STATE OF HAWAIʻI
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaiʻi 96813-2917

LESLIE H. KONDO
State Auditor
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DEPT. COMM. NO. 372

March 25, 2026

VIA EMAIL (senkouchi@capitol.hawaii.gov)
The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaiʻi State Capitol, Room 409
Honolulu, Hawaiʻi 96813

VIA EMAIL (repnakamura@capitol.hawaii.gov)
The Honorable Nadine K. Nakamura
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

RE: Financial Audit of the Hawaiʻi Community Development Authority

Dear President Kouchi and Speaker Nakamura:

The audit report on the financial statements of the Hawaiʻi Community Development Authority for the fiscal year ended June 30, 2025, was issued on December 8, 2025. The Office of the Auditor retained KKDLY LLC to perform the financial audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial audit report.

You may view the financial audit report and Auditor's Summary on our website at:

https://files.hawaii.gov/auditor/Reports/2025_Audit/HCDA2025.pdf; and

https://files.hawaii.gov/auditor/Reports/2025_Audit/HCDA_Summary_2025.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

lml

cc/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial Audit of the Hawai'i Community Development Authority

Financial Statements, Fiscal Year Ended June 30, 2025



PHOTO: OFFICE OF THE AUDITOR

The primary purpose of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Community Development Authority, as of and for the fiscal year ended June 30, 2025. The audit was conducted by KKDLY LLC.

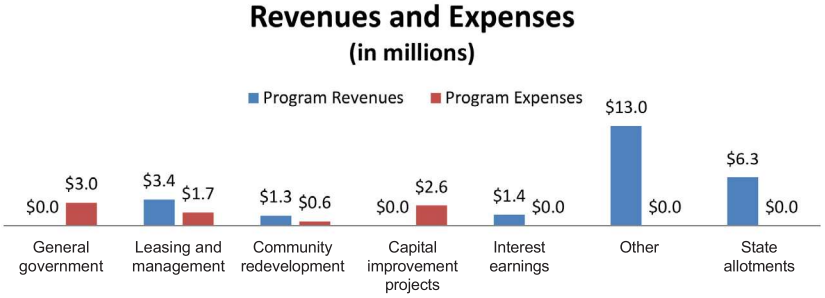
About the Authority

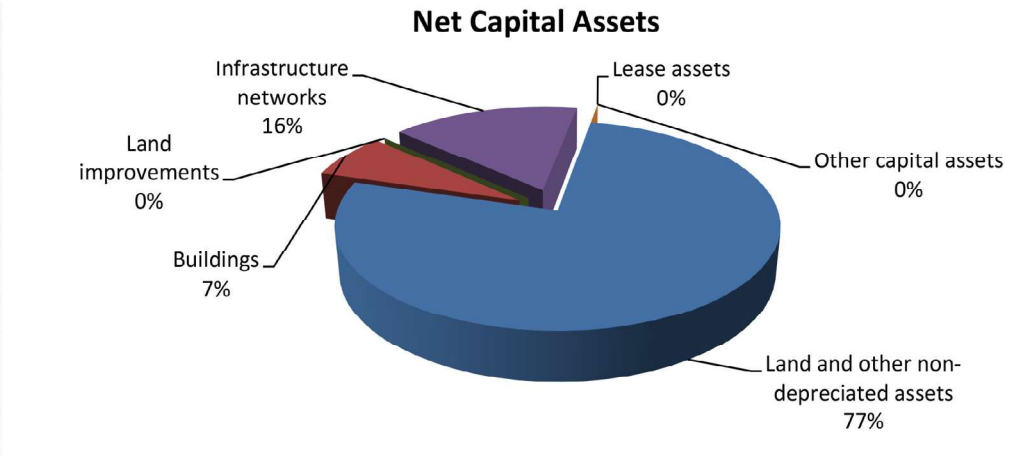
The Hawai'i Community Development Authority (HCDA) was established in 1976 by Chapter 206E, Hawai'i Revised Statutes, to establish community development plans in community development districts, to determine community development programs, and to cooperate with private enterprises and various components of federal, state, and county governments to bring community plans to fruition. HCDA is administratively attached to the Department of Business, Economic Development and Tourism.

Financial Highlights

For the fiscal year ended June 30, 2025, HCDA reported total revenues of $25.3 million and total expenses of $7.8 million resulting in an increase in net position of $17.5 million. Revenues consisted of (1) leasing and management activities of $3.4 million, (2) community redevelopment activities of $1.3 million, (3) investment earnings of $1.4 million, (4) net state appropriations of $6.3 million, and (5) other revenue of $13 million.

The following graph illustrates a comparative breakdown of HCDA's revenues and expenses.





As of June 30, 2025, total assets and deferred outflows of resources of $328.2 million exceeded total liabilities and deferred inflows of resources of $51.8 million resulting in a net position of $276.4 million.

Of the net position balance of $276.4 million, $35.2 million is unrestricted and may be used to meet ongoing expenses, $125.7 million is restricted for capital projects, and $115.4 million is invested in net capital assets. The agency reported total assets and deferred outflows of resources comprised of (1) net capital assets of $116 million, (2) cash of $55.8 million, and (3) receivables, other assets, and deferred outflows of resources of $156.4 million.

Auditors' Opinion

HCDA received an unmodified opinion that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Findings

There were no reported deficiencies in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Link to the complete report:

https://files.hawaii.gov/auditor/Reports/2025_Audit/HCDA2025.pdf

KDLY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Hawaii Community Development Authority
State of Hawaii

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

June 30, 2025

Submitted by

THE AUDITOR
STATE OF HAWAII

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII

Financial Statements and Required Supplementary Information

June 30, 2025

Table of Contents

	Page
PART I – INTRODUCTION SECTION	
Audit Objectives	1
Scope of Audit	1
Organization of Report	2
PART II – FINANCIAL SECTION	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Governmental Activities	16
Statement of Activities – Governmental Activities	18
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	22
Notes to Financial Statements	23

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII

Financial Statements and Required Supplementary Information

June 30, 2025

Table of Contents

	Page
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of the Net Pension Liability	61
Schedule of Pension Contributions	62
Schedule of Proportionate Share of the Net OPEB Liability	63
Schedule of OPEB Contributions	64
Notes to Required Supplementary Information Required by GASB Statement No. 75	65
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*	67

PART I

INTRODUCTION SECTION

December 8, 2025

The Auditor
State of Hawaii:

We have completed our audit of the financial statements of the Hawaii Community Development Authority, State of Hawaii (the HCDA), as of and for the year ended June 30, 2025. We transmit herewith our reports pertaining to our audit of the HCDA's financial statements and our 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.*

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.

As part of the audit of the HCDA's financial statements, we performed tests of the HCDA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also considered the HCDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

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

Organization of Report

This report has been organized into three 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 (unaudited), and related notes, as of and for the year ended June 30, 2025, and our independent auditors' report thereon.

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*.

* * * * * * *

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 and each major fund 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, 2025, 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 and each major fund of the HCDA as of June 30, 2025, 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 to the financial statements, the HCDA adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, effective July 1, 2024. Our opinions are not modified with respect to this matter.

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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 and each major fund 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, 2025, 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, misrepresentations, 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 8, 2025, 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 8, 2025

HAWAII COMMUNITY DEVELOPMENT AUTHORITY
STATE OF HAWAII

Management's Discussion and Analysis (Unaudited)

June 30, 2025

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, 2025. 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, 2025 by $276.3 million (net position).

- The HCDA's assets and deferred outflows increased by $34.8 million, or 11.9% from June 30, 2024 to June 30, 2025.

- The HCDA's total liabilities and deferred inflows increased by $17.7 million, or 52.0% from June 30, 2024 to June 30, 2025.

- The HCDA's total net position increased by $17.1 million, or 6.8% from June 30, 2024 to June 30, 2025.

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 of 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, 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*.

Change in Accounting Principle

Effective July 1, 2024, the HCDA adopted the provisions of GASB Statement No. 101, *Compensated Absences* (Statement No. 101). 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. This statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled.

As further discussed in Note 2 to the financial statements, the cumulative effect of applying the provisions of this statement has been reported as a restatement of the beginning net position for the year ended June 30, 2025. Specifically, the adoption of Statement No. 101 had the effect of decreasing net position as of June 30, 2024 by $435,000. The restatement of the comparative financial data for the prior period presented was not practical due to the unavailability of requisite information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following presents a summarized comparison of the HCDA's net position as of June 30, 2025 and 2024.

	2025	2024
Assets:		
Current assets	$ 184,723,000	$ 168,045,000
Capital assets, net	115,990,000	97,567,000
Other noncurrent assets	26,301,000	26,716,000
Total assets	327,014,000	292,328,000
Deferred Outflows of Resources	1,128,000	1,032,000
Total assets and deferred outflows of resources	328,142,000	293,360,000
Liabilities:		
Current liabilities	3,074,000	3,370,000
Other long-term liabilities	36,197,000	18,290,000
Total liabilities	39,271,000	21,660,000
Deferred Inflows of Resources	12,556,000	12,441,000
Total liabilities and deferred inflows of resources	51,827,000	34,101,000
Net Position:		
Net investment in capital assets	115,416,000	97,060,000
Restricted for capital projects	125,660,000	129,551,000
Unrestricted	35,239,000	32,648,000
Total net position	$ 276,315,000	$ 259,259,000

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, 2025 by $276.3 million (net position). Net investment in capital assets (e.g., land, buildings, infrastructure networks, construction in progress, land improvements, furniture and equipment, and right-to-use lease assets (lease assets), net of related lease payable) of $115.4 million 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 $125.7 million at June 30, 2025, represent resources that are subject to external restrictions or enabling legislation on how

they may be used. The unrestricted assets of $35.2 million 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 presents a summarized comparison of HCDA's changes in net position for the years ended June 30, 2025 and June 30, 2024.

	2025	2024
Revenues:		
Program revenues:		
Leasing and management	$ 3,368,000	$ 3,308,000
Community redevelopment	1,317,000	1,580,000
General revenues:		
State allotted appropriations, net	6,258,000	132,287,000
Investment earnings	1,403,000	1,299,000
Non-imposed employee wages and fringe benefits	662,000	682,000
Other	12,328,000	67,000
Total revenues	25,336,000	139,223,000
Expenses:		
General government	2,984,000	4,002,000
Leasing and management	1,696,000	1,434,000
Community redevelopment	554,000	378,000
Capital projects	2,611,000	1,441,000
Total expenses	7,845,000	7,255,000
Change in net position	17,491,000	131,968,000
Net position at beginning of year, as previously reported	259,259,000	127,291,000
Adjustment for change in accounting principle	(435,000)	-
Net position at beginning of year, as restated	258,824,000	127,291,000
Net position at end of year	$ 276,315,000	$ 259,259,000

Analysis of Changes in Net Position

The HCDA's net position increased by $17.5 million and $132.0 million during the fiscal years ended June 30, 2025 and 2024, respectively. The difference is primarily attributable to the decrease in state allotted appropriations, net from $132.3 million in fiscal year 2024 to $6.3 million in fiscal year 2025. State allotted appropriations for fiscal year 2024 included $124.0 million for infrastructure projects in Iwilei-Kapalama, UH West Oahu, and Pulehunui.

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 allotted appropriations and development activity in its districts.

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, 2025, the HCDA's governmental funds reported combined ending fund balances of $177.6 million, a decrease of $1.6 million or 0.9% from the previous fiscal year.

General Fund

For the fiscal year ended June 30, 2025, funding was for HCDA's 28 positions, 15 from a General Fund appropriation and 13 from a Revolving Fund appropriation. State allotted appropriations amounted to $6.3 million and $63.4 million for the fiscal years ended June 30, 2025 and 2024, respectively. The decrease was due primarily to $60.0 million in allotted appropriations for infrastructure, design, and construction projects in Iwilei-Kapalama and UH West Oahu in fiscal year 2024. During the fiscal year 2025, the net decrease in fund balance was $2.4 million, resulting in a fund balance of $59.7 million, at June 30, 2025.

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 2025, the net increase in fund balance was $1.9 million or 4.0%, resulting in a fund balance of $50.2 million at June 30, 2025.

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 2025, the net increase in fund balance was $472,000 or 36.5%, resulting in a fund balance of $1.8 million at June 30, 2025.

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 2025, the net increase in fund balance was $6,000 or 33.7%, resulting in a fund balance of $23,000 at June 30, 2025.

Capital Projects Fund

This fund is used to account for financial resources for the acquisition or construction of major capital improvements. State allotted appropriations amounted to $0 million and $68.9 million for the fiscal years ended June 30, 2025 and 2024, respectively. The decrease was due primarily to a $64.0 million allotted appropriation for planning and financing an infrastructure project in Pulehunui in fiscal year 2024. During fiscal year 2025, the fund balance of the capital projects fund decreased by $1.6 million, or 2.3%, resulting in a fund balance of $65.9 million at June 30, 2025.

Capital Assets

The HCDA's investment in capital assets as of June 30, 2025 and 2024, consisted of the following:

	2025	2024
Capital assets not being depreciated:		
Land	$ 78,199,000	$ 63,856,000
Land improvements	3,840,000	3,840,000
Construction in progress	6,378,000	2,938,000
Total capital assets not being depreciated	88,417,000	70,634,000
Capital assets being depreciated:		
Buildings	14,648,000	12,941,000
Wharves	3,856,000	3,856,000
Land improvements	5,451,000	5,451,000
Infrastructure networks	50,646,000	50,646,000
Furniture and equipment	743,000	247,000
Total capital assets being depreciated	75,344,000	73,141,000
Less accumulated depreciation	(48,148,000)	(46,695,000)
	27,196,000	26,446,000
Lease assets:		
Buildings	818,000	818,000
Less accumulated amortization	(441,000)	(331,000)
	377,000	487,000
Capital assets, net	$ 115,990,000	$ 97,567,000

The HCDA's investments in capital assets as of June 30, 2025, amounted to $116.0 million (net of accumulated depreciation and amortization). These investments in capital assets include land, land improvements, construction in progress, buildings, wharves, infrastructure networks, furniture and equipment, and lease assets. During fiscal year 2025, capital assets increased by $18.4 million, due primarily to capital asset acquisitions of land and buildings of $16.5 million in Kaka'ako, and construction in progress for capital improvement project expenditures of $3.9 million, offset by depreciation and amortization of $1.6 million. Major capital improvement project expenditures for the current fiscal year included the Kolowalu Dog Park project in Kaka'ako and Transit Oriented Infrastructure Development in the Kapolei and Iwilei-Kapalama area.

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, 2025, the HCDA has no outstanding bonds issued under either program.

Currently Known Facts, Decisions, or Conditions

Kaka'ako

$1,000,000 Act 248, SLH 2022
Continued crosswalk improvements on Queen Street near Kolowalu Park which includes a permanent raised concrete island median, striping, and rectangular rapid flashing beacons to improve pedestrian safety.

$2,000,000 Act 248, SLH 2022
Continued Kolowalu Park improvements including a dog park, playground equipment, adult fitness equipment, and benches and tables that enhance the park and the user experience.

$2,000,000 Act 248, SLH 2022
Continued central Kaka‘ako street improvements, specifically Ilaniwai Street, to plan and design the improvements including roadway repairs and patching, sidewalk construction, drainage and waterline upgrades, and electricity and telecom upgrades consistent with the City and County of Honolulu Complete Streets Ordinance pursuant to Article 33, Revised Ordinances of Honolulu.

$5,000,000 Act 230, SLH 2024
Acquired a property for the future development of a supportive housing project.

$5,000,000 Act 230, SLH 2024
Commenced acquisition of a property to house social programs and community activities in the Kaka‘ako Community Development District

$2,000,000 Act 230, SLH 2024
Commenced planning and design for roof and other repairs at the historic pump station in the Kaka‘ako Community Development District

Kalaeloa

$500,000 Act 164, SLH 2023
Commenced planning for the Kalaeloa Infrastructure Master Plan, which will identify infrastructure that is needed in the Kalaeloa Community Development District to facilitate further development.

$12,125,000 Act 230, SLH 2024
Commenced planning and design for electrical improvements along Saratoga Avenue in the Kalaeloa Community Development District

He'eia

$1,000,000 Act 230, SLH 2024
Commenced construction of a gravel access road and clean-up in the He'eia Stream area near the bridge.

Pulehunui

$64,000,000 Act 248, SLH 2022
Continued working with the contractor for the plan, design, and construction of infrastructure improvements. The Infrastructure master plan is underway.

Transit-Oriented Development Infrastructure Improvement

$35,000,000 Act 164, SLH 2023
Continued working with the contractor to construct a road and associated utilities on university owned off-campus land that will facilitate the development of the University Village and other housing at the UH West Oahu campus.

$25,000,000 Act 164, SLH 2023
Continued working with the contractor to construct electrical infrastructure improvements that will facilitate the development of housing in the Iwilei-Kapalama area.

$500,000 Act 164, SLH 2023
Continued planning for and drafting the East Kapolei Infrastructure Master Plan that will identify infrastructure necessary to support transit-oriented development in the area

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, 2025

Assets:	
Current assets:	
Cash and cash equivalents	$ 55,776,804
Accounts receivable, net	1,095,840
Due from State	126,135,764
Lease receivable, current	1,274,230
Interest receivable	440,641
Total current assets	184,723,279
Noncurrent assets:	
Loan receivable - Halekauwila Partners, LLC	13,309,921
Loan receivable - Honuakaha LP	1,500,000
Lease receivable, noncurrent	11,212,694
Water source allocation credits	249,642
Investment in limited partnership	28,808
Capital assets, net	115,989,781
Total noncurrent assets	142,290,846
Total assets	327,014,125
Deferred Outflows of Resources:	
Related to pension	821,604
Related to other postemployment benefits	306,809
Total deferred outflows of resources	1,128,413
Total assets and deferred outflows of resources	$ 328,142,538

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, 2025

Liabilities:		
Current liabilities:		
Accounts payable	$	824,420
Accrued payroll		241,605
Unearned revenue		232,160
Current portion of long-term liabilities		337,766
Due to State Treasury		1,316,862
Rental security deposits		121,338
Total current liabilities		3,074,151
Long-term liabilities:		
Due in more than one year		29,676,523
Net pension liability		4,376,116
Net other postemployment benefits liability		2,144,591
Total long-term liabilities		36,197,230
Total liabilities		39,271,381
Deferred Inflows of Resources:		
Related to leases		12,100,021
Related to pension		100,088
Related to other postemployment benefits		356,231
Total deferred inflows of resources		12,556,340
Total liabilities and deferred inflows of resources		51,827,721
Net Position:		
Net investment in capital assets		115,415,787
Restricted for capital projects		125,659,828
Unrestricted		35,239,202
Total net position	$	276,314,817

See accompanying notes to financial statements.

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

Statement of Activities - Governmental Activities

Year Ended June 30, 2025

		Program Revenues			
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net revenues (expenses) and changes in net position**
Governmental Activities:					
General government	$ 2,984,456	$ -	$ -	$ -	$ (2,984,456)
Leasing and management	1,695,994	3,367,950	-	-	1,671,956
Community redevelopment	554,175	1,317,322	-	-	763,147
Capital projects	2,611,093	-	-	-	(2,611,093)
Total governmental activities	$ 7,845,718	$ 4,685,272	$ -	$ -	(3,160,446)
General Revenues:					
State allotted appropriations, net of lapsed appropriations					6,258,485
Investment earnings					1,402,583
Non-imposed employee wages and fringe benefits					662,212
Other					12,327,908
Total general revenues					20,651,188
Change in net position					17,490,742
Net position, beginning of year, as previously reported					259,259,248
Adjustment for change in accounting principle					(435,173)
Net position, beginning of year, as restated					258,824,075
Net position, end of year					$ 276,314,817

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, 2025

	General Fund	Hawaii Community Development	Kalaeloa Community Development	He'eia Community Development	Capital Projects	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 3,500	$ 36,164,381	$ 19,586,354	$ 22,569	$ -	$ 55,776,804
Accounts receivable, net	-	988,140	107,700	-	-	1,095,840
Due from State	60,236,229	-	-	-	65,899,535	126,135,764
Loan receivable - Halekauwila Partners, LLC	-	13,309,921	-	-	-	13,309,921
Loan receivable - Honuakaha LP	-	1,500,000	-	-	-	1,500,000
Interest receivable	-	144,773	90,726	146	-	235,645
Water source allocation credits	-	249,642	-	-	-	249,642
Total assets	$ 60,239,729	$ 52,356,857	$ 19,784,780	$ 22,715	$ 65,899,535	$ 198,303,616
Liabilities:						
Accounts payable	$ 465,686	$ 342,193	$ 5,384	$ -	$ 10,250	$ 823,513
Accrued payroll	94,911	146,694	-	-	-	241,605
Unearned revenues	-	232,160	18,000,000	-	-	18,232,160
Due to State Treasury	3,500	1,296,718	16,644	-	-	1,316,862
Rental security deposits	-	121,338	-	-	-	121,338
Total liabilities	564,097	2,139,103	18,022,028	-	10,250	20,735,478
Fund Balances:						
Nonspendable:						
Loans receivable	-	14,809,921	-	-	-	14,809,921
Water source allocation credits	-	249,642	-	-	-	249,642
Total nonspendable fund balances	-	15,059,563	-	-	-	15,059,563
Restricted	-	35,158,191	1,762,752	22,715	65,889,285	102,832,943
Assigned	59,675,632	-	-	-	-	59,675,632
Total fund balances	59,675,632	50,217,754	1,762,752	22,715	65,889,285	177,568,138
Total liabilities and fund balances	$ 60,239,729	$ 52,356,857	$ 19,784,780	$ 22,715	$ 65,899,535	$ 198,303,616

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, 2025

Total fund balances - governmental funds	$	177,568,138
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		12,486,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		115,989,781
Investments in limited partnerships are not financial resources and therefore not reported in the governmental funds		28,808
Interest receivable - lessor reported in the government-wide financial statements but are not reported in the governmental fund statements		204,996
Interest payable - lessee reported in the government-wide financial statements but are not reported in the governmental fund statements		(907)
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		(397,765)
Accrued compensated absences		(787,302)
Net pension liability		(4,376,116)
Net other postemployment benefits liability		(2,144,591)
Deferred outflows/inflows of resources reported in the government-wide financial statements but are not reported in the governmental fund statements:		
Related to leases		(12,100,021)
Related to pension		721,516
Related to other postemployment benefits		(49,422)
Net position of governmental activities	$	276,314,817

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, 2025

	General Fund	Hawaii Community Development	Kalaeloa Community Development	He'eia Community Development	Capital Projects	Total Governmental Funds
Revenues:						
State allotted appropriations, net	$ 6,258,486	$ -	$ -	$ 5,018	$ -	$ 6,263,504
Contributions from property owners	-	-	334,633	-	-	334,633
Dedication and reserve housing fees	-	982,689	-	-	-	982,689
Investment earnings	-	1,219,378	182,494	711	-	1,402,583
Leasing and management	-	3,022,532	181,974	-	-	3,204,506
Non-imposed employee wages and fringe benefits	662,212	-	-	-	-	662,212
Other	-	100,961	1,803	-	-	102,764
Total revenues	6,920,698	5,325,560	700,904	5,729	-	12,952,891
Expenditures:						
General government	1,971,262	1,601,369	-	-	-	3,572,631
Leasing and management	-	929,644	229,255	-	-	1,158,899
Community redevelopment	-	442,373	-	-	-	442,373
Capital outlays	7,373,720	415,104	-	-	1,562,253	9,351,077
Total expenditures	9,344,982	3,388,490	229,255	-	1,562,253	14,524,980
Excess of revenues (expenses) over expenditures (revenues)	(2,424,284)	1,937,070	471,649	5,729	(1,562,253)	(1,572,089)
Other financing sources (uses):						
Transfers in	-	2,424,257	931,518	16,986	-	3,372,761
Transfers out	-	(2,424,257)	(931,518)	(16,986)	-	(3,372,761)
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(2,424,284)	1,937,070	471,649	5,729	(1,562,253)	(1,572,089)
Fund balances, beginning of year	62,099,916	48,280,684	1,291,103	16,986	67,451,538	179,140,227
Fund balances, end of year	$ 59,675,632	$ 50,217,754	$ 1,762,752	$ 22,715	$ 65,889,285	$ 177,568,138

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, 2025

Net change in fund balances - total government funds	$ (1,572,089)
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 and amortized over their estimated useful lives as depreciation expense.	
Depreciation and amortization expense	(1,562,487)
Capital outlays	7,760,679
Acquisition of capital assets in exchange for property	12,225,000
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.	(9,374)
Other revenues and expenses reported in the government-wide financial statements do not provide or use current financial resources and therefore are not reported as revenues and expenditures in the governmental funds:	
Change in lease receivable	215,093
Change in interest receivable related to leases	(4,468)
Change in lease payable	109,240
Change in accrued compensated absences	155,702
Change in deferred inflows of resources related to leases	(52,202)
Changes in net pension liability and related deferred outflows and inflows of resources	16,702
Changes in net other post-employment benefit obligation liability and related deferred outflows and inflows of resources	208,693
Change in interest payable related to leases	253
Change in net position of governmental activities	$ 17,490,742

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 and each major fund 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, 2025, 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 (GAAP). The State Comptroller maintains the central accounts for all state funds and publishes the State’s Annual Comprehensive Financial Report (ACFR), which includes the HCDA’s financial activities.

(2) Significant Accounting Policies

The basic financial statements of the HCDA have been prepared in conformity 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 (the statement of net position and the statement of activities) 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 legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. 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 as soon as they are both measurable and available. Revenues are considered to be available when they are 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.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as

intergovernmental receivables and revenues when the related expenditures or expenses are incurred as of fiscal year-end and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

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 activities 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.

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.

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 Balances

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 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. Legislation is required to modify or rescind a fund balance commitment.

Assigned - Assigned fund balances are amounts that are constrained by the policy board or management for specific purposes, but are neither restricted nor committed. For the general fund only, encumbrance balances at fiscal year-end are classified as assigned.

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 reported in the statement of net position include 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 assets (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 $100,000 or more for land and building leases and $25,000 or more for equipment and others, 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 the purchase option price, if any, 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 along with other capital assets (see Note 9) and lease liabilities are reported with long-term liabilities (see Notes 10 and 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 (acquisition of) net position that applies to a future period.

The deferred outflows 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 difference between projected and actual earnings on pension and 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 inflows of resources related to pension and OPEB resulted from differences between expected and actual experience, changes in proportion and differences between contributions and proportionate share of contributions, and changes in assumptions, 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 Absences

It is the HCDA's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, compensated absences). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid, or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits associated with payments made for vacation leave. The liability for sick leave that is more likely than not to be used, paid, or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the HCDA's historical experience with sick leave usage through payouts over the last five years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability of the leave donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred in the government-wide financial statements and presented under the caption accrued compensated absences in long-term liabilities (see Note 13) reported in the accompanying statement of net position. A liability for these amounts is reported in the governmental funds if they have matured, for example, as a result of employee resignations and retirements.

Unearned Revenue

The HCDA reports unearned revenue 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 transfers in the 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 Employees' Retirement System of the State of Hawaii (the ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. The ERS' investments are reported at their fair value.

Postemployment Benefits Other Than Pensions

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.

Risk Management

The HCDA is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation; and acts of terrorism. 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 as of the date of the financial statements and the amount of the loss is reasonably estimable.

Recently Issued or Adopted Accounting Pronouncements

GASB Statement No. 101

During fiscal year 2025, the HCDA implemented GASB 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. This statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled.

Upon implementation of this statement, the beginning net position balance has been restated to reflect the cumulative effect of the statement. The impact of the changes is summarized as follows:

Beginning net position, as previously reported	$ 259,259,248
Adjustment for GASB Statement No. 101	(435,173)
Beginning net position, as restated	$ 258,824,075

GASB Statement No. 102

During fiscal year 2025, the HCDA implemented GASB Statement No. 102, *Certain Risk Disclosures*. The primary objective of this statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. The HCDA is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025. 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, 2025, 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, 2025 consisted of the following:

Amounts held in State Treasury	$ 55,773,304
Petty cash	3,500
	$ 55,776,804

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's 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 ACFR which may be obtained from the State Department of Accounting and General Services' website: *http://ags.hawaii.gov/accounting/financial-reports/.*

(5) Accounts Receivable

At June 30, 2025, accounts receivable for the governmental funds consisted of the following:

	Hawaii Community Development	Kalaeloa Community Development	Total Governmental Funds
Rent	$ 1,007,439	$ -	$ 1,007,439
Assessments	-	107,700	107,700
Other	141,346	-	141,346
Less: allowance for uncollectible accounts	(160,645)	-	(160,645)
	$ 988,140	$ 107,700	$ 1,095,840

(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, 2025, the loan receivable balance was $13,309,921.

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. In October 2022, the HCDA entered into an agreement with HLP, to lend an additional $500,000 to pay for operational expenses. At June 30, 2025, loan receivable from HLP totaled $1,500,000.

(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 58 years. The calculated interest rates used-range from 2.87% to 5.25%. For the fiscal year ended June 30, 2025, the HCDA recognized $1,321,937 in lease revenue and $361,214 in interest income in the statement of activities.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows:

Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year
$ 12,271,831	$ 1,374,139	$ (1,159,046)	$ 12,486,924	$ 1,274,230

Lease receivable are due in the upcoming year as follows:

Fiscal Years Ending June, 30	Principal	Interest	Total
2026	$ 1,274,230	$ 370,949	$ 1,645,179
2027	1,277,480	327,700	1,605,180
2028	1,251,141	285,264	1,536,405
2029	786,530	249,519	1,036,049
2030	574,893	224,944	799,837
2031 - 2035	2,077,270	922,710	2,999,980
2036 - 2040	2,187,602	620,712	2,808,314
2041 - 2045	1,224,096	375,904	1,600,000
2046 - 2050	1,413,117	186,883	1,600,000
2051 - 2055	41,136	58,864	100,000
2056 - 2060	47,478	52,522	100,000
2061 - 2065	54,774	45,226	100,000
2066 - 2070	63,249	36,751	100,000
2071 - 2075	73,002	26,998	100,000
2076 - 2080	84,258	15,742	100,000
2081 - 2083	56,668	3,332	60,000
	$ 12,486,924	$ 3,804,020	$ 16,290,944

(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, 2025, the HCDA's investment, net of distributions and allocated income and losses, in the limited partnership was $28,808.

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, 2025 was approximately $76,000 and is included in leasing and management revenue.

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

(9) Capital Assets

For the fiscal year ended June 30, 2025, the changes in capitals assets were as follows:

	Balance July 1, 2024	Additions	Deductions	Transfers	Balance June 30, 2025
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 63,856,293	$14,342,233	$ -	$ -	$ 78,198,526
Land improvements	3,839,912	-	-	-	3,839,912
Construction in progress	2,937,581	3,936,165	-	(496,026)	6,377,720
Total capital assets not being depreciated	70,633,786	18,278,398	-	(496,026)	88,416,158
Capital assets being depreciated:					
Buildings	12,940,856	1,707,281	-	-	14,648,137
Wharves	3,855,898	-		-	3,855,898
Land improvements	5,450,934	-		-	5,450,934
Infrastructure networks	50,645,615	-	-	-	50,645,615
Furniture and equipment	247,562	-		496,026	743,588
Total capital assets being depreciated	73,140,865	1,707,281	-	496,026	75,344,172
Less accumulated depreciation for:					
Buildings	5,604,682	466,295	-	-	6,070,977
Wharves	3,855,819	19	-	-	3,855,838
Land improvements	5,450,934	-	-	-	5,450,934
Infrastructure networks	31,636,974	915,027	-	-	32,552,001
Furniture and equipment	147,037	70,796	-	-	217,833
Total accumulated depreciation	46,695,446	1,452,137	-	-	48,147,583
Lease assets:					
Buildings	818,435	-	-	-	818,435
Less accumulated amortization for:					
Buildings	331,051	110,350	-	-	441,401
Capital assets, net	$ 97,566,589	$18,423,192	$ -	$ -	$ 115,989,781

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

For the fiscal year ended June 30, 2025, depreciation and amortization expense was charged to functions of the HCDA as follows:

Governmental Activity	Amount
Leasing and management	$ 417,527
Community redevelopment	111,802
Capital projects	1,033,158
	$ 1,562,487

(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, 2025, the HCDA recognized $109,240 in lease expense and $13,124 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
2026	$ 112,416	$ 9,948	$ 122,364
2027	115,686	6,678	122,364
2028	119,043	3,321	122,364
2029	50,620	365	50,985
	$ 397,765	$ 20,312	$ 418,077

(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, 2025, this balance due amounts to $1,268,923 and is included in due to State Treasury.

(13) Long-Term Liabilities

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

	Balance July 1, 2024		Additions	Deductions	Balance June 30, 2025	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	-
Unearned revenue	-		18,000,000	-	18,000,000	-
Lease payable (Note 10)	507,005		-	109,240	397,765	112,416
Accrued compensated absences	943,004	(a)	431,815	587,517	787,302	225,350
Total long-term liabilities	$ 12,279,231		$ 18,431,815	$ 696,757	$ 30,014,289	$ 337,766

(a) Accrued compensated absences as of June 30, 2024, as previously reported	$ 507,831
Adjustment for GASB Statement No. 101 (see Note 2)	435,173
Accrued compensated absences balance as of July 1, 2024, as restated	$ 943,004

(14) Development Credits

In previous years, the HCDA entered into various transactions with the Trustees of the Estate of Bernice Pauahi Bishop (Bishop Estate) 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, 2025.

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, which includes the HCDA, are required to be members of the ERS, a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation.

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability, and death benefits with three membership classes known as the noncontributory, contributory, and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% 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.

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.

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.

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.

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 three 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 rate for fiscal year 2025 was 24% for general employees. Contributions to the ERS from the HCDA was $259,175 for the fiscal year ended June 30, 2025.

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. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to 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 State's ACFR.

At June 30, 2025, the HCDA reported a net pension liability of $4,376,116 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2025, the HCDA's proportionate share of the State's (primary government) net pension liability was 0.05%.

There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024 and the reporting date, June 30, 2025, 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, 2025, the HCDA recognized pension expense of $242,472. At June 30, 2025, 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	$ 259,175	$ -
Changes in assumptions	57,015	(23,648)
Differences between expected and actual experience	67,944	(65,269)
Changes in proportion and differences between HCDA's contributions and proportionate share of contributions	32,629	(11,171)
Net difference between projected and actual earnings on pension plan investments	404,841	-
	$ 821,604	$ (100,088)

The $259,175 reported as deferred outflows of resources related to pension at June 30, 2025 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, 2026.

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:	
2026	$ (93,361)
2027	309,471
2028	173,798
2029	72,433
	$ 462,341

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS' Board of Trustees on August 8, 2022, based on the 2021 experience study for the five-year period from July 1, 2016 through June 30, 2021:

Inflation	2.50%
Payroll growth rate	3.50%
Investment 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 2022 Public Retirees of Hawaii mortality tables, with 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 rate of returns based on ERS' investment consultant as of June 30, 2024, are summarized in the following table:

Classes	Class Weights	Expected Geometric Rate of Return
Broad growth:		
Public equity	20.00%	7.20%
Private equity	19.00%	9.90%
Liquid credit	4.00%	6.50%
Private credit	8.00%	9.20%
Real estate	9.00%	6.30%
Infrastructure	7.00%	7.30%
Timber, agriculture, and infrastructure	3.00%	5.30%
Diversifying strategies:		
Systematic trend following	8.00%	3.80%
Long US treasuries	4.00%	4.30%
Intermediate government	14.00%	4.00%
Reinsurance	4.00%	5.30%
Total investments	100.00%	

Discount Rate

The discount rate used to measure the total 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	$ 5,845,130	$ 4,376,116	$ 3,159,331

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. The 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, which includes the HCDA, was approximately $81,300,000 at June 30, 2025.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The State, which includes the HCDA, 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.

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, 2024, the following number of plan members of the State were covered by benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	40,158
Inactive plan members entitled to but not yet receiving benefits	7,381
Active plan members	49,427
Total plan members	96,966

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the HCDA was $241,919 for the fiscal year ended June 30, 2025. 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, 2025, the HCDA reported a net OPEB liability of $2,144,591 for its proportionate share of the State's net OPEB liability. The net OPEB liability was measured as of July 1, 2024, 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, 2025, the HCDA's proportionate share of the State's (primary government) net OPEB liability was 0.04%.

There were no changes between the measurement date, July 1, 2024, and the reporting date, June 30, 2025, 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, 2025, the HCDA recognized OPEB expense of $33,227. At June 30, 2025, 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	$ 241,919	$ -
Changes in assumptions	3,533	(32,290)
Net difference between projected and actual earnings on OPEB plan investments	61,357	-
Differences between expected and actual experience	-	(323,941)
	$ 306,809	$ (356,231)

The $241,919 reported as deferred outflows of resources related to OPEB at June 30, 2025 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, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2025 will be recognized in OPEB expense as follows:

Year Ending June 30:	
2026	$ (103,164)
2027	(64,805)
2028	(65,360)
2029	(31,051)
2030	(26,961)
	$ (291,341)

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the 2022 experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates:	
PPO*	Initial rate of 6.20%, declining to a rate of 4.25% after 20 years
HMO**	Initial rate of 6.20%, declining to a rate of 4.25% after 20 years
Part B and Base Monthly Contribution (BMC)	Initial rate of 5.00%, declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

*Blended rates for medical and prescription drug.
**Includes prescription drug assumptions.

Mortality rates are based on system-specific mortality tables utilizing ultimate scale MP2021 to project generational mortality improvement.

There were no assumption changes during the current measurement period.

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
Global equity	30.00%	6.00%
Private equity	15.00%	10.10%
Real assets	12.00%	5.00%
Private credit	10.00%	7.80%
Trend following	10.00%	2.40%
Reinsurance	5.50%	5.10%
Long treasuries	5.00%	2.60%
Alternative risk premia	5.00%	3.80%
U.S. microcap	3.00%	8.30%
TIPS	2.50%	2.10%
Tail risk / Long volatility	2.00%	-1.30%
	100.00%	

Single Discount Rate

The discount rate used to measure the total 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. Therefore, the long-term expected rate of return on the EUTF's 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, 2024:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 3,332,518	$ 896,973	$ 2,435,545
Service cost	60,897	-	60,897
Interest on the total OPEB liability	207,053	-	207,053
Employer contributions	-	215,096	(215,096)
Net investment income	-	112,165	(112,165)
Difference between expected and actual experience	(231,767)	-	(231,767)
Benefit payments	(106,346)	(106,346)	-
Administrative expense	-	(108)	108
Other	-	(16)	16
Net changes	(70,163)	220,791	(290,954)
Ending balance	$ 3,262,355	$ 1,117,764	$ 2,144,591

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	$ 2,764,989	$ 2,144,591	$ 1,645,682

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	$ 1,619,737	$ 2,144,591	$ 2,813,002

Payables to the OPEB Plan

There was no contributions payable to the EUTF as of June 30, 2025.

Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their 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 $662,212 for the year ended June 30, 2025, 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, 2025, 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, 2025 were as follows:

Fund	Amount
Capital Projects	$ 65,846,118
General	60,236,229
Kaka‘ako	5,646,388
Kalaeloa	188,528
	$ 131,917,263

(18) Risk Management

The State retains various risks and insures certain excess layers with commercial insurance companies, except as noted below. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past 10 fiscal years. A summary of the State’s underwriting risks is as follows:

Property Insurance

The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is $200,000,000, except for terrorism losses, which has a $100,000,000 per occurrence limit. The deductible for losses such as windstorm, tsunamis, floods, and earthquakes are 3% of the replacement costs to the property subject to a $1,000,000 per occurrence minimum. The deductible for all other losses, except terrorism, is $1,000,000 per occurrence. The deductible for terrorism is $10,000 per occurrence.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

Casualty and Professional Liability

From July 1, 2024 to November 30, 2024, the State had an effective general liability insurance policy that provided $5,000,000 of coverage with a $7,500,000 deductible. As of December 1, 2024, the State does not have any liability insurance policy. Therefore, the State is self-insured thereafter. Liability claims up to $25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General and funded from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit up to $10,000,000 with self-insured retention of $1,000,000. This policy covers all departments and divisions except for the University of Hawaii and the State's community hospitals and includes (with sub-limits) media content liability, PCI-DSS assessment coverage, reputational risk response, reputational loss coverage, E-discovery consultant services, data recovery amendatory system failure non-physical damage loss of use (bricking), system failure coverage, criminal reward expense, claim avoidance expense, crypto jacking coverage, fraudulent impersonation and telecommunication fraud coverage, court attendance cost coverage, company definition amendatory-scheduled entities with varying co-insurance (tier 1 & 2).

Self-Insured Risks

The State generally self-insures its liability, automobile no-fault, and workers' compensation losses. Automobile and liability losses up to $25,000 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources Development.

(19) Subsequent Events

The HCDA has evaluated subsequent events through December 8, 2025, 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 (UNAUDITED)

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

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Net 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, 2024	0.05%	$ 4,376,116	$ 1,831,200	238.98%	62.62%
June 30, 2023	0.05%	4,277,540	1,775,636	240.90%	61.91%
June 30, 2022	0.05%	4,130,889	1,804,460	228.93%	62.76%
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%

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

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

Required Supplementary Information (Unaudited)

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, 2025	$ 259,175	$ 259,175	$ -	$ 1,618,695	16.01%
June 30, 2024	227,187	227,187	-	1,831,200	12.41%
June 30, 2023	204,031	204,031	-	1,775,636	11.49%
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%

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

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

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of the Net OPEB Liability

Last Ten Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019
Total OPEB Liability:							
Service cost	$ 60,897	$ 25,001	$ 47,394	$ 13,473	$ 53,045	$ 120,879	$ 20,516
Interest on the total OPEB liability	207,053	85,603	158,339	44,724	170,342	381,022	63,524
Difference between expected and actual experience	(231,767)	(8,422)	(214,226)	(18,983)	(155,954)	(3,172)	(18,784)
Changes in assumptions	-	-	(54,603)	-	(12,769)	30,624	11,368
Benefit payments	(106,346)	(47,609)	(72,998)	(20,439)	(78,342)	(182,470)	(30,930)
Net change in total OPEB liability	(70,163)	54,573	(136,094)	18,775	(23,678)	346,883	45,694
Total OPEB liability - beginning	3,332,518	3,277,945	3,414,039	3,395,264	3,418,942	3,072,059	3,026,365
Total OPEB liability - ending	$ 3,262,355	$ 3,332,518	$ 3,277,945	$ 3,414,039	$ 3,395,264	$ 3,418,942	$ 3,072,059
Plan Fiduciary Net Position:							
Employer contributions	$ 215,096	$ 94,980	$ 104,613	$ 70,236	$ 175,064	$ 402,503	$ 61,114
Net investment income	112,165	20,791	(15,146)	36,819	9,347	36,595	7,040
Benefit payments	(106,346)	(47,609)	(72,998)	(20,439)	(78,342)	(182,470)	(30,930)
Administrative expense	(108)	(29)	(63)	(19)	(66)	(251)	(23)
Other	(16)	84	205	6	59	84,769	-
Net change in plan fiduciary net position	220,791	68,217	16,611	86,603	106,062	341,146	37,201
Plan fiduciary net position - beginning	896,973	828,756	812,145	725,542	619,480	278,334	241,133
Plan fiduciary net position - ending	$ 1,117,764	$ 896,973	$ 828,756	$ 812,145	$ 725,542	$ 619,480	$ 278,334
Net OPEB Liability	$ 2,144,591	$ 2,435,545	$ 2,449,189	$ 2,601,894	$ 2,669,722	$ 2,799,462	$ 2,793,725
Plan fiduciary net position as a percentage of the total OPEB liability	34.26%	26.92%	25.28%	23.79%	21.37%	18.12%	9.70%
Covered-employee payroll	$ 1,831,200	$ 1,775,636	$ 1,804,460	$ 1,484,150	$ 1,491,265	$ 1,688,633	$ 1,761,282
Net OPEB liability as a percentage of covered-employee payroll	117.11%	137.16%	135.73%	175.31%	179.02%	165.78%	158.62%

* 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.

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

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

Required Supplementary Information (Unaudited)

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, 2025	$ 241,919	$ 241,919	$ -	$ 1,618,695	14.95%
June 30, 2024	215,096	215,096	-	1,831,200	11.75%
June 30, 2023	94,980	94,980	-	1,775,636	5.35%
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)	1,688,633	23.84%
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.

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

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 (Unaudited)

June 30, 2025

(1) Significant Methods and Assumptions

The actuarially determined annual required contributions for the fiscal year ending June 30, 2025 was developed in the July 1, 2022 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2025:

Actuarial valuation date	July 1, 2022
Actuarial cost method	Entry age normal
Amortization method	Level percent, closed
Equivalent single amortization period	20.0 as of fiscal year ended June 30, 2025
Inflation rate	2.50%
Discount rate	7.00%
Payroll growth	2.50%
Salary increases	3.75% to 6.75%, including inflation
Demographic assumptions	Based on the 2022 Hawaii ERS Actuarial Experience Study, as conducted June 30, 2021 for the ERS
Mortality	System-specific mortality tables utilizing ultimate scale MP2021 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 6.40%, declining to an ultimate rate of 4.25% after 22 years
HMO*	Initial rate of 6.40%, declining to an ultimate rate of 4.25% after 22 years
Part B	Initial rate of 5.00%, declining to an ultimate rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Includes prescription drug assumptions.

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 (Unaudited)

June 30, 2025

Prior to the fiscal year ending June 30, 2025, 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 (*Government Auditing Standards)*, the financial statements of the governmental activities and each major fund 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, 2025, and the related notes to financial statements, which collectively comprise the HCDA's basic financial statements, and have issued our report thereon dated December 8, 2025.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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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.*

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 8, 2025