

**HAWAII PUBLIC HOUSING AUTHORITY
NOTICE OF MEETING
BOARD OF DIRECTORS MEETING
1002 North School Street, Building E
Honolulu, Hawaii 96817**

**April 17, 2014
9:00 a.m.**

AGENDA

I. CALL TO ORDER / ROLL CALL

II. APPROVAL OF MINUTES

- A. Meeting Minutes, March 20, 2014 (**Pages 1-11**)
- B. Executive Session Minutes, March 20, 2014 (not for public release)

III. PUBLIC TESTIMONY

Public testimony on any item relevant to this agenda shall be taken at this time. Pursuant to section 92-3, Hawaii Revised Statutes, and section 17-2000-18, Hawaii Administrative Rules, the Board may limit public testimony to three minutes per agenda item.

IV. ELECTION OF BOARD OFFICER

- A. Election of the Vice-Chair

V. FOR ACTION

- A. Motion: To Adopt Resolution No. 65 Statement of Non-Discrimination Policy Reaffirming the HPHA's Commitment to Prohibiting Discrimination or Discriminatory Practices in its Operations, Procedures, Programs, and Services (**Pages 12-14**)
- B. To Authorize the Executive Director to Administer Rental Assistance Contracts, in Conjunction with the Hawaii Housing Finance and Development Corporation, and the Department of Human Services' Med-QUEST Division, for the Section 811 Project Rental Assistance Demonstration Program, and to Authorize the Executive Director to Take All Actions Necessary to Assist in the Submission of an Application to the U.S. Department of Housing and Urban Development (**Pages 15-16**)

VI. REPORTS

- A. Executive Director's Report Highlights: **(Pages 17-60)**
- Property Management and Maintenance Services Branch occupancy and rent collection status
 - Update on Choice Neighborhood Initiative Planning Grant
 - Section 8 Lease up Status
 - Design and Construction Project Updates; Relocation Training
 - Contracts Executed During February 2014

VII. FOR INFORMATION/DISCUSSION

- A. For Discussion: *Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority (Civil No. 11-1-0795-04)* **(Page 61)**

The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to *Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority; Civil No. 11-1-0795-04*)

- B. For Discussion: The Hawaii Public Housing Authority's Financial Statements and Single Audit Findings and Management Responses for the Period July 1, 2012 to June 30, 2013 **(Pages 62-63)**
- C. For Discussion: To Implement Property Specific Utility Allowance Rates Provided by National Facility Consultants for the Fiscal Year July 1, 2014 to June 30, 2015 for the Federal Low Income Public Housing Program to be Effective September 1, 2014 **(Pages 177-183)**
- D. For Information: Report on the Implementation of State Auditor's 2011 Recommendations **(Pages 184-218)**

If any person requires special needs (i.e., large print, taped materials, sign language interpreter, etc.) please call Ms. Taryn Chikamori at (808) 832-4690 by close of business two days prior to the meeting date. Meals will be served to the Board and support staff as an integral part of the meeting.

HAWAII PUBLIC HOUSING AUTHORITY
MINUTES OF THE REGULAR MEETING
HELD AT 1002 NORTH SCHOOL STREET, BUILDING E
HONOLULU, HAWAII 96817
ON THURSDAY, MARCH 20, 2014
IN THE COUNTY OF HONOLULU, STATE OF HAWAII

The Board of Directors of the Hawaii Public Housing Authority (HPHA) held its Regular Board Meeting at 1002 North School Street, on Thursday, March 20, 2014 at 9:00 a.m. Chairperson Gierlach called the meeting to order. Those present were as follows:

PRESENT: Director David Gierlach, Chairperson
Director Jason Espero, Secretary
Director Myoung Oh
Director Debbie Shimizu
Director Trevor Tokishi
Designee Barbara Yamashita

Deputy Attorney General, Jennifer Sugita

STAFF PRESENT: Hakim Ouansafi, Executive Director
Barbara Arashiro, Executive Assistant
Chong Gu, Chief Financial Management Advisor
Becky Choi, State Housing Development Administrator
Clarence Allen, Fiscal Officer
Kiriko Oishi, Chief Compliance Officer
Rick Sogawa, Contracts & Procurement Officer
Joanna Renken, Acting Public Housing Supervisor VI
Benjamin Park, Housing Planner
Renee Blondin-Nip, Hearings Officer
Stephanie Fo, Section 8 Subsidy Programs Branch Chief
Taryn Chikamori, Secretary to the Board

OTHERS PRESENT (and signing in as):
David Bohn, private resident
Jill Tamashiro, Department of Health

Proceedings:

Chairperson Gierlach declared a quorum present.

Chairperson Gierlach asked for a moment of silence for the late Director Matilda Yoshioka who served on the Board from 2006. He stated she dedicated her heart, mind and soul for people in need of help in our State.

Approval of Minutes:

Director Tokishi moved,

To approve the Regular Meeting Minutes of February 20, 2014.

The minutes were unanimously approved.

Public Testimony:

Jill Tamashiro, Department of Health (DOH), Tobacco Education Program, stated that she has been working with the HPHA on the Smoke Free policy. The goal is to help the HPHA implement the policy. She reported that approximately one-tenth of the 3,500 housing authorities have a smoke free policy. She stated that it takes a culture shift and this policy is not intended to discriminate. The Hawaii Public Housing Authority (HPHA) and DOH held presentations at approximately two-thirds of the Asset Management Projects (AMP). The DOH also created education items and will help provide cessation resources.

For Action:

Director Tokishi moved,

To Approve the Hawaii Public Housing Authority's Five-Year and Annual Public Housing Agency Plan for the Fiscal Years Beginning July 1, 2014 to June 30, 2019, and to Authorize the Executive Director to Take Required Actions to Submit the Approved Plan to the U.S. Department Of Housing and Urban Development.

Executive Director Ouansafi reported that the Five-Year and Annual Public Housing Agency (PHA) Plan is a requirement of the Quality Housing and Work Responsibility Act of 1998 (QHWRA) and the Housing and Economic Recovery Act (HERA) of 2008. The Board approved the draft PHA Plan on December 19, 2013. The HPHA held a public hearing and there were no substantial changes.

Director Tokishi asked that the Board be notified when public hearings are held so he can attend. Executive Director Ouansafi responded that in the future the Board will be notified.

Director Tokishi asked if there was a good turn out on Maui. Executive Director Ouansafi reported that there were a total of 16 people statewide who attended the public hearings.

Director Tokishi asked how the public hearing notice was advertised. Executive Director Ouansafi reported that the public hearing notice was placed in the newspaper on each island and the HPHA has been working with the Resident Advisory Board (RAB) who has been in communication with their communities. He commented that the low turnout at the public hearing could be the positive result of the ongoing meetings with the RAB.

Director Tokishi asked that the Board be updated on the status of the goals and objectives outlined in the PHA Plan. Executive Director Ouansafi responded that the HPHA is creating a dashboard for the financial goals and will add the HPHA goals and objectives to the dashboard, where appropriate.

The motion was unanimously approved.

For Action:

Director Tokishi moved,

To Approve the Amendments to and Compilation of Chapter 17-2020 "Eviction - Practice and Procedure", Hawaii Administrative Rules and to Authorize the Executive Director to Take Required Actions to Submit the Approved Amendments to the Governor of the State of Hawaii for Adoption.

Executive Director Ouansafi reported that there is a new law which allows the use of video conferencing for HPHA's eviction hearings. This amendment is to conform to the new law. The Board approved the draft on September 20, 2013 and October 10, 2013. He reported that Oahu is set-up to use video conferencing and the neighbor islands will be ready by the end of April 2014.

Chairperson Gierlach asked if the Eviction Board will be comprised of only one member and whether it will cause any issues. Executive Director Ouansafi clarified that in a highly sensitive case, the HPHA would not likely schedule an eviction hearing with only one Board member presiding. The HPHA will only have one Board member presiding in simple cases and when no other Board members are available. In cases where there is only one Board member presiding, the law requires that the Board member be a public housing resident.

Director Tokishi asked if the video conferencing is held in a central place on each island or if people use their own communication devices. Executive Director Ouansafi responded that a central location is used.

The motion was unanimously approved.

Director Tokishi moved,

To Approve the Amendments to and Compilation of Chapter 17-2028 "Federally - Assisted Housing Projects", Hawaii Administrative Rules and to Authorize the Executive Director to Take Required Actions to Submit the Approved Amendments to the Governor of the State of Hawaii for Adoption.

Executive Director Ouansafi stated that the HPHA received feedback from all of the stakeholders. The Board previously approved the draft on September 20, 2012, February 21, 2013, April 18, 2013, and October 10, 2013. He reported the HPHA held a public hearing and there are no substantial changes.

Director Espero asked for the projected start date. Executive Director Ouansafi responded that once the HPHA receives Governor's approval of the administrative rules, the no smoking policy will be put into effect.

Executive Director Ouansafi reported that there is a No Smoking bill being considered by the State Legislature and the HPHA did not submit testimony for or against the bill, but did submit comments. The bill conforms to these administrative rule changes with one exception. The exception is that the administrative rules has a four-strike eviction policy whereas, the bill has a three-strike eviction policy.

Director Shimizu asked if the legislation and administrative rules needed to be amended if the HPHA decided it wanted to amend the current administrative rules. Executive Director Ouansafi responded that both would need to be changed.

Director Shimizu asked if the legislation could incorporate the administrative rules by reference so that just one needs to be changed. Chairperson Gierlach responded in the negative, and that legislation providing "follow the administrative rules" would be invalid. Executive Assistant Arashiro responded that if a statute contained such language, it would defeat the purpose of having a law, and the purpose of the administrative rules is to implement the law.

Deputy Attorney General Sugita stated that both administrative rules and statutes are laws, but a State statute would supersede the administrative rules in the event of a conflict. A state statute is easier to enforce because the smoking prohibition would apply to all properties, the HPHA would not have to pass administrative rules which can be a lengthy process, and the HPHA can say it is prohibited by State law.

Director Shimizu asked if the Attorney General's office commented on the legislation. Deputy Attorney General Sugita responded that the Attorney's General's office did not comment because the Attorney General's office only comments if there is a legal issue with the legislation.

Director Espero asked how the tenants will be notified regarding the non-smoking policy. Executive Director Ouansafi stated that the tenants have been notified

numerous times over the past year and the HPHA will most likely give a grace period once the policy is in effect.

Director Tokishi asked how enforcement of the smoking policy will be handled. Executive Director Ouansafi responded that tenants can report smoking violations to the manager or if management or security smells smoke, they will investigate and follow-up.

Director Tokishi asked if the HPHA can cite a tenant on smell. Executive Director Ouansafi affirmed that if a unit smells like smoke, the tenant is responsible no matter who was smoking in the unit. Executive Director Ouansafi stated that when inspections are being done, it will be documented if units smell like smoke or not.

Executive Director Ouansafi stated that if a tenant is given a violation and they join a cessation program the HPHA will remove the violation from their file.

Director Shimizu stated that she thought the Board made changes the definition of "Criminal Activity" (located on page 114 of the Board packet). Deputy Attorney General Sugita clarified that the Board changed how the term "criminal activity" was used in the eligibility for admission section 17-2028-22(1)(J) of the rules (located on page 131). The definition of "criminal activity" is based on the U.S. Department of Housing and Urban Development (HUD) definition and was not changed by the Board.

The motion was unanimously approved.

Director Espero moved,

To Authorize the Executive Director to Identify Potential Properties and to Enter Into Negotiations on Behalf of the Hawaii Public Housing Authority to Acquire Additional Low-Income or Affordable Housing Inventory.

Executive Director Ouansafi stated that the HPHA's goal is to continue to increase occupancy by the end of the year and this will diminish the amount of new families the HPHA can place in housing. The HPHA provides housing for families with 30% area median income (AMI) or less, and affordable housing is 80% AMI or less. The HPHA is requesting for authorization to look into acquiring other housing inventory.

Executive Session:

Director Tokishi moved at 9:45 a.m.,

To go into Executive Session pursuant to Hawaii Revised Statutes sections 92-4, and 92-5(a)(3) to deliberate concerning the authority of persons designated by the Board to negotiate the acquisition of public property, or during the conduct of such negotiations, and Hawaii Revised Statute

section 92-5(a)(4) to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to the motion:

To Authorize the Executive Director to Identify Potential Properties and to Enter Into Negotiations on Behalf of the Hawaii Public Housing Authority to Acquire Additional Low-Income or Affordable Housing Inventory.

The motion was unanimously approved.

The Board reconvened from Executive Session at 10:31 a.m.

Director Tokishi moved,

To Approve the Amended Motion: To Authorize the Executive Director to Identify Potential Properties and to Enter Into Negotiations on Behalf of the Hawaii Public Housing Authority and to Obtain Proposals to Acquire Additional Low-Income or Affordable Housing Inventory.

The motion as amended was unanimously approved.

Chairperson Gierlach reported that the Board discussed item IV D., To Authorize the Executive Director to Identify Potential Properties and to Enter Into Negotiations on Behalf of the Hawaii Public Housing Authority to Acquire Additional Low-Income or Affordable Housing Inventory, and amended the motion in Executive Session.

Executive Director's Report:

- Executive Director Ouansafi reported that occupancy has been stabilized at 97% or higher.
- Executive Director Ouansafi reported that the HPHA has \$57 million in CFP funds and \$54 million or 95% has been obligated. The HPHA has \$91 million in CIP funds and \$27 million has been encumbered and the remaining amount will not lapse.
- Executive Ouansafi reported that staff is still receiving training. The trainers will be returning in April.
- Executive Director Ouansafi reported that the EJP Consulting Group has been hired as the Mayor Wright Homes redevelopment consultant. The award is for \$487,690 for 36 months. The HPHA will ask for a Special Board meeting to allow the Board to meet with the consultants.

Chairperson Gierlach asked when the consultant would be ready to meet with the Board. Executive Director Ouansafi reported that the consultant should be ready to meet with the Board in April or May.

Chairperson Gierlach asked if the Board members would be available for an all day meeting in May, with the regular meeting in morning and then meeting the consultant in the afternoon. Director Tokishi responded that he will be unable to attend the April and May Board meetings. Director Oh also reported that he will be unable to attend the May meeting. Director Shimizu reported that the Board may have interim Board members by the May meeting. Executive Director Ouansafi stated that if the Board will not have quorum in April and May, a Special meeting will need to be held so that the Board can approve the budget. Director Shimizu questioned whether the Board should have a strategic planning meeting before the budget is completed. Executive Director Ouansafi responded that the budget is an operational budget, so the strategic planning will not necessarily affect the operating budget.

Director Tokishi asked if the Regular Board meeting needs to be held on the third Thursday of the month. Deputy Attorney General Sugita responded that the by-laws allow the Board to reschedule a regular board meeting with proper notice to the public.

Mr. Park, Housing Planner, stated that there should be a new Board member appointed on March 27th.

Chairperson Gierlach stated that the April meeting will be held as usual if there is quorum. Executive Director Ouansafi requested that the May meeting be moved to May 22, 2014.

Director Oh moved,

To Reschedule the HPHA Board of Director's Regular Meeting From May 15, 2014 to May 22, 2014.

The motion was unanimously approved.

- Executive Director Ouansafi reported that the Choice Neighborhood Initiative had some legal issues and asked to go into Executive Session to discuss with the Board and the Board's counsel.
- Director Shimizu reported that there are 75 Veteran Affairs Supportive Housing (VASH) vouchers available and asked if the HPHA is applying for the vouchers. Executive Director Ouansafi responded the HPHA is in the process of putting a Request for Proposal (RFP) for a provider for the vouchers. The HPHA could lose administrative fees because the HPHA receives only 68% of what the actual funding should be. He stated that the City and County of Honolulu (C & C) may be applying

for the vouchers as well. The HPHA also looked into converting a property to project-based vouchers, but decided against it because part of the VASH grant provides that rules for tenants cannot be instituted as the Housing First model is being used. The HPHA cannot have some tenants following the rules while having other tenants, because they are project-based voucher tenants, not following the same rules. The HPHA has contacted other agencies and there is one agency willing to take all 75 vouchers.

- Director Tokishi asked why Maui always has the lowest occupancy. Executive Director Ouansafi reported by the end of the week Maui will be at 94.39%. He reported that the special teams were in Maui and completed 9 units. He also reported that there are “C” units and approximately 5 evictions which are affecting the occupancy. Executive Director Ouansafi also explained that the AMP Manager on Maui has been successfully evicting tenants for lease violations which have created vacancies on the island. He requested to go into Executive Session regarding personnel issues.
- Director Tokishi stated that the financial report indicates that Central Office Cost Center (COCC) is down because of software problems. He asked for clarification regarding the software problem. Executive Director Ouansafi reported that the database consultant’s team is coming to HPHA on April 14, 2014 to resolve the problem. The HPHA asked the database consultant to be at HPHA at the same time as the other technical assistance consultants.

Director Tokishi asked when the software problem started. Executive Director Ouansafi reported that the problem started when the HPHA changed to the new software in January 2014.

Director Tokishi asked for more information regarding the variance in the “other income”. Executive Director Ouansafi reported that the HPHA asked for reimbursement from Budget and Finance (B & F) and in turn, B & F requested for additional information from HPHA. He stated he spoke to B & F Director Kalbert Young and discussed the appropriation language that clearly allows HPHA to cover its administrative costs associated with the State CIP projects. He also spoke to Mr. Salaveria, B & F Deputy Director, and explained that because federal funds are being used, the HPHA is required to spend a percentage of the funds on administrative costs. Executive Director Ouansafi reported that staff continues to complete time sheets for each completed project so it can be sent to B & F. He reported that the Department of Accounting and General Services (DAGS) reimburses the HPHA without the timecards because the language is clear, and the HPHA believes that B & F is being unfair. Executive Director Ouansafi asked to go into Executive Session to discuss some communications between the HPHA and B & F.

Director Tokishi asked if the reimbursement from B & F has been an issue for a while because the year to date is up 16%.

- Director Shimizu asked what happens to \$142,000 savings from the vacant positions. Executive Ouansafi responded that the HPHA will be ahead in the budget because the savings are federal funds.
- Director Shimizu asked where the CNI grant information would be in the Board packet. Executive Director Ouansafi reported that there is nothing new this month, and that it would be in the Executive Director's Report from the Planning and Evaluation office.
- Director Tokishi asked if the Housing Assistance Payments are over budget by \$1.1 million because of a onetime pay out. Executive Director Ouansafi confirmed the rent increase is under the Performance-Based Contract Administration (PBCA) program. The PBCA property owners made a request to HUD for a rent increase. The HUD approved the increase and the funds pass through the HPHA to the Bremerton Housing Authority, who administers the PBCA program on HPHA's behalf.

Chairperson Gierlach asked for a motion to add to the agenda For Discussion: To Discuss the Choice Neighborhood Initiative Grant.

Director Oh moved,

To Add the Agenda Item To Discuss the Choice Neighborhood Initiative Grant.

The motion was unanimously approved.

Executive Session:

Director Tokishi moved at 11:06 a.m.,

To go into Executive Session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorney on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities, and Hawaii Revised Statutes section 92-5(a)(2) to consider the evaluation of employees where consideration of matters affecting privacy will be involved as related to:

- 1. Personnel Matters Regarding One or More Employees at the Maui Management Office, and Fiscal Management Office;**
- 2. Choice Neighborhood Initiative Grant;**

3. **Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority (Civil No. 11-1-0795-04); and**
4. **Approval of the Executive Session Minutes from February 20, 2014.**

The motion was unanimously approved.

The Board reconvened from Executive Session at 11:29 a.m.

Chairperson Gierlach reported that the Board discussed in Executive Session the matters relating to the personnel issues at the Maui Management office and Fiscal Management office, the Choice Neighborhood Initiative Grant, the Kolio case, and approval of the February 20, 2014 Executive Session minutes.

Adjournment:

There was no further business to discuss, Chairperson Gierlach asked for a motion to adjourn the Regular Meeting.

Director Oh moved,

To adjourn the Regular Hawaii Public Housing Authority Board meeting.

The motion was unanimously approved.

The meeting was adjourned at 11:30 a.m.

MINUTES CERTIFICATION

Minutes Prepared by:

<i>Taryn T. Chikamori</i>	APR 17 2014
Taryn T. Chikamori Secretary to the Board	Date

Approved by the Hawaii Public Housing Authority Board of Directors at their Regular Meeting on April 17, 2014: [] As Presented [X] As Amended

<i>Jason Espero</i>	APR 17 2014
Jason Espero Director/Board Secretary	Date

FOR ACTION

MOTION: To Adopt Resolution No. 65 Statement of Non-Discrimination Policy Reaffirming the HPHA's Commitment to Prohibiting Discrimination or Discriminatory Practices in its Operations, Procedures, Programs, and Services

I. FACTS

- A. April marks the 46th anniversary of the passage of the Fair Housing Act of 1968 (FHA), which articulates the national policy of fair housing – equal access to rental housing and home ownership opportunities. The FHA prohibits discrimination in housing on the basis of race, color, religion, sex, national origin, familial status, and disability.
- B. The FHA and Chapter 515 of the Hawaii Revised Statutes are the principal instruments to counteract housing discrimination in the State of Hawaii. Chapter 515 expands the FHA's housing protections by prohibiting housing discrimination on the basis of marital status, sexual orientation, age, ancestry, gender identity or expression, or human immunodeficiency virus infection.
- C. In 2004, the U.S. Department of Housing and Urban Development (HUD) and the Department of Justice issued a joint statement regarding their mutual responsibility for the implementation and enforcement of the FHA.

II. DISCUSSION

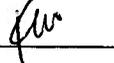
- A. This April, which is Fair Housing Month, HUD has proclaimed this year's theme of Fair Housing Month is "Fair Housing is Your Right: Use It!" and reminds us that fair housing means that every person can "live free" in a community free from housing discrimination and hostility.
- B. In 2010, the HPHA adopted Resolution No. 024, the Statement of Non-Discrimination Policy, and revised its Policy on Reasonable Accommodations and Modifications. In 2012, the HPHA adopted the Language Access Policy to ensure that limited English proficient individuals can effectively participate in or benefit from its programs and activities.

proficient individuals can effectively participate in or benefit from its programs and activities.

- C. The HPHA remains committed to providing meaningful and equal access to its programs and to offering residents and applicants an equal opportunity to use and enjoy HPHA's housing facilities.
- D. The HPHA continues to provide education and outreach to applicants and residents of its programs to inform them of their rights.

III. RECOMMENDATION

That the Board of Directors adopt Resolution No. 65 Statement of Non-Discrimination Policy Reaffirming the HPHA's Commitment to Prohibiting Discrimination or Discriminatory Practices in its Operations, Procedures, Programs, and Services

Prepared by: Kiriko Oishi, Chief Compliance Officer 

Adopted by the HPHA Board of
Directors on the date set forth above



David Gierlach
Chairperson

RESOLUTION NO. 065

STATEMENT OF NON-DISCRIMINATION POLICY

WHEREAS, the Hawaii Public Housing Authority (HPHA) is established as a corporate body and politic under Chapter 356D, Hawaii Revised Statutes; and

WHEREAS, notwithstanding its semi-autonomous nature, the HPHA is deemed to be a public instrumentality and agency of the State; and

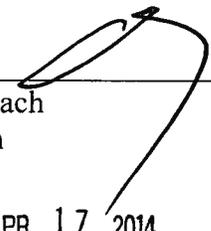
WHEREAS, as an agency of the State, and as a recipient of federal funding, the HPHA is obligated to implement and enforce policies regarding non-discrimination under either state or federal law, including but not limited to the Fair Housing Amendments Act of 1988, Chapter 515, Hawaii Revised Statutes, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act of 1990, Age Discrimination Act of 1975, Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and Part II, Chapter 371, Hawaii Revised Statutes, Language Access Law; and

WHEREAS, the HPHA is committed towards maintaining a policy of nondiscrimination and prohibiting discriminatory practices in the operations, procedures, or programs it administers, and to working with community stakeholders to affirmatively further fair housing choice; and

WHEREAS, April is Fair Housing month and the HPHA is taking this opportunity to reaffirm its commitment to fair housing, nondiscrimination, and equal opportunity for all of the participants in and applicants of HPHA's programs, and to protect and further fair housing choice for all residents in the State of Hawaii; and

NOW THEREFORE, BE IT RESOLVED, that in recognition of Fair Housing Month, the HPHA hereby reaffirms its commitment to prohibiting discrimination or discriminatory practices in its operations, procedures or programs/services, and to working with community stakeholders to affirmatively further fair housing choice; and

BE IT FURTHER RESOLVED, that the HPHA hereby authorizes the Executive Director to do all things necessary and proper to maintain, implement, and enforce such non-discriminatory policies.



David Gierlach
Chairperson

APR 17 2014

Date

FOR ACTION

MOTION: To Authorize the Executive Director to Administer Rental Assistance Contracts, in Conjunction with the Hawaii Housing Finance and Development Corporation, and the Department of Human Services' Med-QUEST Division, for the Section 811 Project Rental Assistance Demonstration Program, and to Authorize the Executive Director to Take All Actions Necessary to Assist in the Submission of an Application to the U.S. Department of Housing and Urban Development

I. FACTS

- A. The U.S. Department of Housing and Urban Development (HUD) has made funds available through a Notice of Funding Availability (NOFA), to enable State Housing Agencies to provide project-based rental assistance in the development of supportive housing for extremely low-income persons with disabilities.
- B. The Section 811 Project Rental Assistance Program seeks to identify, stimulate, and support innovative state-level strategies that will transform and increase housing for extremely low-income persons with disabilities, while also making available appropriate supports and services.
- C. To be eligible for Section 811 Project Rental Assistance Demonstration funds, State housing agencies must have a formal partnership with the State Health and Human Services/Medicaid agencies designated to administer or supervise the administration of the State plan for medical assistance under Title XIX of the Social Security Act (Medicaid) who will be providing appropriate services and supports directly to residents.
- D. The Department of Human Services has delegated this authority to their Med-QUEST Division, and will partner with the Hawaii Housing Finance and Development Corporation (HHFDC) in submitting an application to HUD for Section 811 Project Rental Assistance Demonstration Funds.
- E. HUD is making available approximately \$100 million in FY 2013 and approximately \$20 million in FY 2014, totaling \$120 million in funding. HUD expects to provide between 12-18 awards ranging from a minimum of \$2 million to a maximum of \$12 million.

FOR ACTION

MOTION: To Authorize the Executive Director to Administer Rental Assistance Contracts, in Conjunction with the Hawaii Housing Finance and Development Corporation, and the Department of Human Services' Med-QUEST Division, for the Section 811 Project Rental Assistance Demonstration Program, and to Authorize the Executive Director to Take All Actions Necessary to Assist in the Submission of an Application to the U.S. Department of Housing and Urban Development

I. FACTS

- A. The U.S. Department of Housing and Urban Development (HUD) has made funds available through a Notice of Funding Availability (NOFA), to enable State Housing Agencies to provide project-based rental assistance in the development of supportive housing for extremely low-income persons with disabilities.
- B. The Section 811 Project Rental Assistance Program seeks to identify, stimulate, and support innovative state-level strategies that will transform and increase housing for extremely low-income persons with disabilities, while also making available appropriate supports and services.
- C. To be eligible for Section 811 Project Rental Assistance Demonstration funds, State housing agencies must have a formal partnership with the State Health and Human Services/Medicaid agencies designated to administer or supervise the administration of the State plan for medical assistance under Title XIX of the Social Security Act (Medicaid) who will be providing appropriate services and supports directly to residents.
- D. The Department of Human Services has delegated this authority to their Med-QUEST Division, and will partner with the Hawaii Housing Finance and Development Corporation (HHFDC) in submitting an application to HUD for Section 811 Project Rental Assistance Demonstration Funds.
- E. HUD is making available approximately \$100 million in FY 2013 and approximately \$20 million in FY 2014, totaling \$120 million in funding. HUD expects to provide between 12-18 awards ranging from a minimum of \$2 million to a maximum of \$12 million.

II. DISCUSSION

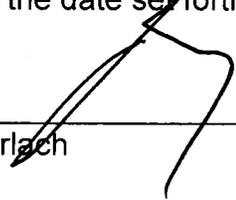
- A. The HPHA is currently working in partnership with the Med-QUEST Division, and HHFDC on the application for the Section 811 Project Rental Assistance Demonstration Program being offered under the 2013 Notice of Funding Availability (NOFA). The funds made available through this NOFA will provide project based rental assistance for persons with disabilities at or below 30 percent of the area median income, and will serve one of Hawaii's most overlooked segments of Hawaii's most neediest populations.
- B. HHFDC intends to apply for the Section 811 Project Rental Assistance Program funds, and issued a Request for Information on April 7, 2014 to seek qualified owners or developers of multifamily properties that have at least five (5) housing units, which have been financed or provided a financing commitment of Low Income Housing Tax Credits, HOME, or any other federal, state, or local program.
- C. The Med-QUEST Division is the driving force behind this endeavor and will coordinate outreach, ensure the availability of supportive services that include a service coordinator and an individualized service plan, and refer eligible tenants to the HPHA.
- D. The HPHA will partner with the HHFDC in creating this new program and will perform physical inspections, annual re-certifications, and administer and monitor the Rental Assistance Contract between the grantee and the owner of the Eligible Multifamily Property.

III. RECOMMENDATION

That the Board of Directors authorize the Executive Director to administer rental assistance contracts, in conjunction with the Hawaii Housing Finance and Development Corporation, and the Department of Human Services' Med-QUEST Division, for the Section 811 Project Rental Assistance Demonstration Program, and to authorize the Executive Director to take all actions necessary to assist in the submission of an application to the U.S. Department of Housing and Urban Development.

Prepared by: Benjamin Park, Housing Planner 

Adopted by the HPHA Board of
Directors on the date set forth above



David J. Gierlach
Chair

Property Management and Maintenance Services Branch (PMMSB)
 Report for the Month of March 2014

A. Occupancy (Goal 98%)

- Property Management's lease up activity consisted of the following:

	Federal Public Housing	State Public Housing	Reason for Transfer
New Move-ins from the Waitlist	21	7	
Internal Transfers	31	0	24 – Relocation 5 -RRA 1 – H&S 1 – Right-sizing
Vacancy (tenants who vacated from the program)	27	5	

*Totals are as of March 31, 2014

**RRA – Request for Reasonable Accommodation

H&S – Health & Safety (unit deemed uninhabitable due to flooding, loss of electrical power, etc.).

VAWA – Violence Against Women Act

Relocation – AMP 30's Salt Lake project required management to relocate a total of twenty-six (26) families. The modernization work is slated to begin in mid-April.

As of March 31, 2014, HPHA has a total of 128 approved RRA statewide (Oahu – 97, Maui – 4, East/West Hawaii – 21 & Kauai – 6). These approved internal RRA tenants are waiting for a transfer to a suitable unit.

B. Formal Grievance Hearings held:

March 2014 Grievance Hearings			
AMP	Property	Expedited	Reason for Grievance
37	Lanakila Homes (Hilo)	Yes	Co-head disputing termination of his right to be removed from the lease.
43	Kaimalino (Kona)	Yes	Misconduct (noise, drugs, alcohol, graffiti and loitering) of household members and guests.

Property Management scheduled and heard a total of two (2) formal grievance hearing cases due to tenants being in violation of their rental agreement. Management has the discretion to terminate the lease agreement by submitting an eviction referral to the Oahu Hearing Board. The grievance hearing coordinator

received three (3) grievance hearing requests that have been scheduled in April 2014.

C. Rent Collection (March 2014)

The HPHA will aggressively continue its effort in rent collection. The agency experienced a decline in its tenant rent collectible for the month of March 2014. The approximate 459 families owing \$285,179 in February 2014, increased to a total of 694 families owing approximately \$413,372 for March 2014.

D. Program Activities

- Striving to reduce the vacated TARS which have an approximate balance owing of \$282,634 for 146 accounts.
- On-going planning and coordination with the AMPs and Construction Management Branch (CMB) on future relocation of tenants for upcoming construction work.

FEDERAL PUBLIC HOUSING

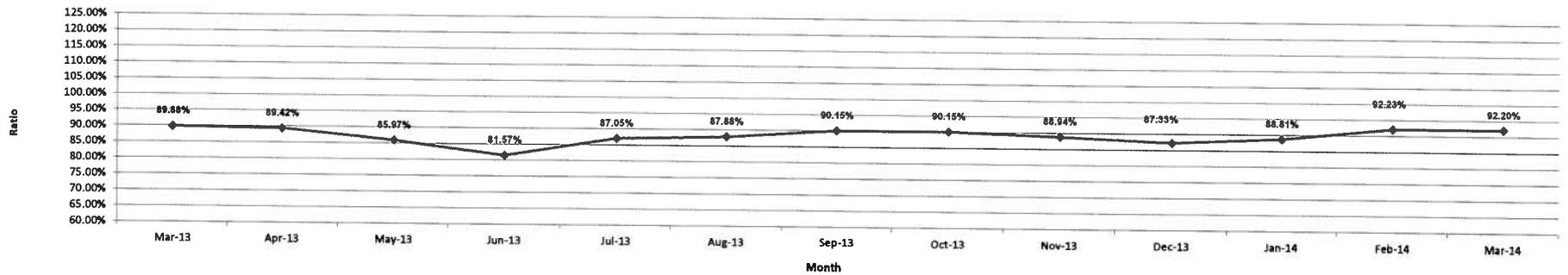
Rent Collection from March 2013 to March 2014

	Mar-13			Apr-13			May-13			Jun-13			Jul-13			Aug-13		
	Charges	Collected	Ratio	Charges	Collected	Ratio	Charges	Collected	Ratio	Charges	Collected	Ratio	Charges	Collected	Ratio	Charges	Collected	Ratio
Hawaii	\$123,808.68	\$113,174.38	91.41%	\$129,573.30	\$111,873.60	86.27%	\$121,317.30	\$106,077.26	87.44%	\$120,522.20	\$103,068.13	85.45%	\$128,171.87	\$113,642.05	88.66%	\$122,224.48	\$111,930.82	91.58%
Kauai	\$77,168.00	\$66,422.00	86.07%	\$78,499.00	\$68,847.50	87.65%	\$86,045.00	\$70,470.09	81.90%	\$85,288.00	\$68,864.09	77.23%	\$82,113.00	\$66,030.92	80.41%	\$82,910.00	\$63,168.00	76.19%
Mauai	\$49,710.67	\$45,416.13	91.36%	\$46,990.79	\$40,270.12	85.70%	\$46,034.00	\$37,002.06	80.38%	\$47,105.00	\$35,683.67	75.75%	\$55,093.50	\$44,438.99	80.66%	\$52,056.00	\$43,621.34	83.80%
Oahu	\$973,891.50	\$875,663.63	89.91%	\$973,518.13	\$877,858.04	90.17%	\$977,304.94	\$844,507.77	86.41%	\$964,457.80	\$788,482.29	81.75%	\$986,186.95	\$865,426.80	87.75%	\$949,611.14	\$841,859.88	88.65%
Total	\$ 1,224,578.85	\$ 1,100,676.14	89.88%	\$ 1,228,681.22	\$ 1,098,649.26	89.42%	\$ 1,230,701.24	\$ 1,058,057.18	85.97%	\$ 1,217,473.00	\$ 993,098.18	81.57%	\$ 1,251,685.32	\$ 1,088,538.76	87.05%	\$ 1,208,801.83	\$ 1,060,581.04	87.88%

Cumulative (12 Months)	
	03/13 - 03/14
Charges	\$ 15,821,647.17
Collections	\$ 14,013,728.62
Total	\$ (1,807,918.55)
Ratio	88.57%

	Sep-13			Oct-13			Nov-13			Dec-13			Jan-14			Feb-14			Mar-14		
	Charges	Collected	Ratio																		
Hawaii	\$122,879.48	\$114,190.86	93.08%	\$122,879.48	\$114,190.86	93.08%	\$122,173.88	\$109,997.00	90.03%	\$123,001.53	\$107,807.92	87.49%	\$124,762.30	\$111,982.08	89.76%	\$120,346.67	\$112,670.00	93.62%	\$121,142.69	\$112,049.36	92.40%
Kauai	\$83,909.42	\$64,935.50	77.39%	\$83,909.42	\$64,935.50	77.39%	\$82,669.75	\$61,890.59	74.86%	\$82,572.16	\$60,032.50	72.70%	\$84,495.74	\$61,580.48	72.88%	\$83,715.94	\$68,062.54	81.30%	\$82,798.00	\$69,041.26	83.39%
Mauai	\$61,213.00	\$50,791.28	82.97%	\$61,213.00	\$50,791.28	82.97%	\$63,451.00	\$48,833.62	77.12%	\$63,413.00	\$45,284.72	71.41%	\$65,289.00	\$51,064.29	78.21%	\$62,132.00	\$49,630.52	79.88%	\$66,952.00	\$53,389.24	79.74%
Oahu	\$939,433.15	\$858,449.09	91.38%	\$939,433.15	\$858,449.09	91.38%	\$930,137.00	\$845,017.73	90.85%	\$946,962.61	\$848,987.00	89.65%	\$941,361.98	\$855,162.30	90.84%	\$936,898.59	\$879,250.43	93.85%	\$943,099.97	\$884,761.02	93.81%
Total	\$ 1,207,235.05	\$ 1,088,366.73	90.15%	\$ 1,207,235.05	\$ 1,088,366.73	90.15%	\$ 1,198,431.63	\$ 1,085,838.94	89.94%	\$ 1,215,949.30	\$ 1,061,912.14	87.33%	\$ 1,215,908.02	\$ 1,079,788.15	88.81%	\$ 1,203,093.20	\$ 1,109,613.48	92.23%	\$ 1,213,992.66	\$ 1,119,240.86	92.20%

Rent Collection Rate



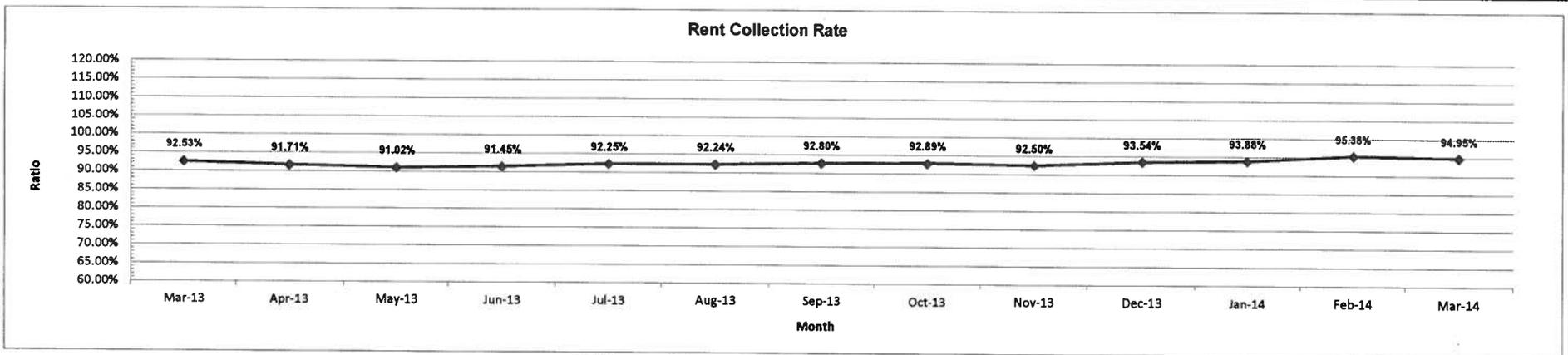
STATE PUBLIC HOUSING

Rent Collection from March 2013 to March 2014

	Mar-13			Apr-13			May-13			Jun-13			Jul-13			Aug-13		
	Charges	Collected	Ratio															
Hawaii	\$ 16,734.00	\$ 13,546.00	80.95%	\$ 15,814.00	\$ 12,780.00	80.81%	\$ 15,502.00	\$ 11,566.00	74.61%	\$ 22,748.00	\$ 18,247.50	80.22%	\$ 16,837.00	\$ 12,440.33	73.89%	\$ 18,340.00	\$ 14,673.33	80.01%
Kauai	\$ 4,850.76	\$ 4,433.76	91.40%	\$ 4,797.81	\$ 4,778.47	99.60%	\$ 4,668.81	\$ 4,184.86	89.63%	\$ 5,444.81	\$ 4,837.81	88.85%	\$ 4,972.81	\$ 4,406.81	88.62%	\$ 5,629.00	\$ 4,776.00	84.85%
Maui	\$ 4,353.00	\$ 3,037.00	69.77%	\$ 4,303.00	\$ 3,059.00	71.09%	\$ 4,140.00	\$ 3,115.00	75.24%	\$ 4,134.00	\$ 2,827.00	68.38%	\$ 4,188.00	\$ 3,071.00	73.33%	\$ 4,460.00	\$ 3,576.00	80.18%
Oahu	\$ 235,923.00	\$ 221,276.42	93.79%	\$ 256,198.40	\$ 237,192.70	92.58%	\$ 236,283.40	\$ 218,331.82	92.40%	\$ 244,025.00	\$ 226,812.96	92.95%	\$ 235,618.40	\$ 221,416.94	93.97%	\$ 252,536.40	\$ 236,142.40	93.51%
Total	\$ 261,860.76	\$ 242,283.18	92.53%	\$ 281,113.21	\$ 257,810.17	91.71%	\$ 260,594.21	\$ 237,197.68	91.02%	\$ 276,351.81	\$ 252,725.27	91.45%	\$ 261,616.21	\$ 241,335.08	92.25%	\$ 280,966.40	\$ 259,167.73	92.24%

Cumulative (12 Months)	
03/13 - 03/14	
Charges	\$ 3,522,133.90
Collections	\$ 3,270,615.16
Total	\$ (251,518.74)
Ratio	92.86%

	Sep-13			Oct-13			Nov-13			Dec-13			Jan-14			Feb-14			Mar-14		
	Charges	Collected	Ratio																		
Hawaii	\$ 18,109.00	\$ 15,181.00	83.83%	\$ 17,658.00	\$ 14,252.00	80.71%	\$ 18,239.00	\$ 14,824.00	81.28%	\$ 18,263.00	\$ 15,249.00	83.50%	\$ 18,954.00	\$ 15,114.85	79.74%	\$ 19,709.00	\$ 16,180.67	82.10%	\$ 18,859.00	\$ 15,267.00	80.95%
Kauai	\$ 5,488.00	\$ 5,004.00	91.18%	\$ 5,134.00	\$ 4,631.00	90.20%	\$ 5,868.00	\$ 5,345.00	91.09%	\$ 5,516.00	\$ 4,893.00	88.71%	\$ 5,481.00	\$ 4,903.00	89.45%	\$ 5,761.00	\$ 5,138.00	89.19%	\$ 6,094.00	\$ 5,039.00	82.69%
Maui	\$ 4,154.00	\$ 3,184.00	76.65%	\$ 4,678.00	\$ 3,468.00	74.13%	\$ 4,119.00	\$ 2,923.00	70.96%	\$ 3,990.00	\$ 2,930.00	73.43%	\$ 4,795.00	\$ 3,828.00	79.83%	\$ 4,560.00	\$ 3,284.00	72.02%	\$ 4,536.00	\$ 3,662.00	80.73%
Oahu	\$ 240,358.02	\$ 225,447.05	93.80%	\$ 250,488.34	\$ 235,849.18	94.16%	\$ 242,473.05	\$ 227,317.05	93.75%	\$ 241,326.79	\$ 228,638.23	94.74%	\$ 240,217.28	\$ 229,104.44	95.37%	\$ 242,957.16	\$ 235,769.08	97.04%	\$ 241,846.66	\$ 233,660.50	96.62%
Total	\$ 266,109.02	\$ 248,816.05	92.80%	\$ 277,956.34	\$ 258,200.18	92.86%	\$ 270,899.05	\$ 250,409.05	92.50%	\$ 269,095.79	\$ 251,710.23	93.54%	\$ 266,447.28	\$ 252,960.29	93.88%	\$ 272,987.16	\$ 260,371.75	95.38%	\$ 271,335.66	\$ 257,828.50	94.95%



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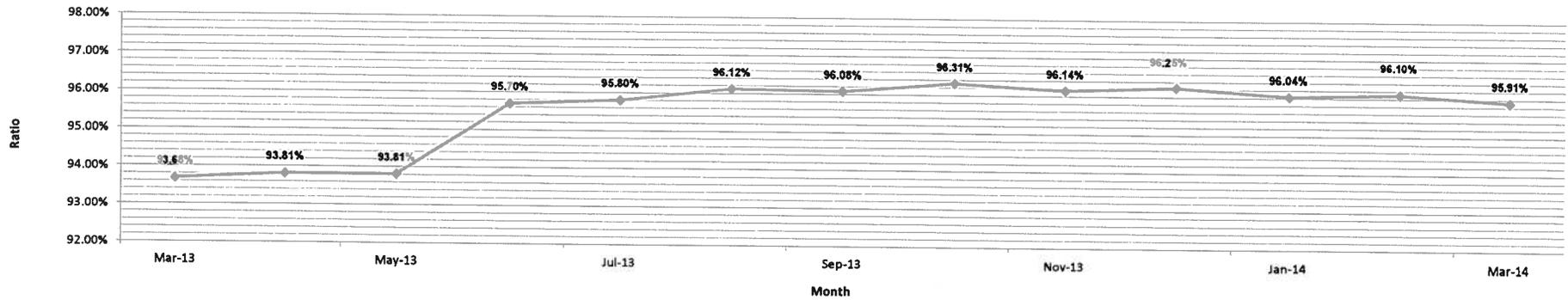
Occupancy from March 2013 to March 2014

	Mar-13			Apr-13			May-13			Jun-13			Jul-13			Aug-13		
	Total Units	Occ Units	Ratio															
Hawaii	627	584	93.14%	627	588	93.78%	627	588	93.78%	627	594	94.74%	627	593	94.58%	627	595	94.90%
Kauai	321	290	90.34%	321	297	92.52%	321	297	92.52%	319	303	94.98%	319	306	95.92%	319	307	96.24%
Maui	196	162	82.65%	196	158	80.61%	196	158	80.61%	196	177	90.31%	196	171	87.24%	196	172	87.76%
Oahu	3,574	3,384	94.68%	3,576	3,385	94.66%	3,576	3,385	94.66%	3,576	3,441	96.22%	3,576	3,450	96.48%	3,576	3,461	96.78%
Total	4,718	4,420	93.66%	4,720	4,428	93.81%	4,720	4,428	93.81%	4,718	4,515	95.70%	4,718	4,520	95.80%	4,718	4,536	96.12%

Cumulative (12 Months)	
03/13 - 03/14	
Units	61,351
Tenants	58,603
Ratio	95.52%

	Sep-13			Oct-13			Nov-13			Dec-13			Jan-14			Feb-14			Mar-14		
	Total Units	Occ Units	Ratio																		
Hawaii	627	592	94.42%	627	594	94.74%	627	591	94.26%	627	592	94.42%	627	593	94.58%	627	596	95.06%	627	592	94.42%
Kauai	320	307	95.94%	321	308	95.95%	321	306	95.33%	321	307	95.64%	321	307	95.64%	321	306	95.33%	321	304	94.70%
Maui	196	171	87.24%	196	172	87.76%	196	172	87.76%	196	174	88.78%	196	176	89.80%	196	180	91.84%	196	183	93.37%
Oahu	3,576	3,464	96.87%	3,576	3,472	97.09%	3,576	3,469	97.01%	3,576	3,470	97.04%	3,576	3,457	96.67%	3,576	3,454	96.59%	3,576	3,448	96.42%
Total	4,719	4,534	96.08%	4,720	4,546	96.31%	4,720	4,538	96.14%	4,720	4,543	96.25%	4,720	4,533	96.04%	4,720	4,536	96.10%	4,720	4,527	95.91%

Occupancy Rate



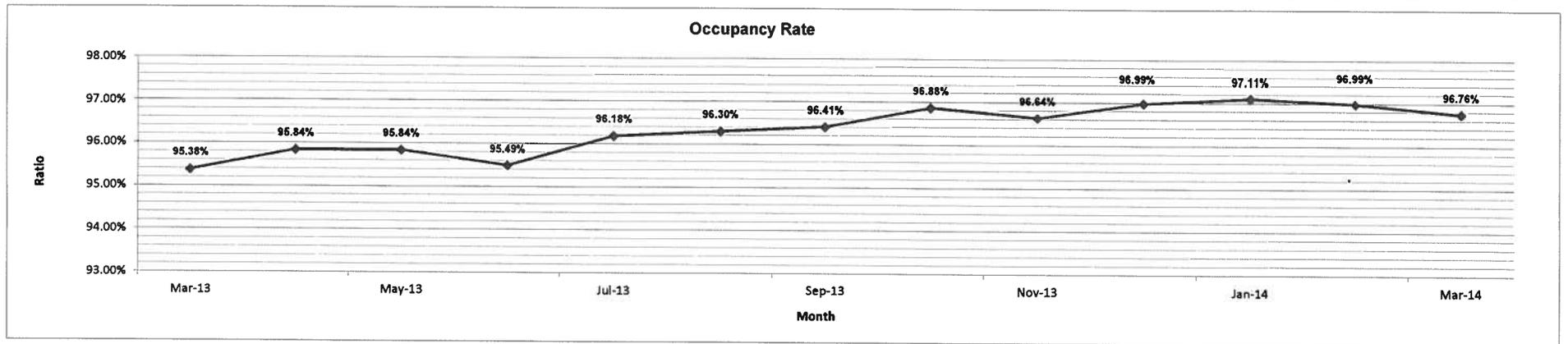
STATE PUBLIC HOUSING

Occupancy from March 2013 to March 2014

	Mar-13			Apr-13			May-13			Jun-13			Jul-13			Aug-13		
	Total Units	Occ Units	Ratio															
Hawaii	56	48	85.71%	56	48	85.71%	56	48	85.71%	56	48	85.71%	56	51	91.07%	56	50	89.29%
Kauai	26	22	84.62%	26	22	84.62%	26	22	84.62%	26	24	92.31%	26	24	92.31%	26	24	92.31%
Maui	32	26	81.25%	32	24	75.00%	32	24	75.00%	32	23	71.88%	32	24	75.00%	32	24	75.00%
Oahu	751	729	97.07%	751	735	97.87%	751	735	97.87%	750	730	97.33%	750	732	97.60%	750	734	97.87%
Total	865	825	95.38%	865	829	95.84%	865	829	95.84%	864	825	95.49%	864	831	96.18%	864	832	96.30%

Cumulative (12 Months)	
03/13 - 03/14	
Units	11,235
Tenants	10,827
Ratio	96.37%

	Sep-13			Oct-13			Nov-13			Dec-13			Jan-14			Feb-14			Mar-14		
	Total Units	Occ Units	Ratio																		
Hawaii	56	50	89.29%	56	50	89.29%	56	50	89.29%	56	53	94.64%	56	53	94.64%	56	52	92.86%	56	54	96.43%
Kauai	26	24	92.31%	26	25	96.15%	26	25	96.15%	26	25	96.15%	26	25	96.15%	26	26	100.00%	26	25	96.15%
Maui	32	24	75.00%	32	25	78.13%	32	24	75.00%	32	24	75.00%	32	24	75.00%	32	26	81.25%	32	24	75.00%
Oahu	750	735	98.00%	750	737	98.27%	750	736	98.13%	750	736	98.13%	750	737	98.27%	750	734	97.87%	750	733	97.73%
Total	864	833	96.41%	864	837	96.88%	864	835	96.64%	864	838	96.99%	864	839	97.11%	864	838	96.99%	864	836	96.78%



**Federal LIPH
HPHA Island Overview Report
as of 3/31/2014**

Island	Occupancy *								LIPH and Elderly Waiting List**				
	Total Available Units	Total Occupied Units	Total Vacant Units (excludes rent ready)	Occupancy Ratio	Move-Ins	Move-Outs	Transfers	Units Rent Ready	HUD Income Limit	# of HoH	% of WL	Avg Family Size	Avg Bedroom Size
Hawaii	627	592	32	94.42%	6	6	2	1	Average Income	31	0.40%	7.57	3.62
Kauai	321	304	7	94.70%	1	2	2	4	Low Income (80%)	43	0.55%	2.66	1.94
Maui	196	183	13	93.37%	9	7	2	0	Very Low Inc. (50%)	357	4.56%	2.72	1.84
Oahu	3,576	3,448	105	96.42%	36	43	25	13	Extremely Low Inc. (30%)	7,396	94.49%	2.44	1.65
Total	4,720	4,527	157	95.91%	52	58	31	18		7,827	100.00%	2.47	1.67

Island	Non Vacated Delinquencies***				Collection Rate ****		
	Count of Families	30-90 Days	Count of Families	Over 90 Days	Charges	Collected	Ratio
Hawaii	64	\$ 24,633.06	24	\$ 8,611.29	\$ 121,142.69	\$ 112,049.36	92.49%
Kauai	68	\$ 38,542.49	45	\$ 35,827.31	\$ 82,798.00	\$ 69,041.26	83.39%
Maui	59	\$ 32,764.00	26	\$ 33,041.00	\$ 66,952.00	\$ 53,389.24	79.74%
Oahu	302	\$ 140,506.18	106	\$ 99,446.87	\$ 943,099.97	\$ 884,761.02	93.81%
Total	493	\$ 236,445.73	201	\$ 176,926.47	\$ 1,213,992.66	\$ 1,119,240.88	92.20%

* Occupancy also counts Scheduled for Modernization Units.

* Occupancy reflects removal of KPT Units.

** Please notice WL Income Limits assumes 2010 HUD Family Income Limit for Hawaii.

*** Delinquencies and Collections reflect only Rents, Prepays and Payment Agreements (Bill Code 0001 and 0006).

**** Lower Collection rate due to mailing label errors.

**Federal LIPH
HPHA Project Overview Report
as of 3/31/2014**

AMP	Occupancy*							
	Total Available Units	Total Occupied Units	Total Vacant Units (excludes rent ready)	Occupancy Ratio	Move-Ins	Move-Outs	Transfers	Units Rent Ready
30P-Aiea	363	324	38	89.26%	8	28	24	0
31P-KVH	373	364	4	97.59%	3	2	0	5
32P-MWH	364	361	2	99.18%	1	1	0	1
33P-Kam/Kaamanu	373	368	5	98.66%	3	4	0	0
34P-Kalakaua	583	582	0	99.83%	9	1	0	1
35P-Kalanihiua	587	585	1	99.66%	2	4	0	1
37P-Hilo	322	291	30	90.37%	1	3	0	0
38P-Kauai	321	304	7	94.70%	1	2	2	4
39P-Maui	196	183	13	93.37%	9	7	2	0
40P-KPT	170	166	2	97.65%	1	1	0	2
43P-Kona	202	199	2	98.51%	4	2	2	1
44P-Leeward Oahu	260	253	4	97.31%	6	1	1	3
45P-Windward Oahu	235	225	1	95.74%	0	0	0	0
46P-Kamuela	103	102	0	99.03%	1	1	0	0
49P-Central Oahu	150	131	19	87.33%	1	1	0	0
50P-Palolo	118	89	29	75.42%	2	0	0	0
Total	4,720	4,527	157	95.91%	52	58	31	18

AMP	Non Vacated Delinquencies**				Collection Rate		
	Count of Families	30-90 Days	Count of Families	Over 90 Days	Charges	Collected	Ratio
30P-Aiea	11	8,542.64	3	5,370.00	\$ 137,196.74	\$ 135,223.67	98.56%
31P-KVH	30	23,116.63	9	23,274.25	\$ 99,341.77	\$ 91,015.82	91.62%
32P-MWH	16	5,407.50	5	1,435.64	\$ 100,145.00	\$ 97,295.70	97.15%
33P-Kam/Kaamanu	15	8,323.59	5	2,725.50	\$ 80,594.98	\$ 75,737.98	93.97%
34P-Kalakaua	45	16,699.90	14	31,368.50	\$ 138,557.23	\$ 132,434.31	95.58%
35P-Kalanihiua	14	9,966.00	7	8,945.98	\$ 154,705.95	\$ 150,709.95	97.42%
37P-Hilo	22	8,176.00	5	1,119.00	\$ 64,740.33	\$ 61,178.33	94.50%
38P-Kauai	68	38,542.49	45	35,827.31	\$ 82,798.00	\$ 69,041.26	83.39%
39P-Maui	59	32,764.00	26	33,041.00	\$ 66,952.00	\$ 53,389.24	79.74%
40P-KPT	20	10,484.40	6	1,016.00	\$ 63,076.00	\$ 57,053.58	90.45%
43P-Kona	34	11,613.36	13	5,690.60	\$ 37,501.36	\$ 33,119.27	88.31%
44P-Leeward Oahu	126	43,108.52	48	23,167.00	\$ 53,160.00	\$ 34,633.76	65.15%
45P-Windward Oahu	8	1,805.00	3	1,639.00	\$ 55,501.30	\$ 54,916.25	98.95%
46P-Kamuela	8	4,843.70	6	1,801.69	\$ 18,901.00	\$ 17,751.76	93.92%
49P-Central Oahu	12	10,903.00	6	505.00	\$ 39,395.00	\$ 35,665.00	90.53%
50P-Palolo	5	2,149.00	1	0.00	\$ 21,426.00	\$ 20,075.00	93.69%
Total	493	\$ 236,445.73	201	\$ 176,926.47	\$ 1,213,992.66	\$ 1,119,240.88	92.20%

* Occupancy also counts Scheduled for Modernization Units.

** Occupancy reflects removal of KPT Units.

*** Delinquencies and Collections reflect only Rents, Prepays and Payment Agreements (Bill Code 0001 and 0006).

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**State LIPH
HPHA Island Overview Report
as of 3/31/2014**

Island	Occupancy*								LIPH and Elderly Waiting List**				
	Total Available Units	Total Occupied Units	Total Vacant Units (excludes rent ready)	Occupancy Ratio	Move-Ins	Move-Outs	Transfers	Units Rent Ready	HUD Income Limit	# of HoH	% of WL	Avg Family Size	Avg Bedroom Size
Hawaii	56	54	0	96.43%	1	0	0	0	Average Income	23	0.40%	8.21	3.88
Kauai	26	25	1	96.15%	0	0	0	0	Low Income (80%)	33	0.58%	2.22	1.42
Maui	32	24	8	75.00%	0	0	0	0	Very Low Inc. (50%)	301	5.30%	2.41	1.44
Oahu	750	733	6	97.73%	6	5	0	5	Extremely Low Inc. (30%)	5,323	93.71%	2.29	1.43
Total	864	836	15	96.76%	7	5	0	5		5,680	100.00%	2.32	1.44

Island	Non Vacated Delinquencies***				Collection Rate		
	Count of Families	30-90 Days	Count of Families	Over 90 Days	Charges	Collected	Ratio
Hawaii	13	\$ 7,784.00	5	\$ 16,553.00	\$ 18,859.00	\$ 15,267.00	80.95%
Kauai	5	\$ 2,364.00	1	\$ 216.00	\$ 6,094.00	\$ 5,039.00	82.69%
Maui	5	\$ 1,041.00	1	\$ 10,579.00	\$ 4,536.00	\$ 3,662.00	80.73%
Oahu	24	\$ 16,409.25	11	\$ 28,831.00	\$ 241,846.66	\$ 233,660.50	96.62%
Total	47	\$ 27,598.25	18	\$ 56,179.00	\$ 271,335.66	\$ 257,628.50	94.95%

* Occupancy also counts Scheduled for Modernization Units.

** Please notice WL Income Limits assumes 2010 HUD Family Income Limit for Hawaii.

*** Delinquencies and Collections reflect only Rents, Prepays and Payment Agreements (Bill Code 0001 and 0006).

**State LIPH
HPHA Project Overview Report
as of 3/31/2014**

Project	Occupancy *							
	Total Available Units	Total Occupied Units	Total Vacant Units (excludes rent ready)	Occupancy Ratio	Move-Ins	Move-Outs	Transfers	Units Rent Ready
2201-Hauiki	46	44	1	95.65%	0	0	0	0
2202-Puahala Homes	128	121	2	94.53%	0	1	0	4
2204-Kawailehua	26	25	1	96.15%	0	0	0	0
2205-Kahale Mua	32	24	8	75.00%	0	0	0	0
2206-Lokahi	30	29	0	96.67%	0	0	0	0
2207-Ke Kumu Elua	26	25	0	96.15%	1	0	0	0
2401-Hale Po'ai	206	202	3	98.06%	2	2	0	0
2402-La'iola	108	106	0	98.15%	3	2	0	1
2403-Kamalu-Ho'olulu	221	220	0	99.55%	1	0	0	0
2404-Halia Hale	41	40	0	97.56%	0	0	0	0
Total	864	836	15	96.76%	7	5	0	5

Project	Non Vacated Delinquencies**				Collection Rate		
	Count of Families	30-90 Days	Count of Families	Over 90 Days	Charges	Collected	Ratio
2201-Hauiki	7	\$ 5,530.60	3	\$ 19,118.00	\$ 19,897.00	\$ 17,275.00	86.82%
2202-Puahala Homes	13	\$ 10,011.65	7	\$ 9,713.00	\$ 50,578.66	\$ 45,361.50	89.69%
2204-Kawailehua	5	\$ 2,364.00	1	\$ 216.00	\$ 6,094.00	\$ 5,039.00	82.69%
2205-Kahale Mua	5	\$ 1,041.00	1	\$ 10,579.00	\$ 4,536.00	\$ 3,662.00	80.73%
2206-Lokahi	4	\$ 2,136.00	0	\$ -	\$ 11,219.00	\$ 9,908.00	88.31%
2207-Ke Kumu Elua	9	\$ 5,648.00	5	\$ 16,553.00	\$ 7,640.00	\$ 5,359.00	70.14%
2401-Hale Po'ai	0	\$ -	0	\$ -	\$ 58,619.00	\$ 58,619.00	100.00%
2402-La'iola	3	\$ 648.00	1	\$ -	\$ 37,029.00	\$ 36,901.00	99.65%
2403-Kamalu-Ho'olulu	1	\$ 219.00	0	\$ -	\$ 65,532.00	\$ 65,313.00	99.67%
2404-Halia Hale	0	\$ -	0	\$ -	\$ 10,191.00	\$ 10,191.00	100.00%
Total	47	\$ 27,598.25	18	\$ 56,179.00	\$ 271,335.66	\$ 257,628.50	94.95%

* Occupancy also counts Scheduled for Modernization Units.

** Delinquencies and Collections reflect only Rents, Prepays and Payment Agreements (Bill Code 0001 and 0006).

**Section 8 Subsidy Programs Branch
Report for the Month of March 2014**

A. Program Activities

1. Voucher activity for March 2014:
 - HPHA expended \$1,966,314 (99.8% of HUD funds received) in housing assistance payments to private landlords on behalf of 1966 voucher holders. HPHA expended \$35,259 on behalf of 173 families served under the rent supplement program on Oahu.
 - There are 633 applicants on the Oahu Federal Section 8 (Housing Choice Voucher) waitlist.
 - There are 2,750 applicants on the Oahu Project Based Federal Section 8 (Palolo) waitlist.
 - There are 793 applicants on Oahu State Rent Supplement Program waitlist.

2. Voucher lease up activity for the reporting period:
 - VASH -Veteran's Administration Supportive Housing Vouchers:
 - 8 leased up in March 2014
 - 23 new referrals from the VA in March 2014
 - 42 VASH voucher holders in housing search as of March 2014
 - Kuhio Park Towers -Project Based Section 8:
 - All 150 units occupied. No vacant units reported.
 - Palolo Valley Homes- Project Based Section 8:
 - 4 Vacant Units, PVH management is right sizing families
 - Housing Choice Vouchers:
 - 1 applicant in housing search
 - 20 contact letters sent to applicants for eligibility screening
 - Port-In (from other agencies)
 - 2 vouchers leased in March 2014
 - 2 families from other states searching for a home on Oahu

3. Inspections update:
 - A total of 133 inspections were performed in March 2014. Of the 133 inspections 47 failed the first time the unit was inspected. The inspections staff also failed 17 rent comparisons in March 2014. A rent comparison is a procedure required by HUD to determine if the rent the landlord is asking for is in line with current market rents.
 - There are 22 quality control inspections scheduled for April 2014.

4. Family Self Sufficiency (FSS) Program
 - The Family Self Sufficiency (FSS) program assisted 74 Section 8 clients in March 2014. There were 32 active escrow accounts with a total account balance of \$129,740. 1 family increased their income.

**Hearings Office
Report for Month of March 2014**

A. Program Activities

- Eviction cases heard for March 2014, there were a total of 11 cases, 9 for rent, and 2 for non-rent. For March 2013 through March 2014, a total of 175 cases were referred with a total of 74 families evicted for this period.
- Monitor AMP delinquencies and submit monitoring report to Office of the Executive Director and Property Management Branch on a monthly basis.

B. Planned Activities

- Evaluate, review and revise eviction referrals for compliance with Section 356D, Hawaii Revised Statutes (Public Housing-Evictions).
- Conduct federal statewide administrative eviction hearings in compliance with federal and state laws, rules, and regulations.
- Prepare findings of facts, conclusions of law, decision and order, subpoena police reports and witnesses for criminal cases.
- Schedule breach of conditions cases for due process hearings and prepare findings of fact, conclusions of law, decision and order.
- Continue to recruit resident and non-resident statewide eviction board members.
- Conduct eviction hearings through video conference with neighbor island AMPS, which include Kauai, Maui, Hilo and Kona.
- Continue to assist management and staff with the timely submission of eviction cases to be heard before the eviction boards relating to rent delinquencies, drugs and criminal activities.
- Continue to seek a qualified person to fill the hearings assistant position.

HEARINGS OFFICE-STATEWIDE FEDERAL EVICTION REFERRALS-March 28, 2014

Total # of Cases Heard for the Month of March 2014: 11 Cases Heard

(Oahu & Neighbor Islands)

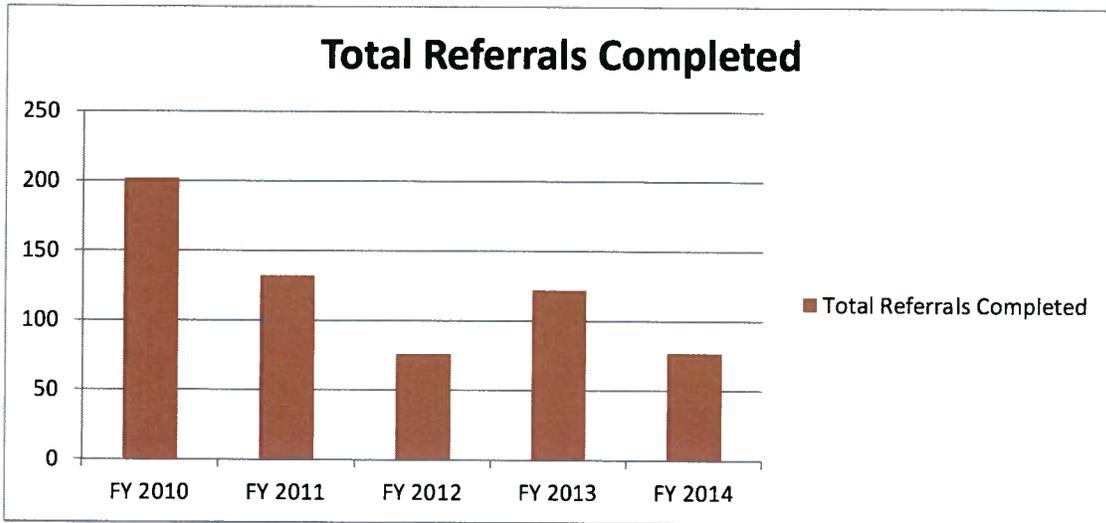
Decisions Rendered:	Rent Violations	Other Violations	
Eviction	1	1	
Evict w/cond	3	0	
10-day cure	0	0	
Withdrawn/Dismiss	2	0	
Continued	3	1	
Total	9	2	Total= 11 cases

Delinquent Balance Total for Cases Heard in March 2014-\$5,000(AMP 30)

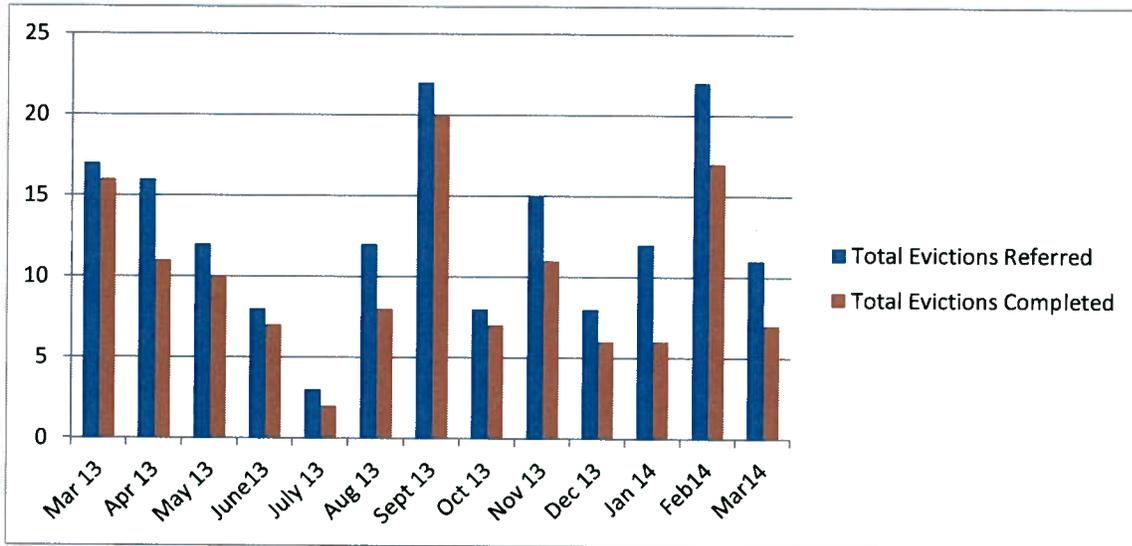
		REFERRALS			RESULT OF EVICTION REFERRAL					
		REASON FOR REFERRAL			RESULT OF EVICTION REFERRAL					
MONTH	Total	Rent	Other	Evict	Evict with Cond	10-day Cure	Dismiss	Continued	Completed	
FY 2010	263	223	40	109	83	4	6	61	202	
FY 2011	178	140	38	68	54	5	5	46	132	
FY 2012	106	84	22	40	32	1	3	30	76	
FY 2013	160	119	41	76	37	3	6	38	122	
FY 2014	113	90	23	47	31	0	9	26	77	

March 2013-March 2014

		REFERRALS			RESULT OF EVICTION REFERRAL					
		REASON FOR REFERRAL			RESULT OF EVICTION REFERRAL					
MONTH	Total	Rent	Other	Evict	Evict with Cond	10-day Cure	Dismiss	Continued	Completed	
Mar 13	17	14	3	10	3	2	1	1	16	
Apr 13	16	10	6	4	7	0	1	4	11	
May 13	12	5	7	7	3	0	2	0	10	
June13	8	5	3	6	1	0	0	1	7	
July 13	3	2	1	2	0	0	0	1	2	
Aug 13	12	12	0	4	4	0	2	2	8	
Sept 13	22	18	4	13	7	0	0	2	20	
Oct 13	8	7	1	5	2	0	0	1	7	
Nov 13	15	8	7	5	5	0	1	4	11	
Dec 13	8	6	2	4	2	0	1	1	6	
Jan 14	12	12	0	3	3	0	0	6	6	
Feb14	22	16	6	9	5	0	3	5	17	
Mar14	11	9	2	2	3	0	2	4	7	
TOTALS	175	124	42	74	45	2	13	32	128	



March 2013-March 2014



Prepared and Reviewed by Renee Blondin-Nip on March 28, 2014

**Fiscal Management Office
Report for February 2014**

AGENCY TOTAL – Variance Analysis based on any increases or decrease of 10% or more with the month of February 2014 being the basis for the variances.

INCOME STATEMENT

A. REVENUES:

HUD Operating Subsidies:

Consist of HAP under-disbursed funds payment of \$440,011 in February to Housing Choice Voucher Program and \$527,721 for Section 8 Contract Administration relating to Maunakea Towers retroactive Subsidy adjustment. Also included is a 7% increase in Subsidy to the Projects of \$113,426 and \$81k difference between actual and budgeted HCV amounts.

CFP Grant Income:

The budget draws are projected on a monthly basis vs actual draw on a per quarter basis. The draw of \$619k was for the first two quarters of Fiscal 2014 and the next draw will be in March 2014 which should be approximately \$1.858k.

Other Income:

Primarily the CIP administrative and associated costs reimbursements revenue has not been realized as budgeted awaiting approval from Budget and Finance.

B. EXPENSES:

Housing Assistance Payments:

The increase in Housing Assistance Payment(HAP) relates to an increase of \$125k in expenditure over budget by Housing Choice Voucher Program due to additional vouchers issued; the Maunakea Towers retroactive subsidy adjustments of \$528k ; State Rent Supplement Program HAP expenditure of \$(39)k decrease from budget.

Maintenance:

Vacant positions budgeted but not yet filled resulted in \$144k under budget.

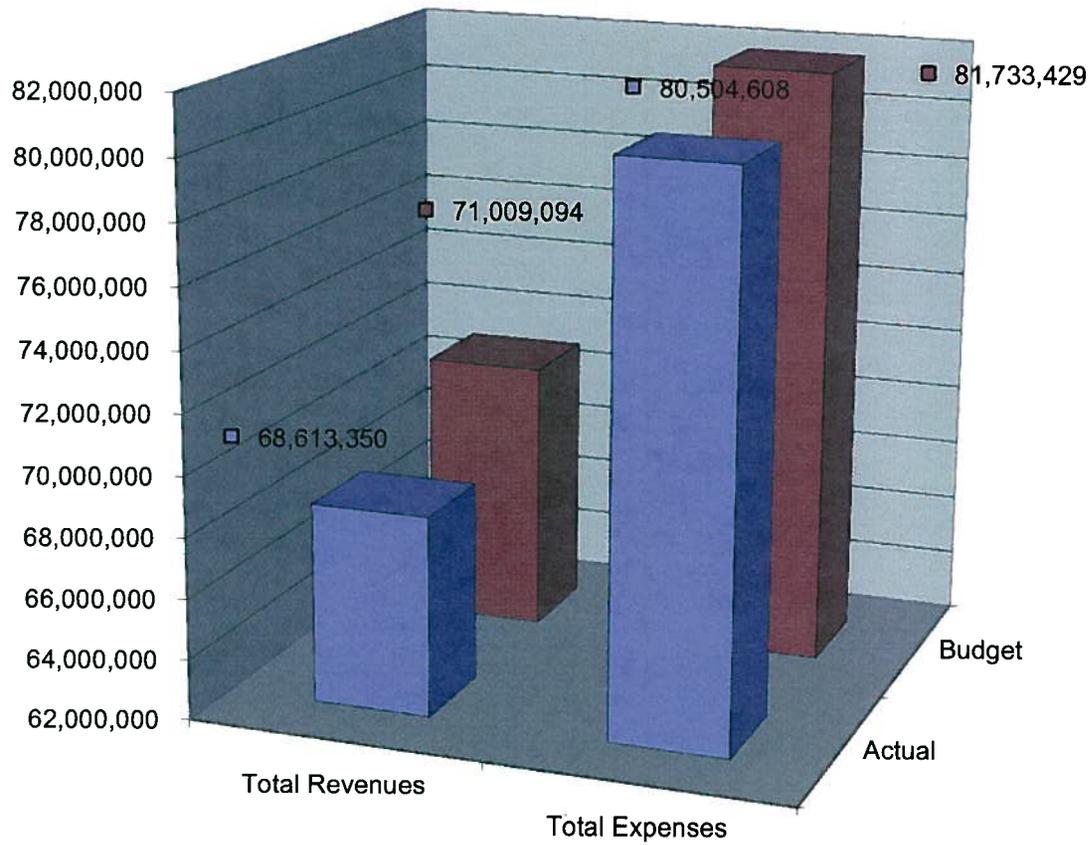
Bad Debt Expense:

Adjustment for tenant credits balances in excess of bad debt write-offs.

OVERVIEW – Current Fiscal Year:

As the Fiscal Year 2013 - 2014 progresses and the Capital Appropriations are approved HPHA will begin to recognize Capital Administrative and Associated Expenses reimbursements which should add approximately \$4.0 Million in revenues for the current Fiscal Year.

HPHA FEBRUARY 28, 2014 Actual VS Budget



	Total Revenues	Total Expenses
Actual	68,613,350	80,504,608
Budget	71,009,094	81,733,429

**HAWAII PUBLIC HOUSING AUTHORITY
AGENCY TOTAL
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014				YEAR TO DATE ENDING FEBRUARY 28, 2014							
Actual	Budget	Variance Amount	%		Actual	Budget	Variance Amount	%	Prior Year	Variance Amount	%
				REVENUES							
1,368,920	1,390,500	\$ (21,580)	-2%	Dwelling Rental Income	10,733,685	11,110,473	\$ (376,788)	-3%	10,871,526	\$ (137,841)	-1%
6,892,359	5,729,540	1,162,819	20%	HUD Operating Subsidies	47,773,894	46,372,432	1,401,462	3%	46,021,375	1,752,519	4%
-	437,868	(437,868)	-100%	CFP Grant Income	619,462	3,502,944	(2,883,482)	-82%	-	619,462	0%
582,309	541,051	41,258	8%	COCC Fee Income	3,727,904	4,325,153	(597,249)	-14%	2,873,372	854,532	30%
-	-	-	0%	General Fund	-	-	-	0%	2,421,529	(2,421,529)	-100%
416,655	428,534	(11,879)	-3%	Grant Income	3,423,288	3,428,272	(4,984)	0%	-	3,423,288	0%
138,980	283,433	(144,453)	-51%	Other Income	2,335,116	2,269,820	65,296	3%	3,642,911	(1,307,795)	-36%
9,399,223	8,810,926	588,297	7%	Total Revenues	68,613,350	71,009,094	(2,395,744)	-3%	65,830,713	2,782,637	4%
				EXPENSES							
1,271,966	1,388,752	116,786	8%	Administrative	8,881,513	11,323,049	2,441,536	22%	8,126,528	(754,985)	-9%
29,477	29,347	(130)	0%	Asset Management Fees	235,816	234,776	(1,040)	0%	-	(235,816)	0%
404,370	413,680	9,310	2%	Management Fees	3,204,728	3,305,169	100,442	3%	2,456,919	(747,809)	-30%
54,869	56,688	1,819	3%	Bookkeeping Fees	441,222	452,997	11,776	3%	421,392	(19,830)	-5%
4,560,765	3,960,758	(600,007)	-15%	Housing Assistance Payments	33,905,420	31,636,064	(2,269,356)	-7%	32,544,712	(1,360,708)	-4%
41,054	41,465	411	1%	Tenant Services	292,362	355,769	63,407	18%	723,240	430,878	60%
1,161,990	1,177,584	15,594	1%	Utilities	9,326,447	9,420,891	94,444	1%	8,431,034	(895,413)	-11%
1,361,441	1,505,273	143,832	10%	Maintenance	11,519,126	12,734,715	1,215,589	10%	10,711,233	(807,893)	-8%
190,177	175,874	(14,303)	-8%	Protective Services	1,590,178	1,409,298	(180,880)	-13%	1,513,656	(76,522)	-5%
85,101	84,123	(978)	-1%	Insurance	674,551	673,667	(884)	0%	662,099	(12,452)	-2%
1,326,995	1,264,400	(62,595)	-5%	General Expenses	10,433,245	10,187,033	(246,212)	-2%	9,642,196	(791,049)	-8%
10,488,206	10,097,944	(390,262)	-4%	Total Expenses	80,504,608	81,733,429	1,228,821	2%	75,233,009	(5,271,599)	-7%
\$ (1,088,982)	\$ (1,287,018)	\$ 198,036	15%	Net Income(Loss)	\$ (11,891,258)	\$ (10,724,335)	\$ (1,166,923)	-11%	\$ (9,402,296)	\$ (2,488,962)	-26%
				CASH BASIS:							
\$ (1,088,982)	\$ (1,287,018)	\$ 198,036	15%	Net Income(loss) per Above	(11,891,258)	(10,724,335)	\$ (1,166,923)	-11%	\$ (9,402,296)	\$ (2,488,962)	-26%
				Add back non cash items:							
1,237,953	1,239,619	(1,666)	0%	Depreciation Expense	9,853,216	9,916,958	(63,742)	-1%	9,386,744	466,472	5%
(1,233)	10,919	(12,152)	-111%	Bad Debt Expense	(3,065)	134,373	(137,438)	-102%	91,779	(94,844)	-103%
\$ 147,738	\$ (36,480)	\$ 184,217	505%	TOTAL CASH BASIS	(2,041,108)	(673,004)	\$ (1,368,104)	-203%	\$ 76,227	\$ (2,117,335)	-2778%

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**CONSOLIDATED BALANCE SHEET
HAWAII PUBLIC HOUSING AUTHORITY
FUND FROM 130 TO 150, 007, 020, 024, 181, 265, 318, 337, 400
FOR PERIOD ENDING FEBRUARY 28, 2014
AGENCY TOTAL**

	<u>FEBRUARY</u>	<u>JANUARY</u>	<u>Increase (Decrease)</u>
ASSETS:			
Cash	63,609,648	60,790,737	2,818,911
Receivables:			
Accrued Interest	5,303,186	5,303,186	-
Tenant Receivables	1,471,494	1,487,594	(16,100)
Other	4,325,825	4,319,718	6,107
Less Allowance for Doubtful Accounts	<u>(5,534,178)</u>	<u>(5,534,178)</u>	<u>(0)</u>
Total receivables			
Prepaid Expenses	487,294	428,069	59,225
Inventories	12,888	14,503	(1,615)
Interprogram Due From	995,963	4,413,636	(3,417,673)
Interprogram Due To	-	-	-
Total Current Assets	<u>70,672,120</u>	<u>71,223,265</u>	<u>(551,145)</u>
Property, Plant & Equipment:			
Land	21,451,327	21,451,327	-
Buildings	534,690,791	534,690,791	0
Furniture & Equipment	4,352,402	4,352,402	-
Motor vehicles	1,250,266	1,250,266	-
Construction in Progress	32,947,364	32,947,364	-
Less: Accumulated Depreciation	<u>(322,959,116)</u>	<u>(321,721,163)</u>	<u>(1,237,953)</u>
Notes, Loans & Mortgage Receivable-Non Current	49,099,568	49,099,568	-
Other Long term assets	-	-	-
Total Assets	<u>391,504,721</u>	<u>(201,398,330)</u>	<u>(1,789,099)</u>

**CONSOLIDATED BALANCE SHEET
HAWAII PUBLIC HOUSING AUTHORITY
FUND FROM 130 TO 150, 007, 020, 024, 181, 265, 318, 337, 400
FOR PERIOD ENDING FEBRUARY 28, 2014
AGENCY TOTAL**

	<u>FEBRUARY</u>	<u>JANUARY</u>	<u>Increase (Decrease)</u>
LIABILITIES AND EQUITY:			
Accounts Payable	1,095,499	1,314,100	(218,601)
Accrued Expenses	1,258,363	1,474,430	(216,067)
Accrued Salaries & Wages	708,298	708,298	0
Accrued Vacation	669,776	669,776	-
Tenant Security Deposits	855,456	853,134	2,322
Other Liabilities & Deferred Income	43,110,261	43,521,338	(411,077)
Interprogram Due To	13,492,215	13,348,910	143,305
Total Current Liabilities	<u>61,189,869</u>	<u>61,889,986</u>	<u>(700,117)</u>
Accrued Pension and OPEB Liability	9,289,299	9,289,299	-
Accrued Liabilities - Long Term	4,411,148	4,411,148	-
Net Assets:			
Restricted Net Assets	2,844,517	2,844,517	-
Unrestricted Net Assets	325,661,146	325,661,146	-
Net Income Year to Date	(11,891,258)	(10,802,276)	(1,088,982)
Total Equity	<u>316,614,405</u>	<u>317,703,387</u>	<u>(1,088,982)</u>
Total Liabilities & Equity	<u>391,504,721</u>	<u>393,293,820</u>	<u>(1,789,099)</u>

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**HAWAII PUBLIC HOUSING AUTHORITY
HOUSING CHOICE VOUCHER PROGRAM
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014				
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>	
\$ -	\$ -	\$ -	0%	
2,608,068	2,068,588	539,480	26%	
-	-	-	0%	
-	-	-	0%	
-	-	-	0%	
25,799	858	24,941	2907%	
2,633,867	2,069,446	564,421	27%	
68,954	105,667	36,713	35%	
-	-	-	0%	
22,728	23,244	516	2%	
14,205	15,000	795	5%	
2,050,757	1,926,022	(124,735)	-6%	
25,996	22,869	(3,127)	-14%	
3,507	4,125	618	15%	
1,587	100	(1,487)	-1487%	
67	95	28	29%	
4,570	689	(3,881)	-563%	
9,363	-	(9,363)	0%	
2,201,734	2,097,811	(103,923)	-5%	
\$ 432,132	\$ (28,365)	\$ 460,497	1623%	
\$ 432,132	\$ (28,365)	\$ 460,497	1623%	
-	-	-	0%	
-	-	-	0%	
\$ 432,132	\$ (28,365)	\$ 460,497	1623%	

YEAR TO DATE ENDING FEBRUARY 28, 2014									
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>	<u>Prior Year</u>	<u>Variance Amount</u>	<u>%</u>			
REVENUES									
\$ -	\$ -	\$ -	0%	\$ -	\$ -	0%			
16,289,917	16,548,704	(258,787)	-2%	14,619,395	1,670,522	11%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
284,818	6,864	277,954	4049%	1,227,244	(942,426)	-77%			
16,574,735	16,555,568	19,167	0%	15,846,639	728,096	5%			
EXPENSES									
602,822	911,812	308,990	34%	1,050,650	447,828	43%			
-	-	-	0%	-	-	0%			
183,468	185,952	2,484	1%	184,428	960	1%			
114,668	120,000	5,333	4%	115,268	601	1%			
16,007,840	15,408,176	(599,664)	-4%	14,681,995	(1,325,845)	-9%			
169,589	182,952	13,363	7%	-	(169,589)	0%			
23,538	33,000	9,462	29%	24,411	873	4%			
6,016	800	(5,216)	-652%	147,332	141,316	96%			
471	760	289	38%	452	(19)	-4%			
8,458	5,512	(2,946)	-53%	6,894	(1,564)	-23%			
73,448	7,326	(66,122)	-903%	28,779	(44,669)	-155%			
17,190,319	16,856,290	(334,029)	-2%	16,240,209	(950,110)	-6%			
\$ (615,584)	\$ (300,722)	\$ (314,862)	-105%	\$ (393,570)	\$ (222,014)	-56%			
CASH BASIS:									
\$ (615,584)	\$ (300,722)	\$ (314,862)	-105%	\$ (393,570)	\$ (222,014)	-56%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
\$ (615,584)	\$ (300,722)	\$ (314,862)	-105%	\$ (393,570)	\$ (222,014)	-56%			

**HAWAII PUBLIC HOUSING AUTHORITY
REPAIRS & MAINTENANCE GENERAL FUND
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014			
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>
\$ -	\$ -	\$ -	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
338,910	340,540	(1,630)	0%
(112,592)	(340,540)	227,948	67%
226,318	-	226,318	0%
2,244	1,570	(674)	-43%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
32,104	-	(32,104)	0%
43,470	-	(43,470)	0%
-	-	-	0%
-	-	-	0%
77,819	1,570	(76,249)	-4857%
\$ 148,500	\$ (1,570)	\$ 150,070	9559%
\$ 148,500	\$ (1,570)	\$ 150,070	9559%
-	-	-	0%
-	-	-	0%
\$ 148,500	\$ (1,570)	\$ 150,070	9559%

-038

YEAR TO DATE ENDING FEBRUARY 28, 2014									
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>	<u>Prior Year</u>	<u>Variance Amount</u>	<u>%</u>			
REVENUES									
\$ -	\$ -	\$ -	0%	\$ -	\$ -	0%	Dwelling Rental Income		
-	-	-	0%	-	-	0%	HUD Operating Subsidies		
-	-	-	0%	-	-	0%	CFP Grant Income		
-	-	-	0%	-	-	0%	COCC Fee Income		
-	-	-	0%	-	-	0%	General Fund		
2,730,836	2,724,320	6,516	0%	627,715	(627,715)	-100%	Grant Income		
(2,215,863)	(2,724,320)	508,457	19%	-	(2,215,863)	0%	Other Income		
514,973	-	514,973	0%	627,715	(112,742)	-18%	Total Revenues		
EXPENSES									
3,568	12,560	8,992	72%	24,184	20,616	85%	Administrative		
-	-	-	0%	-	-	0%	Asset Management Fees		
-	-	-	0%	-	-	0%	Management Fees		
-	-	-	0%	-	-	0%	Bookkeeping Fees		
-	-	-	0%	-	-	0%	Housing Assistance Payments		
-	-	-	0%	-	-	0%	Tenant Services		
-	-	-	0%	-	-	0%	Utilities		
32,596	-	(32,596)	0%	3,494	(29,102)	-833%	Maintenance		
43,470	-	(43,470)	0%	-	(43,470)	0%	Protective Services		
-	-	-	0%	-	-	0%	Insurance		
-	-	-	0%	-	-	0%	General Expenses		
79,635	12,560	(67,075)	-534%	27,678	(51,957)	-188%	Total Expenses		
\$ 435,338	\$ (12,560)	\$ 447,898	3566%	\$ 600,037	\$ (164,699)	0%	Net Income(Loss)		
CASH BASIS:									
\$ 435,338	\$ (12,560)	\$ 447,898	3566%	\$ 600,037	\$ (164,699)	0%	Net Income(loss) per Above		
Add back non cash items:									
-	-	-	0%	-	-	0%	Depreciation Expense		
-	-	-	0%	-	-	0%	Bad Debt Expense		
\$ 435,338	\$ (12,560)	\$ 447,898	3566%	\$ 600,037	\$ (164,699)	0%	TOTAL CASH BASIS		

**STATE RENT SUPPLEMENT PROGRAM
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014				
Actual	Budget	Variance Amount	%	
\$ -	\$ -	\$ -	-	0%
-	-	-	-	0%
-	-	-	-	0%
-	-	-	-	0%
77,745	87,994	(10,249)	-12%	
-	-	-	-	0%
77,745	87,994	(10,249)	-12%	
5	10,632	10,627	100%	
-	-	-	0%	
561	650	89	14%	
352	450	98	22%	
38,017	75,824	37,807	50%	
-	-	-	0%	
525	660	135	20%	
-	-	-	0%	
-	-	-	0%	
18	30	12	39%	
-	-	-	0%	
39,477	88,246	48,769	55%	
\$ 38,268	\$ (252)	\$ 38,520	15286%	
\$ 38,268	\$ (252)	\$ 38,520	15286%	
-	-	-	0%	
-	-	-	0%	
\$ 38,268	\$ (252)	\$ 38,520	15286%	

YEAR TO DATE ENDING FEBRUARY 28, 2014									
Actual	Budget	Variance Amount	%	Prior Year	Variance Amount	%			
REVENUES									
Dwelling Rental Income	\$ -	\$ -	\$ -	0%	\$ -	\$ -	-	-	0%
HUD Operating Subsidies	-	-	-	0%	-	-	-	-	0%
CFP Grant Income	-	-	-	0%	-	-	-	-	0%
COCC Fee Income	-	-	-	0%	-	-	-	-	0%
General Fund	-	-	-	0%	44,358	(44,358)	-100%		
Grant Income	692,452	703,952	(11,500)	-2%	631,451	61,001	10%		
Other Income	9,145	-	9,145	0%	-	9,145	0%		
Total Revenues	701,596	703,952	(2,356)	0%	675,809	25,787	4%		
EXPENSES									
Administrative	34,327	91,455	57,128	62%	56,342	22,015	39%		
Asset Management Fees	-	-	-	0%	-	-	0%		
Management Fees	4,662	5,200	538	10%	5,322	660	12%		
Bookkeeping Fees	2,922	3,600	678	19%	3,335	413	12%		
Housing Assistance Payments	312,211	556,592	244,381	44%	354,682	42,471	12%		
Tenant Services	-	-	-	0%	-	-	0%		
Utilities	5,411	5,280	(131)	-2%	6,155	744	12%		
Maintenance	21	-	(21)	0%	-	(21)	0%		
Protective Services	-	-	-	0%	-	-	0%		
Insurance	167	240	73	30%	179	12	7%		
General Expenses	-	-	-	0%	(821)	(821)	-100%		
Total Expenses	359,720	662,367	302,647	46%	425,194	65,474	15%		
Net Income(Loss)	\$ 341,877	\$ 41,585	\$ 300,292	722%	\$ 250,615	\$ 91,262	36%		
CASH BASIS:									
Net Income(loss) per Above	\$ 341,877	\$ 41,585	\$ 300,292	722%	\$ 250,615	\$ 91,262	36%		
Add back non cash items:									
Depreciation Expense	-	-	-	0%	-	-	0%		
Bad Debt Expense	-	-	-	0%	-	-	0%		
TOTAL CASH BASIS	\$ 341,877	\$ 41,585	\$ 300,292	722%	\$ 250,615	\$ 91,262	36%		

039

**SECTION 8 CONTRACT ADMINISTRATION
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014			
Actual	Budget	Variance Amount	%
\$ -	\$ -	\$ -	0%
2,566,598	2,056,685	509,913	25%
-	-	-	0%
-	-	-	0%
-	-	-	0%
(32,860)	15	(32,875)	-219166%
2,533,738	2,056,700	477,038	23%
6,121	8,184	2,063	25%
-	-	-	0%
79,098	77,808	(1,290)	-2%
-	420	420	100%
2,470,854	1,958,912	(511,942)	-26%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
88	-	(88)	0%
2,556,160	2,045,324	(510,836)	-25%
\$ (22,422)	\$ 11,376	\$ (33,798)	-297%
\$ (22,422)	\$ 11,376	\$ (33,798)	-297%
-	-	-	0%
-	-	-	0%
\$ (22,422)	\$ 11,376	\$ (33,798)	-297%

040

YEAR TO DATE ENDING FEBRUARY 28, 2014											
Actual	Budget	Variance Amount	%	Prior Year	Variance Amount	%					
REVENUES											
Dwelling Rental Income	\$ -	\$ -	\$ -	0%	\$ -	\$ -	0%				
HUD Operating Subsidies	18,569,671	16,453,480	2,116,191	13%	16,351,866	2,217,805	14%				
CFP Grant Income	-	-	-	0%	-	-	0%				
COCC Fee Income	-	-	-	0%	-	-	0%				
Grant Income	-	-	-	0%	-	-	0%				
Other Income	(154,795)	120	(154,915)	-129096%	780,376	(935,171)	-120%				
Total Revenues	18,414,876	16,453,600	1,961,276	12%	17,132,242	1,282,634	7%				
EXPENSES											
Administrative	43,447	65,472	22,025	34%	53,159	9,712	18%				
Asset Management Fees	-	-	-	0%	-	-	0%				
Management Fees	587,516	622,464	34,948	6%	-	(587,516)	0%				
Bookkeeping Fees	-	3,360	3,360	100%	-	-	0%				
Housing Assistance Payments	17,797,671	15,671,296	(2,126,375)	-14%	16,351,866	(1,445,805)	-9%				
Tenant Services	-	-	-	0%	623,934	623,934	100%				
Utilities	-	-	-	0%	-	-	0%				
Maintenance	-	-	-	0%	-	-	0%				
Protective Services	-	-	-	0%	-	-	0%				
Insurance	-	-	-	0%	-	-	0%				
General Expenses	1,350	-	(1,350)	0%	5,551	4,201	76%				
Total Expenses	18,429,985	16,362,592	(2,067,393)	-13%	17,034,510	(1,395,475)	-8%				
Net Income(Loss)	\$ (15,109)	\$ 91,008	\$ (106,117)	-117%	\$ 97,732	\$ (112,841)	-115%				
CASH BASIS:											
Net Income(loss) per Above	\$ (15,109)	\$ 91,008	\$ (106,117)	-117%	\$ 97,732	\$ (112,841)	-115%				
Add back non cash items:											
Depreciation Expense	-	-	-	0%	-	-	0%				
Bad Debt Expense	-	-	-	0%	-	-	0%				
TOTAL CASH BASIS	\$ (15,109)	\$ 91,008	\$ (106,117)	-117%	\$ 97,732	\$ (112,841)	-115%				

**CENTRAL OFFICE COST CENTER
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014			
Actual	Budget	Variance Amount	%
-	-	\$ -	0%
-	-	-	0%
-	250,000	(250,000)	-100%
552,832	573,801	(20,969)	-4%
-	-	-	0%
-	-	-	0%
(40,340)	371,375	(411,715)	-111%
512,493	1,195,176	(682,683)	-57%
581,518	764,692	183,174	24%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	-	-	0%
-	1,560	1,560	100%
8,222	14,860	6,638	45%
206,178	258,796	52,618	20%
1,054	936	(118)	-13%
23,539	4,510	(19,029)	-422%
46,955	1,905	(45,050)	-2365%
867,467	1,047,259	179,792	17%
\$ (354,974)	\$ 147,917	\$ (502,891)	-340%
\$ (354,974)	\$ 147,917	\$ (502,891)	-340%
832	885	(53)	-6%
-	-	-	0%
\$ (354,142)	\$ 148,802	\$ (502,944)	-338%

YEAR TO DATE ENDING FEBRUARY 28, 2014							
Actual	Budget	Variance Amount	%	Prior Year	Variance Amount	%	
REVENUES							
-	-	\$ -	0%	-	\$ -	0%	Dwelling Rental Income
-	-	-	0%	-	-	0%	HUD Operating Subsidies
619,462	2,000,000	(1,380,538)	-69%	-	619,462	0%	CFP Grant Income
3,492,088	4,587,153	(1,095,065)	-24%	2,940,688	551,400	19%	COCC Fee Income
-	-	-	0%	29,411	(29,411)	-100%	General Fund
-	-	-	0%	-	-	0%	Grant Income
1,298,325	2,971,000	(1,672,675)	-56%	13,605	1,284,720	9443%	Other Income
5,409,875	9,558,153	(4,148,278)	-43%	2,983,704	2,426,171	81%	Total Revenues
EXPENSES							
4,451,861	6,017,473	1,565,612	26%	4,085,497	(366,364)	-9%	Administrative
-	-	-	0%	-	-	0%	Asset Management Fees
-	-	-	0%	-	-	0%	Management Fees
-	-	-	0%	-	-	0%	Bookkeeping Fees
-	-	-	0%	-	-	0%	Housing Assistance Payments
429	12,750	12,321	97%	276	(153)	-55%	Tenant Services
82,012	119,074	37,062	31%	101,266	19,254	19%	Utilities
1,678,814	2,357,209	678,395	29%	1,283,180	(395,634)	-31%	Maintenance
8,600	7,488	(1,112)	-15%	17,297	8,697	50%	Protective Services
35,848	36,121	273	1%	47,307	11,459	24%	Insurance
179,449	34,993	(144,456)	-413%	139,390	(40,059)	-29%	General Expenses
6,437,014	8,585,108	2,148,094	25%	5,674,213	(762,801)	-13%	Total Expenses
\$ (1,027,139)	\$ 973,045	\$ (2,000,184)	-206%	\$ (2,690,509)	\$ 1,663,370	62%	Net Income(Loss)
CASH BASIS:							
\$ (1,027,139)	\$ 973,045	\$ (2,000,184)	-206%	\$ (2,690,509)	\$ 1,663,370	62%	Net Income(loss) per Above
6,660	7,086	(426)	-6%	6,660	(0)	0%	Add back non cash items:
-	-	-	0%	-	-	0%	Depreciation Expense
-	-	-	0%	-	-	0%	Bad Debt Expense
\$ (1,020,479)	\$ 980,131	\$ (2,000,610)	-204%	\$ (2,683,849)	\$ 1,663,370	62%	TOTAL CASH BASIS

170-011

**STATE LOW RENT
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

<u>MONTH OF FEBRUARY, 2014</u>					<u>YEAR TO DATE ENDING FEBRUARY 28, 2014</u>						
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>		<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>	<u>Prior Year</u>	<u>Variance Amount</u>	<u>%</u>
89,960	89,527	\$ 433	0%	REVENUES	695,629	708,223	\$ (12,594)	-2%	638,235	\$ 57,394	9%
-	-	-	0%	Dwelling Rental Income	-	-	-	0%	-	-	0%
-	-	-	0%	HUD Operating Subsidies	-	-	-	0%	-	-	0%
-	-	-	0%	COCC Fee Income	-	-	-	0%	-	-	0%
-	-	-	0%	General Fund	-	-	-	0%	-	-	0%
18,271	115,844	(97,573)	-84%	Grant Income	-	-	-	0%	-	-	0%
				Other Income	684,345	926,752	(242,407)	-26%	133,663	550,682	412%
108,231	205,371	(97,140)	-47%	Total Revenues	1,379,974	1,634,975	(255,001)	-16%	771,898	608,076	79%
26,650	32,627	5,977	18%	EXPENSES	188,787	274,018	85,231	31%	201,384	12,597	6%
-	248	248	100%	Administrative	-	1,984	1,984	100%	-	-	0%
16,878	17,524	646	4%	Asset Management Fees	133,521	139,511	5,989	4%	119,791	(13,730)	-11%
2,025	2,121	96	5%	Management Fees	16,020	16,885	865	5%	-	(16,020)	0%
-	-	-	0%	Bookkeeping Fees	-	-	-	0%	-	-	0%
-	166	166	100%	Housing Assistance Payments	-	-	-	0%	-	-	0%
82,592	75,897	(6,695)	-9%	Tenant Services	-	2,828	2,828	100%	-	-	0%
38,223	69,254	31,031	45%	Utilities	540,336	607,193	66,857	11%	506,290	(34,046)	-7%
-	-	-	0%	Maintenance	545,132	567,595	22,464	4%	423,866	(121,266)	-29%
5,721	3,171	(2,550)	-80%	Protective Services	-	-	-	0%	-	-	0%
70,301	72,782	2,481	3%	Insurance	24,291	26,238	1,947	7%	24,663	372	2%
				General Expenses	557,554	582,250	24,696	4%	555,100	(2,454)	0%
242,391	273,790	31,399	11%	Total Expenses	2,005,641	2,218,502	212,862	10%	1,831,094	(174,547)	-10%
\$ (134,160)	\$ (68,419)	\$ (128,539)	-188%	Net Income(Loss)	\$ (625,667)	\$ (583,527)	\$ (42,139)	-7%	\$ (1,059,196)	\$ 433,529	41%
\$ (134,160)	\$ (68,419)	\$ (128,539)	-188%	CASH BASIS:	\$ (625,667)	\$ (583,527)	\$ (42,139)	-7%	\$ (1,059,196)	\$ 433,529	41%
70,301	70,833	(532)	-1%	Net Income(loss) per Above	557,318	566,664	(9,346)	-2%	535,619	21,699	4%
-	-	-	0%	Add back non cash items:	-	-	-	0%	15,175	(15,175)	-100%
				Depreciation Expense							
				Bad Debt Expense							
\$ (63,858)	\$ 2,414	\$ (129,070)	-5346%	TOTAL CASH BASIS	\$ (68,349)	\$ (16,863)	\$ (51,486)	-305%	\$ (508,402)	\$ 440,053	87%

**STATE ELDERLY PROGRAM
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014				
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>	
\$ 169,352	\$ 163,542	\$ 5,810	4%	
-	-	-	0%	
-	-	-	0%	
-	-	-	0%	
-	-	-	0%	
84,306	4,650	79,656	1713%	
253,658	168,192	85,466	51%	
30,610	26,958	(3,652)	-14%	
-	-	-	0%	
35,568	35,882	314	1%	
4,268	4,306	39	1%	
-	-	-	0%	
-	385	385	100%	
126,748	112,562	(14,186)	-13%	
74,772	140,109	65,337	47%	
43	-	(43)	0%	
10,669	10,765	96	1%	
116,602	117,021	419	0%	
399,279	447,988	48,709	11%	
\$ (145,621)	\$ (279,796)	\$ 134,175	48%	

\$ (145,621)	\$ (279,796)	\$ 134,175	48%
116,602	116,604	(2)	0%
-	417	(417)	-100%
\$ (29,019)	\$ (162,775)	\$ 133,756	82%

YEAR TO DATE ENDING FEBRUARY 28, 2014									
<u>Actual</u>	<u>Budget</u>	<u>Variance Amount</u>	<u>%</u>	<u>Prior Year</u>	<u>Variance Amount</u>	<u>%</u>			
REVENUES									
\$ 1,349,445	\$ 1,308,336	\$ 41,109	3%	\$ 1,324,018	\$ 25,427	2%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
-	-	-	0%	-	-	0%			
1,033,752	37,200	996,552	2679%	943,891	89,861	10%			
2,383,198	1,345,536	1,037,662	77%	2,267,909	115,289	5%			
EXPENSES									
171,961	249,028	77,067	31%	142,912	(29,049)	-20%			
-	-	-	0%	-	-	0%			
284,233	287,049	2,816	1%	263,307	(20,926)	-8%			
34,103	34,448	346	1%	34,043	(60)	0%			
-	-	-	0%	-	-	0%			
-	3,080	3,080	100%	-	-	0%			
896,065	900,496	4,431	0%	806,705	(89,360)	-11%			
835,138	1,120,872	285,734	25%	873,566	38,428	4%			
731	-	(731)	0%	2,164	1,433	66%			
78,458	86,120	7,662	9%	81,826	3,368	4%			
933,663	936,168	2,505	0%	933,032	(631)	0%			
3,234,350	3,617,261	382,911	11%	3,137,555	(96,795)	-3%			
\$ (851,153)	\$ (2,271,725)	\$ 1,420,572	63%	\$ (869,646)	\$ 18,493	2%			

CASH BASIS:									
\$ (851,153)	\$ (2,271,725)	\$ 1,420,572	63%	\$ (869,646)	\$ 18,493	2%			
932,816	932,832	(16)	0%	656	932,160	142098%			
-	3,336	(3,336)	-100%	-	-	0%			
\$ 81,663	\$ (1,335,557)	\$ 1,417,220	106%	\$ (868,990)	\$ 950,653	109%			

**HAWAII PUBLIC HOUSING AUTHORITY
 VETERANS AFFAIRS SUPPORTIVE HOUSING
 ACTUAL VS BUDGET COMPARISON
 FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
 (Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014					YEAR TO DATE ENDING FEBRUARY 28, 2014						
Actual	Budget	Variance Amount	%		Actual	Budget	Variance Amount	%	Prior Year	Variance Amount	%
\$ -	\$ -	\$ -	0%	REVENUES	\$ -	\$ -	\$ -	0%			
-	-	-	0%	Dwelling Rental Income	-	-	-	0%			
-	-	-	0%	HUD Operating Subsidies	-	-	-	0%	462,117	(462,117)	-100%
-	-	-	0%	COCC Fee Income	-	-	-	0%	-	-	0%
-	-	-	0%	General Fund	-	-	-	0%	-	-	0%
-	-	-	0%	Grant Income	-	-	-	0%	-	-	0%
-	-	-	0%	Other Income	-	-	-	0%	-	-	0%
-	-	-	0%	Total Revenues	-	-	-	0%	462,117	(462,117)	-100%
-	-	-	0%	EXPENSES	-	-	-	0%			
-	-	-	0%	Administrative	-	-	-	0%	-	-	0%
-	-	-	0%	Asset Management Fees	-	-	-	0%	-	-	0%
-	-	-	0%	Management Fees	-	-	-	0%	-	-	0%
-	-	-	0%	Bookkeeping Fees	-	-	-	0%	-	-	0%
-	-	-	0%	Housing Assistance Payments	-	-	-	0%	1,156,170	1,156,170	100%
-	-	-	0%	Tenant Services	-	-	-	0%	-	-	0%
-	-	-	0%	Utilities	-	-	-	0%	-	-	0%
-	-	-	0%	Maintenance	-	-	-	0%	-	-	0%
-	-	-	0%	Protective Services	-	-	-	0%	-	-	0%
-	-	-	0%	Insurance	-	-	-	0%	-	-	0%
-	-	-	0%	General Expenses	-	-	-	0%	-	-	0%
-	-	-	0%	Total Expenses	-	-	-	0%	1,156,170	1,156,170	100%
\$ -	\$ -	\$ -	0%	Net Income(Loss)	\$ -	\$ -	\$ -	0%	\$ (694,053)	\$ 694,053	100%
\$ -	\$ -	\$ -	0%	CASH BASIS:	\$ -	\$ -	\$ -	0%			
-	-	-	0%	Net Income(loss) per Above	-	-	-	0%	(694,053)	694,053	100%
-	-	-	0%	Add back non cash items:	-	-	-	0%	-	-	0%
-	-	-	0%	Depreciation Expense	-	-	-	0%	-	-	0%
-	-	-	0%	Bad Debt Expense	-	-	-	0%	-	-	0%
\$ -	\$ -	\$ -	0%	TOTAL CASH BASIS	\$ -	\$ -	\$ -	0%	\$ (694,053)	\$ 694,053	100%

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**FEDERAL LOW RENT PROGRAM
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

MONTH OF FEBRUARY, 2014				YEAR TO DATE ENDING FEBRUARY 28, 2014							
Actual	Budget	Variance Amount	%		Actual	Budget	Variance Amount	%	Prior Year	Variance Amount	%
				REVENUES							
\$ 1,109,608	\$ 1,137,431	\$ (27,823)	-2%	Dwelling Rental Income	\$ 8,688,611	\$ 9,093,914	\$ (405,303)	-4%	8,790,499	\$ (101,888)	-1%
1,717,693	1,604,267	113,426	7%	HUD Operating Subsidies	12,914,306	13,370,248	(455,942)	-3%	14,587,997	(1,673,691)	-11%
-	187,868	(187,868)	-100%	CFP Grant Income	619,462	1,502,944	(883,482)	-59%	-	619,462	0%
-	-	-	0%	COCC Fee Income	-	-	-	0%	-	-	0%
-	-	-	0%	General Fund	-	-	-	0%	-	-	0%
-	-	-	0%	Grant Income	-	-	-	0%	1,066,227	(1,066,227)	-100%
214,875	98,481	116,394	118%	Other Income	746,613	790,204	(43,591)	-6%	207,109	539,504	260%
3,042,176	3,028,047	14,129	0%	Total Revenues	22,968,992	24,757,310	(1,788,318)	-7%	24,651,832	(1,682,840)	-7%
				EXPENSES							
555,864	438,422	(117,442)	-27%	Administrative	3,236,015	3,701,231	465,216	13%	2,584,191	(651,824)	-25%
29,229	29,099	(130)	0%	Asset Management Fees	233,832	232,792	(1,040)	0%	-	(233,832)	0%
249,537	258,572	9,035	3%	Management Fees	2,011,328	2,064,994	53,666	3%	1,838,685	(172,643)	-9%
34,020	34,392	372	1%	Bookkeeping Fees	273,510	274,704	1,194	0%	252,893	(20,617)	-8%
1,138	-	(1,138)	0%	Housing Assistance Payments	13,388	-	(13,388)	0%	-	(13,388)	0%
15,059	16,485	1,426	9%	Tenant Services	76,591	154,159	77,568	50%	4,080	(72,511)	-1777%
940,395	969,480	29,085	3%	Utilities	7,669,869	7,755,848	85,979	1%	7,170,448	(499,421)	-7%
1,008,576	1,037,014	28,438	3%	Maintenance	8,238,475	8,688,239	449,764	5%	7,527,780	(710,695)	-9%
164,022	174,843	10,821	6%	Protective Services	1,357,554	1,401,050	43,496	3%	1,320,741	(36,813)	-3%
96,584	64,958	(31,626)	-49%	Insurance	514,247	519,436	5,189	1%	501,872	(12,375)	-2%
1,083,685	1,072,692	(10,993)	-1%	General Expenses	8,503,213	8,626,296	123,083	1%	8,198,093	(305,120)	-4%
4,178,108	4,095,957	(82,151)	-2%	Total Expenses	32,128,022	33,418,749	1,290,727	4%	29,398,783	(2,729,239)	-9%
\$ (1,135,932)	\$ (1,067,910)	\$ (68,022)	-6%	Net Income(Loss)	\$ (9,159,030)	\$ (8,661,439)	\$ (497,591)	-6%	\$ (4,746,951)	\$ (4,412,079)	-93%
				CASH BASIS:							
\$ (1,135,932)	\$ (1,067,910)	\$ (68,022)	-6%	Net Income(loss) per Above	\$ (9,159,030)	\$ (8,661,439)	\$ (497,591)	-6%	\$ (4,746,951)	\$ (4,412,079)	-93%
1,050,217	1,051,297	(1,080)	0%	Add back non cash items:							
(1,233)	10,503	(11,736)	-112%	Depreciation Expense	8,356,464	8,410,376	(53,912)	-1%	7,911,649	444,815	6%
				Bad Debt Expense	(12,386)	131,037	(143,423)	-109%	77,044	(89,430)	-116%
\$ (86,948)	\$ (6,110)	\$ (80,838)	-1323%	TOTAL CASH BASIS	\$ (814,952)	\$ (120,026)	\$ (694,926)	-579%	\$ 3,241,742	\$ (4,056,694)	-125%

**HAWAII PUBLIC HOUSING AUTHORITY
FEDERAL LOW RENT PROGRAM BY AMPS
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014
(Amounts in Full Dollars)**

<u>MONTH OF FEBRUARY, 2014</u>				<u>YEAR TO DATE ENDING FEBRUARY 28, 2014</u>								
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		<u>ACCRUAL BASIS</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		<u>Prior Year</u>	<u>Variance</u>		
		<u>Amount</u>	<u>%</u>				<u>Amount</u>	<u>%</u>		<u>Amount</u>	<u>%</u>	
REVENUES												
\$ 322,302	\$ 333,784	\$ (11,482)	-3%	Asset Management Project - 30	\$ 2,482,603	\$ 2,659,304	\$ (176,701)	-7%	2,310,914	\$ 171,689	7%	
283,370	233,419	49,951	21%	Asset Management Project - 31	1,972,296	1,847,424	124,872	7%	2,191,274	(218,978)	-10%	
303,209	282,762	20,447	7%	Asset Management Project - 32	2,204,821	2,270,730	(65,909)	-3%	2,577,166	(372,345)	-14%	
202,974	219,550	(16,576)	-8%	Asset Management Project - 33	1,689,387	1,746,320	(56,933)	-3%	1,845,452	(156,065)	-8%	
363,901	328,343	35,558	11%	Asset Management Project - 34	2,692,131	3,231,160	(539,029)	-17%	2,771,212	(79,081)	-3%	
378,693	336,501	42,192	13%	Asset Management Project - 35	2,805,159	2,672,982	132,177	5%	3,009,604	(204,445)	-7%	
150,849	161,537	(10,688)	-7%	Asset Management Project - 37	1,114,249	1,277,671	(163,422)	-13%	1,123,690	(9,441)	-1%	
177,119	206,188	(29,069)	-14%	Asset Management Project - 38	1,401,300	1,634,721	(233,421)	-14%	1,400,217	1,083	0%	
137,260	125,835	11,425	9%	Asset Management Project - 39	961,221	991,930	(30,709)	-3%	957,403	3,818	0%	
138,050	158,919	(20,869)	-13%	Asset Management Project - 40	1,107,789	1,255,668	(147,879)	-12%	1,355,967	(248,178)	-18%	
121,624	139,818	(18,194)	-13%	Asset Management Project - 43	876,530	1,107,654	(231,124)	-21%	923,316	(46,786)	-5%	
147,624	156,119	(8,495)	-5%	Asset Management Project - 44	1,133,116	1,302,862	(169,746)	-13%	1,322,968	(189,852)	-14%	
99,033	127,496	(28,463)	-22%	Asset Management Project - 45	855,590	1,010,364	(154,774)	-15%	1,067,700	(212,110)	-20%	
49,936	51,599	(1,663)	-3%	Asset Management Project - 46	401,526	409,864	(8,338)	-2%	444,327	(42,801)	-10%	
88,617	92,562	(3,945)	-4%	Asset Management Project - 49	678,123	733,272	(55,149)	-8%	670,831	7,292	1%	
77,614	73,615	3,999	5%	Asset Management Project - 50	593,153	605,384	(12,231)	-2%	679,791	(86,638)	-13%	
\$ 3,042,176	\$ 3,028,047	\$ 14,129	0%	Total Revenues	\$ 22,968,992	\$ 24,757,310	\$ (1,788,318)	-7%	\$ 24,651,832	\$ (1,682,840)	-7%	
NET INCOME(LOSS)												
\$ (114,081)	\$ (91,072)	\$ (23,010)	-25%	Asset Management Project - 30	(864,841)	(873,259)	\$ 8,418	1%	(862,328)	\$ (2,513)	0%	
(102,675)	(160,457)	57,782	36%	Asset Management Project - 31	(1,208,089)	(1,323,220)	115,131	9%	(826,868)	(381,221)	-46%	
(62,346)	973	(63,319)	-6508%	Asset Management Project - 32	(371,846)	(97,368)	(274,478)	-282%	154,442	(526,288)	-341%	
(70,526)	(59,546)	(10,980)	-18%	Asset Management Project - 33	(618,989)	(553,765)	(65,224)	-12%	(189,011)	(429,978)	-227%	
(30,831)	(49,541)	18,710	38%	Asset Management Project - 34	(85,352)	171,269	(256,621)	-150%	240,000	(325,352)	-136%	
(53,740)	(82,799)	29,059	35%	Asset Management Project - 35	(287,591)	(705,532)	417,941	59%	41,526	(329,117)	-793%	
(196,930)	(184,046)	(12,884)	-7%	Asset Management Project - 37	(1,488,725)	(1,501,219)	12,494	1%	(1,296,957)	(191,768)	-15%	
(26,079)	(48,447)	22,368	46%	Asset Management Project - 38	(318,960)	(415,140)	96,180	23%	17,812	(336,772)	-1891%	
(50,258)	(84,440)	34,182	40%	Asset Management Project - 39	(552,826)	(774,578)	221,752	29%	(445,765)	(107,061)	-24%	
(44,952)	940	(45,892)	-4882%	Asset Management Project - 40	(318,095)	(14,298)	(303,797)	-2125%	5,358	(323,453)	-6037%	
(88,036)	(70,760)	(17,276)	-24%	Asset Management Project - 43	(768,324)	(587,146)	(181,178)	-31%	(515,566)	(252,758)	-49%	
(110,107)	(102,975)	(7,132)	-7%	Asset Management Project - 44	(863,796)	(811,853)	(51,943)	-6%	(304,153)	(559,643)	-184%	
(73,403)	(52,154)	(21,249)	-41%	Asset Management Project - 45	(611,248)	(485,243)	(126,005)	-26%	(327,181)	(284,067)	-87%	
(43,739)	(43,876)	137	0%	Asset Management Project - 46	(400,388)	(369,075)	(31,313)	-8%	(285,100)	(115,288)	-40%	
(69,594)	(39,601)	(29,993)	-76%	Asset Management Project - 49	(482,510)	(330,636)	(151,874)	-46%	(344,000)	(138,510)	-40%	
1,365	(110)	1,475	1341%	Asset Management Project - 50	82,550	9,494	73,056	769%	190,840	(108,290)	-57%	
\$ (1,135,932)	\$ (1,067,911)	\$ (68,021)	-6%	Total Net Income(Loss)	\$ (9,159,030)	\$ (8,661,569)	\$ (497,461)	-6%	\$ (4,746,951)	\$ (4,412,079)	-93%	

940-046

**HAWAII PUBLIC HOUSING AUTHORITY
FEDERAL LOW RENT PROGRAM BY AMPs
ACTUAL VS BUDGET COMPARISON
FOR THE EIGHT MONTHS ENDING FEBRUARY 28, 2014**

<u>MONTH OF FEBRUARY, 2014</u>				<u>YEAR TO DATE ENDING FEBRUARY 28, 2014</u>							
				<u>(Amounts in Full Dollars)</u>							
				<u>CASH BASIS</u>							
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>									
		<u>Amount</u>	<u>%</u>								
				<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>%</u>	<u>Prior Year</u>	<u>Variance</u>	<u>Amount</u>	<u>%</u>
						<u>Amount</u>					
REVENUES											
\$ 322,302	\$ 333,784	\$ (11,482)	-3%	Asset Management Project - 30	\$ 2,482,603	\$ 2,659,304	\$ (176,701)	-7%	\$ 2,310,914	\$ 171,689	7%
283,370	233,419	49,951	21%	Asset Management Project - 31	1,972,296	1,847,424	124,872	7%	2,191,274	(218,978)	-10%
303,209	282,762	20,447	7%	Asset Management Project - 32	2,204,821	2,270,730	(65,909)	-3%	2,577,166	(372,345)	-14%
202,974	219,550	(16,576)	-8%	Asset Management Project - 33	1,689,387	1,746,320	(56,933)	-3%	1,845,452	(156,065)	-8%
363,901	328,343	35,558	11%	Asset Management Project - 34	2,692,131	3,231,160	(539,029)	-17%	2,771,212	(79,081)	-3%
378,693	336,501	42,192	13%	Asset Management Project - 35	2,805,159	2,672,982	132,177	5%	3,009,604	(204,445)	-7%
150,849	161,537	(10,688)	-7%	Asset Management Project - 37	1,114,249	1,277,671	(163,422)	-13%	1,123,690	(9,441)	-1%
177,119	206,188	(29,069)	-14%	Asset Management Project - 38	1,401,300	1,634,721	(233,421)	-14%	1,400,217	1,083	0%
137,260	125,835	11,425	9%	Asset Management Project - 39	961,221	991,930	(30,709)	-3%	957,403	3,818	0%
138,050	158,919	(20,869)	-13%	Asset Management Project - 40	1,107,789	1,255,668	(147,879)	-12%	1,355,967	(248,178)	-18%
121,624	139,818	(18,194)	-13%	Asset Management Project - 43	876,530	1,107,654	(231,124)	-21%	923,316	(46,786)	-5%
147,624	156,119	(8,495)	-5%	Asset Management Project - 44	1,133,116	1,302,862	(169,746)	-13%	1,322,968	(189,852)	-14%
99,033	127,496	(28,463)	-22%	Asset Management Project - 45	855,590	1,010,364	(154,774)	-15%	1,067,700	(212,110)	-20%
49,936	51,599	(1,663)	-3%	Asset Management Project - 46	401,526	409,864	(8,338)	-2%	444,327	(42,801)	-10%
88,617	92,562	(3,945)	-4%	Asset Management Project - 49	678,123	733,272	(55,149)	-8%	670,831	7,292	1%
77,614	73,615	3,999	5%	Asset Management Project - 50	593,153	605,384	(12,231)	-2%	679,791	(86,638)	-13%
\$ 3,042,176	\$ 3,028,047	\$ 14,129	0%	Total Revenues	\$ 22,968,992	\$ 24,757,310	\$ (1,788,318)	-7%	\$ 24,651,832	\$ (1,682,840)	-7%
NET INCOME(LOSS)											
(13,259)	9,752	\$ (23,011)	-236%	Asset Management Project - 30	(59,036)	(19,675)	\$ (39,361)	-200%	(39,677)	\$ (19,359)	-49%
59,262	1,110	58,152	5239%	Asset Management Project - 31	88,569	(30,684)	119,253	389%	456,814	(368,245)	-81%
(43,063)	29,097	(72,160)	-248%	Asset Management Project - 32	(208,548)	127,624	(336,172)	-263%	283,612	(492,160)	-174%
(8,581)	3,732	(12,313)	-330%	Asset Management Project - 33	(123,387)	(47,541)	(75,846)	-160%	318,303	(441,690)	-139%
16,580	(9,646)	26,226	272%	Asset Management Project - 34	278,301	490,429	(212,128)	-43%	556,273	(277,972)	-50%
16,474	(11,586)	28,060	242%	Asset Management Project - 35	274,120	(135,828)	409,948	302%	610,274	(336,154)	-55%
(28,067)	2,174	(30,241)	-1391%	Asset Management Project - 37	(152,136)	(11,459)	(140,677)	-1228%	(30,650)	(121,486)	-396%
17,303	(1,713)	19,016	1110%	Asset Management Project - 38	31,108	(41,251)	72,359	175%	255,257	(224,149)	-88%
7,384	(27,278)	34,662	127%	Asset Management Project - 39	(93,985)	(317,282)	223,297	70%	(23,122)	(70,863)	-306%
(42,845)	1,440	(44,285)	-3075%	Asset Management Project - 40	(305,452)	(10,298)	(295,154)	-2866%	5,455	(310,907)	-5699%
(15,104)	1,747	(16,851)	-965%	Asset Management Project - 43	(186,885)	(7,090)	(179,795)	-2536%	64,561	(251,446)	-389%
(23,790)	(15,449)	(8,341)	-54%	Asset Management Project - 44	(170,040)	(111,645)	(58,395)	-52%	393,958	(563,998)	-143%
(9,023)	12,560	(21,583)	-172%	Asset Management Project - 45	(96,209)	32,473	(128,682)	-396%	186,306	(282,515)	-152%
(3,868)	(4,686)	818	17%	Asset Management Project - 46	(86,214)	(55,555)	(30,659)	-55%	21,702	(107,916)	-497%
(19,219)	1,338	(20,557)	-1536%	Asset Management Project - 49	(99,048)	(3,124)	(95,924)	-3071%	(17,909)	(81,139)	-453%
2,869	1,298	1,571	121%	Asset Management Project - 50	93,889	20,750	73,139	352%	200,585	(106,696)	-53%
(86,948)	\$ (6,110)	\$ (80,838)	-1323%	Total Net Income(Loss)	\$ (814,952)	\$ (120,156)	\$ (694,796)	-578%	\$ 3,241,742	\$ (4,056,694)	-125%

2705-1047

**Construction Management Branch
Report for the Month of March 2014**

A. Program Activities and Major Projects

- Design and Construction Solicitations and Contracts (Please refer to the Contract and Procurement Office Monthly Report)
- Elevator Modernization Projects
 - a. 14 Federal Elevator Modernization and Repairs (Okada Trucking)- Contractor:
 - 1. Okada Trucking is working on modernization work to elevator #2 at Pumehana, and elevator #2 at Punchbowl Homes.
 - 2. Maintenance service to all other elevators is on schedule.
 - b. Modernization of Salt Lake Apartments Phase I:
Punchlist for remaining site items performed on March 28, 2014.
- Large Capacity Cesspool Conversions (LCCC) Statewide
 - a. Regarding cancellation of the Executive Orders (EO's) relating to the HPHA's responsibilities of the Teacher's Cottages:
The HPHA is coordinating with the DLNR to get the Kaunakakai (EO 2365 and 3364) and Wakiu (EO 3333) cottage projects' EO transfer requests.
- Vacant Units
 - a. Type C Units Completed
Hale Ho'olulu, Kaua'i (1 unit)
 - b. Vacant Units Type C Status
 - 1. PHA Wide Type C Vacant Units
 - 1) Total Vacant Type C Units: 195
 - a) Federal: 189 units
 - b) State: 6 units
 - 2) Total in design or about to get into design: 59
 - 3) Total in construction: 77
 - 4) Total approved for Demolition by HUD: 60
 - 5) Total approved for HUD Subsidy: 106
 - 2. Status by County:
 - 1) O'ahu
 - a) 89 units total
 - b) 4 units approved for demo
 - c) 73 currently in construction contracts
 - d) 12 in design or about to be in design
 - 2) Hawai'i
 - a) 86 units total

- b) 56 units approved for demo
- c) 30 in design
- 3) Kaua'i
 - a) 5 units total
 - b) 4 units currently in construction contracts
 - c) 1 in design
- 4) Maui County
 - a) Maui
 - 1) 5 units in design or about to be in design
 - b) Molokai:
 - 1) 10 units total
 - 2) 4 units in the Federal project and 6 units in the State project are in design.

- Lanakila Homes
 - a. Design in progress for the new construction of four (4) fourplex townhouse structures, infrastructure and site improvements to go out to bid by May 2014.
 - c. The Demolition of Phase IIIb & IV has been awarded and the contractor will be proceeding with the demolition of 56 of 62 standing units. Awaiting the issuance of the demolition/NPDES permits before commencing the demolition work.
 - d. HPHA has requested that HUD rescind an earlier request to un-demo 6. HPHA is preparing a new demolition request demonstrating that the situation has since deteriorated and the costs to rehab exceed the HUD limits in relation to the total development cost. The Construction Management Branch is preparing the new Demolition/Disposition application to HUD for Board approval.

B. State Capital Improvement Projects (CIP) & Federal Capital Fund Program (CFP)

- CMB is on track and working to meet all State CIP deadlines.
- CMB is on track with meeting all Federal CFP deadlines including meeting the Security Grant (\$250,000) obligation deadline which HPHA had requested an extension of the deadline due to a bid protest. The HPHA responded to the bid protest, and no appeal was filed with the DCCA by the bidder.

**Contract & Procurement Office
Monthly Status Report for March 2014**

Solicitation(s) Issued in March 2014:

Solicitation No.	Title	Due Date
IFB CMS 2013-32	Upgrade Electrical Distribution System at Hauiki Homes, HPHA Job No. 10-009-201-S	April 2, 2014
IFB CMS 2013-24	Replacement of Water Lines & Installation of Solar Hot Water Heating Systems at Noelani I and Noelani II, HPHA Job No. 11-034-171-S/F	April 24, 2014
IFB PMB 2014-05	Provision of Gas and Electric Ranges for State and Federal Low Income Public Housing Properties Statewide	April 15, 2014

Protest(s) Received in March 2014:

Solicitation No./Title	Protester	Status
IFB CMS 2013-27 Security Camera System at Mayor Wright Homes; HPHA Job No. 13-033-103-F	Hawaiya Technologies, Inc.	Protest denied on March 18, 2014; Award upheld

Contract(s) Executed in March 2014:

Contract No.	Contractor & Description	Supp. Amount	Total Amount
CMS 14-13	Ilima International, Inc. Provide Labor, Materials and Equipment for Renovation of One Unit at Maili II (AMP 44) on the Island of Oahu Completion Date: 60 Calendar Days from Notice to Proceed		\$111,707.00
CMS 14-12	Advanced Protection Network dba APN Alarm Provide Labor, Materials and Equipment for Security Camera System at Mayor Wright Homes (AMP 32) on the Island of Oahu Completion Date: 30 Calendar Days from Notice to Proceed		\$125,439.74

Contract No.	Contractor & Description	Supp. Amount	Total Amount
CMS 14-11	<p>Haron Construction, Inc. Provide Labor, Materials, and Equipment for Site and Dwelling Improvements to Kalakaua Homes, Makua Alii and Paoakalani (AMP 34) on the Island of Oahu Completion Date: 120 Calendar Days from Notice to Proceed</p>		\$745,500.00
CMS 14-10	<p>Heartwood Pacific, LLC Provide Labor, Materials, and Equipment for Interior and Exterior Renovations to Pomaikai (AMP 37) on the Island of Hawaii Completion Date: 360 Calendar Days from Notice to Proceed</p>		\$3,061,973.00
CMS 13-20-SC01	<p>M5 Architecture LLC dba Media5 Architecture Provide Additional Design and Consultant Services for Site and Building Improvements at Puahala Homes (AMP 31) on the Island of Oahu End Date: August 22, 2016</p>	\$26,905.87	\$299,908.99
CMS 13-19-SC02	<p>Pacific Blue Construction, LLC Provide Additional Labor, Materials, and Equipment for Site and Dwelling Improvements at Hale Hoolulu (AMP 38) on the Island of Kauai and Extension of Time of 75 Calendar Days Completion Date: May 26, 2014</p>	\$20,307.00	\$725,111.00
CMS 11-05-CO12	<p>Society Contracting, LLC No-Cost Extension of Time of 120 Calendar Days to Renovate 4 Vacant Units at Kaulokalani (AMP 44), 3 Vacant Units at Waimaha-Sunflower (AMP 44), 2 Vacant Units at Maili II (AMP 44), 4 Vacant Units at Nanakuli Homes (AMP 44), 2 Vacant Units at Kupuna Home O Waialua (AMP 49) and 17 Vacant Units at Wahiawa Terrace (AMP 49) on the Island of Oahu End Date: June 5, 2014</p>	n/a	\$2,053,250.60

Contract No.	Contractor & Description	Supp. Amount	Total Amount
CMS 10-22-SC05	Group 70 International, Inc. Provide Additional Design and Consultant Services for Site and Building Improvements to Hale Hoolulu, Kalaheo Homes and Hale Nana Kai O Kea (AMP 38) on the Island of Kauai End Date: April 25, 2015	\$5,692.50	\$734,197.87
CMS 08-17-SC05	Architects Hawaii, Ltd. No-Cost Extension of Time for Design and Consultant Services for Building and Site Improvements at Hale Poai (AMP 31) on the Island of Oahu End Date: February 16, 2015	n/a	\$534,021.00
PMB 14-06	Hawaii Affordable Properties, Inc. Furnish Property Management, Maintenance and Resident Services for the State Low Income Public Housing Properties under Management Unit 42 on the Island of Oahu End Date: March 31, 2015		\$1,109,900.00
PMB 13-02-SC01	Realty Laua, LLC Continue to Provide Property Management and Maintenance Services for the Kuhio Park Terrace Community Resource Center on the Island of Oahu End Date: June 30, 2014	\$111,639.00	\$556,503.00

Planned Solicitation/Contract Activities for April/May 2014

Solicitation(s):

- Issue Invitation-for-Bids to Furnish Refuse Collection Services for State and Federal Low Income Public Housing Properties Statewide.
- Issue Invitation-for-Bids to Furnish Security Services for Kalakaua Homes, Makua Alii, Paoakalani (AMP 34) on the Island of Oahu.
- Issue Invitation-for-Bids for Provision of Professional Legal Services for the Hawaii Public Housing Authority.
- Issue Invitation-for-Bids for Professional Appraisal Services for the HPHA's Inventory of Properties Statewide.

Contract(s)

- Execute Contract for Professional Consultant Services to Redevelop Mayor Wright Homes and the HPHA's Administrative Offices.

- Execute Contract for Laundry Services for AMP 43 and AMP 46 on the Island of Hawaii.

- Execute Supplemental Contract to Continue to Provide Property Management, Maintenance, and Resident Services for AMP 43 on the Island of Hawaii.

- Execute Supplemental Contract to Continue to Provide Property Management, Maintenance, and Resident Services for AMP 46 on the Island of Hawaii.

- Execute Supplemental Contract to Continue to Provide Property Management and Maintenance Services for Ke Kumu Ekahi on the Island of Hawaii.

- Execute Supplemental Contract to Continue to Provide Security Services at Puuwai Momi (AMP 30) on the Island of Oahu.

COMPLIANCE OFFICE
Report for Month of March 2014

A. Program Activities for March

- Approximately 60 tenant requests for reasonable accommodations under Section 504 of the Rehabilitation Act and the Fair Housing Act were processed and approved requests were for:
 - a. Transfers to accessible or ground floor units (11);
 - b. Transfer of unit for other reasons (4);
 - c. Installation of air conditioning (5); and
 - d. Service animal (6).
- Provided new staff orientation training on compliance issues, including language access, reasonable accommodations, and fair housing; and
- Prepared declarations of trust forms for federally-assisted public housing properties for submission to the Attorney General's office.

B. Planned activities for April/May

- Coordinate additional training for HPHA property managers, property management staff, and accounting staff provided through technical assistance consultant, Phineas Consulting, LLC;
- Coordinate activities for Fair Housing Month (April), including translation of updated pre-application form for the public housing program to conduct outreach;
- Submit draft releases and declarations of trust forms to the U.S. Department of Housing and Urban Development for execution and recordation;
- Assist the Property Management and Maintenance Services Branch in providing guidance to property managers on relocating tenants during modernization in accordance with federal regulations by:
 - a. Pursuing adoption of proposed changes to the Transfer Policy for the Federally Assisted Low-income Public Housing Program, currently being reviewed by the Attorney General's office;

- b. Assisting with the preparation and review of relocation plans for each upcoming construction project; and
 - c. Providing additional relocation training to property managers;
- Work with the Property Management and Maintenance Services Branch to update policy, notices, and form letters to implement the Violence against Women Reauthorization Act of 2013 (VAWA); and
- Continue to discuss and draft revisions to the Admissions and Continued Occupancy Policy for the Federally Assisted Low-income Public Housing Program and the Rental Agreement for the Federally Assisted Low-income Public Housing Program to implement the proposed changes to the Hawaii Administrative Rules.

**Planning and Evaluation Office
Report for the month of March 2014**

A. Choice Neighborhood Initiative Grant

- WRNS Studio has been selected as the Master Planner for the Kuhio Park Choice Neighborhood Initiative, they will be responsible for multiple charrettes and neighborhood meetings, and will produce a final master plan document.
- WRNS Studio is a 68-person architecture and planning firm known for high quality sustainable planning and design. With offices in San Francisco, Irvine, and Honolulu, the firm brings a diverse portfolio that includes education, healthcare, civic, transportation and urban design.
- The Draft Transformation Plan is due to the U.S. Department of Housing and Urban Development on April 10, 2014.

B. Legislative

- Coordinated responses to legislative requests for information, attended numerous House and Senate committee hearings, and submitted testimony on behalf of the HPHA.
- Working with the Governor's Policy Office in monitoring Legislative proposals that affect the Hawaii Public Housing Authority.
- The Legislative Timetable is going down the home stretch, and the bills and resolutions below have made it through the Legislative process.

SENATE

SB 2265 SD1, HD1 – Appropriates \$50 million in General Obligation Bonds to improve existing housing stock and increase the supply of public housing units in the State.

HPHA testified in support.

SB 2541 SD1 – Appropriates an unspecified sum of General Funds for the redevelopment, design and construction of the HPHA administrative offices on School Street and the creation of elderly housing.

HPHA testified in support.

SB 2533 SD1 – Omnibus affordable housing bill providing funding for multiple agencies that appropriates an unspecified sum of General Funds to improve existing housing stock and increase the supply of public housing units in the State.

HPHA testified in support.

SB 651 SD1, HD2 – Prohibits smoking anywhere in a public housing project
HPHA provided comments.

SENATE CONCURRENT RESOLUTIONS

SCR 2, HD1 – Encourages the Hawaii Public Housing Authority, Department of Hawaiian Home Lands, Hawaii Housing Finance and Development Corporation, and the Hawaii Community Development Authority to build sustainable, multi-generational, mixed income, and mixed use housing.

HPHA testified in support of the intent.

SCR 99 – Requests various government entities, private sector housing developers, and community organizations to collaborate and produce a comprehensive statewide housing plan.

HPHA testified in support of the intent.

HOUSE OF REPRESENTATIVES

HB 1539 – HPHA administration of the Federal Housing Choice Voucher Program.

HPHA testified in support.

HB 1934 HD1, SD2 – Appropriates an additional unspecified sum of General Funds, and additional 0.75 positions to the HPHA's current Rent Supplement Program.

HPHA testified in support.

HOUSE CONCURRENT RESOLUTIONS

HCR 131, HD1 – Requests various government entities, private sector housing developers, and community organizations to collaborate and produce a comprehensive statewide housing plan.

HPHA testified in support of the intent.

Information Technology Office (ITO)
Report for the Month of March 2014

A. Program Activities

- Continued working remotely with Phineas Consulting's technical staff to identify data tables in the Emphasys Elite system that will be required to feed information into the HPHA's "dashboard" indicator system.
- Coordinated the installation of network capable TV cams, and large screen TVs, to enable video conferencing between Honolulu (Hearings Office) and AMPs at Kona, Hilo, Maui, and Kauai.
- Updating HPHA's business registration on the System for Award Management (SAM) website, with input from various offices. An active registration on SAM.gov is required in order for HPHA to be eligible to receive Federal awards.
- Tested the search and export capability of Lotus Notes, for the purpose of preserving selected messages from email archives.

PERSONNEL OFFICE

Report for the Months of March/April 2014

A. Summary of HPHA Staffing:

Filled positions (FTE):	281
Vacant positions:	90
Total:	371

Tenant Aides (19 Hrs):	14
89day hires:	3

Critical positions to fill	42
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B. Program Activities:

- Interviewed Property Management and Maintenance Branch Chief, Property Management Specialist, and Resident Program Specialist.
- Recommendation to hire Electrician (AMP 39), Central Maintenance and Plumber (AMP 37).
- Participated with DHRD new Social Media posting (i.e. Facebook, twitter) to advertise HPHA vacant positions.
- Workers Compensation: 1 injury report with a lost time of 2 weeks.
- Labor Relations: Continue to review substandard performance, completed investigation on misconduct, and grievance hearing.
- Meetings with union agent on staff performance.
- Meeting with state AMP managers on performance, recruitment/staffing and training.
- Developed a new webpage for "HPHA Employment" to include with new agency website.
- Reached out to local colleges to recruit applicants.
- Contacted various military organizations and groups as a means to recruit qualified candidates.
- Utilized sources such as Indeed.com to acquire a greater applicant pool.

C. Planned Activities:

- Tentative reorganizational structure for a central office and two properties, and schedule on-going meetings with managers.
- Job Fair April 25, 2014 at Schofield Barracks, and April 29, 2014 UH Manoa job fair for Internship program.
- Scheduled safety meetings for Oahu AMPs.
- Become associated with assorted and diversified Professional Organizations in order to network for higher level talent. These groups include Hawaii Council of Engineering Society and ThinkTech Hawaii.

- Become associated with assorted and diversified Professional Organizations in order to network for higher level talent. These groups include Hawaii Council of Engineering Society and ThinkTech Hawaii.
- Training for Branch Chiefs and managers on developing new position descriptions to be established.

FOR DISCUSSION

SUBJECT: *Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority (Civil No. 11-1-0795-04)*

The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4 and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities as related to *Kolio, et al. v. State of Hawaii, Hawaii Public Housing Authority; Civil No. 11-1-0795-04*

(There are no handout/packet materials for this item.)

FOR DISCUSSION

SUBJECT: The Hawaii Public Housing Authority's Financial Statements and Single Audit Findings and Management Responses for the Period July 1, 2012 to June 30, 2013

I. FACTS

- A. The audit of the Hawaii Public Housing Authority's (HPHA) financial statements and internal controls for fiscal year July 1, 2012 through June 30, 2013, was performed by our independent auditor, KMH, LLP.
- B. The audit was conducted in accordance with the 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.
- C. The financial statements of the HPHA's governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the HPHA's basic financial statements, were issued in the KMH report dated December 18, 2013.
- D. KMH also audited the HPHA's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* on each of the HPHA's major federal programs for the year ended June 30, 2013.

II. DISCUSSION

- A. KMH, LLP completed the single audit testing on internal controls and compliance. Management has included its responses and corrective action plans as an attachment to the single audit findings included in the audit report.
- B. The audited financial statements were previously distributed to the Board of Directors on February 20, 2014. No changes were made to those statements.

- C. The HPHA's financial statements and single audit findings were submitted electronically to the U.S. Department of Housing and Urban Development (HUD) and the Federal Single Audit Clearinghouse on March 31, 2014.

Attachment A: Financial Statements and Single Audit Findings for Fiscal Year
July 1, 2012 through June 30, 2013

Prepared by: Clarence Allen, Fiscal Officer 

Reviewed by: Chong Gu, Chief Financial Management Advisor 

Hawaii Public Housing Authority

Financial Statements

June 30, 2013

Together with Independent Auditor's Report

Submitted by

THE AUDITOR
STATE OF HAWAII

March 24, 2014

Mr. Hakim Ouansafi
Executive Director
Hawaii Public Housing Authority
State of Hawaii

Dear Mr. Ouansafi:

This is our report on the financial audit of the Hawaii Public Housing Authority (Authority) as of and for the fiscal year ended June 30, 2013. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, Government Auditing Standards, *Audits of States, Local Governments, and Non-Profit Organizations*.

OBJECTIVES OF THE AUDIT

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the Authority's basic financial statements as of and for the fiscal year ended June 30, 2013, and to comply with the requirements of OMB Circular A-133. The objectives of the audit were as follows:

1. To provide a basis for an opinion on the fairness of the presentation of the Authority's basic financial statements.
2. To determine whether expenditures and other disbursements have been made and all revenues and other receipts to which the Authority is entitled have been collected and accounted for in accordance with the laws, rules and regulations, and policies and procedures of the State of Hawaii and the federal government.
3. To determine whether the Authority has established sufficient internal controls to properly manage federal financial assistance programs and to comply with the applicable laws and regulations.
4. To determine whether the Authority has complied with the laws and regulations that may have a material effect on the basic financial statements and on its major federal financial assistance programs.

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of the Authority as of and for the fiscal year ended June 30, 2013.

ORGANIZATION OF THE REPORT

This report is presented in five parts as follows:

- Part I – The basic financial statements and related notes of the Authority as of and for the fiscal year ended June 30, 2013, and our opinion on the basic financial statements.
- Part II – Our report on internal control over financial reporting and compliance.
- Part III – Our report on compliance for each major program; internal control over compliance; and report on schedule of expenditures of federal awards.
- Part IV – The schedule of findings and questioned costs and management responses
- Part V – The summary schedule of prior audit findings.

We wish to express our sincere appreciation for the excellent cooperation and assistance extended by the officers and staff of the Authority.

Sincerely,



Wilcox Choy
Partner

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PART I
FINANCIAL SECTION

Independent Auditor's Report

The Auditor
State of Hawaii

Board of Directors
Hawaii Public Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2013, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison schedules on pages 9 through 21 and pages 71 to 73, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards on pages 75 through 76, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is not a required part of the basic financial statements.

The accompanying Financial Data Schedule on pages 77 through 83 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority's internal control over financial reporting and compliance.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 24, 2014

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2013

The Management Discussion and Analysis (MD&A) provides the highlights of the Hawaii Public Housing Authority's (HPHA) financial performance for the fiscal year ended June 30, 2013. The HPHA's MD&A is designed to: focus on significant financial issues; review the HPHA's financial activity; highlight changes in the HPHA's financial position (its ability to address the next and subsequent year challenges); and identify individual fund issues or concerns. Since the MD&A is designed to focus on the financial activities of the HPHA for the last fiscal year ended June 30, 2013, readers should review this in conjunction with the financial statements that follow.

INTRODUCTION

The Hawaii Public Housing Authority (HPHA) is administratively attached to the State's Department of Human Services. The HPHA's Board of Directors consists of eleven members, of whom nine are public members appointed by the Governor. Public members are appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai. One public member must be an advocate for low-income or homeless persons. One public member must be a person with a disability or an advocate for persons with disabilities. As required by federal statutes, at least one public member shall be a person who is directly assisted by the authority under the federal low-rent public housing or federal section 8 tenant-based housing assistance payments program while serving on the board. The Director of the Department of Human Services and the Governor's designee are ex-officio voting members. All HPHA board actions are taken by the affirmative vote of at least six members.

During the audited period of July 1, 2012 to June 30, 2013, the HPHA administered the following major programs:

- Federal and State public housing programs
The HPHA administered over 5,300 federal public housing units in Hawaii with funds received from the United States Department of Housing and Urban Development (HUD), and 860 state public housing units developed with State funds.
- Federal and State rent subsidy programs
The HPHA administered two federally funded rental assistance programs - Section 8 Housing Choice Voucher Program, Veterans Affairs Supportive Housing Program and the State funded rental assistance program, subsidizing monthly rental payments to qualified households. HPHA also has a Special Allocation Program which administers a project based program under a contract with the federal government through a subcontract, Contract Management Services (a subsidiary of the Bremerton Housing Authority).

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2013

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets of the HPHA exceeded its liabilities by \$452,217,006 (net Position). Of this amount, \$298,609,752 is invested in capital assets, net of related debt. (As detailed on *Government-Wide Statement of Net Position, page 22*)
- The HPHA's government wide net position increased by \$80,188,664. The increase in net position is the offsetting activities in government activities and business-type activities as follows:
 - a. Governmental activities increase in net position of \$76,393,184 is primarily due to State allotted appropriations, net of lapsed funds of \$3,366,246 and net transfers of \$(6,809,938) (as detailed on *Government-Wide Statement of Activities, page 24*).
 - b. Business-type activities increase in net position of approximately \$3,795,480 (as detailed on *Government-Wide Statement of Activities, page 24*) is primarily due to capital contribution transfers of \$7,761,494; net operating transfers of \$6,809,938 from Governmental Activities and loss before transfers of \$10,775,952 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*).

The capital contribution transfers are related to the Capital Project fund's current year capital outlay (\$7,761,494) (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 27*) expended for the benefit of business-type activities funds.

Similar to the prior year, the net operating transfers are related to rental housing shortfalls paid for by the General Fund and Capital Project Funds (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 27*).

The loss before transfers of \$10,775,952 as compared to prior year loss of \$8,347,306 is primarily due to higher personnel and repair and maintenance costs. (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, pages 32 and 33*).

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2013

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the HPHA's basic financial statements. The HPHA's basic financial statements comprise three components:

- 1) Government-wide financial statements;
- 2) Governmental fund financial statements; and
- 3) Proprietary fund financial statements.

This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of the HPHA's finances in a manner similar to a private-sector business. The first two government-wide financial statements – *Statement of Net Position* and the *Statement of Activities* provide both long-term and short-term information about the HPHA's overall financial status.

The *Statement of Net Position* presents information on all of the HPHA's assets less liabilities, resulting in net position. The statement displays the financial position of the HPHA. Over time, increases and decreases in net position help determine whether the HPHA's financial position is improving or deteriorating.

The *Statement of Activities* shows how the HPHA's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent each expenditure function draws from general and federal revenues of the HPHA or is financed through charges for services and intergovernmental aid (primarily federal programs and state appropriations).

The government-wide financial statements of the HPHA are divided into three categories:

- **Governmental activities.** The activities in this section are primarily supported by State appropriations or by HUD contributions, and focus on money flow into and out of those funds and the balances left at year-end. The governmental funds statements – the *Balance Sheet* and the *Statement of Revenues and Expenditures and Changes in Fund Balances* – are reported using modified accrual accounting (*an accounting method measuring cash and all other financial assets readily convertible to cash*). The governmental fund statements provide a detailed short-term view to help determine whether there are more or fewer financial resources to finance the HPHA's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to explain the relationship (*or differences*) between them.

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2013

- **Business-type activities.** Business type activities (*also referred to as "proprietary funds"*) are financed and operated in a manner similar to private business enterprises, where funding to recover costs of providing goods and services to the general public is derived through user charges. Business-type activities are reported using an accrual basis of accounting and the economic resources measurement focus.
- **Fiduciary funds.** Fiduciary funds account for assets held by the HPHA in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the HPHA cannot use these assets for its operations. Fiduciary funds of the HPHA, consisting of agency funds and private-purpose trust funds, are reported in the Statement of Fiduciary Net Position using an accrual basis of accounting. Agency funds held by the HPHA involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments in a purely custodial capacity.

Detailed information on HPHA's most significant funds is represented in the fund financial statements, but the fund statements are not a representation of the HPHA as a whole.

Fund Financial Statements: The HPHA uses fund accounting to ensure and demonstrate fiscal accountability. A fund is defined as a grouping of related accounts used to keep track of specific sources of funding and spending for particular purposes (*sometimes referred to as a "self-balancing" set of accounts*). This means a fund's assets will equal the total of its liabilities and its fund balance (or net position), similar to the way financial statements are presented.

The financial activities of the HPHA are recorded in individual funds, each deemed to be a separate accounting entity. Funds are then either reported as a major or non-major fund. The criteria for determining "major" or "non-major" funds is based on Governmental Accounting Standards Board (GASB) government accounting and reporting principals. Major funds are reported separately, while non-major funds are combined as a whole and separated as a column in the fund financial statements. Details for the non-major funds are found in the combining section of the financial statements.

Notes to the Financial Statements: Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Hawaii Public Housing Authority

Management Discussion and Analysis
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GOVERNMENT-WIDE FINANCIAL ANALYSIS

HAWAII PUBLIC HOUSING AUTHORITY

Condensed Statements of Net Positions

June 30, 2013 & June 30, 2012

(In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 104,158	\$ 26,829	\$ 66,188	\$ 66,441	\$ 170,346	\$ 93,270
Capital assets	4,541	4,784	294,068	291,720	298,609	296,504
Other assets	-	-	8,131	5,837	8,131	5,837
Total Assets	\$ 108,699	\$ 31,613	\$ 368,387	\$ 363,998	\$ 477,086	\$ 395,611
Current and other liabilities	\$ 3,473	\$ 2,773	\$ 7,472	\$ 10,051	\$ 10,945	\$ 12,824
Long-term liabilities	104	111	13,820	10,647	13,924	10,758
Total Liabilities	3,577	2,884	21,292	20,698	24,869	23,582
Net position:						
Invested in capital assets, net of related debt	4,541	4,784	294,068	291,720	298,609	296,504
Restricted	3,851	4,952	-	-	3,851	4,952
Unrestricted	96,730	18,993	53,027	51,580	149,757	70,573
Total net position	105,122	28,729	347,095	343,300	452,217	372,029
Total liabilities & net position	\$ 108,699	\$ 31,613	\$ 368,387	\$ 363,998	\$ 477,086	\$ 395,611

Statement of net position

Net position may serve over time as a useful indicator of the HPHA's financial position. At the close of the fiscal year, the HPHA's assets exceeded its liabilities by \$452,217,006. \$298,609,752 of net position is invested in capital assets, net of related debt. As discussed in the financial highlights, net position increased by \$80,188,664 during the fiscal period. (as detailed in the *Government-Wide Statement of Net Position and Statement of Activities*, pages 22 and 23).

Of the HPHA's total assets, \$298,609,752 (or 63%) represents capital assets, net of related debt, Cash and Due from the State of Hawaii (as presented in the detailed *Government-Wide Statement of Net Position*, page 22) in the amount of \$97,990,485 and comprises 21% of total assets. Amounts that are "Due from the State of Hawaii" represent available State allotted appropriations as of the end of the fiscal year and are primarily designated for capital improvement projects. Net position for the previous fiscal year had a similar composition with the majority of total net position represented by capital assets, net of related debt.

Hawaii Public Housing Authority

Management Discussion and Analysis
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Accounts payable and accrued current expenses of \$9,013,746 (as detailed in the *Government-Wide Statement of Net Position, page 23*) comprise 82% of the HPHA's total current liabilities. Long term liabilities increased by \$3,165,226 from the prior year. This is primarily due to the net increase in other post retirement employee benefits liability of \$3,125,421 (as detailed in the *Notes to the Financial Statements, #8, page 65.*) The HPHA's obligations related to other post retirement employee benefits are based on reports provided by the State's Department of Accounting and General Services.

HAWAII PUBLIC HOUSING AUTHORITY Government-Wide Statements of Activities Years Ended June 30, 2013 and June 30, 2012 (In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 18,015	\$ 18,435	\$ 18,015	\$ 18,435
Operating grants and contributions	50,910	52,292	21,511	21,814	72,421	74,106
Capital grants and contributions	-	-	12,466	11,029	12,466	11,029
Other income	-	-	2,311	2,008	2,311	2,008
General Revenues:						
State allotted appropriations, net of lapsed funds	93,063	(5,415)	-	-	93,063	(5,415)
Total revenues	143,973	46,877	54,303	53,286	198,276	100,163
Expenses						
Governmental Activities						
Rental housing assistance program	60,771	61,881	-	-	60,771	61,881
Business-type activities						
Rental assistance program	-	-	53,466	49,078	53,466	49,078
Housing development program	-	-	7,803	8,635	7,803	8,635
Other	-	-	3,810	3,921	3,810	3,921
Total governmental-wide expenses	60,771	61,881	65,079	61,634	125,850	123,515
Excess (deficiency) of revenues over (under) expenses	83,202	(15,004)	(10,776)	(8,348)	72,426	(23,352)
Capital contributions	-	-	7,762	8,521	7,762	8,521
Transfers	(6,810)	(6,071)	6,810	5,721	-	(350)
CHANGES IN NET POSITION	76,392	(21,075)	3,796	5,894	80,188	(15,181)
Total net position, beginning of year	28,731	49,806	343,298	337,404	372,029	387,210
Total net position, end of year	\$ 105,123	\$28,731	\$ 347,094	\$ 343,298	\$ 452,217	\$ 372,029

Hawaii Public Housing Authority

Management Discussion and Analysis
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Statement of Activities

Operating grants and contributions decreased \$1,684,174 in the current year from \$74,105,751 to \$72,421,577 due to reduced federal funds resulting from the federal budget sequestration. Capital grants and contributions increased by \$1,436,214 in the current year from \$11,029,546 to \$12,465,760. The increase was due to HUD operating and capital subsidies increasing 3% from \$32,843,650 in the prior year to \$33,976,825. Contributing to the higher business-type activities operating loss of \$13,087,175 for the year (as detailed in the *Government – Wide Statement of Activities, Page 23*), was higher Rental assistance program losses due to higher management fees, personnel costs and utilities. Consequently, business-type activities recognized net loss, before capital contributions and transfers, of \$10,775,952 for the year.

Governmental activities net position increased by \$76,393,184 from prior year. This increase is primarily due to State allotted appropriations of \$93,063,303 net of lapsed capital funds of \$3,366,246 and net transfers of \$6,809,938 to business-type activities (as detailed in *Government-Wide Statement of Activities, Page 23*).

FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

Governmental funds

The focus of the HPHA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HPHA's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the HPHA's net resource available for spending at the end of the fiscal year. (Detailed on *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance, page 27*.)

- At the end of the fiscal year, combined fund balances amounted to \$100,684,489, of which \$93,992,786 is reserved for capital projects, an increase of \$76,628,223 in comparison with the prior year's combined fund balance of \$24,056,266 (as detailed on *Governmental Funds, Balance Sheet, page 25 and Statement of Revenues, Expenditures and Changes in Fund Balances, page 27*).
- The general fund balance excess of revenues over expense at the end of the fiscal year was \$3,889,233. However, \$3,742,519 was transferred out of the General Fund to support the HPHA's business type activities (as detailed on *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances, page 27*).
- The key factors in the increases in capital projects fund balance were the net transfers out of \$6,809,938, and the state allotted appropriations of \$93,063,303, net of lapsed funds (as detailed on the *Government-Wide, Statement of Activities, page 24*).

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2013

- The remaining change is related to the net change is Capital Projects Fund of approximately \$80,474,794 which consists of capital outlay of approximately \$7,761,494 net of current year appropriations of approximately \$91,602,534 net of lapsed funds of \$3,366,246 or \$88,236,288 (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 27*).
- At the end of the fiscal year, the HPHA had an unexpended fund balance of \$93,992,786 for Capital Projects (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 27*), of which \$45,643,000 had not been released to HPHA by the end of the Fiscal Year.
- The Housing Choice Voucher Program subsidy for the current year showed an increase of \$83,569 from prior year primarily due to additional funding for tenant protection and Veterans Affairs Supportive Housing vouchers.

Proprietary funds

The HPHA's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

- With the implementation of HUD's Asset Management and Project Based Budgeting, the HPHA established the Central Office Cost Center (COCC) fund to account for costs related to the general oversight of its housing projects and other indirect and administrative costs of the Authority. The COCC fund charges fees to the HPHA's various housing projects for administrative services and general oversight.
- Overall loss before transfers amounted to approximately \$10,775,952 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*) compared with prior year loss of \$8,347,306. The change is primarily due to gain on sale of projects of \$2,003,456 included in prior year net loss before transfers.
- The COCC loss before transfers decreased from \$2,612,537 to a loss of \$2,035,053 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, pages 32 and 33*). This is primarily due to the overall increase in "Fee-for-service" income of approximately \$2,252,048 to \$7,584,264 or 42.23%. The majority of the increase is related to the increase in capital fund management fees and offset by \$2,310,030 related to exempt maintenance staff hired and related OPEB expenses. There were also decreases in Administrative Expenses, Provision for Losses and Repair and Maintenance Expenses which contributed to the decrease in losses.

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During the past fiscal year, the COCC received approximately \$1,605,355 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*) of operating transfers compared with prior year transfers of \$10,386,003. Of this amount, \$10,000,000 was from the sale of the Wilikina Apartments Project.

- Under the Federal Low Rent Program, net loss before transfers amounted to approximately \$6,046,550 compared to the prior year net loss of \$2,245,110. The total net loss variance from prior year was \$3,801,440 due to operating expenses increasing by \$4,388,335 to \$53,466,031 from prior year (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*). The majority of the increases was related to exempt Personnel Services costs, Depreciation, Repair and Maintenance Expenses and Utilities.
- Housing Revolving Fund and Housing for Elderly was consistent with prior year, the rental income received for the two funds are not sufficient to support each of the fund's operational expenditures. Consequently, Housing Revolving fund and Housing for Elderly losses before transfers amounted to \$347,001 and \$2,458,663, respectively (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*).
- Other Enterprise Funds income before transfers amounted to approximately \$108,697 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions, page 33*) compared with prior year income of approximately \$905,523. The decrease in income is due primarily to the gain from sale of Project of \$2,003,456 in prior year before transfer.

Ke Kumu Ekahi and the Kuhio Park Terrace Resource Center continue to operate at a deficit.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA's investment in capital assets for its governmental and business-type activities for the fiscal year ended June 30, 2013 is \$298,609,752 (*net of related debt*). This investment in capital assets includes land, buildings and improvements, equipment, furniture, and fixtures. (Detailed in *Notes to the Financial Statements, #5, page 57.*)

HPHA Capital Assets Years ended June 30, 2013 and June 30, 2012 (In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,041	15,041	554,858	529,204	569,899	544,245
Equipment	1,198	1,198	7,750	8,797	8,948	9,995
Construction in progress	-	-	27,423	35,664	27,423	35,664
Total	18,612	18,612	612,997	596,631	631,609	615,243
Accumulated Depreciation	(14,071)	(13,828)	(318,929)	(304,911)	(333,000)	(318,739)
Total Capital Assets Net	\$ 4,541	\$ 4,784	\$ 294,068	\$ 291,720	\$ 298,609	\$ 296,504

Major capital asset events during the current fiscal year included the following:

Major Projects Outstanding FY2013 (work-in-progress) at the end of the year

- AMP 30 Puuwai Momi Electrical System Repairs I and II - \$2,431,464
- AMP 30 Salt Lake Apartment and Elevator Renovation (1) Plus Installation (1) New Elevator (Construction) - \$1,449,920
- AMP 31 Kalihi Valley Homes, Site & Dwelling Improvements Phase IVA - \$4,651,779
- AMP 32 Mayor Wright Homes, Emergency Security Improvements (Construction) - \$207,785
- AMP 34 Kalakaua Homes ADA and 504 Interior and Exterior, Exterior Paint and Miscellaneous Repairs (Construction) - \$2,069,313
- AMP 34 Makua Alii, Structural and Spall Repairs 2nd Phase (Construction) - \$3,128,453
- AMP 38 Hale Nana Kai O'Kea, Physical Improvement, ADA (Construction) - \$2,270,145
- AMP 38 Kalaheo Homes, Physical Improvements, ADA (Construction) - \$1,534,272
- AMP 38 Kawailehua, (Federal) Exterior Improvements (Construction) - \$2,476,702
- Kawailehua, (State) Improvements (Construction) - \$1,026,732

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2013

- AMP 42 Hale Po'ai Building Improvements (Construction) - \$2,550,294
- AMP 43 Hale Hookipa, Nani Olu, Reroofing (Construction) - \$2,350,683
- AMP 46 Ke Kumu Ekolu, Roofing & Interior Repairs (Construction) - \$2,484,052
- AMP 50 Palolo Valley Homes Physical Improvements Phase 1 & 2 (Construction) - \$11,005,528
- AMP 52KPT, Michaels Development Redevelopment of KPT and Kuhio Homes (Construction) - \$2,000,000
- PHA-Wide PHA-Wide, Type C Units - \$5,061,518

Debt Activity

As of June 30, 2013, HPHA has no Mortgage and Notes Payable debt outstanding. The two loans for the Banyan Street Manor development were paid in full during the fiscal year ended June 30, 2011. During the fiscal year ended June 30, 2011, approximately \$291,605 was paid as part of the planned amortization and the sale of Banyan Street Manor development. No additional debt was incurred during the fiscal year ended June 30, 2013.

ECONOMIC FACTORS

During 2009 legislative session, S.B. bill No. 910 was enacted and requires the transfer of the functions and duties of the homeless programs branch of the Authority to the Department of Human Services effectively July 1, 2010. The impact of the transfer to the Authority's net position was approximately \$22,000,000 and is included in intergovernmental transfers under governmental activities in the governmental-wide statement of activities. The HPHA, however, continues to hold title to the State owned shelter facilities and is working with the Department of the Attorney General to transfer those assets to the Department of Land and Natural Resources.

In February 2010, HHA Wilikina Apartment Project, Inc. a corporate agent of HPHA entered in an agreement for the sale of Wilikina Apartments Projects to VB Wilikina Limited Partnership, a Washington Limited Partnership for an agreed price of \$10 million. The sale was consummated on April 23, 2012. The buyer agrees to maintain and operate the Wilikina Apartments Project as an affordable rental and to continue the affordability requirement of the Wilikina Apartments Project throughout the term of the Ground Lease.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2013

In May 2009, the Board of Directors authorized the sale of the Banyan Street Manor Apartments at 1122 Banyan Street, Honolulu, Hawaii. In January 2010, the HPHA entered into a Purchase Agreement with Banyan Housing Limited Partnership (LP) and issued escrow instructions for the sale. The sale was structured as a purchase of the improvements by Banyan Housing LP and the assumption of the ground lease issued by the City and County of Honolulu to the HPHA by Banyan Housing LP. On May 30, 2011 the sale of Banyan Street Manor closed and the HPHA received sale proceeds in the amount of \$6.6 million.

On August 20, 2009, the HPHA Board of Directors approved the selection of the Michaels Development Company to undertake a mixed finance redevelopment project at the Kuhio Park Terrace and Kuhio Homes(KPT/KH). On May 12, 2011 the sale of Kuhio Park Terrace closed and the HPHA received sale proceeds in the amount of \$3.1 million. HPHA will continue to redevelop the remaining parcel at Kuhio Park Terrace/Kuhio Homes in accordance with its Master Development Agreement.

During the 2012 Legislative session, the Hawaii State Legislature appropriated an unprecedented \$91.0 million in Capital Improvement Program Funds to the HPHA for capital repairs. The majority of these funds will be expended on capital assets of various activities over the next several fiscal periods.

On April 21, 2011, the plaintiffs Fetu Kolio, et al., filed two lawsuits in federal and state courts naming the State of Hawaii, et al., as defendant. The plaintiffs are residents of Mayor Wright Homes, a 364 public housing project built in 1953 and financed by HUD. In the federal action, the plaintiffs seek declaratory and injunctive relief and damages for alleged violations of the ADA, the Rehabilitation Act, and the Fair Housing Amendments. The plaintiffs' state court complaint alleges lack of hot water, vermin infestation, inadequate security. The plaintiffs seek class action status in both actions as well as statutory attorneys' fees. Plaintiffs were denied Class Action Certification in both the State and Federal cases in September, 2012. The parties have actively engaged in several mediation sessions with Keith Hunter of Alternative Dispute Resolution Hawaii (ADR) since these lawsuits were file. At this point, the parties have settled one of the lawsuits and are still in discussion to possibly settle the remaining case.

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes ("KH") in Kalihi. KH is operated by the Hawaii Public Housing Authority. Neither Iris, who was 18 years old, or Ahn were residents at KH and may have visited residents of KH on the evening of the murder, although this has not been confirmed. The complaint alleges, among other things, that the State: failed to secure, properly monitor and light the premises; "encouraged hoodlums like Defendant Ahn to enter the premises"; removed gates to keep "gangsters" out; "allowed sexual predators onto the premises"; and refused to enforce a curfew for hoodlums. Defendant Ahn was criminally convicted of murder in July 2012. He is appealing his conviction and he file a Motion to Stay, this civil action until his criminal appeal is resolved. His Motion to Stay, this civil action pending his criminal appeal was granted in October, 2012. The State intends to vigorously defend this case and plans to file dispositive motions once Defendant Ahn's criminal appeal is decided.

Hawaii Public Housing Authority

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June 30, 2013

On July 9, 2013, the property known as KE KUMU Ekahi in the City of Waikoloa, County of Hawaii, consisting of 48 unit low income rental housing project terminated its ground lease and the property reverted to HPHA. In consideration HPHA released KE KUMU LIMITED PARTNERSHIP from a mortgage loan of \$426,100 and the mortgagee and Mortgagor forever discharge each other from any liabilities that may exist.

CONTACT INFORMATION

This financial report is designed to provide a general overview of the HPHA's finances for all those with an interest in the HPHA's finances. If you have any questions about this report or need additional financial information, contact the Office of the Executive Director, Hawaii Public Housing Authority 1002 North School Street, Honolulu, HI 96817.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION

June 30, 2013

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 3,725,127	\$ 60,641,336	\$ 64,366,463
Restricted cash	129,314	846,394	975,708
Due from State of Hawaii	97,990,485	-	97,990,485
Receivables:			
Accrued interest	-	2,487	2,487
Tenant receivables, less allowance for doubtful receivables of \$1,427,957	-	469,060	469,060
Other	39,659	793,845	833,504
	<u>39,659</u>	<u>1,265,392</u>	<u>1,305,051</u>
Internal balances	4,529	(4,529)	-
Due from other state agencies	-	118,999	118,999
Due from HUD	196,449	2,310,956	2,507,405
Inventories	-	973,274	973,274
Prepaid expenses and other assets	2,072,112	8,843	2,080,955
Deposits held in trust	-	27,496	27,496
	<u>104,157,675</u>	<u>66,188,161</u>	<u>170,345,836</u>
Total current assets			
Notes Receivable	-	8,130,985	8,130,985
Capital Assets, less accumulated depreciation	<u>4,541,383</u>	<u>294,068,369</u>	<u>298,609,752</u>
Total assets	<u>\$ 108,699,058</u>	<u>\$ 368,387,515</u>	<u>\$ 477,086,573</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION (continued)

June 30, 2013

LIABILITIES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 2,989,996	\$ 2,819,276	\$ 5,809,272
Accrued expenses	483,190	2,721,284	3,204,474
Due to State of Hawaii	-	571,402	571,402
Security deposits	-	880,464	880,464
Deferred income	-	480,391	480,391
Total current liabilities	<u>3,473,186</u>	<u>7,472,817</u>	<u>10,946,003</u>
Accrued Expenses	103,549	13,820,015	13,923,564
Commitments and Contingencies			
Net Position:			
Invested in capital assets, net of related debt	4,541,383	294,068,369	298,609,752
Restricted by legislation and contractual agreements	3,850,587	-	3,850,587
Unrestricted	<u>96,730,353</u>	<u>53,026,314</u>	<u>149,756,667</u>
Total net position	<u>105,122,323</u>	<u>347,094,683</u>	<u>452,217,006</u>
Total liabilities and net position	<u>\$ 108,699,058</u>	<u>\$ 368,387,515</u>	<u>\$ 477,086,573</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services and other revenues	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Functions/Programs:							
Governmental activity --							
Rental Housing and Assistance Program	\$ 60,770,693	\$ -	\$ 50,910,512	\$ -	\$ (9,860,181)	\$ -	\$ (9,860,181)
Total governmental activities	60,770,693	-	50,910,512	-	(9,860,181)	-	(9,860,181)
Business-type activities:							
Rental assistance program	53,466,031	13,641,327	21,511,065	12,465,760	-	(5,847,879)	(5,847,879)
Rental housing program	7,803,356	3,351,110	-	-	-	(4,452,246)	(4,452,246)
Others	3,809,502	1,022,452	-	-	-	(2,787,050)	(2,787,050)
Total business-type activities	65,078,889	18,014,889	21,511,065	12,465,760	-	(13,087,175)	(13,087,175)
Total government-wide	\$ 125,849,582	\$ 18,014,889	\$ 72,421,577	\$ 12,465,760	(9,860,181)	(13,087,175)	(22,947,356)
State Allotted Appropriations, net of lapsed funds of \$3,366,246					93,063,303	-	93,063,303
Other Non-Program Revenue					-	2,311,223	2,311,223
Capital Contributions					-	7,761,494	7,761,494
Net Transfers					(6,809,938)	6,809,938	-
Total general revenues and transfers					86,253,365	16,882,655	103,136,020
Change in net position					76,393,184	3,795,480	80,188,664
Net Position at July 1, 2012					28,729,139	343,299,203	372,028,342
Net Position at June 30, 2013					\$ 105,122,323	\$ 347,094,683	\$ 452,217,006

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2013

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
Current Assets:					
Cash	\$ 4	\$ -	\$ 1,967,044	\$ 1,758,079	\$ 3,725,127
Restricted cash	-	-	129,314	-	129,314
Due from State of Hawaii	1,299,440	96,691,045	-	-	97,990,485
Other receivables	-	-	39,659	-	39,659
Due from other funds	-	-	213,450	126,337	339,787
Due from HUD	903	-	-	195,546	196,449
Prepaid expenses and other assets	45,322	-	2,026,790	-	2,072,112
Total assets	<u>\$ 1,345,669</u>	<u>\$ 96,691,045</u>	<u>\$ 4,376,257</u>	<u>\$ 2,079,962</u>	<u>\$ 104,492,933</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts payable	\$ 229,026	\$ 2,698,259	\$ 53,100	\$ 9,611	\$ 2,989,996
Accrued expenses	7,761	-	252,508	222,921	483,190
Due to other funds	97,464	-	-	-	97,464
Total current liabilities	334,251	2,698,259	305,608	232,532	3,570,650
Due to other funds	17,732	-	220,062	-	237,794
Fund Balances:					
Restricted by legislation and contractual agreements	-	-	3,850,587	-	3,850,587
Committed	-	20,367,829	-	-	20,367,829
Assigned	993,686	73,624,957	-	1,847,430	76,466,073
Total fund balances	993,686	93,992,786	3,850,587	1,847,430	100,684,489
Total liabilities and fund balances	<u>\$ 1,345,669</u>	<u>\$ 96,691,045</u>	<u>\$ 4,376,257</u>	<u>\$ 2,079,962</u>	<u>\$ 104,492,933</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

June 30, 2013

Total fund balance - governmental funds		\$ 100,684,489
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	4,541,383	
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	<u>(103,549)</u>	<u>4,437,834</u>
Net position of governmental activities		<u>\$ 105,122,323</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2013

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
Revenues:					
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 25,346,599	\$ 25,551,741	\$ 50,898,340
State allotted appropriations, net of lapsed funds of \$3,366,246	4,827,015	88,236,288	-	-	93,063,303
Other	-	-	11,987	185	12,172
Total revenues	4,827,015	88,236,288	25,358,586	25,551,926	143,973,815
Expenditures:					
Housing assistance payments	523,786	-	24,199,508	24,380,061	49,103,355
Personnel services	228,038	-	1,137,574	-	1,365,612
Administration	99,352	-	1,007,811	950,464	2,057,627
Professional services	29,298	-	26,647	46,013	101,958
Security	12,311	-	-	-	12,311
Repairs and maintenance	5,132	-	-	-	5,132
Capital outlays	1,382	7,761,494	-	-	7,762,876
Other	38,483	-	88,300	-	126,783
Total expenditures	937,782	7,761,494	26,459,840	25,376,538	60,535,654
Excess (deficiency) of revenues over (under) expenditures	3,889,233	80,474,794	(1,101,254)	175,388	83,438,161
Other Financing Uses - Transfers Out	(3,742,519)	(2,889,645)	-	(177,774)	(6,809,938)
Net change in fund balances	146,714	77,585,149	(1,101,254)	(2,386)	76,628,223
Fund Balances at July 1, 2012	846,972	16,407,637	4,951,841	1,849,816	24,056,266
Fund Balances at June 30, 2013	\$ 993,686	\$ 93,992,786	\$ 3,850,587	\$ 1,847,430	\$ 100,684,489

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN FUND
BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2013

Net change in fund balances - total governmental funds		\$ 76,628,223
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those governmental activities assets, net of \$7,761,494 of capital contribution outlays, is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of those governmental activity assets amounted to approximately \$242,000.	(242,216)	
Long-term compensated absences 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	<u>7,177</u>	<u>(235,039)</u>
Change in net assets of governmental activities		<u>\$ 76,393,184</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

June 30, 2013

ASSETS	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Assets:							
Cash	\$ 27,891,493	\$ 659,683	\$ 2,528,648	\$ 19,710,117	\$ 8,873,981	\$ 59,663,922	\$ 977,414
Restricted cash	-	-	-	846,394	-	846,394	-
	<u>27,891,493</u>	<u>659,683</u>	<u>2,528,648</u>	<u>20,556,511</u>	<u>8,873,981</u>	<u>60,510,316</u>	<u>977,414</u>
Receivables:							
Accrued interest	-	88	2,144	-	-	2,232	255
Tenant receivables, less allowance for doubtful accounts of \$1,427,957	376,861	85,686	2,341	-	4,172	469,060	-
Other	761,997	6,956	-	-	23,820	792,773	1,072
	<u>1,138,858</u>	<u>92,730</u>	<u>4,485</u>	<u>-</u>	<u>27,992</u>	<u>1,264,065</u>	<u>1,327</u>
Due from other funds	1,988,375	-	-	9,846,310	705,689	12,540,374	9,287
Due from other state agencies	-	-	-	87,256	31,743	118,999	-
Due from HUD	2,310,956	-	-	-	-	2,310,956	-
Inventories	830,096	28,027	90,100	25,051	-	973,274	-
Prepaid expenses and other assets	-	-	-	8,843	-	8,843	-
Deposits held in trust	-	-	-	-	27,496	27,496	-
Total current assets	<u>34,159,778</u>	<u>780,440</u>	<u>2,623,233</u>	<u>30,523,971</u>	<u>9,666,901</u>	<u>77,754,323</u>	<u>988,028</u>
Notes Receivable	8,130,985	-	-	-	-	8,130,985	-
Due from Other Funds	-	-	-	6,930,987	-	6,930,987	-
Capital Assets, less accumulated depreciation	222,466,123	20,553,818	37,531,447	142,644	13,006,193	293,700,225	368,144
Total assets	<u>\$ 264,756,886</u>	<u>\$ 21,334,258</u>	<u>\$ 40,154,680</u>	<u>\$ 37,597,602</u>	<u>\$ 22,673,094</u>	<u>\$ 386,516,520</u>	<u>\$ 1,356,172</u>

The accompanying notes are an integral part of this statement.

Hawaiian Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION (continued)

June 30, 2013

LIABILITIES AND NET POSITION	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Liabilities:							
Accounts payable	\$ 2,581,725	\$ 42,186	\$ 129,632	\$ 41,366	\$ 24,367	\$ 2,819,276	\$ -
Accrued expenses	1,609,636	53,374	8,042	954,123	96,109	2,721,284	-
Due to other funds	3,563,793	344,829	210,796	29,150	8,643,416	12,791,984	-
Due to State of Hawaii	-	-	-	-	571,402	571,402	-
Security deposits	655,017	40,499	146,955	-	37,993	880,464	-
Deferred income	442,857	28,011	-	9,523	-	480,391	-
Total current liabilities	<u>8,853,028</u>	<u>508,899</u>	<u>495,425</u>	<u>1,034,162</u>	<u>9,373,287</u>	<u>20,264,801</u>	<u>-</u>
Accrued Expenses	719,859	56,977	-	13,043,179	-	13,820,015	-
Due to Other Funds	6,174,685	518,508	-	-	-	6,693,193	-
Total liabilities	<u>15,747,572</u>	<u>1,084,384</u>	<u>495,425</u>	<u>14,077,341</u>	<u>9,373,287</u>	<u>40,778,009</u>	<u>-</u>
Commitments and Contingencies							
Net Position:							
Invested in capital assets, net of related debt	222,466,123	20,553,818	37,531,447	142,644	13,006,193	293,700,225	368,144
Unrestricted	26,543,191	(303,944)	2,127,808	23,377,617	293,614	52,038,286	988,028
Total net position	<u>249,009,314</u>	<u>20,249,874</u>	<u>39,659,255</u>	<u>23,520,261</u>	<u>13,299,807</u>	<u>345,738,511</u>	<u>1,356,172</u>
Total liabilities and net position	<u>\$ 264,756,886</u>	<u>\$ 21,334,258</u>	<u>\$ 40,154,680</u>	<u>\$ 37,597,602</u>	<u>\$ 22,673,094</u>	<u>\$ 386,516,520</u>	<u>\$ 1,356,172</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE PROPRIETARY FUNDS NET POSITION
TO THE STATEMENT OF NET POSITION

June 30, 2013

Total net position of enterprise funds	\$ 345,738,511
Amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities	<u>1,356,172</u>
Net position of business-type activities	<u>\$ 347,094,683</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year ended June 30, 2013

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
Operating Revenues:								
Rental	\$ 13,413,285	\$ 942,751	\$ 1,994,995	\$ -	\$ 801,088	\$ -	\$ 17,152,119	\$ 15,780
Fee-for-service	-	-	-	7,584,264	-	(7,584,264)	-	-
Other	228,042	16,501	60,982	541,387	78	-	846,990	-
Total operating revenues	13,641,327	959,252	2,055,977	8,125,651	801,166	(7,584,264)	17,999,109	15,780
Operating Expenses:								
Project	5,134,858	-	-	-	-	-	5,134,858	-
Personnel services	9,173,727	802,911	-	8,306,357	-	-	18,282,995	-
Depreciation	12,715,747	841,076	1,440,125	15,501	501,535	-	15,513,984	14,233
Administration	6,485,838	304,398	1,246,544	752,224	579,777	(6,905,548)	2,463,233	58
Provision for (recovery of) losses	453,189	(48,197)	-	-	(45,517)	-	359,475	-
Professional services	195,948	37,941	19,096	556,056	28,679	-	837,720	2,844
Security	1,817,483	-	2,336	21,595	-	-	1,841,414	-
Insurance	611,473	32,422	129,176	44,066	3,431	-	820,568	-
Repairs and maintenance	5,204,707	142,414	326,027	329,357	132,526	(678,716)	5,456,315	-
Utilities	11,636,851	738,774	1,356,709	140,019	423,639	-	14,295,992	-
Payments in lieu of taxes	36,210	-	-	-	-	-	36,210	-
Capital expenditures	-	-	-	18,990	-	-	18,990	-
Total operating expenses	53,466,031	2,851,739	4,520,013	10,184,165	1,624,070	(7,584,264)	65,061,754	17,135
Operating loss carried forward	(39,824,704)	(1,892,487)	(2,464,036)	(2,058,514)	(822,904)	-	(47,062,645)	(1,355)

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (continued)

Year ended June 30, 2013

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
Operating loss brought forward	(39,824,704)	(1,892,487)	(2,464,036)	(2,058,514)	(822,904)	-	(47,062,645)	(1,355)
Nonoperating Revenues (Expenses):								
HUD operating subsidies	21,511,065	-	-	-	-	-	21,511,065	-
HUD capital fund subsidies	12,465,760	-	-	-	-	-	12,465,760	-
Other (expenses) revenues	(198,671)	1,545,486	5,373	23,461	931,601	-	2,307,250	3,973
Net nonoperating revenues	33,778,154	1,545,486	5,373	23,461	931,601	-	36,284,075	3,973
(Loss) income before transfers	(6,046,550)	(347,001)	(2,458,663)	(2,035,053)	108,697	-	(10,778,570)	2,618
Capital Contributions	6,833,181	(1,920,921)	206,317	77,717	2,565,200	-	7,761,494	-
Net Transfers	3,227,998	384,285	1,235,004	1,605,355	357,296	-	6,809,938	-
Change in net position	4,014,629	(1,883,637)	(1,017,342)	(351,981)	3,031,193	-	3,792,862	2,618
Net Position at July 1, 2012	244,994,685	22,133,511	40,676,597	23,872,242	10,268,614	-	341,945,649	1,353,554
Net Position at June 30, 2013	\$ 249,009,314	\$ 20,249,874	\$ 39,659,255	\$ 23,520,261	\$ 13,299,807	\$ -	\$ 345,738,511	\$ 1,356,172

The accompanying notes are an integral part of this statement.

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Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN NET POSITION
OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2013

Change in net position - total enterprise funds	\$ 3,792,862
Change in net position - internal service funds	<u>2,618</u>
Change in net position of business-type activities	<u>\$ 3,795,480</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year ended June 30, 2013

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:							
Cash received from renters	\$ 12,988,163	\$ 941,585	\$ 1,992,654	\$ -	\$ 849,622	\$ 16,772,024	\$ -
Cash payments to employees	(9,173,727)	(802,338)	-	(5,094,162)	-	(15,070,227)	-
Cash payments to suppliers	(32,525,415)	(1,331,788)	(3,064,024)	(2,090,237)	(1,217,809)	(40,229,273)	-
Cash receipts from other funds	1,984,607	933,090	1,217,420	4,923,112	5,539,836	14,598,065	7,435
Other cash receipts (payments)	(255,398)	20,520	60,982	539,894	(122,731)	243,267	(5,000)
Net cash (used in) provided by operating activities	(26,981,770)	(238,931)	207,032	(1,721,393)	5,048,918	(23,686,144)	2,435
Cash Flows from Noncapital Financing Activities:							
HUD operating subsidy received	22,173,100	-	-	-	-	22,173,100	-
Other	-	-	-	-	46,461	46,461	-
Net cash provided by noncapital financing activities	22,173,100	-	-	-	46,461	22,219,561	-
Cash Flows from Capital and Related Financing Activities:							
HUD capital subsidy received	12,888,602	-	-	-	-	12,888,602	-
Payments for acquisition of property and equipment	(7,441,733)	-	-	-	-	(7,441,733)	(380,263)
Issuance of note receivable	(3,314,356)	-	-	-	-	(3,314,356)	-
Other	(198,671)	-	-	-	-	(198,671)	-
Net cash provided by (used in) capital and related financing activities	1,933,842	-	-	-	-	1,933,842	(380,263)
Subtotal carried forward	(2,874,828)	(238,931)	207,032	(1,721,393)	5,095,379	467,259	(377,828)

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2013

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Subtotal brought forward	(2,874,828)	(238,931)	207,032	(1,721,393)	5,095,379	467,259	(377,828)
Cash Flows from Investing Activity --							
Receipts of Interest	-	709	(2,669)	23,461	-	21,501	4,088
Net cash provided by (used in) investing activities	-	709	(2,669)	23,461	-	21,501	4,088
Net increase (decrease) in cash	(2,874,828)	(238,222)	204,363	(1,697,932)	5,095,379	488,760	(373,740)
Cash at July 1, 2012	30,766,321	897,905	2,324,285	22,254,443	3,778,602	60,021,556	1,351,154
Cash at June 30, 2013	<u>\$ 27,891,493</u>	<u>\$ 659,683</u>	<u>\$ 2,528,648</u>	<u>\$ 20,556,511</u>	<u>\$ 8,873,981</u>	<u>\$ 60,510,316</u>	<u>\$ 977,414</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year ended June 30, 2013

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:							
Reconciliation of operating loss to net cash (used in) provided by operating activities:							
Operating loss	\$ (39,824,704)	\$ (1,892,487)	\$ (2,464,036)	\$ (2,058,514)	\$ (822,904)	\$ (47,062,645)	\$ (1,355)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:							
Depreciation	12,715,747	841,076	1,440,125	15,501	501,535	15,513,984	14,233
Provision for (recovery of) losses	453,189	(48,197)	-	-	(45,517)	359,475	-
Loss on disposal	278,557	-	-	-	-	278,557	-
Changes in assets and liabilities:							
Tenant receivables	(527,256)	(1,746)	(2,341)	-	47,477	(483,866)	-
Other receivables	(761,997)	4,019	-	-	(23,820)	(781,798)	(1,071)
Due from other funds	1,239,623	461,547	1,235,004	(2,631,165)	605,483	910,492	(8,345)
Due from other state agency	-	-	-	(11,016)	(3,038)	(14,054)	-
Inventories	(34,698)	(99)	(1,784)	(5,371)	-	(41,952)	-
Prepaid expenses and other assets	-	-	-	8,296	-	8,296	-
Deposits held in trust	-	-	-	-	(849)	(849)	-
Accounts payable	(1,150,443)	(68,894)	21,076	(43,601)	(163,460)	(1,405,322)	-
Accrued expenses	(216,906)	(6,273)	(3,428)	3,024,941	17,754	2,816,088	-
Due to other funds	744,984	471,543	(17,584)	(29,987)	4,934,351	6,103,307	(1,027)
Security deposits	38,630	2,528	-	-	1,906	43,064	-
Deferred income	63,504	(1,948)	-	9,523	-	71,079	-
Net cash (used in) provided by operating activities	<u>\$ (26,981,770)</u>	<u>\$ (238,931)</u>	<u>\$ 207,032</u>	<u>\$ (1,721,393)</u>	<u>\$ 5,048,918</u>	<u>\$ (23,686,144)</u>	<u>\$ 2,435</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	<u>Private Purpose Trust</u>
ASSETS	
	<u>\$ -</u>
NET POSITION	
Total Net Position - Held in Trust	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year ended June 30, 2013

	<u>Private Purpose Trust</u>
Net Position at July 1, 2012	\$ 1,655
Other	<u>(1,655)</u>
Net Position at June 30, 2013	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies

a. General

Act 196, SLH 2005, as amended by Act 180, SLH 2006, created the Hawaii Public Housing Authority (the Authority).

The Authority's mission is to provide safe, decent and sanitary dwelling for low and moderate income residents of Hawaii and to operate its housing program in accordance with federal and state of Hawaii laws and regulations.

For financial reporting purposes, the Authority includes all funds that are controlled by or dependent on the Authority's Board of Directors. Control by or dependence on the Authority was determined on the basis of statutory authority and monies flowing through the Authority to each fund. The Authority is a component unit of the State of Hawaii.

The financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2013, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Authority's financial activities.

b. Government-Wide and Fund Financial Statements

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

b. Government-Wide and Fund Financial Statements (continued)

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. Indirect expenses are allocated to a specific function in accordance with the U.S. Department of Housing and Urban Development requirements. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function.

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues.

Net positions are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. 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 Authority's policy to use restricted resources first then unrestricted resources as they are needed.

The fund financial statements are provided for governmental funds, proprietary funds and fiduciary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column. The Authority's fiduciary fund is presented in the fund financial statements. Since by definition their assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities as obligations of the government, their funds are not incorporated into the government-wide statements.

c. Measurement Focus and Basis of Accounting

i. Government-Wide Financial Statements

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

ii. Governmental Fund Financial Statements

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' vested vacation and other post-retirement benefits, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to accumulated vacation and other post-retirement benefits at June 30, 2013 has been reported in the government-wide financial statements.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

iii. Proprietary Funds and Fiduciary Fund

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Authority's enterprise funds is rental income. Federal grants are reported as nonoperating income.

d. Fund Accounting

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

The GASB codification sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

i. Governmental Funds

General Fund – The general fund is the general operating fund of the Authority. It is used to account for all financial activities except those required to be accounted for in another fund. This fund includes the Rent Housing and Assistance Program. The annual operating budget as authorized by the State Legislature provides the basic framework within which the resources and obligations of the general fund are accounted.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds include Section 8 Housing Choice Voucher Program and Contract Administration.

Capital Projects Fund – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund type).

The Authority reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Housing Choice Voucher Program – accounts for federal contributions for housing assistance payments under the Housing Choice Voucher Program.
- Section 8 Contract Administration – accounts for federal contributions primarily for housing payments under the Project-Based Section 8 Program.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

ii. Proprietary Funds

Enterprise Funds – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

The enterprise funds include the Federal Low Rent Program, Housing Revolving Fund, Housing for Elders Revolving Fund, Central Office Cost Center Fund and other funds. The other funds include the Banyan Street Manor Project, Wilikina Apartments Project, Kekumu at Waikoloa Project, Disbursing Fund and Kuhio Park Terrace (KPT) Resource Center.

Internal Service Funds – These funds account for those activities, which provide goods or services primarily to the Authority, rather than to external parties. In the government-wide statements, internal service funds are included with business-type activities. These funds include the Equipment Rental Fund and Vehicle Rental Fund.

The Authority reports the following as major proprietary funds:

Federal Low-Rent Program accounts for the proceeds from federal contributions for the development of rental property and rental income and federal operating subsidies from such properties.

Housing Revolving Fund accounts for various state multifamily housing projects located throughout the State of Hawaii.

Housing for Elders Revolving Fund accounts for various state elderly housing projects located throughout the State of Hawaii.

Central Office Cost Center Fund was established to account for costs related to the general oversight of its housing projects and other indirect and administrative costs of the Authority. The fund charges fees to the Authority's various housing projects for such services. In addition to the fee income to operate the public housing programs, the Authority also earns fees from its other federal and state programs. The fee income earned by the fund is considered to be de-federalized.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

iii. Fiduciary Fund

The private-purpose trust fund accounts for net assets held in a trustee capacity for others.

e. Department of Housing and Urban Development (HUD) Subsidized Programs

The Federal Low-Rent Program Fund operates under HUD's Annual Contribution Contract and consists of the operations of low-rent housing properties. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained and managed by the Authority. The properties are acquired, developed and modernized under HUD's comprehensive grant programs. Funding for the properties is provided by federal operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Section 8 Programs consists of the Housing Choice Voucher Program Fund and the Section 8 Contract Administration Fund. The Housing Choice Voucher Program Fund provides rental housing assistance subsidies to qualified participants. The purpose of the program is to assist low-income families, the elderly and the disabled to afford decent, safe and sanitary housing in the private market. Federal housing assistance is provided on behalf of the family or individuals and is paid directly to the landlord directly by the Authority. The family or individual is responsible for finding a suitable housing unit in which the landlord agrees to rent under the program. The Section 8 Contract Administration Fund administers non-Authority owned housing units used for low-income housing. HUD provides a contracted dollar amount to the Authority, which is used to provide rental payment assistance to landlords.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

f. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. Capital assets are defined by the Authority as land and those assets with estimated useful lives greater than one year and with an acquisition cost greater than:

Land improvements	\$ 100,000
Building and building improvements	\$ 100,000
Equipment	\$ 5,000

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

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

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

	<u>Governmental Activities</u>	<u>Proprietary Fund and Business-Type Activities</u>
Building and building improvements	25 years	10 – 40 years
Equipment	7 years	1 – 10 years

g. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statement of cash flows – proprietary funds, include all cash and investments with original purchased maturities of three months or less.

h. Inventories

The cost of inventories is recorded as an expenditure when consumed.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

i. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

j. HUD Annual Contributions

The Authority receives annual contributions and subsidies from HUD for operating the Authority’s housing assistance payment programs and the development and operation of low-income housing projects. The Authority also receives annual subsidies from HUD for housing assistance payments and operating deficits incurred in the operation of the programs. Annual subsidies recorded in the proprietary fund types are recognized as nonoperating revenue when realized and earned and are accounted for in the statement of revenues, expenses and changes in fund net position – proprietary funds as HUD operating subsidy.

k. Vacation

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately \$670,000.

The change in accumulated unpaid vacation during the year is approximately as follows:

<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2013</u>
<u>\$2,244,000</u>	<u>\$978,000</u>	<u>\$1,084,000</u>	<u>\$2,138,000</u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

k. Vacation (continued)

As of June 30, 2013, approximately \$151,000 and \$1,987,000 of the unpaid vacation balance was for government-wide activities and business-type activities, respectively, and is included in accrued expenses in the accompanying statement of net position.

l. Restrictions of Net Positions and Fund Balances

Net positions are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

The Authority classifies fund balances into specifically defined classifications for governmental fund types. Classifications include the following:

Restricted. Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments.

Committed. Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the state legislature. Committed fund balances also include contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned. Balances that are constrained by management to be used for specific purposes but are neither restricted nor committed. The general and capital projects fund balances are assigned for continuing appropriations, which are comprised of encumbrances and unencumbered allotment balances. Encumbrances represent outstanding commitments, which generally are liquidated in the subsequent fiscal year. Unencumbered allotment balances represent amounts that have been released and made available for encumbrance or expenditure and are legally segregated for a specific future use.

Unassigned. Residual balances that are not contained in the other classifications.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

m. Risk Management

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

n. Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Significant estimates and assumptions include the valuation for accounts receivable and the liability of other post employee benefits. Actual results could differ from those estimates.

o. Recently Adopted/Issued Accounting Pronouncements

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement were adopted on July 1, 2012. The adoption of this statement did not result in a material effect on the financial statements.

In March 2012, the GASB issued GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*. This Statement reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as revenues and expenses, certain items that were previously reported as assets and liabilities. The provisions of GASB 65 are effective for periods beginning after December 15, 2012. Management is currently assessing the impact of this Statement on its financial position and results of operations and has not determined if the adoption will have a material effect on its financial statements.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

1. Organization and Significant Accounting Policies (continued)

o. Recently Adopted/Issued Accounting Pronouncements (continued)

In June 2012, GASB issued Statement No. 68 (GASB 68), *Accounting and Reporting for Pensions (an amendment of GASB Statement No. 27)*. GASB 68 amends the accounting guidance related to employers' accounting for pension plans administered through trusts or similar arrangements and requires the recognition of a liability for the employers' accumulated obligation for pension benefits. GASB 68 also provides additional guidance regarding the recognition of annual costs of pension benefits and revises the disclosure requirements for the notes to the financial statements and required supplementary information. GASB 68 will be effective for the Authority's financial statements for the year ending June 30, 2015. Management is currently assessing the impact of this Statement on its financial position and results of operations and has not determined if the adoption will have a material effect on its financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. The provisions of this Statement are effective for periods beginning after June 15, 2013. Management does not believe the adoption of this Statement will have a material effect on its financial statements.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

2. Budgeting and Budgetary Control

The budget of the Authority is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which financial policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the accompanying required supplementary information – budgetary comparison schedule are estimates as compiled by the Authority and reviewed by the Department of Budget and Finance. Budgeted expenditures are derived primarily from acts of the State Legislature and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes and other specific appropriation acts in various Session Laws of Hawaii.

Expenditures of these appropriated funds are made pursuant to the appropriations in the biennial budget as amended by subsequent supplemental appropriations. Budgetary control is maintained at the departmental level. Budget revisions and interdepartmental transfers may be affected with certain executive and legislative branch approvals.

The general fund and certain special revenue funds have legally appropriated annual budgets. The final legally adopted budget in the accompanying required supplementary information – budgetary comparison schedule represent the original appropriations, transfers and other legally authorized legislative and executive changes.

To the extent not expended or encumbered, general fund and special revenue funds appropriations generally lapse at the end of the fiscal year or grant period for which the appropriations were made. The State Legislature or federal government specifies the lapse dates and any other contingencies that may terminate the authorization for other appropriations. Known lapses occurring in the year of appropriation, if any, are included in the amended budgets, and are netted against revenues in the accompanying required supplementary information – budgetary comparison schedule.

A comparison of both the original budget and the final budget to the actual revenues and expenditures of the general and certain special revenue funds are presented in the accompanying required supplementary information – budgetary comparison schedule. Differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP are mainly due to revenues and expenditures of unbudgeted funds and the different methods used to recognize resource uses. For budgeting purposes, resource uses are recognized when cash disbursements are made or funds are encumbered.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

2. Budgeting and Budgetary Control (continued)

For financial statements presented in accordance with GAAP, expenditures are recognized when incurred and encumbrances are not reported as resources used.

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2013 is set forth in the required supplementary information.

3. Cash

The State maintains a cash pool that is available to all funds. The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance may invest any monies of the State, which in the Director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited with approved financial institutions or invested in the State Treasury Investment Pool. Cash accounts that participate in the investment pool accrue interest based on the average weighted cash balances of each account.

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

At June 30, 2013, total cash, including restricted cash and deposits, reported in the statement of net position is \$65,369,667 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 12,118,818	\$ 12,118,818
Cash in bank (book balance)	<u>3,854,441</u>	<u>49,368,912</u>	<u>53,223,353</u>
	3,854,441	61,487,730	65,342,171
Deposits held in trust	<u>-</u>	<u>27,496</u>	<u>27,496</u>
Total Cash	<u>\$ 3,854,441</u>	<u>\$ 61,515,226</u>	<u>\$ 65,369,667</u>

During 2013, the Authority recorded a valuation gain of approximately \$33,000 for its State pool cash balances included in other income. The valuation adjustment relates primarily to the State of Hawaii auction rate securities and is reported in other income (expense) in the accompanying statement of revenues, expenses and changes in net position.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

3. Cash (continued)

Bank balance of cash in bank was approximately \$57,496,000, of which \$750,000 was covered by federal depository insurance and \$56,746,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

4. Notes Receivable

a. Note Receivable – Housing Revolving Fund

In 1992, the Authority entered into a ground lease agreement with a Hawaii limited partnership (Partnership) with the intent of the Partnership developing a 48-unit low-income rental housing project known as Ke Kumu at Waikoloa, and then subleasing the project and property back to the Authority. In connection with the development of the project, on January 1, 1993, the Authority provided a \$426,100 loan to the Partnership. The note receivable was recorded under the Housing Revolving Fund, bore interest at 9% and was collateralized by the property and improvements of the project. The entire payment of principal and unpaid interest was due and payable on January 1, 2009, unless the Authority acquired such building improvements constructed by the developer for a sum equal to the amount owed under this note. During 2009, the Authority agreed with the developer to acquire such building improvements. However, as of June 30, 2012, the legal title transfer had not been executed and the balance of the \$426,100 and the related accrued interest receivable balance of approximately \$594,410 remained outstanding under the Housing Revolving Fund as of June 30, 2012. In addition, the Authority had also recorded approximately \$581,600 and \$350,000 of accrued lease rent and related interest on the disputed outstanding lease rent, respectively, under Kekumu at Waikoloa Project included in other enterprise funds.

During 2013, the Authority and the Partnership entered to a Termination and Release of Ground Lease and Sublease; QuitClaim Assignment and a Release of Mortgage agreements, whereby both parties released and forever discharged each other from any and all obligations, claims, or liabilities. As a result of these agreements, the Authority recorded under Housing Revolving Fund \$2,565,200 of received improvements and \$1,544,700 of excess fair value of assets received over the note receivable balance and related interest receivable to other income. At June 30, 2013, the Authority contributed the improvements of \$2,565,200 from Housing Revolving Fund to Kekumu at Waikoloa Project. The Authority also adjusted approximately \$931,600 of accrued lease rent and related interest on the disputed outstanding lease rent balance to other income under Kekumu at Waikoloa Project included in other enterprise funds.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

4. Notes Receivable (continued)

b. Notes Receivable for Sale of Kuhio Park Terrace Towers – Federal Low Rent Program

On May 1, 2011, the Authority entered into an Acquisitions Financing Agreement (Agreement) to sell, transfer and convey unto a third party the buildings, structures, equipment, machinery, apparatus, fixtures and fittings (Improvements) of the two high rise buildings known as Kuhio Park Terrace Towers (Project), and for the execution of a ground lease for the land underlying the Improvements (Property), as defined in the Agreement. The ground lease annual rent is one dollar (\$1) and expires on May 11, 2076, with an option for an additional ten (10) years. The buyer, as defined in the Agreement, is required to redevelop the Project to include 555 units, 347 of which will be operated as public housing. In order to assist the buyer in financing the rehabilitation of the Project, the State of Hawaii, Hawaii Housing and Finance Development Corporation issued revenue bonds in the amount of \$66,000,000 for which the proceeds were used to make a mortgage loan to the buyer.

The buyer, pursuant to the Agreement, agreed to pay the Authority an acquisition fee of \$4,665,000 in consideration for acquiring the leasehold interest in the Property and \$45,000,000 for the Improvements, such that the total purchase price was \$49,665,000. Of the total purchase price, \$3,162,943 was paid in cash and the remaining balance of \$46,502,057 is being financed pursuant to the Agreement by a note. The note, which is secured by a leasehold mortgage and security agreement, matures in May 2051 and accrues interest at the greater of 4.19 percent per annum or the long term annually compounding applicable federal rate. The note is payable from cash flows from the Property in the amounts and priority set forth in the note, provided that the payments due shall not exceed seventy-five percent (75%) of the borrower's surplus cash, as defined in the note. Additionally, the note is subordinate to the rights of certain financing agreements related to the issuance of revenue bonds for the redevelopment of the Project. Any remaining unpaid principal and accrued interest balance is due and payable on the maturity date of the note.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

4. Notes Receivable (continued)

b. Notes Receivable for Sale of Kuhio Park Terrace Towers – Federal Low Rent Program (continued)

Additionally, prior to the execution of the ground lease and sale of the Improvements, several planned capital improvements related to the Project had not been completed. As both the Authority and the buyer agreed that the work is necessary, the buyer agreed to complete the work and the Authority agreed to provide the financing. Accordingly, the Authority agreed to loan the buyer up to \$3,900,000 from Public Housing Capital Funds and State of Hawaii Capital Improvement Projects Funds. Payment of principal is deferred until the maturity date, whereupon all principal is due, subject to the availability of surplus cash, as defined in the note agreement. The note does not bear interest unless the borrower defaults upon the maturity date of May 2051. As of June 30, 2013, the Authority loaned \$3,314,356, to the buyer, which is included in the accompanying statement of net position under the Federal Low Rent Program.

The sale of the Project is being accounted for under the cost recovery method. Under this method, the gain on sale is deferred until the total payments made by the buyer exceed the cost of the Project. However, a portion of the deferred gain is recognized as income to the extent that the deferred gain exceeds the note receivable from the buyer plus the maximum contingent liability to the Authority for other debt on the Project.

As of June 30, 2013, the net note receivable, inclusive of all principal, accrued interest and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program statement of net position:

Principal and accrued interest	\$ 51,802,341
Deferred gain	<u>(46,985,712)</u>
Net note receivable	<u>\$ 4,816,629</u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

5. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	July 1, 2012	Increases	Decreases	June 30, 2013
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	-	-		-
Total capital assets not being depreciated	2,373,410	-		2,373,410
Capital assets, being depreciated:				
Building and improvements	15,040,694	-	-	15,040,694
Equipment	1,197,769	-	-	1,197,769
Total capital assets being depreciated	16,238,463	-	-	16,238,463
Less accumulated depreciation for:				
Building and improvements	12,650,080	228,474	-	12,878,554
Equipment	1,178,194	13,742	-	1,191,936
Total accumulated depreciation	13,828,274	242,216	-	14,070,490
Governmental activities, net	<u>\$ 4,783,599</u>	<u>\$ 242,216</u>	<u>\$ -</u>	<u>\$ 4,541,383</u>
	July 1, 2012	Increases	Decreases	June 30, 2013
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	35,664,061	15,269,524	(23,510,536)	27,423,049
Total capital assets not being depreciated	58,630,261	15,269,524	(23,510,536)	50,389,249
Capital assets being depreciated:				
Building and improvements	529,204,025	25,653,728	-	554,857,753
Equipment	8,796,738	464,568	(1,510,941)	7,750,365
Total capital assets being depreciated	538,000,763	26,118,296	(1,510,941)	562,608,118
Less accumulated depreciation for:				
Building and improvements	296,278,749	15,499,103	-	311,777,852
Equipment	8,632,142	29,945	(1,510,941)	7,151,146
Total accumulated depreciation	304,910,891	15,529,048	(1,510,941)	318,928,998
Business-type activities capital assets, net	<u>\$ 291,720,133</u>	<u>\$ 25,858,772</u>	<u>\$ (23,510,536)</u>	<u>\$ 294,068,369</u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

5. Capital Assets (continued)

Current-period depreciation expense was charged to function as follows:

Governmental Activity -	
Rental Housing and Assistance Program	<u>\$ 242,216</u>
Business-Type Activities:	
Federal Low Rent Program	12,715,747
Housing Revolving Fund	841,076
Housing for Elders Revolving Fund	1,440,125
Central Office Cost Center Fund	15,501
Internal Services	14,233
Others	<u>501,535</u>
Total depreciation expense – business-type activities	<u>15,528,217</u>
Total depreciation expense	<u><u>\$ 15,770,433</u></u>

At June 30, 2013, capital assets for the proprietary funds consisted of the following:

	Enterprise Funds						Internal Service Funds	Total
	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center	Other Enterprise Funds	Total Enterprise Funds		
Land	\$ 13,093,629	\$ 2,252,881	\$ 6,104,817	\$ -	\$ 1,514,873	\$ 22,966,200	\$ -	\$ 22,966,200
Buildings and improvements	454,190,822	29,639,159	56,014,907	42,857	14,970,008	554,857,753	-	554,857,753
Equipment, Furniture and fixtures	5,043,959	252,521	214,676	150,524	-	5,661,680	2,088,685	7,750,365
Construction in Progress	24,385,566	763,380	2,273,540	563	-	27,423,049	-	27,423,049
Less accumulated depreciation	<u>274,247,853</u>	<u>12,354,123</u>	<u>27,076,493</u>	<u>51,300</u>	<u>3,478,688</u>	<u>317,208,457</u>	<u>1,720,541</u>	<u>318,928,998</u>
Net property and Equipment	<u><u>\$ 222,466,123</u></u>	<u><u>\$ 20,553,818</u></u>	<u><u>\$ 37,531,447</u></u>	<u><u>\$ 142,644</u></u>	<u><u>\$13,006,193</u></u>	<u><u>\$ 293,700,225</u></u>	<u><u>\$ 368,144</u></u>	<u><u>\$294,068,369</u></u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

6. Commitments and Contingencies

a. Lease Commitments

The Authority leases from the City and County of Honolulu the land upon which its former Banyan Street Manor Project building is situated on, and subleases it to the Project's new owner. The lease is for a term of 55 years beginning May 27, 2011. Lease rent in the amount of \$75 was prepaid by the new owner for the entire term of the lease. As part of the sales price of the Project building, reserves and operating funds on May 27, 2011, \$75 was allocated for the ground lease interest and other property, as defined in the agreement.

The Authority leases the land upon which its former Wilikina Apartments Project building is situated on to its new owner. The lease is for a term of 65 years beginning May 22, 2012. Lease rent in the amount of \$1 was prepaid by the new owner for the entire term of the lease.

b. Construction Contracts

At June 30, 2013, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$4,079,000 and \$20,465,000, respectively, for the construction and renovation of housing projects.

c. Consulting Agreement

In conjunction with the sale of Kuhio Park Terrace Towers (see Note 4), the Authority entered into a consulting agreement with the developer to provide the developer with certain consulting services related to the rehabilitation of the Project. The consulting fee is 19.7 percent of the total development fee charged to the buyer by the developer, or \$3,176,488. As part of the initial sale agreement, the buyer is to receive state tax credits which are expected to be paid/released by May 2016. If the buyer, in accordance with terms defined in the sale agreement, determines that unpaid state tax credits should be released, the Authority would be obligated to pay the buyer for these state tax credits up to its portion of the consulting fees earned and received. The Authority would be able to recover amounts paid to the buyer upon payment/release of the previously unpaid tax credits by the State.

In accordance with the consulting agreement, the amount paid to the Authority shall be held in an interest bearing escrow account by an escrow agent mutually agreed upon by the Authority and the buyer until the state tax credit release date, which is estimated to be May 2016. Approximately \$806,000 of restricted cash recorded under the Central Officer Center as of June 30, 2013 represents consulting fees earned and received, was subsequently deposited into an approved escrow account.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

6. Commitments and Contingencies (continued)

d. Torts

The Authority is involved in various actions, the outcome of which, in the opinion of management and the Attorney General, will not have a material adverse effect on the Authority's financial position except for the OHA and Kuhio Park Terrace lawsuits described below. Losses, if any, are either covered by insurance or will be a liability against the State of Hawaii.

e. Workers' Compensation Policy

The State is self-insured for workers' compensation. Accordingly, the Authority is liable for workers' compensation claims filed by its employees. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. The basis for estimating the liabilities for unpaid claims include the effects of specific incremental claim adjustment expenses, salvage and subrogation, and other allocated or unallocated claim adjustment expenses. These liabilities include an amount for claims that have been incurred but not reported. As of June 30, 2013, the Authority has determined there is not a significant liability for workers' compensation claims.

f. Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii (ERS). Accumulated sick leave at June 30, 2013 amounted to approximately \$4,188,000.

g. Deferred Compensation Plan

In 1984, the State established a deferred compensation plan, which enables State employees to defer a portion of their compensation. The State Department of Human Resources Development has the fiduciary responsibility of administering the plan. Deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

6. Commitments and Contingencies (continued)

h. Litigation

OHA v. HHA et al., Civil No. 95-2682-07 (First Circuit)

The lands transferred to the United States by the Republic of Hawaii at Hawaii's annexation to the United States in 1898 are commonly referred to as the ceded lands. Upon Hawaii's admission to the Union in 1959, title to ceded lands still held by the United States and to lands, which the United States acquired, by exchange for ceded lands after 1898 was conveyed by the United States to the State of Hawaii. Section 5 of the Admission Act expressly provided that those lands were to be held by the State as a public trust. Certain rental housing projects of the Authority are situated on parcels of land, which are to be held by the State as a public trust under Section 5.

In 1979, the State legislature (the "Legislature") adopted HRS Chapter 10 ("Chapter 10,"), which, as amended in 1980, specified, among other things, that OHA expend 20 percent of all funds derived by the State from the Ceded Lands for the betterment of Native Hawaiians.

In 1987, in *Trustees of the Office of Hawaiian Affairs v. Yamasaki*, 69 Haw. 154 (1987) ("Yamasaki"), the Hawaii Supreme Court concluded that Chapter 10 was insufficiently clear regarding the amount of monies OHA was entitled to receive from the public trust lands.

In 1990, in response to Yamasaki, the Legislature adopted Act 304, Session Laws of Hawaii 1990, which (i) defined "public land trust" and "revenue," (ii) reiterated that 20 percent of the now defined "revenue" derived from the "public land trust" was to be expended by OHA for the betterment of native Hawaiians, and (iii) established a process for OHA and the Director of Finance of the State jointly to determine the amount of monies which the State would pay OHA to retroactively settle all of OHA's claims for the period June 16, 1980 through June 30, 1991. Since fiscal year 1992 and until the first quarter of fiscal year 2002, the State, through its departments and agencies paid 20 percent of "revenues" to OHA on a quarterly basis.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

6. Commitments and Contingencies (continued)

h. Litigation (continued)

OHA v. HHA et al., Civil No. 95-2682-07 (First Circuit) (continued)

In 1995, OHA filed suit against the State to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the Hawaii Housing Authority for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in the State's appeal in OHA I. OHA disagrees that the repeal and revival of the pre-Yamasaki law by the Hawaii Supreme Court's September 12, 2001, decision in OHA I should also require dismissal of the claims OHA makes in *OHA v. HHA*, and the case remains pending.

The State intends to defend vigorously against all of OHA's claims. It is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of all of OHA's claims in OHA's favor could have a material adverse effect on the State's financial condition.

Fetu Kolio, et al. v. State of Hawaii, et al., Civil No. 11-00266 LEK-RLP (USDC) & Civil No. 11-1-0795-04 GWBC (1st Cir.)

On April 21, 2011, the plaintiffs filed two lawsuits in federal and state courts. The plaintiffs are residents of the Mayor Wright Homes, a 364 public housing project built in 1953 and financed by HUD. In the federal action, the plaintiffs seek declaratory and injunctive relief and damages for alleged violations of the ADA, the Rehabilitation Act, and the Fair Housing Amendments. The plaintiffs' state court complaint alleges causes of action for breach of implied warranty of habitability and breach of lease, and alleges lack of hot water, vermin infestation, and inadequate security. The plaintiffs were denied Class Action Certification in both the State and Federal cases in September 2012.

As of June 30, 2013, the USDC case has been settled with the plaintiffs for \$20,000. The settlement will be requested from general funds from the 2014 Hawaii State Legislature. The State case is ongoing.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

6. Commitments and Contingencies (continued)

h. Litigation (continued)

Steven Rodrigues v. Corbit Ahn, et al., Civil No 10-1-1411-06 (1st Cir.)

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes in Kalihi. Kamehameha Homes ("KH") is operated by the Hawaii Public Housing Authority (which is administratively attached to DHS). Neither Iris, who was 18 years old, or Ahn were residents at KH. Both may have visited residents of KH on the evening of the murder, although this has not been confirmed. The Complaint alleges, among other things, that the State: failed to secure, to properly monitor and light the premises; "encouraged hoodlums like Defendant Ahn to enter the premises"; removed gates to keep "gangsters" out; "allowed sexual predators onto the premises"; and refused to enforce a curfew for hoodlums.

Defendant Ahn was criminally convicted of murder in July 2012. He is appealing his conviction, and he was granted a Motion to Stay his civil action in October 2012 until his criminal appeal is resolved.

The State intends to vigorously defend this case and plans to file a dispositive motion after discovery has been completed.

7. Retirement Plan

a. Plan Description

All eligible employees of the State and Counties are required by Chapter 88 of the Hawaii Revised Statutes to become members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. The ERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for ERS. That report may be obtained from ERS.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

7. Retirement Plan (continued)

a. Plan Description (continued)

The ERS consists of a contributory plan and a noncontributory plan. Employees covered by Social Security on June 30, 1984 were given the option of joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984, who are covered by Social Security, are generally required to join the noncontributory plan. Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service excluding the vacation payment. All benefits vest after five and ten years of credited service for the contributory and noncontributory plans, respectively. All contributions, benefits and eligibility requirements are governed by Chapter 88.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited services or age 55 and 30 years of credit service. Members will receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan are eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006 are required to join the new hybrid plan.

b. Funding Policy

Most covered employees of the contributory plan are required to contribute 7.8 percent of their salary. Police officers, firefighters, investigators of the department of the prosecuting attorney and the attorney general, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2 percent of their salary. The actuarial cost or funding method used to calculate the total employer contribution required is the entry age normal actuarial cost method. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The Authority's contributions requirements as of June 30, 2013, 2012 and 2011 were approximately \$1,789,000, \$1,571,000, and \$1,537,000, respectively.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

8. Other Post Retirement Employee Benefits

The Authority contributes to the Employers Union Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003, pursuant to Act 88, SLH of 2001. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The eligibility requirements for retiree health benefits are as follows:

For employees hired before July 1, 1996, the Authority 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 ten years of credited service. A retiree can elect family plan to cover dependents.

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

Annual OPEB Cost and Net OPEB Obligation

It is the State's policy that measurement of the actuarial valuation and the annual required contribution (ARC) for postretirement healthcare and life are made for the state as a whole and are not separately computed for the individual state departments and agencies such as the Authority. The state allocates the ARC to the various departments and agencies based upon a systematic methodology. The Authority's contribution for the year ended June 30, 2013, was approximately \$1,176,000, which represented 27% of the Authority's share of the ARC for postretirement healthcare and life insurance benefits of approximately \$4,301,000. The Authority's contribution for the years ended June 30, 2012 and 2011 were approximately \$834,000 and \$737,000, respectively.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

8. Other Post Retirement Employee Benefits (continued)

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2013:

Balance at June 30, 2012	\$ 9,289,299
Additions	4,301,427
Deletions	<u>(1,176,006)</u>
Balance at June 30, 2013	<u>\$ 12,414,720</u>

As of June 30, 2013, the postretirement liability balance of approximately \$12,415,000 was included in long-term accrued expenses under the Central Office Cost Center Fund.

The State's Comprehensive Annual Financial Report includes the required footnote disclosure and required supplementary information on the State's OPEB benefit plans.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

9. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2013 is as follows:

Current Due from	Housing	Section 8	Federal	Central	Internal	Non-major Enterprise
	Choice Voucher	Contract Admin	Low-Rent Program	Office Cost Center Fund	Services Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,464
Federal Low-Rent Program	-	-	-	3,563,793	-	-
Housing Revolving Fund	-	-	-	36,964	-	307,865
Housing for Elders Revolving Fund	-	-	-	78,224	-	132,572
Central Office Cost Center	-	-	-	-	9,185	19,965
Nonmajor – Enterprise	213,450	126,337	1,988,375	6,167,329	102	147,823
Total	<u>\$ 213,450</u>	<u>\$ 126,337</u>	<u>\$ 1,988,375</u>	<u>\$ 9,846,310</u>	<u>\$ 9,287</u>	<u>\$ 705,689</u>

Noncurrent Due to	Housing	Federal	Housing
General	Choice Voucher	Low-Rent Program	Revolving Fund
Central Office Cost Center	\$ 17,732	\$ 220,062	\$ 518,508

The current interfund receivable and payable balances are due to interfund services provided or reimbursable expenditures and payments between funds. The non-current balance represents the respective fund's share of the Authority's OPEB liability recorded under the Central Office Cost Center Fund as of year-end.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

10. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2013 is as follows:

Transfer From	Federal Low Rent Program	Housing Revolving Fund	Housing For Elders Revolving Fund	Central Office Cost Center Fund	Non-Major Enterprise Funds
General Fund	\$ 1,565,618	\$ 383,613	\$ 1,462,346	\$ 151,420	\$ 179,522
Capital Projects	612,598	672	39,418	2,236,957	-
Section 8 Contract Administration	-	-	-	-	177,774
Housing Elders Revolving Fund	-	-	-	266,760	-
Central Office Cost Center	1,049,782	-	-	-	-
Total	\$ 3,227,998	\$ 384,285	\$ 1,501,764	\$ 2,655,137	\$ 357,296

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$3,742,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

Section 8 Contract: The Section 8 Contract expended approximately \$178,000 to pay for Non-Major Enterprise service shortfalls.

Capital Projects: The Capital Projects Fund expended approximately \$2,890,000 from the current year annual State of Hawaii appropriations to primarily pay for capital improvement administrative expenses and rental housing service repairs and maintenance under certain enterprise funds.

Central Office Cost Center: The Central Office Cost Center expended approximately \$1,050,000 to pay for repairs and maintenance for certain enterprise funds.

Housing for Elders Revolving Fund: The Housing for Elders Revolving Fund expended approximately \$267,000 to pay for administrative expenses under the Central Office Cost Center fund.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2013

11. Capital Contributions

During 2013, the Capital Projects Fund expended approximately \$7,843,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. The Housing Revolving Fund contributed approximately \$2,565,000 of capital improvements to Kekumu at Waikoloa Project under other enterprise funds (see Note 4). The composition of capital contribution balances reflected in the financial statements as of June 30, 2013 is as follows:

Contributed From	Federal Low Rent Program	Housing Revolving Fund	Housing For Elders Revolving Fund	Central Office Cost Center	Non-Major Enterprise Funds	Total
Capital Projects Fund	\$ 6,833,181	\$ 644,279	\$ 206,317	\$ 77,717	\$ -	\$ 7,761,494
Housing Revolving Fund	-	-	-	-	2,565,200	2,565,200
Total	\$ 6,833,181	\$ 644,279	\$ 206,317	\$ 77,717	\$ 2,565,200	\$ 10,326,694

**Required Supplementary Information
Other Than Management's Discussion and Analysis**

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2013

	General Fund		
	Original Budget	Final Budget	Budgetary Actual
Revenues -			
State allotted appropriations	\$ 5,087,603	\$ 5,087,603	\$ 5,087,603
Expenditures -			
Rental housing and assistance program	5,087,603	5,087,603	4,827,015
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,588</u>
	Housing Choice Voucher Program		
	Original Budget	Final Budget	Budgetary Actual
Revenues -			
HUD contributions	\$ 24,305,739	\$ 24,305,739	\$ 24,299,861
Expenditures -			
Rental housing and assistance program	24,305,739	24,305,739	26,459,840
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,159,979)</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS (continued)

Year ended June 30, 2013

	<u>Section 8 Contract Administration</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 25,551,741</u>	<u>\$ 25,551,741</u>	<u>\$ 25,551,741</u>
Expenditures -			
Rental housing and assistance program	<u>25,551,741</u>	<u>25,551,741</u>	<u>25,330,525</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,216</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2013

	<u>General Fund</u>	<u>Housing Choice Voucher Program</u>	<u>Section 8 Contract Administration</u>
Excess (deficiency) of revenues over (under) expenditures and other sources and uses - actual on budgetary basis	\$ 260,588	\$ (2,159,979)	\$ 221,216
Reserve for encumbrance at year end*	1,299,440	-	-
Expenditures for liquidation of prior year's encumbrances	(874,861)	-	-
Reversion of prior year's allotments	(260,588)	-	-
Accrual adjustments, operating transfers and other	<u>(277,865)</u>	<u>1,058,725</u>	<u>(223,602)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES - US GAAP BASIS	<u>\$ 146,714</u>	<u>\$ (1,101,254)</u>	<u>\$ (2,386)</u>

* Amount reflects the encumbrance balance included in continuing appropriation.

See accompanying independent auditor's report

Supplementary Information

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2013

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>		
Section 8 Project-Based Cluster -- Section 8 Housing Assistance Payments - Special Allocations	14.195	\$ 25,554,311
Public and Indian Housing	14.850	21,511,065
Section 8 Housing Choice Vouchers	14.871	26,459,960
Public Housing Capital Fund	14.872	<u>12,465,760</u>
Total federal expenditures		<u>\$ 85,991,096</u>

The accompanying note is an integral part of this schedule.

Hawaii Public Housing Authority

Note to the Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hawaii Public Housing Authority (the Authority) and is presented on the accrual basis of accounting and in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Hawaii Public Housing Authority
 Financial Data Schedule
 Entity-Wide Balance Sheet and Revenue and Expense Summary
 June 30, 2013

Line Item No.	Description	Section 8			CDBG Economic		Section 8			Central Office		Total
		Federal Low Rent Program	Housing Assistance Payments 14.195	Development Initiative 14.246	Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Fiduciary	Cost Center	Elimination	
111	Cash - Unrestricted	26,481,895	1,758,051	4	1,083,505	-	11,824,252	977,414	-	19,710,117	-	61,835,238
113	Cash - Other Restricted	803,606	28	-	1,012,663	-	12,615	-	-	846,394	-	2,675,306
114	Cash - Tenant Security Deposits	655,017	-	-	-	-	225,447	-	-	-	-	880,464
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	190	-	-	-	-	-	-	190
100	Total Cash	27,940,518	1,758,079	4	2,096,358	-	12,062,314	977,414	-	20,556,511	-	65,391,198
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-	-	39,659
122	Accounts Receivable - HUD Other Projects	2,310,956	195,546	903	-	39,659	-	-	-	-	-	2,507,405
124	Accounts Receivable - Other Government	-	-	-	-	-	97,990,485	-	-	-	-	98,045,481
125	Accounts Receivable - Miscellaneous	785,279	-	-	-	-	53,567	-	-	1,429	-	1,461,262
126	Accounts Receivable - Tenants	581,348	-	-	-	-	392,930	1,072	-	281,981	-	1,461,262
126.1	Allowance for Doubtful Accounts - Tenants	(227,769)	-	-	-	-	901,236	-	-	-	-	1,462,584
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	(807,310)	-	-	-	-	(1,035,079)
129	Accrued Interest Receivable	-	-	-	-	-	(383,980)	-	-	(197,110)	-	(581,090)
120	Total Receivables, Net of Allowances for Doubtful Accounts	3,449,814	195,546	903	39,659	97,990,485	156,948	1,327	-	87,256	-	101,921,938
142	Prepaid Expenses and Other Assets	-	-	-	2,026,790	45,322	27,496	-	-	8,843	-	2,108,451
143	Inventories	914,553	-	-	-	-	129,940	-	-	27,556	-	1,072,049
143.1	Allowance for Obsolete Inventories	(84,457)	-	-	-	-	(11,813)	-	-	(2,505)	-	(98,775)
144	Inter Program Due From	2,849,655	126,337	-	220,581	-	700,587	9,287	-	16,777,297	(20,683,744)	3,081,725
	Total Other Current Assets	3,679,751	126,337	-	2,247,371	45,322	846,210	9,287	-	16,811,191	(20,683,744)	3,081,725
150	Total Current Assets	35,070,083	2,079,962	907	4,383,388	98,035,807	73,085,472	988,028	-	37,454,958	(20,683,744)	170,394,867
161	Land	13,093,629	-	-	-	2,373,410	9,872,571	-	-	-	-	25,339,610
162	Buildings	454,190,822	-	-	-	15,040,694	100,624,005	-	-	42,857	-	569,898,378
163	Furniture, Equipment & Machinery - Dwellings	3,266,459	-	-	-	1,090,456	98,089	-	-	-	-	4,456,004
164	Furniture, Equipment & Machinery - Administration	1,777,500	-	-	-	107,313	368,106	2,096,928	-	150,524	-	4,500,371
166	Accumulated Depreciation	(274,247,853)	-	-	-	(14,070,490)	(42,909,293)	(1,728,784)	-	(51,300)	-	(333,007,720)
167	Construction In Progress	24,385,566	-	-	-	-	3,036,980	-	-	563	-	27,423,109
160	Total Capital Assets, Net of Accumulated Depreciation	222,466,123	-	-	-	4,541,383	71,091,458	368,144	-	142,644	-	298,609,752
171	Notes, Loans and Mortgages Receivable - Non-Current	8,130,985	-	-	-	-	-	-	-	-	-	8,130,985
	Total Other Non-Current Assets	8,130,985	-	-	-	-	-	-	-	-	-	8,130,985
180	Total Non-Current Assets	230,597,108	-	-	-	4,541,383	71,091,458	368,144	-	142,644	-	306,740,737
190	Total Assets	265,667,191	2,079,962	907	4,383,388	102,577,190	84,156,930	1,356,172	-	37,597,602	(20,683,744)	477,135,598
311	Bank Overdraft	49,025	-	-	-	-	-	-	-	-	-	49,025
312	Accounts Payable <= 90 Days	1,936,822	9,583	-	50,871	212,189	196,673	-	-	36,851	-	2,442,989
313	Accounts Payable >90 Days Past Due	-	-	-	2,225	-	-	-	-	-	-	2,226
321	Accrued Wage/Payroll Taxes Payable	312,103	-	-	39,594	1,877	27,378	-	-	327,346	-	708,298
322	Accrued Compensated Absences - Current Portion	328,427	-	-	41,363	5,880	25,996	-	-	268,110	-	669,776
331	Accounts Payable - HUD PHA Programs	-	28	4	325	-	-	-	-	-	-	357
333	Accounts Payable - Other Government	36,212	-	-	-	-	571,402	-	-	4,515	-	612,129
341	Tenant Security Deposits	655,017	-	-	-	-	225,447	-	-	-	-	880,464
342	Deferred Revenues	442,857	-	-	-	-	36,053	-	-	9,523	-	488,433
345	Other Current Liabilities	844,903	-	-	17,412	618,737	-	-	-	312,058	-	1,593,110
346	Accrued Liabilities - Other	932,894	222,921	-	31,143	2,096,359	95,621	-	-	46,609	-	3,425,547
347	Inter Program - Due To	10,599,758	-	903	227,193	-	9,712,447	-	-	29,150	(20,683,744)	-
310	Total Current Liabilities	15,938,018	232,532	907	410,130	3,049,335	10,891,017	-	-	1,034,162	(20,683,744)	10,872,357
353	Non-current Liabilities - Other	-	-	-	122,671	-	-	-	-	40,806	-	163,477
354	Accrued Compensated Absences - Non Current	719,859	-	-	-	103,549	56,977	-	-	587,651	-	1,468,036
357	Accrued Pension and OPEB Liabilities	-	-	-	-	-	-	-	-	12,414,722	-	12,414,722
350	Total Non-Current Liabilities	719,859	-	-	122,671	103,549	56,977	-	-	13,043,179	-	14,046,235
300	Total Liabilities	16,657,877	232,532	907	532,801	3,152,884	10,947,994	-	-	14,077,341	(20,683,744)	24,918,592
508.1	Invested In Capital Assets, Net of Related Debt	222,466,123	-	-	-	4,541,383	71,091,458	368,144	-	142,644	-	298,609,752
511.1	Restricted Net Assets	-	-	-	3,850,587	-	2,117,478	-	-	-	-	3,850,587
512.1	Unrestricted Net Assets	26,543,191	1,847,430	-	-	94,882,923	98,028	1,356,172	-	23,377,617	-	149,756,667
513	Total Equity/Net Assets	249,009,314	1,847,430	-	3,850,587	99,424,306	73,208,936	1,356,172	-	23,520,261	-	452,217,006
600	Total Liabilities and Equity/Net Assets	265,667,191	2,079,962	907	4,383,388	102,577,190	84,156,930	1,356,172	-	37,597,602	(20,683,744)	477,135,598

See accompanying independent auditor's report.

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Hawaii Public Housing Authority
 Financial Data Schedule
 Entity-Wide Balance Sheet and Revenue and Expense Summary
 June 30, 2013

Line Item No.	Description	Section 8				State/Local	Business Activities	Internal Service	Fiduciary	Central Office		Total
		Federal Low Rent Program	Housing Assistance Payments	CDBG Economic Development Initiative	Housing Choice Voucher Program					Cost Center	Elimination	
70300	Net Tenant Rental Revenue	13,331,600	-	-	-	-	3,695,774	-	-	-	-	17,027,374
70400	Tenant Revenue - Other	81,685	-	-	-	-	29,747	-	-	-	-	111,432
70500	Total Tenant Revenue	13,413,285	-	-	-	-	3,725,521	-	-	-	-	17,138,806
70600	HUD PHA Operating Grants	24,312,343	25,551,741	-	25,263,057	-	-	-	-	-	-	75,127,141
70610	Capital Grants	10,765,839	-	-	-	-	-	-	-	-	-	10,765,839
70710	Management Fee	-	-	-	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-	4,550,774	(4,550,774)	-
70730	Book Keeping Fee	-	-	-	-	-	-	-	-	1,324,440	(1,324,440)	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	649,058	(649,058)	-
70700	Total Fee Revenue	35,078,182	25,551,741	-	25,263,057	-	-	-	-	1,059,993	(1,059,993)	-
70800	Other Government Grants	-	-	-	-	96,429,603	15,825	-	-	40,000	-	96,485,428
71100	Investment Income - Unrestricted	9,779	185	-	120	-	937,763	3,973	-	23,461	-	975,281
71200	Mortgage Interest Income	-	-	-	-	-	-	-	-	-	-	-
71400	Fraud Recovery	-	-	-	3,794	-	-	-	-	-	-	3,794
71500	Other Revenue	228,042	-	-	91,735	-	-	-	-	-	-	319,777
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	75,049	15,780	-	2,695,668	-	3,106,274
	Total Other Revenue	237,821	185	-	95,649	96,429,603	1,544,690	19,753	-	2,695,668	-	102,115,467
70000	Total Revenue	48,729,288	25,551,926	-	25,358,706	96,429,603	6,298,848	19,753	-	10,343,394	(7,584,265)	205,147,253
91100	Administrative Salaries	3,285,624	-	-	883,744	194,788	302,570	-	-	5,019,144	-	9,685,870
91200	Auditing Fees	130,091	27,191	-	24,949	29,107	48,937	-	-	115,002	-	378,120
91300	Management Fee	3,934,609	925,610	-	277,644	7,851	371,073	2,843	-	-	(4,550,774)	966,013
91310	Book-keeping Fee	396,236	-	-	173,528	4,920	74,373	-	-	-	(649,058)	19
91400	Advertising and Marketing	439	-	-	-	-	198	-	-	-	-	25,896
91500	Employee Benefit Contributions - Administration	553,549	-	-	243,279	44,976	61,821	-	-	25,259	-	2,445,219
91600	Office Expenses	369,943	16,825	-	48,424	9,308	77,186	-	-	1,541,594	-	907,969
91700	Legal Expense	65,196	2,017	-	1,898	191	35,962	-	-	348,795	-	453,859
91800	Travel	15,774	-	-	1,748	326	4,032	-	-	79,448	-	101,328
91900	Other	1,597,308	7,933	-	268,320	3,432,649	296,828	55	1,655	2,256,411	-	7,861,159
91000	Total Operating - Administrative	10,348,789	979,576	-	1,923,334	3,724,116	1,272,980	2,898	1,655	9,771,936	(5,199,432)	22,825,452
92000	Asset Management Fee	1,324,440	-	-	-	-	-	-	-	-	-	-
92400	Tenant Services - Other	13,547	-	-	3,692	656	-	-	-	-	(1,324,440)	-
92500	Total Tenant Services	1,337,987	-	-	3,692	656	-	-	-	375	(1,324,440)	18,270
93100	Water	2,334,279	-	-	689	290	278,662	-	-	3,314	-	2,617,234
93200	Electricity	3,629,053	-	-	28,086	12,189	1,419,048	-	-	125,656	-	5,214,032
93300	Gas	2,114,273	-	-	-	-	154,532	-	-	-	-	2,268,805
93400	Fuel	-	-	-	-	-	-	-	-	-	-	1,527
93600	Sewer	3,555,396	-	-	1,710	763	666,574	-	-	9,522	-	4,233,965
93800	Other Utilities Expense	548	-	-	-	-	-	-	-	-	-	548
93000	Total Utilities	11,633,549	-	-	30,485	13,242	2,518,816	-	-	140,019	-	14,336,111
94100	Ordinary Maintenance and Operations - Labor	3,728,020	-	-	-	-	398,407	-	-	1,298,271	-	5,424,698
94200	Ordinary Maintenance and Operations - Materials and Other	2,282,082	-	-	712	58	186,135	-	-	161,747	-	2,630,734
94300	Ordinary Maintenance and Operations Contracts	6,449,420	-	-	203,301	(113,008)	1,436,689	-	-	383,730	(1,059,993)	7,300,139
94500	Employee Benefit Contributions - Ordinary Maintenance	1,554,190	-	-	-	-	186,180	-	-	536,822	-	2,257,192
94000	Total Maintenance	14,013,712	-	-	204,013	(112,950)	2,187,411	-	-	2,380,570	(1,059,993)	17,612,763
95200	Protective Services - Other Contract Costs	2,181,792	-	-	584	12,311	110,587	-	-	21,537	-	2,328,811
95300	Protective Services - Other	6,901	-	-	60	-	1,029	-	-	58	-	8,048
95000	Total Protective Services	2,188,693	-	-	644	12,311	111,616	-	-	21,595	-	2,334,859

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See accompanying independent auditor's report.

Hawaii Public Housing Authority
 Financial Data Schedule
 Entity-Wide Balance Sheet and Revenue and Expense Summary
 June 30, 2013

Line Item No.	Description	Federal	Section 8	CDBG Economic	Section 8	State/Local	Business Activities	Internal Service	Fiduciary	Central Office	Elimination	Total
		Low Rent	Housing Assistance	Development	Housing Choice							
		Program	Payments	Initiative	Voucher Program					Cost Center		
96110	Property Insurance	478,818	-	-	527	333	143,298	-	-	6,693	-	629,668
96120	Liability Insurance	81,249	-	-	2,734	594	2,733	-	-	12,199	-	99,509
96130	Workmen's Compensation	25,507	-	-	3,665	687	7,420	-	-	(102,916)	-	(65,637)
96140	All Other Insurance	49,877	-	-	11,315	1,680	50,829	-	-	23,342	-	137,043
96100	Total Insurance Premiums	635,451	-	-	18,241	3,294	204,280	-	-	(60,682)	-	800,584
96200	Other General Expenses	1,377,143	16,901	-	69,492	13,096	7,784	-	-	93,834	-	1,578,250
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	36,210
96400	Bad debt - Tenant Rents	453,189	-	-	-	-	-	-	-	-	-	359,460
96800	Severance Expense	26,815	-	-	10,551	(4,033)	3,925	-	-	15,299	-	52,557
96000	Total Other General Expenses	1,893,357	16,901	-	80,043	9,063	(82,020)	-	-	109,133	-	2,026,477
96900	Total Operating Expenses	42,051,538	996,477	-	2,260,452	3,649,732	6,213,083	2,898	1,655	12,362,946	(7,584,265)	59,954,516
97000	Excess of Operating Revenue over Operating Expenses	6,677,750	24,555,449	-	23,098,254	92,779,871	85,765	16,855	(1,655)	(2,019,552)	-	145,192,737
97300	Housing Assistance Payments	8,607	24,380,061	-	24,119,012	523,786	-	-	-	-	-	49,031,466
97350	HAP Portability-in	-	-	-	80,496	-	-	-	-	-	-	80,496
97400	Depreciation Expense	12,715,747	-	-	-	242,216	2,782,736	14,233	-	15,501	-	15,770,433
	Subtotal	12,724,354	24,380,061	-	24,199,508	766,002	2,782,736	14,233	-	15,501	-	64,882,395
90000	Total Expenses	54,775,892	25,376,538	-	26,459,960	4,415,734	8,995,819	17,131	1,655	12,378,447	(7,584,265)	124,836,911
10010	Operating Transfer In	6,160,826	-	-	-	25,000	1,976,585	-	-	2,655,137	(10,817,548)	-
10020	Operating transfer Out	(2,932,828)	(177,774)	-	-	(6,657,164)	-	-	-	(1,049,782)	10,817,548	-
10100	Total Other financing Sources (Uses)	3,227,998	(177,774)	-	-	(6,632,164)	1,976,585	-	-	1,605,355	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(2,818,606)	(2,386)	-	(1,101,254)	85,381,705	(729,366)	2,622	(1,655)	(429,698)	-	80,310,342
11030	Beginning Equity	244,994,685	1,849,816	-	4,951,841	21,927,482	73,078,726	1,353,550	-	23,872,242	-	372,029,997
11040	Prior Period Adjustments, Equity Transfers and Corrections of Errors	6,833,235	-	-	-	(7,884,881)	850,596	-	1,655	77,717	-	(123,333)
	Ending Equity	249,009,314	1,847,430	-	3,850,587	99,424,306	73,208,936	1,356,172	-	23,520,261	-	452,217,006

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See accompanying independent auditor's report

Hawaii Public Housing Authority
 Financial Data Schedule
 Project Balance Sheet and Revenue and Expense Summary
 June 30, 2013

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	AMPS2 Oper
111	Cash - Unrestricted	785,208	2,500,744	3,802,915	2,378,669	3,366,291	3,580,444	414,366	2,567,595	-	388,601	223,503	2,048,782	2,012,057	151,875	650,391	1,610,454	
113	Cash - Other Restricted	4,387	-	-	-	503	-	-	-	-	-	-	-	783,208	-	-	15,508	
114	Cash - Tenant Security Deposits	53,523	54,767	54,108	53,338	78,403	81,784	36,081	37,243	28,722	34,011	28,369	34,241	33,553	14,026	18,303	14,545	
100	Total Cash	843,118	2,555,511	3,857,023	2,432,007	3,445,197	3,662,228	450,447	2,604,838	28,722	422,612	251,872	2,083,023	2,828,818	165,901	668,694	1,640,507	
122	Accounts Receivable - HUD Other Projects	130,780	41,646	88,189	25,313	219,153	40,596	31,643	135,712	20,924	25,966	26,170	282,521	15,241	12,561	45,746	1,168,795	
125	Accounts Receivable - Miscellaneous	2,618	11,021	-	-	1,887	513	283	2,785	-	761,997	337	-	-	3,838	-	-	
126	Accounts Receivable - Tenants	99,089	61,253	31,603	47,201	44,706	42,171	11,896	66,778	58,550	24,106	20,105	25,263	11,742	21,144	13,839	1,902	
126.1	Allowance for Doubtful Accounts - Tenants	(32,537)	(6,946)	(15,263)	(23,740)	(23,525)	(24,500)	(1,004)	(31,435)	(35,223)	(2,380)	(5,541)	(4,031)	(959)	(10,135)	(10,300)	(250)	
120	Total Receivables, Net of Allowances for Doubtful Accounts	199,950	106,974	104,529	48,774	242,221	58,780	42,818	173,840	44,251	809,689	41,071	303,753	26,024	27,408	49,285	1,170,447	
143	Inventories	29,747	79,820	75,871	52,153	89,902	70,931	20,872	73,180	8,845	94,202	104,685	61,312	103,452	-	37,510	12,071	
143.1	Allowance for Obsolete Inventories	(2,704)	(7,256)	(6,897)	(4,741)	(8,173)	(6,448)	(1,897)	(6,653)	(804)	(8,564)	(9,517)	(5,574)	(9,405)	-	(3,410)	(2,414)	
144	Inter Program Due From	221,644	186,841	536,133	230,024	201,968	283,838	187,843	157,008	91,526	346,625	10,677	118,077	89,269	46,454	78,648	63,280	
	Total Other Current Assets	248,687	259,205	605,107	277,436	283,697	348,321	206,818	223,535	99,567	432,263	105,845	173,815	183,316	46,454	112,748	72,937	
150	Total Current Assets	1,291,756	2,921,690	4,566,659	2,758,217	3,971,115	4,069,329	700,083	3,002,213	172,540	1,664,564	388,788	2,560,591	3,038,158	239,763	830,727	2,883,891	
161	Land	2,534,474	550,848	319,507	297,702	1,953,866	1,707,058	548,446	512,658	419,374	955,313	815,673	125,890	192,885	1,639,118	313,138		
162	Buildings	34,320,542	48,081,829	21,366,717	37,880,856	29,028,575	28,284,131	59,206,140	28,821,656	26,296,902	10,612,301	33,052,574	32,592,348	29,242,371	14,902,294	16,565,180	3,936,406	
163	Furniture, Equipment & Machinery - Dwellings	72,608	105,792	1,148,940	338,439	234,607	262,283	276,575	154,490	116,727	42,624	55,005	159,476	103,545	89,639	34,187	71,522	
164	Furniture, Equipment & Machinery - Administration	397,847	157,071	187,717	98,483	91,492	131,120	232,946	164,450	79,008	69,064	19,048	40,821	13,654	7,734	5,989	81,056	
165	Accumulated Depreciation	(29,094,961)	(24,295,223)	(16,496,582)	(21,048,376)	(18,830,617)	(16,752,070)	(24,753,803)	(20,067,175)	(13,389,405)	(10,261,810)	(15,378,284)	(20,365,014)	(22,374,693)	(5,971,179)	(11,569,257)	(3,598,424)	
167	Construction in Progress	3,926,877	5,228,950	19,273	7,581	4,878,667	922,848	200,259	355,493	463,845	117,954	2,772	359,418	-	278,764	215,892	7,405,973	
160	Total Capital Assets, Net of Accumulated Depreciation	12,157,387	29,829,267	6,433,744	17,595,490	15,701,426	14,802,178	36,869,175	9,977,360	14,079,735	9,130,492	18,706,448	13,602,722	7,110,767	9,500,137	6,891,109	8,209,671	
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	8,130,885	-	-	-	-	-	-	
	Total Other Non-Current Assets	-	8,130,885	-	-	-	-	-	-									
180	Total Non-Current Assets	12,157,387	29,829,267	6,433,744	17,595,490	15,701,426	14,802,178	36,869,175	9,977,360	14,079,735	9,130,492	18,706,448	13,602,722	7,110,767	9,500,137	6,891,109	8,209,671	
190	Total Assets	13,449,142	32,750,957	11,000,403	20,353,707	19,672,541	18,871,507	37,569,258	12,979,573	14,252,275	10,795,056	19,105,236	16,163,313	10,148,925	9,739,900	7,721,836	11,093,562	
311	Bank Overdraft	-	-	-	-	-	-	-	-	49,025	-	-	-	-	-	-	-	
312	Accounts Payable <= 90 Days	65,592	119,200	92,995	75,478	42,621	75,037	49,584	104,838	17,784	70,428	88,204	294,639	55,058	40,500	48,464	696,400	
321	Accrued Wage/Payroll Taxes Payable	49,442	32,312	26,485	27,566	45,226	46,538	34,105	28,818	21,611	-	-	-	-	-	-	-	
322	Accrued Compensated Absences - Current Portion	49,343	41,062	28,176	29,325	51,200	55,722	27,083	24,329	22,187	-	-	-	-	-	-	-	
333	Accounts Payable - Other Government	-	-	-	-	-	-	22,124	10,211	-	-	-	-	-	-	-	-	
341	Tenant Security Deposits	53,523	54,767	54,108	53,338	78,403	81,784	36,081	37,243	28,722	34,011	28,369	34,241	33,553	14,026	18,303	14,545	
342	Deferred Revenues	13,563	79,891	9,912	31,882	24,991	8,865	12,432	28,772	45,714	104,702	12,579	34,622	12,110	3,844	7,305	11,673	
345	Other Current Liabilities	102,265	111,154	80,443	3,431	159,163	1,918	5,012	20,082	1,673	18,253	12,933	41,661	3,069	1,341	28,848	173,657	
346	Accrued Liabilities - Other	179,386	40,867	202,483	27,869	77,189	27,752	31,520	48,772	42,206	35,553	44,291	34,737	36,196	14,530	44,051	45,492	
347	Inter Program - Due To	1,035,126	910,092	757,517	824,082	1,187,974	1,240,113	626,860	943,206	454,148	1,270,809	107,739	157,419	167,482	308,720	111,102	497,569	
310	Total Current Liabilities	1,548,240	1,289,345	1,232,119	1,072,971	1,666,767	1,537,129	844,801	1,246,271	683,070	1,533,556	294,115	597,319	307,468	386,838	258,073	1,439,336	
354	Accrued Compensated Absences - Non Current	108,151	90,000	61,756	64,277	112,225	122,136	59,360	53,324	48,630	-	-	-	-	-	-	-	
350	Total Non-Current Liabilities	108,151	90,000	61,756	64,277	112,225	122,136	59,360	53,324	48,630	-	-	-	-	-	-	-	
300	Total Liabilities	1,656,391	1,379,345	1,293,875	1,137,248	1,778,992	1,659,265	904,161	1,299,595	731,700	1,533,556	294,115	597,319	307,468	386,838	258,073	1,439,336	
508.1	Invested in Capital Assets, Net of Related Debt	12,157,387	29,829,267	6,433,744	17,595,490	15,701,426	14,802,178	36,869,175	9,977,360	14,079,735	999,507	18,706,448	13,602,722	7,110,767	9,500,137	6,891,109	8,209,671	
512.1	Unrestricted Net Assets	(364,636)	1,542,345	3,272,784	1,620,969	2,192,123	2,409,464	(204,078)	1,702,618	(559,160)	8,261,993	104,673	1,963,272	2,730,690	(147,075)	572,854	1,444,555	
513	Total Equity/Net Assets	11,792,751	31,371,612	9,706,528	19,216,459	17,893,549	17,211,642	36,665,097	11,679,978	13,520,575	9,261,500	18,811,121	15,565,994	9,841,457	9,353,062	7,463,763	9,654,226	
600	Total Liabilities and Equity/Net Assets	13,449,142	32,750,957	11,000,403	20,353,707	19,672,541	18,871,507	37,569,258	12,979,573	14,252,275	10,795,056	19,105,236	16,163,313	10,148,925	9,739,900	7,721,836	11,093,562	

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See accompanying independent auditor's report

Hawaii Public Housing Authority
 Financial Data Schedule
 Project Balance Sheet and Revenue and Expense Summary
 June 30, 2013

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	AMPS2 Oper.
70300	Net Tenant Rental Revenue	1,516,569	985,443	1,201,774	1,015,251	1,599,676	1,766,847	652,958	839,055	538,697	761,593	390,170	577,092	646,166	213,214	387,646	239,448	
70400	Tenant Revenue - Other	16,077	13,247	6,755	3,805	4,520	5,305	5,672	486	1,457	7,815	6,563	3,689	4,470	832	55	937	
70500	Total Tenant Revenue	1,532,646	998,690	1,208,529	1,019,056	1,604,196	1,772,152	658,630	839,542	540,154	769,408	396,733	580,781	650,636	214,046	387,701	240,385	
70600	HUD PHA Operating Grants	1,855,354	1,887,691	2,057,739	1,673,944	2,557,626	2,506,925	1,080,006	1,276,747	860,276	2,313,816	975,883	1,356,340	952,394	438,077	647,771	752,397	1,101
70610	Capital Grants	5,376	16,482	224,463	149	1,989,894	996	44,996	220,224	168,790	2,642,293	72,841	682,382	-	438,022	445,796	3,813,155	
70700	Total Fee Revenue	1,860,730	1,904,173	2,282,202	1,674,093	4,547,520	2,507,921	1,125,002	1,496,971	1,049,066	4,956,109	1,048,724	2,038,702	952,394	874,099	1,093,567	4,565,552	1,101
71100	Investment Income - Unrestricted	771	295	2,639	1,668	1,070	470	134	279	50	110	598	235	857	77	356	170	
71500	Other Revenue	6,586	539	27	3,805	49,728	51,534	14,119	10,015	5,272	-	29,357	22,079	13,400	10,355	11,226	-	
	Total Other Revenue	7,357	834	2,666	5,473	50,798	52,004	14,253	10,294	5,322	110	29,955	22,314	14,257	10,432	11,582	170	
70000	Total Revenue	3,400,733	2,903,697	3,493,397	2,698,622	6,202,514	4,332,077	1,797,865	2,346,807	1,594,542	5,725,627	1,475,412	2,641,797	1,617,287	1,098,577	1,492,850	4,806,107	1,101
91100	Administrative Salaries	490,663	354,422	257,962	268,877	489,372	504,445	417,959	256,210	245,714	-	-	-	-	-	-	-	
91200	Auditing Fees	8,604	8,673	8,611	8,673	10,120	10,149	8,281	8,315	7,453	7,302	7,494	7,894	7,659	6,812	7,136	8,915	
91300	Management Fee	335,853	333,629	342,773	353,161	547,302	560,439	298,280	282,017	171,099	103,179	117,494	154,572	151,951	47,367	71,680	63,803	
91310	Book-keeping Fee	30,743	30,353	31,763	32,791	50,851	52,194	26,177	25,473	15,436	14,805	17,626	20,198	19,659	8,581	10,981	8,625	
91400	Advertising and Marketing	80	-	-	-	-	-	-	359	-	-	-	-	-	-	-	-	
91500	Employee Benefit Contributions - Administration	77,585	59,950	30,778	32,033	76,510	92,037	91,958	41,423	51,275	-	-	-	-	-	-	-	
91600	Office Expenses	17,380	30,223	23,969	9,172	35,200	26,901	25,925	43,579	26,889	11,150	31,351	16,144	13,884	20,251	27,424	10,501	
91700	Legal Expense	199	637	57,329	-	204	987	854	-	2,954	-	-	914	1,071	-	-	47	
91800	Travel	-	-	204	213	-	-	3,892	3,544	4,388	-	1,253	-	-	2,480	-	-	
91900	Other	63,350	241,509	47,239	43,527	69,562	79,415	13,432	6,112	(224)	150,205	144,078	187,168	176,277	130,227	126,654	118,777	
91000	Total Operating - Administrative	1,024,457	1,059,396	800,628	748,447	1,279,121	1,326,567	886,558	667,032	522,030	289,595	319,296	386,890	370,501	215,718	243,885	208,668	
92000	Asset Management Fee	87,120	134,280	87,360	134,280	209,880	211,320	-	115,580	-	-	48,480	93,600	81,360	24,720	54,000	42,480	
92400	Tenant Services - Other	3,642	4,019	257	524	519	425	1,700	850	-	262	-	-	463	-	262	524	
92500	Total Tenant Services	90,762	138,299	87,617	134,804	210,499	211,745	1,700	116,410	-	262	48,480	93,600	81,823	24,720	54,262	43,004	
93100	Water	192,996	217,955	244,340	169,177	147,825	130,817	123,962	245,093	97,290	182,151	119,090	127,826	140,987	44,367	73,290	77,103	
93200	Electricity	984,154	96,386	98,219	43,853	553,522	569,553	138,804	173,973	327,062	117,816	163,773	60,363	43,000	49,236	184,998	24,541	
93300	Gas	27,606	-	532,280	175,173	154,555	298,945	48,866	199,051	62,959	275,171	121,552	52,622	31,165	42,446	69,780	24,102	
93600	Sewer	353,307	299,791	364,896	329,177	470,114	418,145	57,936	118,516	125,041	221,559	36,750	255,768	244,420	28,402	100,659	130,913	
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	548	-	-	-	-	-	-	-	
93000	Total Utilities	1,558,063	614,132	1,239,737	717,180	1,326,016	1,415,460	369,568	736,633	612,900	796,697	441,165	496,579	459,582	164,451	428,727	256,659	
94100	Ordinary Maintenance and Operations - Labor	573,986	423,109	376,549	391,919	553,012	584,685	317,643	300,002	207,115	-	-	-	-	-	-	-	
94200	Ordinary Maintenance and Operations - Materials and Other	196,085	275,152	373,602	253,564	119,700	92,743	130,578	114,988	77,456	108,084	100,143	165,552	89,969	43,580	99,533	41,353	
94300	Ordinary Maintenance and Operations Contracts	691,849	461,482	379,306	387,618	444,114	260,880	160,630	118,768	129,420	579,979	649,662	596,365	528,707	297,711	483,263	298,666	
94500	Employee Benefit Contributions - Ordinary Maintenance	232,397	180,919	155,685	162,039	231,865	241,245	124,757	127,770	97,513	-	-	-	-	-	-	-	
94000	Total Maintenance	1,694,317	1,340,662	1,285,142	1,195,140	1,348,691	1,179,553	733,608	661,528	511,504	688,063	749,805	761,917	618,676	341,291	562,796	341,019	
95200	Protective Services - Other Contract Costs	250,138	405,524	725,699	119,513	89,902	218,866	-	-	-	371,210	-	-	-	-	-	940	
95300	Protective Services - Other	-	398	-	-	-	2,727	902	-	-	-	-	-	-	-	-	-	
95000	Total Protective Services	250,138	405,922	725,699	119,513	89,902	221,593	902	-	-	374,084	-	-	-	-	-	940	
96110	Property Insurance	34,810	35,769	31,996	35,769	55,907	56,290	37,973	30,782	18,795	71,730	9,684	2,063	21,672	9,878	14,385	11,315	
96120	Liability Insurance	9,558	1,997	1,865	1,941	2,504	2,722	1,723	1,948	1,284	1,601	7,380	34,618	3,630	(2,541)	9,777	1,242	
96130	Workmen's Compensation	4,592	(13,167)	3,670	3,820	(16,013)	(17,689)	(11,653)	(9,408)	(9,473)	38,413	-	30,321	13,266	-	-	9,028	
96140	All Other Insurance	2,012	3,564	1,930	1,489	967	929	3,595	13,218	927	3,287	-	18,269	2,565	155	(1,529)	499	
96100	Total Insurance Premiums	50,972	28,163	39,461	43,019	43,365	42,252	31,438	36,540	11,533	115,031	17,064	83,271	41,133	7,492	22,633	22,084	
96200	Other General Expenses	(1,592)	15,748	200,139	88,205	(5,942)	(583)	(3,879)	(3,272)	(1,998)	(1,774)	(2,059)	(2,650)	(2,304)	(1,050)	-	(1,203)	1,101
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	22,124	10,210	-	-	-	-	-	-	-	-	
96400	Bad debt - Tenant Rents	32,139	44,495	33,101	53,182	27,452	7,750	19,033	17,632	37,382	110,960	12,358	19,325	15,301	7,241	(2,396)	18,234	
98800	Severance Expense	-	6,456	10,630	11,064	(15,172)	2,609	9,580	2,242	(594)	-	-	-	-	-	-	-	
96000	Total Other General Expenses	30,547	66,699	243,870	152,451	6,338	9,776	46,858	26,812	34,790	109,186	10,299	16,675	12,987	10,067	(2,396)	17,031	1,101
96900	Total Operating Expenses	4,699,256	3,653,273	4,422,154	3,110,554	4,303,932	4,406,946	2,070,632	2,244,955	1,692,757	2,372,918	1,586,109	1,838,932	1,584,712	763,739	1,309,907	889,405	1,101

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See accompanying independent auditor's report.

Hawaii Public Housing Authority
 Financial Data Schedule
 Project Balance Sheet and Revenue and Expense Summary
 June 30, 2013

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	AMP-52 Oper
97000	Excess of Operating Revenue over Operating Expenses	(1,298,523)	(749,576)	(928,757)	(411,932)	1,898,582	(74,869)	(272,747)	101,852	(98,215)	3,352,709	(110,697)	802,865	32,575	334,838	182,943	3,916,702	
97300	Housing Assistance Payments	5,413	-	-	233	350	-	-	-	-	-	-	-	-	-	-	-	2,811
97400	Depreciation Expense	1,200,688	1,935,805	243,719	743,338	595,095	842,698	2,088,624	496,127	673,315	20,279	897,371	1,044,659	772,558	554,249	589,868	17,354	
	Subtotal	1,206,101	1,935,805	243,719	743,571	595,445	842,698	2,088,624	496,127	673,315	20,279	897,371	1,044,659	772,558	554,249	589,868	18,965	
90000	Total Expenses	5,905,357	5,589,078	4,665,873	3,854,125	4,899,377	5,249,644	4,159,256	2,741,082	2,366,072	2,393,197	2,483,480	2,883,591	2,357,270	1,317,988	1,899,775	909,370	1,10
10010	Operating Transfer In	725,259	625,248	881,541	274,648	267,071	308,514	78,238	71,491	34,016	2,894,618	111	80,821	125	1,559	74,395	43,171	
10020	Operating transfer Out	-	-	(113,866)	-	(96,835)	(62,986)	(44,622)	-	(17,008)	(2,597,511)	-	-	-	-	-	-	
10100	Total Other financing Sources (Uses)	725,259	625,248	767,675	274,648	170,236	245,528	33,616	71,491	17,008	97,107	111	80,821	125	1,559	74,395	43,171	
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(1,779,365)	(2,060,133)	(404,801)	(880,855)	1,473,373	(672,039)	(2,327,755)	(322,784)	(754,522)	3,429,537	(1,007,957)	(160,973)	(739,858)	(217,852)	(332,530)	3,939,908	
11030	Beginning Equity	-	32,170,186	10,868,832	20,614,565	14,037,450	17,225,419	38,254,994	13,067,287	14,012,173	5,212,375	20,210,491	15,605,408	10,574,272	9,979,250	7,183,764	4,386,167	
11040	Prior Period Adjustments, Equity Transfers and Corrections of Errors	1,980,064	1,261,559	(757,503)	(517,251)	2,382,726	658,262	737,858	(1,064,525)	262,924	619,588	(391,413)	121,559	7,043	(408,336)	612,529	1,328,151	
	Ending Equity	200,699	31,371,612	9,706,528	19,216,459	17,893,549	17,211,642	36,665,097	11,679,978	13,520,575	9,261,500	18,811,121	15,565,994	9,841,457	9,353,062	7,463,763	9,654,226	

See accompanying independent auditor's report.

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Hawaii Public Housing Authority
 Financial Data Schedule
 GASBS NO. 54 Supplemental Reporting Schedule
 June 30, 2013

FDS Line Item	FDS Line Item Name	CFDA No. 14.871 Housing Choice Voucher Program	CFDA No. 14.195 Section 8 Contract Administration	State/Local	Total
513	Total Equity as Reported in FDS	<u>\$ 3,850,587</u>	<u>\$ 1,847,430</u>	<u>\$ 99,424,306</u>	<u>\$ 105,122,323</u>
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ 4,541,383	\$ 4,541,383
509.3	Restricted Fund Balance	3,850,587	-	-	3,850,587
510.3	Committed Fund Balance	-	-	20,367,829	20,367,829
511.3	Assigned Fund Balance	-	1,847,430	74,515,094	76,362,524
512.3	Unassigned Fund Balance	-	-	-	-
	Total Equity as Calculated	<u>\$ 3,850,587</u>	<u>\$ 1,847,430</u>	<u>\$ 99,424,306</u>	<u>\$ 105,122,323</u>

See accompanying independent auditor's report.

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PART II

**INDEPENDENT AUDITOR'S 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**

**Independent Auditor's 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***

Board of Directors
Hawaii Public Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (the HPHA), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the HPHA's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

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

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

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

control, described in the accompany *Schedule of Findings and Questioned Costs*, items 2013-01 through 2013-02, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the HPHA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D of the Hawaii Revised Statutes) and procurement rules, directives and circulars, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instances of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 2013-05.

The HPHA's Response to Findings

The HPHA's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The HPHA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

KMH LLP

KMH LLP

Honolulu, Hawaii
March 24, 2014

PART III

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL
CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED
BY OMB CIRCULAR A-133**

**Independent Auditor's Report on Compliance for Each Major
Federal Program; Report on Internal Control Over Compliance;
And Report on Schedule of Expenditures of Federal Awards Required
By OMB Circular A-133**

Board of Directors
Hawaii Public Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the Hawaii Public Housing Authority's (the HPHA) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the HPHA's major federal programs for the year ended June 30, 2013. The HPHA's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the HPHA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the HPHA's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Basis for Qualified Opinion on Public and Indian Housing

As described in item 2013-05 in the accompanying *Schedule of Findings and Questioned Costs*, the HPHA did not comply with requirements regarding the following:

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2013-05	14.850	Public and Indian Housing	Eligibility

Compliance with such requirements is necessary, in our opinion, for the HPHA to comply with requirements applicable to those programs.

Qualified Opinion on Public and Indian Housing

In our opinion, except for the noncompliance described in Basis for Qualified Opinion paragraph, the HPHA complied, in all material respects, with the types compliance requirements referred to above that could have a direct and material effect on Public and Indian Housing for the year ended June 30, 2013.

Unmodified on Section 8 Housing Choice Vouchers, Public Housing Capital Fund and Section 8 Housing Assistance Payments Program

In our opinion, the HPHA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Section 8 Housing Choice Vouchers, Public Housing Capital Fund and Section 8 Assistance Payments Program for the year ended June 30, 2013.

Other Matters

The HPHA’s response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The HPHA’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on this response.

Report on Internal Control Over Compliance

Management of the HPHA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the HPHA’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the HPHA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as items 2013-03 through 2013-06 to be material weaknesses.

The HPHA's responses to the internal control over compliance findings identified in our audit are described in the accompany *Schedule of Findings and Questioned Costs*. The HPHA's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the HPHA as of and for the year ended June 30, 2013, and have issued our report thereon dated March 24, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB A-133 and is not a required part of the financial

statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 24, 2014

PART IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes None reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
14.850	Public and Indian Housing
14.195	Section 8 Assistance Payments Programs

Dollar threshold used to distinguish between type A and type B programs: \$2,579,733 (3% of federal award expended)

Auditee qualified as low-risk auditee? Yes No

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings

Finding No.: 2013-01 Financial Management Competencies – Significant Deficiency

Criteria: Effective internal control over financial reporting requires sufficient accounting and financial reporting expertise to ensure development of reliable financial statements and monitoring. Ongoing monitoring occurs in the course of the operations and ensures that internal controls continue to operate effectively. This process involves assessment by appropriate personnel of the design and operations of controls on a suitably timely basis, and the taking of necessary actions. Internal control is affected by people and is not merely policy manuals, procedures and forms.

Condition & cause: Activities that serve to monitor the effectiveness of internal control in the ordinary course of operations are manifold. They include regular management and supervisory activities, comparisons, reconciliations and other routine actions.

To assist the Fiscal Management Office (FMO) with the understanding of accounting principles and financial reporting standards at the senior level, management hired a consultant to provide appropriate supervision, to assist in the review and approval of transactions, and with the year-end reporting. As a result, the year-end accounting and reporting was greatly improved from previous periods.

However, the ultimate responsibility for the agency's accounting and financial reporting functions still resides with management. In one instance, we noted that the consultants had implemented a change in how the "interfund" balances would be reported. In our discussion with the consultant and management we informed them that such a change would not have been in compliance with the reporting requirements of Government Accounting Standards. Consequently, the various interfunds were not reconciled until late into the audit. In another instance, we noted that operating subsidies were overstated by approximately \$1.8 million. In our discussion with management, we noted that the entire budgeted amount, and not the prorated amount, of operating subsidies were improperly recorded under the Federal Low Rent Program. This resulted in an audit adjustment.

Context: The hiring of a consultant improved the year-end reporting process, however during the year, the FMO needed to provide the appropriate supervision and review and approval of monthly transactions in accordance with the application of generally accepted governmental accounting principles, HUD reporting requirements, and the Real Estate Assessment Center (REAC) electronic submission filing requirements.

Questioned costs: None

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings (continued)

Finding No.: 2013-01 Financial Management Competencies – Significant Deficiency (continued)

Effect: The internal control over financial reporting, which is designed to provide reasonable assurance to the HPHA's management and board of directors regarding the preparation of timely and reliable financial reporting will be compromised.

Failure to provide adequate oversight and supervision and the ineffectiveness or absence of key accounting and internal control functions can lead to misstatement of financial results and noncompliance.

Recommendation: We recommend that management continue its improvements and efforts to monitor and evaluate the HPHA's internal controls that address the higher priority risks and those most critical to reducing a given risk, and obtain the appropriate resources to make the correction to all internal control deficiencies that can affect the HPHA's attaining its financial reporting objectives.

In addition to certain HUD reporting requirements, including project based accounting and REAC reporting, and the fact that several of its major funds are enterprise funds that require full accrual basis of accounting, HPHA's FMO requires a certain level expertise in applying governmental accounting standards to properly carry out its accounting and report functions. HPHA should assess the level of skills required to properly staff the FMO to meet these accounting and reporting requirements. In the meantime, HPHA should provide training to its key senior employees involved in financial reporting processes, including but not limited to government accounting and reporting standards, HUD's project based accounting, and the REAC electronic submission filing requirements.

PHA Reply (Corrective Action Plan):

As noted in the finding above, the HPHA already started and will continue to initiate specific processes towards improving its monitoring activities and towards correcting internal control deficiencies in certain funds and is working towards correcting the remaining issues.

Currently, the HPHA has identified these problems and key senior staff has started to receive training to ensure these new controls are adopted and enforced. In addition, the HPHA has initiated hiring much needed talent to be able to maintain high accounting standards. The goal is to produce timely accurate reports in compliance with applicable federal regulations and generally accepted accounting procedures. In January 2014, the HPHA hired a well qualified Chief Financial Management Advisor after a three year vacancy.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings (continued)

Finding No.: 2013-01 Financial Management Competencies – Significant Deficiency (continued)

Additionally, the Chief Financial Management Advisor and the Fiscal Officer are reviewing operational procedures and implementing new policies to prevent this kind of situation from recurring. In October 2013, and February and April 2014, HUD's technical consultants provided training on HUD budgeting, accounting and financial reporting requirements. The HPHA intends to continue to pursue training related to specific areas of concern to improve efficiency and accuracy of work as well as hire the anticipated newly created CPA positions.

Contact Person: Chong Gu, Chief Financial Management Advisor, 808-832-4485

Target Date: August 2014

Finding No.: 2013-02 Non-reconciliations of General Ledger Accounts – Significant Deficiency

Criteria: Sound internal control procedures and Federal regulations require that the books and records of account should be maintained on a regular monthly basis for all programs. Such records should be reconciled to supporting documents to ensure accurate and reliable reporting.

Condition, cause & context: During the 2013 audit, we did note continued improvements in the performance of timely reconciliations for a number of funds. With the exception of the fixed assets for Federal Low Rent Program Fund and Housing for Elders Revolving Fund, and interfund balances (capital contributions, operating transfers, receivables and payables) for various funds, the fund accountants were able to prepare and reconcile many of the other funds' accounts. Unfortunately, the accounting of fixed assets and interfund balances continues to have challenges in the accounting and reporting of transactions due to the lack of timely account reconciliations. Consequently, adjustments were required to correct such balances, including transfer of approximately \$5.7 million from construction-in-progress (CIP) to fixed assets and several adjustments to properly report transfers and balances between the funds.

Due to the nature and high volume of transactions for the funds noted in the preceding paragraph, the development of reliable financial statements may be compromised. Financial statement preparation must involve processes to ensure that the information presented is accurate, complete and properly recorded in accordance with Government Accounting Standards.

Questioned costs: None

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section II – Financial Statement Findings (continued)

Effect: Failure to adequately record all related financial activities on a timely basis can lead to misstatement of financial results and noncompliance.

Recommendation: Month-end “closing” procedures should be adhered to for the agency’s fixed assets and interfund balances.

PHA Reply (Corrective Action Plan): Initially, due to the proper staffing levels, the HPHA procured a consultant to assist in these difficult tasks. Unfortunately, due to the complexity of our agency’s accounting, the procured CPAs made errors as well. Therefore, the HPHA established a task force which has been assigned to focus on these two key areas of deficiencies (CIP, Fixed Assets & Interfunding). The HPHA has started the process to review all accounts, policies & procedures and other items to insure that all transactions are correctly recorded and adequately monitored. Any policies or procedures that need to be revised or updated will be incorporated into the HPHA’s fiscal procedures manual.

In addition, journal vouchers, related accruals and month-end closing procedures will be recorded on a timely basis to prevent an occurrence of these problems in the future.

Contact Person: Chong Gu, Chief Financial Management Advisor, 808-832-4485

Target Date: August 2014

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

Section 8 Housing Choice Vouchers CFDA No. 14.871

Finding No.: 2013-03 Eligibility, Reporting, Special Tests and Provisions (Reasonable Rent and Housing Assistance Payments) – Material Weakness

Criteria: 24 CFR sections 5.230, 5.609 and 982.516 require the HPHA to gather information on income and assets, family size, housing conditions for both new and continuing participants on an annual basis. Based on the information gathered, the HPHA housing specialists assess whether or not applicants are eligible to participate in the program based on Federal eligibility guidelines.

24 CFR section 908.10 requires the HPHA to electronically submit the HUD-50058 Family Report, including the Family Self Sufficiency Addendum. Certain key line items contain information deemed critical by HUD.

24 CFR section 982.507 requires the HPHA to determine that the initial rent to owner is a reasonable rent in accordance with its administrative plan and maintain respective documentation.

24 CFR section 982.505(b) requires the HPHA to pay a monthly housing assistance payment to the landlord on behalf of the family that is calculated in accordance with Federal guidelines.

To ensure the guidelines above are complied with, the HPHA performs a quality review of all new placements and 10% of all annual re-examinations. The monthly reviews are performed by the Section 8 Supervisors and are submitted to the Section 8 Chief for analysis and monitoring.

Condition, cause, and context: During our audit and in our discussions with management, we noted that not all of the required supervisory quality control reviews were completed during the year.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Section 8 Housing Choice Vouchers CFDA No. 14.871 (continued)

Finding No.: 2013-03 Eligibility, Reporting, Special Tests and Provisions (Reasonable Rent and Housing Assistance Payments) – Material Weakness (continued)

During our testing of participant files, we noted the following:

- 1) For 1 out of 80 tenant files tested, we noted that the tenant file could not be located
- 2) For 3 out of 80 tenant files tested, we noted that a declaration of citizenship or privacy form was missing and/or the Family Annual/Update Report form, used to facilitate the annual re-examination was not signed by the tenant.
- 3) For 1 out of 80 tenant files tested, we noted that the incorrect date of birth was indicated on the HUD 50058 form.
- 4) For 1 out of 80 tenant files tested, we noted that the adjusted gross income was incorrectly calculated.
- 5) For 6 out of 80 tenant files tested, we noted that the Family Annual/Update Report form was not signed by the Housing Specialist.

Effect: Failure to properly monitor eligibility determination, HUD 50058 reporting requirements, reasonable rent and housing assistance payments can lead to non-compliance with program requirements and potential disallowed costs.

Questioned costs: None

Recommendation: We recommend that the HPHA enforce proper implementation of its eligibility policy and procedures and complete regular quality control review of participant files by program management.

PHA Reply (Corrective Action Plan): One full time staff will be hired to perform a quality control review of a higher percentage of the participant files to ensure program integrity, funds permitting. Until this staff is hired, we have already started a more aggressive quality control review of participant files will be accomplished through a monthly 10% quality control review, with an increased quality control review of 15% for specialist staff who are identified as making significant or repeated errors. In addition, the HPHA is currently in recruitment to fill the supervisor position vacated in the previous year.

Contact Person: Stephanie Fo, Section 8 Subsidy Programs Branch, 808-832-5933

Target Date: Effective immediately

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Public Housing Capital Fund CFDA No. 14.872

Finding No.: 2013-04 Equipment and Real Property – Material Weakness

Criteria: The requirements for maintaining equipment inventory and capital asset accounting are contained in the Federal Common Rule OMB A-102 and the Code of Federal Regulations. Also, the maintenance of appropriate accounting records and the conducting of physical inventory counts were annual requirements contained in the 7510, Low-Rent Housing Accounting Guidebook.

Condition, cause and context: The HPHA continues to have challenges in maintaining appropriate accounting records of its equipment and construction in progress (CIP) balances. Amounts were not properly monitored and tracked during the fiscal year. The HPHA hired a third party consultant to assist in reconciling the detailed fixed assets and CIP schedules to the general ledger and provide detailed additions and deletions listings. During the audit, we noted errors in the reconciliation of the detailed fixed assets and CIP schedules to the general ledger, which resulted in significant reclassifications between CIP assets and property and equipment, and a respective adjustment to depreciation expense.

Additionally, although the HPHA performed an inventory of all equipment during the year, the inventory was not reconciled to the fixed asset register.

Effect: The lack of appropriate monitoring and reporting may lead to misstatement of the CIP and equipment and real property balances and future noncompliance with program requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA maintain monthly detailed fixed assets and CIP records and reconcile these records to the general ledger on a monthly basis to ensure accurate accounting for these assets. Complete information on all assets provides excellent control for the safeguarding of these assets.

We also recommend that the status of CIP are monitored monthly to ensure that projects that are completed are properly transferred from CIP to fixed assets and depreciated accordingly.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Public Housing Capital Fund CFDA No. 14.872 (continued)

Finding No.: 2013-04 Equipment and Real Property – Material Weakness (continued)

PHA Reply (Corrective Action Plan): Although much progress has been achieved in the past couple of years, we are in agreement with this finding. HPHA will take the appropriate steps to insure that a Fiscal year-end inventory of all capital assets will be completed. Timely updates of this information to the general ledger will be completed so that all required adjustments can be recorded in the general ledger prior to the closing financial statements.

To address this issue, a revised policy was implemented in March 2014 to complete the Project Acceptance Form at the point of substantial completion for the value of the work placed in service. If a change order is under review, once resolved an amended Project Acceptance Form will be completed and submitted to FMO for full capitalization amounts. This will ensure that the bulk of the capital improvements are capitalized in a timely manner.

The HPHA is also currently assessing all inter-department functions to determine the appropriate staffing assignments for this task and related ECS functions to insure adequate controls will be in place before the year-end close. The HPHA is currently in the process of reviewing its existing inventory and fixed assets so that it ties to the general ledger and that fixed assets are either properly expenses or capitalized according to HPHA's policies.

Contact Person: Clarence Allen, Fiscal Officer, 808-832-4485

Target Completion Date: June 2014

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Public and Indian Housing CFDA No. 14.850

Finding No.: 2013-05 Eligibility – Material Weakness

Criteria: 24 CFR section 5.601 and 24 CFR sections 960.253, 960.255 and 960.259 require the HPHA to gather information on income, family size and housing conditions for both new and continuing participants on an annual basis. Based on the information gathered, the HPHA housing specialist assess whether or not applicants are eligible to participate in the program based on Federal eligibility guidelines.

To ensure such guidelines are complied with, the HPHA initially performs a review of 10% of all annual re-exams and new placements. The monthly reviews are performed by the project managers and are submitted to the Property Management and Maintenance Service Branch (PMMSB). PMMSB conducts an error analysis, tracking the number and type of errors for each review. From the result of the analysis, program management performs a second follow up quality review.

Condition, cause, and context: During our testing of participant files, we noted the following:

- 1) For 8 out of 60 tenant files tested, we noted no annual re-examination was performed.
- 2) For 10 out of 60 tenant files tested, we noted that assets and/or income were either miscalculated, not verified or not reported on the Form 50058.
- 3) For 2 out of 60 tenant files tested, we noted that the annual re-examination was not performed on a timely basis.
- 4) For 1 out of 60 tenant files tested, we noted unreimbursed medical expenses were either miscalculated or missing supporting documentation.
- 5) For 2 out of 60 tenant files tested, we noted that social security numbers, disability certifications or citizenship declaration forms were missing for household members.
- 6) For 1 out of 60 tenant files tested, we noted income was miscalculated, resulting in an error to total tenant payment.
- 7) For 6 out of 60 tenant files tested, we noted that the Family Annual/Update Report form, used to facilitate the annual re-examination, was not signed by the Housing Specialist.
- 8) For 2 out of 60 tenant files tested, we noted that the incorrect date of birth was indicated on the HUD 50058.

Additionally, during our review of the HPHA's controls over eligibility, we were informed by program management that not all of the quality reviews of tenant files were performed due to the lack of available personnel resources at each of the projects.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Public and Indian Housing CFDA No. 14.850 (continued)

Finding No.: 2013-05 Eligibility – Material Weakness (continued)

Effect: Noncompliance. Failure to properly monitor eligibility determination and failure to adequately determine eligibility can lead to future noncompliance with program requirements and potential disallowed costs.

Questioned costs: None

Recommendation: We recommend that the HPHA enforce proper implementation of its eligibility policy and procedures and establish a regular quality control review of tenant files by program management.

This review and its results should be documented for monitoring at the HPHA management level. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

PHA Reply (Corrective Action Plan): To address the errors noted in the tenant file reviews, a Rent Calculation Training was conducted in November 2013 by HUD consultant, Nan McKay & Associates. The training provided information to new employees and refresher training for tenured employees and included a certification exam at the end of the training.

HPHA is also in the process of revising the monthly monitoring form to address the 10% quality review of all annual recertification and placement tenant files for accuracy. For state managed properties, one-on-one discussions have been conducted with the supervisor's discussion notes in accordance with the performance appraisal system to improve performance. For the contracted properties, the monthly review will assist in enforcing the contract provisions relating to performance.

Contact Person: Joanna Renken, Public Housing, 808-832-4675

Target Completion Date: June 2014

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Public and Indian Housing CFDA No. 14.850 (continued)

Finding No.: 2013-06 Allowable Costs/Cost Principles – Material Weakness

Criteria: 24 CFR section 990.280(d) requires the HPHA to charge each project using a fee-for-service approach, in the case where the HPHA chooses to centralize functions that directly support a project (e.g. central maintenance). Each project shall be charged for the actual services received and only to the extent that such amounts are reasonable.

Section 7.10 of the Supplement to HUD Handbook 7475.1 requires the HPHA to prorate the direct costs of the waiting list, screening, leasing and occupancy function (i.e. applications), including supervisory personnel, to the AMPs. Such prorations may be based on the number of units, average turnover, or another reasonable allocation method.

Condition, cause, and context: During our audit, we noted that work performed and charged to the AMPs by the Central Maintenance Services Section (CMSS) could not be traced back to the respective work orders. In addition, we noted that the work order report for CMSS was not properly reviewed prior to being recorded to the general ledger. As a result, an adjustment was made to reverse all CMSS charges to AMPs during the year. Additionally, for Special Team work orders, we noted no approval from the respective AMP managers to indicate that the work was performed.

During our audit, we noted that supervisory personnel salary was improperly excluded from the front-line allocation calculation. As such, an adjustment was made to properly reflect all eligible costs in the allocation calculation.

Effect: Failure to properly monitor allowable costs can lead to noncompliance with program requirements and potential disallowed costs.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2013-06 Allowable Costs/Cost Principles – Material Weakness (continued)

Questioned costs: None

Recommendation: We recommend that the HPHA implement policies and procedures to establish a review and approval process of supporting schedules for the charges aforementioned, as well as work orders. This review and its results should be documented for monitoring at the HPHA management level. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

PHA Reply (Corrective Action Plan): The HPHA has policies and procedures in place to review and approve the general ledger supporting schedules. Accordingly, with the hiring of the Chief Management Fiscal Advisor position that was vacant for many years, the HPHA is in the process of reviewing these policies and procedures as well as the internal control setups to determine any deficiencies.

In March 2014, the HPHA implemented revised procedures regarding the review of work completed by the centralized maintenance staff and met with all supervisors, AMP Managers, and fiscal staff to confirm the need for adequate documentation.

Contact Person: Chong Gu, Chief Financial Management Advisor, 808-832-4485

Target Completion Date: June 2014

PART V

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2013

Section 8 Housing Choice Vouchers Program CFDA No. 14.871

Finding No.: 2012-04 Special Tests and Provisions – Waiting List – Material Weakness

Condition, cause, and context: The HPHA continues to have challenges with its controls over the waiting list policy; specifically no quality review was performed over the input of initial application information into the waiting list system. Also, we were informed by management that changes to the waiting list are not monitored.

Due to the limited number of housing vouchers, HPHA's policy for placing applicants onto the voucher-based program waiting list is based upon preference criteria. Applicants on the waiting list who met these preference criteria, with the proper documentation and verification, were admitted into the tenant-based voucher program. However, during our audit, we noted that applicants were placed incorrectly on the waiting list due to incorrect preferences entered into the waiting list or there were missing applications for individuals listed on the waiting list. Also for applicants who were selected from the waiting list and placed into the tenant-based voucher program during the year, we noted no documentation supporting whether or not the applicants were selected from the waitlist in the order maintained by the PHA administrative plan.

Recommendation: We recommend that HPHA maintain the appropriate documentation that would indicate compliance with its policy. Additionally, HPHA should implement a quality review over input into the waiting list system and implement monitoring procedures to ensure compliance.

Status: The comment is no longer applicable.

Finding No.: 2012-05 Reporting – Significant Deficiency

Condition, cause and context: During our audit, we noted that the amount of "units leased" and the amount of housing assistance payments (HAP) reported on the monthly HUD 52681-B reports received by HUD were not reconciled with the HAP registers, which represent voucher amounts actually paid to the landlords. We also noted that there is no detailed independent review of the report before submission.

Recommendation: We recommend that documentation supporting the preparation of the monthly HUD 52681-B reports be reconciled to the monthly HAP registers and retained by management. To ensure that amounts are reported correctly, we also recommend that an independent review be performed to ensure that amounts being reported agree with supporting documents.

Status: The comment is no longer applicable.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2013

Public Housing Capital Fund CFDA No. 14.872

Finding No.: 2012-06 Equipment and Real Property – Material Weakness

Condition, cause and context: The HPHA continues to have challenges in maintaining appropriate accounting records of its equipment and construction in progress (CIP) balances. Amounts were not properly monitored and tracked during the fiscal year. The HPHA hired a third party consultant to assist in reconciling the detailed fixed assets and CIP schedules to the general ledger and provide detailed additions and deletion listings. During the audit, we noted that the reconciliation of the detailed fixed assets and CIP schedules to the general ledger and the detailed additions and deletions listing were not prepared correctly and were inaccurate. We also noted that a Project Acceptance Form from the HPHA engineers representing that a project was completed was improperly submitted to accounting before the project was completed. Consequently, projects listed within the CIP schedule were completed and not transferred to the Capital Assets account and incomplete projects were improperly reflected in the Capital Assets account. This resulted in several reclassifications between CIP assets and property and equipment and a respective adjustment to depreciation expense.

Additionally, the HPHA does not maintain an automated detail capital asset register, instead manual excel worksheets and previous detail general ledger printouts are used.

Recommendation: We recommend that the HPHA maintain monthly detailed fixed assets and CIP records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for these assets. Complete information on all assets provides excellent control for the safeguarding of these assets.

We also recommend that the status of CIP are monitored monthly to ensure that projects that are completed are properly transferred from CIP to fixed assets and depreciated accordingly.

Status: The comment is still applicable. See finding 2013-04.

Finding No.: 2012-07 Reporting – Material Weakness

Condition, cause and context: HPHA continues to have challenges in identifying an individual who has been properly trained to complete and submit the FDS. Although the HPHA hires a consultant to assist in filing the FDS, the HPHA is ultimately responsible for the report to be in compliance with HUD's requirements. As such, the information provided to the consultant needs to be complete and accurate. During the audit, we noted various audit adjustments to the trial balances which resulted in the unaudited submission being significantly different from the audited submission.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2013

Public Housing Capital Fund CFDA No. 14.872 (continued)

Finding No.: 2012-07 Reporting – Material Weakness (continued)

The HUD Form 60002 General Instructions requires that the form should be submitted at the same time the program performance report is submitted. Where an annual performance report is not required, the Section 3 report should be submitted by January 10 and, if the project ends before December 31, within 10 days of project completion. In our review of the required HUD 60002, we noted that the form was submitted subsequent to the January 10 deadline.

Recommendation: The HPHA should ensure that the individuals responsible for the FDS reporting are knowledgeable in HUD's FDS reporting requirements enough to oversee the reporting process, including properly preparing, reviewing, approving and submitting the FDS. Also, the HPHA should develop a HUD reporting schedule that lists all HUD reporting requirements and designate certain individuals to be responsible to complete the report.

Status: The comment is no longer applicable.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2013

Public and Indian Housing CFDA No. 14.850

Finding No.: 2012-08 Special Tests and Provisions – Waiting List – Material Weakness

Condition, cause, and context: In our discussions with management, the HPHA continues to have a “backlog” of applications that were not entered into the system on a timely basis. As such, several applicants were not included in quarterly re-sequencing. Presently, the “backlog” of applications noted during the fiscal year has yet to be resolved. Management also stated that applicants pulled from the waiting list and placed in a project are not monitored. There is no quality review to reassure that applicants are properly being placed or pulled from the waiting list.

Recommendation: We recommend that HPHA complies with the special tests and provisions requirements of the program and implement a quality control review over input into the waiting list system and placement of applicants into the various federal projects.

Status: The comment is no longer applicable.

Finding No.: 2012-09 Special Tests and Provisions – Recording Declarations of Trust Against Housing Property – Material Weakness

Conditions, cause, and context: During our review of HPHA’s DOTs, we noted that several DOTs expired and there were no DOTs on file for 12 out of the 70 properties. Also, in our discussions with management, we noted that HPHA did not have any monitoring controls over the recording of the DOTs in accordance with the program requirements.

Recommendation: We recommend that HPHA complies with the DOT requirements of the program and establish and implement the necessary policies and procedures over the maintenance of the DOTs to assure compliance with the program requirements.

Status: The comment is no longer applicable.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2013

Public and Indian Housing Program CFDA No. 14.850 (continued)

Finding No.: 2012-10 Eligibility – Material Weakness

Condition, cause, and context: During our review of HPHA's controls over eligibility, we were informed by program management that not all of the quality reviews of tenant files were performed due to the lack of available personnel resource at each of the projects.

During our testing of participant files, we noted the following:

- 1) For 4 out of 60 tenant files tested, we noted assets and/or income was miscalculated, not verified, or reported on the Form 50058.
- 2) For 4 out of 60 tenant files tested, we noted verification of social security numbers, disability, or citizenship declarations were missing for household members.
- 3) For 2 out of 60 tenant files tested, we noted unreimbursed medical expenses were either miscalculated or missing supporting documentation.
- 4) For 1 out of 60 tenant files tested, we noted the Form 50058 and rental agreement were missing.

We also noted that the reporting rate of the HUD Form 50058's fell below 95% in 2012.

Recommendation: We recommend that HPHA enforce proper implementation of its eligibility policy and procedures and establish a regular quality control review of tenant files by program management. This review and its results should be documented for monitoring at the HPHA management level. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Status: The comment is still applicable. See finding 2013-05.

Finding No.: 2012-11 Allowable Costs/Cost Principles – Material Weakness

Condition, cause, and context: Based on our discussions with management, we noted there is no independent review and approval over the applications front-line allocation schedule or the management fee schedule prior to recording in the general ledger. As a result, adjustments were subsequently made to reflect the proper fee amounts.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2013

Public and Indian Housing Program CFDA No. 14.850 (continued)

Finding No.: 2012-11 Allowable Costs/Cost Principles – Material Weakness (continued)

Recommendation: We recommend that the HPHA implement policies and procedures to establish a review and approval process of reconciling schedules. This review and its results should be documented for monitoring at the HPHA management level. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Status: The comment is still applicable. See finding 2013-06.

Finding No.: 2012-12 Cash Management – Material Weakness

Condition, cause, and context: During our audit, we noted that controls over transferring operating subsidies to the correct Asset Management Project grouping (AMP) cash account are in place but are not operating effectively. We noted that operating subsidies received from HUD were not properly transferred to the AMPs' cash accounts in the correct amount or not transferred at all. Corrections were made as a result of the audit finding.

Recommendation: We recommend that the HPHA reform its current review and approval process over transfers of operating subsidies to the various levels. The review and its results should be documented for monitoring at the HPHA management level. Such a review and approval process should identify any misappropriated cash and ultimately reduce the number of errors.

Status: The comment is no longer applicable.

FOR DISCUSSION

SUBJECT: To Implement Property Specific Utility Allowance Rates Provided by National Facility Consultants for the Fiscal Year July 1, 2014 to June 30, 2015 for the Federal Low Income Public Housing Program to be Effective September 1, 2014

I. FACTS

- A. Under the provisions of the U.S. Housing Act of 1937, to keep assisted housing affordable for lower-income households, federal housing law directs that the resident's share of rent in federally assisted public housing should equal 30 percent of the household's adjusted monthly income. In interpreting the federal housing law, the U.S. Department of Housing and Urban Development (HUD) has defined the total resident payment for "rent" to include both shelter and the costs for reasonable amounts of utilities. The amount that a PHA determines is necessary to cover the resident's reasonable utility costs is the "utility allowance".
- B. National Facility Consultants (NFC) assists the Hawaii Public Housing Authority (HPHA) with the annual update of utility allowances, based on a survey conducted in 2003 (that is updated annually) and utilizing the equipment and fixtures in the least efficient unit in the entire portfolio for consumption estimates.
- C. In 2013, the HPHA contracted with NFC to develop site-specific allowances in accordance with the requirements set forth in 24 CFR Part 965, Subpart E, Resident Allowances for Utilities utilizing the methodology previously employed by the HPHA regarding the application of rates and associated adjustments. The new established allowances for each property reflect the actual reasonable utility consumption for an energy conservative household, which may include energy saving lighting and fixtures, solar hot water with back-up gas heaters.
- D. Section 17-2028-7(f), Hawaii Administrative Rules authorizes the HPHA to develop property specific allowances for its properties which takes into account actual utility consumption at each property, rather than island wide usage at an aggregate level.

II. DISCUSSION

- A. NFC determined the new utility allowance rate adjustment for each property. NFC worked with HPHA to obtain actual utility charges from the utility companies for each property to use in their calculations of the updated utility allowance rates.
- B. A majority of the allowances showed a decrease in the utility allowance rate. This decrease in utility allowance will increase the amount of rent the tenant pays to HPHA.
- C. Due to the decrease in the new utility rates for 2014, HPHA will be implementing the new rates effective September 1, 2014 as previously discussed with the Board. This extended deadline is being recommended to provide notices to the tenant informing them of the decrease in the utility allowances and the subsequent impact on their rent payment and to provide them ample time to prepare for the increase.
- D. HPHA will provide notification in the monthly rent bill statement to every tenant, through posted notices at the AMPs and through information shared at general resident association and the Resident Advisory Board meeting.

Prepared by: Joanna Renken, Public Housing Supervisor 

Attachment: 2014 Site Specific Utility Allowance Rates for the Federal Low Income Public Housing Program.

Hawaii Public Housing Authority
 Property Specific Utility Allowance Rates for July 1, 2014 to June 30, 2015

AMP	Project	Customer Charge	Electric Basic	kwh Cooking	Ind HW	Ind Solar	Ind HP	Total Electric	Customer Charge	SNG Cooking	Therms Ind HW	LPN Cooking	Therms Ind HW	Total Gas	Total Utility	2014 Allowance	2013 Allowance	Diff 14 & 13
30	HI001026 Puuwai Momi																	
	48 1 bedroom	incl. basic	50.73	26.25	29.40			\$106.38							\$106.38	\$106.00	\$177.00	-71.00
	86 2 bedroom	incl. basic	57.64	26.25	58.78			\$142.67							\$142.67	\$143.00	\$212.00	-69.00
	88 3 bedroom	incl. basic	65.10	32.20	88.18			\$185.48							\$185.48	\$185.00	\$277.00	-92.00
	38 4 bedroom	incl. basic	72.68	32.20	117.58			\$222.46							\$222.46	\$222.00	\$339.00	-117.00
	HI001027 Hale Lailima																	
	20 2 bedroom	incl. basic	60.23	26.25	58.78			\$145.26							\$145.26	\$145.00	\$212.00	-67.00
	16 3 bedroom	incl. basic	67.09	32.20	88.18			\$187.47							\$187.47	\$187.00	\$277.00	-90.00
	HI001066 Salt Lake																	
	28 1 bedroom	incl. basic	53.08	26.25	29.40			\$108.73							\$108.73	\$109.00	\$177.00	-68.00
	HI001038 Waipahu I																	
	13 2 bedroom	incl. basic	57.62	26.25				\$83.87							\$83.87	\$84.00	\$131.00	-47.00
	6 3 bedroom	incl. basic	65.22	32.20				\$97.42							\$97.42	\$97.00	\$146.00	-49.00
	HI001039 Waipahu II																	
	16 2 bedroom	incl. basic	60.43	26.25				\$86.68							\$86.68	\$87.00	\$131.00	-44.00
	4 3 bedroom	incl. basic	64.96	32.20				\$97.16							\$97.16	\$97.00	\$146.00	-49.00
31	HI001005 Kalihi Valley Homes																	
	Non-Mod Units																	
	24 1 bedroom	incl. basic	51.21	26.25	29.40			\$106.86							\$106.86	\$107.00	\$177.00	-70.00
	28 2 bedroom	incl. basic	59.46	26.25	58.78			\$144.49							\$144.49	\$144.00	\$212.00	-68.00
	55 3 bedroom	incl. basic	65.85	32.20	88.18			\$186.23							\$186.23	\$186.00	\$277.00	-91.00
	52 4 bedroom	incl. basic	73.56	32.20	117.58			\$223.34							\$223.34	\$223.00	\$339.00	-116.00
	12 5 bedroom	incl. basic	75.12	32.20	146.95			\$254.27							\$254.27	\$254.00	\$397.00	-143.00
	Mod Units																	
	28 1 bedroom	incl. basic	64.82	26.25		10.49		\$101.56							\$101.56	\$102.00	\$133.00	-31.00
	32 2 bedroom	incl. basic	73.34	26.25		15.90		\$115.49							\$115.49	\$115.00	\$148.00	-33.00
	68 3 bedroom	incl. basic	83.12	32.20		26.39		\$141.71							\$141.71	\$142.00	\$173.00	-31.00
	60 4 bedroom	incl. basic	96.61	32.20		37.04		\$165.85							\$165.85	\$166.00	\$198.00	-32.00
	14 5 bedroom	incl. basic	97.76	32.20		47.70		\$177.66							\$177.66	\$178.00	\$217.00	-39.00
32	HI001003 Mayor Wright Homes																	
	24 1 bedroom	incl. basic	52.15					\$52.15							\$52.15	\$52.00	\$94.00	-42.00
	114 2 bedroom	incl. basic	59.83					\$59.83							\$59.83	\$60.00	\$104.00	-44.00
	168 3 bedroom	incl. basic	66.60					\$66.60							\$66.60	\$67.00	\$112.00	-45.00
	50 4 bedroom	incl. basic	79.43					\$79.43							\$79.43	\$79.00	\$124.00	-45.00
	8 5 bedroom	incl. basic	78.81					\$78.81							\$78.81	\$79.00	\$132.00	-53.00
33	HI001009 Kaahumanu Homes																	
	116 2 bedroom	incl. basic	63.02					\$63.02							\$63.02	\$63.00	\$104.00	-41.00
	36 3 bedroom	incl. basic	70.52					\$70.52							\$70.52	\$71.00	\$112.00	-41.00
	HI001099 Kamehameha Homes																	
	62 1 bedroom	incl. basic	55.04					\$55.04	incl cooking	32.57	39.44			\$72.01	\$127.05	\$127.00	\$187.00	-60.00
	123 2 bedroom	incl. basic	63.02					\$63.02	incl cooking	32.57	63.11			\$95.68	\$158.70	\$159.00	\$215.00	-56.00
	36 3 bedroom	incl. basic	71.17					\$71.17	incl cooking	37.83	87.22			\$125.05	\$196.22	\$196.00	\$263.00	-67.00
34	HI001062 Kalakaua Homes high rise																	
	123 1 bedroom	incl. basic	55.64	26.25				\$81.89							\$81.89	\$82.00	\$121.00	-39.00

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Hawaii Public Housing Authority
 Property Specific Utility Allowance Rates for July 1, 2014 to June 30, 2015

	HI001062	Kalakaua Homes low rise																									
	4	1 bedroom	incl. basic	52.74	26.25												\$78.99	\$78.99	\$79.00	\$121.00	-42.00						
	58	2 bedroom	incl. basic	60.02	26.25												\$86.27	\$86.27	\$86.00	\$131.00	-45.00						
	36	3 bedroom	incl. basic	67.46	32.20												\$99.66	\$99.66	\$100.00	\$146.00	-46.00						
35	HI001073	Spencer House																									
	1	2 bedroom	incl. basic	59.10														\$59.10	\$59.00	\$104.00	-45.00						
	16	3 bedroom	incl. basic	66.16														\$66.16	\$66.00	\$112.00	-46.00						
37	HI001004	Lanakila Homes I																									
	6	1 bedroom	incl. basic	69.35														\$69.35	incl cooking	29.18	33.80	\$62.98	\$132.33	\$132.00	\$184.00	-52.00	
	14	2 bedroom	incl. basic	79.63														\$79.63	incl cooking	29.18	54.09	\$83.27	\$162.90	\$163.00	\$210.00	-47.00	
	18	3 bedroom	incl. basic	90.59														\$90.59	incl cooking	33.69	74.74	\$108.43	\$199.02	\$199.00	\$253.00	-54.00	
	4	4 bedroom	incl. basic	102.16														\$102.16	incl cooking	33.69	95.03	\$128.72	\$230.88	\$231.00	\$297.00	-66.00	
	HI001013	Lanakila Homes II																									
	2	1 bedroom	incl. basic	69.35														\$69.35	incl cooking	29.18	33.80	\$62.98	\$132.33	\$132.00	\$184.00	-52.00	
	18	2 bedroom	incl. basic	79.63														\$79.63	incl cooking	29.18	54.09	\$83.27	\$162.90	\$163.00	\$210.00	-47.00	
	18	3 bedroom	incl. basic	90.59														\$90.59	incl cooking	33.69	74.74	\$108.43	\$199.02	\$199.00	\$253.00	-54.00	
	6	4 bedroom	incl. basic	102.16														\$102.16	incl cooking	33.69	95.03	\$128.72	\$230.88	\$231.00	\$297.00	-66.00	
	HI001028	Punahele Homes																									
	30	2 bedroom	incl. basic	75.63														\$75.63	incl cooking	29.18	54.09	\$83.27	\$158.90	\$159.00	\$210.00	-51.00	
	HI001097	Kauhale O'Hanakahi																									
	20	3 bedroom	incl. basic	83.76														\$83.76			33.69	74.74	\$108.43	\$192.19	\$192.00	\$253.00	-61.00
	HI001104	Lanakila Homes IV																									
	2	1 bedroom	incl. basic	69.35														\$69.35	incl cooking	29.18	33.80	\$62.98	\$132.33	\$132.00	\$184.00	-52.00	
	18	2 bedroom	incl. basic	79.63														\$79.63	incl cooking	29.18	54.09	\$83.27	\$162.90	\$163.00	\$210.00	-47.00	
	20	3 bedroom	incl. basic	90.59														\$90.59	incl cooking	33.69	74.74	\$108.43	\$199.02	\$199.00	\$253.00	-54.00	
	8	4 bedroom	incl. basic	102.16														\$102.16	incl cooking	33.69	95.03	\$128.72	\$230.88	\$231.00	\$297.00	-66.00	
	HI001105	Lanakila Homes IIIA																									
		ADA Units																									
	4	1 bedroom (ADA units)	incl. basic	67.43	31.68													\$99.11					\$99.11	\$99.00	\$158.00	-59.00	
	6	2 bedroom (ADA units)	incl. basic	77.71	31.68													\$109.39					\$109.39	\$109.00	\$182.00	-73.00	
	4	3 bedroom (ADA units)	incl. basic	86.77	38.87													\$125.64					\$125.64	\$126.00	\$222.00	-96.00	
		Lanakila Homes IIIA																									
	6	2 bedroom	incl. basic	79.00														\$79.00			29.18	13.52	\$42.70	\$121.70	\$122.00	\$181.00	-59.00
38	HI001018	Kapaa																									
	6	1 bedroom	incl. basic	67.59														\$67.59					\$67.59	\$68.00	\$112.00	-44.00	
	8	2 bedroom	incl. basic	77.22														\$77.22					\$77.22	\$77.00	\$123.00	-46.00	
	12	3 bedroom	incl. basic	85.91														\$85.91					\$85.91	\$86.00	\$133.00	-47.00	
	10	4 bedroom	incl. basic	104.64														\$104.64					\$104.64	\$105.00	\$148.00	-43.00	
	HI001020	Eleele Homes																									
	2	1 bedroom	incl. basic	66.61														\$66.61					\$66.61	\$67.00	\$112.00	-45.00	
	6	2 bedroom	incl. basic	76.74														\$76.74					\$76.74	\$77.00	\$123.00	-46.00	
	10	3 bedroom	incl. basic	85.94														\$85.94					\$85.94	\$86.00	\$133.00	-47.00	
	6	4 bedroom	incl. basic	101.06														\$101.06					\$101.06	\$101.00	\$148.00	-47.00	

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	HI001021	Hui O Hanamaulu																	
	6	1 bedroom	incl. basic	66.02											\$66.02	\$66.00	\$112.00	-46.00	
	12	2 bedroom	incl. basic	76.15											\$76.15	\$76.00	\$123.00	-47.00	
	16	3 bedroom	incl. basic	84.81											\$84.81	\$85.00	\$133.00	-48.00	
	12	4 bedroom	incl. basic	94.77											\$94.77	\$95.00	\$148.00	-53.00	
	HI001022	Kalaheo																	
	2	2 bedroom	incl. basic	75.98											\$75.98	\$76.00	\$123.00	-47.00	
	4	3 bedroom	incl. basic	85.05											\$85.05	\$85.00	\$133.00	-48.00	
	2	4 bedroom	incl. basic	96.93											\$96.93	\$97.00	\$148.00	-51.00	
	HI001064	Kekaha Ha'aheo																	
	42	1 bedroom	incl. basic	69.80											\$69.80	\$70.00	\$112.00	-42.00	
	12	2 bedroom	incl. basic	80.43											\$80.43	\$85.00	\$212.00	-55.00	
	24	3 bedroom	incl. basic	90.97											\$90.97	\$91.00	\$253.00	-62.00	
	HI001086	Kawaiihua - Federal																	
	25	3 bedroom	incl. basic	88.92											\$88.92	\$88.92	\$189.00	-64.00	
39	HI001088	Kahale Mua - Federal																	
	25	3 bedroom	incl. basic	90.00											\$90.00	\$99.93	\$189.93	-58.00	
	HI001092	Makani Kai Hale																	
	25	3 bedroom	incl. basic	83.78											\$83.78	\$84.00	\$110.00	-26.00	
	HI001097	Makani Kai Hale II																	
	4	3 bedroom	incl. basic	83.78											\$83.78	\$84.00	\$110.00	-26.00	
40	HI001007	Kuhio Homes																	
	20	1 bedroom	incl. basic	51.12											\$51.12	\$51.12	\$123.13	-64.00	
	32	2 bedroom	incl. basic	58.83											\$58.83	\$63.11	\$155.00	-60.00	
	37	3 bedroom	incl. basic	65.36											\$65.36	\$87.22	\$190.00	-73.00	
	37	4 bedroom	incl. basic	74.41											\$74.41	\$110.88	\$223.12	-88.00	
	8	5 bedroom	incl. basic	76.50											\$76.50	\$134.99	\$249.32	-104.00	
	HI001010	Kuhio Homes Low Rise																	
	40	4 bedroom	incl. basic	74.41											\$74.41	\$110.88	\$223.12	-88.00	
43	HI001053	Hale Hookipa																	
	20	0 bedroom	incl. basic	59.10	31.68										\$90.78	\$91.00	n/a		
	12	1 bedroom	incl. basic	59.16	31.68										\$90.84	\$91.00	n/a		
	HI001032	Kaimalino																	
	10	1 bedroom	incl. basic	62.06											\$62.06	\$62.00	\$104.00	-42.00	
	14	2 bedroom	incl. basic	70.95											\$70.95	\$71.00	\$114.00	-43.00	
	14	3 bedroom	incl. basic	79.02											\$79.02	\$79.00	\$123.00	-44.00	
	2	4 bedroom	incl. basic	86.71											\$86.71	\$87.00	\$137.00	-50.00	
	HI001061	Ka Hale Kahaluu																	
	8	1 bedroom	incl. basic	64.00	31.68										\$95.68	\$96.00	\$134.00	-38.00	
	12	2 bedroom	incl. basic	73.63	31.68										\$105.31	\$105.00	\$145.00	-40.00	
	22	3 bedroom	incl. basic	83.62	38.87										\$122.49	\$122.00	\$160.00	-38.00	
	8	4 bedroom	incl. basic	93.26	38.87										\$132.13	\$132.00	\$175.00	-43.00	
	HI001063	Nani Olu (E)																	
	32	1 bedroom	incl. basic	60.36	31.68	35.48									\$127.52	\$128.00	\$195.00	-67.00	

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	HI001070 Kealakehe																		
	16	1 bedroom	incl. basic	65.57	31.68				\$97.25						\$97.25	\$97.00	\$134.00	-37.00	
	16	2 bedroom	incl. basic	74.87	31.68				\$106.55						\$106.55	\$107.00	\$145.00	-38.00	
	16	3 bedroom	incl. basic	83.56	38.87				\$122.43						\$122.43	\$122.00	\$160.00	-38.00	
44	HI001033 Maili I																		
	7	2 bedroom	incl. basic	65.19	26.25		15.90		\$107.34						\$107.34	\$107.00	\$148.00	-41.00	
	13	3 bedroom	incl. basic	71.57	32.20		26.39		\$130.16						\$130.16	\$130.00	\$173.00	-43.00	
	HI001035 Nanakuli Homes																		
	36	3 bedroom	incl. basic	80.13	32.20		26.39		\$138.72						\$138.72	\$139.00	\$173.00	-34.00	
	HI001057 Waimaha-Sunflower Ph I																		
	8	1 bedroom	incl. basic	51.54	26.25		29.40		\$107.19						\$107.19	\$107.00	\$177.00	-70.00	
	6	2 bedroom	incl. basic	61.39	26.25		58.78		\$146.42						\$146.42	\$146.00	\$212.00	-66.00	
	8	3 bedroom	incl. basic	68.26	32.20		88.18		\$188.64						\$188.64	\$189.00	\$277.00	-88.00	
	HI001057 Waimaha-Sunflower Ph II																		
	32	1 bedroom	incl. basic	54.13	26.25		10.49		\$90.87						\$90.87	\$91.00	\$177.00	-86.00	
	16	2 bedroom	incl. basic	62.65	26.25		15.90		\$104.80						\$104.80	\$105.00	\$148.00	-43.00	
	HI001057 Waimaha-Sunflower Ph III																		
	12	1 bedroom	incl. basic	55.86	26.25		10.49		\$92.60						\$92.60	\$93.00	\$133.00	-40.00	
	24	2 bedroom	incl. basic	64.11	26.25		15.90		\$106.26						\$106.26	\$106.00	\$148.00	-42.00	
	24	3 bedroom	incl. basic	73.13	32.20		26.39		\$131.72						\$131.72	\$132.00	\$173.00	-41.00	
	HI001091 Kau'iokalani																		
	50	3 bedroom	incl. basic	70.72					\$70.72			37.83	87.22	\$125.05	\$195.77	\$196.00	\$263.00	-67.00	
	HI001108 Maili II																		
	12	2 bedroom	incl. basic	72.76	26.25		15.90		\$114.91						\$114.91	\$115.00	\$148.00	-33.00	
	12	4 bedroom	incl. basic	95.67	32.20		37.04		\$164.91						\$164.91	\$165.00	\$198.00	-33.00	
45	HI001025 Waimanalo Homes																		
	6	2 bedroom	incl. basic	73.98					\$73.98	incl cooking		40.30	88.10	\$128.40	\$202.38	\$202.00	\$243.00	-41.00	
	10	3 bedroom	incl. basic	82.88					\$82.88	incl cooking		47.63	121.00	\$168.63	\$251.51	\$252.00	\$304.00	-52.00	
	3	4 bedroom	incl. basic	90.84					\$90.84	incl cooking		47.63	154.45	\$202.08	\$292.92	\$293.00	\$362.00	-69.00	
	HI001030 Koolau Village																		
	8	1 bedroom	incl. basic	59.12					\$59.12	incl cooking		40.30	54.64	\$94.94	\$154.06	\$154.00	\$211.00	-57.00	
	24	2 bedroom	incl. basic	67.83					\$67.83	incl cooking		40.30	88.10	\$128.40	\$196.23	\$196.00	\$243.00	-47.00	
	36	3 bedroom	incl. basic	79.58					\$79.58	incl cooking		47.63	121.00	\$168.63	\$248.21	\$248.00	\$304.00	-56.00	
	12	4 bedroom	incl. basic	88.40					\$88.40	incl cooking		47.63	154.45	\$202.08	\$290.48	\$290.00	\$362.00	-72.00	
	HI001069 Kaneohe Apartments																		
	5	1 bedroom	incl. basic	54.13	26.25		29.40		\$109.78						\$109.78	\$110.00	\$177.00	-67.00	
	19	2 bedroom	incl. basic	64.17	26.25		58.78		\$149.20						\$149.20	\$149.00	\$212.00	-63.00	
	HI001072 Hookipa Kahaluu																		
	8	1 bedroom	incl. basic	54.39	26.25		29.40	10.49	\$120.53						\$120.53	\$121.00	\$177.00	-56.00	
	32	2 bedroom	incl. basic	60.15	26.25		58.78	15.90	\$161.08						\$161.08	\$161.00	\$212.00	-51.00	
	16	3 bedroom	incl. basic	69.30	32.20		88.18	26.39	\$216.07						\$216.07	\$216.00	\$277.00	-61.00	
	HI001090 Kauhale O'Hana																		
	25	3 bedroom	incl. basic	67.52					\$67.52			37.83	87.22	\$125.05	\$192.57	\$193.00	\$263.00	-70.00	
	HI001107 Waimanalo Homes II																		
	14	2 bedroom	incl. basic	73.98					\$73.98	incl cooking		40.30	88.10	\$128.40	\$202.38	\$202.00	\$243.00	-41.00	
	7	3 bedroom	incl. basic	82.88					\$82.88	incl cooking		47.63	121.00	\$168.63	\$251.51	\$252.00	\$304.00	-52.00	

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	1	4 bedroom	incl. basic	90.84				\$90.84	incl cooking			47.63	154.45	\$202.08	\$292.92	\$293.00	\$362.00	-69.00
46	HI001071	Noelani I																
	7	1 bedroom	incl. basic	63.77	31.68	35.48		\$130.93						\$130.93	\$131.00	\$195.00	-64.00	
	12	2 bedroom	incl. basic	74.04	31.68	70.94		\$176.66						\$176.66	\$177.00	\$233.00	-56.00	
	HI001078	Noelani II																
	24	3 bedroom	incl. basic	82.25	38.87	106.42		\$227.54						\$227.54	\$228.00	\$305.00	-77.00	
	HI001097	Ke Kumu 'Ekolu																
	20	3 bedroom	incl. basic	88.03				\$88.03				33.69	11.21	\$44.90	\$132.93	\$133.00	\$123.00	10.00
49	HI001015	Wahiawa Terrace																
	12	1 bedroom	incl. basic	52.02				\$52.02				40.30		\$40.30	\$92.32	\$92.00	\$94.00	-2.00
	16	2 bedroom	incl. basic	62.77				\$62.77				40.30		\$40.30	\$103.07	\$103.00	\$104.00	-1.00
	24	3 bedroom	incl. basic	72.99				\$72.99				47.63		\$47.63	\$120.62	\$121.00	\$112.00	9.00
	8	4 bedroom	incl. basic	83.88				\$83.88				47.63		\$47.63	\$131.51	\$132.00	\$124.00	8.00
	HI001056	Kauhale Nani																
	14	1 bedroom	incl. basic	53.13				\$53.13	incl cooking			40.30	54.64	\$94.94	\$148.07	\$148.00	\$211.00	-63.00
	16	2 bedroom	incl. basic	60.98				\$60.98	incl cooking			40.30	88.10	\$128.40	\$189.38	\$189.00	\$243.00	-54.00
	20	3 bedroom	incl. basic	68.45				\$68.45	incl cooking			47.63	121.00	\$168.63	\$237.08	\$237.00	\$304.00	-67.00
50	HI001008	Palolo Homes																
		Non-Mod Units																
	8	1 bedroom	incl. basic	49.47		29.40		\$78.87	incl cooking					\$0.00	\$78.87	\$111.00	\$149.00	-38.00
	26	2 bedroom	incl. basic	56.91		58.78		\$115.69	incl cooking					\$0.00	\$115.69	\$148.00	\$184.00	-36.00
	34	3 bedroom	incl. basic	64.47		88.18		\$152.65	incl cooking					\$0.00	\$152.65	\$190.00	\$243.00	-53.00
	26	4 bedroom	incl. basic	71.47		117.58		\$189.05	incl cooking					\$0.00	\$189.05	\$227.00	\$305.00	-78.00
	4	5 bedroom	incl. basic	72.08		146.95		\$219.03	incl cooking					\$0.00	\$219.03	\$257.00	\$363.00	-106.00
		Mod Units																
	8	2 bedroom	incl. basic	59.23				\$59.23	incl cooking			9.47		\$9.47	\$68.70	\$69.00	\$0.00	69.00
	6	3 bedroom	incl. basic	65.92				\$65.92	incl cooking			13.08		\$13.08	\$79.00	\$79.00	\$0.00	79.00
	6	4 bedroom	incl. basic	76.29				\$76.29	incl cooking			16.63		\$16.63	\$92.92	\$93.00	\$0.00	93.00

FOR INFORMATION

SUBJECT: Report on the Implementation of the State Auditor's 2011 Recommendations, Report No. 14-06, April 2014

I. FACTS

- A. During the 2009 Legislative Session, Senate Concurrent Resolution No. 31, (SD2, HD1) and House Concurrent Resolution No. 94 (HD1, SD 1) requested a management audit of the Hawaii Public Housing Authority (HPHA). The initial management audit was conducted by the Office of the Auditor for the period July 1, 2006 through June 30, 2010. The final report was issued in June 2011.
- B. In January 2014, the Office of the Auditor conducted a follow-up assessment to report on the HPHA's progress in implementing the auditor's recommendations.

II. DISCUSSION

- A. The Office of the Auditor sent a team of staff to meet with HPHA to discuss the overall purpose of the Auditor's requirements to follow-up with their 12 audit recommendations. At that time, the Office of the Auditor requested that HPHA produce numerous documents, including but not limited to: names and contact info for all Asset Management Projects (AMP); AMP monitoring plans and monthly reports for 2013; monthly manager meeting minutes, performance appraisal notes and related documents, documents related to the transition to asset management, AMP training dates, materials and attendance logs for 2012-2013, HPHA's analysis regarding the Econometrica study; copies of board policies and procedures relating to board operations and roles and responsibilities and required training adopted since 2011; Board member training dates, materials, and attendance logs for 2012 and 2013; and copies of board created policies and procedures supporting management's efforts to implement asset management adopted since 2011.
- B. In summary the Auditor's Report No. 14-06 stated that 7 of 12 recommendations were considered "closed"; 4 of 12 recommendations were considered "Open but in progress"; and 1 of 12 recommendations was "not applicable".

C. The 4 open recommendations and HPHA's responses are as follows:

Auditor's Open Recommendation 1:

"Hold AMP Managers, contract administrators, and the Branch Chief who oversee them accountable for their respective performance. Contract monitoring should be tied to results, with disincentives and penalties imposed for non-performance."

HPHA's Response:

As correctly stated in the audit report, the HPHA monitors performance and hold managers accountable through a variety of means including the monthly dashboard reports, weekly and monthly meetings, the State's performance appraisal system, and the contract monitoring report to the private contractors.

The report also indicated, however, that an annual performance review for one of the HPHA's contract administrators had not been completed last fiscal period that therefore the recommendation was determined to be "open but in progress." While the HPHA works to document poor performance on a consistent basis, often times staff who are not considered poor performing do not receive a performance appraisal on a regular basis. The HPHA intends to hire a personnel specialist who is responsible for all performance appraisals and will work with each supervisor to ensure all performance appraisals (good and bad) are completed on a regular basis.

(No policy revisions or guidance is required. Completion of the employee performance appraisal is an operational matter.)

Auditor's Open Recommendation 2:

"HPHA should prioritize repair and maintenance work orders and turn over vacant units to new tenants."

HPHA's Response:

The auditor's report noted that HPHA's occupancy rates have risen significantly and overall the number of vacant units fell by 47%. Unit turnover has been significantly addressed by the exempt maintenance team and the HPHA's ability to hire contractors to fix vacant units under Act 159, SLH 2012.

The finding remains open, as staff at certain AMPs continue to work at closing work orders in the system. Where there are staffing shortages, HPHA is approving overtime as needed.

(No policy revisions or guidance is required. Closing of the work order is an operational matter.)

Auditor's Open Recommendation 3

"HPHA needs to improve operational consistency and organizational communication by developing a means to ensure that tenant complaints are uniformly recorded."

HPHA's Response:

As noted in the audit report, the HPHA does have a complaint log that is used by all AMPs. The complaint log was distributed via interoffice memo to all property managers. The Auditor is recommending that the HPHA draft procedures on how to complete the complaint log and how to address tenant complaints.

(No policy revisions or guidance is required. Drafting procedures on how to complete the complaint log is an operational matter.)

Auditor's Open Recommendation 4

"Incorporate, as appropriate, recommendations from the Econometrica report regarding the implementation of asset management."

HPHA's Response:

The audit noted that HPHA adopted many of the recommendations from the Econometrica report. Additionally, HPHA continues to work with Phineas Consulting, LLC in the assessment of HPHA's ability to implement remaining recommendations regarding the establishment of additional AMPs. HPHA has not completed its assessment of the Phineas report and as such the recommendation is considered "open but in progress".

Although no policy revision or guidance is required at this time, any fiscal implications will be thoroughly discussed by the Board during the adoption of the HPHA's operating budget.

- D. The Board may go into executive session pursuant to Hawaii Revised Statutes sections 92-4, 92-5(a)(2) and 92-5(a)(4) to consult with the Board's attorneys on questions and issues pertaining to the Board's powers, duties, privileges, immunities, and liabilities.

Prepared by: Barbara E. Arashiro, Executive Assistant_____

Attachment: Report on the Implementation of State Auditor's 2011 Recommendations, Report No. 14-06, April 2014

**Report on the Implementation
of State Auditor's 2011
Recommendations**

Hawai'i Public Housing Authority
Hawai'i Public Charter School
System

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 14-06
April 2014

Foreword

This is a report on our follow-up review of the implementation of audit recommendations made to various entities in calendar year 2011. We conducted our work pursuant to Section 23-7.5, Hawai'i Revised Statutes, which requires the Auditor to report to the Legislature on each recommendation that the Auditor has made that is more than one year old and that has not been implemented by the audited agency.

We wish to express our appreciation for the cooperation and assistance extended to us by the Hawai'i Public Housing Authority and the State Public Charter School Commission, and others whom we contacted during the course of our review.

Jan K. Yamane
Acting State Auditor

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Chapter 1

Introduction

To ensure agency accountability over audit recommendations, the 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports. The purpose of this change was to apprise the Legislature of recommendations not implemented by audited agencies. Section 23-7.5, Hawai'i Revised Statutes (HRS), now requires the Auditor to report to the Legislature annually on each audit recommendation more than one year old that has not been implemented by the audited agency.

Legislative Request

The 2008 Legislature intended to provide itself greater oversight over the implementation of audit recommendations. Act 36, Session Laws of Hawai'i (SLH) 2008, was modeled after a 2006 California law that enabled legislators to use agencies' claims of progress against audit recommendations in their budget discussions.

The Hawai'i Legislature requested the Auditor to report annually, for each unimplemented recommendation: 1) the agency that was audited; 2) the title and number of the audit report that contained the recommendation; 3) a brief description of the recommendation; 4) the date the audit report was issued; and 5) the most recent explanation provided by the agency regarding the status of the recommendation.

In addition, agencies notified by the Auditor that a recommendation is considered not implemented must submit a written report to the Auditor, the Senate president, and the speaker of the House of Representatives within 30 days of being notified by the Auditor. The report must also include an explanation of why the recommendation was not implemented and an estimated date of when it will be implemented.

Objectives of the Review

1. Validate the claims made by agencies regarding implemented audit recommendations.
2. Report to the Legislature on audit recommendations not yet implemented.

Criteria

We relied on Chapter 23, *Auditor*, HRS; *GAO-07-731G Government Auditing Standards*, U.S. Government Accountability Office (GAO), December 2011 Revision; and *How to Get Action on Audit Recommendations*, U.S. General Accounting Office, July 1991, in the conduct of our review.

The GAO's criteria are especially useful for our purposes, since GAO also reports on the status of recommendations not fully implemented. The GAO's reports are intended to "help congressional and agency leaders determine the actions necessary to implement the open recommendations so that desired improvements to government operations can be achieved." In particular, GAO reports on whether:

- Monitoring and follow-up are done by staff members responsible for, and knowledgeable about, the recommendation;
- Each recommendation is followed up on an ongoing basis, with at least semi-annual updates, and an individual recommendation follow-up plan is developed for each assignment; and
- Results intended by each recommendation and benefits expected from its implementation are defined as a basis for determining the adequacy of implementation.

Scope and Methodology

We based our scope and methodology on GAO's guidelines in *How to Get Action on Audit Recommendations* (1991). According to GAO, saving tax dollars, improving programs and operations, and providing better service to the public represent audit work's "bottom line." Recommendations are the vehicles by which these objectives are sought. However, it is action on recommendations—not the recommendations themselves—that helps government work better at less cost. Effective follow-up is essential to realizing the full benefits of audit work.

Our review, conducted between December 2013 and March 2014, focused on departments' implementation of audit recommendations in reports we issued in calendar year 2011. We followed standard office procedures for conducting audits found in the Office of the Auditor's *Manual of Guides* and generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our objectives. We believe the evidence we obtained provides a reasonable basis for our conclusions based on our review objectives.

Determining progress

The rate of progress of a recommendation's implementation depends on the type of recommendation. While some fall fully within the purview of an audited agency and can be addressed relatively quickly, others may deal with complex problems and involve multiple agencies, resulting in a long implementation period. Therefore, ample time should be afforded to agencies implementing recommendations in order for a follow-up system to be useful and relevant. In addition, GAO has found that action on recommendations usually occurs within the first three years. After that time, few recommendations are implemented.

With those observations in mind, an active follow-up effort would be most effective and relevant if conducted three years after publication of an initial audit report. Too short an interval between audit report and follow-up might not give agencies enough time to implement a complex recommendation; too long might allow agencies to lose valuable personnel and institutional knowledge needed to conduct an adequate follow-up.

We issued four reports and one letter in 2011. Two reports were performance audits, as described below. The other two reports were a sunrise analysis of the regulation of large-scale dog breeders and a review of revolving funds, trust funds, and trust accounts of the Office of the Governor, Office of the Lieutenant Governor, Department of Education and the Hawai'i State Public Library System, and the Office of Hawaiian Affairs. We also published a letter to the Senate president and the speaker of the House of Representatives on Acts 227 and 120, SLH 2008. Each of those publications relate to specific legislation and not to operations of agencies or departments. Therefore, we conclude that Section 23-7.5, HRS, does not apply to those publications. Thus, for calendar year 2011, we reviewed the following two reports for audit recommendation implementation:

1. Report No. 11-01: *Management Audit of the Hawai'i Public Housing Authority*; and
2. Report No. 11-03: *Performance Audit of the Hawai'i Public Charter School System*.

Our review included interviews with selected administrators, managers, and staff from the respective agencies. We examined the agencies' policies, procedures, records, and relevant documents to assess and evaluate whether their actions adequately fulfilled our recommendations. Our efforts were limited to the inquiry, testing, and reporting on implementation of recommendations made in the above-mentioned reports. We did not explore new issues or revisit old ones that did not relate to our original recommendations. Site visits and observations were conducted as needed to achieve our objectives.

Identifying key recommendations

The extent of work done to verify implementation depends on the significance of individual recommendations. For instance, GAO notes that while all audit recommendations should be aggressively pursued, some are so significant that added steps are needed to implement them. The significance of a recommendation depends on its subject matter and the specific situation to which it applies. Significance can be addressed in terms of dollars; however, dollars are only one measure, and not necessarily the most important one. For instance, recommendations to ensure safe operations often take precedence, since their implementation could prevent the loss of life, substantial bodily injury, or environmental contamination.

Closing recommendations

In accordance with GAO guidelines, we consider recommendations “closed” for the following reasons:

- The recommendation was effectively implemented;
- An alternative action was taken that achieved the intended results;
- Circumstances have so changed that the recommendation is no longer valid; or
- The recommendation was not implemented despite the use of all feasible strategies.

While these and other guidelines provide the basic ground rules for our review efforts, we recognize that effective follow-up needs to be tailored to particular recommendations and the results they seek.

Definition of terms

Closed: Recommendation has been addressed and implemented.

Open: Work on the recommendation has not started, or cannot start because a precursor event has not occurred.

Open but in progress: Agency has taken action, but implementation of the recommendation is not complete.

Open and likely not to be pursued: Agency has no intention of pursuing implementation of the recommendation.

Not applicable: Recommendation is no longer applicable.

Did not assess: Did not assess recommendation implementation.

Summary of recommendations

Our review covered a total of 25 recommendations. Of the 12 recommendations contained in Report 11-01, *Management Audit of the Hawai'i Public Housing Authority*, seven were closed (59 percent), four were open but in progress (33 percent), and one was no longer applicable (8 percent). This report details each recommendation, its status, and actions taken related to the recommendation. Of those, 13 related to Report No. 11-03, *Performance Audit of the Hawai'i Public Charter School System*. Instead of revisiting Report No. 11-03's recommendations, which were addressed to the Charter School Review Panel that was repealed in 2012 by Act 130, SLH 2012, we provide a brief overview of the new system with a focus on functions that address 11-03's concerns about a lack of oversight and accountability. Exhibit 1.1 lists Report No. 11-01 and the status of its recommendations.

Exhibit 1.1 Report Reviewed and Recommendation Status

Report No.	Report Name	Status of Recommendations						
		Closed	Open	Open but in progress	Open and not likely to be pursued	Not applicable	Did not assess	Total
11-01	<i>Management Audit of the Hawai'i Public Housing Authority</i>	7	0	4	0	1	0	12
	Percent of Total	59%	0%	33%	0%	8%	0%	100%

Source: Office of the Auditor

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Chapter 2

The Authority's Oversight and Performance Improvements Lack a Firm Foundation

We released Report 11-01, *Management Audit of the Hawai'i Public Housing Authority*, in June 2011. Our audit focused on the authority's management of its public housing projects, including its communication with project managers and its planning, execution, and monitoring of contracts with private project managers. We compared the performance and management of selected state- and privately-run housing projects. We also focused on the degree to which selected housing projects had implemented the federally required *asset management system*, including the authority's and its Board of Director's guidance and initiative in that effort.

Background

Our 2011 report was prompted by the Legislature's concerns about the management of public housing facilities in Hawai'i. In 2009, the Legislature made two requests: House Concurrent Resolution No. 94, House Draft 1, Senate Draft 1, of the 2009 Regular Session asked the Auditor to review two facilities and compare the performance of state-versus privately-operated public housing projects. The resolution also asked that we determine the relative contributions of funding levels, mismanagement, and tenant and visitor actions toward these properties' failure to meet performance standards. Senate Concurrent Resolution No. 31, Senate Draft 2, House Draft 1, of the 2009 Regular Session, requested the Auditor conduct a management and financial audit of the authority's maintenance contracts, including the management of those contracts, and investigate reports of disrepair, noncompliance with the federal Americans With Disabilities Act, and other residents' concerns. The resolution also asked that we focus on contracts and facilities with high dollar value, volume of complaints, contractual terms not strong enough to protect the State's interests, serious lack of internal controls, or another screening approach to scope the audit to a manageable size.

We found that the Hawai'i Public Housing Authority (HPHA)'s monitoring of its state and private housing project managers was sporadic and therefore lacked robustness. Both state- and privately-run housing projects had backlogs of repair and maintenance issues. In addition, turnaround on vacant units was slow, adversely impacting families on the waiting list as well as rent collections. Inventory procedures varied considerably between housing projects and hampered managers' ability to effect quick repairs. There was no uniform method for addressing tenant complaints.

We also found that the authority's accounting system did not adequately support asset management. Asset management is a U.S. Department of Housing and Urban Development (HUD)-mandated method of managing public housing properties, intended to improve operational efficiency and effectiveness of public housing assets by shifting accountability from a central housing authority (in this case, HPHA) to individual Asset Management Project (AMP) managers. Under the asset management model, AMP managers have greater flexibility in managing their specific budgets—and therefore a greater ability to preserve and protect each housing asset—while tenants can hold managers directly responsible for their living conditions. According to HUD's planning guide for asset management, the ability to monitor and track operating and fiscal performance of each property is a key to successful project-based management.

We found the authority did not implement either project-based budgeting or project-based accounting for the audit period. The authority's transition to asset management was hampered by multiple changes of leadership and vision.

Our follow-up review found that HPHA has made progress implementing many of our recommendations in oversight and significantly improved occupancy rates. However, HPHA still lacks policies and procedures to ensure robust monitoring of AMP performance and uniform addressing of complaints. The HPHA also lacks accurate work order data. We also experienced difficulty in obtaining documentation from HPHA and scheduling interviews with staff, which hindered our ability to thoroughly evaluate and verify whether HPHA had implemented our recommendations in Report No. 11-01.

Status of Recommendations

Report 11-01 included 12 recommendations to the HPHA, the first three of which dealt with improving the monitoring of asset management project managers.

Asset management project oversight recommendations

Our first recommendation directed HPHA to hold AMP managers (both state employees and private contractors), contract administrators, and the branch chief who oversees them, accountable for their respective performance. The recommendation stated that contract monitoring should be tied to actual results, with disincentives and penalties imposed for non-performance. Remedial plans and actions should be documented.

We found that although HPHA has not adopted written policies and procedures for monitoring AMP staff and contractors, AMP managers'

performance is monitored via monthly dashboard reports, weekly and monthly meetings, and vacancy and work order reports. The authority holds managers of state-operated housing projects accountable through the state Performance Appraisal System, while managers of privately-operated projects are held accountable through periodic contract performance reviews. However, employee appraisals are inconsistently performed; in one case, an annual performance appraisal for a contract administrator had not been completed for the period ended June 30, 2013. Therefore, we determined this recommendation is **Open but in progress**.

Recommendation No. 2 stated that in instances when staffing constraints limit availability for recurring monitoring, the authority should consider employing a risk-based approach in its review and documenting those results. We found that the HPHA continues to experience overall staffing constraints, a condition we find troubling. As of January 2014, 85 of the authority's 366 total positions (23 percent) were vacant. Likewise, as of February 2014, the Property Management and Maintenance Services Branch (PMMSB), which is responsible for AMP managers' performance monitoring, was short-staffed: three of seven (43 percent) of its managerial level positions were vacant. As of February 2014, one of the vacancies included the PMMSB chief position, which had been vacant for about a year. We also determined that HPHA has used an informal risk-based approach in its review process, as documented in the AMP dashboard, which indicates how each AMP is doing on occupancy and rent collections, among other things. The dashboard includes a color-coded rating indicating whether a measure is on target, will be completed within the next two months, or that HPHA is paying close attention to the item. Therefore, we determine that HPHA has adopted a risk-based approach to reviews and thus, this recommendation is **Closed**.

Recommendation No. 3 directed HPHA to improve monitoring over asset management project managers by developing a training program to promote standard interpretation of HUD terminology. Specifically, in areas where HUD assesses AMP performance, HPHA should communicate a common understanding of specific terms to AMP managers to ensure managers apply terms appropriately and uniformly as they relate to specific criteria.

The HPHA has no specific training to promote standard interpretation of HUD terminology. However, HPHA provides AMPs training in areas such as procurement and rent calculations. Staff can request training as needed, and training needs are identified during the budget process. The agency provided us a plan for HUD to provide financial management training and program administration training to the HPHA from July 2013 through April 2014. The plan includes training on understanding key scoring components of the Public Housing

Assessment System that are important to the success of a public housing authority. We obtained attendance logs and training material for HPHA training held in November 2013 and February 2014. We determined that HPHA's training plan fulfills this recommendation and this recommendation is **Closed**.

**Operational and
organizational
recommendations**

To improve operational consistency and organizational communication, Recommendation No. 4 directed HPHA to prioritize repair and maintenance work orders and turn over vacant units to new tenants (balanced against achieving much-needed capital improvement works). Priorities should be communicated to stakeholders to promote understanding of the authority's plans to reduce its 9,000-plus wait list to serve its population by achieving maximum tenancy.

In our follow-up, we determined HPHA's occupancy rates have risen significantly. Overall, the number of vacant HPHA units fell from 339 in November 2012 to 182 in November 2013 (46 percent). The corresponding occupancy rate rose from 93 percent in November 2012 to 96 percent one year later.

Unit turnover has been addressed in part through the use of a special team that was created under Act 159, SLH 2012, and is composed of skilled trade workers who can be dispatched to fix units in need of extensive repair. The HPHA categorizes work orders as "A," "B," or "C," with properties most severely needing repair ranked "C." However, this categorization system is not reflected in HPHA's maintenance policies and procedures manual, which has not been updated since July 2005. Further, the HPHA tracks work orders through monthly work order status reports that include total work orders, work orders opened that month, work orders open from prior months, work orders not closed within 25 days, total emergency work orders, and number of emergency work orders not closed within 24 hours. We found that work order reports did not accurately reflect the status of those orders. For example, the December 2013 work order status report for Pu'uwai Momi showed 419 open work orders, which included 336 previously open work orders. Additionally, the report showed nine emergency work orders that were not closed within 24 hours as required. The HPHA's compliance officer explained that the work order report was inaccurate because the status of work orders had not been updated in HPHA's database following clerical staffing shortages and issues relating to a system upgrade.

Monthly manager meeting minutes for 2013 showed similar problems. For example, meeting minutes for the September 2013 managers' meeting noted several AMPs with work order problems, including Kūhiō Park Terrace, which reported that more than 400 work orders had not been entered into the work order system. Kaua'i, meanwhile, reported

it was 1.5 years behind on inputting work orders. During the meeting, AMP managers were told to ensure they enter work orders into the system and close them. Without accurate work order data, HPHA cannot ensure work orders are addressed as needed. Therefore, we deem this recommendation **Open but in progress**.

Recommendation No. 5 directed HPHA to improve operational consistency and organizational communication by developing a means to ensure tenant complaints are uniformly recorded, documented, addressed, and communicated to all AMP managers. We found that in January 2014, the HPHA distributed a complaint log template to AMPs. The HPHA also provides guidance between the HPHA central office and AMPs on how to address complaints. However, HPHA staff do not uniformly document tenant complaints and the agency still lacks procedures to address tenant complaints. Management plans to improve the complaint log format following spot checks of AMPs' logging of tenant complaints. Since components of this recommendation are only partially completed, this recommendation is **Open but in progress**.

Recommendation No. 6 directed HPHA to improve its operational consistency and organizational communication by developing a method to share best practices among its public housing projects. Since best practices had been recognized among housing managers within Hawai'i and in other jurisdictions, we recommended the authority share these practices system-wide. In our follow-up, we found HPHA staff and AMP managers share best practices at their monthly meetings. Minutes from 2013 Property Management Maintenance Services Branch managers meetings documented examples of sharing best practices on topics that included asset management, grievances, inventory, drafting of confirmation letters, and tobacco prevention and education. As a result, we deem this recommendation **Closed**.

Asset management recommendations

Recommendation No. 7 directed the HPHA to address asset management implementation by seeking the Legislature's approval, as needed, to update and streamline HPHA's accounting system so that its AMP managers have access to timely and accurate financial data. In our follow-up, we determined the HPHA transitioned to the Elite accounting system in FY2013. As a result, AMPs now have access to a current general ledger as well as other financial information specific to their properties, including income statements and balance sheets. Therefore, we deem this recommendation **Closed**.

Recommendation No. 8 directed HPHA to address asset management implementation by developing a detailed work plan that assigns responsibility to appropriate people for the transition to asset management, with deliverables and a timeframe for completion. The

HPHA did not provide us evidence that it completed such a workplan; however—since according to the agency—it transitioned to asset management in FY2012, this recommendation is **Not applicable**.

Recommendation No. 9 directed HPHA to address asset management implementation by incorporating, as appropriate, the recommendations in Econometrica's technical assistance study regarding practical implementation of the asset management model. Econometrica issued a draft report to the authority on February 15, 2011, with its assessment of the organization of HPHA's housing portfolio and recommendations to help the authority fully convert to asset management. Econometrica told HUD that HPHA should implement Econometrica's recommendations by June 1, 2011, to coincide with HUD's asset management implementation deadline. We found that HPHA has adopted staffing rates, budget instructions, and a budget meeting schedule as recommended by Econometrica. The HPHA is also in the process of splitting management of the Mayor Wright Homes and Kamehameha Homes projects and adopting staffing ratios recommended by Econometrica. The agency reported that Phineas Consulting LLC, a technical consultant made available through HUD, was assessing HPHA's financial ability to implement Econometrica's recommendations. However, HPHA could not provide documentation validating its claim about Phineas Consulting by the time we ended our fieldwork; therefore, we deem this recommendation **Open but in progress**.

Recommendation No. 10 directed HPHA to disseminate information and training, as needed and on a continuing basis, regarding how to implement asset management in practical terms. The agency provided us a HUD training plan covering July 2013 to April 2014 that includes project manager-specific training, such as project-based budgeting, project-based accounting, and asset management. We obtained attendance logs and materials used for training held in February 2014. Additional training was planned for April 2014. We therefore deem this recommendation **Closed**.

***Recommendations
for the Hawai'i Public
Housing Authority's
Board of Directors***

Recommendation No. 11 directed the HPHA board to continue its efforts to create policies and procedures specific to board operations and roles and responsibilities, including orientation training for new board members. In our follow-up, we determined that HPHA has adopted policies specific to board operations and roles and responsibilities, and that this part of the recommendation has been implemented. Specifically, the board has adopted a procurement policy, internal control policy, collection policy, and communication policy since our audit was released in June 2011. We also found that board training was provided by HUD in 2011 and by the National Center for Housing Management in 2012. However, we note that three of ten board directors missed the 2011

training and one missed the 2012 training. Additional board training on asset management, preparation of operating budgets, fundamentals of board oversight, and financial viability and oversight was planned for this year, but had not been scheduled as of February 2014. Training attendance likely will not be required, according to HPHA. Overall, we determined that this recommendation is **Closed**.

Recommendation No. 12 urged HPHA's board to continue its efforts to support management's efforts to implement asset management, creating policies as appropriate. We determined that the board has supported management's efforts by adopting procurement and internal control policies, budgeting and accounting by AMP, and reviewing of AMP financials. Overall, we determined this recommendation is **Closed**.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
Recommendations to the Hawai'i Public Housing Authority			
(1) Tie contract monitoring to actual results, with disincentives and/or penalties imposed for non-performance. Remedial plans and actions should be documented.	HPHA's monitoring of its AMP managers lacked robustness. There was no consistency in the monitoring of either state- or privately-managed AMPs. Remedies for non-performing privately-contracted AMP managers were not used effectively.	Open but in progress	AMP managers are held accountable through the state Performance Appraisal System and contract managers through the contract renewal process. AMPs' performance is monitored via regular meetings and reports.
(2) In instances where staffing constraints limit availability for recurring monitoring, the authority should consider employing a risk-based approach in its review process and document those results.	The Property Management and Maintenance Services Branch chief was unable to hire replacement staff until December 2010. Rather than reassign monitoring functions to other staff, the chief absorbed the responsibilities. Monitoring fell by the wayside.	Closed	The branch continues to have staff vacancies at the managerial level. However, HPHA uses an informal risk-based review process dashboard with a color-coded system identifying performance level.
(3) Develop a training program to promote standard interpretation of HUD terminology to managers to ensure terms are applied appropriately and uniformly as they relate to specific criteria.	AMP managers' awareness of protocols and understanding of public housing management terminology varied significantly because the authority had failed to uniformly communicate and enforce standards.	Closed	The agency provided training that includes Public Housing Assessment System training on understanding the key scoring components of the system that are crucial to the success of the public housing authority.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(4) Prioritize repair and maintenance work orders and turn over vacant units to new tenants. Priorities should be communicated to stakeholders to promote understanding of the authority's plans to reduce its 9,000-plus wait list.	As of February 2011, the authority had a total of 233 vacant units that either had pending minor maintenance work or were available for rent; overall, these units had been vacant an average of approximately six months.	Open but in progress	HPHA's occupancy rates have risen significantly year-over-year. HPHA categorizes work orders to prioritize properties most in need of repairs. A team of skilled trade workers can be dispatched to fix those units. However, work order reports do not accurately reflect repair status.
(5) Develop a means to ensure tenant complaints are uniformly recorded, documented, and addressed; and communicate this clearly to all AMP managers.	The authority had not provided AMP managers with specific guidance for managing tenant complaints. There was no consistent method to track tenant complaints, either at the AMP or authority level.	Open but in progress	HPHA started a complaint log with guidance to AMPs in January 2014. However, HPHA has no procedures to address tenant complaints and there is no uniform complaint form used at AMPs.
(6) Develop a method to share best practices among its public housing projects.	Managers expressed an interest in bettering their operations, but had no way of learning from other managers within Hawai'i and other jurisdictions.	Closed	HPHA shares best practices among its public housing projects through monthly manager meetings attended by AMP managers and HPHA staff.
(7) Seek the Legislature's approval, as needed, to update and streamline HPHA's accounting system so that its AMP managers have access too timely and accurate financial data.	HPHA's accounting system did not adequately support asset management. The authority had not implemented either project-based budgeting or project-based accounting for the period under audit.	Closed	HPHA has transitioned to the Elite accounting system and AMPs now have access to a current general ledger as well as other financial information specific to their properties, such as income statements and balance sheets.
(8) Develop a detailed work plan that assigns responsibility to appropriate people for the transition to asset management, with deliverables and a timeframe for completion.	HPHA had taken no steps towards implementing asset management during the previous executive director's tenure. Implementing asset management was a federal requirement, due by June 2011.	Not applicable	HPHA did not provide us evidence that it completed a work plan detailing responsibilities for the transition to asset management. However, HPHA stated that it has completed the transition to asset management.
(9) Incorporate, as appropriate, the recommendations in Econometrica's technical assistance study regarding practical implementation of the asset management model.	Econometrica issued a draft report to the authority in February 2011 with its assessment of the organization of HPHA's housing portfolio and recommendations for changes needed for HPHA to fully convert to asset management.	Open but in progress	HPHA adopted staffing rates, budget instructions, and a budget meeting schedule as recommended by Econometrica. The agency reports that a consultant is assessing the financial ability of implementing the Econometrica recommendations.

RECOMMENDATION	PURPOSE	STATUS	COMMENTS
(10) Disseminate information and/or training, as needed and on a continuing basis, regarding how to implement asset management in practical terms.	Working from Econometrica's draft report, the executive director stated that for March 2011, the focus would be on staff outreach to determine priorities and specific action planning with a projected plan and timeline presentation to the board by its April 2011 meeting.	Closed	A training plan developed for HPHA, covering July 2013 to April 2014, includes project manager-specific training, such as project-based budgeting, project-based accounting, use of dashboards and metrics to monitor project performance, and asset management.
Recommendations to the Hawai'i Public Housing Authority's Board of Directors			
(11) Create policies and procedures specific to board operations and roles and responsibilities, including required training to orient new members as they are appointed to the board.	During our 2009 fieldwork, we found no board policies assigning appropriate responsibilities to the board or executive director. Board members also lacked training, and in some cases conducted business in a manner inconsistent with sunshine laws.	Closed	HPHA has adopted policies specific to board operations and roles and responsibilities. Training has been provided to board members and is scheduled to be provided in the future. However, training is not mandatory.
(12) Support management's efforts to implement asset management, creating policies as appropriate.	Asset management project managers and board members reported that until December 2010 they had not been provided with financial statements.	Closed	The HPHA board has adopted procurement and internal control policies, budgeting and accounting by AMP, and it reviews AMP financials.

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Chapter 3

Charter School Commission To Play Active and Integral Role In Overseeing Schools

In Report No. 11-03, *Performance Audit of the Hawai'i Public Charter School System*, released in December 2011, we found that the Charter School Review Panel had misinterpreted state law and minimized its role in accountability. The panel, mandated to hold charter schools accountable for their performance, did not collect meaningful and reliable data, did not analyze the information it did receive, and offered little guidance to schools. Focusing on its duties as charter school authorizer and re-authorizer, the panel had delegated core monitoring and reporting responsibilities to the charter school local school boards, removing itself—and therefore outside oversight—from the charter school system. In turn, some local school boards ignored their own management responsibilities, allowing schools to spend public funds without oversight. We found numerous instances of purchases that were inconsistent with sound procurement principles or ethical conduct. One school's deficiencies bordered on fraud.

We also found that Hawai'i's charter school system had been operating without any real outside oversight since the first charter school opened in 1995. To establish such oversight and accountability, we concluded that the panel and the Charter School Administrative Office, which handled administrative duties for the charter schools, needed to take a central and active role in a robust monitoring and reporting system.

On June 19, 2012, Governor Abercrombie signed Act 130, Session Laws of Hawai'i (SLH) 2012, now codified as Chapter 302D, Hawai'i Revised Statutes (HRS), which established a new charter school governance structure and accountability system. That same day, the Board of Education (BOE) appointed nine members to a newly created State Public Charter School Commission, which replaced the Charter School Review Panel. In December 2012, the commission put into place the beginnings of a reconstituted governance system that would later feature a new framework to oversee the financial, academic, and organizational performance of charter schools.

This new governance system and the law that guides it require the commission to play an integral and active role in overseeing charter schools. Therefore, instead of revisiting Report No. 11-03's recommendations, which were addressed to the now-repealed Charter School Review Panel, we reviewed Chapter 302D, HRS, interviewed commission managers and staff, and analyzed supporting documents to understand the new governance system and its performance framework. This chapter provides a brief overview of the new system with a focus on

functions that address our report's concerns about the lack of oversight and accountability.

Background

According to the National Association of Charter School Authorizers (NACSA), a strong statewide structure for charter schools accountability is built on two pillars: 1) a clear contract that plainly spells out essential academic and operational performance standards and expectations a school must meet in order to earn the right to continue operating; and 2) a strong body of evidence based on sound, multidimensional data that is collected, analyzed, and reported at least annually by the charter school authorizer over the term of a school's contract.

In Report No. 11-03, we found that the Hawai'i charter school system had neither. It did have two documents that could have served as the pillars of an accountability system: 1) a Detailed Implementation Plan (DIP), submitted with an application for a charter, which specified a school's purpose, focus, operations and other responsibilities; and 2) an Annual Self-Evaluation (ASE), which, as its name suggests, was an assessment by school officials of their school's performance.

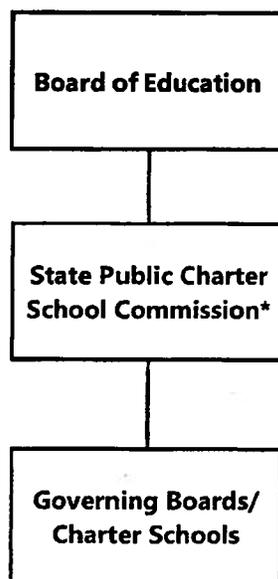
However, the Charter School Review Panel considered DIPs to be application documents, and not the basis of a contract between the State and a charter school. According to the panel chair, the panel was unsure whether it had authority to require schools to update their DIPs to be in compliance with applicable sections of the law. Since the panel did not have rulemaking authority, the chair believed that charter schools were not required to follow panel policies. The chair also expressed doubts as to whether the panel had authority to force schools to report certain types of information.

In addition, the panel, which did not independently collect data to measure student performance, did not verify or analyze schools' self-reported data in the ASEs, which we found to be inconsistently and inaccurately reported. Panel members explained that they had neither the time nor resources to collect their own data.

New Law Clarifies Charter Schools' Governance Structure

As of June 2012, the new charter school system is composed of the Board of Education, the State Public Charter School Commission, and charter schools and their governing boards. Exhibit 3.1 displays the Hawai'i public charter school system organizational structure.

**Exhibit 3.1
Hawai'i Public Charter School System Organization Chart**



*Attached to the Department of Education for administrative purposes only.

Source: Based on the Office of the Auditor's statutory interpretation of Hawai'i's public charter school laws

The commission is the statewide authorizer that reviews charter applications; approves or denies charter applications; contracts with applicants; oversees public charter schools; and decides whether to authorize, renew, deny renewal of, or revoke charter school contracts.

The commission's duties include negotiating and executing sound charter contracts with each approved public charter school; monitoring, in accordance with charter contract terms, the performance and legal compliance of public charter schools; and determining whether each charter contract merits renewal, nonrenewal, or revocation. The commission is also required to submit to the BOE and Legislature an annual report summarizing, among other things, the academic and financial performance of all charter schools it oversees. In turn, each charter school overseen by the commission must submit an annual report to assist the commission in gathering complete information about each school. The annual report must include the status of the charter school's compliance with annual performance targets, as determined by the charter contract.

The 2012 law also replaced charter school local school boards with governing boards, which are party to charter contracts with the commission and responsible for the financial, organizational, and

academic viability of the charter school and implementation of the charter. Each governing board must also comply with the State Code of Ethics (Part II of Chapter 84, HRS) and adopt and adhere to a conflict of interest policy consistent with Chapter 84, HRS, which includes provisions related to nepotism. Charter schools must submit their conflict of interest policies to the commission by July 30 of each year.

Charter school contracts also require that schools be subject to collective bargaining under Chapter 89, HRS, *Collective Bargaining in Public Employment*, and comply with collective bargaining master agreements as negotiated by the State. Schools may enter into collective bargaining supplemental agreements that contain cost and non-cost items to facilitate decentralized decisionmaking. Charter schools must provide a copy of supplemental agreements to the commission within 14 days of execution.

The charter school law also dedicates resources and staff to execute the day-to-day responsibilities of the commission. At the time of this follow-up, the commission had a staff of 17.

Commission's Performance Framework Promises to Provide Real Oversight

For school year (SY) 2013–14, the commission executed one-year contracts with 33 charter schools. Outlined in the contracts is the commission's accountability system, known as the *Performance Framework*, which has three main parts:

1. The *financial performance framework* assesses financial health while taking into account the school's financial trends over a three-year period;
2. The *academic performance framework* evaluates a charter school's academic performance using a combination of standardized and school-specific measures that still need to be identified; and
3. The *organizational performance framework* communicates to charter schools and the public the compliance-related standards schools must meet. State and federal law, administrative rules, and contractual requirements (including charter contracts, and collective bargaining master and supplemental agreements) are included in this framework.

Exhibit 3.2 shows the current status of the commission’s three-part Performance Framework.

**Exhibit 3.2
Status of the State Public Charter School Commission’s Performance Framework
as of January 2014**

Performance Framework	Approved by Commission	Implemented	Comments
Financial	Yes	Yes	Framework approved in March 2013. Data collection began in June 2013.
Academic	No	No	Draft framework scheduled to be finalized June 2014; however, commission has collected and reported on academic data for SY2012–13.
Organizational	Yes	Yes	Thirty-three charter schools signed one-year contracts in 2013. In January 2014, schools submitted required information. The commission then issued preliminary assessments of organizational compliance.

Source: Office of the Auditor based on State Public Charter School Commission information

The relative importance of each framework within the new accountability system has yet to be determined. According to the commission, this rating system will be used for charter school assessments. In addition, there are no formal plans for school site visits, which are a component of the commission’s monitoring system and are included in charter school contracts. Moreover, the duration of the next round of contracts had not been decided at the time of our follow-up in January 2014.

Continuous financial reporting and monitoring provides comprehensive assessments of schools’ financial health and viability

The commission’s financial performance framework, which was implemented in SY2013–14, is designed to provide continuous monitoring and oversight of charter school finances. The framework includes eight measures, as described in Exhibit 3.3.

Exhibit 3.3
Financial Performance Framework Measures

Measure	Description
1. Current ratio	Measures a school's ability to pay its obligations over the next 12 months and is calculated by dividing the school's current assets by its current liabilities.
2. Unrestricted days cash	Indicates whether a school maintains a sufficient cash balance to meet its obligations. The measure looks at a fixed point in time.
3. Enrollment variance	Drives the development of a school's budget. Per-pupil funding is the primary source of revenue for charter schools, so student enrollment is a key driver of a school's revenue. Per-pupil counts also determine a school's expenses, since they provide the basis for determining costs such as staffing and supplies. Variance shows actual enrollment versus projected enrollment.
4. Total margin	Indicates whether a school is operating within its available resources in a particular year. It is important for charter schools to build a reserve to support growth or sustain the school in an uncertain funding environment.
5. Debt to asset ratio	Compares a school's obligations against its assets.
6. Cash flow	Indicates the trend in a school's cash balance over a year and over a three-year period. This measure is similar to days cash on hand, but provides insight into a school's long-term stability, as it helps assess a school's sustainability over a period of time in an uncertain funding environment.
7. Unrestricted fund balance percentage	Measures the equity a school has accumulated, which can serve as a reserve for unexpected situations or help fuel growth.
8. Change in total fund balance	Measures trends in total fund balance to identify fluctuations over time, which indicates financial viability based on the overall financial record of a school.

Source: State Public Charter School Commission

Charter schools are required to submit the following financial reports to the commission, which are reviewed and analyzed by the commission's financial performance manager and an analyst to monitor whether charter schools are meeting their projections:

1. **Budget** (submitted in June)—reviewed to determine a school's projected revenues and expenses. The financial manager contacts the school if it shows a projected deficit;
2. **Unaudited financial statements** (submitted in October)—entered into the commission's financial framework. The financial manager prepares a consolidated charter school income statement that is submitted to the Departments of Education and Accounting and General Services;
3. **Audited financial statements** (submitted in November)—re-entered into the commission's financial framework; the school is rated as *meeting, not meeting, or falling far below standards*;
4. **Quarterly reports**—quarterly re-entered into the commission's financial framework to determine a preliminary rating. The reports

measure how schools are performing during the year and help identify trends; and

5. **Cash flow forecast for the year**—school estimates of actual and projected cash flows for the year help the commission identify cash flow problems.

At the end of the school year, the financial performance manager assigns a rating to each school. The manager also collects enrollment data from the DOE for per-pupil spending assessments and reconciles the data with enrollment numbers submitted by each charter school.

Charter school academic assessments to include performance measures used by all public schools

Like all Hawai'i public schools, public charter schools are held accountable under the Strive HI Performance System, approved by the U.S. Department of Education in May 2013 to replace many requirements under the federal No Child Left Behind Act. Under this new system, school performance is based on multiple measures, including the Hawai'i State Assessment (HSA), academic growth, college and career readiness, size of achievement gaps between high-needs students and non-high need students, and progress on reducing those gaps. Individual student performance indicators include student academic proficiency, student academic growth, achievement gaps in proficiency and growth between major student subgroups, and post-secondary readiness.

The commission's new charter schools academic performance framework, which is in draft form and scheduled to be finalized by June 2014, consists of two main parts: Strive HI and school-specific measures. For SY2013–14, submission of the school-specific measures is optional. At present, three charter schools have school-specific measures in place and 15 schools are developing such measures. Because some of Hawai'i's charter schools have culturally specific missions, the commission is conducting a pilot program in SY2013–14 to explore different ways to correctly capture school-specific data. In addition, NACSA will be providing feedback on evaluating school-specific measures as well as assisting the commission with training.

According to the commission's academic performance manager, the framework will also include other measures requiring input from charter schools and stakeholders and commission approval as well as five categories of academic growth: *very low, low, average, high, and very high*.

In Report 11-03, we found that the Charter School Review Panel neither independently collected data to measure student performance nor verified and analyzed the information it did receive from schools. In contrast, the

commission's academic performance manager and an academic analyst collect and analyze data obtained from the DOE, which includes HSA data as well as demographic and other information. In its *State Public Charter School Commission 2012–13 Annual Report*, the commission reports on charter school's performance outcomes and compares them to statewide averages in areas such as achievement in math, reading, and science.

Organizational performance framework ensures charter schools comply with applicable laws, rules, and contractual requirements

The organizational performance framework outlines the compliance-related standards that charter schools must meet. The framework is divided into six categories, as shown in Exhibit 3.4, each of which has measures for evaluating schools.

**Exhibit 3.4
Organizational Performance Framework Categories and Measures**

Category	Description	Measure(s)
1. Education Program	Assesses schools' adherence to relevant and significant terms of their proposed education programs.	<ul style="list-style-type: none"> • Is the school implementing the material elements of its educational program as defined in its charter contract? • Is the school complying with applicable education requirements? • Is the school protecting the rights of students with disabilities? • Is the school protecting the rights of English Language Learner students?
2. Financial Management and Oversight	Sets expectations for schools' management and oversight of finances—distinguishable from the financial performance framework, which is used to analyze a school's actual financial performance.	<ul style="list-style-type: none"> • Is the school meeting financial reporting and compliance requirements? • Is the school following Generally Accepted Accounting Principles?
3. Governance and Reporting	Sets forth expectations of the governing board's compliance with governance-related laws and the board's own bylaws and policies.	<ul style="list-style-type: none"> • Is the school complying with governance requirements? • Is the school holding management accountable? • Is the school complying with data and reporting requirements?

Category	Description	Measure(s)
4. Students and Employees	Measures compliance with a number of laws relating to students and employees.	<ul style="list-style-type: none"> • Is the school protecting the rights of all students? • Is the school meeting teacher and other staff requirements? • Is the school respecting employee rights?
5. School Environment	Addresses charter schools' facilities, transportation, and health services, among other things.	<ul style="list-style-type: none"> • Is the school complying with facilities and transportation requirements? • Is the school complying with health and safety requirements?
6. Additional Obligations	A catch-all section for measures that represent the authorizer's lower priority requirements and any requirements that were established after the organizational performance framework was adopted into the charter contract.	<ul style="list-style-type: none"> • Is the school complying with all other obligations?

Source: Office of the Auditor based on State Public Charter School Commission information

Charter schools must submit policies and procedures addressing: conflict of interest, student conduct and discipline, conflict resolution, complaints, procurement, and personnel. The commission provides guidance to charter schools through resource guides, which also include relevant statutory language or contractual provisions. Charter schools have been provided the organizational performance framework information and deadlines, and were required to submit all information on the preliminary organizational performance assessment by January 2014.

The evaluation process for SY2013–14 used a “Checklist for Preliminary Organization Performance Assessment (POPA),” shown in Exhibit 3.5, which contained the six categories listed in Exhibit 3.4. Charter schools submitted the required information; other information was obtained from other available data. Upon review of the POPA, feedback was provided to the charter schools, which were given the following ratings:

1. *Meets standard:* Required information received by the deadline;
2. *Does not meet standard:* Information received after the deadline; or
3. *Falls far below standard:* Information not received by the deadline and school was not granted an extension.

**Exhibit 3.5
Checklist for Preliminary Organizational Performance Assessment (POPA)**

3. Governance and Reporting

Metric	Meets Standard	Does Not Meet Standard	Falls Far Below Standard	Reviewer Comments
Governing Board (GB) Bylaws				
GB Membership List				
GB Meeting Agenda and Minutes Posted				
Procurement Policy				
Conflict of Interest Policy				
Principal Evaluator System				

Governing Board (GB) Bylaws - School submitted its GB bylaws to the Commission

GB Membership List - School submitted its GB membership list to the Commission; GB membership complies with statutory requirement that not more than one-third of the GB can be employees of the school or relatives

GB Meeting Agenda and Minutes Posted - School complies with statutory reporting requirements of having agenda and minutes available on school's and/or Commission's website

Procurement Policy - School submitted its policy by the November 1, 2013 deadline; schools that did not meet the deadline will receive "Does Not Meet Standard"

Conflict of Interest Policy - School submitted its policy by the November 1, 2013 deadline; schools that did not meet the deadline will receive "Does Not Meet Standard"

Principal Evaluator System - Evaluation system has been finalized and executed in a supplemental collective bargaining agreement

Source: State Public Charter School Commission

After charter schools receive their preliminary assessments and ratings, they can submit additional information and respond to the assessment. The commission's organizational performance staff can revise the report after reviewing supplemental information. This year's submission deadline was February 2014.

For SY2013-14, the organizational performance manager did not apply the entire framework contained in the charter contract. The full framework will be used in the next school year. According to the

organizational performance manager, monitoring of charter schools' compliance is continuous, since measures have differing due dates.

Intervention and revocation protocols and processes are still being developed

If the commission finds deficiencies in a school's performance or legal compliance, the commission and school will follow an intervention protocol, which is included in the charter contract. Intervention may be initiated if the commission finds that a school is non-compliant with applicable laws, rules, policies and procedures, and terms and conditions of the contract; or fails to meet performance expectations set forth in the Performance Framework.

The intervention protocol, which outlines the process, will enable the commission to take timely and appropriate action to notify schools about performance and compliance concerns and provide schools a reasonable opportunity to remedy such problems. Upon finding a school's performance or legal compliance unsatisfactory, the commission issues a deficiency notice to the school. The notice states with specificity the deficiency; the applicable regulatory, performance, or contractual provision(s) not met; the expected remedy, including whether a corrective action plan is required; and the timeframe by which the commission expects the school to remedy the deficiency or submit a corrective action plan.

The organizational performance manager is responsible for issuing notices of deficiencies to charter schools for all three frameworks, with the assistance of the other framework managers. If the school does not satisfactorily fix its deficiencies, the commission will issue a warning notice before initiating revocation proceedings in accordance with Chapter 302D, HRS, and applicable administrative rules. The commission has approved draft administrative rules that are being reviewed by the Department of the Attorney General.

Conclusion

Act 130, SLH 2012, re-established Hawai'i's public charter schools' governance structure and clarified the relationships, responsibilities, and lines of accountability among charter school system stakeholders. At the center of this new structure is the State Public Charter School Commission, which independently collects, analyzes, and evaluates charter school data. The commission's Performance Framework, which actively monitors and assesses schools' financial, academic, and organizational performance, promises to establish real oversight and accountability throughout the charter schools system.

There is still much work to be done, however. Among other things, the commission must finalize the academic performance framework and determine how individual frameworks will be weighed against each other in the overall assessment of charter school performance. In addition, the commission needs to establish a formal plan for site visits, which is a requirement of charter contracts. Nevertheless, the commission should be commended for the significant progress it has made in relatively short time.



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While there is still much work to be done, the State Public Charter School Commission should be commended for the significant progress it has made in a relatively short time.

For the full text of this and other reports, visit our website:
<http://auditor.hawaii.gov/>

Report on the Implementation of State Auditor's 2011 Recommendations

Report No. 14-06, April 2014

Most public housing recommendations implemented; new charter schools framework promises accountability

The 2008 Legislature amended the Auditor's governing statute to require follow-up reporting on recommendations made in various audit reports to ensure agency accountability over audit recommendations. The purpose of this change was to apprise the Legislature annually of recommendations not implemented by audited agencies, and to require such agencies to submit a written report not later than 30 days after issuance of our report explaining why the recommendation was not implemented and the estimated date of its implementation.

Our review focused on entities' implementation of 25 audit recommendations made in calendar year 2011. This report details each recommendation, its status, and actions taken related to the recommendation. We made 12 recommendations in Report No. 11-01, *Management Audit of the Hawai'i Public Housing Authority*. In our follow-up, we found seven were closed (59 percent), four were open but in progress (33 percent), and one was no longer applicable (8 percent). The remaining 13 recommendations related to Report No. 11-03, *Performance Audit of the Hawai'i Public Charter School System*. Following the release of our report, the Legislature amended Hawai'i's public charter school law and overhauled the charter school system governance structure. Therefore, instead of revisiting Report No. 11-03's recommendations, which were addressed to a now-repealed Charter School Review Panel, we provide a brief overview of the new governance structure and accountability system with a focus on functions that address the report's concerns of lack of oversight.

Management Audit of the Hawai'i Public Housing Authority, Report No. 11-01

In Report No. 11-01, we found that the Hawai'i Public Housing Authority's (HPHA) monitoring of its housing project managers, both state and private, was sporadic and lacked robustness. In addition, both state- and privately-run housing projects had backlogs of repair and maintenance issues. Moreover, turnaround on vacant units was slow, adversely impacting families on the waiting list as well as rent collections. Inventory procedures also varied considerably between housing projects, and there was no uniform method for addressing tenant complaints.

Our follow-up review found that HPHA has made progress implementing many of our recommendations in oversight and significantly improved occupancy rates. However, HPHA still lacks policies and procedures to ensure robust monitoring of Asset Management Project performance and the uniform addressing of complaints. In addition, HPHA lacks accurate work order data. We also experienced difficulty in obtaining documentation from HPHA and scheduling interviews with staff, which hindered our ability to evaluate and verify whether the authority had implemented the recommendations in Report No. 11-01.

Performance Audit of the Hawai'i Public Charter School System, Report No. 11-03

In Report No. 11-03, we found that the Charter School Review Panel had misinterpreted state law and minimized its role in accountability. The panel, responsible for holding charter schools accountable for their performance, did not collect meaningful and reliable data, did not analyze the information it did receive, and offered little guidance to schools. As a result, Hawai'i's charter school system had been operating without any real outside oversight. Our follow-up found that Act 130, Session Laws of Hawai'i 2012, established a new governance structure that requires a newly established State Public Charter School Commission to play an integral and active role in overseeing charter schools. The commission's new accountability system, known as the Performance Framework, promises to provide real oversight of charter school performance.

FEDERAL BUDGET/OBLIGATION: Capital Fund Program (CFP) (Operations, Admin, Mgt Improv)

	Total CFP Appropriation	Budget Construction Activities (BLI 1411-1501)	Budget Operations (BLI 1406)	Budget Management Improvements (BLI 1408)	Budget Administration (BLI 1410)	Budget Contingency (BLI 1502)	CFP Obligated	% Obligated	Balance	Obligation Deadline	Notes
CFP 719	\$12,526,177	\$8,773,404	\$2,416,486	\$83,670	\$1,252,617		\$12,526,177	100.00%	\$0	4/14/12	Fully Obligated. LOCCS created 09-12-09
CFP 720	\$12,389,235	\$8,383,211	\$2,477,847	\$249,788	\$1,238,924	\$39,465	\$11,778,003	95.07%	\$611,232	7/14/12	Fully Obligated. LOCCS created 06-23-10
CFP 721	\$10,301,898	\$6,930,454	\$2,060,380	\$107,988	\$1,030,190	\$172,886	\$9,560,781	92.81%	\$741,117	8/2/13	Fully Obligated. LOCCS created 07-13-11
CFP 722	\$9,454,397	\$6,752,637	\$1,431,147	\$150,000	\$945,440	\$175,173	\$8,716,874	92.20%	\$737,524	3/11/14	Fully Obligated. LOCCS created 03-12-12
CFP 723	\$9,066,970	\$7,670,855	\$193,418	\$150,000	\$906,697	\$146,000	\$0	0.00%	\$9,066,970	9/8/15	LOCCS created 08-09-13
CFP Budget Totals	\$57,285,440	\$39,233,454	\$10,908,607	\$1,027,311	\$5,728,543	\$533,524	\$55,195,567	96%	\$2,089,873		

FEDERAL EXPENDITURE: Capital Fund Program (CFP) (Operations, Admin, Mgt Improv)

	Total CFP Appropriation	Expended Construction Activities (BLI 1411-1501)	Expended Operations (BLI 1406)	Expended Management Improvements (BLI 1408)	Expended Administration (BLI 1410)	Expended Contingency (BLI 1502)	Expended to Date Total Funds	% Expended	Balance	Expenditure Deadline	Notes
CFP 719	\$12,526,177	\$8,773,404	\$2,416,486	\$83,670	\$1,252,617	\$0	\$12,526,177	100.00%	\$0	4/14/14	Fully Expended
CFP 720	\$12,389,235	\$7,014,505	\$1,760,491	\$186,766	\$1,038,924	\$0	\$10,000,687	80.72%	\$2,388,548	7/14/14	LOCCS created 06-23-10
CFP 721	\$10,301,898	\$5,006,365	\$0	\$35,805	\$1,030,190	\$0	\$6,072,361	58.94%	\$4,229,537	8/2/15	LOCCS created 07-13-11
CFP 722	\$9,454,397	\$256,253	\$0	\$1,483	\$0	\$0	\$257,735	2.73%	\$9,196,662	3/11/16	LOCCS created 03-12-12
CFP 723	\$9,066,970	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	\$9,066,970	9/8/17	LOCCS created 08-09-13
CFP Expenditure Totals	\$57,285,440	\$29,444,276	\$6,699,724	\$743,580	\$4,583,104	\$0	\$41,470,693	72.39%	\$15,814,747		

STATE: Capital Improvement Program (CIP)

	State GO Bond Appropriation	HPHA Budget	HPHA Encumbered	HPHA Expended	HPHA % Expended Against Budget	HPHA Budget Balance	CIP Encumbrance Deadline	Notes	ACT/SLH
FY 07-08 Elevator	\$4,939,503	\$4,591,697	\$4,591,697	4,181,968	91.08%	\$409,729	6/30/10	Allotment Granted - Blanket Encumbrance (1) & (2) & (3)	ACT 213/2007 as amended by ACT 158/2008
FY 07-08 Lump Sum CIP	\$19,910,000	\$17,809,280	\$15,802,595	14,560,458	81.76%	\$3,248,822	6/30/10	Allotment Granted - Blanket Encumbrance (1) & (2) & (3)	ACT 213/2007 as amended by ACT 158/2008
FY 08-09 Elevator	\$6,410,000	\$4,263,049	\$4,263,049	3,281,228	76.97%	\$981,821	6/30/10	Allotment Granted - Blanket Encumbrance (1) & (2) & (3)	ACT 213/2007 as amended by ACT 158/2008
FY 08-09 Lump Sum CIP	\$10,000,000	\$3,374,706	\$3,374,706	2,409,732	71.41%	\$964,974	6/30/10	Allotment Granted - Blanket Encumbrance (1) & (2) & (3)	ACT 213/2007 as amended by ACT 158/2008
FY 09-10 Lump Sum CIP	\$7,913,000	\$7,898,571	\$7,882,201	7,247,235	91.75%	\$651,336	6/30/12	Allotment Granted - Blanket Encumbrance (1)	ACT 162/2009 as amended by ACT 180/2010
FY 10-11 Lump Sum CIP	\$4,500,000	\$4,384,799	\$4,270,030	3,622,549	82.62%	\$762,250	6/30/12	Allotment Granted - Blanket Encumbrance (1)	ACT 162/2009 as amended by ACT 180/2010
FY 11-12 CIP Totals	\$31,120,000	\$31,120,000	\$11,964,232	5,158,699	16.58%	\$25,961,301	6/30/14	Allotment Granted	ACT 164/2011 as amended by ACT 106/2012
FY 12-13 CIP Totals	\$60,222,000	\$60,222,000	\$16,243,377	8,357,396	13.88%	\$51,864,604	6/30/14	Allotment Granted	ACT 164/2011 as amended by ACT 106/2012
FY 13-14 Lump Sum CIP	\$45,643,000	\$45,643,000	\$2,641,338	55,636	0.12%	\$45,587,364	6/30/16	Allotment Granted	ACT 134/2013 as amended by ACT
FY 14-15 Lump Sum CIP	\$0	\$0	\$0	0	#DIV/0!	\$0	6/30/16		ACT 134/2013 as amended by ACT
STATE CIP TOTALS	\$145,014,503	\$133,664,102	\$68,391,888	\$48,819,264		\$84,844,838			

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1411 - Audit Costs
1430 - Fees & Costs
1450 - Site Improvement
1460 - Dwelling Structures
1465 - Dwelling Equipment
1470 - Non-Dwelling Structures
1499 - Development Activities
1501 - Collateralization or Debt Service Paid by PHA
1502 - Budget Contingency

Federal Capital Fund Program Budget

These are HPHA CFP budget numbers a/o the upper left corner date. The rows reflect the CFP fund grant, the columns represent the manner in which the funds are currently budgeted. The obligation deadline indicates the date by which these funds must be at least 92% obligated.

Federal Capital Fund Program Actual

These are HPHA CFP actual expenditures a/o the upper left corner date. The rows reflect the CFP fund grant, the columns represent the manner in which these funds are currently being expended. The expenditure deadline indicates the date by which these funds must be expended.

State Capital Improvement Program Budget and Expenditure

These are HPHA CIP budget and actual expenditures a/o the upper left corner date. The rows reflect the CIP fund appropriation, the columns represent budget, encumbrance and expenditures. The encumbrance deadline indicates the date by which the funds must be encumbered.