of income levels.

We've listened to what affordable housing developers felt were most important for them to get homes built and have been working to re-orient targeted policies to facilitate production. In FY 2017 the HHFDC has:

- Amended the LIHTC Qualified Allocation Plan
- Made 4% LIHTCs available year round
- Adopted more flexible RHRF underwriting guidelines
- Revised the Consolidated Application to be more user-friendly

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
Hawaii Housing Finance and Development Corporation

In 2016, Act 127 set a goal of adding 22,500 rental units by 2025. HHFDC is a fully engaged team member, and is helping establish performance measures to update the State Housing Functional Plan.

In 2017, Act 96 added the Hawaii Community Development Authority and Hawaii Public Housing Authority as members of the Special Action Team on Affordable Rental Housing.

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 6,849 workforce/affordable units over the next five years.

Fiscal Years	Rental	For Sale	Total
2018	1,204	0	1,204
2019	607	819	1,426
2020	1,455	200	1,655
2021	833	435	1,268
2022	912	384	1,296
Total	**5,011**	**1,838**	**6,849**

Keauhou Lane
Gerding Edlen/KSBE

A dedication ceremony was held for the 209-unit Keauhou Lane mixed-use project located across from the Honolulu Rapid Transit Authority's Civic Center Rail Station in Kakaako.

Keauhou Lane is a blend of studios, one- and two-bedroom rentals, and 32,300 square feet of restaurant and retail space with 280 parking spaces. A pedestrian paseo will connect Keauhou Lane and Keauhou Place to the Honolulu Rapid Transit Authority's Civic Center Station. The HHFDC provided Dwelling Unit Revolving Fund and General Excise Tax Exemption assistance.

Transit-Oriented Development remains one of our biggest opportunities to sensibly direct growth, protect open space and agriculture, reinvigorate older neighborhoods, and build affordable homes.

Keahuolu at Kamakana
Michaels Development Company

A groundbreaking was held for Keahuolu at Kamakana, a 170-unit rental project for seniors and families earning 60 percent and below of the median income in Kailua-Kona.

Keahuolu at Kamakana is a 75-unit senior and 75-unit family affordable rental project serving households earning 60 percent and below the area median income. The HHFDC provided Low-Income Housing Tax Credits, Rental Housing Revolving Fund and Dwelling Unit Revolving Fund financing for the project built on State land.

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 FOR DEVELOPMENT

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. Act 129, SLH 2016 shortened the State LIHTC period from 10 year to 5 years. Generally, affordable housing project owners that qualify for LIHTC find investors for these tax credits through Syndicators in order 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 2017 is $2.35, translating to $3,364,267 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.

Rental Housing Revolving Fund (fka 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.

Rental Assistance Revolving Fund (RARF)

The RARF Interim Construction Loan Program provides below market interest rate interim construction loans for affordable rental housing projects (currently 4-5%), as well as a limited amount of project-based rental assistance subsidies to qualified owners of rental projects. The RARF interim construction program is authorized to loan up to an aggregate of $9.25 million.

Hawaii Rental Housing System Revenue Bond (HRHSR)

This program was developed to alleviate the shortage of available rental housing opportunities through the development and acquisition of affordable rental housing projects throughout the State. The HRHSR provides tax-exempt bond financing for HHFDC-owned affordable rental projects that provide at least 60 percent of the rental units for tenants earning 80 percent and below the median family income (40 percent of the units may be rented at market rents). There are currently 6 projects consisting of 1,220 units on Oahu, Hawaii and Maui. Bond authority under the program is $375 million.

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 are able to 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.

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 any and all things necessary to carry out the purposes of the Housing Development Program, including administrative expenses.

Act 132, SLH 2016 authorized the use of DURF finds to finance regional infrastructure projects in conjunction with the counties, private landowners and developers.

Meheula Vista I & II
Catholic Charities of Hawaii

A combination blessing/groundbreaking was held for Meheula Vista I and Meheula Vista II in Mililani.

Meheula Vista I-IV is a 301-unit master planned community for seniors located in Mililani, Oahu. Meheula Vista will provide seniors earning 60 percent and below the area median income an affordable permanent living option where residents can age in place.

The HHFDC provided Hula Mae Multi-Family bonds, Low-Income Housing Tax Credits, Rental Housing Revolving Funds, Dwelling Unit Revolving Funds and 201H assistance for the project which is built on State land.

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.

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.

Ko`oloa`ula Phase II

Mutual Housing Assistance of Hawaii

Phase II of the Public-Private Partnership between HHFDC, the City and County of Honolulu, HUD and Mutual Housing Assistance of Hawaii, added 188 units to the existing 120 affordable rentals at Ko`oloa`ula in East Kapolei.

Ko‘oloa‘ula gives renters a choice between 11 different floorplans for apartments with up to four bedrooms. Rents are targeted for families earning 30%, 50% and 60% of AMI.

The HHFDC provided Hula Mae Multi-Family bonds, Low-Income Housing Tax Credits and Rental Housing Revolving Fund financing for the project. The HHFDC is leasing the land to Mutual Housing Assistance of Hawaii for 65 years.

Kaniko`o Rice Camp Phase II
Ahe Group

Kaniko`o Phase is a senior community in Lihue, Kauai developed in partnership with the County of Kauai, Ahe Group, HHFDC and EAH Housing.

Phase I of Kaniko`o is comprised of 60 one- and two-bedroom apartments in single-story buildings for residents age 62 years and older. Phase II added 30 additional units to the senior community.

DEVELOPMENT TOOLS

Land

Real property is made available to developers through the Request for Proposals (RFP) process.

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 Tax (GET)

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.

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.

On December 1, 2011, the HHFDC issued $50 million in tax-exempt revenue bonds, which provided approximately $44 million for eligible first-time homebuyers for its current Hula Mae Single Family program. The HHFDC participated in the New Issue Bond (NIB) Program, established by the Housing and Economic Recovery Act of 2008, providing for the federal government to purchase up to 60% of a housing finance agency bond issue at below market rates through its Government Sponsored Entities, Fannie Mae and Freddie Mac. The 2011 Hula Mae Single Family program featured an optional downpayment assistance program providing up to 3% of the principal amount of their Hula Mae loan at closing. Borrowers also had the option of using federal mortgage insurance programs provided through FHA, USDA or VA with their Hula Mae loan. As of June 30, 2017, the 2011 program was fully subscribed.

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, 2017, the HHFDC has assisted 5,321 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 storage capacity that services residents, famers, and Waiahole Elementary School. There are 159 total lots for residential, agricultural and commercial use; open space; water system infrastructure; stream floodway; and roadways. Design of a new 0.2 million gallon capacity water tank is ongoing, and a contract for the design of a new source well system is in process. A strategic plan is being developed to provide a roadmap to realize the community's vision of the valley as a self-sustaining, thriving, rural agricultural community.

Approximately $23.2 million has been spent to acquire the property and for capital improvements as of June 30, 2017. 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.

Maintaining Infrastructure in the Villages of Kapolei

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.

Accordingly, 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.

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.

PROJECTS IN DEVELOPMENT/PIPELINE

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. *Alakai Development LLC* - **LIHTC/GET/201H**

Ainahau Vista II – 62-unit rental for seniors. The second of two phases of a new construction project serving households earning 30 to 60 percent of AMI. *Developer - Hawaii Housing Development Corporation* - **LIHTC/RHRF/201H**

Alder Street – Proposed 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* - **LAND**

East Kapolei II - Keahumoa Place – 320 rental units in East Kapolei, near the HART Kapolei Station, serving families earning 30 to 100 percent of AMI. *Developer - Michaels Development Company* - **LIHTC/RHRF/HMMF/LAND**

Eight Zero Three Waimanu – 153-unit for-sale project in Kakaako, near the HART Civic Center Station. The project consists of 153 studio, 29 one-bedroom and 1 two-bedroom units targeted at buyers earning 80 to 140 percent of AMI. *Developer - Coastal Rim Properties, Inc.* - **DURF**

Hale Kewalo – 128-unit rental project in Kakaako, near the HART Ala Moana Station. The one, two and three -bedroom units are targeted at families earning 30 to 60 percent of AMI. *Developer - Stanford Carr Development* - **LIHTC/RHRF/HMMF/201H**

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

Hausten Gardens Apartments – 50-unit senior rental project in Honolulu. All one-bedroom units are targeted at seniors earning 60 percent of AMI. *Developer - Ahe Group LLC* - **LIHTC/HMMF**

Kahului Lani I – 82-unit senior rentals for households earning 30 - 60 percent of AMI in Kahului, Maui. *Developer - Catholic Charities Hawaii* - **LIHTC/RHRF/HMMF**

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

Kamakana at Keahuolu – 170-units for seniors and families earning 30 - 60 percent of AMI in Kailua-Kona *Developer - Michaels Development Company* - **LIHTC/RHRF/DURF/LAND**

Hale Kewalo 128-unit rental near the HART Ala Moana Station

LIHTC Low Income Housing Tax Credit • **RHRF** Rental Housing Revolving Fund • **HMMF** Hula Mae Multi-Family Bonds • **DURF** Dwelling Unit Revolving Fund • **201H** Expedited Processing • **GET** General Excise Tax Exemptions • **LAND** Real Property

Kapiolani Residence – 485-unit mixed use residential project in Ala Moana near the HART Ala Moana Station. Kapiolani Residence is a 45-story residential and commercial project with approximately 3,353 of commercial retail space. 60 percent of the units will be affordable with the remaining 40 percent at market rate. *Developer - SamKoo Pacific, LLC* - **201H**

Kaiwahine Village – 64 rental units in Kihei, Maui serving families earning 30 to 60 percent of AMI. *Developer - Ikaika Ohana* - **LIHTC/RHRF/HMMF**

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

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* - **LIHTC

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

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.* - **LIHTC/RHRF/HMMF**

Kunia Village – 80-unit combination acquisition/rehabilitation and new construction project serving families earning 60 to 80 percent of AMI. *Developer - Kunia Village Housing Partners* - **HMMF/GET/LIHTC**

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* - **LIHTC/RHRF/HMMF/DURF/201H/LAND**

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* - **LIHTC/RHRF**

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* - **LIHTC/RHRF/HMMF**

Na Lei Hulu Kupuna Sr. – 76-unit senior rental located in Kakaako will serve seniors earning 60 percent and below of AMI. *Developer - Mark Development, Inc-* **LAND**

Nohona Hale – 105 smaller, efficient rentals to serve families earning 30 to 60 percent of AMI in Kakaako. *Developers - EAH/Bronx Pro* - **LIHTC/ HMMF/GET/201H**

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* - **DURF/201H**

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 -* **LIHTC/RHRF/HMMF/201H**

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* - **DURF**

Villages at Moa`e Ku III – 52 rental units in Ewa Beach. The one, two and three- bedroom units will serve families earning 30 to 60 percent of AMI. *Developer - EAH Inc. -* **LIHTC/RHRF/HMMF**

Waipahu Towers – 64 rental units in Waipahu. The one and two- bedroom units will serve families earning 60 percent of AMI. *Developer - Ahe Group LLC* - **LIHTC/HMMF**

LIHTC Low Income Housing Tax Credit • **RHRF** Rental Housing Revolving Fund • **HMMF** Hula Mae Multi-Family Bonds • **DURF** Dwelling Unit Revolving Fund • **201H** Expedited Processing • **GET** General Excise Tax Exemptions • **LAND** Real Property

REPORT TO THE 2018 HAWAII STATE LEGISLATURE

Pursuant to Section 201H-95(g), Hawaii Revised Statutes, Relating to the Housing Loan and Mortgage Program Multifamily Program for Fiscal Year 2017.

Section 201H-95(g), Hawaii Revised Statutes (HRS), 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 Fiscal Year 2016-2017 year end, is provided below.

Multifamily Revenue Bond Authority (as of June 30, 2017)

Note: *Bond authorization increased from $1,000,000,000 to $1,500,000,000 on July 1, 2017 due to Act 175, Session Laws of Hawaii 2017. For the remaining balance as of July 1, 2017, please add an additional $500,000,000 to the "Net Available" total below.*

	Project	Bond Authority	Uses	Net Available
Total HMMF bonds issued to date (30)			$546,918,699	
HMMF approved & pending issuance	Kulana Hale at Kapolei	43,291,103		
	Meheula Vista III	15,000,000		
	Mohouli Hgts Sr. Neighborhood Ph. 3	24,500,000		
	East Kapolei II LDA 2 – Family Phase 1	12,000,000		
	Hale Kewalo	31,500,000		
	Ola Ka ‘Ilima Artspace Lofts	27,000,000		
	Kukui Tower	17,087,575		
	Kahului Lani I	24,000,000		
	Kaiaulu O Waikoloa	12,360,000		
	Kaiwahine Village	12,789,000		
	Nohona Hale	27,000,000		
	Kenolio Apartments	50,000,000		
	Hausten Gardens	14,000,000		
Total		$1,000,000,000	$857,446,377	**$142,553,623**

HMMF Bond Program

Project	Location	Units	Set-Aside Units	Application Date	Approval of Inducement Resolution	Approval to Issue Bonds	Bond Issuance Date	Bond Issue
Kaneohe Elderly	Oahu	44	43	1/29/15	8/13/15	1/14/16	11/29/16	$ 9,450,000
Kunia Village	Oahu	82	75	3/22/13	11/14/13	1/14/16	2/26/16	$20,935,000
Kekuilani Gardens	Oahu	56	55	6/28/13	11/14/13	6/9/16	6/30/16	$ 2,900,000
							6/30/16	$ 3,600,000
Kamana Elderly	Hawaii	62	61	3/27/14	3/12/15	5/12/16	8/4/16	$ 2,836,000
							8/4/16	$ 5,314,000
Waipahu Hall	Oahu	72	71	1/20/15	9/10/15	9/9/16	9/30/16	$11,400,000
River Pauahi Apartments	Oahu	49	48	5/2/16	6/9/16	11/10/16	12/9/16	$ 9,250,000
Waipahu Tower	Oahu	64	62	5/12/16	7/14/16	3/9/17	4/21/17	$11,500,000
Ola Ka 'Ilima Artspace Lofts	Oahu	84	83	8/19/15	4/14/16	7/13/17	8/1/17	$26,000,000
Kulana Hale at Kapolei	Oahu	154	153	4/2/14	12/11/14			$29,818,000
Kulana Hale at Kapolei (Bond Increase Amend)	Oahu			7/14/16	3/9/17			$13,473,103
East Kapolei LDA 2 - Family Rental Phase I	Oahu	75	75	8/19/15	1/14/16			$12,000,000
Hale Kewalo	Oahu	128	127	8/19/15	3/10/16			$31,500,000
Kukui Tower	Oahu	378	305	2/28/14	6/9/16			$17,087,575
Kahului Lani I	Maui	82	81	6/15/16	1/12/17			$24,000,000
Kaiaulu O Waikoloa	Hawaii	60	59	6/15/16	1/12/17			$12,360,000
Kaiwahine Village	Maui	64	63	6/15/16	1/12/17			$12,789,000
Nohona Hale	Oahu	107	106	6/15/16	1/12/17			$27,000,000
Kenolio Apartments	Maui	186	184	6/15/16	2/9/17			$50,000,000
Mohouli Senior Neighborhood Phase 3	Hawaii	93	92	6/15/16	3/9/17			$24,500,000
Hausten Gardens	Oahu	50	49	11/30/16	4/13/17			$14,000,000
Kapolei Mixed Unit	Oahu	143	142	2/15/17	9/14/17			$34,120,000
Kaloko Heights	Hawaii	81	80	2/15/17	9/14/17			$23,130,000
Hale O' Hauoli	Oahu	100	99	1/20/15				$ 9,850,000
Kaiwahine Village Phase 2	Maui	56	55	2/15/17				$13,185,000
Waikoloa Family	Hawaii	111	110	2/15/17				$24,494,061

Bond Authority	**$1,000,000,000**
Less Bonds issued	(546,918,699)
Remaining Authority	$ 453,081,301
Less Commitments	(310,527,678)
Uncommitted Authority	**$ 142,553,623**
Act 175, SLH 2017 additional authority	500,000,000
New Uncommitted Authority	**$ 642,553,623**

Quarterly Summary of Fund Activity

As of	1st Quarter FY 2017	2nd Quarter FY 2017	3rd Quarter FY 2017	4th Quarter FY 2017
Total Bond Authority*	$1,000,000,000	$1,000,000,000	$1,000,000,000	$1,000,000,000
Total Bonds Issued to Date	$ 526,168,699	$ 535,418,699	$ 535,418,699	$ 546,918,699
Total Bonds Pending Issuance	$ 162,955,575	$ 153,705,575	$ 308,027,678	$ 310,527,678
Total Uncommitted Bond Authority	$ 310,875,726	$ 310,875,726	$ 156,553,623	$ 142,553,623
Total Applications Under Review	$ 168,972,099	$ 168,972,099	$ 118,769,652	$ 104,769,652

***Note**: Total bond authorization increased from $1,000,000,000 to $1,500,000,000 on July 1, 2017 due to Act 175, Session Laws of Hawaii 2017. Reports for Fiscal Year 2018 and beyond shall reflect that new total.*

HOUSING LEGISLATION PASSED IN 2017

Act 54, Session Laws of Hawaii (SLH) 2017 (House Bill 1179, H.D. 2, S.D. 2, C.D. 1) Relating to Housing. This Act broadens the types of affordable rental housing projects that HHFDC can exempt from general excise taxes. It allows §201H-36(a)(5) prevailing wages for the construction of affordable projects to be deemed the prevailing wages for purposes of compliance with Chapter 104, HRS.

Act 96, SLH 2017 (Senate Bill 715, S.D. 2, H.D. 1, C.D. 1) Relating to the Special Action Team on Affordable Rental Housing. This Act added the Hawaii Community Development Authority and Hawaii Public Housing Authority Executive Directors as members of the Special Action Team on Affordable Rental Housing.

Act 123, SLH 2017 (House Bill 530, H.D. 2, S.D. 2, C.D. 1) Relating to Homebuyer Assistance. This Act updates the HHFDC's Downpayment Loan Program by increasing statutory limits on down payment loan amounts of the first-time homebuyers' minimum required contribution to their down payments. The Act also allows HHFDC to secure the services of nonprofit organizations to originate down payment loans.

Act 159, SLH 2017 (Senate Bill 1244, S.D. 2, H.D. 2, C.D. 1) Relating to Affordable Housing. This Act authorizes qualified nonprofit housing trusts to repurchase affordable units developed by governmental agencies, including HHFDC, when the agency waives its first right of refusal to repurchase the unit.

Act 166, SLH 2017 (Senate Bill 584 S.D. 1, H.D. 1, C.D. 1) Relating to Mortgages. This Act allows an extended or hanai family member to act as a co-mortgagor in assisting a qualified resident in securing a mortgage to purchase a dwelling unit from HHFDC.

Act 174, SLH 2017 (Senate Bill 911, S.D. 1, H.D. 1, C.D. 1) Relating to the Housing Loan and Mortgage Program. This Act increases the Hula Mae Multifamily Revenue Bond authorization amount from $1,000,000,000 to $1,500,000,000. It adds a new annual Legislative reporting requirement on program activity.

Act 49, SLH 2017 (House Bill 100, H.D. 1, S.D. 1, C.D. 1) Relating to State Budget. HHFDC received the following Capital Improvement Program funds in the budget bill:

- Cash Infusion for Rental Housing Revolving Fund, Statewide
  Fiscal Year (FY) 2018: $25,000,000
- Dwelling Unit Revolving Fund Infusion, Statewide
  FY 2018: $25,000,000
- Low Income Housing Tax Credit Loans, Statewide
  FY 2018: $4,200,000

HHFDC was tasked with administering the following Grant-in-Aid Pursuant to Chapter 42F, HRS:
- Hawaii HomeOwnership Center
  FY 2018: $600,000

The following resolutions approving the fee simple sale of HHFDC units or lands were adopted:

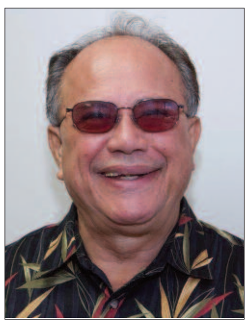
- **Senate Concurrent Resolution (SCR) 19** Approving the Sale of the Leased Fee Interest in 41-529 Inoaole Street, Waimanalo, Hawaii.
- **SCR 20** Approving the Sale of the Leased Fee Interest in 41-648 Inoaole Street, Waimanalo, Hawaii.
- **SCR 21** Approving the Sale of the Leased Fee Interest in 41-652 Inoaole Street, Waimanalo, Hawaii.
- **SCR 22** Approving the Sale of the Leased Fee Interest in 41-659 Inoaole Street, Waimanalo, Hawaii.
- **SCR 23** Approving the Sale of the Leased Fee Interest in 41-1362 Waikaloa Street, Waimanalo, Hawaii.
- **SCR 24** Approving the Sale of the Leased Fee Interest in 95-029 Kuahelani Avenue, No. 128, Mililani, Hawaii.
- **SCR 25** Approving the Sale of the Leased Fee Interest in 94-946 Meheula Parkway, No. 264, Mililani, Hawaii.
- **SCR 26** Approving the Sale of the Leased Fee Interest in 94-946 Meheula Parkway, No. 363, Mililani, Hawaii.
- **SCR 27** Approving the Sale of the Leased Fee Interest in 94-950 Meheula Parkway, No. 367, Mililani, Hawaii.
- **SCR 28** Approving the Sale of the Leased Fee Interest in 47-394 Keohapa Place, Kaneohe, Hawaii.

BOARD OF DIRECTORS

Leilani Pulmano
Chairman (Maui)

Ed Taira
Vice-Chairman (Hawaii)

Rona Fukumoto
Secretary (Private Non-Profit)



Melvin Kahele
Director (At-Large)

Audrey Abe
Director (Oahu)

Milo Spindt
Director (Kauai)

Wesley Machida
Ex-Officio Member
Director, Department of Budget and Finance

Luis Salaveria
Ex-Officio Member
Director, Department of Business, Economic Development and Tourism

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

HHFDC

Hawaii Housing Finance &
Development Corporation

677 Queen Street, Suite 300 · Honolulu, Hawaii 96813
Ph: (808) 587-0620 · Fax: (808) 587-0600
www.dbedt.hawaii.gov/hhfdc/

Accuity LLP
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, 2017

Submitted by
The Auditor
State of Hawai‘i

Quality *Integrity* *Insight*

Page(s)

PART I – FINANCIAL STATEMENTS

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Supplementary Information

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 the State of Hawai‘i, Hawaii Housing Finance and Development Corporation (the “Corporation”), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements as listed in the index.

Management’s Responsibility 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’ Responsibility
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.

an independent member of
BAKER TILLY
INTERNATIONAL

999 Bishop Street, Suite 1900
Honolulu, Hawaii 96813
Telephone: 808 531 3400 Facsimile: 808 531 3433

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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the HOME Investment Partnership Program 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, 2017, 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.

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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("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 by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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 by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 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 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, 2017

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 their financial activities for the fiscal year ended June 30, 2017. 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, 2017. 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 Corporation-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.

- The basic financial statements also present budgetary comparison statements, which are required for major governmental funds with legally adopted budgets.

- The basic financial statements also include a "Notes to Financial Statements" section that explains some of the information in the government-wide and fund financial statements and provides more detailed data.

- The "Notes to Financial Statements" are followed by a "Supplementary Information" section, which presents combining information on non-major funds, which is not required.

Government-wide Financial Statements
The government-wide 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 year. 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 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 fund 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 fund balance sheet and the governmental fund 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 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.

Supplementary Information
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The combining financial statements of the non-major funds and reconciliation of cash and short term investments are presented as supplementary information.

Supplementary information also includes the Schedule of Expenditures of Federal Awards ("SEFA"). The SEFA reports federal awards expended by the Corporation on a cash basis of accounting for the year ended June 30, 2017.

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, 2017, the Corporation’s total net position was approximately $830,102,000, an increase of $110,135,000 (or 15.3%) from the previous year.

Government-Wide Condensed Statements of Net Position
June 30, 2017 and 2016
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2017	2016	2017	2016	2017	2016	Change
Current assets	$ 116,573	$ 46,109	$ 330,288	$ 307,234	$ 446,861	$ 353,343	26.5%
Restricted assets held by trustee	-	-	120,792	137,360	120,792	137,360	-12.1%
Capital assets	-	-	86,368	90,754	86,368	90,754	-4.8%
Other assets	9,861	9,862	564,943	505,900	574,804	515,762	11.4%
Total assets	126,434	55,971	1,102,391	1,041,248	1,228,825	1,097,219	12.0%
Deferred outflows of resources	-	-	4,037	1,391	4,037	1,391	190.2%
Total deferred outflows of resources	-	-	4,037	1,391	4,037	1,391	190.2%
Total assets and deferred outflows of resources	$ 126,434	$ 55,971	$ 1,106,428	$ 1,042,639	$ 1,232,862	$ 1,098,610	12.2%
Current liabilities	$ 27	$ 7	$ 44,888	$ 37,297	$ 44,915	$ 37,304	20.4%
Noncurrent liabilities	-	-	357,263	340,841	357,263	340,841	4.8%
Total liabilities	27	7	402,151	378,138	402,178	378,145	6.4%
Deferred inflows of resources	-	-	582	498	582	498	16.9%
Total deferred inflows of resources	-	-	582	498	582	498	16.9%
Net position							
Net investment in capital assets	-	-	48,268	45,269	48,268	45,269	6.6%
Restricted	80,319	40,682	82,373	103,302	162,692	143,984	13.0%
Unrestricted	46,088	15,282	573,054	515,432	619,142	530,714	16.7%
Total net position	126,407	55,964	703,695	664,003	830,102	719,967	15.3%
Total liabilities, deferred inflows of resources and net position	$ 126,434	$ 55,971	$ 1,106,428	$ 1,042,639	$ 1,232,862	$ 1,098,610	12.2%

Current assets increased by approximately $93,482,000 (26.5%) during 2017 primarily related to increases in cash and cash equivalents and investments in the State Treasury of $15,756,000, allotted appropriations due from the State of $69,578,000, and current mortgage loan and other receivables of $7,974,000.

Restricted assets held by trustee result from the trust indentures of the revenue bond funds requiring cash and investments to be held by a trustee. These assets decreased by approximately $16,568,000 (12.1%) during 2017 due to repayments of issued bonds and decrease in the fair value of investments.

Capital assets decreased by approximately $4,386,000 (4.8%) during 2017 primarily due to depreciation expense; and other assets increased by approximately $59,078,000 (11.5%) during 2017 primarily due to a net increase of approximately $54,357,000 in the long-term portion of mortgage and construction loans in the Rental Housing Revolving Fund and Multifamily Housing Revenue Bond Fund.

Current liabilities increased by approximately $7,612,000 (20.4%) during 2017 primarily due to an increase in the current portion of revenue bonds payable in the Multifamily Housing Revenue Bond Fund of approximately $8,148,000.

Noncurrent liabilities increased by approximately $16,422,000 (4.8%) primarily due to an increase in the long-term portion of revenue bonds of approximately $13,390,000 and an increase in the net pension liability of $3,344,000.

Net investment in capital assets 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.

Restrictions on net position, which represent resources that are subject to external restrictions on how funds may be used, primarily include the assets held by trustee and increased by approximately $18,695,000 (13.0%) during 2017.

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, 2017 and 2016
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2017	2016	2017	2016	2017	2016	Change
Revenues							
Program revenues							
Charges for services	$ -	$ -	$ 75,808	$ 69,443	$ 75,808	$ 69,443	9.2%
Operating grants and contributions	6,959	1,631	5,008	4,177	11,967	5,808	106.0%
General revenues							
State allotted appropriations, net of lapses	69,600	49,819	-	-	69,600	49,819	39.7%
Gain on sale of capital assets	-	-	-	2,945	-	2,945	N/A
Total revenues	76,559	51,450	80,816	76,565	157,375	128,015	22.9%
Expenses							
Governmental activities							
Expenditures	6,094	1,631	-	-	6,094	1,631	273.6%
Business-type activities							
Rental assistance program	-	-	1,819	1,887	1,819	1,887	-3.6%
Housing development program	-	-	6,801	5,938	6,801	5,938	14.5%
Multi-family mortgage loan programs	-	-	7,810	6,129	7,810	6,129	27.4%
Single-family mortgage loan program	-	-	4,285	1,122	4,285	1,122	281.9%
Rental housing program	-	-	17,581	17,984	17,581	17,984	-2.2%
Others	-	-	2,850	2,394	2,850	2,394	19.0%
Total expenses	6,094	1,631	41,146	35,454	47,240	37,085	27.4%
Net change before transfers	70,465	49,819	39,670	41,111	110,135	90,930	21.1%
Transfers	(22)	(19,000)	22	18,844	-	(156)	-100.0%
Change in net position	70,443	30,819	39,692	59,955	110,135	90,774	21.3%
Net position							
Beginning of year	55,964	25,145	664,003	604,048	719,967	629,193	14.4%
End of year	$ 126,407	$ 55,964	$ 703,695	$ 664,003	$ 830,102	$ 719,967	15.3%

Governmental Activities

For the fiscal year ended June 30, 2017, governmental activities increased the Corporation’s net position by approximately $70,443,000 (125.9%) in 2017. The increase is primarily due to State allotted appropriations net of lapses of $69,600,000.

Business-type 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. The majority of the program investment income is from income earned within the Corporation’s bond funds and is restricted to those funds.

For the fiscal year ended June 30, 2017, business-type activities increased the Corporation’s net position by approximately $39,692,000 after transfers of $22,000. Revenues primarily consisted of $38,000,000 in conveyance taxes, $21,786,000 in rental income and $13,439,000 in interest income on loans for 2017, while the $38,730,000 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

At June 30, 2017, the Corporation’s governmental funds reported total fund balances of $126,407,000.

The governmental funds consist of two major funds and several non-major funds. The two major funds are the (1) HOME Investment Partnership Program, and (2) General Obligation Bond Fund.

- 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 $879,000 at June 30, 2017.

- 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 $115,679,000 as of June 30, 2017.

Proprietary Funds
The proprietary funds consist of five major and several non-major funds. The five 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) Multifamily Housing Revenue Bond 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 an increase in net position of $50,342,000 in 2017, compared to an increase of $40,685,000 in 2016. The 2017 increase in net position consisted of conveyance tax collections of approximately $38,000,000, loan interest income of $1,947,000, investment interest income of $1,408,000, and transfers of $9,500,000 less operating expenses of approximately $698,000.

  Conveyance taxes increased by approximately $4,943,000 (15.0%) to $38,000,000 in 2017 from $33,057,000 in 2016, due to an increase in real estate activity. Interest on investments increased due to an increase in cash, cash equivalents and investments held in the State Treasury.

- 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 a decrease in net position of $698,000 in 2017, which was primarily due to net operating loss of $1,749,000, offset by nonoperating income of approximately $1,029,000.

- The *Hawaii Rental Housing System Revenue Bond Fund* accounts for special funds for housing projects or systems of housing projects financed from proceeds of bonds secured under the same trust indenture. The fund accounts for six multifamily rental housing projects located throughout the State. The fund had an increase in net position of $2,999,000 in 2017 which was primarily due to net operating income of $3,028,000 in 2017, which was an increase of $1,198,000 in comparison to 2016. The increase in net operating income is primarily due to higher rental income as a result of increased rent rates and decreased operating expenses.

- 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. Net position in the fund decreased by approximately $1,869,000, as a result of net operating income of $466,000, offset by a decrease in the fair value of mortgage-backed securities of $2,335,000.

- The *Multifamily Housing Revenue Bond Fund* accounts for the proceeds from the issuance of bonds to provide interim construction loans and/or permanent financing at below market interest rates to facilitate the construction or rehabilitation of affordable housing projects. Net position in the fund increased by approximately $147,000 primarily as a result of operating income exceeding interest expense on the bonds.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017, the Corporation's capital assets amounted to $86,368,000 (net of accumulated depreciation of $123,153,000), a decrease of $4,386,000 primarily due to depreciation expense.

Corporation's Capital Assets
June 30, 2017 and 2016
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2017	2016	2017	2016	2017	2016	Change
Land	$ -	$ -	$ 49,955	$ 49,955	$ 49,955	$ 49,955	0.0%
Buildings and improvements	-	-	156,754	156,754	156,754	156,754	0.0%
Equipment	204	204	2,608	2,554	2,812	2,758	2.0%
Total	204	204	209,317	209,263	209,521	209,467	0.0%
Accumulated depreciation	(204)	(204)	(122,949)	(118,509)	(123,153)	(118,713)	3.7%
Total capital assets, net	$ -	$ -	$ 86,368	$ 90,754	$ 86,368	$ 90,754	-4.8%

Debt Administration

Through June 30, 2017, approximately $2.8 billion of revenue bonds have been issued. 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, increased by approximately $21,620,000 to approximately $321,352,000 at June 30, 2017 from $299,732,000 at June 30, 2016. During the fiscal year ended June 30, 2017, the Corporation's bond drawdowns amounted to $62,771,000 for the Multifamily Housing Revenue Bond Fund. Bond redemptions were approximately $8,414,000, $3,020,000 and $29,685,000 for the Single Family Mortgage Purchase, Hawaii Rental Housing System and Multifamily Housing Revenue Bond Funds, respectively.

As of June 30, 2017, the Corporation's bond ratings for the revenue bond programs were as follows:

	Hawaii Rental Housing System Revenue Bonds	Single Family Mortgage Purchase Revenue Bonds
Standard & Poor's Rating Services	N/A	AA+
Moody's Investor Service	A1	Aaa
Fitch Ratings	A	AAA

Currently Known Facts, Decisions or Conditions

The Corporation is currently evaluating the possible restructuring of the ownership of its affordable rental housing projects through the conveyance of leasehold interests to experienced, private-sector operators. Such private-sector partnerships are 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.

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, 2017

	Governmental Activities	Business-Type Activities	Total
Assets and Deferred Outflows of Resources			
Current assets			
Equity in cash and cash equivalents and investments in State Treasury	$ 8,810	$ 262,134,275	$ 262,143,085
Cash in banks	879,689	3,021,971	3,901,660
Receivables			
Mortgage loans	-	32,091,080	32,091,080
Notes and loans	-	2,741,952	2,741,952
Accrued interest	-	26,443,983	26,443,983
Tenant receivables, less allowance for doubtful accounts of $2,910,842	-	73,818	73,818
Other receivables, less allowance for doubtful accounts of $135,591	-	2,014,425	2,014,425
Total receivables	-	63,365,258	63,365,258
Cash held by third parties	-	165,676	165,676
Due from State	115,679,117	-	115,679,117
Due from other governments	20,126	-	20,126
Internal balances	(14,919)	14,919	-
Due from other State departments, net	-	1,379,275	1,379,275
Prepaid expenses and other assets	-	181,927	181,927
Deposits held in trust	-	25,130	25,130
Total current assets	116,572,823	330,288,431	446,861,254
Restricted assets held by trustees under revenue bond programs			
Cash and cash equivalents	-	63,055,471	63,055,471
Investments	-	57,736,857	57,736,857
	-	120,792,328	120,792,328
Due from other State departments	-	4,700,000	4,700,000
Inventories – development in progress and dwelling units	-	10,050,983	10,050,983
Investments	-	5,368,797	5,368,797
Mortgage loans, net of allowance for loan losses of $120,833	-	425,249,195	425,249,195
Notes and loans	9,861,610	119,572,858	129,434,468
Capital assets, net	-	86,368,326	86,368,326
Total assets	126,434,433	1,102,390,918	1,228,825,351
Deferred outflows of resources			
Deferred loss on refunding	-	382,959	382,959
Deferred outflows on net pension liability	-	3,653,915	3,653,915
Total deferred outflows of resources	-	4,036,874	4,036,874
Total assets and deferred outflows of resources	$ 126,434,433	$ 1,106,427,792	$ 1,232,862,225

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, 2017

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Accounts payable	$ 27,491	$ 100,071	$ 127,562
Accrued expenses			
Interest	-	3,623,063	3,623,063
Other	-	1,026,928	1,026,928
Security deposits	-	2,988,917	2,988,917
Note payable	-	14,448	14,448
Unearned income	-	384,615	384,615
Revenue bonds payable, net	-	36,749,816	36,749,816
Total current liabilities	27,491	44,887,858	44,915,349
Noncurrent liabilities			
Note payable	-	125,397	125,397
Revenue bonds payable, net	-	284,602,056	284,602,056
Estimated future costs of development	-	34,776,977	34,776,977
Unearned income	-	20,944,419	20,944,419
Unrealized gain on sale of units and land	-	1,818,001	1,818,001
Postemployment liability	-	4,786,663	4,786,663
Net pension liability		10,209,357	10,209,357
Total liabilities	27,491	402,150,728	402,178,219
Deferred inflows of resources			
Deferred inflows on net pension liability	-	582,070	582,070
Total deferred inflows of resources	-	582,070	582,070
Commitments and contingencies			
Net position			
Net investment in capital assets	-	48,267,686	48,267,686
Restricted by legislation and contractual agreements	80,319,387	82,373,220	162,692,607
Unrestricted	46,087,555	573,054,088	619,141,643
Total net position	126,406,942	703,694,994	830,101,936
Total liabilities, deferred inflows of resources and net position	$ 126,434,433	$ 1,106,427,792	$ 1,232,862,225

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, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities						
Low-income housing service and assistance programs	$ 6,093,389	$ -	$ 6,958,703	$ 865,314	$ -	$ 865,314
Total governmental activities	6,093,389	-	6,958,703	865,314	-	865,314
Business-type activities						
Rental assistance program	1,818,994	68,437	90,557	-	(1,660,000)	(1,660,000)
Housing development program	6,801,499	2,677,834	3,403,622	-	(720,043)	(720,043)
Multifamily mortgage loan program	7,809,784	47,391,507	1,407,760	-	40,989,483	40,989,483
Single family mortgage loan program	4,285,180	2,415,740	-	-	(1,869,440)	(1,869,440)
Rental housing program	17,581,483	20,529,116	51,675	-	2,999,308	2,999,308
Others	2,848,936	2,725,825	54,270	-	(68,841)	(68,841)
Total business-type activities	41,145,876	75,808,459	5,007,884	-	39,670,467	39,670,467
Total	$ 47,239,265	$ 75,808,459	$ 11,966,587	865,314	39,670,467	40,535,781
General revenues and transfers						
State allotted appropriations, net of lapses				69,600,000	-	69,600,000
Net transfers				(22,089)	22,089	-
Total general revenues and transfers				69,577,911	22,089	69,600,000
Change in net position				70,443,225	39,692,556	110,135,781
Net position						
Beginning of year				55,963,717	664,002,438	719,966,155
End of year				$ 126,406,942	$ 703,694,994	$ 830,101,936

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, 2017

	HOME Investment Partnership Program	General Obligation Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ -	$ 8,810	$ 8,810
Cash in banks	879,689	-	-	879,689
Notes and loans receivable	-	-	9,861,610	9,861,610
Due from State	-	115,679,117	-	115,679,117
Due from other governments	19,820	-	306	20,126
Total assets	$ 899,509	$ 115,679,117	$ 9,870,726	$ 126,449,352
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 20,452	$ -	$ 7,039	$ 27,491
Due to other funds	91	-	14,828	14,919
Total liabilities	20,543	-	21,867	42,410
Fund balances				
Restricted	878,966	69,577,911	9,862,510	80,319,387
Committed	-	46,101,206	-	46,101,206
Unrestricted	-	-	(13,651)	(13,651)
Total fund balances	878,966	115,679,117	9,848,859	126,406,942
Total liabilities and fund balances	$ 899,509	$ 115,679,117	$ 9,870,726	$ 126,449,352

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, 2017

Total fund balances – governmental funds		$ 126,406,942
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	$ 203,960	
Accumulated depreciation	(203,960)	
Capital assets, net		-
Net position of governmental activities		$ 126,406,942

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, 2017

	HOME Investment Partnership Program	General Obligation Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
State allotted appropriations, net of lapses	$ -	$ 69,600,000	$ -	$ 69,600,000
Intergovernmental revenue	6,917,172	-	152	6,917,324
Other income	-	-	41,379	41,379
Total revenue	6,917,172	69,600,000	41,531	76,558,703
Expenditures				
Programs	5,887,036	-	-	5,887,036
Personnel services	94,476	-	47,759	142,235
Administration	42,432	-	7,424	49,856
Professional services	14,262	-	-	14,262
Total expenditures	6,038,206	-	55,183	6,093,389
Other financing uses				
Transfers out	-	(22,089)	-	(22,089)
Change in fund balances	878,966	69,577,911	(13,652)	70,443,225
Fund balances				
Beginning of year	-	46,101,206	9,862,511	55,963,717
End of year	$ 878,966	$ 115,679,117	$ 9,848,859	$ 126,406,942

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, 2017

Net change in fund balances – total governmental funds		$ 70,443,225
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		$ 70,443,225

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)
Budgetary Comparison Statement – HOME Investment Partnership Program
Year Ended June 30, 2017

	Original and Final Budgets	Budgetary Actual	Variance With Final Budget Positive (Negative)
Revenues			
Intergovernmental revenue	$ 2,164,000	$ 5,301,313	$ 3,137,313
Expenditures			
Low-income housing service and assistance programs	2,164,000	5,301,313	(3,137,313)
Total expenditures	2,164,000	5,301,313	(3,137,313)
Excess of revenues over expenditures	$ -	$ -	$ -

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, 2017

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond 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 Treasury	$ 156,506,791	$ 90,566,439	$ -	$ -	$ -	$ 15,061,045	$ 262,134,275
Cash in banks	-	342,092	2,669,879	-	-	10,000	3,021,971
Receivables							
Mortgage loans	466,293	-	-	105,792	31,518,995	-	32,091,080
Notes and loans	-	2,741,952	-	-	-	-	2,741,952
Accrued interest	9,068,069	15,142,062	-	172,007	1,213,958	847,887	26,443,983
Tenant receivables, less allowance for doubtful accounts of $2,910,842	-	37,843	35,975	-	-	-	73,818
Other receivables, less allowance for doubtful accounts of $135,591	-	1,870,391	-	-	142,476	1,558	2,014,425
Total receivables	9,534,362	19,792,248	35,975	277,799	32,875,429	849,445	63,365,258
Cash held by third parties	-	-	165,676	-	-	-	165,676
Due from other funds	-	538,019	-	-	2,306,297	1,252,173	4,096,489
Due from other State departments	-	1,700,000	-	-	-	-	1,700,000
Prepaid expenses and other assets	-	-	47,256	2,885	-	131,786	181,927
Deposits held in trust	-	25,130	-	-	-	-	25,130
Total current assets	166,041,153	112,963,928	2,918,786	280,684	35,181,726	17,304,449	334,690,726
Restricted assets held by Trustees under revenue bond programs							
Cash and cash equivalents	-	-	38,419,108	24,636,363	-	-	63,055,471
Investments	-	-	-	57,638,234	98,623	-	57,736,857
	-	-	38,419,108	82,274,597	98,623	-	120,792,328
Due from other State departments	-	4,700,000	-	-	-	-	4,700,000
Inventories – development in progress and dwelling units	-	10,050,983	-	-	-	-	10,050,983
Investments	-	-	-	-	-	5,368,797	5,368,797
Mortgage loans, net of allowance for loan losses of $120,833	250,360,136	356,102	-	197,834	166,794,967	7,540,156	425,249,195
Notes and loans	-	119,572,858	-	-	-	-	119,572,858
Capital assets, net	-	44,664,360	41,667,866	-	-	36,100	86,368,326
Total assets	416,401,289	292,308,231	83,005,760	82,753,115	202,075,316	30,249,502	1,106,793,213
Deferred outflows of resources							
Deferred loss on refunding	-	-	382,959	-	-	-	382,959
Deferred outflows on net pension liability	242,936	2,053,840	302,605	175,585	197,182	681,767	3,653,915
Total deferred outflows of resources	242,936	2,053,840	685,564	175,585	197,182	681,767	4,036,874
Total assets and deferred outflows of resources	$ 416,644,225	$ 294,362,071	$ 83,691,324	$ 82,928,700	$ 202,272,498	$ 30,931,269	$ 1,110,830,087

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, 2017

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Liabilities, Deferred Inflows of Resources and Net Position							
Current liabilities							
Accounts payable	$ -	$ 58,928	$ 32,832	$ 8,250	$ -	$ 61	$ 100,071
Accrued expenses							
Interest	-	-	1,844,850	517,355	1,260,858	-	3,623,063
Other	67,390	576,963	64,971	105,478	59,699	152,427	1,026,928
Due to other funds	-	137,642	603,823	189,933	-	3,150,172	4,081,570
Due to other State departments	-	310,725	-	-	-	10,000	320,725
Security deposits	-	119,173	1,354,008	-	-	1,515,736	2,988,917
Note payable	-	14,448	-	-	-	-	14,448
Unearned income	-	384,615	-	-	-	-	384,615
Revenue bonds payable	-	-	3,175,822	2,055,000	31,518,994	-	36,749,816
Total current liabilities	67,390	1,602,494	7,076,306	2,876,016	32,839,551	4,828,396	49,290,153
Noncurrent liabilities							
Note payable	-	125,397	-	-	-	-	125,397
Revenue bonds payable	-	-	73,587,040	44,153,633	166,861,383	-	284,602,056
Estimated future costs of development	-	34,776,977	-	-	-	-	34,776,977
Unearned income	-	20,944,419	-	-	-	-	20,944,419
Unrealized gain on sale of units and land	-	1,818,001	-	-	-	-	1,818,001
Postemployment liability	307,547	2,704,791	397,675	256,962	252,930	866,758	4,786,663
Net pension liability	658,180	5,766,165	851,004	542,100	541,741	1,850,167	10,209,357
Total liabilities	1,033,117	67,738,244	81,912,025	47,828,711	200,495,605	7,545,321	406,553,023
Deferred inflows of resources							
Deferred inflows on net pension liability	38,700	327,177	48,205	27,971	31,411	108,606	582,070
Total deferred inflows of resources	38,700	327,177	48,205	27,971	31,411	108,606	582,070
Commitments and contingencies							
Net position							
Net investment in capital assets	-	44,524,515	3,707,071	-	-	36,100	48,267,686
Restricted by legislation and contractual agreements	-	-	-	82,274,597	98,623	-	82,373,220
Unrestricted	415,572,408	181,772,135	(1,975,977)	(47,202,579)	1,646,859	23,241,242	573,054,088
Total net position	415,572,408	226,296,650	1,731,094	35,072,018	1,745,482	23,277,342	703,694,994
Total liabilities, deferred inflows of resources and net position	$ 416,644,225	$ 294,362,071	$ 83,691,324	$ 82,928,700	$ 202,272,498	$ 30,931,269	$ 1,110,830,087

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, 2017

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Operating revenues							
Conveyance tax	$ 38,000,000	$ -	$ -	$ -	$ -	$ -	$ 38,000,000
Rental	-	2,107,206	19,659,859	-	-	18,676	21,785,741
Interest on mortgages, notes, loans and mortgage-backed securities	1,946,705	2,374,533	-	2,325,078	6,703,616	89,332	13,439,264
Other	186,098	570,628	869,257	90,662	555,088	2,686,254	4,957,987
Total operating revenues	40,132,803	5,052,367	20,529,116	2,415,740	7,258,704	2,794,262	78,182,992
Operating expenses							
Interest expense	-	-	3,715,416	1,354,842	6,706,409	-	11,776,667
Programs	-	1,747,983	8,410,143	-	-	-	10,158,126
Personnel services	575,189	3,414,336	419,541	269,495	311,064	2,107,902	7,097,527
Depreciation	-	74,061	4,366,002	-	-	-	4,440,063
Administration	88,500	898,135	101,264	265,369	26,695	618,496	1,998,459
Housing assistance payments	-	-	-	-	-	1,641,764	1,641,764
Professional services	32,405	414,161	24,007	35,472	64,404	77,748	648,197
Capital expenses	2,174	110,624	178,618	5,247	2,944	6,900	306,507
Provision for losses	-	134,378	65,675	-	-	20,915	220,968
Insurance	-	5,487	142,903	-	-	46,565	194,955
Other	-	2,334	77,836	19,386	-	147,154	246,710
Total operating expenses	698,268	6,801,499	17,501,405	1,949,811	7,111,516	4,667,444	38,729,943
Nonoperating revenues (expenses)							
Interest income	1,407,760	1,029,089	51,675	-	-	578,534	3,067,058
Net decrease in fair value of mortgage-backed securities	-	-	-	(2,335,369)	-	-	(2,335,369)
Net decrease in fair value of other investments	-	-	-	-	-	(433,707)	(433,707)
Amortization of deferred loss on refunding	-	-	(42,878)	-	-	-	(42,878)
Other expenses	-	-	(37,200)	-	-	(486)	(37,686)
Total nonoperating revenues (expenses)	1,407,760	1,029,089	(28,403)	(2,335,369)	-	144,341	217,418
Income (loss) before transfers	40,842,295	(720,043)	2,999,308	(1,869,440)	147,188	(1,728,841)	39,670,467
Net transfers	9,500,000	22,089	-	-	-	(9,500,000)	22,089
Change in net position	50,342,295	(697,954)	2,999,308	(1,869,440)	147,188	(11,228,841)	39,692,556
Net position							
Beginning of year	365,230,113	226,994,604	(1,268,214)	36,941,458	1,598,294	34,506,183	664,002,438
End of year	$ 415,572,408	$ 226,296,650	$ 1,731,094	$ 35,072,018	$ 1,745,482	$ 23,277,342	$ 703,694,994

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, 2017

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities							
Cash received from tenants	$ -	$ 1,663,571	$ 19,508,349	$ -	$ -	$ 334,769	$ 21,506,689
Cash received from borrowers							
Principal repayments	1,186,712	28,145,789	-	190,547	18,974,231	64,618	48,561,897
Interest income	726,328	4,746,187	-	2,366,281	6,544,671	112,711	14,496,178
Cash received from sale of units and land	-	599,429	-	-	-	-	599,429
Cash received from conveyance taxes	38,000,000	-	-	-	-	-	38,000,000
Cash received for payments on mortgage-backed securities, net	-	-	-	12,088,315	-	-	12,088,315
Cash payments for issuance of loans receivable	(20,024,286)	(36,903,666)	-	-	(62,771,351)	-	(119,699,303)
Interest payments	-	-	(3,778,810)	(1,430,730)	(6,547,453)	-	(11,756,993)
Payments to employees	(331,130)	(3,026,405)	(431,703)	(269,382)	(283,207)	(1,937,572)	(6,279,399)
Payments to suppliers	(123,079)	(5,638,274)	(8,893,552)	(241,417)	(160,603)	(2,465,531)	(17,522,456)
Cash receipts from (payments to) other funds	-	1,740,724	(6,799)	(747)	(235,443)	14,084	1,511,819
Other cash receipts	186,098	2,429,818	808,175	-	600,013	2,519,099	6,543,203
Net cash provided by (used in) operating activities	19,620,643	(6,242,827)	7,205,660	12,702,867	(43,879,142)	(1,357,822)	(11,950,621)
Cash flows from noncapital financing activities							
Principal paid on revenue bond maturities and redemptions	-	-	-	(8,414,278)	-	-	(8,414,278)
Transfers in (out)	9,500,000	22,089	-	-	-	(9,500,000)	22,089
Net cash provided by (used in) noncapital financing activities	9,500,000	22,089	-	(8,414,278)	-	(9,500,000)	(8,392,189)
Cash flows from capital and related financing activities							
Principal paid on revenue bond maturities and redemptions	-	-	(3,000,373)	-	18,829,574	-	15,829,201
Proceeds from new bond issuance	-	-	-	-	14,256,290	-	14,256,290
Principal paid on mortgage loans and notes payable	-	(14,304)	-	-	-	-	(14,304)
Sales (purchases) of capital assets	-	-	(64,620)	-	-	24,068	(40,552)
Net cash provided by (used in) capital and related financing activities	-	(14,304)	(3,064,993)	-	33,085,864	24,068	30,030,635
Subtotal carried forward	29,120,643	(6,235,042)	4,140,667	4,288,589	(10,793,278)	(10,833,754)	9,687,825

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, 2017

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond Fund	Other Enterprise Funds	Total Enterprise Funds
Subtotal brought forward	29,120,643	(6,235,042)	4,140,667	4,288,589	(10,793,278)	(10,833,754)	9,687,825
Cash flows from investing activities							
Purchase of investments	-	-	-	-	(35,962)	-	(35,962)
Interest received	1,407,760	1,029,089	-	-	-	578,048	3,014,897
Net cash provided by (used in) investing activities	1,407,760	1,029,089	-	-	(35,962)	578,048	2,978,935
Net increase (decrease) in cash and cash equivalents	30,528,403	(5,205,953)	4,140,667	4,288,589	(10,829,240)	(10,255,706)	12,666,760
Cash and cash equivalents							
Beginning of year	125,978,388	96,139,614	37,113,996	20,347,774	10,829,240	25,326,751	315,735,763
End of year	$ 156,506,791	$ 90,933,661	$ 41,254,663	$ 24,636,363	$ -	$ 15,071,045	$ 328,402,523
Components of cash and cash equivalents							
Equity in cash and cash equivalents and investments in State Treasury	$ 156,506,791	$ 90,566,439	$ -	$ -	$ -	$ 15,061,045	$ 262,134,275
Cash in banks	-	342,092	2,669,879	-	-	10,000	3,021,971
Cash held by third parties	-	-	165,676	-	-	-	165,676
Restricted cash and cash equivalents held by trustee	-	-	38,419,108	24,636,363	-	-	63,055,471
Deposits held in trust	-	25,130	-	-	-	-	25,130
Cash and cash equivalents	$ 156,506,791	$ 90,933,661	$ 41,254,663	$ 24,636,363	$ -	$ 15,071,045	$ 328,402,523

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, 2017

	Rental Housing Revolving Fund	Dwelling Unit Revolving Fund	Hawaii Rental Housing System Revenue Bond Fund	Single Family Mortgage Purchase Revenue Bond Fund	Multifamily Housing Revenue Bond 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)	$ 39,434,535	$ (1,749,132)	$ 3,027,711	$ 465,929	$ 147,188	$ (1,873,182)	$ 39,453,049
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation	-	74,061	4,366,002	-	-	-	4,440,063
Provision for losses	-	134,378	65,675	-	-	20,915	220,968
Gain on sale of assets	-	(13,732)	-	-	-	-	(13,732)
Other expense	-	-	(37,200)	-	-	-	(37,200)
Net pension expense	147,064	387,931	5,279	113	27,857	170,330	738,574
Changes in assets and liabilities							
Mortgage loans receivable	(18,837,574)	19,461	-	190,547	(43,797,120)	64,618	(62,360,068)
Notes and loans receivable	-	(5,563,005)	-	-	-	-	(5,563,005)
Accrued interest receivable	(1,220,377)	(842,679)	-	41,203	(158,945)	23,379	(2,157,419)
Tenant receivables	-	109,145	(65,675)	-	-	-	43,470
Other receivables	-	291,950	(6,105)	-	44,925	-	330,770
Due to (from) other funds	-	214,600	(6,799)	(747)	(235,443)	14,084	(14,305)
Due to (from) other State departments	-	1,526,124	-	-	-	(20,280)	1,505,844
Inventories – development in progress and dwelling units	-	435,187	-	-	-	-	435,187
Prepaid expenses and other assets	-	-	1,622	(200)	-	9,632	11,054
Investments	-	-	-	12,088,315	-	-	12,088,315
Accounts payable	-	(684,440)	21,820	(710)	(79,240)	(168,787)	(911,357)
Accrued interest payable	-	-	(63,394)	(75,888)	158,956	-	19,674
Other accrued expenses	5,699	33,113	323	8,206	5,980	7,420	60,741
Postemployment liability	91,296	137,779	(17,764)	(13,901)	6,700	77,956	282,066
Security deposits	-	(39,529)	41,583	-	-	316,093	318,147
Unearned income	-	(389,780)	(127,418)	-	-	-	(517,198)
Unrealized gain on sale of units and land	-	73,129	-	-	-	-	73,129
Estimated future costs of development	-	(397,388)	-	-	-	-	(397,388)
Net cash provided by (used in) operating activities	$ 19,620,643	$ (6,242,827)	$ 7,205,660	$ 12,702,867	$ (43,879,142)	$ (1,357,822)	$ (11,950,621)

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

1. Organization and Summary 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 Hawaiʻi ("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 Hawaiʻi.

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 Hawaiʻi (the "State") as of June 30, 2017, 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 annually, 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 of the non-fiduciary 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 properly 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.

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 summarized 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 collectible 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 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 interest income earned on mortgages, notes, loans and mortgage-backed securities, rental income, land sales and conveyance tax revenues. 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 column in the fund financial statements and detailed in the combining section.

Governmental Funds

- **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 Hawaiʻi.

- **National Foreclosure Mitigation Counseling Program Fund** – The National Foreclosure Mitigation Counseling Program Fund is used to account for all financial activities funded by the related federal grant. Substantially all of the fund's activity relates to providing foreclosure intervention counseling and legal assistance.

- **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 Fund** – The Tax Credit Assistance Program ("TCAP") Fund 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.

- **Housing Trust Program Fund** – The Housing Trust Program (“HTP”) Fund 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.

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-family and condominium dwellings; provide interim construction loans and permanent financing of affordable rental housing projects; and to finance multifamily housing projects. These funds include the Hawaii Rental Housing System Revenue Bond Fund, Single Family Mortgage Purchase Revenue Bond Fund, and Multifamily Housing Revenue Bond Fund.

  The other funds include the Rental Assistance Revolving Fund, Housing Finance Revolving Fund, and Disbursing Fund.

  The Corporation reports the following as major proprietary funds:

  - 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.

  - 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.

  - Hawaii Rental Housing System Revenue Bond Fund accounts for housing projects or systems of housing projects financed from the proceeds of bonds secured under the same trust indenture. The fund accounts for six multifamily affordable rental housing projects located throughout the State of Hawai‘i.

  - 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 of such loans, and investment income earned.

  - Multifamily Housing Revenue Bond Fund accounts for the proceeds from the issuance of bonds to provide interim construction loans and/or permanent financing to facilitate the construction or rehabilitation of affordable rental housing projects.

Equity 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 categorized 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: *http://hawaii.gov/dags/rpts*.

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.

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 by 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 and certificates of deposit with maturities of one year or less when purchased are stated at cost, which approximates fair value. 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 two master planned community projects – Kapolei (Oahu) 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 realizable 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 realizable 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 property 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 any accounts over 90 days outstanding. For the year ended June 30, 2017, there were allowances for mortgage loan receivables and tenant receivables of $121,000 and $2,911,000, respectively.

Interfund Receivables and Payables
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 16 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	Proprietary Funds and Business-Type 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 resulted from differences between expected and actual experiences which will be amortized over five years and the Corporation's contributions to the pension plan subsequent to the measurement date of the actuarial valuations for the pension plans which will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred inflow of resources related to pensions resulted from differences between expected and actual experiences and changes in proportion to the pension plan 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 is 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 proprietary 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 2017 as follows:

Balance July 1, 2016	$	590,000
Additions		462,000
Reductions		(416,000)
Balance at June 30, 2017	$	636,000

Accumulated Sick Leave Pay

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 System of the State of Hawai‘i (“ERS”). Accumulated unpaid sick leave at June 30, 2017 amounted to approximately $2,285,000.

Postemployment Health Care and Life Insurance Benefits

The Corporation accounts for its postemployment health care and life insurance benefits in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards of accounting and financial reporting for other postemployment benefit (“OPEB”) expenses, liabilities or assets. 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 policy on the accounting and reporting for OPEB is to allocate a portion of the State’s Annual Required Contribution (“ARC”), interest, and any adjustment to the ARC, 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 cost to component units and proprietary funds based on their proportionate percentage of the State’s total covered employee headcount.

Pension Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense as of and for the year ended June 30, 2017, 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.

The Corporation’s contributions to the ERS are based upon actuarial computations and include current service costs and amortization of prior service costs. The Corporation’s policy is to fund pension costs accrued.

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 reasonably 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 by 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 fund 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 restricted and 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The Statement will require governments to report a liability on the face of the financial statements for the other postemployment benefits that they provide. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Corporation has determined that Statement No. 75 will have a material effect on its financial statements.

During fiscal year 2017, the Corporation implemented GASB Statement No. 77, *Tax Abatement Disclosures*. The Statement requires governments that enter into tax abatement agreements to disclose information about the nature and magnitude of the tax abatements. This Statement did not have a material effect on the Corporation's financial statements.

During fiscal year 2017, the Corporation implemented GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. Refer to Note 14 for more information regarding the Corporation's participation in the State's pension plan. This Statement did not have a material effect on the Corporation's financial statements.

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Corporation has not yet determined the effect this Statement will have on its financial statements.

The GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Corporation is currently evaluating the impact Statement No. 85 will have on its financial statements.

The GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources — resources other than the proceeds of refunding debt — are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Corporation is currently evaluating the impact Statement No. 86 will have on its financial statements.

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.

Reclassifications
Certain balances in the 2016 financial statements have been reclassified to conform to the 2017 presentation. These reclassifications had no impact on the change in net position as previously reported.

2. Budgeting and Budgetary 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 2016 – 2017 biennial budget. The HOME Investment Partnership Program has legally appropriated annual budgets.

The final legally adopted budget in the accompanying budgetary comparison statement represents the original appropriation, transfers, and other legally authorized 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 authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Corporation. During the year ended June 30, 2017, 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, 2017 was as follows:

	HOME Investment Partnership Program
Excess of revenues over expenditures – actual (budgetary basis)	$ -
Revenues for unbudgeted programs	878,966
Excess of revenues over expenditures – GAAP basis	$ 878,966

3. Deposits

At June 30, 2017, total cash and cash equivalents reported in the statement of net position consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Equity in cash and cash equivalents and investments in State Treasury	$ 8,810	$ 262,134,275	$ 262,143,085
Cash in banks (book balance)	879,689	3,021,971	3,901,660
Deposits held in trust	-	25,130	25,130
Restricted cash and cash equivalents held by trustee	-	63,055,471	63,055,471
Total cash	$ 888,499	$ 328,236,847	$ 329,125,346

The bank balance of cash in bank was approximately $2,960,000, of which $289,000 was covered by federal deposit insurance and $2,671,000 was not covered. As of June 30, 2017, Level 1 inputs were used to determine the fair value of the money market funds that are part of cash and cash equivalents. The fair value of equity investments in State Treasury are described in Note 1.

4. Investments

Investments at June 30, 2017 are summarized 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	Fair Value
Mortgage-backed securities	$ -	$ 5,368,796	$ 4,901,731	$ 18,451,635	$ 34,284,869	$ 63,007,031
Municipal bonds	98,623	-	-	-	-	98,623
Total investments	$ 98,623	$ 5,368,796	$ 4,901,731	$ 18,451,635	$ 34,284,869	$ 63,105,654

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

Investments held by trustees under revenue bond programs	$ 57,736,857
Investments – noncurrent	5,368,797
Total investments	$ 63,105,654

As of June 30, 2017, Level 2 inputs were used to determine the fair value of mortgage-backed securities and municipal bonds.

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 trustees 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, 2017, Federal National Mortgage Association (“FNMA”) mortgage-backed securities were rated Aaa, AAA, and AA+ by Moody’s, Fitch, and Standard & Poor’s, respectively. The Fund’s investments in money market funds are not rated. U.S. Treasury securities 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, 2017, 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 repurchase agreements are collateralized with securities held by the pledging financial institution’s collateral agent but not in the Corporation’s name. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value. The Corporation monitors the market value of these securities and obtains additional collateral when appropriate.

5. Mortgage Loans and Notes and Loans Receivable

Mortgage loans and notes and loans receivable at June 30, 2017 comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 11%, maturing at various dates through 2075	$ 457,461,108	$ -
Promissory notes bearing interest up to 5%, maturing in 2071	-	119,572,858
Promissory notes bearing interest up to 5%, maturing at various dates through 2018	-	2,741,952
Non-interest bearing promissory notes, maturing at various dates through 2056	-	9,861,610
Allowance for loan losses	(120,833)	-
	457,340,275	132,176,420
Less: Current portion	(32,091,080)	(2,741,952)
Noncurrent portion	$ 425,249,195	$ 129,434,468

Mortgage and development loans are collateralized by real property. The revenue bond funds' mortgage loans 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 13). The non-interest bearing notes are collateralized by real property.

6. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance at July 1, 2016	Additions	Disposals	Balance at June 30, 2017
Governmental activities				
Depreciable assets				
Equipment	$ 203,960	$ -	$ -	$ 203,960
Accumulated depreciation				
Equipment	(203,960)	-	-	(203,960)
Governmental activities capital assets, net	$ -	$ -	$ -	$ -
Business-type activities				
Depreciable assets				
Building and improvements	$ 156,753,726	$ -	$ -	$ 156,753,726
Equipment	2,553,796	54,284	-	2,608,080
	159,307,522	54,284	-	159,361,806
Accumulated depreciation				
Building and improvements	(116,432,092)	(4,346,060)	-	(120,778,152)
Equipment	(2,076,050)	(94,003)	-	(2,170,053)
	(118,508,142)	(4,440,063)	-	(122,948,205)
	40,799,380	(4,385,779)	-	36,413,601
Land	49,954,725	-	-	49,954,725
Business-type activities capital assets, net	$ 90,754,105	$ (4,385,779)	$ -	$ 86,368,326

Depreciation expense for the year ended June 30, 2017 was charged to functions as follows:

Governmental activities	
Low-income housing service and assistance	$ -
Business-type activities	
Housing development program	$ 74,061
Rental housing program	4,366,002
Total depreciation expense – business-type activities	$ 4,440,063

At June 30, 2017, capital assets for the proprietary funds consisted of the following:

	Revenue Bond Funds	Dwelling Unit Revolving Fund	Other Funds	Total
Buildings and improvements	$ 142,648,321	$ 14,105,405	$ -	$ 156,753,726
Equipment	2,410,460	77,284	120,336	2,608,080
	145,058,781	14,182,689	120,336	159,361,806
Less: Accumulated depreciation	(119,577,765)	(3,286,204)	(84,236)	(122,948,205)
	25,481,016	10,896,485	36,100	36,413,601
Land	16,186,850	33,767,875	-	49,954,725
Net capital assets	$ 41,667,866	$ 44,664,360	$ 36,100	$ 86,368,326

7. Revenue Bond Funds – Reserve Requirements

Under the trust indentures between the Corporation and the trustees for the Single Family Mortgage Purchase Revenue Bonds, investment assets and cash are required to be held by the trustees 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, 2017, 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	$ 4,621,000
Mortgage loan reserve requirements	830,000
	$ 5,451,000

At June 30, 2017, approximately $4,659,000 and $13,637,000 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 trustees in the statement of net position.

Under the trust indenture agreement between the Corporation and the trustee for the Hawaii Rental Housing System Revenue Bond Fund, the Corporation is required to provide net revenues (as defined in the trust indenture agreement) together with lawfully available funds of at least 1.25 times the aggregate debt service on outstanding bonds during the bond year. Additionally, the Corporation is to provide net revenues (as defined in the trust indenture agreement) of at least 1.10 times the aggregate debt service on outstanding bonds during the bond year. At June 30, 2017, the Hawaii Rental Housing System Revenue Bond Fund provided net revenues (as defined in the trust indenture agreement) together with lawfully available funds of 6.58 times the aggregate debt service on outstanding bonds during the year and net revenues (as defined in the trust indenture agreement) of 1.64 times the aggregate debt service on outstanding bonds during the year.

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, 2017.

8. Note Payable

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 $1,315, including annual interest at 1%, due in October 2026. The note is collateralized by property and rental receipts. At June 30, 2017, the balance outstanding on the mortgage note was approximately $140,000.

Note payable activity during the year was as follows:

	Balance at July 1, 2016	Addition	Reductions	Balance at June 30, 2017	Current Portion
Note payable	$ 154,149	$ -	$ (14,304)	$ 139,845	$ 14,448

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

	Principal	Interest	Total
Year ending June 30,			
2018	$ 14,000	$ 1,000	$ 15,000
2019	15,000	1,000	16,000
2020	15,000	1,000	16,000
2021	15,000	1,000	16,000
2022	15,000	1,000	16,000
2023 – 2027	66,000	1,000	67,000
	$ 140,000	$ 6,000	$ 146,000

9. Revenue Bonds Payable

Through June 30, 2017, approximately $2.8 billion of revenue bonds have been issued. The revenue bonds are payable from and collateralized by the revenues and other monies and assets of the revenue bond funds and other assets of the Corporation pledged under the indentures.

Revenue bonds payable at June 30, 2017 consist of the following issuances:

Hawaii Rental Housing System revenue bonds	
2004 Series A	
Term bonds maturing in 2018 through 2034 (4.25% to 4.75%)	$ 59,475,000
2004 Series B	
Serial bonds maturing annually through 2030 (4.00% to 6.00%)	11,400,000
Term bonds maturing in 2031 through 2034 (6.50%)	5,590,000
	16,990,000
Total Hawaii Rental Housing System revenue bonds	$ 76,465,000
Single Family Mortgage Purchase revenue bonds	
2009 Series A-1	
Term bonds maturing in 2026 through 2042 (2.40%)	$ 23,960,000
2011 Series A	
Serial bonds maturing in 2018 through 2019 (2.10% to 2.90%)	2,160,000
2011 Series B	
Serial bonds maturing in 2020 through 2023 (2.95% to 3.45%)	4,055,000
Term bonds maturing in 2023 through 2026 (3.875%)	3,890,000
Planned Amortization Class bonds maturing in 2018 through 2026 (4.50%)	1,650,000
	9,595,000
2013 Series A	
Term bonds maturing in 2018 through 2038 (2.60%)	10,493,633
Total Single Family Mortgage Purchase revenue bonds	$ 46,208,633

Multifamily Housing revenue bonds		
2002 Series (Hale Hoaloha Project)		
Mortgage installment bonds maturing annually through 2018 (3.125%)	$	1,051,404
2005 Series (Kauhale Olu Project)		
Mortgage installment bonds maturing annually through 2026 (6.375%)		4,691,581
2007 Series A (Kukui Gardens Project)		
Mortgage installment bonds maturing annually through 2042 (1.30%, 6.25%)		12,988,739
2008 Series (Kahului Town Terrace Project)		
Mortgage installment bonds maturing annually through 2026 (4.25%)		1,705,605
2008 Series (Lokahi Kau Project)		
Mortgage installment bonds maturing in 2042 (0.41%)		19,830,000
2011 Series A (Kuhio Park Terrace Project)		
Mortgage installment bonds maturing through 2023 (1.25% to 3.95%)		1,995,000
Term bonds maturing in 2023 through 2029 (4.75%, 4.95%)		29,170,000
2011 Series A (Ewa Villages Apartments)		
Term bonds maturing annually through 2029 (3.95%, 5.10%)		3,530,000
2012 Series A (Ko‘oloa‘ula Apartments)		
Serial bonds maturing annually through 2034 (3.125%, 4.00%)		5,825,000
2012 Series A (Wilikina Apartments)		
Serial bonds maturing annually through 2047 (4.25%, 5.00%, 6.75%)		8,905,000
2012 Series A (Iwilei Apartments)		
Term bonds maturing in 2023 through 2031 (3.30%, 3.75%)		10,295,000
2015 Series A (Ko‘oloa‘ula Apartments)		
Serial bonds maturing in 2018 through 2033 (4.00% to 2028, 6% 2028 to 2033)		9,700,000
2015 Series B (Ko‘oloa‘ula Apartments)		
Term bonds maturing in 2018 (4.00%)		19,300,000
Series 2015 (Ewa III)		
Term bonds maturing in 2048 (2.71%)		11,739,000
2016 Series A (Kaneohe Elderly)		
Term bonds maturing in 2032 (3.625%)		7,056,109
2016 Series (Kunia Village)		
Term bonds maturing in 2020 (3.00%)		15,621,699
2016 Series (Kekuilani Gardens)		
Term bonds maturing in 2049 (3.85%)		4,938,584
2016 Series (Waipahu Hall)		
Term bonds maturing in 2033 (3.63%)		11,400,000
2017 Series (Kamana Elderly)		
Term bonds maturing in 2031 (3.84%)		2,836,000
2017 Series A (River Pauahi)		
Term bonds maturing in 2033 (3.63%)		7,000,000
2017 Series B (River Pauahi)		
Term bonds maturing in 2018 (3.63%)		2,250,000
2017 Series A (Waipahu Tower)		
Term bonds maturing in 2049 (4.67%)		6,551,656
Total Multifamily Housing revenue bonds	$	198,380,377

Interest on the fixed-rate Hawaii Rental Housing System, Single Family Mortgage Purchase, and Multifamily Housing revenue bonds is payable in monthly or semi-annual payments.

The Hawaii Rental Housing System revenue bonds with designated maturity dates and the Multifamily Housing revenue bonds may be redeemed at the option of the Corporation commencing in 2005 through 2033. 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, 2017, deferred loss on refunding approximated $383,000 and was recognized as deferred outflows of resources in the statement of net position.

During the year ended June 30, 2017, early redemptions totaled $3,655,000.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2016	Additions	Reductions	Balance at June 30, 2017
Single Family Mortgage Purchase	$ 54,622,911	$ -	$ (8,414,278)	$ 46,208,633
Hawaii Rental Housing System	79,485,000	-	(3,020,000)	76,465,000
Multifamily Housing	165,294,513	62,771,351	(29,685,487)	198,380,377
	299,402,424	62,771,351	(41,119,765)	321,054,010
Add: Unamortized premium	329,910	-	(32,048)	297,862
Total	$ 299,732,334	$ 62,771,351	$ (41,151,813)	321,351,872
Less: Current portion				(36,749,816)
Total				$ 284,602,056

The approximate annual debt service requirements through 2022 and in five-year increments thereafter to maturity for revenue bonds are as follows:

	Principal	Interest	Total
Year ending June 30,			
2018	$ 36,719,000	$ 12,271,000	$ 48,990,000
2019	9,189,000	11,015,000	20,204,000
2020	22,970,000	10,518,000	33,488,000
2021	7,764,000	9,838,000	17,602,000
2022	7,983,000	9,556,000	17,539,000
2023 – 2027	49,862,000	42,142,000	92,004,000
2028 – 2032	89,211,000	27,268,000	116,479,000
2033 – 2037	58,368,000	6,907,000	65,275,000
2038 – 2042	16,368,000	2,989,000	19,357,000
2043 – 2047	22,620,000	628,000	23,248,000
	$ 321,054,000	$ 133,132,000	$ 454,186,000

In order to ensure the exclusion of interest on the Corporation's Hawaii Rental Housing System revenue bonds and Single Family Mortgage Purchase 2009 Series A and 2011 Series A and B 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, 2017, the Corporation determined that no rebate amounts were due to the U.S. Treasury.

Interest expense of approximately $11,777,000 was included as direct function expenses in the government-wide statement of activities during the year ended June 30, 2017.

10. 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 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. The bonds and related assets are reported in the accompanying financial statements.

As of June 30, 2017, there were nineteen series of Conduit Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $198,380,000 reported as Multifamily Housing Revenue bonds.

11. 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,	
2018	$ 573,000
2019	590,000
2020	608,000
2021	626,000
2022	635,000
2023 – 2027	3,239,000
2028 – 2032	3,810,000
2033 – 2037	3,887,000
2038 – 2042	4,572,000
2043 – 2047	4,664,000
2048 – 2052	5,487,000
2053 – 2057	4,938,000
	$ 33,629,000

Rent expense for the year ended June 30, 2017 totaled approximately $557,000.

Lessor
The Corporation leases land with a carrying value of approximately $32,431,000 to various developers and home buyers. The leases expire at various dates through 2050. Lease rental income for the year ended June 30, 2017 was approximately $1,030,000.

As discussed in Note 13, 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, 2017 is as follows:

Year ending June 30,	
2018	$ 587,000
2019	589,000
2020	603,000
2021	602,000
2022	604,000
2023 – 2027	2,745,000
2028 – 2032	2,106,000
2033 – 2037	336,000
2038 – 2042	220,000
2043 – 2047	129,000
2048 – 2050	52,000
	$ 8,573,000

12. Commitments and Contingencies

Construction Contracts
At June 30, 2017, the Dwelling Unit Revolving Fund ("DURF") had outstanding commitments to expend approximately $37,367,000 for land development and the construction and renovation of housing projects.

Loan Commitments
At June 30, 2017, the Rental Housing Revolving Fund had aggregate outstanding loan commitments of approximately $21,012,000.

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, 2017, 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 Leiali‘i is in West Maui and is located on public trust (ceded) land owned by the State of Hawai‘i. During fiscal year 2014, management decided not to pursue the development of Leiali‘i and wrote off approximately $6,386,000 in construction costs and approximately $5,500,000 of payments due to the Office of Hawaiian Affairs as the original obligation was deemed invalid. As of June 30, 2017, the Corporation still has development rights for most of the Leiali‘i project and development costs related to Leiali‘i were approximately $8,408,000 at June 30, 2017.

In 2008, the Corporation embarked on the development of another master planned community on non-ceded land in West Hawai‘i, 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”). Subsequent to June 30, 2017, 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 if there was no successor master plan developer in consideration of the outstanding loan balance deemed repaid in full. The master plan developer expended for such entitlements and simultaneously incurred a loan balance of approximately $21.9 million.

Also, the Corporation has other development costs and dwelling units of approximately $1,642,000 at June 30, 2017.

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 Hawai‘i’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, 2017, 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, 2017.

13. Kukui Gardens

On December 18, 2007, the Corporation purchased a portion of Kukui Gardens (the “Project”), an affordable housing project in Honolulu, Hawai‘i, for approximately $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 approximately $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. Accordingly, the Multifamily Housing Revenue Bond Fund has notes receivable of approximately $12,922,000 and revenue bonds payable of approximately $12,989,000 related to the Project on the accompanying statement of net position as of June 30, 2017. Currently, $3,158,000 of the bond bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $9,831,000 bears interest at a rate of 1.31% and matures annually through January 2042. The bond includes monthly payments of principal and interest with principal payments that range from approximately $2,000 to $41,000. 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, 2017 related to the Project was approximately $21,328,000. 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, 2017, DURF recognized approximately $1,600,000 of interest income related to the outstanding promissory notes. As of June 30, 2017, DURF has recorded approximately $13,800,000 of interest income receivable related to the outstanding promissory notes.

14. Benefit Plans

Substantially all employees of the Corporation participate in the State’s various employee benefit plans, including the ERS, postemployment healthcare and life insurance plan and a deferred compensation plan. For more information on the State’s benefit plans, refer to the State of Hawai‘i and ERS CAFRs. The State’s CAFR can be found at the DAGS website. The ERS CAFR can be found at the ERS website: *http://www.ers.ehawaii.gov.*

General Information on the 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.

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 by 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 July 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.

Noncontributory Class

- *Retirement Benefits* **–** General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by 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 by 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 designated 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 to the surviving spouse/reciprocal beneficiary 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 by 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 by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General 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 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 by 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. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

- *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 employer 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 2017 were 25% for police officers and firefighters and 17% for all other employees. Contributions to the pension plan from the Corporation were $606,000 for the year ended June 30, 2017.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for all employees other than police officers and firefighters, increases to 18% on July 1, 2017; 19% on July 1, 2018; 22% on July 1, 2019; and 24% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% 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, 2017, the Corporation reported a liability of $10,209,357 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Corporation’s proportion was 0.13% which was the same from its proportion measured as of June 30, 2015.

There were significant changes in actuarial assumptions effective June 30, 2016 based on the Five-Year Experience Study report dated July 5, 2016 that resulted in a significant increase in the measurement of the total pension liability. Primary drivers for the increase include a decrease in the investment return assumption and discount rate from 7.65% as of June 30, 2015 to 7.00% as of June 30, 2016; and a decrease in the mortality assumptions for longer life expectancy and an explicit assumption for continued future mortality improvement (generational approach).

There were no other changes between the measurement date, June 30, 2016, and the reporting date, June 30, 2017, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2017, the Corporation recognized pension expense of $1,168,000. At June 30, 2017, 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	$ 205,423	$ (141,771)
Changes of assumptions	1,851,127	-
Changes in proportion	33,931	(31,385)
Difference between projected and actual earnings on pension plan investments	548,473	-
Corporation contributions subsequent to the measurement date	606,047	-
Total	$ 3,245,001	$ (173,156)

The $606,000 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, 2018. 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,	
2018	$ 486,463
2019	486,463
2020	659,387
2021	575,572
2022	257,913
	$ 2,465,798

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Employees' Retirement System of the State of Hawai‘i, on December 12, 2016, based on the most recent experience study dated July 5, 2016:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, 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 Bespoke 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 by the ERS Board) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. 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	76.0%	8.35%
Principal protection	9.0%	2.20%
Real return	5.0%	6.15%
Crisis risk offset	10.0%	5.50%
Total investments	100.0%	

Discount Rate

The discount rate used to measure the net pension liability was 7.00%, a decrease from the 7.65% 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.

Sensitivity of the Corporation's Proportionate Share of the Net Pension Liability 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	$ 12,582,228	$ 10,209,357	$ 7,565,482

Pension Plan Fiduciary 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 fiduciary net position is available in the separately-issued ERS financial report. ERS’s complete financial statements are available at *http://www.ers.ehawaii.gov*.

Payables to the Pension Plan

At June 30, 2017, the Corporation prepaid expense to the ERS was $13,000.

Allocated Net Pension Liability

The following table shows the components of the net pension liability that was allocated to the Corporation for the years ended June 30, 2017 and 2016:

Balance at July 1, 2015	$ 6,554,065
Additions	974,232
Reductions	(662,481)
Balance at June 30, 2016	6,865,816
Additions	3,900,608
Reductions	(557,067)
Balance at June 30, 2017	$ 10,209,357

Post-retirement Health Care and Life Insurance Benefits

The State contributes to the EUTF, an agent multiple-employer defined benefit plan. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The eligibility requirements for retiree health benefits are based on date of hire. Act 88 established the EUTF during the 2001 legislative session and is codified in Chapter 87A, HRS.

The Corporation contributed approximately $565,000, $384,000 and $324,000, respectively, for fiscal years 2017, 2016 and 2015.

Allocated OPEB Cost

The following table shows the components of the annual OPEB cost that have been allocated to the Corporation for the years ended June 30, 2017 and 2016:

Balance at July 1, 2016	$ 4,504,596
Additions	847,114
Reductions	(565,047)
Balance at June 30, 2017	$ 4,786,663

Required Supplementary Information and Disclosures
The State's CAFR includes the required disclosures and required supplementary information on the State's pension and other postemployment benefit plans.

Deferred Compensation Plan
The State offers its employees 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.

15. Related Party 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, 2017, amounts due from DHHL include approximately $6,094,000 of principal, net of approximately $306,000 of imputed interest, and approximately $89,000 of accrued interest receivable. Interest income related to imputed interest on payments due from DHHL was approximately $178,000 during the year ended June 30, 2017.

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 $1,337,000 during the year ended June 30, 2017. These amounts have been recorded by the Corporation as rental income in the Hawaii Rental Housing System Revenue Bond Fund. In addition, the Corporation leases office space in the Pohulani building. During the year ended June 30, 2017, the Hawaii Rental Housing System Revenue Bond Fund recorded rental income of approximately $1,324,000, which was allocated as office rental expense to various funds of the Corporation. In addition, DAGS incurred approximately $1,158,000 in rent to the Hawaii Rental Housing System Revenue Bond Fund for leased space in the Pohulani building. The lease term with 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.

16. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
Multifamily Housing Revenue Bond Fund	Other Non-major Enterprise Funds	$ 2,306,297
Dwelling Unit Revolving Fund	Other Non-major Enterprise Funds	538,019
Other Non-major Enterprise Funds	Other Non-major Enterprise Funds	458,417
Other Non-major Enterprise Funds	Hawaii Rental Housing System Revenue Bond Fund	603,823
Other Non-major Enterprise Funds	Single Family Mortgage Purchase Revenue Bond Fund	189,933
	Total Proprietary interfund balances	$ 4,096,489
Other Non-major Enterprise Funds	Other Non-major Governmental Funds	$ 14,919
	Total Governmental interfund balances	$ 14,919

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

Supplementary Information

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2017

	Tax Credit Assistance Program Fund	National Foreclosure Mitigation Counseling Program Fund	Housing Trust Program Fund	Total Non-major Governmental Funds
Assets				
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ 8,335	$ 475	$ 8,810
Notes and loans receivable	9,861,610	-	-	9,861,610
Due from other governments	-	306	-	306
Total assets	$ 9,861,610	$ 8,641	$ 475	$ 9,870,726
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 7,039	-	$ 7,039
Due to other funds	-	702	14,126	14,828
Total liabilities	-	7,741	14,126	21,867
Fund balances – restricted	9,861,610	900	-	9,862,510
Fund balances – unrestricted	-	-	(13,651)	(13,651)
Total fund balances	9,861,610	900	(13,651)	9,848,859
Total liabilities and fund balances	$ 9,861,610	$ 8,641	$ 475	$ 9,870,726

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Change in Fund Balances
Year Ended June 30, 2017

	Tax Credit Assistance Program Fund	National Foreclosure Mitigation Counseling Program Fund	Housing Trust Program Fund	Total Non-major Governmental Funds
Revenues				
Intergovernmental	$ -	$ 152	$ -	$ 152
Other income	-	-	41,379	41,379
Total revenues	-	152	41,379	41,531
Expenditures				
Personnel services	-	-	47,759	47,759
Administration	-	153	7,271	7,424
Total expenditures	-	153	55,030	55,183
Change in fund balances	-	(1)	(13,651)	(13,652)
Fund balances				
Beginning of year	9,861,610	901	-	9,862,511
End of year	$ 9,861,610	$ 900	$ (13,651)	$ 9,848,859

See accompanying independent auditors' report.

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, 2017

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Disbursing Fund	Total
Assets and Deferred Outflows of Resources				
Current assets				
Equity in cash and cash equivalents and investments in State Treasury	$ 7,469,245	$ 7,129,458	$ 462,342	$ 15,061,045
Cash in banks	-	-	10,000	10,000
Receivables				
Accrued interest	824,106	23,781	-	847,887
Other	-	-	1,558	1,558
	824,106	23,781	1,558	849,445
Due from other funds	-	1,252,173	-	1,252,173
Prepaid expenses and other assets	131,786	-	-	131,786
Total current assets	8,425,137	8,405,412	473,900	17,304,449
Investments	5,368,797	-	-	5,368,797
Mortgage loans, net of allowance for loan losses of $33,946	2,249,985	5,290,171	-	7,540,156
Capital assets, net	-	-	36,100	36,100
Total assets	16,043,919	13,695,583	510,000	30,249,502
Deferred outflows of resources				
Deferred outflows on net pension liability	64,583	617,184	-	681,767
Total deferred outflows of resources	64,583	617,184	-	681,767
Total assets and deferred outflows of resources	$ 16,108,502	$ 14,312,767	$ 510,000	$ 30,931,269
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities				
Accounts payable	$ -	$ 61	$ -	$ 61
Other accrued expenses	22,269	130,158	-	152,427
Due to other funds, net	-	2,650,172	500,000	3,150,172
Due to other State departments	-	-	10,000	10,000
Security deposits	-	1,515,736	-	1,515,736
Total current liabilities	22,269	4,296,127	510,000	4,828,396
Postemployment liability	84,992	781,766	-	866,758
Net pension liability	181,593	1,668,574	-	1,850,167
Total liabilities	288,854	6,746,467	510,000	7,545,321
Deferred inflows of resources				
Deferred inflows on net pension liability	10,288	98,318	-	108,606
Total deferred inflows of resources	10,288	98,318	-	108,606
Commitments and contingencies				
Net position				
Net investment in capital assets	-	-	36,100	36,100
Unrestricted	15,809,360	7,467,982	(36,100)	23,241,242
Total net position	15,809,360	7,467,982	-	23,277,342
Total liabilities, deferred inflows of resources and net position	$ 16,108,502	$ 14,312,767	$ 510,000	$ 30,931,269

See accompanying independent auditors' report.

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, 2017

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Disbursing Fund	Total
Operating revenues				
Rental	$ -	$ 18,676	$ -	$ 18,676
Interest on mortgages, notes, loans and mortgage-backed securities	68,437	20,895	-	89,332
Other	-	2,686,254	-	2,686,254
Total operating revenues	68,437	2,725,825	-	2,794,262
Operating expenses				
Personnel services	110,119	1,997,783	-	2,107,902
Housing assistance payments	1,641,764	-	-	1,641,764
Administration	62,892	555,604	-	618,496
Professional services	3,410	74,338	-	77,748
Insurance	-	46,565	-	46,565
Provision for losses	-	20,915	-	20,915
Capital expenses	770	6,130	-	6,900
Other	39	147,115	-	147,154
Total operating expenses	1,818,994	2,848,450	-	4,667,444
Operating loss	(1,750,557)	(122,625)	-	(1,873,182)
Nonoperating revenues (expenses)				
Interest income	524,264	54,270	-	578,534
Net decrease in fair value of other investments	(433,707)	-	-	(433,707)
Other expense	-	(486)	-	(486)
Total nonoperating revenues	90,557	53,784	-	144,341
Loss before transfers	(1,660,000)	(68,841)	-	(1,728,841)
Transfers out	(9,500,000)	-	-	(9,500,000)
Change in net position	(11,160,000)	(68,841)	-	(11,228,841)
Net position				
Beginning of year	26,969,360	7,536,823	-	34,506,183
End of year	$ 15,809,360	$ 7,467,982	$ -	$ 23,277,342

See accompanying independent auditors’ report.

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, 2017

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Disbursing Fund	Total
Cash flows from operating activities				
Cash received from tenants	$ -	$ 334,769	$ -	$ 334,769
Cash received from borrowers				
Principal repayments	-	64,618	-	64,618
Interest income	102,894	9,817	-	112,711
Payments to employees	(97,424)	(1,840,148)	-	(1,937,572)
Payments to suppliers	(1,692,100)	(604,634)	(168,797)	(2,465,531)
Cash receipts from (payments to) other funds	-	364,084	(350,000)	14,084
Other cash receipts	-	2,519,099	-	2,519,099
Net cash provided by (used in) operating activities	(1,686,630)	847,605	(518,797)	(1,357,822)
Cash flows from noncapital financing activities				
Transfers out	(9,500,000)	-	-	(9,500,000)
Net cash used in noncapital financing activities	(9,500,000)	-	-	(9,500,000)
Cash flows from capital and related financing activities				
Sale of capital assets	-	-	24,068	24,068
Net cash provided by capital and related financing activities	-	-	24,068	24,068
Cash flows from investing activities				
Interest received	524,264	53,784	-	578,048
Net cash provided by investing activities	524,264	53,784	-	578,048
Net increase (decrease) in cash and cash equivalents	(10,662,366)	901,389	(494,729)	(10,255,706)
Cash and cash equivalents				
Beginning of year	18,131,611	6,228,069	967,071	25,326,751
End of year	$ 7,469,245	$ 7,129,458	$ 472,342	$ 15,071,045
Components of cash and cash equivalents				
Equity in cash and cash equivalents and investments in State Treasury	$ 7,469,245	$ 7,129,458	$ 462,342	$ 15,061,045
Cash in banks	-	-	10,000	10,000
Cash and cash equivalents	$ 7,469,245	$ 7,129,458	$ 472,342	$ 15,071,045

See accompanying independent auditors' report.

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, 2017

	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Disbursing Fund	Total
Cash flows from operating activities				
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating loss	$ (1,750,557)	$ (122,625)	$ -	$ (1,873,182)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Provision for recovery of losses	-	20,915	-	20,915
Net pension expense	12,695	157,635	-	170,330
Changes in assets and liabilities				
Mortgage loans receivable	-	64,618	-	64,618
Accrued interest receivable	34,457	(11,078)	-	23,379
Due from other funds	-	123,207	-	123,207
Prepaid expenses and other assets	9,632	-	-	9,632
Accounts payable	-	10	(168,797)	(168,787)
Other accrued expenses	2,443	4,977	-	7,420
Postemployment liability	4,700	73,256	-	77,956
Due to other funds	-	240,877	(350,000)	(109,123)
Due to State of Hawaii	-	(20,280)	-	(20,280)
Security deposits	-	316,093	-	316,093
Net cash provided by (used in) operating activities	$ (1,686,630)	$ 847,605	$ (518,797)	$ (1,357,822)

See accompanying independent auditors' report.

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, 2017

The Corporation’s cash and short-term investments consist of the following as of June 30, 2017:

Equity in State Treasury investment pool – Government-wide	$ 262,143,085
Cash in banks	3,901,660
Restricted cash and cash equivalents held by trustees	63,055,471
Deposits held in trust	25,130
	$ 329,125,346

Total cash and short-term investments are in agreement with the State Comptroller’s central accounting records as of June 30, 2017, as reconciled below:

	Appropriation Symbol	Balance at June 30, 2017
Cash in State Treasury		
Special Funds	S-13-375-B	$ 18,274
	S-14-213-B	5,582
	S-14-375-B	134,209
	S-14-503-B	2,261
	S-15-375-B	435,216
	S-15-376-B	15,000
	S-16-314-B	6,005
	S-16-375-B	505,348
	S-16-376-B	56,468
	S-17-314-B	456,337
	S-17-320-B	23,002
	S-17-321-B	74,372
	S-17-375-B	89,448,308
	S-17-376-B	6,916,945
	S-17-378-B	7,469,360
	S-17-380-B	156,524,216
Total cash held in State Treasury, as reported by State Comptroller’s accounting records		$ 262,090,903

See accompanying independent auditors’ report.

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, 2017

	Balance at June 30, 2017
Reconciling items	
Journal vouchers not recorded by DAGS	$ 2,082
Other	50,100
	52,182
Cash and short-term investments held outside State Treasury	
Cash in bank	3,901,660
Restricted cash held by trustees	63,055,471
Deposits held in trust	25,130
	66,982,261
Cash and short-term investments on Statement of Net Assets	$ 329,125,346

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
(A Component Unit of the State of Hawai‘i)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

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 Partnerships Program	14.239	$ 6,038,206	$ 5,887,036
Housing Trust Fund	14.275	55,030	-
U.S. Department of Treasury			
Passed through The Neighborhood Reinvestment Corporation – National Foreclosure Mitigation Counseling	21.000	152	-
Total federal expenditures		$ 6,093,388	$ 5,887,036

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 accrual 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 Hawai‘i

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 Hawai‘i, Hawaii Housing Finance and Development Corporation (the “Corporation”) as of and for the year ended June 30, 2017, 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, 2017.

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.

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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 *Government 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawai'i
December 13, 2017

Accuity LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by 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 each of the Corporation's major federal programs for the year ended June 30, 2017. The Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Auditors' Responsibility
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 necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each 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 each of its major federal programs for the year ended June 30, 2017.

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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, material weaknesses may exist that have not been identified.

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, 2017

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting		
• Material weakness(es) identified?	__ Yes	√ No
• Significant deficiency(ies) identified?	__ Yes	√ None reported
Noncompliance material to financial statements noted?	__ Yes	√ No

Federal Awards

Internal control over major programs		
• Material weakness(es) identified?	__ Yes	√ No
• Significant deficiency(ies) identified?	__ Yes	√ None reported
Type 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
14.239	Home Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type 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

No current year federal award findings and questioned costs.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

There were no prior audit findings or questioned costs.