KKDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Hawaii Community Development Authority
State of Hawaii

Financial Statements and Required Supplementary Information
(With Independent Auditors' Report Thereon)

June 30, 2022

Submitted by

THE AUDITOR
STATE OF HAWAII

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII

Financial Statements and Required Supplementary Information

June 30, 2022

Table of Contents

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII

Financial Statements and Required Supplementary Information

June 30, 2022

PART I

INTRODUCTION SECTION

KKDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

December 14, 2022

The Auditor
State of Hawaii:

We have completed our audit of the financial statements of the Hawaii Community Development Authority (the HCDA), as of and for the year ended June 30, 2022. We transmit herewith our reports pertaining to our audit of the HCDA's financial statements.

Audit Objectives

The objectives of the audit were as follows:

1. To provide opinions on the fair presentation of the HCDA's financial statements in accordance with accounting principles generally accepted in the United States of America.

2. To consider the HCDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements.

3. To perform tests of the HCDA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

Scope of Audit

Our audit of the HCDA's financial statements was performed 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.

Organization of Report

This report has been organized into four parts as follows:

1. The Introduction Section describes briefly the objectives and scope of our audit and the organization and contents of this report.

2. The Financial Section includes management's discussion and analysis (unaudited), the HCDA's financial statements, required supplementary information, and related notes, as of and for the year ended June 30, 2022, and our independent auditors' report thereon.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

3. The Internal Control Over Financial Reporting and Compliance Section contains our independent auditors' report on the HCDA's 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,* a summary of current year finding, and a summary of prior year findings.

4. The Corrective Action Plan Section contains the HCDA's response to the finding identified in the current year.

* * * * * * *

We would like to take this opportunity to express our appreciation for the courtesy and assistance extended to us by the personnel of the HCDA during the course of our engagement. Should you wish to discuss any of the matters contained herein, we will be pleased to meet with you at your convenience.

Very truly yours,

KKDLY LLC

PART II

FINANCIAL SECTION

Independent Auditors' Report

The Auditor
State of Hawaii:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawaii Community Development Authority, State of Hawaii (the HCDA), a component unit of the State of Hawaii, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the HCDA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the HCDA as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the HCDA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2, the HCDA adopted the provisions of the Governmental Accounting Standard Board Statement No. 87, *Leases*, as of July 1, 2021. Our opinions are not modified with respect to this matter.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

Relationship to the State of Hawaii

As discussed in Note 1, the financial statements of the HCDA are intended to present the financial position and the changes in the financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the HCDA. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2022, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the HCDA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 HCDA's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the HCDA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of proportionate share of the net pension liability, pension contributions, proportionate share of the net OPEB liability, and OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of the HCDA'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the HCDA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the HCDA's internal control over financial reporting and compliance.

KKDLY LLC

Honolulu, Hawaii
December 14, 2022

This section of the annual financial report presents management's discussion and analysis of the HCDA's financial performance during the fiscal year ended June 30, 2022. It should be read in conjunction with the HCDA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the HCDA exceeded its liabilities and deferred inflows at June 30, 2022 by approximately $121.4 million (net position).

- The HCDA's assets and deferred outflows increased by approximately $13.6 million, or 9.7% from June 30, 2021 to June 30, 2022.

- The HCDA's total liabilities and deferred inflows increased by approximately $12.2 million, or 60.3% from June 30, 2021 to June 30, 2022.

- The HCDA's total net position increased by approximately $1.4 million, or 1.2% from June 30, 2021 to June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the HCDA's basic financial statements. The HCDA's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements:

Government-Wide Financial Statements

The government-wide financial statements report information about the HCDA 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 HCDA's financial position, which reflects the HCDA's financial condition at the end of the fiscal year.

The *Statement of Net Position* presents the HCDA's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as "net position". Increases or decreases in net position are one indicator of whether the financial position of the HCDA is improving or deteriorating, respectively.

The *Statement of Activities* reflects the operations of the HCDA during the fiscal year and the resultant change in the net position. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. unused vacation leave).

Governmental Funds Financial Statements

The governmental funds financial statements provide detailed information about the HCDA's significant funds. 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 HCDA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the HCDA funds are categorized as governmental funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on short-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the HCDA's near-term financing requirements.

Because the focus of the governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds *Balance Sheet* and the governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances* provide a reconciliation to facilitate this comparison between governmental funds financial statements and the governmental activities in the government-wide financial statements.

Information is presented separately in the governmental funds *Balance Sheet* and in the governmental funds *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the general fund, leasing and management special revenue fund, community redevelopment special revenue funds, the American Rescue Plan Act (ARPA) fund, and the capital projects fund.

Notes to Financial Statements

The notes to financial statements provide additional disclosures for the information reflected in the financial statements essential to understanding the financial data provided in the government-wide and governmental funds financial statements.

Other Reports

Following the notes to financial statements is the independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following presents a summarized comparison of net position and changes in net position for the fiscal years ended June 30, 2022 and 2021.

	2022	2021
Assets:		
Current assets	$ 32,514,000	$ 29,814,000
Capital assets, net	93,383,000	94,053,000
Other noncurrent assets	27,373,000	15,678,000
Total assets	153,270,000	139,545,000
Deferred outflows of resources	512,000	640,000
Total assets and deferred outflows of resources	153,782,000	140,185,000
Liabilities:		
Current liabilities	2,169,000	2,046,000
Other long-term liabilities	18,182,000	17,959,000
Total liabilities	20,351,000	20,005,000
Deferred inflows of resources	12,019,000	189,000
Total liabilities and deferred inflows of resources	32,370,000	20,194,000
Net position:		
Net investment in capital assets	92,667,000	94,053,000
Restricted for capital projects	110,000	2,660,000
Unrestricted	28,635,000	23,278,000
Total net position	$ 121,412,000	$ 119,991,000

Analysis of Net Position

The assets and deferred outflows of resources of the HCDA exceeded its liabilities and deferred inflows of resources at June 30, 2022 by approximately $121.4 million (net position). Net investment in capital assets (e.g., land, buildings, infrastructure networks, construction in progress, land improvements, equipment, furniture and fixtures, and right-to-use assets, net of related indebtedness) represent a significant portion of the HCDA's net position. The HCDA uses these capital assets for the benefit of and use by government agencies and the public; consequently, these assets are not available for future spending and cannot be used to settle any liabilities. The net position restricted for capital projects of approximately $110,000 at June 30, 2022, represent resources that are subject to external restrictions or enabling legislation on how they may be used. The unrestricted assets may be used to finance day-to-day operations without any constraints established by debt, or other legal requirements.

Changes in Net Position

The following financial information was derived from the government-wide statement of activities and reflects how the HCDA's net position changed for the fiscal years ended June 30, 2022 and June 30, 2021.

	2022	2021
Revenues:		
Program revenues:		
Leasing and management	$ 2,535,000	$ 1,903,000
Community redevelopment	4,895,000	2,151,000
General revenues:		
State allotments, net	683,000	2,800,000
Non-imposed employee wages and fringe benefits	391,000	420,000
Investment earnings	282,000	255,000
Other	921,000	72,000
Total revenues	9,707,000	7,601,000
Expenses:		
General government	3,096,000	2,799,000
Leasing and management	1,948,000	867,000
Community redevelopment	742,000	365,000
Capital projects	1,968,000	2,482,000
Total expenses	7,754,000	6,513,000
Transfers	(532,000)	--
Change in net position	1,421,000	1,088,000
Net position at beginning of year	119,991,000	118,903,000
Net position at end of year	$ 121,412,000	$ 119,991,000

Analysis of Changes in Net Position

The HCDA's net position increased by approximately $1.4 million during the fiscal year ended June 30, 2022.

In 2012, the HCDA lost a significant amount of recurring revenues from its leasing and management activities when a significant portion of its land holdings and associated rents were transferred to the Office of Hawaiian Affairs under Act 15 of the 2012 legislative session. Since then, HCDA operations have become largely dependent on state allotments and development activity in its districts. The nominal increase in net position in fiscal years 2022 and 2021 directly attributable to state appropriations, demonstrates HCDA's sensitivity and reliance upon legislative funding.

Financial Analysis of the HCDA's Individual Funds

The focus of the HCDA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HCDA's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

At June 30, 2022, the HCDA's governmental funds reported combined ending fund balances of approximately $46.0 million, an increase of approximately $2.5 million or 5.7% from the previous fiscal year.

General Fund

For the fiscal year ended June 30, 2022, funding for HCDA's 23 positions remained unchanged, 9 from a General Fund appropriation and 14 from a Revolving Fund appropriation. The appropriation amounted to approximately $683,000 for the fiscal year ended June 30, 2022. At June 30, 2022, the general fund had no fund balance.

Hawaii Community Development Revolving Fund

This fund was originally established when HCDA was created. Pursuant to HRS § 206E-16, this fund was created for the receipt and disbursement of moneys directed or allocated to the HCDA. Proceeds from the funds are to be expressly used for the purposes of the HCDA.

Activity in this fund is primarily comprised of the activity of the Kaka‘ako community development district. When subsequent community development districts were created, district-specific revolving funds were also created. As the most mature of the development districts, it is the largest of the revolving funds and has the most activity.

During fiscal year 2022, the net increase in fund balance was approximately $3.8 million, resulting in a fund balance of approximately $44.1 million at June 30, 2022.

Kalaeloa Community Development Revolving Fund

This fund was established with the Kalaeloa community development district. Pursuant to HRS § 206E-195, this fund was created for the receipt and disbursement of moneys directed or allocated to the HCDA for Kalaeloa. The statute expressly restricts the use of proceeds to administration and operation of the Kalaeloa Community Development District.

During the fiscal year 2022, the net increase in fund balance was approximately $260,000, resulting in a fund balance of approximately $1.8 million at June 30, 2022.

He‘eia Community Development Revolving Fund

This fund was established with the He‘eia community development district. Pursuant to HRS § 206E-204, this fund was created for the receipt and disbursement of moneys directed or allocated to the HCDA for He‘eia. The statute expressly restricts the use of proceeds to the administration and operation of the He‘eia community development district.

During the fiscal year 2022, the net increase in fund balance was approximately $190, resulting in a fund balance of approximately $10,000 at June 30, 2022.

American Rescue Plan Act (ARPA) Fund

The He‘eia Community Development District (HCDD) is comprised of approximately 405 acres of land located in the He‘eia ahupua‘a on the island of Oahu. The red mangrove (Rhizophora Mangle) was introduced in the upland area of the He‘eia Wetlands in the 1920s to control erosion and flooding and to stabilize sediment. Subsequently, the red mangrove trees with their vast network of branches and prop roots have spread downstream. This has severely degraded the wetland habitat, specifically, the He‘eia Stream, by supplanting native flora and fauna that adversely impact the nesting habitat for native endemic birds. On the north side of the HCDD along the He‘eia Stream, there is a large area where the non-native, invasive red mangrove still needs to be remediated.

The further removal and remediation of the red mangrove will help restore the affected food-producing agricultural fields or lo'i, as well as restore and protect the wetland habitat for endangered native flora and fauna. The restoration of lo'i by removing and remediating the red mangrove is consistent with the He‘eia Master Plan principle of "restore[ing] the wetlands to support sustainable farming and food production, while protecting and supporting native species habitat." By growing produce locally, the State will also be working toward a sustainable local food production.

The HCDA, through Act 88, SLH 2021, was appropriated federal funds in the amount of $300,000 to be used for mangrove remediation in the HCDD. The Governor has approved HCDA‘s request for the disbursement and use of these funds. The work was completed in March 2022 and 16 acres were cleared and restored.

Capital Projects Fund

This fund is used to account for financial resources for the acquisition or construction of major capital improvements. During fiscal year 2022, the fund balance of the capital projects fund decreased by approximately $1.5 million, or 93.3%, resulting in a fund balance of approximately $110,000 at June 30, 2022.

Capital Assets

The HCDA's investment in capital assets as of June 30, 2022 and 2021, consisted of the following:

	2022	2021
Capital assets not being depreciated:		
Land	$ 58,129,000	$ 58,129,000
Land improvements	3,840,000	3,840,000
Construction in progress	1,650,000	14,165,000
Total capital assets not being depreciated	63,619,000	76,134,000
Capital assets being depreciated:		
Buildings	12,418,000	12,418,000
Wharves	4,268,000	4,268,000
Land improvements	5,755,000	5,755,000
Infrastructure networks	50,645,000	38,120,000
Furniture and equipment	634,000	386,000
Total capital assets being depreciated	73,720,000	60,947,000
Less accumulated depreciation	(44,664,000)	(43,028,000)
	29,056,000	17,919,000
Lease assets:		
Buildings	818,000	--
Less accumulated amortization	(110,000)	--
	708,000	--
Capital assets, net	$ 93,383,000	$ 94,053,000

The HCDA's investments in capital assets as of June 30, 2022, amounted to approximately $93.4 million (net of accumulated depreciation and amortization). These investments in capital assets include land, land improvements, construction in progress, buildings, wharves, infrastructure networks, and furniture and equipment and right-to-use lease assets (lease assets). Major capital improvements project expenditures for the current fiscal year included the Enterprise Energy Corridor project in Kalaeloa.

Debt Administration

The HCDA is authorized to issue revenue bonds relative to its reserved housing loan program and special facility projects. Under the reserved housing loan program, the HCDA may lend loan proceeds to qualifying applicants, lenders, or developers to acquire or develop reserved housing units. The bonds are payable solely from proceeds derived from loan re-payments and other financing charges. At the end of the current fiscal year, the HCDA did not have any outstanding revenue bonds. Special facility project bonds are payable solely from user fees or leasing revenues derived from the special facility. As of June 30, 2022, the HCDA has no outstanding bonds issued under either program.

Currently Known Facts, Decisions, or Conditions

Kaka'ako

Development continued at a robust pace. Construction on the ʻAʻaliʻi, The Block 803 Waimanu, and Koʻula projects were completed. Construction began on Victoria Place. Groundbreaking occurred in October 2022 for the Park at Ward Village project, and groundbreaking will occur in December 2022 for the Ulana Ward Village project. The HCDA also approved Development Permits for the Kalae and Alia projects.

The HCDA has continued to work toward updating the mauka area rules.

Kalaeloa

The HCDA approved a Development Permit for the Gentry Kalaeloa LLC Kaʻulu Residential Community in February 2022.

The HCDA has also continued work toward updating the Kalaeloa community development plan and rules. This work will consider some of the recent work done by the HCDA relative to the right-of-way survey, updates to the plan, and infrastructure improvements.

Heʻeia

In 2022, the HCDA with the help of its partner and lessee Kākoʻo ʻŌʻiwi continued its efforts to open up more land for loʻi and the cultivation of kalo to improve the food security of the island. The construction of the poi mill was completed.

REQUEST FOR INFORMATION

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Hawaii Community Development Authority, 547 Queen Street, Honolulu, Hawaii 96813. General information about the HCDA can be found at the HCDA's website http://dbedt.hawaii.gov/hcda.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Net Position - Governmental Activities

June 30, 2022

Assets:	
Current assets:	
Cash and cash equivalents	$ 30,569,266
Accounts receivable, net	582,609
Lease receivable, current	910,234
Interest receivable	283,374
Due from State	168,738
Total current assets	32,514,221
Noncurrent assets:	
Loan receivable - Halekauwila Partners, LLC	15,314,109
Loan receivable - Honuakaha LP	1,000,000
Lease receivable, noncurrent	10,765,791
Investment in limited partnership	43,052
Water source allocation credits	249,642
Capital assets, net	93,382,860
Total noncurrent assets	120,755,454
Total assets	153,269,675
Deferred Outflows of Resources:	
Related to pension	382,511
Related to other postemployment benefits	130,018
Total deferred outflows of resources	512,529
Total assets and deferred outflows of resources	153,782,204

See accompanying notes to financial statements.

(Continued)

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Net Position - Governmental Activities (Continued)

June 30, 2022

Liabilities:		
Current liabilities:		
Accounts payable	$	225,216
Accrued payroll		183,021
Unearned revenue		160,530
Current portion of long-term liabilities		211,665
Due to State Treasury		1,316,862
Rental security deposits		71,672
Total current liabilities		2,168,966
Long-term liabilities:		
Due in more than one year		11,682,064
Net pension liability		3,898,170
Net other postemployment benefits liability		2,601,894
Total long-term liabilities		18,182,128
Total liabilities		20,351,094
Deferred Inflows of Resources:		
Related to leases		11,729,898
Related to pension		149,631
Related to other postemployment benefits		139,836
Total deferred inflows of resources		12,019,365
Total liabilities and deferred inflows of resources		32,370,459
Net Position:		
Net investment in capital assets		92,666,591
Restricted for capital projects		110,256
Unrestricted		28,634,898
Total net position	$	121,411,745

See accompanying notes to financial statements.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Activities

Year Ended June 30, 2022

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net revenues (expenses) and changes in net position
Governmental Activities:					
General government	$ 3,096,338	$ -	$ -	$ -	$ (3,096,338)
Leasing and management	1,947,523	2,535,319	-	-	587,796
Community redevelopment	742,497	4,595,219	-	300,000	4,152,722
Capital projects	1,967,678	-	-	-	(1,967,678)
Total governmental activities	$ 7,754,036	$ 7,130,538	$ -	$ 300,000	(323,498)
General Revenues:					
State allotted appropriations, net of lapsed appropriations					682,691
Non-imposed employee wages and fringe benefits					391,186
Investment earnings					281,474
Other					921,160
Total general revenues					2,276,511
Transfers					(532,122)
Change in net position					1,420,891
Net position, beginning of year					119,990,854
Net position, end of year					$ 121,411,745

See accompanying notes to financial statements.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Balance Sheet - Governmental Funds

June 30, 2022

	General Fund	Hawaii Community Development	Kalaeloa Community Development	He'eia Community Development	ARPA	Capital Projects	Total Governmental Funds
Assets:							
Cash and cash equivalents	$ 3,500	28,745,718	$ 1,809,986	$ 10,062	$ -	$ -	$ 30,569,266
Accounts receivable - net	-	551,689	30,920	-	-	-	582,609
Due from State	-	-	-	-	-	168,738	168,738
Loan receivable - Halekauwila Partners, LLC	-	15,314,109	-	-	-	-	15,314,109
Loan receivable - Honuakaha LP	-	1,000,000	-	-	-	-	1,000,000
Interest receivable		58,797	1,287	5	-	-	60,089
Water source allocation credits	-	249,642	-	-	-	-	249,642
Total assets	$ 3,500	$ 45,919,955	$ 1,842,193	$ 10,067	$ -	$ 168,738	$ 47,944,453
Liabilities:							
Accounts payable	$ -	$ 160,964	$ 4,135	$ -	$ -	$ 58,482	$ 223,581
Accrued payroll	-	176,354	6,667	-	-	-	183,021
Unearned revenues	-	160,530	-	-	-	-	160,530
Due to State Treasury	3,500	1,296,718	16,644	-	-	-	1,316,862
Rental security deposits	-	71,672	-	-	-	-	71,672
Total liabilities	3,500	1,866,238	27,446	-	-	58,482	1,955,666
Fund Balances:							
Nonspendable:							
Water source allocation credits	-	249,642	-	-	-	-	249,642
Loans receivable	-	16,314,109	-	-	-	-	16,314,109
Total nonspendable fund balances	-	16,563,751	-	-	-	-	16,563,751
Restricted	-	27,489,966	1,814,747	10,067	-	110,256	29,425,036
Total fund balances	-	44,053,717	1,814,747	10,067	-	110,256	45,988,787
Total liabilities and fund balances	$ 3,500	$ 45,919,955	$ 1,842,193	$ 10,067	$ -	$ 168,738	$ 47,944,453

See accompanying notes to financial statements.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2022

Total fund balances - governmental funds	$	45,988,787
Amounts reported for governmental activities in the statement of net position are different because:		
Lease receivables are reported in the government-wide financial statements but are not reported in the governmental fund statements		11,676,025
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		93,382,860
Investments in limited partnerships are not financial resources and therefore not reported in the governmental funds		43,052
Interest receivable - lessor reported in the government-wide financial statements but are not reported in the governmental fund statements		223,285
Interest payable - lessee reported in the government-wide financial statements but are not reported in the governmental fund statements		(1,635)
Long-term liabilities are reported in the government-wide financial statements but are not reported in the governmental funds:		
Unearned reserved housing and public facility credits		(10,829,222)
Lease payable		(716,269)
Accrued compensated absences		(348,238)
Net pension liability		(3,898,170)
Net other postemployment benefits liability		(2,601,894)
Deferred outflows/inflows of resources reported in the government-wide financial statements but are not reported in the governmental fund statements:		
Related to leases		(11,729,898)
Related to pension		232,880
Related to other postemployment benefits		(9,818)
Net position of governmental activities	$	121,411,745

See accompanying notes to financial statements.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2022

	General Fund	Hawaii Community Development	Kalaeloa Community Development	He'eia Community Development	ARPA	Capital Projects	Total Governmental Funds
Revenues:							
State allotted appropriations, net	$ 682,691	$ -	$ -	$ -	$ -	$ -	$ 682,691
Contributions from property owners	-	516,857	326,658	-	-	-	843,515
Dedication and reserve housing fees	-	3,751,704	-	-	-	-	3,751,704
Investment earnings	-	274,436	6,846	192	-	-	281,474
Leasing and management	-	2,099,261	144,282	-	-	-	2,243,543
Non-imposed employee wages and fringe benefits	391,186	-	-	-	-	-	391,186
Federal awards	-	-	-	-	300,000	-	300,000
Other	-	89,196	13,529	-	-	-	102,725
Total revenues	1,073,877	6,731,454	491,315	192	300,000	-	8,596,838
Expenditures:							
General government	1,073,877	1,935,504	241,708	-	-	-	3,251,089
Leasing and management	-	1,498,730	8,105	-	-	-	1,506,835
Community redevelopment	-	322,866	-	-	300,000	-	622,866
Capital outlays	-	-	-	-	-	1,009,627	1,009,627
Total expenditures	1,073,877	3,757,100	249,813	-	300,000	1,009,627	6,390,417
Excess of revenues over (under) expenditures	-	2,974,354	241,502	192	-	(1,009,627)	2,206,421
Other financing sources (uses):							
Transfers in	-	25,422,770	1,636,809	10,579	-	-	27,070,158
Transfers out	-	(25,441,183)	(1,618,396)	(10,579)	-	(532,122)	(27,602,280)
Leases (as lessee)	-	818,435	-	-	-	-	818,435
Total other financing sources	-	800,022	18,413	-	-	(532,122)	286,313
Net change in fund balances	-	3,774,376	259,915	192	-	(1,541,749)	2,492,734
Fund balances, beginning of year	-	40,279,341	1,554,832	9,875	-	1,652,005	43,496,053
Fund balances, end of year	$ -	$ 44,053,717	$ 1,814,747	$ 10,067	$ -	$ 110,256	$ 45,988,787

See accompanying notes to financial statements.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2022

Net change in fund balances - total government funds	$ 2,492,734
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives as depreciation expense.	
Capital outlays	258,190
Depreciation expense	(1,636,547)
Governmental funds report lease revenue in accordance with the payment provisions of the lease agreement. In accordance with GASB Statement No. 87, a lease receivable and deferred inflows of resources are reported in the statement of net position at the commencement of the lease and reduced over the lease term, with lease revenue and interest income reported on the statement of acitivites. This is the amount by which the reported lease revenue and interest income exceed the amount received in accordance with the payment provisions of the lease agreement.	169,412
Governmental funds report lease expenditures in accordance with the payment provisions of the lease agreement. In accordance with GASB Statement No. 87, a right-to-use asset and a lease payable are reported in the statement of net position at the commencement of the lease and reduced over the lease term, with lease expense and interest expense reported in the statement of activities. This is the amount by which the reported lease expense and interest expense exceeded the amount paid in accordance with the payment provisions of the lease agreement.	(9,820)
Net limited partnership losses and distributions reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(7,828)
Expenses reported in the statement of activities do not involve current financial resources and therefore, are not reported as expenditures in the governmental funds:	
Change in compensated absences	(24,112)
Changes in net pension liability and related deferred outflows and inflows of resources	106,319
Changes in net other post-employment benefit obligation liability and related deferred outlflows and inflows of resources	72,543
Change in net position of governmental activities	$ 1,420,891

See accompanying notes to financial statements.

(1) Financial Reporting Entity

The Hawaii Community Development Authority, State of Hawaii (the HCDA), was created in 1976 by Hawaii Revised Statutes (HRS) Chapter 206E, to establish community development plans in community development districts; determine community development programs; and cooperate with private enterprise and various components of federal, state, and county governments to bring community plans to fruition. Kaka'ako was the first designated community development district, the Kalaeloa community development district (Kalaeloa) was later established in 2002, and He'eia was designated as a community development district in 2011.

Each community development district has its own board with nine voting members who only vote on issues in their respective district. The three boards together as a body oversee the HCDA's operations and establish policies to implement its legislative objectives.

The HCDA is established as a body corporate and public instrumentality of the State of Hawaii (the State) which is attached to the Department of Business, Economic Development and Tourism for administrative purposes.

The HCDA is a component unit of the State. The financial statements of the HCDA are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State that is attributable to the transactions of the HCDA. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2022, and the changes in its financial position for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all state funds and publishes the State's Comprehensive Annual Financial Report, which includes the HCDA's financial activities.

(2) Significant Accounting Policies

The basic financial statements of the HCDA have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies of the HCDA:

Government-Wide and Governmental Funds Financial Statements

The government-wide financial statements report all assets, deferred outflow of resources, liabilities, deferred inflows of resources, and activities of the HCDA as a whole.

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 are reported as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues.

Net position is restricted when constraints placed on it are either imposed by constitutional provision or enabling legislation or are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governmental agencies. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally it is the HCDA's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Funds Financial Statements

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available if they are to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the HCDA considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Encumbrances are recorded obligations in the form of purchase orders or contracts. The HCDA records encumbrances at the time purchase orders or contracts are awarded and executed. Encumbrances outstanding at fiscal year-end do not constitute expenditures or liabilities.

Fund Accounting

The financial transactions of the HCDA are recorded in individual funds that are reported in the fund financial statements and are described in the following sections. Each fund is considered a separate accounting entity. The operations of each are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund financial statements focus on major funds rather than reporting funds by type. Each major fund is reported in separate columns and nonmajor funds are combined in one column. Major funds are funds that have total assets, liabilities, revenues, or expenditures of the fund that are at least 10% of the same element for all funds of its fund type or at least 5% of the same element for all governmental funds combined.

The financial activities of the HCDA that are reported in the accompanying fund financial statements have been classified into the following major governmental funds:

General Fund - The general fund is the HCDA's general operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The State Legislature authorizes the annual operating budget which provides the basic framework within which resources and obligations are accounted.

Special Revenue Funds - The special revenue funds consist of the Hawaii Community Development Revolving Fund created by HRS 206E-16, Kalaeloa Community Development Revolving Fund created by HRS 206E-195, and He'eia Community Development Revolving Fund created by HRS 206E-204. Except for administrative expenditures, and except as otherwise provided by law, expenditures from the revolving funds may be made by the HCDA without appropriation by the legislature.

ARPA Fund – The ARPA fund is used to account for financial resources of federal funds received from the Federal American Rescue Plan Act used for improvements to the He‘eia community development district.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the construction or acquisition of major capital improvements in the HCDA's community development districts.

Fund Balance

In the governmental funds financial statements, fund balances are classified using a hierarchy based on the extent to which the HCDA is bound to follow constraints on how resources can be spent. Classifications include:

Nonspendable - Nonspendable fund balances are amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted - Restricted fund balances are amounts that are restricted for specific purposes which are usually imposed by external parties such as grantors, contributors, or laws or regulations of other governments.

Committed - Committed fund balances are amounts that can only be used for specific purposes pursuant to formal action of the State legislature.

Assigned - Assigned fund balances are amounts that are constrained by the policy board or management for specific purposes, but are neither restricted nor committed.

Unassigned - Unassigned fund balances is the residual classification for the general fund. The classification represents amounts in the general fund that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund.

When both restricted and unrestricted resources are available for use, generally it is the HCDA's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, generally it is the HCDA’s policy that committed amounts be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

Use of Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates, and it is reasonably possible that such estimates may change within the near term.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and investments with original maturities of three months or less and amounts held in State Treasury.

Amounts Held in State Treasury

The State's investments held in the State Treasury are reported at fair value within the fair value hierarchy established by GAAP. Investment earnings are allocated to the pool participants, including the HCDA, based upon their equity interest in the pooled monies.

Capital Assets

Capital assets are expenditures in the funds used to acquire or construct such assets. Such capital acquisitions and construction are reflected as expenditures in governmental funds, and the related assets are reported in the statement of net position. Capital assets are defined by the HCDA as land, land improvements, buildings, wharves, infrastructure networks, construction in progress, furniture and equipment, and those assets with estimated useful lives greater than one year and acquisition costs greater than $100,000 for land, land improvements, infrastructure networks, buildings and wharves; and $5,000 for furniture and equipment.

Purchased and constructed assets are recorded at cost. Donated assets are recorded at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. When capital assets are disposed, the cost and related accumulated depreciation are removed from the respective accounts with a resulting gain or loss reflected in operations.

Major outlays for capital assets and improvements for improvement district projects are capitalized to the extent capitalization thresholds are met. Improvements to roadways and utility systems involve lands that are owned or acquired by the HCDA and lands owned by other governmental jurisdictions; primarily the City and County of Honolulu and the State of Hawaii, Highway Division of the Department of Transportation.

Accumulated project expenditures are removed from the respective accounts after all construction phases have been completed and final inspections concluded. The improvements constructed on lands owned by other jurisdictions are then transferred to those jurisdictions. Improvements made to lands owned by the HCDA are capitalized as land improvements and infrastructure networks until the land parcels have been dedicated to the respective jurisdictions

Depreciation expense is recorded on capital assets in the statement of activities. The HCDA utilizes the straight-line method over the assets' estimated useful lives. No depreciation is recorded for land and construction in progress. The estimated useful lives for depreciable assets are 30 years for land improvements, infrastructure networks, buildings, and wharves, and seven years for furniture and equipment.

Capital assets also consist of right-to-use lease asset (lease assets). Refer to *Leases* section below for the HCDA's accounting policy for lease assets and related amortization.

Leases

As Lessee

The HCDA recognizes lease liabilities and lease assets in the government-wide financial statements for leases with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the HCDA initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the HCDA determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The HCDA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the HCDA generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the HCDA is reasonably certain to exercise.

The HCDA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets (see Note 9) and lease liabilities are reported with long-term liabilities (see Note 13) on the statement of net position.

As Lessor

The HCDA is a lessor for leases of facilities and land. The HCDA recognizes leases receivable (see Note 7) and deferred inflows of resources in the government-wide financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the HCDA initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the HCDA determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The HCDA uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The HCDA monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that applies to a future period. The deferred outflow of resources related to pensions and other postemployment benefits (OPEB) resulted from differences between expected and actual experience, changes in assumptions, changes in proportion and differences between contributions and proportionate share of contributions, and net differences between projected and actual earnings on OPEB plan investments, which will be amortized over five years, and the HCDA's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year. The deferred inflow of resources related to pension and OPEB resulted from differences between expected and actual experience, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion and differences between contributions and proportionate share of contributions, which will be amortized over five years. Additionally, the HCDA recorded deferred inflows of resources related to leases, which will be amortized over the lease term.

Compensated Balances

Eligible employees are credited with vacation at the 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. Such accumulated vacation has been accrued and reflected in the statement of net position.

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but 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 State's Employees' Retirement System (ERS). At June 30, 2022, accumulated sick leave was approximately $1,030,400.

Unearned Revenues

The HCDA reports unearned revenues on its statement of net position and balance sheet - governmental funds, as a liability, when a potential revenue item does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met or when the HCDA has a legal claim to the resources, the liability is removed from the statement of net position and balance sheet - governmental funds, and recognized as revenue.

State Allotted Appropriations

Appropriations represent the authorizations granted by the State Legislature that permit a state agency, within established fiscal and budgetary controls, to incur obligations and to make expenditures. Appropriations are allotted quarterly. The allotted appropriations lapse if not expended or encumbered at the end of the fiscal year.

Interfund and Intrafund Transfers

Significant transfers of financial resources between activities within the same fund are offset within that fund. Transfers of revenues from funds authorized to receive such funds, to funds authorized to expend such funds are recorded as operating transfers in the basic financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS 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.

Other Postemployment Benefits

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

Intrafund and Interfund Transactions

Significant transfers of financial resources between activities included within the same fund are offset within that fund. Transfers of revenues from funds authorized to receive them to funds authorized to expend them have been recorded as transfers in the financial statements.

Risk Management

The HCDA is exposed to various risks for losses related to torts; theft of, damages to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

Recently Issued Accounting Pronouncements

GASB Statement No. 87

The GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This change in accounting principle had a significant effect on the HCDA's financial statements for the year ended June 30, 2022. Upon implementation on July 1, 2021, the HCDA recognized lease liabilities and right-to-use lease assets as the lessee, and lease receivable and deferred inflows of resources related to the lease as the lessor. There was no effect on net position previously reported as of July 1, 2021.

GASB Statement No. 92

During fiscal year 2022, the HCDA implemented GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement did not have a material effect on the HCDA's financial statements.

GASB Statement No. 93

During fiscal year 2022, the HCDA implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. This statement did not have a material effect on the HCDA's financial statements.

GASB Statement No. 94

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The HCDA is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 96

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The HCDA is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 99

The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this statement are effective immediately while other requirements are effective for reporting periods beginning after June 15, 2022 and June 15, 2023, respectively. The HCDA is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 100

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The HCDA is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 101

The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The HCDA is currently evaluating the impact that this statement will have on its financial statements.

(3) Budget 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. Budgeted expenditures are derived primarily from acts of the State Legislature and from other authorizations contained in other specific appropriation acts in various Session Laws of Hawaii.

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

For the fiscal year ended June 30, 2022, the adoption of an annual budget for the special revenue funds was not required.

(4) Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2022 consisted of the following:

Amounts held in State Treasury	$ 30,565,766
Petty cash	3,500
	$ 30,569,266

The State Director of Finance (the Director) is responsible for safekeeping of all monies paid into the State Treasury. The Director 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 participates 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, governmental securities held in the name of the State for deposits not covered by federal deposit insurance.

GAAP requires disclosures over common deposit and investment risks related to credit risk, interest rate risk, and foreign currency risk. Investments can be categorized by type, maturity and custodian to determine the level of interest rate, credit and custodial risk assumed by the HCDA. However, as these funds are held in the State investment pool, the HCDA does not manage these investments and the types of investments, and related interest rate, credit and custodial risks are not determinable at the HCDA's level. The risk disclosures and fair value leveling table of the State's investment pool are included in the State's Annual Comprehensive Financial Report (ACFR) which may be obtained from the State Department of Accounting and General Services' website: http://ags.hawaii.gov/accounting/annual-financial-reports/.

(5) Accounts Receivable

At June 30, 2022, accounts receivable for the governmental funds consisted of the following:

	Hawaii Community Development	Kalaeloa Community Development	Total Governmental Funds
Rent	$ 706,660	$ -	$ 706,660
Assessment	-	30,920	30,920
Other	5,674	-	5,674
Less: allowance for uncollectible accounts	(160,645)	-	(160,645)
	$ 551,689	$ 30,920	$ 582,609

(6) Loans Receivable

In April 2009, the HCDA entered into an agreement with Halekauwila Partners, LLC (HP) to lend up to $15,000,000 to finance development of Halekauwila Place, an affordable rental housing project.

In November 2009, the HCDA authorized an expenditure of $2,000,000 for HP to build an additional floor of parking at the Halekauwila Place project in the interest of providing additional public parking within the district.

In October 2012, the HCDA provided authorization to execute the Loan Agreement and appurtenant subordinate loan documents for the Halekauwila Place project, and in December 2012, HP closed on the $17,000,000 loan. At June 30, 2022, the loan receivable balance was $15,314,109.

The loan follows terms similar to Hawaii Housing Finance Development Corporation's "Rental Housing Trust Fund" interim construction loan program. Loan interest will be paid in the amount of 1.0% per year after completion of construction. The repayment period is over 50 years beginning upon issuance of certificate of occupancy of the last residential unit.

In December 2021, the HCDA entered into an agreement with Honuakaha Limited Partnership (HLP), to lend $1,000,000 to pay off outstanding maintenance fees owed by HLP for Honuakaha Senior Rental Housing Project.

(7) Lease Receivable

Portions of the HCDA's property is leased to others (see Note 17). Such property includes facilities and land. Lease receivable consists of agreements with others for the right-to-use the underlying assets at various locations owned by the HCDA. The terms of the arrangements range from 3 to 60 years. The calculated interest rates used was 2.87%. For the fiscal year ended June 30, 2022, the HCDA recognized $1,051,013 in lease revenue and $342,490 in interest income in the statement of activities.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows:

Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
$ -	$ 12,780,911	$ (1,104,886)	$ 11,676,025	$ 910,234

Lease receivable are due in the upcoming year as follows:

Fiscal Years Ending June, 30	Principal	Interest	Total
2023	$ 910,234	$ 326,580	$ 1,236,814
2024	568,786	304,368	873,154
2025	503,260	290,069	793,329
2026	443,947	276,049	719,996
2027	456,751	263,245	719,996
2028 - 2032	2,338,254	1,111,726	3,449,980
2033 - 2037	2,051,358	798,622	2,849,980
2038 - 2042	1,807,801	500,521	2,308,322
2043 - 2047	1,299,864	300,136	1,600,000
2048 - 2052	888,890	111,110	1,000,000
2053-2057	44,006	55,994	100,000
2058-2062	50,732	49,268	100,000
2063-2067	58,445	41,555	100,000
2068-2072	67,331	32,669	100,000
2073-2077	77,558	22,442	100,000
2078-2082	89,366	10,634	100,000
2083	19,442	558	20,000
	$ 11,676,025	$ 4,495,546	$ 16,171,571

(8) Investment in Limited Partnership

The HCDA is a general partner in the Honuakaha Limited Partnership. The HCDA entered into this partnership in December 1993 to construct, maintain, and operate 150 studios designated as elderly, low-income rental units in the multi-complex project known as Honuakaha. The agreement will continue until December 2030. The HCDA made a capital contribution of $169,000 and has a 1% interest in the partnership. Any net income or loss generated from the project is allocated to the partners based on their interest in the partnership.

As of June 30, 2022, the HCDA's investment, net of distributions and allocated income and losses, in the limited partnership was approximately $43,052.

The property is managed by a contracted property manager. The HCDA receives management fees of 5% of rental income collected. Management fees for the fiscal year ended June 30, 2022 was approximately $39,500 and is included in leasing and management revenue.

The partnership tax returns and financial statements for both limited partnerships are maintained by and are available at the HCDA.

(9) Capital Assets

For the fiscal year ended June 30, 2022, the changes in capitals assets were as follows:

	Balance July 1, 2021	Additions	Deductions	Transfers	Balance June 30, 2022
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 58,129,417	$ -	$ -	$ -	$ 58,129,417
Land improvements	3,839,912	-	-	-	3,839,912
Construction in progress	14,164,553	258,190	-	(12,773,294)	1,649,449
Total capital assets not being depreciated	76,133,882	258,190	-	(12,773,294)	63,618,778
Capital assets being depreciated:					
Buildings	12,417,732	-	-	-	12,417,732
Wharves	4,267,956	-	-	-	4,267,956
Land improvements	5,755,107	-	-	-	5,755,107
Infrastructure networks	38,119,883	-	-	12,525,732	50,645,615
Furniture and equipment	386,177	-	-	247,562	633,739
Total capital assets being depreciated	60,946,855	-	-	12,773,294	73,720,149
Less accumulated depreciation for:					
Buildings	4,333,993	420,657	-	-	4,754,650
Wharves	4,182,144	12,259	-	-	4,194,403
Land improvements	5,755,107	-	-	-	5,755,107
Infrastructure networks	28,376,208	1,121,301	-	-	29,497,509
Furniture and equipment	380,152	82,330	-	-	462,482
Total accumulated depreciation	43,027,604	1,636,547	-	-	44,664,151
Lease assets:					
Buildings	-	818,435	-	-	818,435
Less accumulated amortization for:					
Buildings	-	110,351	-	-	110,351
Capital assets, net	$ 94,053,133	$ (670,273)	$ -	$ -	$ 93,382,860

Real property acquired for future development projects is administered by the HCDA until the projects' completion.

For the fiscal year ended June 30, 2022, depreciation and amortization expense was charged to functions of the HCDA as follows

Governmental Activity	Amount
Leasing and management	$ 418,856
Community redevelopment	111,802
Capital projects	1,216,240
	$ 1,746,898

(10) Lease Payable

The HCDA has entered into a lease for the use of a parking garage (see Note 17). The terms for this agreement are for 99 years expiring on November 30, 2092. The current lease term ends November 2028. For the reminder of the lease term, the rent will be $1 per year. The calculated interest rate used was 2.87%. For the fiscal year ended June 30, 2022, the HCDA recognized $102,165 in lease expense and $20,199 in interest expense in the statement of activities.

Principal and interest payments to November 2028 are as follows:

Fiscal Years Ending June, 30	Principal	Interest	Total
2023	$ 103,154	$ 19,210	$ 122,364
2024	106,111	16,253	122,364
2025	109,240	13,124	122,364
2026	112,416	9,948	122,364
2027	115,686	6,678	122,364
2028 - 2029	169,662	3,687	173,349
	$ 716,269	$ 68,900	$ 785,169

(11) BRAC Land Parcels Conveyance

In 1993, the U.S. Congress approved the closure of the Barbers Point Naval Air Station (BPNAS), as part of the Base Closure and Realignment (BRAC) process. Land parcels of former BPNAS identified as BRAC parcels were conveyed to various State and city agencies. By October 2011, the HCDA, as the designated Local Redevelopment Authority, had received six BRAC land parcels totaling approximately 157.198 acres. The HCDA's capital assets reflects the land acquisitions at an estimated value of $1,711,886.

(12) Ceded Land Revenue

In 1898, the Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States conveyed title to those lands (collectively, the ceded lands) back to the State to be held as public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and homeownership; (4) making public improvements; and (5) provision of land for public use. In 1978, the State

Constitution was amended expressly to provide that the ceded lands were to be held as a public trust for native Hawaiians and the general public, and to establish the Office of Hawaiian Affairs (OHA) to administer and manage the proceeds and income derived from a pro-rata portion of the ceded lands for native Hawaiians and included in Hawaii Revised Statutes (HRS) §10-3.5.

The HCDA deposits OHA's share of revenue received from properties that are considered ceded lands into a State Treasury account whose funds are subsequently transferred to OHA each quarter pursuant the HRS §10-3.5. Pursuant to Act 178, of the 2006 legislative session, the amount due to OHA is capped quarterly at $3,775,000 and annually at $15,100,000.

During the fiscal year ended June 30, 2013, the HCDA discovered that certain submerged lands located at Kewalo Basin Harbor were deemed ceded lands, however had not been deposited. Upon discovery, the HCDA calculated the amount that should have been remitted to the State account from March 1, 2009 when HCDA took over management of Kewalo Basin Harbor. As of June 30, 2022, this balance due amounts to $1,270,324 and is reflected as a balance due to State Treasury.

(13) Long-Term Liabilities

Changes in long-term liabilities of the HCDA were as follows:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Unearned public facility dedication credits (Note 14)	$ 10,517,822	$ -	$ -	$ 10,517,822	$ -
Unearned reserved housing credit (Note 14)	311,400	-	-	311,400	-
Lease payable (Note 10)	-	818,435	102,166	716,269	103,154
Accrued compensated absences	324,126	233,644	209,532	348,238	108,511
Total long-term liabilities	$ 11,153,348	$ 1,052,079	$ 311,698	$ 11,893,729	$ 211,665

(14) Development Credits

In previous years, the HCDA entered into various transactions with the Trustees of the Estate of Bernice Pauahi Bishop (Bishop Estate) and with Victoria Ward, Limited (VWL) in which the HCDA received land parcels in the Kaka'ako development district and, in exchange, granted public facilities dedication credits. The credits totaled $10,517,822 as of June 30, 2022.

The HCDA also previously received in-lieu fees in the amount of $311,400 and granted reserved housing credits to a landowner for its future planned development project(s).

(15) Retirement Benefits

Pension Plan

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at the ERS website: http://ers.ehawaii.gov/resources/financials.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, survivor, and disability benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

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

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

Noncontributory Class

Retirement Benefits

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 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. 10 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 surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at the time of death with at least 10 years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving 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 and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

Retirement Benefits

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

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits

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

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 60.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with 10 years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

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. 10 years of credited service is required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. 10 years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving 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 Class for Members Hired after June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 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 emergency medical technicians may retire with 25 years of credited service at age 55.

Disability and Death Benefits

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 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.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2022 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the ERS from the HCDA was $245,886 for the fiscal year ended June 30, 2022.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities Pensions Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Measurement of the actuarial valuation of the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the HCDA. The State allocates the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension to the various departments and agencies based upon a systematic methodology. Additional disclosures and required supplementary information stipulated by GASB Statement Nos. 68 and 71 pertaining to the State's net pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension can be found in the ACFR.

At June 30, 2022, the HCDA reported a net pension liability of $3,898,170 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

At June 30, 2022, the HCDA's proportionate share of the State's (primary government) net pension liability was .06%.

There were no changes in actuarial assumptions during the year ended June 30, 2021. There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the HCDA's proportionate share of the State's net pension liability.

For the year ended June 30, 2022, the HCDA recognized pension expense of $139,567. At June 30, 2022, the HCDA reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 245,886	$ -
Changes in assumptions	63,323	(64)
Differences between expected and actual experience	61,468	(37,039)
Changes in proportion and differences between HCDA's contributions and proportionate share of contributions	11,834	(20,375)
Net difference between projected and actual earnings on pension plan investments	-	(92,153)
	$ 382,511	$ (149,631)

The $245,886 reported as deferred outflows of resources related to pension at June 30, 2022 resulting from the HCDA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

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

Year Ending June 30:	
2023	$ (4,496)
2024	(4,855)
2025	(3,578)
2026	(77)
	$ (13,006)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

Inflation	2.50%
Payroll growth rate	3.50%
Investmenet rate of return	7.00% per year, compounded annually including inflation

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

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table, with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

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

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

Strategic Allocation (Risk-based Classes)	Target Allocation	Long-Term Expected Real Rate of Return
Broad growth	63.00%	8.00%
Diversifying Strategies	37.00%	5.10%
Total investments	100.0%	

Discount Rate

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

Sensitivity of the HCDA's Proportionate Share of the State's Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
HCDA's proportionate share of the State's net pension liability	$ 5,320,706	$ 3,898,170	$ 2,725,371

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' 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' complete financial statements are available at http://www.ers.ehawaii.gov/resources/financials.

Payables to the Pension Plan

The State's employer contributions payable to the ERS was paid by June 30, 2022. Excess payments will be applied to amounts due in fiscal year 2023.

Post-Retirement Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at https://eutf.hawaii.gov/reports/. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996, but before July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Members Covered by Benefit Terms

At July 1, 2021, the following number of plan members of the State were covered by benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	38,534
Inactive plan members entitled to but not yet receiving benefits	7,539
Active plan members	49,700
Total plan members	95,773

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the HCDA was $104,613 for the fiscal year ended June 30, 2022. The HCDA is required to make all contributions for their members.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Measurement of the actuarial valuation of the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the HCDA. The State allocates the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB to the various departments and agencies based upon a systematic methodology. Additional disclosures and required supplementary information stipulated by GASB Statement No. 75 pertaining to the State's net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB can be found in the State's ACFR.

At June 30, 2022, the HCDA reported a net OPEB liability of $2,601,894. The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

At June 30, 2022, the HCDA's proportionate share of the State's (primary government) net OPEB liability was 0.03%.

There were no changes between the measurement date, July 1, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the HCDA's proportionate share of the State's net OPEB liability.

For the year ended June 30, 2022, the HCDA recognized OPEB expense of $32,070. At June 30, 2022, the HCDA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 104,613	$ -
Changes in assumptions	15,891	(10,080)
Net difference between projected and actual earnings on OPEB plan investments	9,514	-
Differences between expected and actual experience	-	(129,756)
	$ 130,018	$ (139,836)

The $104,613 reported as deferred outflows of resources related to OPEB resulting from the HCDA's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2022 will be recognized in OPEB expense as follows:

Year Ending June 30:	
2023	$ (26,740)
2024	(26,627)
2025	(25,952)
2026	(29,111)
2027	(5,986)
Thereafter	(15)
	$ (114,431)

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018:

Inflation	2.50%
Salary increases	3.50% to 7.00% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates:	
PPO*	Initial rate of 7.25%, declining to a rate of 4.70% after 12 years
HMO*	Initial rate of 7.25%, declining to a rate of 4.70% after 12 years
Part B & Base Monthly Contribution (BMC)	Initial rate of 5.00%, declining to a rate of 4.70% after 9 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

**Blended rates for medical and prescription drug.*

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

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

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
U.S. equity	16.00%	6.09%
Private equity	12.50%	10.19%
Non-U.S. equity	11.50%	7.12%
Real assets	10.00%	6.16%
Trend following	10.00%	2.01%
Private credit	8.00%	5.83%
U.S. microcap	6.00%	7.62%
Long treasuries	6.00%	1.06%
Global options	5.00%	4.33%
TIPS	5.00%	-0.07%
Alternative risk premia	5.00%	1.46%
Reinsurance	5.00%	4.44%
	100.00%	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for year end June 30, 2021, and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to years ending June 30, 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

OPEB Plan Fiduciary Net Position

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

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

Changes in the HCDA's Proportionate Share of the State's Net OPEB Liability

The following table represents a schedule of changes in the HCDA's proportionate share of the State's net OPEB liability. The ending balances are as of the measurement date, July 1, 2021:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 3,395,264	$ 725,542	$ 2,669,722
Service cost	13,473	-	13,473
Interest on the total OPEB liability	44,724	-	44,724
Employer contributions	-	70,236	(70,236)
Net investment income	-	36,819	(36,819)
Difference between expected and actual experience	(18,983)	-	(18,983)
Benefit payments	(20,439)	(20,439)	-
Administrative expense	-	(19)	19
Other	-	6	(6)
Net changes	18,775	86,603	(67,828)
Ending balance	$ 3,414,039	$ 812,145	$ 2,601,894

Sensitivity of the HCDA's Proportionate Share of the State's Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
HCDA's proportionate share of the State's net OPEB liability	$ 3,218,404	$ 2,601,894	$ 2,115,460

The following table represents the HCDA's proportionate share of the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the HCDA's proportionate share of the State's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
HCDA's proportionate share of the State's net OPEB liability	$ 2,089,200	$ 2,601,894	$ 3,264,141

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 (excluding part-time, temporary, and casual/seasonal), permits employees to defer a portion of their compensation 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. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

(16) Non-Imposed Employee Wages and Fringe Benefits

Payroll fringe benefits for employees of the HCDA are funded and assumed by the State and are not charged to the HCDA’s operating fund. These costs, totaling $391,186 for the year ended June 30, 2022, have been reported as revenues and expenditures of the HCDA’s general fund.

(17) Commitments and Contingencies

Leases

As Lessee

The HCDA leases a parking garage situated at 860 Halekauwila Street, Honolulu, Hawaii, from the Hawaii Housing Finance and Development Corporation, State of Hawaii, under a 99-year operating lease expiring on November 30, 2092. During the current lease term, which ends November 2028, the monthly rent is $10,197. For the remainder of the lease term, the rent will be $1 per year. See Notes 9 and 10 for reported right-to-use lease asset and lease payable, respectively, related to this lease.

As Lessor

The HCDA leases properties located in the Kaka'ako, Kalaeloa, and He'eia Districts to various government agencies, non-profit organizations and private businesses under operating leases expiring at various dates through April 2083, various month-to-month and/or percentage rent leasing arrangements. See Note 7 for reported lease receivable related to these leases.

Issuance of Revenue Bonds

The State Legislature has authorized the issuance of revenue bonds for the Kaka'ako Community Development District Project. As of June 30, 2022, the following amounts were authorized and unissued:

Purpose	Authorized	Unissued
Improvement Project	$ 60,000,000	$ 47,245,000

Encumbrances

Commitments for the HCDA include contracts awarded and orders placed for construction, repairs and maintenance, expense, supplies, etc. These commitments as of June 30, 2022 were as follows:

Fund	Amount
Kaka`ako	$ 1,861,133
Kalaeloa	49,489
Capital Projects	268,738
	$ 2,179,360

Economic Uncertainties

On March 11, 2020, the World Health Organization declared the coronavirus infection known as COVID-19 to be a global pandemic. The pandemic, together with the recent geopolitical events and rising inflation, has adversely affected the global economy by, among other things, disrupting supply chains, creating significant volatility and disruption in financial markets, and increasing unemployment levels. The full impact on the HCDA's operating results, including investment performance and health care costs, cannot be reasonably estimated at this time because of the uncertainties surrounding the duration and severity of these matters.

(18) Risk Management

The State records a liability for risk financing and insurance related losses 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. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year.

The State purchases policies that provide coverage for all state entities, including the HCDA. The State generally retains the first $1,000,000 per occurrence of property losses such as fires, and 3% of a property's replacement cost value for catastrophic losses such as hurricanes, earthquakes, and floods, the first $7,500,000 with respect to general liability claims, and the first $500,000 of losses due to crime and $5,000,000 of losses due to cyber liability claims. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $200,000,000, except for terrorism, which is $100,000,000 per occurrence. The annual aggregate limit for general liability losses is $7,500,000 per occurrence, $5,000,000 for cyber liability losses, and for crime losses, the limit per occurrence is $10,000,000 with no aggregate limit.

The HCDA is covered under the State's self-insurance program for workers' compensation.

Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past 10 fiscal years.

(19) Subsequent Events

The HCDA has evaluated subsequent events through December 14, 2022, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Schedule of Proportionate Share of the Pension Liability

Last Ten Fiscal Years*

Measurement Period Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a %age of Covered Payroll	Plan Fiduciary Net Position as a %age of the Total Pension Liability
June 30, 2021	0.06%	$ 3,898,170	$ 1,484,150	262.65%	64.25%
June 30, 2020	0.05%	4,237,183	1,491,265	284.13%	53.18%
June 30, 2019	0.05%	4,018,622	1,688,633	237.98%	54.87%
June 30, 2018	0.05%	3,770,830	1,761,282	214.10%	55.48%
June 30, 2017	0.05%	3,581,915	1,595,593	224.49%	54.80%
June 30, 2016	0.05%	3,670,198	1,587,106	231.25%	51.28%
June 30, 2015	0.05%	2,738,862	1,681,031	162.93%	62.42%
June 30, 2014	0.05%	2,414,914	1,658,554	145.60%	63.92%

* This schedule is intended to present information for 10 years for each respective fiscal year. Additional years will be built prospectively as information becomes available

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Schedule of Pension Contributions

Last Ten Fiscal Years*

Year Ended	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a %age of Covered Payroll
June 30, 2022	$ 245,886	$ 245,886	$ -	$ 1,804,460	13.63%
June 30, 2021	151,779	151,779	-	1,484,150	10.23%
June 30, 2020	157,393	157,393	-	1,491,265	10.55%
June 30, 2019	314,057	314,057	-	1,688,633	18.60%
June 30, 2018	55,079	55,079	-	1,761,282	3.13%
June 30, 2017	171,852	171,852	-	1,595,593	10.77%
June 30, 2016	268,852	268,852	-	1,587,106	16.94%
June 30, 2015	180,052	180,052	-	1,681,031	10.71%
June 30, 2014	127,502	127,502	-	1,658,554	7.69%

* This schedule is intended to present information for 10 years for each respective fiscal year. Additional years will be built prospectively as information becomes available

See accompanying independent auditors' report and notes to required supplementary information.

Schedule of Proportionate Share of the Net OPEB Liability

Last Ten Fiscal Years*

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	$ 13,473	$ 53,045	$ 120,879	$ 20,516	$ 53,669
Interest on the total OPEB liability	44,724	170,342	381,022	63,524	162,962
Difference between expected and actual experience	(18,983)	(155,954)	(3,172)	(18,784)	-
Changes in assumptions	-	(12,769)	30,624	11,368	-
Benefit payments	(20,439)	(78,342)	(182,470)	(30,930)	(80,571)
Net change in total OPEB liability	18,775	(23,678)	346,883	45,694	136,060
Total OPEB liability - beginning	3,395,264	3,418,942	3,072,059	3,026,365	2,890,305
Total OPEB liability - ending	$ 3,414,039	$ 3,395,264	$ 3,418,942	$ 3,072,059	$ 3,026,365
Plan Fiduciary Net Position:					
Employer contributions	$ 70,236	$ 175,064	$ 402,503	$ 61,114	$ 160,226
Net investment income	36,819	9,347	36,595	7,040	16,042
Benefit payments	(20,439)	(78,342)	(182,470)	(30,930)	(80,571)
Administrative expense	(19)	(66)	(251)	(23)	(41)
Other	6	59	84,769	--	1,288
Net change in plan fiduciary net position	86,603	106,062	341,146	37,201	96,944
Plan fiduciary net position - beginning	725,542	619,480	278,334	241,133	144,189
Plan fiduciary net position - ending	$ 812,145	$ 725,542	$ 619,480	$ 278,334	$ 241,133
Net OPEB Liability	$ 2,601,894	$ 2,669,722	$ 2,799,462	$ 2,793,725	$ 2,785,232
Plan fiduciary net position as a percentage of the total OPEB liability	23.79%	21.37%	18.12%	9.70%	7.97%
Covered-employee payroll	$ 1,484,150	$ 1,491,265	$ 1,688,633	$ 1,761,282	$ 1,595,593
Net OPEB liability as a percentage of covered-employee payroll	175.31%	179.02%	165.78%	158.62%	174.56%

* The schedule is intended to present information for 10 years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Schedule of OPEB Contributions

Last Ten Fiscal Years*

Year Ended	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a %age of Covered Payroll
June 30, 2022	$ 171,987	$ 104,613	$ (67,374)	$1,804,460	5.80%
June 30, 2021	47,974	70,236	22,262	1,484,150	4.73%
June 30, 2020	182,796	175,064	7,732	1,491,265	11.74%
June 30, 2019	387,889	402,503	(14,614)	1,714,676	23.47%
June 30, 2018	61,114	61,114	--	1,761,282	3.47%

* This schedule is intended to present information for 10 years for each respective fiscal year. Additional years will be built prospectively as information becomes available

(1) Significant Methods and Assumptions

The actuarially determined annual required contributions for the fiscal year ending June 30, 2022 was developed in the July 1, 2018 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2022:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Equivalent single amortization period	23.0 as of fiscal year ended June 30, 2022
Inflation rate	2.50%
Discount rate	7.00%
Payroll growth	3.50%
Salary increases	3.50% to 7.00%, including inflation
Demographic assumptions	Based on the experience study covering the five-year period ending June 30, 2018 as conducted for the ERS
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation Rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates:	
PPO*	Initial rate of 8.00%, declining to an ultimate rate of 4.86% after 12 years
HMO*	Initial rate of 8.00%, declining to an ultimate rate of 4.86% after 12 years
Part B	Initial rate of 5.00%, declining to an ultimate rate of 4.70% after 11 years
Dental	Initial rate of 5.00% for first two years, then 4.00% for all future years
Vision	Initial rate of 0.00% for first two years, then 2.50% for all future years
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Notes to Required Supplementary Information
Required by GASB Statement No. 75

June 30, 2022

Prior to the fiscal year ending June 30, 2022, there were no other factors, including the use of different assumptions that significantly affected trends in the amounts reported in the schedule of changes in the net OPEB liability and related ratios or the schedule of OPEB contributions.

PART III

INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE

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

The Auditor
State of Hawaii:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hawaii Community Development Authority, State of Hawaii (the HCDA), a component unit of the State of Hawaii, as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the HCDA's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the HCDA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the HCDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the HCDA'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Summary of Current Year Finding as Finding No. 2022-01 that we consider to be a significant deficiency.

Topa Financial Center | 745 Fort Street | Suite 2100 | Honolulu, Hawaii 96813
P: 808.521.3962 | F: 808.531.3217 | www.kkdly.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the HCDA'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 financial statements. 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.*

The HCDA's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the HCDA's response to the finding identified in our audit and described in the accompanying Summary of Current Year Finding. The HCDA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

KKDLY LLC

Honolulu, Hawaii
December 14, 2022

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Summary of Current Year Finding

Fiscal Year Ended June 30, 2022

Significant Deficiency

Finding No. 2022-001
Preparing Timely Reconciliations of Capital Assets

Criteria

Management is responsible for preparing timely reconciliations of the HCDA's capital assets. Completeness and accuracy are fundamental components to establish and maintain internal control over financial reporting to permit the preparation of the HCDA's financial statements in conformity with accounting principles generally accepted in the United States of America.

Condition

The Kalaeloa Enterprise Energy Corridor project was completed in August 2021. During our audit, we noted that the HCDA identified certain costs related to the Kalaeloa Enterprise Energy Corridor that should have been capitalized to construction in progress (CIP) during the year ended June 30, 2021, but were inadvertently recorded as expenses/expenditures in the 2021 financial statements. The HCDA recorded such costs to capital assets during the year ended June 30, 2022.

In addition, the HCDA determined that parking and surveillance equipment at Kauhale Kakaako Parking Garage recorded as CIP in the 2021 financial statements were actually placed in service in the previous year.

Cause

We were informed that the predecessor Administrative Services Officer and the Executive Director terminated employment with the HCDA in the previous fiscal year, which caused delays in obtaining the correct information on the HCDA's capital assets.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Summary of Current Year Finding (Continued)

Fiscal Year Ended June 30, 2022

Effect

The errors related to the HCDA's capital asset balances had the following effects:

- CIP as of June 30, 2021 was understated by approximately $258,000, and expenses/expenditures were overstated and the change in net position was understated for the year ended June 30, 2021, by this same amount.

- Depreciation expense and accumulated depreciation for the Kauhale Kakaako Parking Garage equipment were understated by approximately $40,000 as of and for the year ended June 30, 2021.

Identification as a Repeat Finding

A similar finding was identified in the previous year by other auditors. See Finding No. 2021-001 included in the Summary of Prior Findings. We noted that the HCDA did meet with the Asset Manager in April 2022 to identify capital asset additions, disposals, and other changes.

Recommendation

We recommend that the HCDA adhere to established policies and procedures requiring the timely reconciliation and reporting of capital assets.

Views of Responsible Official(s) and Planned Corrective Action

Management agrees with the finding and recommendation. See Corrective Action Plan on page 69.

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII
(A Component Unit of the State of Hawaii)

Summary of Prior Year Findings

Year Ended June 30, 2022

	Findings and Recommendations	Status
2021-001	**Prepare Timely Reconciliation of the Capital Assets**	
	During the 2021 audit, the predecessor auditor noted that in preparing for the fiscal year 2021 audit, the HCDA discovered that the capital assets listing was not accurate. Items were identified that should have been disposed in the prior fiscal year related to the Land Transfer Agreement to effectuate the transfer of apprximately 35-acres of park space, comprised of Gateway Park, Kakaako Waterfront Park, and Kewalo Basin Park to the City and County of Honolulu in November 2019.	A similar finding relating to the timely reconciliation of capital assets was identified in the current year. See Finding No. 2022-01.
2021-002	**Recordkeeping to Prepare Accrual Basis Financial Statements**	
	During the 2021 audit, the predecessor auditor noted the understatement of liabilities of $55,000 and $33,445 in the General Fund and Kalaeloa Community Development Revolving Fund, respectively, which were related to the previous year.	No similar finding was identified in the current year. Finding is considered resolved.

PART IV

CORRECTIVE ACTION PLAN

HAWAII COMMUNITY DEVELOPMENT AUTHORITY

547 Queen Street, Honolulu, Hawaii 96813
Telephone: (808) 594-0300 Fax: (808) 587-0299
Web site: http://dbedt.hawaii.gov/hcda/

DAVID Y. IGE
GOVERNOR

CHASON ISHII
CHAIRPERSON

CRAIG K. NAKAMOTO
EXECUTIVE DIRECTOR

December 14, 2022

KKDLY LLC
745 Fort Street, Suite 2100
Honolulu, Hawaii 96813

Dear KKDLY:

Re: Fiscal Year 2022 Audit Finding

In response to 2022-001, management agrees with the finding. Pertinent details are listed below.

1. Certain costs related to the Kalaeloa Enterprise Energy Corridor that should have been capitalized to construction in progress (CIP) during the year ended June 30, 2021, were inadvertently recorded as expenses/expenditures in the 2021 financial statements.
2. Parking and surveillance equipment at Kauhale Kakaako Parking Garage recorded as CIP in the 2021 financial statements were actually place in service in the previous year.

Corrective Action Plan:

The control from the corrective action plan in the prior year finding was implemented – the Hawaii Community Development Authority ("HCDA") Administrative Services Officer met with the HCDA Asset Manager to review the fixed asset listing to identify any additions, disposals, or changes. Going forward, the review will also include entries recorded to construction in progress to identify new projects and completely and accurately record those costs.

Please contact Garet Sasaki, HCDA Administrative Services Officer at (808) 594-0343 or garet.a.sasaki@hawaii.gov if you have any questions or concerns.

Sincerely,

Craig Nakamoto
Executive Director