CERTIFIED PUBLIC ACCOUNTANTS

State of Hawai‘i
Hawaii Housing Finance and Development Corporation

Financial and Compliance Audit

June 30, 2015

Submitted by
The Auditor
State of Hawai‘i

Quality *Integrity* *Insight*

Page(s)

Supplementary Information

PART II – COMPLIANCE AND INTERNAL CONTROL

PART I
Financial Statements

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, 2015 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.

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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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the HOME Investment Partnership Program and the Neighborhood Stabilization Program Fund 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 Hawai‘i as of June 30, 2015, 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 and budgetary comparison information on pages 4 through 13 and pages 21 through 22 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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.

Change in Accounting Principle
As discussed in Note 17 to the financial statements, in 2015, the Corporation adopted GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015 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, Hawaii
December 23, 2015

The management of the State of Hawaiʻi, 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 ("FYE") June 30, 2015. 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, Hawaiʻi, Maui, and Kauaʻi. 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, 2015. The financial statements consist of Management's Discussion and Analysis, 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, the Corporation's major and non-major proprietary funds, which operate similar 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.

- 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, 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 combining section of the financial statements.

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 to the Corporation on an accrual basis of accounting for the year ended June 30, 2015.

Implementation of GASB Statements Nos. 68 and 71
During fiscal year 2015, the Corporation implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The adoption of Statement Nos. 68 and 71 has resulted in a prior period adjustment of the Corporation's beginning net position as of July 1, 2014 to reflect the reporting of net pension liability in accordance with the provisions of Statement No. 68 and deferred outflows of resources related to pensions in accordance with Statement No. 71. Retroactive implementation of GASB Statement No. 68 was not deemed practical by management due to the cost and timing required to obtain and analyze the activity covering fiscal year 2014.

Net position as of July 1, 2014 decreased by $6,496,000 to $584,355,000, reflecting the retrospective effect of adoption.

Net pension liability of approximately $6,554,000, deferred outflow of resources related to pensions of approximately $793,000, and deferred inflows of resources related to pensions of approximately $767,000 were reported as of June 30, 2015. For the fiscal year ended June 30, 2015, the Corporation recognized pension expense of approximately $562,000. Refer to Note 14 for more information regarding the Corporation's pension.

Government-wide Financial Analysis

As noted earlier, the *statement of net position* presents all of the Corporation's assets and deferred inflows of resources less liabilities, 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, 2015, the Corporation's total net position was approximately $629,193,000, an increase of $38,342,000 (or 6.5%) from the previous year.

Government-Wide Condensed Statements of Net Position
June 30, 2015 and 2014
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		
	2015	2014	2015	2014 (Reclassified)	2015	2014 (Reclassified)	Percent Change
Current assets	$ 15,291	$ 7,019	$ 249,724	$ 241,545	$ 265,015	$ 248,564	6.6%
Assets held by trustee	-	-	143,723	164,070	143,723	164,070	-12.4%
Capital assets	-	-	91,293	96,256	91,293	96,256	-5.2%
Other assets	9,861	9,862	504,127	486,586	513,988	496,448	3.5%
Total assets	25,152	16,881	988,867	988,457	1,014,019	1,005,338	0.9%
Deferred outflows of resources	-	-	1,296	588	1,296	588	120.4%
Total deferred outflows of resources	-	-	1,296	588	1,296	588	120.4%
Total assets and deferred outflows of resources	$ 25,152	$ 16,881	$ 990,163	$ 989,045	$ 1,015,315	$ 1,005,926	0.9%
Current liabilities	$ 7	$ 19	$ 27,288	$ 14,824	$ 27,295	$ 14,843	83.9%
Long-term liabilities	-	-	358,060	400,232	358,060	400,232	-10.5%
Total liabilities	7	19	385,348	415,056	385,355	415,075	-7.2%
Deferred inflows of resources	-	-	767	-	767	-	100.0%
Total deferred inflows of resources	-	-	767	-	767	-	100.0%
Net position							
Net investment in capital assets	-	-	34,622	35,073	34,622	35,073	-1.3%
Restricted	18,145	9,862	113,125	135,144	131,270	145,006	-9.5%
Unrestricted	7,000	7,000	456,301	403,772	463,301	410,772	12.8%
Total net position	25,145	16,862	604,048	573,989	629,193	590,851	6.5%
Total liabilities, deferred inflows of resources and net position	$ 25,152	$ 16,881	$ 990,163	$ 989,045	$ 1,015,315	$ 1,005,926	0.9%

Current assets increased by approximately $16,451,000 (or 6.6%) during 2015 primarily related to increases in cash and cash equivalents and investments in the State Treasury of $33,148,000, mortgage loan receivables of $9,025,000, and appropriations due from the State of $8,282,000, offset by a decrease in notes and loans receivable of approximately $34,410,000.

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 $20,347,000 (or 12.4%) during 2015 due primarily to a net decrease in the cash and cash equivalents and investments of approximately $6,972,000 and $15,048,000 in the Single Family Mortgage Purchase Revenue Bond Fund and Multifamily Housing Revenue Bond Fund, respectively, due to repayments of issued bonds. Restrictions on net position, which represent resources that are subject to external restrictions on how they may be used, primarily include the assets held by trustee and decreased by approximately $13,736,000 (or 9.5%) during 2015.

Capital assets decreased by approximately $4,963,000 (or 5.2%) during 2015 primarily due to the sale of fully depreciated Kama‘aina Hale rental building and equipment and depreciation expense of $5,303,000.

Other assets increased by approximately $17,540,000 (or 3.5%) during 2015 primarily due to a net increase of approximately $22,792,000 and $18,264,000 in the long-term portion of mortgage or construction loans in the Rental Housing Trust Fund and Dwelling Unit Revolving Fund, respectively, offset by a net decrease of approximately $20,868,000 in the long-term portion of mortgage loans in the Multifamily Housing Revenue Bond Fund.

Current liabilities increased by approximately $12,452,000 (or 83.9%) during 2015 primarily due to an increase in the current portion of revenue bonds payable of approximately $13,173,000.

Long-term liabilities decreased by approximately $42,173,000 (or 10.5%) primarily due to a decrease in the long-term portion of revenue bonds of approximately $50,909,000, offset by the establishment of the net pension liability of approximately $6,554,000.

Net position 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.

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, 2015 and 2014
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2015	2014	2015	2014	2015	2014	Change
Revenues							
Program revenues							
Charges for services	$ -	$ -	$ 74,092	$ 58,683	$ 74,092	$ 58,683	26.3%
Operating grants and contributions	4,878	5,328	4,586	4,687	9,464	10,015	-5.5%
General revenues							
State allotted appropriations, net of lapses	7,832	8,300	-	-	7,832	8,300	-5.6%
Total revenues	12,710	13,628	78,678	63,370	91,388	76,998	18.7%
Expenses							
Governmental activities							
Expenditures	4,877	5,396	-	-	4,877	5,396	-9.6%
Business-type activities							
Rental assistance program	-	-	1,998	1,959	1,998	1,959	2.0%
Housing development program	-	-	8,829	12,636	8,829	12,636	-30.1%
Multi-family mortgage loan programs	-	-	6,207	5,241	6,207	5,241	18.4%
Single-family mortgage loan program	-	-	2,033	5,103	2,033	5,103	-60.2%
Rental housing program	-	-	20,624	19,779	20,624	19,779	4.3%
Others	-	-	2,013	1,662	2,013	1,662	21.1%
Total expenses	4,877	5,396	41,704	46,380	46,581	51,776	-10.0%
Net change before transfers	7,833	8,232	36,974	16,990	44,807	25,222	77.7%
Transfers	450	(8,300)	(419)	15,911	31	7,611	-99.6%
Change in net position	8,283	(68)	36,555	32,901	44,838	32,833	36.6%
Net position							
Beginning of year	16,862	16,930	573,989	541,088	590,851	558,018	5.9%
Prior period adjustment for change in accounting principle	-	-	(6,496)	-	(6,496)	-	-100.0%
Beginning of year, as restated	16,862	16,930	567,493	541,088	584,355	558,018	4.7%
End of year	$ 25,145	$ 16,862	$ 604,048	$ 573,989	$ 629,193	$ 590,851	6.5%

Governmental Activities

For the fiscal year ended June 30, 2015, total net position of the governmental activities increased by approximately $8,283,000 from $16,862,000 in 2014 to $25,145,000 in 2015. The increase is primarily due to State allotted appropriations, net of lapses of $7,832,000.

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 ending June 30, 2015, business-type activities increased the Corporation’s net position by approximately $36,555,000 after transfers of $419,000. Key elements of this increase are as follows:

- Total revenues of $78,678,000 exceeded total expenses by $36,974,000. Revenues primarily consisted of $74,092,000 in charges for services for 2015, while the $41,704,000 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 requirement.

Governmental Funds
At June 30, 2015, the Corporation’s governmental funds reported total fund balances of $25,145,000.

The governmental funds consist of three major funds and several non-major funds. The three major funds are the (1) HOME Investment Partnership Program, (2) Neighborhood Stabilization Program (“NSP”) Fund, and (3) 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 no ending fund balance at June 30, 2015 as all revenues recognized were expended.

- The *Neighborhood Stabilization Program Fund* 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 fund had no ending fund balances at June 30, 2015 as all revenues recognized were expended.

- 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 $15,282,000 as of June 30, 2015.

Proprietary Funds
The proprietary funds consist of five major and several non-major funds. The five major funds are the: (1) Rental Housing Trust 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 Trust 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 approximately $41,230,000 in 2015, compared to an increase of $24,660,000 in 2014. The 2015 increase in net position consisted of conveyance tax collections of approximately $39,511,000, loan interest income of $1,701,000, and $398,000 of interest on investments, less operating expenses of approximately $530,000.

Conveyance taxes increased by approximately $16,746,000 (or 73.6%) to $39,511,000 in 2015 from $22,765,000 in 2014, due to an increase in real estate activity compared to last year and an increase in the percentage of conveyance tax received from 30% in 2014 to 50% in 2015. 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 interim financing, which generates rents, sales proceeds and interest earnings from the financing and investment of such funds. The fund had a decrease in net position of $3,516,000 in 2015, which was due primarily to operating expenses of $8,829,000 exceeding operating revenues of $4,507,000 and interest income of $1,225,000. Operating expenses included an increase in the estimate to complete the Kapolei project of $3,080,000.

- 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 a loss of approximately $374,000 in 2015, which was an increase of approximately $63,000 (or 20.3%) from the loss of $311,000 in 2014. The increase in the loss is primarily due to the recording of the net pension liability allocated to fund during 2015.

- 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 increased by approximately $1,492,000, as a result of an operating income of $887,000 and net non-operating revenues of $605,000.

- 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 decreased by approximately $108,000 primarily as a result of operating expenses which is comprised mostly of interest expense exceeding operating revenues, which is comprised mostly of interest income on mortgage loans.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the Corporation had invested approximately $91,293,000 (net of accumulated depreciation of $117,088,000) in a broad range of capital assets. This amount represents a decrease of approximately $4,963,000 (or 5.2%) over the prior year, primarily due to depreciation expense of $5,303,000.

Corporation’s Capital Assets
June 30, 2015 and 2014
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percent
	2015	2014	2015	2014	2015	2014	Change
Land	$ -	$ -	$ 43,228	$ 43,231	$ 43,228	$ 43,231	0.0%
Buildings and improvements	-	-	162,072	165,469	162,072	165,469	-2.1%
Equipment	568	568	2,513	2,601	3,081	3,169	-2.8%
Total	568	568	207,813	211,301	208,381	211,869	-1.6%
Accumulated depreciation	(568)	(568)	(116,520)	(115,045)	(117,088)	(115,613)	1.3%
Total capital assets, net	$ -	$ -	$ 91,293	$ 96,256	$ 91,293	$ 96,256	-5.2%

Debt Administration

Through June 30, 2015, approximately $2.7 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, decreased by approximately $37,737,000 to approximately $300,035,000 at June 30, 2015 from $337,771,000 at June 30, 2014. During the year ended June 30, 2015, the Corporation drew $47,588,000 from the drawdown bonds in the Multifamily Housing System. Bond redemptions were approximately $8,197,000, $2,785,000 and $74,307,000 for the Single Family Mortgage Purchase, Hawaii Rental Housing System and Multifamily Housing Revenue Bond Funds, respectively.

As of June 30, 2015, Moody’s Investors Service’s rating of the Corporation continued to be A2 with a negative outlook. The Corporation’s bond ratings for the Single Family Mortgage Purchase Revenue Bond program were as follows:

- Standard & Poor’s Rating Services: AA+
- Moody’s Investors Service: Aaa
- Fitch Ratings: AAA

Currently Known Facts, Decisions or Conditions

- The Corporation is currently exploring options to expand the use of Public-Private Partnerships (“PPP”) to operate its affordable rental housing projects. A PPP is a contractual arrangement between public and private sector entities that pools together and shares the skills and resources, as well as the risks and rewards, of each sector to achieve the common goal of delivering a public service. Through PPPs, the Corporation expects to achieve a more cost-efficient and effective means of not just developing, but also managing, maintaining and operating affordable rental housing projects.

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, Hawaii 96813.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Statement of Net Position
June 30, 2015

	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	$ 9,158	$ 206,968,114	$ 206,977,272
Cash in banks	103	2,658,185	2,658,288
Receivables			
Mortgage loans	-	10,637,294	10,637,294
Notes and loans	-	4,807,473	4,807,473
Accrued interest	-	20,869,034	20,869,034
Tenant receivables, less allowance for doubtful accounts of $735,599	-	129,628	129,628
Other receivables, less allowance for doubtful accounts of $135,591	-	2,206,277	2,206,277
Total receivables	-	38,649,706	38,649,706
Cash held by third parties	-	230,822	230,822
Due from State	15,282,117	-	15,282,117
Due from other governments	2,131	-	2,131
Internal balances	(2,726)	2,726	-
Due from other State departments, net	-	988,196	988,196
Prepaid expenses and other assets	-	200,862	200,862
Deposits held in trust	-	25,130	25,130
Total current assets	15,290,783	249,723,741	265,014,524
Assets held by Trustees under revenue bond programs			
Cash and cash equivalents	-	57,491,546	57,491,546
Investments	-	86,231,182	86,231,182
	-	143,722,728	143,722,728
Other receivables	-	29,636	29,636
Due from other State departments	-	8,100,000	8,100,000
Inventories – development in progress and dwelling units	-	10,483,328	10,483,328
Investments	-	6,139,704	6,139,704
Mortgage loans, net of allowance for loan losses of $98,193	-	360,888,213	360,888,213
Notes and loans	9,861,610	118,012,828	127,874,438
Restricted deposits and funded reserves	-	474,001	474,001
Capital assets, net	-	91,292,552	91,292,552
Total assets	25,152,393	988,866,731	1,014,019,124
Deferred outflows of resources			
Deferred loss on refunding	-	502,537	502,537
Deferred outflows on net pension liability	-	793,299	793,299
Total deferred outflows of resources	-	1,295,836	1,295,836
Total assets and deferred outflows of resources	$ 25,152,393	$ 990,162,567	$ 1,015,314,960

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Accounts payable	$ 7,765	$ 608,266	$ 616,031
Accrued expenses			
Interest	-	3,758,556	3,758,556
Other	-	866,570	866,570
Security deposits	-	2,312,233	2,312,233
Note payable	-	14,162	14,162
Mortgages payable	-	54,261	54,261
Unearned income	-	475,725	475,725
Revenue bonds payable, net	-	19,198,215	19,198,215
Total current liabilities	7,765	27,287,988	27,295,753
Noncurrent liabilities			
Arbitrage rebate payable	-	171,595	171,595
Note payable	-	154,149	154,149
Mortgages payable	-	5,242,523	5,242,523
Revenue bonds payable, net	-	280,837,486	280,837,486
Estimated future costs of development	-	37,539,579	37,539,579
Unearned income	-	21,712,825	21,712,825
Unrealized gain on sale of units and land	-	1,762,360	1,762,360
Postemployment liability	-	4,085,145	4,085,145
Net pension liability		6,554,065	6,554,065
Total liabilities	7,765	385,347,715	385,355,480
Deferred inflows of resources			
Deferred inflows on net pension liability	-	766,844	766,844
Total deferred inflows of resources	-	766,844	766,844
Commitments and contingencies			
Net position			
Net investment in capital assets	-	34,621,631	34,621,631
Restricted by legislation and contractual agreements	18,144,628	113,124,826	131,269,454
Unrestricted	7,000,000	456,301,551	463,301,551
Total net position	25,144,628	604,048,008	629,192,636
Total liabilities, deferred inflows of resources and net position	$ 25,152,393	$ 990,162,567	$ 1,015,314,960

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Statement of Activities
Year Ended June 30, 2015

		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 program	$ 4,877,380	$ -	$ 4,878,281	$ 901	$ -	$ 901
Total governmental activities	4,877,380	-	4,878,281	901	-	901
Business-type activities						
Rental assistance program	1,997,776	68,494	130,403	-	(1,798,879)	(1,798,879)
Housing development program	8,828,817	2,623,243	3,108,811	-	(3,096,763)	(3,096,763)
Multi-family mortgage loan program	6,207,494	46,930,847	398,198	-	41,121,551	41,121,551
Single-family mortgage loan program	2,033,104	2,868,246	657,079	-	1,492,221	1,492,221
Rental housing program	20,624,153	19,855,431	291,867	-	(476,855)	(476,855)
Others	2,013,406	1,745,570	226	-	(267,610)	(267,610)
Total business-type activities	41,704,750	74,091,831	4,586,584	-	36,973,665	36,973,665
Total	$ 46,582,130	$ 74,091,831	$ 9,464,865	901	36,973,665	36,974,566
General revenues						
State allotted appropriations, net of lapses				7,832,000	-	7,832,000
Net transfers				450,117	(418,817)	31,300
Total general revenues and transfers				8,282,117	(418,817)	7,863,300
Change in net position				8,283,018	36,554,848	44,837,866
Net position						
Beginning of year				16,861,610	573,988,889	590,850,499
Prior period adjustment for change in accounting principle				-	(6,495,729)	(6,495,729)
Beginning of year, as restated				16,861,610	567,493,160	584,354,770
End of year				$ 25,144,628	$ 604,048,008	$ 629,192,636

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

State of Hawai'i
Hawaii Housing Finance and Development Corporation
Governmental Funds
Balance Sheet
June 30, 2015

	HOME Investment Partnership Program	Neighborhood Stabilization Program Fund	General Obligation Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ -	$ -	$ 9,158	$ 9,158
Cash in banks	103	-	-	-	103
Notes and loans receivable	-	-	-	9,861,610	9,861,610
Due from State	-	-	15,282,117	-	15,282,117
Due from other governments	2,131	-	-	-	2,131
Total assets	$ 2,234	$ -	$ 15,282,117	$ 9,870,768	$ 25,155,119
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 7,765	$ 7,765
Due to other funds	2,234	-	-	492	2,726
Total liabilities	2,234	-	-	8,257	10,491
Fund balances					
Restricted	-	-	8,282,117	9,862,511	18,144,628
Committed	-	-	7,000,000	-	7,000,000
Total fund balances	-	-	15,282,117	9,862,511	25,144,628
Total liabilities and fund balances	$ 2,234	$ -	$ 15,282,117	$ 9,870,768	$ 25,155,119

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total fund balances – governmental funds		$ 25,144,628
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	$ 567,704	
Accumulated depreciation	(567,704)	
Total capital assets		-
Net position of governmental activities		$ 25,144,628

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Governmental Funds
Statement of Revenues, Expenditures and Change in Fund Balances
Year Ended June 30, 2015

	HOME Investment Partnership Program	Neighborhood Stabilization Program Fund	General Obligation Bond Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
State allotted appropriations, net of lapses	$ -	$ -	$ 7,832,000	$ -	$ 7,832,000
Intergovernmental revenue	4,675,467	165,054	-	37,760	4,878,281
Total revenue	4,675,467	165,054	7,832,000	37,760	12,710,281
Expenditures					
Programs	4,503,589	165,054	-	36,859	4,705,502
Personnel services	138,864	-	-	-	138,864
Administration	25,887	-	-	-	25,887
Professional services	7,127	-	-	-	7,127
Total expenditures	4,675,467	165,054	-	36,859	4,877,380
Other financing uses					
Transfers out	-	-	450,117	-	450,117
Change in fund balances	-	-	8,282,117	901	8,283,018
Fund balances					
Beginning of year	-	-	7,000,000	9,861,610	16,861,610
End of year	$ -	$ -	$ 15,282,117	$ 9,862,511	$ 25,144,628

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
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, 2015

Net change in fund balances – total governmental funds		$ 8,283,018
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		$ 8,283,018

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Budgetary Comparison Statement – HOME Investment Partnership Program
Year Ended June 30, 2015

	Original and Final Budgets	Budgetary Actual
Revenues		
Intergovernmental revenue	$ 4,675,467	$ 4,675,467
Expenditures		
Programs	4,503,589	4,503,589
Personnel services	138,864	138,864
Administration	25,887	25,887
Professional services	7,127	7,127
Total expenditures	4,675,467	4,675,467
Excess of revenues over expenditures	$ -	-
Fund balance		
Beginning of year		-
End of year		$ -

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

State of Hawaiʻi
Hawaii Housing Finance and Development Corporation
Budgetary Comparison Statement – Neighborhood Stabilization Program Fund
Year Ended June 30, 2015

	Original and Final Budgets	Budgetary Actual
Revenues		
Intergovernmental revenue	$ 165,054	$ 165,054
Expenditures		
Total expenditures	165,054	165,054
Excess of revenues over expenditures	$ -	-
Fund balances		
Beginning of year		-
End of year		$ -

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Net Position
June 30, 2015

	Rental Housing Trust 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	$ 97,104,669	$ 84,168,452	$ -	$ -	$ -	$ 25,694,993	$ 206,968,114
Cash in banks	-	274,349	2,340,938	-	-	42,898	2,658,185
Receivables							
Mortgage loans	335,070	-	-	259,665	10,042,559	-	10,637,294
Notes and loans	-	4,807,473	-	-	-	-	4,807,473
Accrued interest	6,470,905	12,176,911	-	248,486	1,013,420	959,312	20,869,034
Tenant receivables, less allowance for doubtful accounts of $735,599	-	51,488	-	-	-	78,140	129,628
Other receivables, less allowance for doubtful accounts of $135,591	-	2,026,870	-	-	151,703	27,704	2,206,277
Total receivables	6,805,975	19,062,742	-	508,151	11,207,682	1,065,156	38,649,706
Cash held by third parties	-	-	230,822	-	-	-	230,822
Due from other funds	-	695,500	-	-	1,917,576	1,406,294	4,019,370
Due from other State departments	-	1,700,000	-	-	-	-	1,700,000
Prepaid expenses and other assets	-	-	50,750	2,681	-	147,431	200,862
Deposits held in trust	-	25,130	-	-	-	-	25,130
Total current assets	103,910,644	105,926,173	2,622,510	510,832	13,125,258	28,356,772	254,452,189
Assets held by Trustees under revenue bond programs							
Cash and cash equivalents	-	-	31,071,903	15,515,380	10,904,263	-	57,491,546
Investments	-	-	-	86,088,771	142,411	-	86,231,182
	-	-	31,071,903	101,604,151	11,046,674	-	143,722,728
Other receivables	-	-	29,636	-	-	-	29,636
Due from other State departments	-	8,100,000	-	-	-	-	8,100,000
Inventories – development in progress and dwelling units	-	10,483,328	-	-	-	-	10,483,328
Investments	-	-	-	-	-	6,139,704	6,139,704
Mortgage loans, net of allowance for loan losses of $98,193	221,159,675	418,664	-	543,123	131,059,516	7,707,235	360,888,213
Notes and loans	-	118,012,828	-	-	-	-	118,012,828
Restricted deposits and funded reserves	-	-	-	-	-	474,001	474,001
Capital assets, net	-	37,027,812	50,504,196	-	-	3,760,544	91,292,552
Total assets	325,070,319	279,968,805	84,228,245	102,658,106	155,231,448	46,438,256	993,595,179
Deferred outflows of resources							
Deferred loss on refunding	-	-	470,407	32,130	-	-	502,537
Deferred outflows on net pension liability	35,095	461,346	71,235	66,074	38,716	120,833	793,299
Total deferred outflows of resources	35,095	461,346	541,642	98,204	38,716	120,833	1,295,836
Total assets and deferred outflows of resources	$ 325,105,414	$ 280,430,151	$ 84,769,887	$ 102,756,310	$ 155,270,164	$ 46,559,089	$ 994,891,015

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Net Position
June 30, 2015

	Rental Housing Trust 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	$ -	$ 4,506	$ 82,294	$ 8,584	$ 147,235	$ 365,647	$ 608,266
Accrued expenses							
Interest	-	-	1,967,124	729,366	1,062,066	-	3,758,556
Other	48,229	502,310	67,889	76,797	41,088	130,257	866,570
Due to other funds	7,178	80,523	592,156	195,852	-	3,140,935	4,016,644
Due to other State departments	-	701,804	-	-	-	10,000	711,804
Security deposits	-	41,430	1,247,813	-	-	1,022,990	2,312,233
Note payable	-	14,162	-	-	-	-	14,162
Mortgages payable	-	-	-	-	-	54,261	54,261
Unearned income	-	384,615	91,110	-	-	-	475,725
Revenue bonds payable	-	-	2,933,227	6,119,000	10,145,988	-	19,198,215
Total current liabilities	55,407	1,729,350	6,981,613	7,129,599	11,396,377	4,724,090	32,016,436
Noncurrent liabilities							
Arbitrage rebate payable	-	-	-	171,595	-	-	171,595
Note payable	-	154,149	-	-	-	-	154,149
Mortgages payable	-	-	-	-	-	5,242,523	5,242,523
Revenue bonds payable	-	-	79,814,909	59,213,062	141,809,515	-	280,837,486
Estimated future costs of development	-	37,539,579	-	-	-	-	37,539,579
Unearned income	-	21,712,825	-	-	-	-	21,712,825
Unrealized gain on sale of units and land	-	1,762,360	-	-	-	-	1,762,360
Postemployment liability	180,727	2,375,736	366,829	340,251	199,370	622,232	4,085,145
Net pension liability	289,951	3,811,542	588,527	545,887	319,861	998,297	6,554,065
Total liabilities	526,085	69,085,541	87,751,878	67,400,394	153,725,123	11,587,142	390,076,163
Deferred inflows of resources							
Deferred inflows on net pension liability	33,925	445,961	68,859	63,870	37,425	116,804	766,844
Total deferred inflows of resources	33,925	445,961	68,859	63,870	37,425	116,804	766,844
Commitments and contingencies							
Net position							
Net investment in capital assets	-	36,859,501	(701,630)	-	-	(1,536,240)	34,621,631
Restricted by legislation and contractual agreements	-	-	-	101,604,151	11,046,674	474,001	113,124,826
Unrestricted	324,545,404	174,039,148	(2,349,220)	(66,312,105)	(9,539,058)	35,917,382	456,301,551
Total net position	324,545,404	210,898,649	(3,050,850)	35,292,046	1,507,616	34,855,143	604,048,008
Total liabilities, deferred inflows of resources and net position	$ 325,105,414	$ 280,430,151	$ 84,769,887	$ 102,756,310	$ 155,270,164	$ 46,559,089	$ 994,891,015

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2015

	Rental Housing Trust 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	$ 39,510,777	$ -	$ -	$ -	$ -	$ -	$ 39,510,777
Rental	-	1,663,343	18,344,157	-	-	574,142	20,581,642
Interest on mortgages, notes, loans and mortgage-backed securities	1,701,117	1,883,876	-	2,857,762	5,124,785	97,437	11,664,977
Net decrease in fair value of mortgage-backed securities	-	-	-	24,384	-	-	24,384
Gain on sale of land, net	-	200,791	-	-	-	-	200,791
Other	149,487	759,109	935,915	10,484	444,681	1,717,844	4,017,520
Total operating revenues	41,361,381	4,507,119	19,280,072	2,892,630	5,569,466	2,389,423	76,000,091
Operating expenses							
Interest expense	-	-	3,955,993	1,966,503	5,134,450	-	11,056,946
Programs	-	1,488,704	8,868,022	-	-	-	10,356,726
Personnel services	452,987	2,510,670	716,611	(268,331)	482,925	1,863,520	5,758,382
Depreciation	-	202,050	4,943,795	-	-	157,292	5,303,137
Provision for losses	-	3,079,711	541,958	-	-	15,037	3,636,706
Housing assistance payments	-	-	-	-	-	1,812,189	1,812,189
Administration	50,028	1,037,603	45,292	240,650	18,108	406,816	1,798,497
Professional services	22,934	343,305	75,091	35,109	38,699	69,063	584,201
Capital expenses	3,275	74,844	247,234	13,796	3,516	13,393	356,058
Insurance	-	24,256	132,388	-	-	87,253	243,897
Repairs and maintenance	572	67,550	22,131	-	-	60,629	150,882
Utilities	-	-	-	1,905	-	111,182	113,087
Other	-	124	59,434	16,184	-	3,880	79,622
Total operating expenses	529,796	8,828,817	19,607,949	2,005,816	5,677,698	4,600,254	41,250,330
Operating income (loss) carried forward	40,831,585	(4,321,698)	(327,877)	886,814	(108,232)	(2,210,831)	34,749,761

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2015

	Rental Housing Trust 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 income (loss) brought forward	40,831,585	(4,321,698)	(327,877)	886,814	(108,232)	(2,210,831)	34,749,761
Nonoperating revenues (expenses)							
Interest income	398,198	1,224,935	36,066	657,079	-	701,267	3,017,545
Net decrease in fair value of other investments	-	-	-	-	-	(314,837)	(314,837)
Interest expense	-	-	-	-	-	(344,386)	(344,386)
Amortization of deferred loss on refunding	-	-	(46,196)	-	-	-	(46,196)
Arbitrage rebate	-	-	-	(51,672)	-	-	(51,672)
Other expenses	-	-	(35,700)	-	-	(850)	(36,550)
Total nonoperating revenues (expenses)	398,198	1,224,935	(45,830)	605,407	-	41,194	2,223,904
Income (loss) before transfers	41,229,783	(3,096,763)	(373,707)	1,492,221	(108,232)	(2,169,637)	36,973,665
Transfers in	-	(418,817)	-	-	-	-	(418,817)
Change in net position	41,229,783	(3,515,580)	(373,707)	1,492,221	(108,232)	(2,169,637)	36,554,848
Net position							
Beginning of year	283,456,186	218,378,093	(2,279,822)	34,735,461	1,782,622	37,916,349	573,988,889
Prior period adjustment for change in accounting principle	(140,565)	(3,963,864)	(397,321)	(935,636)	(166,774)	(891,569)	(6,495,729)
Beginning of year, as restated	283,315,621	214,414,229	(2,677,143)	33,799,825	1,615,848	37,024,780	567,493,160
End of year	$ 324,545,404	$ 210,898,649	$ (3,050,850)	$ 35,292,046	$ 1,507,616	$ 34,855,143	$ 604,048,008

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015

	Rental Housing Trust 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	$ -	$ 1,239,802	$ 17,941,951	$ -	$ -	$ 308,082	$ 19,489,835
Cash received from borrowers							
Principal repayments	10,649,009	23,926,287	-	363,383	48,610,368	106,376	83,655,423
Interest income	805,050	3,582,994	-	3,022,097	5,249,504	128,248	12,787,893
Cash received from sale of units and land	-	1,291,584	-	-	-	-	1,291,584
Cash received from conveyance taxes	39,510,777	-	-	-	-	-	39,510,777
Cash received for payments on mortgage-backed securities, net	-	-	-	8,068,860	-	-	8,068,860
Cash payments for issuance of loans receivable	(33,411,712)	(10,579,291)	-	-	(36,837,651)	-	(80,828,654)
Interest payments	-	-	(4,010,041)	(2,027,082)	(5,210,523)	-	(11,247,646)
Payments to employees	(177,367)	(2,678,377)	(379,189)	(364,272)	(331,128)	(1,760,821)	(5,691,154)
Payments to suppliers	(76,809)	(5,119,193)	(9,573,249)	(323,986)	(76,057)	(2,440,621)	(17,609,915)
Cash receipts from (payments to) other funds	7,124	1,949,952	14,151	(126,774)	(123,657)	241,900	1,962,696
Other cash receipts	368,464	1,983,798	889,756	-	390,665	1,702,551	5,335,234
Net cash provided by (used in) operating activities	17,674,536	15,597,556	4,883,379	8,612,226	11,671,521	(1,714,285)	56,724,933
Cash flows from noncapital financing activities							
Principal paid on revenue bond maturities and redemptions	-	-	-	(8,196,938)	-	-	(8,196,938)
Transfers in	-	(418,817)	-	-	-	-	(418,817)
Net cash used in noncapital financing activities	-	(418,817)	-	(8,196,938)	-	-	(8,615,755)
Subtotal carried forward	17,674,536	15,178,739	4,883,379	415,288	11,671,521	(1,714,285)	48,109,178

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015

	Rental Housing Trust 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	17,674,536	15,178,739	4,883,379	415,288	11,671,521	(1,714,285)	48,109,178
Cash flows from capital and related financing activities							
Principal paid on revenue bond maturities and redemptions	-	-	(2,783,293)	-	(74,306,940)	-	(77,090,233)
Proceeds from new bond issuance	-	-	-	-	47,587,651	-	47,587,651
Principal paid on mortgage loans and notes payable	-	(14,020)	-	-	-	(52,202)	(66,222)
Interest payments	-	-	-	-	-	(87,315)	(87,315)
Purchase of capital assets	-	-	(332,394)	-	-	24,067	(308,327)
Net cash used in capital and related financing activities	-	(14,020)	(3,115,687)	-	(26,719,289)	(115,450)	(29,964,446)
Cash flows from investing activities							
Purchase of investments	-	-	-	(21,017)	(142,411)	-	(163,428)
Proceeds from maturities of investments	-	-	-	21,017	2,400,001	-	2,421,018
Interest received	398,198	1,224,935	-	657,079	-	444,616	2,724,828
Net cash provided by investing activities	398,198	1,224,935	-	657,079	2,257,590	444,616	4,982,418
Net increase (decrease) in cash and cash equivalents	18,072,734	16,389,654	1,767,692	1,072,367	(12,790,178)	(1,385,119)	23,127,150
Cash and cash equivalents							
Beginning of year	79,031,935	68,078,277	31,645,149	14,443,013	23,694,441	27,597,011	244,489,826
End of year	$ 97,104,669	$ 84,467,931	$ 33,412,841	$ 15,515,380	$ 10,904,263	$ 26,211,892	$ 267,616,976
Components of cash and cash equivalents							
Equity in cash and cash equivalents and investments in State Treasury	$ 97,104,669	$ 84,168,452	$ -	$ -	$ -	$ 25,694,993	$ 206,968,114
Cash in banks	-	274,349	2,340,938	-	-	42,898	2,658,185
Cash and cash equivalents held by Trustee	-	-	31,071,903	15,515,380	10,904,263	-	57,491,546
Deposits held in trust	-	25,130	-	-	-	-	25,130
Restricted deposits and funded reserves	-	-	-	-	-	474,001	474,001
Cash and cash equivalents	$ 97,104,669	$ 84,467,931	$ 33,412,841	$ 15,515,380	$ 10,904,263	$ 26,211,892	$ 267,616,976

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

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015

	Rental Housing Trust 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)	$ 40,831,585	$ (4,321,698)	$ (327,877)	$ 886,814	$ (108,232)	$ (2,210,831)	$ 34,749,761
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Net decrease in fair value of mortgage-backed securities	-	-	-	(24,384)	-	-	(24,384)
Depreciation	-	202,050	4,943,795	-	-	157,292	5,303,137
Provision for losses	-	3,079,711	541,958	-	-	15,037	3,636,706
Gain on sale of assets	-	(31,346)	-	-	-	-	(31,346)
Other receipts	-	-	(35,700)	-	-	-	(35,700)
Net pension expense	148,216	(167,707)	188,829	(391,953)	151,796	102,699	31,880
Changes in assets and liabilities							
Mortgage loans receivable	(22,762,703)	20,580	-	363,383	11,772,717	106,376	(10,499,647)
Notes and loans receivable	-	16,145,650	-	-	-	-	16,145,650
Accrued interest receivable	(896,067)	(1,120,116)	-	164,335	124,719	30,811	(1,696,318)
Tenant receivables	-	28,161	(541,958)	-	-	(3,794)	(517,591)
Other receivables	218,977	9,317	7,325	-	(54,016)	(34,536)	147,067
Cash held by third parties	-	-	(57,833)	-	-	-	(57,833)
Due from other funds	-	(35,000)	-	-	(123,657)	155,484	(3,173)
Due from other State departments	-	1,984,952	-	-	-	-	1,984,952
Inventories – development in progress and dwelling units	-	875,951	-	-	-	-	875,951
Prepaid expenses and other assets	-	218,400	1,793	4	-	(251)	219,946
Investments	-	-	-	8,068,860	-	-	8,068,860
Deferred loss on refunding	-	-	-	39,142	-	-	39,142
Accounts payable	-	(10,714)	(85,401)	(26,213)	(147,296)	1,047	(268,577)
Accrued interest payable	-	-	(54,048)	(99,721)	(76,073)	-	(229,842)
Other accrued expenses	127,404	63,217	148,593	(241,267)	131,563	107,693	337,203
Due to other funds	7,124	-	14,151	(126,774)	-	86,416	(19,083)
Security deposits	-	(63,022)	48,642	-	-	(227,728)	(242,108)
Unearned income	-	(387,503)	91,110	-	-	-	(296,393)
Unrealized gain on sale of units and land	-	(80,977)	-	-	-	-	(80,977)
Estimated future costs of development	-	(812,350)	-	-	-	-	(812,350)
Net cash provided by (used in) operating activities	$ 17,674,536	$ 15,597,556	$ 4,883,379	$ 8,612,226	$ 11,671,521	$ (1,714,285)	$ 56,724,933

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, 2015, 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 end. 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 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. Modifications to the accrual basis of accounting include employees’ vested vacation, which is recorded as an expenditure when utilized or paid. The amount of unmatured long-term indebtedness related to accumulated vacation at June 30, 2015 has been reported in the government-wide financial statements.

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, rental income, land sales and conveyance tax revenues. Interest income from investments 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 the 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.

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 Hawai‘i.

- **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.

- **Neighborhood Stabilization Program Fund** – The Neighborhood Stabilization Program ("NSP") 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 targeted emergency assistance to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight.

- **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.

- **Emergency Homeowners' Loan Program** – The Emergency Homeowners' Loan Program ("EHLP") 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 emergency loans to homeowners who have suffered a loss of income that places them in jeopardy of foreclosure of their homes.

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 Trust Fund, the 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, the Single Family Mortgage Purchase Revenue Bond Fund, the Multifamily Housing Revenue Bond Fund, and the University of Hawaiʻi Faculty Housing Program Revenue Bond Fund.

  The other funds include the Fee Simple Residential Revolving Fund, Rental Assistance Revolving Fund, Housing Finance Revolving Fund, Kekuilani Gardens Project Fund, and Disbursing Fund.

  The Corporation reports the following as major proprietary funds:

  - Rental Housing Trust 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 special funds to account 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 rental housing projects located throughout the State of Hawaiʻi.

  - 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.

- 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.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, 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 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 Hawaiʻi.

Cash and cash equivalents for the purpose of the statement of cash flows include all cash and 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.

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 market value. Non-participating investment contracts, generally repurchase agreements, are reported at cost, which approximates fair market value. All other investments are reported at fair market value.

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 Laʻiʻopua (Hawaiʻi). 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. Allowances on receivables are typically established for any accounts over 90 days outstanding. For the year ended June 30, 2015, there were allowances for mortgage loan receivables and total tenant receivables of $98,000 and $736,000, 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." Interfund receivables and payables between funds (noncurrent portion) are reported as "advances from and to other funds." See Note 16 for details of interfund transactions, including receivables and payables at 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.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

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	1–10 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
Employees are credited with vacation at a rate of 168 hours per calendar year. 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 accrued wages and employee benefits payable 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 $210,000. Accrued vacation, which is included in other accrued expenses in the statement of net position, changed during 2015 as follows:

Balance July 1, 2014	$	618,980
Additions		252,417
Reductions		(316,208)
Balance at June 30, 2015	$	555,189

Accumulated Sick Leave Pay
Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It 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 sick leave at June 30, 2015 amounted to approximately $1,888,000.

Post Retirement Health Care and Life Insurance Benefits
The Corporation accounts for its post-retirement 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.

Pension Expense
During fiscal year 2015, the Corporation implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, as described in Note 14. 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, 2015, information about the fiduciary net position of the Employees’ Retirement System of the State of Hawaii (“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.

Retroactive implementation of GASB Statement No. 68 was not deemed practical due to the cost and timing required to obtain and analyze the activity covering fiscal year 2014. As such, the Corporation’s fiscal year 2014 financial statements are presented in accordance with GASB Statement No. 27. 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 in accordance with GASB Statement No. 54 (“GASB 54”), *Fund Balance Reporting and Governmental Fund Type Definitions*. The GASB 54 hierarchical fund balance classification structure is 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 committed to purchase land for the development of an affordable rental housing complex.

Deficit Balances

The Hawaii Rental Housing System Revenue Bond Fund and the Kekuilani Gardens Project Fund have a net deficit as of June 30, 2015. Planned rental increases at all properties within the Hawaii Rental Housing System are expected to aid the fund in eliminating the deficit. The Kekuilani Gardens Project has requested an advance from the Dwelling Unit Revolving Fund (“DURF”) to assist the project in eliminating the deficit.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements
During fiscal year, 2015, the Corporation implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employer, nonemployee contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 71 is required to be implemented simultaneously with Statement No. 68 and amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities.

The adoption of Statements No. 68 and 71 has no impact on the Corporation's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, adoption has resulted in the restatement of the Corporation's fiscal year 2014 government-wide financial statements to reflect the reporting in net pension liability in accordance with the provisions of Statement No. 68 and deferred outflows of resources related to pensions in accordance with Statement No. 71. Net pension liability of $7,207,390 and deferred outflow of resources related to pensions of $711,661 was reported as of June 30, 2014. Refer to Note 17 for more information regarding the Corporation's pension.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Statement will also enhance fair value application guidance and disclosure. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Management has not yet determined the effect this Statement will have on the Corporation's financial statements.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement establishes accounting and financial reporting requirements by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. Earlier adoption is encouraged. Management has not yet determined the effect this Statement will have on the Corporation’s financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The Statement addresses the financial reports of defined benefit other post-employment benefit plans that are administered through trusts that meet specified criteria. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management has not yet determined the effect this Statement will have on the Corporation’s financial statements.

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*. The Statement will require governments to report a liability on the face of the financial statements for the other post-employment benefits that they provide. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Management has not yet determined the effect this Statement will have on the Corporation’s financial statements.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement reduces the generally accepted accounting principles (“GAAP”) to two categories of authoritative GAAP. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category includes GASB Implementation Guides, GASB Technical Bulletins, and guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. Management has not yet determined the effect this Statement will have on the Corporation’s financial statements.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Management has determined that this Statement will not have an effect on the Corporation’s financial statements.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends portions of Statement No. 68 for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that 1) is not a state or local governmental pension plan, 2) is used to provide defined benefit pensions both to employees of state and local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 and early application is permitted. Management has determined that this Statement will not have an effect on the Corporation's financial statements.

Reclassifications
Certain balances in the 2014 financial statements have been reclassified to conform to the 2015 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 statements 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 2014 – 2015 biennial budget. The Neighborhood Stabilization Program Fund and HOME Investment Partnership Program have legally appropriated annual budgets.

The final legally adopted budget in the accompanying budgetary comparison statements 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 fiscal year ended June 30, 2015, 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 generally accepted accounting principles ("GAAP"), principally related to (1) encumbrance of purchase orders and contract obligations, (2) accrued revenues and expenditures, and (3) unbudgeted programs (federal award programs). However, for the year ended June 30, 2015, there were no differences between the budgetary amounts and the amounts presented in accordance with GAAP.

3. Deposits

At June 30, 2015, 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	$ 9,158	$ 206,968,114	$ 206,977,272
Cash in banks (book balance)	103	2,658,185	2,658,288
Deposits held in trust	-	25,130	25,130
Cash and cash equivalents held by Trustee	-	57,491,546	57,491,546
Restricted deposits and funded reserves	-	474,001	474,001
Total cash	$ 9,261	$ 267,616,976	$ 267,626,237

The bank balance of cash in bank was approximately $2,571,000, of which $328,000 was covered by federal depositary insurance and $2,243,000 was not covered.

4. Investments

Investments at June 30, 2015 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	$ 1,516	$ 6,156,474	$ 3,485,319	$ 21,957,493	$ 55,319,513	$ 86,920,315
Repurchase agreements	-	-	5,308,160	-	-	5,308,160
Municipal bonds	142,411	-	-	-	-	142,411
Total investments	$ 143,927	$ 6,156,474	$ 8,793,479	$ 21,957,493	$ 55,319,513	$ 92,370,886

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

Investments held by trustees under revenue bond programs	$ 86,231,182
Investments – noncurrent	6,139,704
Total investments	$ 92,370,886

- **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, 2015, 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 repurchase agreements and 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, 2015, the Corporation's investments were primarily with the Federal National Mortgage Association, and Societe Generale. These investments are 90% and 6%, respectively, 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, 2015 comprised the following:

	Mortgage Loans	Notes and Loans
Mortgage loans bearing interest up to 11%, maturing at various dates through 2075	$ 371,623,700	$ -
Promissory notes bearing interest up to 4.72%, maturing in 2065	-	118,012,828
Promissory notes bearing interest up to 5%, maturing at various dates through 2016	-	4,807,473
Non-interest bearing promissory notes, maturing at various dates through 2056	-	9,861,610
Allowance for loan losses	(98,193)	-
	371,525,507	132,681,911
Less: Current portion	(10,637,294)	(4,807,473)
Noncurrent portion	$ 360,888,213	$ 127,874,438

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, 2015 was as follows:

	Balance at July 1, 2014	Additions	Disposals	Balance at June 30, 2015
Governmental activities				
Depreciable assets				
Equipment	$ 567,704	$ -	$ -	$ 567,704
Accumulated depreciation				
Equipment	(567,704)	-	-	(567,704)
Governmental activities capital assets, net	$ -	$ -	$ -	$ -
Business-type activities				
Depreciable assets				
Building and improvements	$ 165,469,386	$ 260,000	$ (3,657,755)	$ 162,071,631
Equipment	2,600,952	106,620	(195,010)	2,512,562
	168,070,338	366,620	(3,852,765)	164,584,193
Accumulated depreciation				
Building and improvements	(112,880,425)	(5,226,844)	3,657,755	(114,449,514)
Equipment	(2,164,898)	(76,293)	170,944	(2,070,247)
	(115,045,323)	(5,303,137)	3,828,699	(116,519,761)
	53,025,015	(4,936,517)	(24,066)	48,064,432
Land	43,231,000	-	(2,880)	43,228,120
Business-type activities capital assets, net	$ 96,256,015	$ (4,936,517)	$ (26,946)	$ 91,292,552

Depreciation expense for the year ended June 30, 2015 was charged to functions as follows:

Governmental activities	
Low income housing service and assistance	$ -
Business-type activities	
Housing development program	$ 359,343
Rental housing program	4,943,794
Total depreciation expense – business-type activities	$ 5,303,137

At June 30, 2015, capital assets for the proprietary funds consisted of the following:

	Revenue Bond Funds	Dwelling Unit Revolving Fund	Other Funds	Total
Buildings and improvements	$ 142,648,323	$ 14,000,555	$ 5,422,753	$ 162,071,631
Equipment	2,345,842	67,539	99,181	2,512,562
	144,994,165	14,068,094	5,521,934	164,584,193
Less: Accumulated depreciation	(110,676,819)	(3,009,055)	(2,833,887)	(116,519,761)
	34,317,346	11,059,039	2,688,047	48,064,432
Land	16,186,850	25,968,773	1,072,497	43,228,120
Net capital assets	$ 50,504,196	$ 37,027,812	$ 3,760,544	$ 91,292,552

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 indentures.

At June 30, 2015, the following debt service reserves and mortgage loan reserves were required by the indentures under Revenue Bond Programs in the Single Family Mortgage Purchase Revenue Bond Fund.

Debt service reserve requirements	$ 6,533,000
Mortgage loan reserve requirements	1,011,000
	$ 7,544,000

At June 30, 2015, approximately $7,994,000 and $21,678,000 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, 2015, the Hawaii Rental Housing System Revenue Bond Fund provided net revenues (as defined in the trust indenture agreement) together with lawfully available funds of 5.08 times the aggregate debt service on outstanding bonds during the year and net revenues (as defined in the trust indenture agreement) of 1.26 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, 2015.

8. Mortgage and Note Payable

The Kekuilani Gardens Project (“Kekuilani”) entered into a mortgage agreement in December 1996 in the amount of $5,213,614 with the U.S. Department of Agriculture (“USDA”) Farmers Home Administration, now known as the USDA – Rural Development (“RD”). The mortgage loan bears annual interest at 7.25% and is collateralized by the Kekuilani Gardens Project. Principal and interest are payable in monthly installments of $11,059 and matures on December 1, 2046. At June 30, 2015, the balance outstanding on the mortgage loan was $4,795,975.

Kekuilani also entered into an interest credit and rental assistance agreement in December 1996 with the USDA – RD, which reduces Kekuilani’s principal and interest payments. During the period, Kekuilani realized approximately $256,000 of interest credit reducing the interest expense from approximately $344,000 to $88,000.

In addition, Kekuilani entered into a mortgage agreement in December 1996 in the amount of $696,267 with the Rental Housing Trust Fund. The mortgage loan bears annual interest at 1% and is collateralized by the Kekuilani Gardens Project. Principal and interest are payable in monthly installments of $1,475 and matures on December 5, 2046. No payments were made during the year ended June 30, 2015. At June 30, 2015, the balance outstanding on the mortgage loan was $500,809.

DURF also has one mortgage note payable to the USDA – RD. 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, 2015, the balance outstanding on the mortgage note was $168,311.

Mortgage and note payable activity during the year was as follows:

	Balance at July 1, 2014	Addition	Reductions	Balance at June 30, 2015	Less Current Portion
Mortgage payable	$ 5,348,986	$ -	$ (52,202)	$ 5,296,784	$ 54,261
Note payable	182,331	-	(14,020)	168,311	14,162
Total	$ 5,531,317	$ -	$ (66,222)	$ 5,465,095	$ 68,423

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

	Principal	Interest	Total
Year ending June 30,			
2016	$ 68,000	$ 354,000	$ 422,000
2017	72,000	350,000	422,000
2018	75,000	347,000	422,000
2019	79,000	343,000	422,000
2020	83,000	339,000	422,000
2021 – 2025	489,000	1,620,000	2,109,000
2026 – 2030	587,000	1,465,000	2,052,000
2031 – 2035	785,000	1,246,000	2,031,000
2036 – 2040	1,097,000	934,000	2,031,000
2041 – 2045	1,544,000	487,000	2,031,000
2046 – 2047	586,000	32,000	618,000
	$ 5,465,000	$ 7,517,000	$ 12,982,000

9. Revenue Bonds Payable

Through June 30, 2015, approximately $2.7 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, 2015 consist of the following issuances:

Hawaii Rental Housing System revenue bonds	
2004 Series A	
Term bonds maturing in 2016 through 2034 (3.90% to 4.75%)	$ 64,170,000
2004 Series B	
Serial bonds maturing annually through 2030 (4.00% to 6.00%)	12,625,000
Term bonds maturing in 2031 through 2034 (6.50%)	5,590,000
	18,215,000
Total Hawaii Rental Housing System revenue bonds	$ 82,385,000
Single Family Mortgage Purchase revenue bonds	
2005 Series A	
Term bonds maturing in 2027 through 2037 (5.00%)	$ 860,000
2005 Series B	
Serial bonds maturing in 2016 (3.90%)	55,000
Term bonds maturing in 2016 through 2026 (4.125% and 4.30%)	1,315,000
Planned Amortization Class bonds maturing in 2016 through 2022 (3.70%)	1,065,000
	2,435,000
2009 Series A-1	
Term bonds maturing in 2026 through 2042 (2.40%)	28,320,000
2011 Series A	
Serial bonds maturing in 2016 through 2019 (1.60% to 2.90%)	4,450,000
2011 Series B	
Serial bonds maturing in 2020 through 2023 (2.95% to 3.45%)	4,265,000
Term bonds maturing in 2023 through 2026 (3.875%)	4,090,000
Planned Amortization Class bonds maturing in 2016 through 2026 (4.50%)	3,605,000
	11,960,000
2013 Series A	
Term bonds maturing in 2016 through 2038 (2.60%)	17,307,062
Total Single Family Mortgage Purchase revenue bonds	$ 65,332,062

Multifamily Housing revenue bonds		
2002 Series (Hale Hoaloha Project)		
Mortgage installment bonds maturing annually through 2018 (3.125%)	$	1,215,711
2005 Series (Kauhale Olu Project)		
Mortgage installment bonds maturing annually through 2026 (6.375%)		4,894,365
2007 Series A (Kukui Gardens Project)		
Mortgage installment bonds maturing annually through 2042 (0.97%, 6.25%)		13,342,222
2008 Series (Kahului Town Terrace Project)		
Mortgage installment bonds maturing annually through 2026 (4.25%)		1,782,317
2008 Series (Lokahi Kau Project)		
Mortgage installment bonds maturing in 2042 (0.06%)		19,830,000
2011 Series A (Kuhio Park Terrace Project)		
Mortgage installment bonds maturing through 2023 (1.25% to 3.95%)		2,605,000
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%)		3,595,000
2012 Series A (Koʻoloaʻula Apartments)		
Serial bonds maturing annually through 2034 (3.125%, 4.00%)		5,900,000
2012 Series A (Wilikina Apartments)		
Serial bonds maturing annually through 2047 (4.25% to 6.75%)		9,140,000
2012 Series A (Iwilei Apartments)		
Serial bonds maturing in 2017 through 2022 (1.625% to 2.75%)		780,000
Term bonds maturing in 2023 through 2031 (3.30%, 3.75%)		10,720,000
2012 Series B (Iwilei Apartments)		
Serial bonds maturing in 2016 (4.06%)		9,230,888
2015 Series A (Kalani Gardens)		
Term bonds maturing in 2017 (0.70%)		10,750,000
2015 Series A (Koʻoloaʻula Apartments)		
Serial bonds maturing in 2018 through 2033 (4.00%)		9,700,000
2015 Series B (Koʻoloaʻula Apartments)		
Term bonds maturing in 2018 (4.00%)		19,300,000
Total Multifamily Housing revenue bonds	$	151,955,503

Interest on the fixed-rate Single Family Mortgage Purchase, Hawaii Rental Housing System, and Multifamily Housing revenue bonds is payable semi-annually.

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 for the Hawaii Rental Housing System 2004 Series; 2021 for both the Multifamily Housing Ewa Villages Apartments and Kuhio Park Terrace Project 2011 Series A; 2013 for the Multifamily Housing Kuhio Park Terrace Project 2011 Series B; 2022 for the Multifamily Housing Kooʻloaʻula Apartments Phase I 2012 Series A, Wilikina Apartments 2012 Series A, Iwilei Apartments 2012 Series A; 2014 for the Multifamily Housing Halekauwila Place 2012 Series A; and 2016 for Multifamily Housing Kalani Gardens 2015 Series A. 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, 2015, deferred loss on refunding approximated $503,000 and was recognized as deferred outflows of resources in the statement of net position.

During the year ended June 30, 2015, early redemptions totaled $3,670,000.

Revenue bonds activity during the year was as follows:

	Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
Single Family Mortgage Purchase	$ 73,529,000	$ -	$ (8,196,938)	$ 65,332,062
Hawaii Rental Housing System	85,170,000	-	(2,785,000)	82,385,000
Multifamily Housing	178,674,792	47,587,651	(74,306,940)	151,955,503
	337,373,792	47,587,651	(85,288,878)	299,672,565
Add: Unamortized premium	397,495	-	(34,359)	363,136
Total	$ 337,771,287	$ 47,587,651	$ (85,323,237)	300,035,701
Less: Current portion				(19,198,215)
Total				$ 280,837,486

The approximate annual debt service requirements through 2020 and in five-year increments thereafter to maturity for revenue bonds are as follows:

	Principal	Interest	Total
Year ending June 30,			
2016	$ 19,165,000	$ 9,989,000	$ 29,154,000
2017	16,903,000	9,657,000	26,560,000
2018	26,663,000	9,333,000	35,996,000
2019	6,826,000	8,380,000	15,206,000
2020	6,985,000	8,141,000	15,126,000
2021 – 2025	40,130,000	37,113,000	77,243,000
2026 – 2030	80,502,000	26,347,000	106,849,000
2031 – 2035	57,089,000	9,253,000	66,342,000
2036 – 2040	13,759,000	2,839,000	16,598,000
2041 – 2045	30,419,000	1,028,000	31,447,000
2046 – 2047	1,232,000	105,000	1,337,000
	$ 299,673,000	$ 122,185,000	$ 421,858,000

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 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, 2015, the Corporation determined that approximately $172,000 of rebates was due to the U.S. Treasury.

Interest expense of approximately $11,401,000 was included as direct function expenses in the government-wide statement of activities during the year ended June 30, 2015.

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, 2015, there were thirteen series of Conduit Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $151,956,000 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,	
2016	$ 516,000
2017	531,000
2018	547,000
2019	563,000
2020	580,000
2021 – 2025	3,024,000
2026 – 2030	3,396,000
2031 – 2035	3,639,000
2036 – 2040	4,076,000
2041 – 2045	4,367,000
2046 – 2050	4,891,000
2051 – 2055	5,240,000
2056 – 2057	1,048,000
	$ 32,418,000

Rent expense for the year ended June 30, 2015 totaled approximately $565,000.

Lessor
The Corporation leases land with a carrying value of approximately $25,705,000 to various developers and home buyers. The leases expire at various dates through 2085. Lease rental income for the year ended June 30, 2015 was approximately $960,000.

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, 2015 is as follows:

Year ending June 30,	
2016	$ 508,000
2017	518,000
2018	477,000
2019	479,000
2020	480,000
2021 – 2025	2,200,000
2026 – 2030	2,205,000
2031 – 2035	467,000
2036 – 2040	337,000
2041 – 2045	159,000
2046	5,000
	$ 7,835,000

12. Commitments and Contingencies

Construction Contracts
At June 30, 2015, the Dwelling Unit Revolving Fund and Housing Finance Revolving Fund had outstanding commitments to expend approximately $27,992,000 for land development and the construction and renovation of housing projects.

Loan Commitments
At June 30, 2015, the Rental Housing Trust Fund had aggregate outstanding loan commitments of approximately $6,705,000.

Development Costs
The Kapolei development project primarily consists of eight residential villages and certain commercial parcels spread over approximately 888 acres of land. As of June 30, 2015, all but remnant residential parcels and 35 acres of business mixed-use land have been developed and sold. The estimated future cost of development is recorded as a liability on 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, 2015, the Corporation still has development rights for most of the Leiali‘i project and development costs related to Leiali‘i were approximately $8,364,000 at June 30, 2015.

Development of the Villages of La‘i‘opua master planned community in West Hawai‘i was also delayed due to the ceded land lawsuits. The Corporation subsequently transferred to the Department of Hawaiian Home Lands, all of its master developer rights, title and interest in La‘i‘opua except for approximately 200 acres, of which approximately 57 acres of land is ceded. The Corporation has embarked on the development of another master planned community on non-ceded land in West Hawai‘i, named the Kamakana Villages at Keahuolu.

Also, the Corporation has other development costs and dwelling units of approximately $2,120,000 at June 30, 2015.

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, 2015, 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, 2015.

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 permanent 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 permanent bonds 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 $13,239,000 and revenue bonds payable of approximately $13,342,000 related to the Project on the accompanying statement of net position as of June 30,

2015. Currently, $3,270,000 of the note bears interest at a fixed rate of 6.25% and matures through January 2042, while the remaining $10,072,000 bears interest at a rate of 0.97% and matures annually through January 2042. The note 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, 2015 related to the Project was approximately $22,097,000. 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, 2015, DURF recognized approximately $1,900,000 of interest income related to the outstanding promissory notes. As of June 30, 2015, DURF has recorded approximately $11,600,000 of interest income receivable related to the outstanding promissory notes.

14. Benefit Plans

Substantially all employees of the Fund participate in the State's various employee benefit plans, including the Employees' Retirement System ("ERS") of the State of Hawai'i, post-employment 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://ers.ehawaii.gov/resources/financials.

General Information on the Pension Plan

Plan Description

All eligible employees of the State and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation.

Benefits Provided

The ERS provides retirement, disability and death benefits that are covered by the provisions of the noncontributory, contributory and hybrid retirement plans. The three plans 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 credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory plan members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for employees 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 employees hired prior to January 1, 1971.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5.0% the second year, 7.5% the third year, etc.). For members hired after June 30, 2012, the post-retirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Plan

- Retirement Benefits – General employees’ retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 10 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.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, 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 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.

<u>Contributory Plan for Employees Hired prior to July 1, 2012</u>

- <u>Retirement Benefits</u> – 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.

  Police and firefighters' retirement benefits are determined as 2.50% of average final compensation for each year of service up to a maximum of 80%. Police and firefighters with five years of credited service are eligible to retire at age 55.

- <u>Disability Benefits</u> – 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.

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

  Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 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.

<u>Contributory Plan for Employees Hired After June 30, 2012</u>

- <u>Retirement Benefits</u> – Judges and elected officers' retirement benefits are determined as 3.0% of average final compensation multiplied by the years of credited service up to a maximum of 75%. Judges and elected officers with 10 years of credited service are eligible to retire at age 60.

  Police and firefighters' retirement benefits are determined as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police and firefighters with 10 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. Ordinary disability benefits are 3.0% of average final compensation for each year of service for judges and elected officers and 1.75% of average final compensation for each year of services for police and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

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

  Ordinary death benefits are available to employees who were active at time of death with at least 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 10 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 Plan for Employees 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 10 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 EMTs 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 10 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 120%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death 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 established 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 2015 were 24.00% for police and firefighters and 16.50% for all other employees. Contributions to the pension plan from the Corporation were $526,007 for the fiscal year ended June 30, 2015.

The employer is required to make all contributions for members in the noncontributory plan. For contributory plan employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary and police and firefighters are required to contribute 12.2% of their salary. For contributory plan employees hired after June 30, 2012, judges and elected officials are required to contribute 9.8% of their salary and police and firefighters are required to contribute 14.2% of their salary. Hybrid plan members hired prior July 1, 2012 are required to contribute 6.0% of their salary. Hybrid plan 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, 2015, the Corporation reported a liability of $6,554,065 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the Corporation's proportion was 0.14%.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2015, the Corporation recognized pension expense of $561,525. At June 30, 2015, 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	$ 82,639	$ (1,864)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(764,980)
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	11,897	-
Corporation contributions subsequent to the measurement date	698,763	-
Total	$ 793,299	$ (766,844)

The $698,763 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 ended June 30, 2016. 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,	
2016	$ (171,801)
2017	(171,801)
2018	(171,801)
2019	(171,801)
2020	14,896
Thereafter	-
	$ (672,308)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth rate	3.5%
Investment rate of return	7.75% per year, compounded annual including inflation

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA.

Post-retirement mortality rates are based on Client Specific Tables and the 1994 U.S. Group Annuity Mortality Statistic Tables for police and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates their experience studies every five years.

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 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 arithmetic real rates of return for each major asset class are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
Domestic equity	30.0%	8.50%
International equity	26.0%	9.00%
Total fixed-income	20.0%	3.10%
Real estate	7.0% *	8.46%
Private equity	7.0% *	11.75%
Real return	5.0% *	6.10%
Covered calls	5.0%	7.65%
Total investments	100.0%	

* The real estate, private equity and real return targets will be the percentage actually invested up to 7.0%, 7.0% and 5.0%, respectively, of the total fund. Changes in the real estate, private equity and real return targets will be offset by an equal percentage in the large cap domestic equity target.

Discount Rate

The discount rate used to measure the net pension liability was 7.75%. 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. There has been no change in the discount rate since the prior measurement date.

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 7.75%, 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 (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
Corporation's proportionate share of the net pension liability	$ 4,902,154	$ 6,554,065	$ 8,422,601

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, 2015, the amount payable to the ERS was $20,912.

Allocated Net Pension Liability

The following table shows the components of the net pension liability that has been allocated to the Corporation for the year ended June 30, 2015:

Balance at July 1, 2014 (restated)	$ 7,207,390
Additions	656,061
Reductions	(1,309,386)
Balance at June 30, 2015	$ 6,554,065

Post-Retirement Health Care and Life Insurance Benefits

The State contributes to the Hawaii Employer-Union Health Benefits Trust Fund ("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 $324,000, $328,000 and $299,000, respectively, for fiscal years 2015, 2014 and 2013.

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

State Policy
The actuarial valuation of the EUTF does not provide other postemployment benefits ("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. Prior to fiscal year 2014, the State allocated annual OPEB cost to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll expense. Starting in fiscal year 2014, the State changed its allocation methodology to allocate annual OPEB cost to component units and proprietary funds based on their proportionate percentage of the State's total covered employee headcount. There was no retroactive adjustment to allocated OPEB liabilities as a result of this allocation methodology change.

Allocated OPEB Cost
The following table shows the components of the annual OPEB cost that has been allocated to the Corporation for the years ended June 30, 2015 and 2014:

Balance at July 1, 2014	$ 3,684,644
Additions	725,455
Reductions	(324,946)
Balance at June 30, 2015	$ 4,085,153

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 $2,200,000 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 3.3%. As of June 30, 2015, amounts due from DHHL include approximately $9,098,000 of principal, net of approximately $702,000 of imputed interest, and approximately $128,000 of accrued interest receivable. Interest income related to imputed interest on payments due from DHHL was approximately $255,000 during the year ended June 30, 2015.

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 $1,373,000 during the year ended June 30, 2015. These amounts have been recorded by the Corporation as rental income in the Hawaii Rental Housing System Revenue Bond Fund. In addition, the Corporation relocated its offices to the Pohulani building in September 1992. During the year ended June 30, 2015, the Hawaii Rental Housing System Revenue Bond Fund recorded rental income of approximately $1,223,000, which was allocated as office rental expense to various funds of the Corporation. In addition, DAGS incurred approximately $1,051,000 in rent to the Hawaii Rental Housing System Revenue Bond Fund for leased space in the Pohulani building. The term of the lease with DAGS matures in August 2022 and the minimum annual rental is determined annually by negotiation within a range of 97% to 103% of the previous year's minimum rent.

16. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
Multifamily Housing Revenue Bond Fund	Other Non-major Enterprise Funds	$ 1,917,576
Dwelling Unit Revolving Fund	Other Non-major Enterprise Funds	695,500
Other Non-major Enterprise Funds	Other Non-major Enterprise Funds	611,108
Other Non-major Enterprise Funds	Hawaii Rental Housing System Revenue Bond Fund	592,156
Other Non-major Enterprise Funds	Single Family Mortgage Purchase Revenue Bond Fund	195,852
Other Non-major Enterprise Funds	Rental Housing Trust Fund	7,178
	Total Proprietary interfund balances	$ 4,019,370
Other Non-major Enterprise Funds	Other Non-major Governmental Funds	$ 2,726
	Total Governmental interfund balances	$ 2,726

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

17. Change in Accounting Principle

During fiscal year, 2015, the Corporation implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terns.

- Pension plan assets are legally protected from the creditors of employer, nonemployee contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 71 is required to be implemented simultaneously with Statement No. 68 and amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and non-employer contributing entities.

As a result of implementing GASB Statement Nos. 68 and 71, the Corporation's beginning net position as of July 1, 2014 was reduced by approximately $6,496,000, to recognize the Corporation's portion of the ERS pension plan net pension liability and deferred outflows of resources related to contributions subsequent to the measurement date.

Supplementary Information

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2015

	Tax Credit Assistance Program Fund	National Foreclosure Mitigation Counseling Program Fund	Emergency Homeowners’ Loan Program Fund	Total Non-major Governmental Funds
Assets				
Equity in cash and cash equivalents and investments in State Treasury	$ -	$ 8,278	$ 880	$ 9,158
Notes and loans receivable	9,861,610	-	-	9,861,610
Total assets	$ 9,861,610	$ 8,278	$ 880	$ 9,870,768
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ -	$ 6,885	880	$ 7,765
Due to other funds	-	492	-	492
Total liabilities	-	7,377	880	8,257
Fund balances – restricted	9,861,610	901	-	9,862,511
Total liabilities and fund balances	$ 9,861,610	$ 8,278	$ 880	$ 9,870,768

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Change in Fund Balances
Year Ended June 30, 2015

	Tax Credit Assistance Program Fund	National Foreclosure Mitigation Counseling Program Fund	Emergency Homeowners' Loan Program Fund	Total Non-major Governmental Funds
Revenues				
Intergovernmental	$ -	$ 20,525	$ 17,235	$ 37,760
Expenditures				
Programs	-	19,624	17,235	36,859
Change in fund balances	-	901	-	901
Fund balances				
Beginning of year	9,861,610	-	-	9,861,610
End of year	$ 9,861,610	$ 901	$ -	$ 9,862,511

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Non-major Enterprise Funds
Combining Statement of Net Position
June 30, 2015

	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project Fund	Disbursing Fund	Total
Assets and Deferred Outflows of Resources						
Current assets						
Equity in cash and cash equivalents and investments in State Treasury	$ 61,109	$ 19,320,846	$ 5,427,960	$ -	$ 885,078	$ 25,694,993
Cash in banks	-	-	-	32,898	10,000	42,898
Receivables						
Accrued interest	-	956,232	3,080	-	-	959,312
Tenant receivables, less allowance for doubtful accounts of $254,124	-	-	-	78,140	-	78,140
Other	-	-	27,702	-	2	27,704
	-	956,232	30,782	78,140	2	1,065,156
Due from other funds	-	-	1,398,620	-	7,674	1,406,294
Prepaid expenses and other assets	-	147,431	-	-		147,431
Total current assets	61,109	20,424,509	6,857,362	111,038	902,754	28,356,772
Investments	-	6,139,704	-	-	-	6,139,704
Mortgage loans, net of allowance for loan losses of $10,840	-	2,249,985	5,457,250	-	-	7,707,235
Restricted deposits and funded reserves	-	-	-	474,001	-	474,001
Capital assets, net	-	-	-	3,676,311	84,233	3,760,544
Total assets	61,109	28,814,198	12,314,612	4,261,350	986,987	46,438,256
Deferred outflows of resources						
Deferred outflows on net pension liability	-	14,414	106,419	-	-	120,833
Total deferred outflows of resources	-	14,414	106,419	-	-	120,833
Total assets and deferred outflows of resources	$ 61,109	$ 28,828,612	$ 12,421,031	$ 4,261,350	$ 986,987	$ 46,559,089
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities						
Accounts payable	$ -	$ -	$ 80	$ 238,580	$ 126,987	$ 365,647
Other accrued expenses	-	18,400	103,510	8,347	-	130,257
Due to other funds, net	-	24	2,290,911	-	850,000	3,140,935
Due to other State departments	-	-	-	-	10,000	10,000
Security deposits	-	-	991,500	31,490	-	1,022,990
Mortgages payable	-	-	-	54,261	-	54,261
Total current liabilities	-	18,424	3,386,001	332,678	986,987	4,724,090
Mortgages payable	-	-	-	5,242,523	-	5,242,523
Postemployment liability	-	74,226	548,006	-	-	622,232
Net pension liability	-	119,084	879,213	-	-	998,297
Total liabilities	-	211,734	4,813,220	5,575,201	986,987	11,587,142
Deferred inflows of resources						
Deferred inflows on net pension liability	-	13,934	102,870	-	-	116,804
Total deferred inflows of resources	-	13,934	102,870	-	-	116,804
Commitments and contingencies						
Net position						
Net investment in capital assets	-	-	-	(1,620,473)	84,233	(1,536,240)
Restricted by legislation and contractual agreements	-	-	-	474,001	-	474,001
Unrestricted	61,109	28,602,944	7,504,941	(167,379)	(84,233)	35,917,382
Total net position	61,109	28,602,944	7,504,941	(1,313,851)	-	34,855,143
Total liabilities, deferred inflows of resources and net position	$ 61,109	$ 28,828,612	$ 12,421,031	$ 4,261,350	$ 986,987	$ 46,559,089

See accompanying independent auditors’ report.

State of Hawai'i
Hawaii Housing Finance and Development Corporation
Non-major Enterprise Funds
Combining Statement of Revenues, Expenses and Change in Net Position
Year Ended June 30, 2015

	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project Fund	Disbursing Fund	Total
Operating revenues						
Rental	$ -	$ -	$ 28,010	$ 546,132	$ -	$ 574,142
Interest on mortgages, notes, loans and mortgage-backed securities	-	68,437	29,000	-	-	97,437
Other	-	57	1,688,560	29,227	-	1,717,844
Total operating revenues	-	68,494	1,745,570	575,359	-	2,389,423
Operating expenses						
Personnel services	-	114,111	1,633,626	115,783	-	1,863,520
Housing assistance payments	-	1,812,189	-	-	-	1,812,189
Administration	-	67,629	266,000	73,187	-	406,816
Depreciation	-	-	-	157,292	-	157,292
Utilities	-	-	-	111,182	-	111,182
Insurance	-	-	28,710	58,543	-	87,253
Professional services	-	2,723	66,340	-	-	69,063
Repairs and maintenance	-	161	1,660	58,808	-	60,629
Provision for (recovery of) losses	-	-	(90)	15,127	-	15,037
Capital expenses	-	963	12,430	-	-	13,393
Other	-	-	3,880	-	-	3,880
Total operating expenses	-	1,997,776	2,012,556	589,922	-	4,600,254
Operating loss	-	(1,929,282)	(266,986)	(14,563)	-	(2,210,831)
Nonoperating revenues (expenses)						
Interest income	226	445,240	-	255,801	-	701,267
Net decrease in fair value of other investments	-	(314,837)	-	-	-	(314,837)
Interest expense	-	-	-	(344,386)	-	(344,386)
Other expense	-	-	(850)	-	-	(850)
Total nonoperating revenues (expenses)	226	130,403	(850)	(88,585)	-	41,194
Income (loss) before transfers	226	(1,798,879)	(267,836)	(103,148)	-	(2,169,637)
Transfers in	-	-	-	-	-	-
Change in net position	226	(1,798,879)	(267,836)	(103,148)	-	(2,169,637)
Net position						
Beginning of year	60,883	30,499,078	8,567,091	(1,210,703)	-	37,916,349
Prior period adjustment for change in accounting principle	-	(97,255)	(794,314)	-	-	(891,569)
Beginning of year, as restated	60,883	30,401,823	7,772,777	(1,210,703)	-	37,024,780
End of year	$ 61,109	$ 28,602,944	$ 7,504,941	$ (1,313,851)	$ -	$ 34,855,143

See accompanying independent auditors' report.

State of Hawai'i
Hawaii Housing Finance and Development Corporation
Non-major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015

	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project Fund	Disbursing Fund	Total
Cash flows from operating activities						
Cash received from (paid to) tenants	$ -	$ -	$ (194,970)	$ 503,052	$ -	$ 308,082
Cash received from borrowers						
Principal repayments	-	-	106,376	-	-	106,376
Interest income	33	99,456	28,759	-	-	128,248
Payments to employees	-	(92,762)	(1,552,276)	(115,783)	-	(1,760,821)
Payments to suppliers	-	(1,869,554)	(281,859)	(289,208)	-	(2,440,621)
Cash receipts from other funds	-	34	220,126	-	21,740	241,900
Other cash receipts	-	57	1,684,681	29,227	(11,414)	1,702,551
Net cash provided by (used in) operating activities	33	(1,862,769)	10,837	127,288	10,326	(1,714,285)
Cash flows from capital and related financing activities						
Principal paid on mortgage loans	-	-	-	(52,202)	-	(52,202)
Sale of capital assets	-	-	-	-	24,067	24,067
Interest payments	-	-	-	(87,315)	-	(87,315)
Net cash provided by (used in) capital and related financing activities	-	-	-	(139,517)	24,067	(115,450)
Cash flows from investing activities						
Interest received (paid)	226	445,240	(850)	-	-	444,616
Net cash provided by (used in) investing activities	226	445,240	(850)	-	-	444,616
Net increase (decrease) in cash and cash equivalents	259	(1,417,529)	9,987	(12,229)	34,393	(1,385,119)
Cash and cash equivalents						
Beginning of year	60,850	20,738,375	5,417,973	519,128	860,685	27,597,011
End of year	$ 61,109	$ 19,320,846	$ 5,427,960	$ 506,899	$ 895,078	$ 26,211,892

See accompanying independent auditors' report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Non-major Enterprise Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015

	Fee Simple Residential Revolving Fund	Rental Assistance Revolving Fund	Housing Finance Revolving Fund	Kekuilani Gardens Project Fund	Disbursing Fund	Total
Components of cash and cash equivalents						
Equity in cash and cash equivalents and investments in State Treasury	$ 61,109	$ 19,320,846	$ 5,427,960	$ -	$ 885,078	$ 25,694,993
Cash in banks	-	-	-	32,898	10,000	42,898
Restricted deposits and funded reserves	-	-	-	474,001	-	474,001
Cash and cash equivalents	$ 61,109	$ 19,320,846	$ 5,427,960	$ 506,899	$ 895,078	$ 26,211,892
Cash flows from operating activities						
Reconciliation of operating loss to net cash provided by (used in) operating activities						
Operating loss	$ -	$ (1,929,282)	$ (266,986)	$ (14,563)	$ -	$ (2,210,831)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities						
Depreciation	-	-	-	157,292	-	157,292
Provision for (recovery of) losses	-	-	(90)	15,127	-	15,037
Net pension expense	-	21,349	81,350	-	-	102,699
Changes in assets and liabilities						
Mortgage loans receivable	-	-	106,376	-	-	106,376
Accrued interest receivable	33	31,019	(241)	-	-	30,811
Tenant receivables	-	-	-	(3,794)	-	(3,794)
Other receivables	-	-	1	(34,538)	1	(34,536)
Due from other funds	-	-	133,744	-	21,740	155,484
Prepaid expenses and other assets	-	(251)	-	-	-	(251)
Accounts payable	-	-	(50)	12,512	(11,415)	1,047
Other accrued expenses	-	14,362	93,331	-	-	107,693
Due to other funds	-	34	86,382	-	-	86,416
Security deposits	-	-	(222,980)	(4,748)	-	(227,728)
Net cash provided by (used in) operating activities	$ 33	$ (1,862,769)	$ 10,837	$ 127,288	$ 10,326	$ (1,714,285)

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Reconciliation of Cash and Short-Term Investments
June 30, 2015

The Corporation’s cash and short-term investments consist of the following as of June 30, 2015:

Equity in State Treasury investment pool – Government-wide	$ 206,977,272
Cash in banks	2,658,288
Cash and cash equivalents held by trustees	57,491,546
Deposits held in trust	25,130
Restricted deposits and funded reserves	474,001
	$ 267,626,237

Total cash and short-term investments are in agreement with the State Comptroller’s central accounting records as of June 30, 2015, as reconciled below:

	Appropriation Symbol	Balance at June 30, 2015
Cash in State Treasury		
Special Funds	S-14-213-B	$ 5,524
	S-14-503-B	2,261
	S-14-206-B	598
	S-11-375-B	55,756
	S-12-375-B	16,410
	S-13-375-B	427,521
	S-14-375-B	1,296,663
	S-15-375-B	82,758,233
	S-15-374-B	61,109
	S-13-376-B	11,001
	S-14-376-B	14,894
	S-15-376-B	5,393,981
	S-15-378-B	19,321,141
	S-15-314-B	500,000
Trust Funds	T-15-930-B	97,111,403
Total cash held in State Treasury, as reported by State Comptroller’s accounting records		$ 206,976,495

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Reconciliation of Cash and Short-Term Investments
June 30, 2015

	Balance at June 30, 2015
Reconciling items	
Journal vouchers not recorded by DAGS	$ (1,053)
Other	1,830
	$ 777
Cash and short-term investments held outside State Treasury	
Cash in bank	2,658,288
Cash held by trustees	57,491,546
Deposits held in trust	25,130
Restricted deposits and funded reserves	474,001
	$ 60,648,965
Cash and short-term investments on Statement of Net Assets	$ 267,626,237

See accompanying independent auditors’ report.

State of Hawai‘i
Hawaii Housing Finance and Development Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – Neighborhood Stabilization Program	14.228	$ 165,054
HOME Investment Partnership Program	14.239	4,675,467
Emergency Homeowners' Loan Program	14.323	17,235
U.S. Department of Treasury		
Passed through The Neighborhood Reinvestment Corporation – National Foreclosure Mitigation Counseling	21.000	19,624
Total federal expenditures		$ 4,877,380

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Subrecipients

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Corporation provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
U.S. Department of Housing and Urban Development		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii – Neighborhood Stabilization Program	14.228	$ 165,054
HOME Investment Partnership Program	14.239	4,503,589
Emergency Homeowners' Loan Program	14.323	17,235
U.S. Department of Treasury		
National Foreclosure Mitigation Counseling	21.000	19,624
Total federal expenditures		$ 4,705,502

3. Loans Outstanding

The Corporation had $9,861,610 of loan balances outstanding and advances awarded as of and for the year ended June 30, 2015.

PART II
Compliance and Internal Control

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

The Auditor
State of Hawaiʻi

The Board of Directors
Hawaii Housing Finance and Development Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the State of Hawaiʻi, Hawaii Housing Finance and Development Corporation (the "Corporation") as of and for the year ended June 30, 2015, 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 23, 2015.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *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, Hawaii
December 23, 2015

Accuity LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2015.

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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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accuity LLP

Honolulu, Hawaii
December 23, 2015

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 section 510(a) of OMB Circular A-133?	__ Yes	√ No

Identification of major programs:

CFDA Number	Name of Federal Program
14.239	HUD – Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
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.