

# **Hawaii Public Housing Authority**

Financial Statements

June 30, 2016

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR  
STATE OF HAWAII**



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A Hawaii Limited Liability Partnership

March 10, 2017

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, 2016. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **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, 2016, and to comply with the requirements of the Uniform Guidance. 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 the Uniform Guidance. 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, 2016.

## **ORGANIZATION OF THE REPORT**

This report is presented in six 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, 2016, 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.
- Part V – The summary schedule of prior audit findings.
- Part VI – The corrective action plan.

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**



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A Hawaii Limited Liability Partnership

## **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, 2016 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, 2016, 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.

### **Emphasis of Matters**

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, 2016, 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, the Budgetary Comparison schedules, Schedule of the Authority's Proportionate Share of the Net Pension Liability and Schedule of the Authority's Contributions on pages 9 through 21 and pages 78 to 82, 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards on pages 84 and 85, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedules of Modernization of Funds and Modernization Costs and Financial Data Schedule on pages 86 through 91 and 92 through 98, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards, Schedules of Modernization of Funds and Modernization Costs 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, Schedules of Modernization of Funds and Modernization Costs 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 10, 2017 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 the Authority's internal control over financial reporting and compliance.

KMH LLP

KMH LLP

Honolulu, Hawaii  
March 10, 2017

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2016

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, 2016. 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 fiscal year ended June 30, 2016, readers should review this in conjunction with the financial statements that follow.

## INTRODUCTION

The HPHA is a full service agency, administratively attached to the State's Department of Human Services, for administrative purposes only. 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, 2015 to June 30, 2016, the HPHA administered the following programs:

- Federal 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).
- State public housing programs  
The HPHA administered over 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 and Veterans Affairs Supportive Housing Program, and the State funded rental assistance program, subsidizing monthly rental payments to qualified households.

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2016

- Federal rental assistance program  
HPHA manages 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).

## FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the HPHA exceeded its liabilities and deferred inflows of resources by \$469.51 million. Of this amount, \$329.51 million was invested in capital assets (as detailed on *Government-Wide Statement of Net Position, page 23*).
- The HPHA's government wide net position increased by \$0.81 million. The increase in net position is due to the offsetting activities of governmental activities and business-type activities as follows:
  - a. Governmental activities decrease in net position of \$26.41 million is primarily due to State allotted appropriations of \$16.17 million, net of lapsed funds of \$1.52 million, and net transfers out of \$42.62 million (as detailed on *Government-Wide Statement of Activities, page 24*).
  - b. Business-type activities increase in net position of \$27.22 million (as detailed on *Government-Wide Statement of Activities, page 24*) is due to capital contributions of \$31.97 million and net transfers in of \$10.65 million from Governmental Activities, offset by a loss before transfers of \$15.40 million.

The capital contribution is related to the Capital Projects fund's current year capital contribution of \$31.97 million (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.

Out of the \$10.65 million net operating transfers in, \$3.59 million is for State rental housing program to cover operating shortfalls, \$2.41 million for federal low rent program's security services, \$5.40 million for central office cost center, and \$(0.75) million for other enterprise type of programs (as detailed on *Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position, page 33*).

The loss before transfers of \$15.40 million is primarily due to higher security services 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, 2016

## 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.

Supplemental information in addition to the basic financial statements is provided. The financial statements summarize, at an aggregate level, over 650,000 financial transactions during the year or approximately 2,000 transactions per day.

**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 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 and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. The statement displays the financial position of the HPHA. Over time, increases or decreases in net position may serve as an indicator of 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 method 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 program revenues and expenses for each type of activity.

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

- **Governmental activities:** The activities in this section are primarily supported by State appropriations and 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 current financial resources measurement and the modified accrual basis of accounting. 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, 2016

- **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. The business-type fund statements – the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* are reported using an accrual basis of accounting and the economic resources measurement focus.

**Fund Financial Statements:** The HPHA uses fund accounting to report on its financial position and results of operation. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions.

The financial activities of the HPHA are recorded in individual funds. Funds have been classified into either a major or non-major fund. The criteria for determining “major” or “non-major” funds are provided by Governmental Accounting Standards Board (GASB) *Statement 34, Basic Financial Statements - Management’s Discussion and Analysis for State and Local Governments*. Major funds are reported separately, while non-major funds are combined in a column in the fund financial statements. Details for the non-major funds can be found in the *Supplementary Information* section.

**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  
June 30, 2016

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table was derived from the government-wide statement of net position.

HAWAII PUBLIC HOUSING AUTHORITY						
Condensed Statements of Net Position						
June 30, 2016 and June 30, 2015						
(In thousands of dollars)						
	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current & other assets	\$ 109,891	\$ 134,369	\$ 78,099	\$ 68,007	\$ 187,990	\$ 202,376
Capital assets	4,309	4,483	325,200	304,653	329,509	309,136
Other assets	-	-	8,717	8,717	8,717	8,717
Total Assets	114,200	138,852	412,016	381,377	526,216	520,229
Deferred Outflows of Resources	207	151	3,496	2,986	3,703	3,137
Total Assets & Deferred Outflows of Resources	\$ 114,407	\$ 139,003	\$ 415,512	\$ 384,363	\$ 529,919	\$ 523,366
<b>Liabilities</b>						
Current & other liabilities	\$ 4,079	\$ 2,566	\$ 7,037	\$ 6,257	\$ 11,116	\$ 8,823
Long-term liabilities	2,613	2,251	44,895	40,694	47,508	42,945
Total Liabilities	6,692	4,817	51,932	46,951	58,624	51,768
Deferred Inflows of Resources	77	140	1,712	2,763	1,789	2,903
<b>Net Position</b>						
Investment in capital assets, net of related debt	4,309	4,483	325,200	304,653	329,509	309,136
Restricted	3,301	2,600	-	-	3,301	2,600
Unrestricted	100,028	126,963	36,668	29,996	136,696	156,959
Total Net Position	107,638	134,046	361,868	334,649	469,506	468,695
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 114,407	\$ 139,003	\$ 415,512	\$ 384,363	\$ 529,919	\$ 523,366

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2016

## 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 and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$469.51 million. \$329.51 million of net position was invested in capital assets, net of related debt. As discussed in the financial highlights, net position increased by \$0.81 million during the fiscal period (as detailed on *Government-Wide Statement of Net Position and Statement of Activities*, pages 22, 23 & 24).

Of the HPHA's total assets and deferred outflows of resources, \$329.51 million (or 62.2%) represents capital assets. 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 \$183.38 million comprises 34.6% of total assets and deferred outflows of resources. A majority of the \$104.02 million in Due from the State of Hawaii represents available State allotted appropriations 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.

Accounts payable and accrued current expenses of \$9.37 million comprise 84.3% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position*, page 23). Long term liabilities increased by \$4.56 million from the prior year. This is primarily due to the increase in pension and other post retirement employment benefits (OPEB) liabilities (as detailed in the *Notes to the Financial Statements*, #7 and #8, page 61). Total long term liabilities amounted to \$47.51 million, or 78.6% of total liabilities and deferred inflows of resources, as compared to \$42.94 million or 78.6% for in prior year. The increase in amount is a result of the implementation of *GASB 68, Accounting and Financial Reporting for Pensions*. The HPHA's obligations related to pension and OPEB are based on reports provided by the State's Department of Accounting and General Services.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2016

The following financial information was derived from the government-wide statement of activities.

HAWAII PUBLIC HOUSING AUTHORITY  
Government-Wide Statements of Activities  
Years Ended June 30, 2016 and June 30, 2015  
(In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 20,592	\$ 19,906	\$ 20,592	\$ 19,906
Operating grants & contributions	62,885	57,494	24,013	22,536	86,898	80,030
Capital grants & contributions	-	-	9,669	10,877	9,669	10,877
Other income	-	-	127	549	127	549
General Revenues:						
State allotted appropriations, net of lapsed funds	16,171	25,558	-	-	16,171	25,558
<b>Total Revenues</b>	<b>79,056</b>	<b>83,052</b>	<b>54,401</b>	<b>53,868</b>	<b>133,457</b>	<b>136,920</b>
<b>Expenses</b>						
Governmental Activities						
Rental housing assistance program	62,843	72,290	-	-	62,843	72,290
Business-Type Activities						
Rental assistance program	-	-	56,412	53,663	56,412	53,663
Housing development program	-	-	9,553	9,552	9,553	9,552
Other expenses	-	-	3,839	6,020	3,839	6,020
<b>Total government-wide expenses</b>	<b>62,843</b>	<b>72,290</b>	<b>69,804</b>	<b>69,235</b>	<b>132,647</b>	<b>141,525</b>
Excess (deficiency) of revenues over (under) expenses	16,213	10,762	(15,403)	(15,367)	810	(4,605)
Capital contributions	-	-	-	13,539	-	13,539
Transfers	(42,622)	(6,251)	42,622	6,251	-	-
<b>CHANGES IN NET POSITION</b>	<b>(26,409)</b>	<b>4,511</b>	<b>27,219</b>	<b>4,423</b>	<b>810</b>	<b>8,934</b>
Net position, beginning of year	134,047	129,535	334,649	330,226	468,696	459,761
<b>Net position, end of year</b>	<b>\$ 107,638</b>	<b>\$ 134,046</b>	<b>\$ 361,868</b>	<b>\$ 334,649</b>	<b>\$ 469,506</b>	<b>\$ 468,695</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2016

## Statement of Activities

Government-wide operating grants and contributions increased by \$6.87 million in the current year from \$80.03 million to \$86.90 million. Capital grants and contributions decreased by \$1.21 million in the current year from \$10.88 million to \$9.67 million. HUD operating subsidies for federal public housing program increased by \$1.47 million from \$22.54 million in prior year to \$24.01 million. The business-type activities operating loss decreased by \$0.39 million for the year to \$15.40 million, from prior year's \$15.92 million (as detailed in the *Government – Wide Statement of Activities, Page 24*).

Governmental activities net position decreased by \$26.41 million from prior year's \$134.05 million to current year's \$107.64 million. This decrease is primarily due to State allotted appropriations of \$16.17 million, net of lapsed capital funds of \$1.52 million, and net transfers out of \$10.65 million (as detailed in *Government-Wide Statement of Net Position, Page 24*).

## 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 ability to meet its financing requirements. In particular, unreserved fund balances may serve as a useful measure of the HPHA's net resources available for spending at the end of the fiscal year (as detailed in *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 \$105.81 million, of which \$98.54 million was reserved for capital projects, a decrease of \$25.99 million, in comparison with the prior year's combined fund balance of \$131.80 million (as detailed in *Governmental Funds, Balance Sheet, page 25* and *Statement of Revenues, Expenditures and Changes in Fund Balances, page 27*).
- Under the General fund, excess of revenues over expenditures at the end of the fiscal year was \$6.13 million, and \$4.85 million was transferred out of the General Fund to support the HPHA's business type activities (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances, page 27*).
- The Capital Projects fund balance decreased by \$28.23 million, to \$98.54 million from prior year's \$126.77 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 27*). The HPHA received allotted appropriations of \$9.55 million, net of lapsed fund of \$0.18 million. Capital contribution was \$31.97 million, and net transfers out was \$5.81 million.
- The Housing Choice Voucher Program fund balance increased by \$0.70 million, to \$3.30 million. This is mainly because of the \$0.70 million of revenues over expenditures.

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2016

- The Section 8 Contract Administration fund balance increased by \$0.26 million to \$2.06 million. Revenues exceeded expenditures by \$0.26 million.

### 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 HUD-mandated Central Office Cost Center (COCC) fund to account for costs related to the general oversight of the programs and projects HPHA administers, and other indirect and administrative costs of the HPHA. The COCC fund charges fees to the HPHA's various housing programs for administrative services and general oversight.
- Combined Proprietary Funds losses before transfers amounted to \$15.40 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*), compared with prior year loss of \$15.37 million. The \$0.03 million increase in loss is due to a combination of variances in revenues and expenses, including \$1.18 million more rental income, \$1.21 million less HUD capital fund subsidies, \$0.76 million more depreciation expense, and \$3.49 million more repair and maintenance expenses.
- The COCC's loss before transfers was reduced to \$3.67 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*), in comparison to prior year's loss of \$5.01 million. The decrease in loss is because of \$2.02 million more in fee-for-service revenue, \$0.09 million less personnel expenses and \$0.05 million less administrative expenses; offset by \$0.29 million less other revenue. The COCC finished the fiscal year with \$1.85 million net change to net position, to \$10.81 million from \$8.96 million in prior year.
- Under the Federal Low Rent Program, net loss before transfers increased by \$1.61 million to \$6.75 million, compared to prior year net loss of \$5.27 million. The variance was mainly due to an increase in repair and maintenance expenses of \$2.84 million, \$1.21 million decrease in HUD capital subsidy, \$0.72 million increase in depreciation expense; offset by \$0.90 million more in rental income, \$1.48 million more in HUD operating subsidies, and \$0.86 million less in utility expenses (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32 and 33*).
- The State family housing program's loss before transfers amounted to \$1.82 million. This was mainly because rental income received was not sufficient to support operational expenditures. However, \$1.98 million of capital contributions and \$1.14 million of operating transfers in resulted in a \$1.30 million net position increase (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*).
- Similarly, the State Elderly Housing fund's rental income received was insufficient to support the fund's operational expenditures, resulting in a loss before transfers amounting to \$2.46 million. The

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2016

program's net position increased by \$0.51 million due to \$0.52 million of capital contributions and \$2.45 million of operating transfers in (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33*).

- Other Enterprise funds loss before transfers amounted to \$0.69 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions, page 33*) compared with prior year loss of \$0.95 million.
- Kuhio Park Terrace Resource Center continued to operate at a deficit.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA's investment in capital assets for the fiscal year ended June 30, 2016 is approximately \$329.51 million, net of related debt. This investment in capital assets includes land, buildings and improvements, equipment, furniture, and fixtures, and construction in progress. (Detailed in *Notes to the Financial Statements, #5, page 54 and 55*).

HPHA Capital Assets  
Years Ended June 30, 2016 and June 30, 2015  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,325	15,325	610,147	592,353	625,472	607,678
Equipment	1,292	1,292	8,997	8,082	10,289	9,374
Construction in progress	-	-	53,810	33,990	53,810	33,990
Total	18,990	18,990	695,920	657,391	714,910	676,381
Accumulated depreciation	(14,682)	(14,507)	(370,720)	(352,738)	(385,402)	(367,245)
Total Capital Assets, net	\$ 4,308	\$ 4,483	\$ 325,200	\$ 304,653	\$ 329,508	\$ 309,136

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2016

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

## Major project outstanding balances in construction in progress at the end of FY2016

- AMP 30 Hale Laulima, Site and Dwelling Improvements, \$4.03 million
- AMP 30 Salt Lake Apartment, Modernization of Salt Lake Apartments, \$2.58 million
- AMP 31 Kalihi Valley Homes, Site & Dwelling Improvements, \$3.14 million
- AMP 31 Hauiki Homes, Upgrade Electrical Distribution System, \$0.59 million
- AMP 31 Puhala Homes I, Site and Building Improvements, \$2.16 million
- AMP 32 Mayor Wright Homes, Homes Modernization, \$4.72 million
- AMP 33 Kaahumanu Homes, Infrastructure, Spall Repair and Painting, \$2.58 million
- AMP 34 Makua Alii, Reroofing and Structural Repairs, \$3.92 million
- AMP 37 Lanakila Homes I, Site & Dwelling Improvements, \$2.32 million
- AMP 37 Pomaikai Homes (E), Site and Building Improvements, \$3.41 million
- AMP 37 Pahala (E), Site and Building Improvements, \$0.16 million
- AMP 37 Hale Aloha O Puna (E), Site and Building Improvements, \$0.16 million
- AMP 37 Lanakila Homes IV, Physical Improvements, \$0.83 million
- AMP 37 Lokahi, Solar Hot Water Heating System, \$0.51 million
- AMP 39 David Malo Circle, Site & Dwelling Improvements, \$2.05 million
- AMP 39 Kahale Mua, Site & Dwelling Improvements, \$0.24 million
- AMP 40 Kuhio Park Terrace Lowrise , Site and Roadway Improvements, \$1.20 million
- AMP 42 Hale Po'ai, Building Improvements, \$2.57 million
- AMP 42 Kamalu (E) and Ho'olulu, Major Systems, \$0.10 million
- AMP 44 Kau'iokalani, Site and Building Improvements, \$0.30 million
- AMP 45 Koolau Village, Accessibility and Site Improvements, \$5.39 million
- AMP 45 Hookipa Kahaluu, Accessibility and Site Improvements, \$3.36 million
- AMP 45 Kauhale O'hana, Accessibility and Site Improvements, \$3.11 million
- AMP 49 Wahiawa Terrace, Site and Building Improvements, \$0.58 million
- AMP 50 Palolo Valley Homes, Modernization & Physical Improvements, \$3.38 million

## **Debt Activity**

As of June 30, 2016, 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, 2016.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2016

## CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

During the 2009 legislative session, S.B. bill No. 910 was enacted and required the transfer of the functions and duties of the homeless programs branch of the HPHA to the Department of Human Services, effective July 1, 2010. The impact of the transfer to the HPHA's net position was approximately \$22,000,000 and was 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.

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. 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 may continue to redevelop the remaining parcel at Kuhio Park Terrace/Kuhio Homes in accordance with its Master Development Agreement.

McJerold William, et al.v. Kiamalu Security Services, Universal Protection Services, Hawaii Public Housing Authority, et al.

This case involves five separate incidents of alleged mistreatment of the plaintiff by the security guards employed by two security companies contracted by HPHA for Kalihi Valley Homes. Plaintiff alleged there were two assaults by a Kiamalu Security Services (Kiamalu) security guard on the plaintiff. Subsequent to the alleged assaults, Kiamalu was bought by Universal Protection Services (UPS).

Both Kiamalu and UPS's insurers have retained private counsel. Based on the allegations in the complaint that the alleged assaults were committed by Kiamalu security guards, HPHA has tendered the defense of the allegations against it to both Kiamalu and UPS, but UPS has not yet accepted the State's tender. Plaintiff, UPS and Kiamalu have agreed to an early mediation. HPHA will attend the mediation, but will not pay for the cost of the mediation since it appears clear that Kiamalu/UPS are obligated under the facts and the contract to defend and indemnify HPHA. If the mediation is unsuccessful, HPHA will demand that UPS retain independent counsel to represent HPHA based on the security contract.

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes (KH) in Kalihi. KH is operated by the HPHA. 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. The conviction was upheld on appeal. The case was stayed from October 2012 to June 2015, pending completion of the appeal of Defendant Ahn's criminal conviction. The parties have resumed discovery. The previously scheduled civil case was taken off the calendar and a trial has not been rescheduled to date. A CAAP arbitration hearing has been scheduled for December 2016.

# **Hawaii Public Housing Authority**

Management Discussion and Analysis

June 30, 2016

On July 9, 2014, the property known as Ke Kumu Ekahi in the City of Waikoloa, County of Hawaii, consisting of a 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 discharged each other from any liabilities that may exist.

During 2016, HPHA continued working with Hunt Development Group, McCormack Barron Salazar and the Vitus Group, the selected developer for redevelopment of Mayor Wright Homes, located within the Transit-Oriented Development (TOD) zone of the Honolulu Rail System, in close proximity to the Iwilei Station. The vision for the redevelopment includes: one-for-one replacement of public housing units, mixed-income and mixed-uses.

During 2016, HPHA began work with Retirement Housing Foundation and its partners to redevelop its administrative offices located at 1002 N. School Street. The project will include new HPHA offices, affordable housing units and commercial uses that best serve the surrounding community.

## **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, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 4,422,282	\$ 71,264,205	\$ 75,686,487
Restricted cash	1,152,479	2,524,435	3,676,914
Due from State of Hawaii	104,020,320	-	104,020,320
Receivables:			
Accrued interest	-	5,214	5,214
Tenant receivables, less allowance for doubtful receivables of \$1,689,193	-	363,147	363,147
Other	30,278	11,736	42,014
	<u>30,278</u>	<u>380,097</u>	<u>410,375</u>
Internal balances	(2,433,120)	2,433,120	-
Due from HUD	260,883	786,035	1,046,918
Inventories	-	663,491	663,491
Prepaid expenses and other assets	2,437,641	13,989	2,451,630
Deposits held in trust	-	33,443	33,443
Total current assets	<u>109,890,763</u>	<u>78,098,815</u>	<u>187,989,578</u>
Notes Receivable	-	8,716,630	8,716,630
Capital Assets, less accumulated depreciation	<u>4,308,837</u>	<u>325,200,028</u>	<u>329,508,865</u>
Total assets	114,199,600	412,015,473	526,215,073
Deferred Outflows of Resources	<u>207,477</u>	<u>3,496,360</u>	<u>3,703,837</u>
Total assets and deferred outflows of resources	<u>\$ 114,407,077</u>	<u>\$ 415,511,833</u>	<u>\$ 529,918,910</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION (continued)

June 30, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 3,601,307	\$ 2,213,461	\$ 5,814,768
Accrued expenses	477,796	3,075,149	3,552,945
Due to State of Hawaii	-	571,402	571,402
Security deposits	-	796,165	796,165
Deferred income	-	380,491	380,491
Total current liabilities	4,079,103	7,036,668	11,115,771
Accrued Expenses	875,021	21,547,812	22,422,833
Net Pension Liability	1,737,811	23,347,370	25,085,181
Total liabilities	6,691,935	51,931,850	58,623,785
Deferred Inflows of Resources	77,842	1,711,628	1,789,470
Commitments and Contingencies			
Net Position:			
Invested in capital assets, net of related debt	4,308,837	325,200,028	329,508,865
Restricted by legislation and contractual agreements	3,300,776	-	3,300,776
Unrestricted	100,027,687	36,668,327	136,696,014
Total net position	107,637,300	361,868,355	469,505,655
Total liabilities, deferred inflows of resources, and net position	\$ 114,407,077	\$ 415,511,833	\$ 529,918,910

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		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	\$ 62,843,189	\$ -	\$ 62,885,467	\$ -	\$ 42,278	\$ -	\$ 42,278
Total governmental activities	<u>62,843,189</u>	<u>-</u>	<u>62,885,467</u>	<u>-</u>	<u>42,278</u>	<u>-</u>	<u>42,278</u>
Business-type activities:							
Rental assistance program	56,286,039	15,845,530	24,013,144	9,668,847	-	(6,758,518)	(6,758,518)
Rental housing program	9,552,889	4,558,368	-	-	-	(4,994,521)	(4,994,521)
Others	3,965,540	187,972	-	-	-	(3,777,568)	(3,777,568)
Total business-type activities	<u>69,804,468</u>	<u>20,591,870</u>	<u>24,013,144</u>	<u>9,668,847</u>	<u>-</u>	<u>(15,530,607)</u>	<u>(15,530,607)</u>
Total government-wide	<u>\$ 132,647,657</u>	<u>\$ 20,591,870</u>	<u>\$ 86,898,611</u>	<u>\$ 9,668,847</u>	<u>42,278</u>	<u>(15,530,607)</u>	<u>(15,488,329)</u>
State Allotted Appropriations, net of lapsed funds of \$1,515,532					16,171,464	-	16,171,464
Other Non-Program Revenue					-	127,206	127,206
Net Transfers					(42,623,152)	42,623,152	-
Total general revenues and transfers					<u>(26,451,688)</u>	<u>42,750,358</u>	<u>16,298,670</u>
Change in net position					<u>(26,409,410)</u>	<u>27,219,751</u>	<u>810,341</u>
Net Position at July 1, 2015					<u>134,046,710</u>	<u>334,648,604</u>	<u>468,695,314</u>
Net Position at June 30, 2016					<u>\$ 107,637,300</u>	<u>\$ 361,868,355</u>	<u>\$ 469,505,655</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2016

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
Current Assets:					
Cash	\$ -	\$ -	\$ 2,415,875	\$ 2,006,407	\$ 4,422,282
Restricted cash	-	-	1,152,479	-	1,152,479
Due from State of Hawaii	2,311,175	101,709,145	-	-	104,020,320
Other receivables	-	-	30,278	-	30,278
Due from HUD	-	-	-	260,883	260,883
Prepaid expenses and other assets	34,356	-	2,403,285	-	2,437,641
Total assets	<u>\$ 2,345,531</u>	<u>\$ 101,709,145</u>	<u>\$ 6,001,917</u>	<u>\$ 2,267,290</u>	<u>\$ 112,323,883</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities:					
Accounts payable	\$ 293,713	\$ 3,165,431	\$ 10,147	\$ 132,016	\$ 3,601,307
Accrued expenses	116,408	-	282,405	78,983	477,796
Due to other funds	24,531	-	2,408,589	-	2,433,120
Total current liabilities	434,652	3,165,431	2,701,141	210,999	6,512,223
Fund Balances:					
Restricted by legislation and contractual agreements	-	-	3,300,776	-	3,300,776
Committed	-	52,585,233	-	-	52,585,233
Assigned	1,910,879	45,958,481	-	2,056,291	49,925,651
Total fund balances	1,910,879	98,543,714	3,300,776	2,056,291	105,811,660
Total liabilities and fund balances	<u>\$ 2,345,531</u>	<u>\$ 101,709,145</u>	<u>\$ 6,001,917</u>	<u>\$ 2,267,290</u>	<u>\$ 112,323,883</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, 2016

Total fund balance - governmental funds		\$ 105,811,660
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	4,308,837	
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(64,067)	
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(74,583)	
Other post-retirement employee benefits are not due and payable in the current period and therefore are not reported in the funds	(736,371)	
Pension benefits are not due and payable in the current period and therefore are not reported in the funds	(1,737,811)	
Deferred outflows of resources related to the pension liability are not financial resources and therefore not reported in the funds	207,477	
Deferred inflows of resources related to the pension liability are not due and payable in the current period and therefore are not reported in the funds	(77,842)	1,825,640
Net position of governmental activities		<u>\$ 107,637,300</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, 2016

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 30,474,671	\$ 32,381,851	\$ 62,856,522
State allotted appropriations, net of lapsed funds of \$1,515,532	6,626,279	9,545,185	-	-	16,171,464
Other	-	-	28,749	196	28,945
<b>Total revenues</b>	<b>6,626,279</b>	<b>9,545,185</b>	<b>30,503,420</b>	<b>32,382,047</b>	<b>79,056,931</b>
<b>Expenditures:</b>					
Housing assistance payments	405,632	-	27,701,265	31,180,118	59,287,015
Administration	13,205	-	631,799	926,047	1,571,051
Personnel services	55,269	-	1,219,928	-	1,275,197
Professional services	19,805	-	51,995	19,436	91,236
Tenant services	-	-	134,082	-	134,082
Utilities	43	-	14,094	-	14,137
Repairs and maintenance	2,467	-	45,684	-	48,151
Security	-	-	801	-	801
Insurance	-	-	3,103	-	3,103
Capital outlays	-	31,968,960	-	-	31,968,960
<b>Total expenditures</b>	<b>496,421</b>	<b>31,968,960</b>	<b>29,802,751</b>	<b>32,125,601</b>	<b>94,393,733</b>
Excess (deficiency) of revenues over (under) expenditures	6,129,858	(22,423,775)	700,669	256,446	(15,336,802)
Other Financing Uses - Transfers Out	(4,848,752)	(5,805,440)	-	-	(10,654,192)
<b>Net change in fund balances</b>	<b>1,281,106</b>	<b>(28,229,215)</b>	<b>700,669</b>	<b>256,446</b>	<b>(25,990,994)</b>
Fund Balances at July 1, 2015	629,773	126,772,929	2,600,107	1,799,845	131,802,654
<b>Fund Balances at June 30, 2016</b>	<b>\$ 1,910,879</b>	<b>\$ 98,543,714</b>	<b>\$ 3,300,776</b>	<b>\$ 2,056,291</b>	<b>\$ 105,811,660</b>

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, 2016

Net change in fund balances - total governmental funds		\$ (25,990,994)
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 is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of those governmental activity assets amounted to approximately \$174,000.		
Expenditures for capital assets	31,968,960	
Less current year depreciation expense	<u>(174,439)</u>	31,794,521
Transfer of capital assets between governmental activities and business-type activities		(31,968,960)
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		7,251
Family Self-Sufficiency program expense 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		(64,067)
Other post-retirement employee benefit expense 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		(189,560)
Pension expense 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>2,399</u>
Change in net assets of governmental activities		<u>\$ (26,409,410)</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION

June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	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
<b>Current Assets:</b>							
Cash	\$ 39,093,135	\$ 817,918	\$ 3,358,315	\$ 17,629,552	\$ 9,199,371	\$ 70,098,291	\$ 1,165,914
Restricted cash	-	-	-	2,524,435	-	2,524,435	-
	<u>39,093,135</u>	<u>817,918</u>	<u>3,358,315</u>	<u>20,153,987</u>	<u>9,199,371</u>	<u>72,622,726</u>	<u>1,165,914</u>
<b>Receivables:</b>							
Accrued interest	-	491	1,975	2,070	-	4,536	678
Tenant receivables, less allowance for doubtful accounts of \$1,689,193	328,584	17,809	2,144	-	14,610	363,147	-
Other	-	10,055	-	1,681	-	11,736	-
	<u>328,584</u>	<u>28,355</u>	<u>4,119</u>	<u>3,751</u>	<u>14,610</u>	<u>379,419</u>	<u>678</u>
Due from other funds	-	178,250	130,667	11,445,391	53,782	11,808,090	-
Due from HUD	786,035	-	-	-	-	786,035	-
Inventories	489,871	75,708	74,457	23,455	-	663,491	-
Prepaid expenses and other assets	-	-	-	13,989	-	13,989	-
Deposits held in trust	-	-	-	-	33,443	33,443	-
Total current assets	<u>40,697,625</u>	<u>1,100,231</u>	<u>3,567,558</u>	<u>31,640,573</u>	<u>9,301,206</u>	<u>86,307,193</u>	<u>1,166,592</u>
Notes Receivable	8,716,630	-	-	-	-	8,716,630	-
Due from Other Funds	-	-	-	10,531,493	-	10,531,493	-
Capital Assets, less accumulated depreciation	<u>257,306,024</u>	<u>22,395,975</u>	<u>33,783,858</u>	<u>182,939</u>	<u>11,325,226</u>	<u>324,994,022</u>	<u>206,006</u>
Total assets	<u>306,720,279</u>	<u>23,496,206</u>	<u>37,351,416</u>	<u>42,355,005</u>	<u>20,626,432</u>	<u>430,549,338</u>	<u>1,372,598</u>
Deferred Outflows of Resources	<u>1,562,121</u>	<u>116,280</u>	<u>-</u>	<u>1,817,959</u>	<u>-</u>	<u>3,496,360</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 308,282,400</u>	<u>\$ 23,612,486</u>	<u>\$ 37,351,416</u>	<u>\$ 44,172,964</u>	<u>\$ 20,626,432</u>	<u>\$ 434,045,698</u>	<u>\$ 1,372,598</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (continued)

June 30, 2016

LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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	1,637,932	\$ 18,320	\$ 147,096	\$ 236,878	\$ 173,235	\$ 2,213,461	\$ -
Accrued expenses	1,630,173	516,439	-	748,729	179,808	3,075,149	-
Due to other funds	1,518,337	37,609	88,907	-	7,730,117	9,374,970	-
Due to State of Hawaii	-	-	-	-	571,402	571,402	-
Security deposits	566,986	30,468	154,162	-	44,549	796,165	-
Deferred income	349,125	15,300	6,543	9,523	-	380,491	-
Total current liabilities	<u>5,702,553</u>	<u>618,136</u>	<u>396,708</u>	<u>995,130</u>	<u>8,699,111</u>	<u>16,411,638</u>	<u>-</u>
Accrued Expenses	646,569	44,543	-	20,856,700	-	21,547,812	-
Due to Other Funds	9,744,989	786,504	-	-	-	10,531,493	-
Net Pension Liability	11,556,148	994,977	-	10,796,245	-	23,347,370	-
Total liabilities	<u>27,650,259</u>	<u>2,444,160</u>	<u>396,708</u>	<u>32,648,075</u>	<u>8,699,111</u>	<u>71,838,313</u>	<u>-</u>
Deferred Inflows of Resources	809,356	64,493	-	837,779	-	1,711,628	-
Commitments and Contingencies							
Net Position:							
Invested in capital assets, net of related debt	257,306,024	22,395,975	33,783,858	182,939	11,325,226	324,994,022	206,006
Unrestricted	22,516,761	(1,292,142)	3,170,850	10,504,171	602,095	35,501,735	1,166,592
Total net position	<u>279,822,785</u>	<u>21,103,833</u>	<u>36,954,708</u>	<u>10,687,110</u>	<u>11,927,321</u>	<u>360,495,757</u>	<u>1,372,598</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 308,282,400</u>	<u>\$ 23,612,486</u>	<u>\$ 37,351,416</u>	<u>\$ 44,172,964</u>	<u>\$ 20,626,432</u>	<u>\$ 434,045,698</u>	<u>\$ 1,372,598</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, 2016

Total net position of enterprise funds	\$ 360,495,757
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>1,372,598</u>
Net position of business-type activities	<u><u>\$ 361,868,355</u></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, 2016

	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	\$ 15,639,643	\$ 1,134,280	\$ 2,062,786	\$ -	\$ 1,260,815	\$ -	\$ 20,097,524	\$ 57,350
Fee-for-service	-	-	-	8,945,440	-	(8,945,440)	-	-
Other	205,887	13,146	64,146	130,622	23,195	-	436,996	-
Total operating revenues	15,845,530	1,147,426	2,126,932	9,076,062	1,284,010	(8,945,440)	20,534,520	57,350
Operating Expenses:								
Personnel services	9,252,301	746,446	-	10,905,574	-	-	20,904,321	-
Depreciation	14,956,492	931,271	1,419,756	55,843	560,320	-	17,923,682	58,917
Administration	10,184,371	281,942	765,706	554,394	277,947	(8,945,440)	3,118,920	-
Provision for (recovery of) losses	226,937	21,492	(1,026)	-	328,275	-	575,678	-
Professional services	129,944	19,266	17,653	544,415	7,680	-	718,958	1,399
Tenant services	100,692	440	-	82,786	-	-	183,918	-
Security	2,189,741	43	1,550	10,766	152,793	-	2,354,893	-
Insurance	634,329	38,143	92,047	61,808	9,585	-	835,912	-
Repairs and maintenance	8,355,748	198,697	1,145,320	526,838	329,978	-	10,556,581	-
Utilities	10,111,243	735,914	1,159,849	108,240	311,802	-	12,427,048	-
Payments in lieu of taxes	144,241	-	-	-	-	-	144,241	-
Total operating expenses	56,286,039	2,973,654	4,600,855	12,850,664	1,978,380	(8,945,440)	69,744,152	60,316
Operating loss carried forward	(40,440,509)	(1,826,228)	(2,473,923)	(3,774,602)	(694,370)	-	(49,209,632)	(2,966)

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, 2016

	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	(40,440,509)	(1,826,228)	(2,473,923)	(3,774,602)	(694,370)	-	(49,209,632)	(2,966)
Nonoperating Revenues:								
HUD operating subsidies	24,013,144	-	-	-	-	-	24,013,144	-
HUD capital fund subsidies	9,668,847	-	-	-	-	-	9,668,847	-
Other revenues	3,485	4,533	13,373	99,205	-	-	120,596	6,610
Net nonoperating revenues	33,685,476	4,533	13,373	99,205	-	-	33,802,587	6,610
(Loss) income before transfers	(6,755,033)	(1,821,695)	(2,460,550)	(3,675,397)	(694,370)	-	(15,407,045)	3,644
Capital Contributions	29,472,792	1,975,808	520,360	-	-	-	31,968,960	-
Net Transfers	2,410,765	1,144,775	2,447,756	5,399,964	(749,068)	-	10,654,192	-
Change in net position	25,128,524	1,298,888	507,566	1,724,567	(1,443,438)	-	27,216,107	3,644
Net Position at July 1, 2015	254,694,261	19,804,945	36,447,142	8,962,543	13,370,759	-	333,279,650	1,368,954
Net Position at June 30, 2016	\$ 279,822,785	\$ 21,103,833	\$ 36,954,708	\$ 10,687,110	\$ 11,927,321	\$ -	\$ 360,495,757	\$ 1,372,598

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2016

Change in net position - total enterprise funds	\$ 27,216,107
Change in net position - internal service funds	<u>3,644</u>
Change in net position of business-type activities	<u>\$ 27,219,751</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, 2016

	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
<b>Cash Flows from Operating Activities:</b>							
Cash received from renters	\$ 15,317,427	\$ 1,116,693	\$ 2,067,026	\$ -	\$ 1,262,616	\$ 19,763,762	\$ -
Cash payments to employees	(9,252,301)	(750,249)	-	(8,267,979)	-	(18,270,529)	-
Cash payments to suppliers	(31,890,504)	(930,718)	(3,203,455)	(2,190,915)	(1,387,710)	(39,603,302)	-
Cash receipts from (payments to) other funds	12,638,497	1,014,169	2,497,208	(415,574)	3,507,722	19,242,022	57,350
Other cash receipts (payments)	467,102	20,137	74,723	479,598	123,502	1,165,062	(1,399)
Net cash (used in) provided by operating activities	(12,719,779)	470,032	1,435,502	(10,394,870)	3,506,130	(17,702,985)	55,951
<b>Cash Flows from Noncapital Financing Activity --</b>							
HUD operating subsidy received	24,013,144	-	-	59,513	-	24,072,657	-
Net cash provided by noncapital financing activities	24,013,144	-	-	59,513	-	24,072,657	-
<b>Cash Flows from Capital and Related Financing Activities:</b>							
HUD capital subsidy received	10,923,479	-	-	-	-	10,923,479	-
Payments for acquisition of property and equipment	(6,043,361)	(471,888)	-	(56,050)	-	(6,571,299)	-
Other	3,485	-	-	-	-	3,485	-
Net cash provided by (used in) capital and related financing activities	4,883,603	(471,888)	-	(56,050)	-	4,355,665	-
Subtotal carried forward	16,176,968	(1,856)	1,435,502	(10,391,407)	3,506,130	10,725,337	55,951

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, 2016

	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	16,176,968	(1,856)	1,435,502	(10,391,407)	3,506,130	10,725,337	55,951
Cash Flows from Investing Activity --							
Receipts of Interest	-	4,427	12,131	39,476	-	56,034	6,334
Net cash provided by investing activities	-	4,427	12,131	39,476	-	56,034	6,334
Net increase (decrease) in cash	16,176,968	2,571	1,447,633	(10,351,931)	3,506,130	10,781,371	62,285
Cash at July 1, 2015	22,916,167	815,347	1,910,682	30,505,918	5,693,241	61,841,355	1,103,629
Cash at June 30, 2016	<u>\$ 39,093,135</u>	<u>\$ 817,918</u>	<u>\$ 3,358,315</u>	<u>\$ 20,153,987</u>	<u>\$ 9,199,371</u>	<u>\$ 72,622,726</u>	<u>\$ 1,165,914</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, 2016

	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	\$ (40,440,509)	\$ (1,826,228)	\$ (2,473,923)	\$ (3,774,602)	\$ (694,370)	\$ (49,209,632)	\$ (2,966)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:							
Depreciation	14,956,492	931,271	1,419,756	55,843	560,320	17,923,682	58,917
Provision for (recovery of) losses	226,937	21,492	(1,026)	-	328,275	575,678	-
Loss on capital asset write off	-	-	10,577	-	-	10,577	-
Changes in assets and liabilities:							
Tenant receivables	(319,194)	(13,270)	(370)	-	(326,471)	(659,305)	-
Other receivables	48,283	(5,226)	-	(1,681)	-	41,376	-
Due from other funds	4,439,446	1,144,775	2,447,756	(9,361,014)	574,872	(754,165)	-
Due from other state agency	-	-	-	13,791	-	13,791	-
Inventories	(44,681)	(69,904)	(18,609)	4,890	-	(128,304)	-
Prepaid expenses and other assets	-	-	-	(1,027)	-	(1,027)	-
Deposits held in trust	-	-	-	-	2,217	2,217	-
Deferred outflows	(179,640)	(8,762)	-	(322,070)	-	(510,472)	-
Accounts payable	(49,746)	(19,226)	72,673	(10,052)	102,488	96,137	-
Accrued expenses	233,872	437,816	(75,394)	2,664,186	15,463	3,275,943	-
Due to other funds	8,199,051	(130,606)	49,452	-	2,945,556	11,063,453	-
Security deposits	(5,720)	(2,085)	4,550	-	(2,220)	(5,475)	-
Deferred income	2,698	(2,232)	60	-	-	526	-
Net pension liability	682,824	47,213	-	883,275	-	1,613,312	-
Deferred inflows	(469,892)	(34,996)	-	(546,409)	-	(1,051,297)	-
Net cash (used in) provided by operating activities	<u>\$ (12,719,779)</u>	<u>\$ 470,032</u>	<u>\$ 1,435,502</u>	<u>\$ (10,394,870)</u>	<u>\$ 3,506,130</u>	<u>\$ (17,702,985)</u>	<u>\$ 55,951</u>

The accompanying notes are an integral part of this statement.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 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, 2016, 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 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, 2016

## 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 and proprietary funds. 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.

### 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, 2016

## 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' long-term compensated absences, family self-sufficiency program costs, other post-retirement benefits, net pension liability, and deferred inflows and outflows of resources, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to long-term compensated absences, family self-sufficiency program costs, other post-retirement benefits, net pension liability and deferred inflows and outflows of resources at June 30, 2016 has been reported in the government-wide financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### c. Measurement Focus and Basis of Accounting (continued)

#### iii. Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the 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 financial activities of the Authority that are reported in the accompanying fund financial statements have been classified into the following major and non-major governmental and proprietary 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, 2016

## 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, 2016

## 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 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, 2016

## 1. Organization and Significant Accounting Policies (continued)

### 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.

### 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### f. Capital Assets (continued)

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, if any, 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

Materials and supplies inventories are stated at the lower of cost or market, with cost being determined principally using the first-in, first-out method. The cost of inventories is recorded as an expenditure when consumed.

### 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### j. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and will not be recognized as an outflow of resources (expenditures) until then. Deferred inflows of resources represent acquisitions of net position that apply to future periods and will not be recognized as an inflow of resources (revenues) until then.

According to paragraph 33 of Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period. The average of expected remaining service lives for the purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2015 fiscal year is 5.5095 years.

Additionally, differences between projected and actual earnings on pension plan investments are recognized in pension expense using a systematic and rational method over a closed five-year period.

Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period are reported as a deferred outflow.

### k. 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### l. 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 \$688,000.

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

<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2016</u>
<u>\$2,257,000</u>	<u>\$1,017,000</u>	<u>\$1,077,000</u>	<u>\$2,197,000</u>

As of June 30, 2016, approximately \$109,000 and \$2,088,000 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.

### m. 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### m. Restrictions of Net Positions and Fund Balances (continued)

*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.

### n. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### o. 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.

### p. 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, the liabilities of other post employee benefits and pension. Actual results could differ from those estimates.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### q. Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 76 (GASB 76), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 will be effective for the Authority's financial statements for the year ended June 30, 2016. The Authority implemented the provisions of GASB 76 as of June 30, 2016.

In June 2015, the GASB issued Statement No. 73 (GASB 73), *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 73 applies the accounting and financial reporting established in GASB 68 to all defined benefit and defined contribution pensions that are not within the scope of GASB 68. GASB 73 will be effective for the Authority's financial statements for the year ending June 30, 2017. Management is currently assessing the impact of GASB 73 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 June 2015, the GASB issued Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 amends the accounting guidance related to employers' accounting for postemployment benefits other than pension (other postemployment benefits or OPEB) administered through trusts that meet specified criteria. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to OPEB. Note disclosures and required supplementary information are addressed by the statement. GASB 75 will be effective for the Authority's financial statements for the year ending June 30, 2018. Management is currently assessing the impact of GASB 75 on its financial position and results of operations reported on its financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 1. Organization and Significant Accounting Policies (continued)

### q. Recently Issued Accounting Pronouncements (continued)

In March 2016, the GASB issued Statement No. 82 (GASB 82), *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 will be effective for the Authority's financial statements for the year ending June 30, 2017, with earlier adoption permitted. Management is currently assessing the impact of GASB 82 on its financial positions and results of operations reported on its financial statements.

## 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 (HRS) 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 schedules represent the original appropriations, transfers and other legally authorized legislative and executive changes.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 2. Budgeting and Budgetary Control (continued)

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.

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, 2016 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

### 3. Cash (continued)

At June 30, 2016, total cash, including restricted cash and deposits, reported in the statement of net position is \$79,396,844 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 13,454,873	\$ 13,454,873
Cash in bank (book balance)	<u>5,574,761</u>	<u>60,333,767</u>	<u>65,908,528</u>
	5,574,761	73,788,640	79,363,401
Deposits held in trust	<u>-</u>	<u>33,443</u>	<u>33,443</u>
Total Cash	<u>\$ 5,574,761</u>	<u>\$ 73,822,083</u>	<u>\$ 79,396,844</u>

Bank balance of cash in bank was approximately \$67,617,000 of which \$750,000 was covered by federal depository insurance and \$66,867,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

### 4. 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.

Pursuant to the Agreement, the buyer 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 was 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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

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

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.

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.

During 2016, the interest earned on the note receivable amounted to approximately \$2,033,000 and has been recorded in deferred gain. As of June 30, 2016, 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	\$ 57,903,221
Deferred gain	<u>(53,086,591)</u>
Net note receivable	<u>\$ 4,816,630</u>

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, 2016, the Authority loaned the full \$3,900,000 to the buyer, which is included in the accompanying statement of net position under the Federal Low Rent Program.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,373,410</u>	<u>-</u>	<u>-</u>	<u>2,373,410</u>
Capital assets, being depreciated:				
Building and improvements	15,325,444	-	-	15,325,444
Equipment	<u>1,291,869</u>	<u>-</u>	<u>-</u>	<u>1,291,869</u>
Total capital assets being depreciated	<u>16,617,313</u>	<u>-</u>	<u>-</u>	<u>16,617,313</u>
Less accumulated depreciation for:				
Building and improvements	13,296,043	165,029	-	13,461,072
Equipment	<u>1,211,404</u>	<u>9,410</u>	<u>-</u>	<u>1,220,814</u>
Total accumulated depreciation	<u>14,507,447</u>	<u>174,439</u>	<u>-</u>	<u>14,681,886</u>
Governmental activities capital assets, net	<u>\$ 4,483,276</u>	<u>\$ (174,439)</u>	<u>\$ -</u>	<u>\$ 4,308,837</u>
	<u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	<u>33,989,848</u>	<u>38,512,631</u>	<u>(18,692,139)</u>	<u>53,810,340</u>
Total capital assets not being depreciated	<u>56,956,048</u>	<u>38,512,631</u>	<u>(18,692,139)</u>	<u>76,776,540</u>
Capital assets being depreciated:				
Building and improvements	592,352,786	17,794,258	-	610,147,044
Equipment	<u>8,082,350</u>	<u>914,931</u>	<u>-</u>	<u>8,997,281</u>
Total capital assets being depreciated	<u>600,435,136</u>	<u>18,709,189</u>	<u>-</u>	<u>619,144,325</u>
Less accumulated depreciation for:				
Building and improvements	345,325,641	17,782,759	-	363,108,400
Equipment	<u>7,412,597</u>	<u>199,840</u>	<u>-</u>	<u>7,612,437</u>
Total accumulated depreciation	<u>352,738,238</u>	<u>17,982,599</u>	<u>-</u>	<u>370,720,837</u>
Business-type activities capital assets, net	<u>\$304,652,946</u>	<u>\$ 39,239,221</u>	<u>\$ (18,692,139)</u>	<u>\$325,200,028</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 5. Capital Assets (continued)

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

Governmental Activity -	
Rental Housing and Assistance Program	<u>\$ 174,439</u>
Business-Type Activities:	
Federal Low Rent Program	14,956,492
Housing Revolving Fund	931,271
Housing for Elders Revolving Fund	1,419,756
Central Office Cost Center Fund	55,843
Internal Services	58,917
Others	<u>560,320</u>
Total depreciation expense – business-type activities	<u>17,982,599</u>
Total depreciation expense	<u><u>\$ 18,157,038</u></u>

At June 30, 2016, 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	507,911,636	31,207,636	56,014,907	42,857	14,970,008	610,147,044	-	610,147,044
Equipment, Furniture and fixtures	5,390,926	984,205	214,676	295,751	-	6,885,558	2,111,723	8,997,281
Construction in Progress	47,996,167	3,028,954	2,785,219	-	-	53,810,340	-	53,810,340
Less accumulated depreciation	<u>317,086,334</u>	<u>15,077,701</u>	<u>31,335,761</u>	<u>155,669</u>	<u>5,159,655</u>	<u>368,815,120</u>	<u>1,905,717</u>	<u>370,720,837</u>
Net property and Equipment	<u><u>\$ 257,306,024</u></u>	<u><u>\$ 22,395,975</u></u>	<u><u>\$ 33,783,858</u></u>	<u><u>\$ 182,939</u></u>	<u><u>\$ 11,325,226</u></u>	<u><u>\$324,994,022</u></u>	<u><u>\$ 206,006</u></u>	<u><u>\$ 325,200,028</u></u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 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, 2016, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$2,946,000 and \$52,585,000, 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 upon payment or release. 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. Approximately \$2,524,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2016 is held in an approved escrow account.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 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 lawsuit 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. 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, 2016, 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; accordingly, sick leave is not accrued in the accompanying statement of net position. 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, 2016 amounted to approximately \$4,976,000.

### 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, 2016

## 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, 2016

## 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.

Act 015, Session Law Hawaii 2012 signed into law on April 11, 2012, conveyed about 25 acres of lands controlled and managed by the Hawaii Community Development Authority to the Office of Hawaiian Affairs, to settle OHA's past ceded land claims. The law took effect on July 1, 2012.

#### 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 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 6. Commitments and Contingencies (continued)

### h. Litigation (continued)

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

Defendant Ahn was criminally convicted of murder in July 2012. The conviction was upheld on appeal.

The case was stayed from October 2012 to June 2015, pending completion of the appeal of Defendant Ahn's criminal conviction. The parties have resumed discovery and the trial previously set for June 27, 2016 has been taken off the calendar. Trial has not been rescheduled and a CAAP arbitration hearing has been scheduled for December 13, 2016.

#### McJerold William et.al. vs. Kiamalu Security Services, et.al., Civil No. 15-1-0388-3 (1<sup>st</sup> Cir.)

This case involves five separate incidents of alleged mistreatment of the plaintiff by the security guards employed by two security companies contracted by the Authority for Kalihi Valley Homes. The plaintiff alleged there were two assaults by Kiamalu Security Services (Kiamalu) security guards on the plaintiff. Subsequent to the alleged assaults, Kiamalu was purchased by Universal Protection Services (UPS).

Both Kiamalu and UPS' insurers have retained private counsel. Based on the allegations in the complaint that the alleged assaults were committed by Kiamalu security guards, the Authority has tendered the defense of the allegations against it to both Kiamalu and UPS. However, UPS has not yet accepted the State's tender. All parties have agreed to an early mediation, although no date has been set. The Authority will attend the mediation, but the Authority will not pay for the cost of the mediation as Kiamalu and UPS are obligated under the facts and the contract to defend and indemnify the Authority. If mediation is unsuccessful, the Authority will demand that UPS retain independent counsel to represent the Authority based on the security contract.

#### Hawaii Disability Rights Center vs. the Authority, Housing Discrimination Complaint Case No. 09-16-0001-4

In August 2016, Complainant Hawaii Disability Rights Center filed an administrative complaint with HUD against the Authority, alleging the Authority failed to have the appropriate percentage of accessible units under HUD policies and regulations, specifically, under Section 504 of the Rehabilitation Act of 1973. Pursuant to federal regulations, HUD is investigating the allegations. The Authority has responded to the complaint and HUD's requests for information and documents.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan

### a. Plan Description

All eligible employees of the State and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS' website <http://ers.ehawaii.gov>.

### b. Benefits Provided

The ERS provides retirement, disability, and death benefits that are covered by the provisions of the noncontributory, contributory, and hybrid retirement membership classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory class members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any 3 years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971.

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

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

#### Noncontributory Class

##### Retirement Benefits

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Noncontributory Class (continued)

##### Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

##### Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension.

#### Contributory Class for Employees Hired prior to July 1, 2012

##### Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with 5 years of credited service are eligible to retire at age 55.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Contributory Class for Employees Hired prior to July 1, 2012 (continued)

##### Disability Benefits

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

##### Death Benefits

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

Ordinary death benefits are available to employees who were active at time of death with at least 1 year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Contributory Class for Employees Hired After June 30, 2012

##### Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 3.0% of average final compensation for each year of service for judges and elected officers and 1.75% of average final compensation for each year of services for police and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

#### Hybrid Class for Employees Hired Prior to July 1, 2012

##### Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with 5 years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

##### Disability Benefits

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Hybrid Class for Employees Hired Prior to July 1, 2012 (continued)

##### Death Benefits

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

Ordinary death benefits are available to employees who were active at time of death with at least 5 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

#### Hybrid Class for Employees Hired After June 30, 2012

##### Retirement Benefits

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and EMTs may retire with 25 years of credited service at age 55.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Hybrid Class for Employees Hired After June 30, 2012 (continued)

##### Disability and Death Benefits

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least 10 years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 120%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary or if less than 10 years of service, return of members' contributions and accrued interest.

### c. Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2016 was 17.00% for Authority employees. The Authority's contributions requirements as of June 30, 2016 were approximately \$2,172,000.

The employer is required to make all contributions for noncontributory members. For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary. Hybrid members hired prior July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

The payroll for all of the Authority's employees and employees covered by the plan was approximately \$13,759,000 for 2016.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### d. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions

At June 30, 2016, the Authority reported a liability of \$25,085,181 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2015, the Authority's proportion was 0.29%, which was consistent with its proportion measured as of June 30, 2014.

The change in the pension liability during the year is approximately as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at July 1, 2016</u>
Governmental Activities	\$ 1,621,883	\$ 115,928	\$ -	\$ 1,737,811
Business-Type Activities	21,734,058	1,613,312	-	23,347,370
Total	<u>\$ 23,355,941</u>	<u>\$ 1,729,240</u>	<u>\$ -</u>	<u>\$ 25,085,181</u>

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2015, and the reporting date, June 30, 2016, that are expected to have a significant effect on the proportionate share of the net pension liability.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### d. Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions (continued)

For the year ended June 30, 2016, the Authority recognized pension expense of \$2,824,592. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 254,248	\$ (752,702)
Changes in assumptions	638,732	-
Net difference between projected and actual earnings on pension plan investments	-	(869,255)
Changes in proportionate and differences between Authority contributions and proportionate share of contributions	35,410	(167,513)
Authority contributions subsequent to the measurement date	<u>2,775,447</u>	<u>-</u>
Total	<u>\$ 3,703,837</u>	<u>\$ (1,789,470)</u>

The \$2,775,447 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending June 30,	
2016	\$ (220,000)
2017	(220,000)
2018	(220,000)
2019	(220,000)
2020	<u>18,920</u>
Total	<u>\$ (861,080)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00 percent
Payroll growth rate	3.50 percent
Investment rate of return	7.65 percent per year, compounded annually, including inflation

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

Post-retirement mortality rates are based on Client Specific Tables. Pre-retirement mortality rates are based on the RP-2000 tables.

The actuarial assumptions used in the June 30, 2015 valuation were based on the most recent experience study dated December 20, 2010. Between experience studies, the Board of Trustees of the Employees' Retirement System of the State of Hawaii elected to lower the investment return assumption effective with the June 30, 2015 valuation.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

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

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	8.5%
International equity	26	9.3
Fixed income	20	3.1
Real estate	7*	9.2
Private equity	7*	11.9
Real return	5*	6.7
Covered calls	5	7.7
Total	100%	

\*The real estate, private equity, and real return targets will be the percentage actually invested up to 7%, 7%, and 5%, respectively, of the total fund. Changes in the real estate, private equity, and real return targets will be offset by an equal percentage change in the large cap domestic equity target.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

The discount rate used to measure the net pension liability was 7.65%, a decrease from the 7.75% rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate.

	1 percent Decrease (6.65%)	Current Discount Rate (7.65%)	1 percent Increase (8.65%)
Authority's proportionate share of the net pension liability	33,995,029	25,085,181	19,989,397

### f. Pension Plan Fiduciary Net Pension

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 7. Retirement Plan (continued)

### f. Pension Plan Fiduciary Net Pension (continued)

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at <http://www.ers.ehawaii.gov>.

## 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 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 a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 8. Other Post Retirement Employee Benefits (continued)

### 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, 2016, was approximately \$1,194,000, which represented 30% of the Authority's share of the ARC for postretirement healthcare and life insurance benefits of approximately \$4,005,000. The Authority's contribution for the years ended June 30, 2015 and 2014 were approximately \$1,334,000 and \$1,273,000, respectively.

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2016:

Balance at June 30, 2015	\$ 18,039,297
Additions	4,004,595
Deletions	<u>(1,194,023)</u>
Balance at June 30, 2016	<u>\$ 20,849,869</u>

As of June 30, 2016, the postretirement liability balance of approximately \$20,115,000 and \$735,000 was included in long-term accrued expenses under the Central Office Cost Center Fund and Governmental Activities, respectively.

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, 2016

## 9. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Current Due from</u>	<u>Housing Revolving Fund</u>	<u>Housing for Elders Revolving Fund</u>	<u>Central Office Cost Center Fund</u>	<u>Non-major Enterprise</u>
General Fund	\$ -	\$ -	\$ 24,531	\$ -
Housing Choice Voucher	-	-	2,406,955	1,634
Federal Low Rent Program	-	-	1,467,202	51,135
Housing Revolving Fund	-	-	36,827	782
Housing for Elders Revolving Fund	-	-	88,676	231
Non-major - Enterprise	<u>178,250</u>	<u>130,667</u>	<u>7,421,200</u>	<u>-</u>
Total	<u>\$ 178,250</u>	<u>\$ 130,667</u>	<u>\$ 11,445,391</u>	<u>\$ 53,782</u>

  

<u>Noncurrent Due to</u>	<u>Federal Low-Rent Program</u>	<u>Housing Revolving Fund</u>
Central Office Cost Center	\$ 9,744,989	\$ 786,504

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, 2016

## 10. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2016 is as follows:

Transfer From	General Fund	Federal Low-Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Non-major Enterprise
General Fund	\$ -	\$ 1,862,672	\$ 1,144,259	\$ 2,689,529	\$ 164,105	\$ 273,186
Capital Projects	-	548,093	516	37,438	5,219,393	-
Central Office Cost Center	1,284,999	-	-	-	-	-
Housing for Elders Revolving Fund	-	-	-	-	279,211	-
Non-Major Enterprise	-	-	-	-	1,022,254	-
Total	<u>\$ 1,284,999</u>	<u>\$ 2,410,765</u>	<u>\$ 1,144,775</u>	<u>\$ 2,726,967</u>	<u>\$ 6,684,963</u>	<u>\$ 273,186</u>

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$6,134,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

Capital Projects: The Capital Projects Fund expended approximately \$5,805,000 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. In April 2016, upon approval from the Department of Budget and Finance, a transfer of approximately \$5,189,000 was made to the Central Office Cost Center for reimbursement of administrative payroll costs on state funded projects.

Central Office Cost Center: The Central Office Cost Center expended approximately \$1,285,000 to the General Fund, which was returned to the State of Hawaii general fund.

Housing for Elders Revolving Fund: The Housing for Elders Revolving Fund expended approximately \$279,000 to pay for administrative expenses under the Central Office Cost Center fund.

Non-Major Enterprise Funds: A Non-Major Enterprise fund expended approximately \$1,022,000 to reimburse administrative expenses under the Central Office Cost Center fund.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2016

## 11. Capital Contributions

During 2016, the Capital Projects Fund expended approximately \$31,969,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. The composition of capital contribution balances reflected in the Proprietary Funds financial statements as of June 30, 2016 is as follows:

<u>Contributed From</u>	<u>Federal Low-Rent Program</u>	<u>Housing Revolving Fund</u>	<u>Housing for Elders Revolving Fund</u>	<u>Total</u>
Capital Projects	\$ 29,472,792	\$ 1,975,808	\$ 520,360	\$ 31,968,960

For the government-wide, statement of activities, these amounts have been reflected as transfers.

**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, 2016

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
State allotted appropriations	<u>\$ 7,960,683</u>	<u>\$ 7,960,683</u>	<u>\$ 7,960,683</u>
Expenditures -			
Rental housing and assistance program	<u>7,960,683</u>	<u>7,960,683</u>	<u>6,626,279</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,334,404</u>
	Housing Choice Voucher Program		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 29,964,655</u>	<u>\$ 29,964,655</u>	<u>\$ 29,964,655</u>
Expenditures -			
Rental housing and assistance program	<u>29,964,655</u>	<u>29,964,655</u>	<u>29,802,417</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,238</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, 2016

	<u>Section 8 Contract Administration</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 32,381,851</u>	<u>\$ 32,381,851</u>	<u>\$ 32,381,851</u>
Expenditures -			
Rental housing and assistance program	<u>32,381,851</u>	<u>32,381,851</u>	<u>32,106,165</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,686</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, 2016

	<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	\$ 1,334,404	\$ 162,238	\$ 275,686
Reserve for encumbrance at year end*	2,311,175	-	-
Expenditures for liquidation of prior year's encumbrances	(1,071,886)	-	-
Reversion of prior year's allotments	(1,334,404)	-	-
Accrual adjustments, operating transfers and other	<u>41,817</u>	<u>538,431</u>	<u>(19,240)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER USES - US GAAP BASIS</b>	<b><u>\$ 1,281,106</u></b>	<b><u>\$ 700,669</u></b>	<b><u>\$ 256,446</u></b>

\* Amount reflects the encumbrance balance included in continuing appropriation.

See accompanying independent auditor's report.

Hawaii Public Housing Authority

Schedule of the Authority's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Authority's proportion of the net pension liability	0.29%	0.29%	0.28%							
Authority's proportionate share of the net pension liability	\$ 25,085,181	\$ 23,355,937	\$ 25,740,677							
Authority's covered-employee payroll	13,759,120	12,683,355	11,885,355							
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	182.32%	184.15%	216.57%							
Plan fiduciary net position as a percentage of the total pension liability	62.42%	63.92%	57.96%							

\*This data is presented for years for which information is available

See accompanying independent auditor's report.

Hawaii Public Housing Authority

Schedule of the Authority's Contributions  
Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 2,172,048	\$ 2,159,495	\$ 1,965,345	\$ 1,788,664	\$ 1,571,123	\$ 1,536,848				
Contributions in relation to the contractually required contribution	<u>(2,172,048)</u>	<u>(2,159,495)</u>	<u>(1,965,345)</u>	<u>(1,788,664)</u>	<u>(1,571,123)</u>	<u>(1,536,848)</u>				
Contributions deficiency (excess)	<u>\$ -</u>									
Authority's covered-employee payroll	\$ 13,576,230	\$ 13,759,120	\$ 12,683,355	\$ 11,885,355	\$ 10,400,580	\$ 9,850,368				
Contributions as a percentage of covered-employee payroll	16.00%	15.70%	15.50%	15.05%	15.11%	15.60%				

\*This data is presented for years for which information is available

See accompanying independent auditor's report.

## **Supplementary Information**

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2016

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	\$ 32,125,601
Public and Indian Housing	14.850	24,013,144
Section 8 Housing Choice Vouchers	14.871	29,705,483
Resident Opportunity & Supporting Services	14.870	97,268
Public Housing Capital Fund	14.872	<u>9,668,847</u>
Total federal expenditures		<u><u>\$ 95,610,343</u></u>

The accompanying note is an integral part of this schedule.

## **Hawaii Public Housing Authority**

Notes to the Schedule of Expenditures of Federal Awards  
Year ended June 30, 2016

### **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) under the programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Hawaii Public Housing Authority

SCHEDULES OF MODERNIZATION FUNDS AND  
 MODERNIZATION COSTS  
 Year ended June 30, 2016

	Grant No. <u>HI-08-P001-501-11</u>	Grant No. <u>HI-08-P001-501-12</u>	Grant No. <u>HI-08-E001-501-11</u>
Funds approved	<u>\$ 10,301,898</u>	<u>\$ 9,454,397</u>	<u>\$ 250,000</u>
Funds disbursed	<u>\$ 10,301,898</u>	<u>\$ 9,454,397</u>	<u>\$ 250,000</u>
Funds expended (actual modernization cost)	<u>\$ 10,301,898</u>	<u>\$ 9,454,397</u>	<u>\$ 250,000</u>
Amounts to be recaptured	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS OF FUNDS DISBURSED</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Hawaii Public Housing Authority

SCHEDULES OF MODERNIZATION FUNDS AND  
MODERNIZATION COSTS (CONTINUED)

Year ended June 30, 2016

	Grant No. <u>HI-08-P001-501-09</u>	Grant No. <u>HI-08-P001-501-10</u>	Grant No. <u>HI-08-R001-501-02</u>
Funds approved	<u>\$ 12,526,177</u>	<u>\$ 12,389,235</u>	<u>\$ 778,588</u>
Funds disbursed	<u>\$ 12,526,177</u>	<u>\$ 12,389,235</u>	<u>\$ 778,588</u>
Funds expended (actual modernization cost)	<u>\$ 12,526,177</u>	<u>\$ 12,389,235</u>	<u>\$ 778,588</u>
Amounts to be recaptured	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS OF FUNDS DISBURSED</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Hawaii Public Housing Authority

SCHEDULES OF MODERNIZATION FUNDS AND  
MODERNIZATION COSTS (CONTINUED)

Year ended June 30, 2016

	Grant No. <u>HI-08-R001-501-03</u>	Grant No. <u>HI-08-R001-501-04</u>	Grant No. <u>HI-08-R001-501-06</u>
Funds approved	<u>\$ 604,477</u>	<u>\$ 1,087,235</u>	<u>\$ 161,414</u>
Funds disbursed	<u>\$ 604,477</u>	<u>\$ 1,087,235</u>	<u>\$ 161,414</u>
Funds expended (actual modernization cost)	<u>\$ 604,477</u>	<u>\$ 1,087,235</u>	<u>\$ 161,414</u>
Amounts to be recaptured	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS OF FUNDS DISBURSED</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Hawaii Public Housing Authority

SCHEDULES OF MODERNIZATION FUNDS AND  
MODERNIZATION COSTS (CONTINUED)

Year ended June 30, 2016

	Grant No. <u>HI-08-R001-501-07</u>	Grant No. <u>HI-08-R001-501-08</u>	Grant No. <u>HI-08-R001-501-14</u>
Funds approved	<u>\$ 71,452</u>	<u>\$ 79,229</u>	<u>\$ 14,607</u>
Funds disbursed	<u>\$ 71,452</u>	<u>\$ 79,229</u>	<u>\$ 14,607</u>
Funds expended (actual modernization cost)	<u>\$ 71,452</u>	<u>\$ 79,229</u>	<u>\$ 14,607</u>
Amounts to be recaptured	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS OF FUNDS DISBURSED</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Hawaii Public Housing Authority

SCHEDULES OF MODERNIZATION FUNDS AND  
MODERNIZATION COSTS (CONTINUED)

Year ended June 30, 2016

	Grant No. <u>HI-08-R001-502-07</u>	Grant No. <u>HI-08-R001-502-08</u>	Grant No. <u>HI-08-R001-502-09</u>
Funds approved	<u>\$ 145,017</u>	<u>\$ 141,143</u>	<u>\$ 240,896</u>
Funds disbursed	<u>\$ 145,017</u>	<u>\$ 141,143</u>	<u>\$ 240,896</u>
Funds expended (actual modernization cost)	<u>\$ 145,017</u>	<u>\$ 141,143</u>	<u>\$ 240,896</u>
Amounts to be recaptured	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS OF FUNDS DISBURSED</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Hawaii Public Housing Authority

SCHEDULES OF MODERNIZATION FUNDS AND  
MODERNIZATION COSTS (CONTINUED)

Year ended June 30, 2016

	Grant No. <u>HI-08-R001-502-10</u>	Grant No. <u>HI-08-R001-502-14</u>
Funds approved	\$ 123,223	\$ 19,218
Funds disbursed	\$ 123,223	\$ 19,218
Funds expended (actual modernization cost)	\$ 123,223	\$ 19,218
Amounts to be recaptured	\$ -	\$ -
<b>EXCESS OF FUNDS DISBURSED</b>	<u>\$ -</u>	<u>\$ -</u>

Notes:

1. All modernization work in connection with the modernization grant has been completed.
2. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
3. There are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.
4. The time in which such liens could be filed has expired.

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Balance Sheet  
June 30, 2016

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Resident Opportunity & Supportive Services 14.870	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
111	Cash - Unrestricted	38,526,149	2,006,407	-	2,415,875	-	13,179,868	1,165,914	17,629,552	-	74,923,765
113	Cash - Other Restricted	-	-	-	986,249	-	-	-	2,524,435	-	3,510,684
114	Cash - Tenant Security Deposits	566,986	-	-	-	-	229,179	-	-	-	796,165
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	166,230	-	-	-	-	-	166,230
<b>100</b>	<b>Total Cash</b>	<b>39,093,135</b>	<b>2,006,407</b>	<b>-</b>	<b>3,568,354</b>	<b>-</b>	<b>13,409,047</b>	<b>1,165,914</b>	<b>20,153,987</b>	<b>-</b>	<b>79,396,844</b>
121	Accounts Receivable - PHA Projects	-	-	-	30,278	-	-	-	-	-	30,278
122	Accounts Receivable - HUD Other Projects	786,035	260,883	-	-	-	-	-	-	-	1,046,918
124	Accounts Receivable - Other Government	-	-	-	-	104,020,320	-	-	-	-	104,020,320
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	721,424	-	283,662	-	1,005,086
126	Accounts Receivable - Tenants	652,620	-	-	-	-	614,456	-	-	-	1,267,076
126.1	Allowance for Doubtful Accounts - Tenants	(359,703)	-	-	-	-	(580,021)	-	-	-	(939,724)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	(711,369)	-	(281,981)	-	(993,350)
127	Notes, Loans and Mortgages Receivable - Current	35,667	-	-	-	-	128	-	-	-	35,795
129	Accrued Interest Receivable	-	-	-	-	-	2,466	678	2,070	-	5,214
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>1,114,619</b>	<b>260,883</b>	<b>-</b>	<b>30,278</b>	<b>104,020,320</b>	<b>47,084</b>	<b>678</b>	<b>3,751</b>	<b>-</b>	<b>105,477,613</b>
142	Prepaid Expenses and Other Assets	-	-	-	2,403,285	34,356	-	-	13,989	-	2,451,630
143	Inventories	543,757	-	-	-	-	166,683	-	23,455	-	733,895
143.1	.1 Allowance for Obsolete Inventories	(53,886)	-	-	-	-	(16,518)	-	-	-	(70,404)
144	Inter Program Due From	-	-	-	-	-	362,699	-	11,445,391	(11,445,391)	362,699
	<b>Total Other Current Assets</b>	<b>489,871</b>	<b>-</b>	<b>-</b>	<b>2,403,285</b>	<b>34,356</b>	<b>512,864</b>	<b>-</b>	<b>11,482,835</b>	<b>(11,445,391)</b>	<b>3,477,820</b>
<b>150</b>	<b>Total Current Assets</b>	<b>40,697,625</b>	<b>2,267,290</b>	<b>-</b>	<b>6,001,917</b>	<b>104,054,676</b>	<b>13,968,995</b>	<b>1,166,592</b>	<b>31,640,573</b>	<b>(11,445,391)</b>	<b>188,352,277</b>
161	Land	13,093,629	-	-	-	2,373,410	9,872,571	-	-	-	25,339,610
162	Buildings	507,901,636	-	-	-	15,325,444	102,192,551	-	42,857	-	625,462,488
163	Furniture, Equipment & Machinery - Dwellings	3,329,340	-	-	-	-	99,090	-	-	-	3,428,430
164	Furniture, Equipment & Machinery - Administration	2,061,586	-	-	-	1,291,869	1,099,791	2,111,723	295,751	-	6,860,720
166	Accumulated Depreciation	(317,086,334)	-	-	-	(14,681,886)	(51,573,117)	(1,905,717)	(155,669)	-	(385,402,723)
167	Construction in Progress	48,006,167	-	-	-	-	5,814,173	-	-	-	53,820,340
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>257,306,024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,308,837</b>	<b>67,505,059</b>	<b>206,006</b>	<b>182,939</b>	<b>-</b>	<b>329,508,865</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	8,716,630	-	-	-	-	-	-	-	-	8,716,630
	<b>Total Other Non-Current Assets</b>	<b>8,716,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,716,630</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>266,022,654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,308,837</b>	<b>67,505,059</b>	<b>206,006</b>	<b>182,939</b>	<b>-</b>	<b>338,225,495</b>
<b>190</b>	<b>Total Assets</b>	<b>306,720,279</b>	<b>2,267,290</b>	<b>-</b>	<b>6,001,917</b>	<b>108,363,513</b>	<b>81,474,054</b>	<b>1,372,598</b>	<b>31,823,512</b>	<b>(11,445,391)</b>	<b>526,577,772</b>
<b>200</b>	<b>Deferred Outflow of Resources</b>	<b>1,562,121</b>	<b>-</b>	<b>-</b>	<b>191,675</b>	<b>15,802</b>	<b>116,280</b>	<b>-</b>	<b>1,817,959</b>	<b>-</b>	<b>3,703,837</b>
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>308,282,400</b>	<b>2,267,290</b>	<b>-</b>	<b>6,193,592</b>	<b>108,379,315</b>	<b>81,590,334</b>	<b>1,372,598</b>	<b>33,641,471</b>	<b>(11,445,391)</b>	<b>530,281,609</b>
312	Accounts Payable <= 90 Days	1,089,258	78,983	-	4,957	3,459,144	221,794	-	83,937	-	4,938,073
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	116,005	-	-	-	116,005
321	Accrued Wage/Payroll Taxes Payable	371,884	-	-	64,518	2,299	31,559	-	409,650	-	879,910
322	Accrued Compensated Absences - Current Portion	294,991	-	-	30,208	3,822	20,322	-	339,079	-	688,422
331	Accounts Payable - HUD PHA Programs	-	53,033	-	-	-	-	-	-	-	53,033
333	Accounts Payable - Other Government	289,048	-	-	639	-	571,402	-	-	-	861,089
341	Tenant Security Deposits	566,986	-	-	-	-	229,179	-	-	-	796,165
342	Deferred Revenues	349,125	-	-	-	-	21,843	-	9,523	-	380,491
345	Other Current Liabilities	548,674	-	-	166,230	11,102	861	-	152,941	-	879,808
346	Accrued Liabilities - Other	674,250	78,983	-	26,000	99,185	644,357	-	-	-	1,522,775
347	Inter Program - Due To	1,518,337	-	-	2,408,589	24,531	7,856,633	-	-	(11,445,391)	362,699
<b>310</b>	<b>Total Current Liabilities</b>	<b>5,702,553</b>	<b>210,999</b>	<b>-</b>	<b>2,701,141</b>	<b>3,600,083</b>	<b>9,713,955</b>	<b>-</b>	<b>995,130</b>	<b>(11,445,391)</b>	<b>11,478,470</b>
353	Non-Current Liabilities - Other	-	-	-	64,067	-	-	-	-	-	64,067
354	Accrued Compensated Absences - Non Current	646,569	-	-	66,210	8,373	44,543	-	743,204	-	1,508,899
357	Accrued Pension and OPEB Liabilities	21,301,137	-	-	2,223,585	250,597	1,781,481	-	20,378,248	-	45,935,048
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>21,947,706</b>	<b>-</b>	<b>-</b>	<b>2,353,862</b>	<b>258,970</b>	<b>1,826,024</b>	<b>-</b>	<b>21,121,452</b>	<b>-</b>	<b>47,508,014</b>
<b>300</b>	<b>Total Liabilities</b>	<b>27,650,259</b>	<b>210,999</b>	<b>-</b>	<b>5,055,003</b>	<b>3,859,053</b>	<b>11,539,979</b>	<b>-</b>	<b>22,116,582</b>	<b>(11,445,391)</b>	<b>58,986,484</b>
<b>400</b>	<b>Deferred Inflow of Resources</b>	<b>809,356</b>	<b>-</b>	<b>-</b>	<b>74,229</b>	<b>3,613</b>	<b>64,493</b>	<b>-</b>	<b>837,779</b>	<b>-</b>	<b>1,789,470</b>
508.4	Invested in Capital Assets, Net of Related Debt	257,306,024	-	-	-	4,308,837	67,505,059	206,006	182,939	-	329,508,865
511.4	Restricted Fund Balance	-	-	-	901,388	-	-	-	-	-	901,388
512.4	Unrestricted Net Assets	22,516,761	2,056,291	-	162,972	100,207,812	2,480,803	1,166,592	10,504,171	-	139,095,402
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>279,822,785</b>	<b>2,056,291</b>	<b>-</b>	<b>1,064,360</b>	<b>104,516,649</b>	<b>69,985,862</b>	<b>1,372,598</b>	<b>10,687,110</b>	<b>-</b>	<b>469,505,655</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets</b>	<b>308,282,400</b>	<b>2,267,290</b>	<b>-</b>	<b>6,193,592</b>	<b>108,379,315</b>	<b>81,590,334</b>	<b>1,372,598</b>	<b>33,641,471</b>	<b>(11,445,391)</b>	<b>530,281,609</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2016

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Resident Opportunity & Supportive Services 14.870	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
70300	Net Tenant Rental Revenue	15,397,050	-	-	-	-	4,421,581	-	-	-	19,818,631
70400	Tenant Revenue - Other	242,600	-	-	-	-	36,300	-	-	-	278,900
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>15,639,650</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,457,881</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,097,531</b>
70600	HUD PHA Operating Grants	30,737,535	32,381,851	97,268	29,964,655	-	-	-	-	-	93,181,309
70610	Capital Grants	5,681,045	-	-	-	-	-	-	-	-	5,681,045
70710	Management Fee	-	-	-	-	-	-	-	4,921,877	(4,921,877)	-
70720	Asset Management Fee	-	-	-	-	-	-	-	568,440	(568,440)	-
70730	Book Keeping Fee	-	-	-	-	-	-	-	681,096	(681,096)	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	2,774,027	(2,774,027)	-
70750	Other Fees	-	-	-	-	-	-	-	59,512	-	59,512
<b>70700</b>	<b>Total Fee Revenue</b>	<b>36,418,580</b>	<b>32,381,851</b>	<b>97,268</b>	<b>29,964,655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,004,952</b>	<b>(8,945,440)</b>	<b>98,921,866</b>
70800	Other Government Grants	-	-	-	-	16,171,464	-	-	-	-	16,171,464
71100	Investment Income - Unrestricted	3,487	196	-	334	-	17,974	6,610	39,693	-	68,294
71400	Fraud Recovery	-	-	-	21,544	-	-	-	-	-	21,544
71500	Other Revenue	205,887	-	-	419,619	-	100,419	57,350	130,622	-	913,897
<b>70000</b>	<b>Total Other Revenue</b>	<b>209,374</b>	<b>196</b>	<b>-</b>	<b>441,497</b>	<b>16,171,464</b>	<b>118,393</b>	<b>63,960</b>	<b>170,315</b>	<b>-</b>	<b>17,175,199</b>
<b>70000</b>	<b>Total Revenue</b>	<b>52,267,604</b>	<b>32,382,047</b>	<b>97,268</b>	<b>30,406,152</b>	<b>16,171,464</b>	<b>4,576,274</b>	<b>63,960</b>	<b>9,175,267</b>	<b>(8,945,440)</b>	<b>136,194,596</b>
91100	Administrative Salaries	3,227,968	-	-	1,029,895	67,886	254,493	-	5,989,149	-	10,569,391
91200	Auditing Fees	127,459	18,192	-	50,128	19,805	44,234	1,399	78,786	-	340,003
91300	Management Fee	4,216,503	-	-	305,772	5,718	393,870	-	-	(4,921,877)	(14)
91310	Book-keeping Fee	413,277	-	-	191,108	3,583	73,142	-	-	(681,096)	14
91400	Advertising and Marketing	902	-	-	-	-	-	-	18,404	-	19,306
91500	Employee Benefit contributions - Administration	878,838	-	-	363,356	-	65,291	-	2,002,242	-	3,309,727
91600	Office Expenses	863,734	915,791	-	55,889	2,408	421,290	-	297,966	-	2,557,078
91700	Legal Expense	1,587	1,244	-	1,867	-	-	-	454,568	-	459,266
91800	Travel	27,924	-	-	-	-	-	-	124,824	-	152,748
91900	Other	1,870,326	-	-	114,787	1,496	428,448	-	108,158	-	2,523,215
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>11,628,518</b>	<b>935,227</b>	<b>-</b>	<b>2,112,802</b>	<b>100,896</b>	<b>1,680,768</b>	<b>1,399</b>	<b>9,074,097</b>	<b>(5,602,973)</b>	<b>19,930,734</b>
<b>92000</b>	<b>Asset Management Fee</b>	<b>568,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(568,440)</b>	<b>-</b>
92200	Relocation Costs	23,964	-	-	-	-	440	-	-	-	24,404
92400	Tenant Services - Other	76,728	-	97,268	36,814	-	-	-	82,786	-	293,596
<b>92500</b>	<b>Total Tenant Services</b>	<b>100,692</b>	<b>-</b>	<b>97,268</b>	<b>36,814</b>	<b>-</b>	<b>440</b>	<b>-</b>	<b>82,786</b>	<b>-</b>	<b>318,000</b>
93100	Water	2,726,965	-	-	514	14	372,252	-	4,300	-	3,104,045
93200	Electricity	1,982,633	-	-	12,528	-	961,453	-	94,223	-	3,050,837
93300	Gas	1,416,506	-	-	-	-	101,508	-	-	-	1,518,014
93400	Fuel	1,734	-	-	-	-	-	-	314	-	2,048
93600	Sewer	3,983,245	-	-	1,052	29	772,352	-	9,403	-	4,766,081
93800	Other Utilities Expense	160	-	-	-	-	-	-	-	-	160
<b>93000</b>	<b>Total Utilities</b>	<b>10,111,243</b>	<b>-</b>	<b>-</b>	<b>14,094</b>	<b>43</b>	<b>2,207,565</b>	<b>-</b>	<b>108,240</b>	<b>-</b>	<b>12,441,185</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2016

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Resident Opportunity & Supportive Services 14.870	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
94100	Ordinary Maintenance and Operations - Labor	3,564,488	-	-	-	-	297,413	-	2,004,634	-	5,866,535
94200	Ordinary Maintenance and Operations - Materials and Other	2,606,431	-	-	1,972	-	353,550	-	175,780	-	3,137,733
94300	Ordinary Maintenance and Operations Contracts	7,997,394	-	-	25,592	2,467	1,302,707	-	303,778	(2,774,027)	6,857,911
94500	Employee Benefit Contributions - Ordinary Maintenance	1,628,802	-	-	-	-	135,627	-	869,189	-	2,633,618
<b>94000</b>	<b>Total Maintenance</b>	<b>15,797,115</b>	<b>-</b>	<b>-</b>	<b>27,564</b>	<b>2,467</b>	<b>2,089,297</b>	<b>-</b>	<b>3,353,381</b>	<b>(2,774,027)</b>	<b>18,495,797</b>
95100	Protective Services - Labor	-	-	-	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	2,187,834	-	-	-	-	152,879	-	1,583	-	2,342,296
95300	Protective Services - Other	1,907	-	-	801	-	1,507	-	9,183	-	13,398
<b>95000</b>	<b>Total Protective Services</b>	<b>2,189,741</b>	<b>-</b>	<b>-</b>	<b>801</b>	<b>-</b>	<b>154,386</b>	<b>-</b>	<b>10,766</b>	<b>-</b>	<b>2,355,694</b>
96110	Property Insurance	552,807	-	-	-	-	101,120	-	317	-	654,244
96120	Liability Insurance	44,093	-	-	63	-	8,377	-	381	-	52,914
96130	Workmen's Compensation	33,903	-	-	3,040	-	-	-	28,058	-	65,001
96140	All Other Insurance	37,429	-	-	-	-	30,278	-	61,110	-	128,817
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>668,232</b>	<b>-</b>	<b>-</b>	<b>3,103</b>	<b>-</b>	<b>139,775</b>	<b>-</b>	<b>89,866</b>	<b>-</b>	<b>900,976</b>
96200	Other General Expenses	2,667,872	10,256	-	46,430	-	9,210	-	63,383	-	2,797,151
96210	Compensated Absences	(81,652)	-	-	(3,986)	(2,044)	(6,378)	-	12,302	-	(81,758)
96300	Payments in Lieu of Taxes	144,241	-	-	-	-	-	-	-	-	144,241
96400	Bad debt - Tenant Rents	226,937	-	-	-	-	348,741	-	-	-	575,678
<b>96000</b>	<b>Total Other General Expenses</b>	<b>2,957,398</b>	<b>10,256</b>	<b>-</b>	<b>42,444</b>	<b>(2,044)</b>	<b>351,573</b>	<b>-</b>	<b>75,685</b>	<b>-</b>	<b>3,435,312</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>44,021,379</b>	<b>945,483</b>	<b>97,268</b>	<b>2,237,622</b>	<b>101,362</b>	<b>6,623,804</b>	<b>1,399</b>	<b>12,794,821</b>	<b>(8,945,440)</b>	<b>57,877,698</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>8,246,225</b>	<b>31,436,564</b>	<b>-</b>	<b>28,168,530</b>	<b>16,070,102</b>	<b>(2,047,530)</b>	<b>62,561</b>	<b>(3,619,554)</b>	<b>-</b>	<b>78,316,898</b>
97100	Extraordinary Maintenance	14,665	-	-	-	-	17,738	-	-	-	32,403
97300	Housing Assistance Payments	30,101	31,180,118	-	27,297,580	405,632	-	-	-	-	58,913,431
97350	HAP Portability-In	-	-	-	403,685	-	-	-	-	-	403,685
97400	Depreciation Expense	14,956,492	-	-	-	174,439	2,911,347	58,917	55,843	-	18,157,038
	<b>Subtotal</b>	<b>15,001,258</b>	<b>31,180,118</b>	<b>-</b>	<b>27,701,265</b>	<b>580,071</b>	<b>2,929,085</b>	<b>58,917</b>	<b>55,843</b>	<b>-</b>	<b>77,506,557</b>
<b>90000</b>	<b>Total Expenses</b>	<b>59,022,637</b>	<b>32,125,601</b>	<b>97,268</b>	<b>29,938,887</b>	<b>681,433</b>	<b>9,552,889</b>	<b>60,316</b>	<b>12,850,664</b>	<b>(8,945,440)</b>	<b>135,384,255</b>
10010	Operating Transfer In	2,410,765	-	-	-	1,284,999	3,865,717	-	6,684,963	(14,246,442)	2
10020	Operating Transfer Out	-	-	-	-	(11,939,191)	(1,022,254)	-	(1,284,999)	14,246,442	(2)
<b>10100</b>	<b>Total Other Financing Sources (Uses)</b>	<b>2,410,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,654,192)</b>	<b>2,843,463</b>	<b>-</b>	<b>5,399,964</b>	<b>-</b>	<b>-</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(4,344,268)</b>	<b>256,446</b>	<b>-</b>	<b>467,265</b>	<b>4,835,839</b>	<b>(2,133,152)</b>	<b>3,644</b>	<b>1,724,567</b>	<b>-</b>	<b>810,341</b>
11030	Beginning Equity	254,694,261	1,799,845	-	669,145	131,577,720	69,622,846	1,368,954	8,962,543	-	468,695,314
10000	Excess (deficiency) of total revenue over (under) total expenses	(4,344,268)	256,446	-	467,265	4,835,839	(2,133,152)	3,644	1,724,567	-	810,341
11040-010	Prior Period Adjustment	-	-	-	(72,050)	72,050	-	-	-	-	-
11040-070	Equity transfer of capital contributions from capital projects fund	29,472,792	-	-	-	(31,968,960)	2,496,168	-	-	-	-
	<b>Ending Equity</b>	<b>279,822,785</b>	<b>2,056,291</b>	<b>-</b>	<b>1,064,360</b>	<b>104,516,649</b>	<b>69,985,862</b>	<b>1,372,598</b>	<b>10,687,110</b>	<b>-</b>	<b>469,505,655</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Balance Sheet  
June 30, 2016

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
111	Cash - Unrestricted	3,310,679	4,126,325	3,755,144	3,115,140	4,269,193	4,547,752	2,254,531	1,988,095	1,517,088	1,060,134	1,183,971	1,705,247	2,182,529	658,967	931,889	1,919,465	-	38,526,149
114	Cash - Tenant Security Deposits	39,066	46,030	47,621	46,181	71,191	77,739	33,614	35,908	23,139	22,772	25,429	30,342	27,599	12,893	17,885	9,577	-	566,986
<b>100</b>	<b>Total Cash</b>	<b>3,349,745</b>	<b>4,172,355</b>	<b>3,802,765</b>	<b>3,161,321</b>	<b>4,340,384</b>	<b>4,625,491</b>	<b>2,288,145</b>	<b>2,024,003</b>	<b>1,540,227</b>	<b>1,082,906</b>	<b>1,209,400</b>	<b>1,735,589</b>	<b>2,210,128</b>	<b>671,860</b>	<b>949,774</b>	<b>1,929,042</b>	-	<b>39,093,135</b>
122	Accounts Receivable - HUD Other Projects	96,106	380,604	604	1,209	91,216	7,619	6,647	157,059	3,626	1,209	3,021	3,021	3,626	2,417	1,813	26,238	-	786,035
126	Accounts Receivable - Tenants	44,742	34,422	37,102	28,185	100,279	18,869	27,641	86,262	27,151	85,756	25,580	38,449	7,847	38,755	28,839	22,741	-	652,620
126.1	.1 Allowance for Doubtful Accounts - Tenants	(38,843)	(17,446)	(12,250)	(7,957)	(71,186)	(9,283)	(11,902)	(41,363)	(10,325)	(55,979)	(11,103)	(21,742)	(3,598)	(29,012)	(10,998)	(6,716)	-	(359,703)
127	Notes, Loans and Mortgages Receivable - Current	1,894	56	8,363	2,872	936	747	6,428	-	4,211	3,082	-	-	2,897	4,181	-	-	-	35,667
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>103,899</b>	<b>397,636</b>	<b>33,819</b>	<b>24,309</b>	<b>121,245</b>	<b>17,952</b>	<b>28,814</b>	<b>201,958</b>	<b>24,663</b>	<b>34,068</b>	<b>17,498</b>	<b>19,728</b>	<b>10,772</b>	<b>16,341</b>	<b>19,654</b>	<b>42,263</b>	-	<b>1,114,619</b>
143	Inventories	28,536	125,787	38,997	14,133	74,004	41,054	10,589	13,593	5,762	65,740	37,918	19,346	42,572	10,277	11,489	3,960	-	543,757
143.1	.1 Allowance for Obsolete Inventories	(2,828)	(12,465)	(3,865)	(1,401)	(7,334)	(4,068)	(1,049)	(1,347)	(571)	(6,515)	(3,758)	(1,917)	(4,219)	(1,018)	(1,139)	(392)	-	(53,886)
	<b>Total Other Current Assets</b>	<b>25,708</b>	<b>113,322</b>	<b>35,132</b>	<b>12,732</b>	<b>66,670</b>	<b>36,986</b>	<b>9,540</b>	<b>12,246</b>	<b>5,191</b>	<b>59,225</b>	<b>34,160</b>	<b>17,429</b>	<b>38,353</b>	<b>9,259</b>	<b>10,350</b>	<b>3,568</b>	-	<b>489,871</b>
<b>150</b>	<b>Total Current Assets</b>	<b>3,479,352</b>	<b>4,683,313</b>	<b>3,871,716</b>	<b>3,198,362</b>	<b>4,528,299</b>	<b>4,680,429</b>	<b>2,326,499</b>	<b>2,238,207</b>	<b>1,570,081</b>	<b>1,176,199</b>	<b>1,261,058</b>	<b>1,772,746</b>	<b>2,259,253</b>	<b>697,460</b>	<b>979,778</b>	<b>1,974,873</b>	-	<b>40,697,625</b>
161	Land	2,534,474	550,848	207,679	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	-	13,093,629
162	Buildings	39,134,507	56,326,243	21,519,494	37,991,570	32,415,064	30,509,719	59,296,004	46,221,804	26,296,902	10,660,823	33,051,708	33,765,148	29,292,180	19,757,799	18,246,962	13,415,709	-	507,901,636
163	Furniture, Equipment & Machinery - Dwellings	72,608	105,792	1,211,821	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	-	3,329,340
164	Furniture, Equipment & Machinery - Administration	397,847	167,773	437,717	98,483	91,492	131,120	256,330	164,450	79,008	69,064	19,048	40,821	13,654	7,734	5,989	81,056	-	2,061,586
166	Accumulated Depreciation	(32,755,386)	(31,384,216)	(17,494,421)	(23,300,795)	(21,367,314)	(19,541,384)	(30,852,348)	(22,501,030)	(15,469,504)	(10,345,409)	(18,033,289)	(23,762,870)	(24,693,363)	(7,713,855)	(13,511,160)	(4,359,990)	-	(317,086,334)
167	Construction in Progress	6,604,127	3,212,307	4,715,412	2,578,734	4,060,583	482,039	6,877,350	31,486	2,372,117	1,195,638	13,007	339,687	11,869,631	2,484	574,770	3,076,795	-	48,006,167
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>15,988,177</b>	<b>28,978,747</b>	<b>10,597,702</b>	<b>18,025,938</b>	<b>15,732,134</b>	<b>13,797,643</b>	<b>37,560,969</b>	<b>24,619,646</b>	<b>13,907,908</b>	<b>2,042,114</b>	<b>16,060,792</b>	<b>11,357,935</b>	<b>16,711,537</b>	<b>12,336,686</b>	<b>6,989,866</b>	<b>12,598,230</b>	-	<b>257,306,024</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	8,716,630	-	-	-	-	-	-	-	8,716,630
	<b>Total Other Non-Current Assets</b>	-	-	-	-	-	-	-	-	-	<b>8,716,630</b>	-	-	-	-	-	-	-	<b>8,716,630</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>15,988,177</b>	<b>28,978,747</b>	<b>10,597,702</b>	<b>18,025,938</b>	<b>15,732,134</b>	<b>13,797,643</b>	<b>37,560,969</b>	<b>24,619,646</b>	<b>13,907,908</b>	<b>10,758,744</b>	<b>16,060,792</b>	<b>11,357,935</b>	<b>16,711,537</b>	<b>12,336,686</b>	<b>6,989,866</b>	<b>12,598,230</b>	-	<b>266,022,654</b>
<b>190</b>	<b>Total Assets</b>	<b>19,467,529</b>	<b>33,662,060</b>	<b>14,469,418</b>	<b>21,224,300</b>	<b>20,260,433</b>	<b>18,478,072</b>	<b>39,887,468</b>	<b>26,857,853</b>	<b>15,477,989</b>	<b>11,934,943</b>	<b>17,321,850</b>	<b>13,130,681</b>	<b>18,970,790</b>	<b>13,034,146</b>	<b>7,969,644</b>	<b>14,573,103</b>	-	<b>306,720,279</b>
<b>200</b>	<b>Deferred Outflow of Resources</b>	<b>228,121</b>	<b>143,781</b>	<b>138,284</b>	<b>141,912</b>	<b>234,070</b>	<b>227,176</b>	<b>167,404</b>	<b>159,472</b>	<b>121,901</b>	-	-	-	-	-	-	-	-	<b>1,562,121</b>
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>19,695,650</b>	<b>33,805,841</b>	<b>14,607,702</b>	<b>21,366,212</b>	<b>20,494,503</b>	<b>18,705,248</b>	<b>40,054,872</b>	<b>27,017,325</b>	<b>15,599,890</b>	<b>11,934,943</b>	<b>17,321,850</b>	<b>13,130,681</b>	<b>18,970,790</b>	<b>13,034,146</b>	<b>7,969,644</b>	<b>14,573,103</b>	-	<b>308,282,400</b>
312	Accounts Payable <= 90 Days	9,535	405,247	22,525	15,846	63,116	24,727	56,578	11,853	12,569	133,920	144,314	78,329	29,576	23,614	28,728	28,781	-	1,089,258
321	Accrued Wage/Payroll Taxes Payable	53,377	43,615	34,695	35,553	50,176	48,159	39,758	35,598	30,953	-	-	-	-	-	-	-	-	371,884
322	Accrued Compensated Absences - Current Portion	58,309	26,851	24,057	25,038	37,273	36,494	28,233	29,198	29,538	-	-	-	-	-	-	-	-	294,991
333	Accounts Payable - Other Government	-	-	-	-	-	-	128,336	79,758	39,394	-	16,422	-	25,138	-	-	-	-	289,048
341	Tenant Security Deposits	39,066	46,030	47,621	46,181	71,191	77,739	33,614	35,908	23,139	22,772	25,429	30,342	27,599	12,893	17,885	9,577	-	566,986
342	Deferred Revenues	5,089	44,559	13,239	18,974	69,763	12,815	12,442	41,688	7,710	26,509	20,061	28,309	20,389	5,009	14,788	7,781	-	349,125
345	Other Current Liabilities	123,369	23,899	10,216	21,533	93,176	8,395	11,846	162,678	8,405	7,801	11,713	10,367	17,032	5,901	4,552	27,791	-	548,674
346	Accrued Liabilities - Other	18,736	6,479	5,623	4,317	800	3,808	16,638	402,870	28,557	24,266	14,836	53,468	24,427	8,603	58,035	2,787	-	674,250
347	Inter Program - Due To	130,440	226,977	139,938	147,867	171,064	197,830	32,922	87,576	58,103	47,484	44,435	67,096	64,842	27,171	37,184	37,408	-	1,518,337
<b>310</b>	<b>Total Current Liabilities</b>	<b>437,921</b>	<b>823,657</b>	<b>297,914</b>	<b>315,309</b>	<b>556,559</b>	<b>409,967</b>	<b>360,367</b>	<b>887,127</b>	<b>238,368</b>	<b>262,752</b>	<b>277,210</b>	<b>267,911</b>	<b>183,865</b>	<b>108,329</b>	<b>161,172</b>	<b>114,125</b>	-	<b>5,702,553</b>
354	Accrued Compensated Absences - Non Current	127,804	58,853	52,728	54,880	81,696	79,988	61,882	63,996	64,742	-	-	-	-	-	-	-	-	646,569
357	Accrued Pension and OPEB Liabilities	3,143,094	2,292,559	1,971,498	2,045,112	3,080,407	3,208,127	2,200,133	1,734,053	1,491,869	-	-	-	-	-	3,142	131,143	-	21,301,137
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>3,270,898</b>	<b>2,351,412</b>	<b>2,024,226</b>	<b>2,099,992</b>	<b>3,162,103</b>	<b>3,288,115</b>	<b>2,262,015</b>	<b>1,798,049</b>	<b>1,556,611</b>	-	-	-	-	-	<b>3,142</b>	<b>131,143</b>	-	<b>21,947,706</b>
<b>300</b>	<b>Total Liabilities</b>	<b>3,708,819</b>	<b>3,175,069</b>	<b>2,322,140</b>	<b>2,415,301</b>	<b>3,718,662</b>	<b>3,698,082</b>	<b>2,622,382</b>	<b>2,685,176</b>	<b>1,794,979</b>	<b>262,752</b>	<b>277,210</b>	<b>267,911</b>	<b>183,865</b>	<b>108,329</b>	<b>164,314</b>	<b>245,268</b>	-	<b>27,650,259</b>
<b>400</b>	<b>Deferred Inflow of Resources</b>	<b>119,911</b>	<b>76,188</b>	<b>71,476</b>	<b>74,940</b>	<b>129,644</b>	<b>114,999</b>	<b>89,962</b>	<b>75,673</b>	<b>56,563</b>	-	-	-	-	-	-	-	-	<b>809,356</b>
508.4	Invested in Capital Assets, Net of Related Debt	15,988,177	28,978,747	10,597,702	18,025,938	15,732,134	13,797,643	37,560,969	24,619,646	13,907,908	2,042,114	16,060,792	11,357,935	16,711,537	12,336,686	6,989,866	12,598,230	-	257,306,024
511.4	Restricted Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.4	Unrestricted Net Assets	(121,257)	1,575,837	1,616,384	850,033	914,063	1,094,524	(218,441)	(363,170)	(159,560)	9,630,077	983,848	1,504,835	2,075,388	589,131	815,464	1,729,605	-	22,516,761
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>15,866,920</b>	<b>30,554,584</b>	<b>12,214,086</b>	<b>18,875,971</b>	<b>16,646,197</b>	<b>14,892,167</b>	<b>37,342,528</b>	<b>24,256,476</b>	<b>13,748,348</b>	<b>11,672,191</b>	<b>17,044,640</b>	<b>12,862,770</b>	<b>18,786,925</b>	<b>12,925,817</b>	<b>7,805,330</b>	<b>14,327,835</b>	-	<b>279,822,785</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets</b>	<b>19,695,650</b>	<b>33,805,841</b>	<b>14,607,702</b>	<b>21,366,212</b>	<b>20,494,503</b>	<b>18,705,248</b>	<b>40,054,872</b>	<b>27,017,325</b>	<b>15,599,890</b>	<b>11,9</b>								

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2016

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
70300	Net Tenant Rental Revenue	1,086,644	1,322,940	1,415,294	1,227,321	1,763,834	1,935,014	833,093	1,118,434	756,391	884,509	499,332	766,990	710,077	273,842	489,971	313,364	-	15,397,050
70400	Tenant Revenue - Other	79,886	46,370	7,076	6,077	10,108	16,000	6,251	758	22,658	7,339	17,261	10,150	5,198	5,501	120	1,847	-	242,600
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>1,166,530</b>	<b>1,369,310</b>	<b>1,422,370</b>	<b>1,233,398</b>	<b>1,773,942</b>	<b>1,951,014</b>	<b>839,344</b>	<b>1,119,192</b>	<b>779,049</b>	<b>891,848</b>	<b>516,593</b>	<b>777,140</b>	<b>715,275</b>	<b>279,343</b>	<b>490,091</b>	<b>315,211</b>	<b>-</b>	<b>15,639,650</b>
70600	HUD PHA Operating Grants	2,153,687	3,007,491	2,677,314	2,528,190	3,054,193	2,747,154	1,500,396	1,511,919	1,088,001	1,274,773	1,260,226	1,594,952	1,221,230	640,113	951,782	789,525	2,736,589	30,737,535
70610	Capital Grants	699,078	1,386,733	116,495	-	498,725	154,398	380,069	839,935	994,740	-	-	-	225,152	-	-	385,720	-	5,681,045
<b>70700</b>	<b>Total Fee Revenue</b>	<b>2,852,765</b>	<b>4,394,224</b>	<b>2,793,809</b>	<b>2,528,190</b>	<b>3,552,918</b>	<b>2,901,552</b>	<b>1,880,465</b>	<b>2,351,854</b>	<b>2,082,741</b>	<b>1,274,773</b>	<b>1,260,226</b>	<b>1,594,952</b>	<b>1,446,382</b>	<b>640,113</b>	<b>951,782</b>	<b>1,175,245</b>	<b>2,736,589</b>	<b>36,418,580</b>
71100	Investment Income - Unrestricted	313	322	493	242	356	397	191	177	131	104	101	151	200	57	78	174	-	3,487
71500	Other Revenue	4,482	661	16	-	45,274	39,793	6,241	10,959	14,691	-	25,233	21,988	11,630	12,941	10,978	1,000	-	205,887
	<b>Total Other Revenue</b>	<b>4,795</b>	<b>983</b>	<b>509</b>	<b>242</b>	<b>45,630</b>	<b>40,190</b>	<b>6,432</b>	<b>11,136</b>	<b>14,822</b>	<b>104</b>	<b>25,334</b>	<b>22,139</b>	<b>11,830</b>	<b>12,998</b>	<b>11,056</b>	<b>1,174</b>	<b>-</b>	<b>209,374</b>
<b>70000</b>	<b>Total Revenue</b>	<b>4,024,090</b>	<b>5,764,517</b>	<b>4,216,688</b>	<b>3,761,830</b>	<b>5,372,490</b>	<b>4,892,756</b>	<b>2,726,241</b>	<b>3,482,182</b>	<b>2,876,612</b>	<b>2,166,725</b>	<b>1,802,153</b>	<b>2,394,231</b>	<b>2,173,487</b>	<b>932,454</b>	<b>1,452,929</b>	<b>1,491,630</b>	<b>2,736,589</b>	<b>52,267,604</b>
91100	Administrative Salaries	480,355	300,012	236,708	242,923	434,590	441,420	408,506	387,228	296,226	-	-	-	-	-	-	-	-	3,227,968
91200	Auditing Fees	7,966	7,966	7,966	7,966	7,966	7,966	7,966	7,967	7,967	7,966	7,966	7,966	7,966	7,967	7,966	7,966	-	127,459
91300	Management Fee	356,919	374,002	366,152	375,796	586,894	590,139	260,963	317,957	187,526	116,923	128,187	165,787	147,887	69,802	95,199	76,370	-	4,216,503
91310	Book-keeping Fee	31,298	32,947	32,280	33,146	51,750	52,021	28,361	27,929	16,336	15,300	18,151	21,473	19,830	9,256	12,909	10,290	-	413,277
91400	Advertising and Marketing	-	301	75	75	150	301	-	-	-	-	-	-	-	-	-	-	-	902
91500	Employee Benefit contributions - Administration	132,206	68,815	58,689	60,139	118,213	119,333	120,302	116,265	84,876	-	-	-	-	-	-	-	-	878,838
91600	Office Expenses	43,194	23,174	38,760	27,876	51,487	35,567	35,139	38,953	32,139	73,755	104,277	103,327	98,586	46,242	62,590	48,668	-	863,734
91700	Legal Expense	-	-	533	573	-	-	338	-	-	-	-	68	75	-	-	-	-	1,587
91800	Travel	810	-	-	-	-	-	2,426	16,720	6,886	-	691	-	-	391	-	-	-	27,924
91900	Other	55,126	58,186	54,236	57,184	101,501	99,049	8,163	13,247	5,782	192,256	179,761	234,502	236,459	135,947	145,482	156,616	136,829	1,870,326
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>1,107,874</b>	<b>865,403</b>	<b>795,399</b>	<b>805,678</b>	<b>1,352,551</b>	<b>1,345,796</b>	<b>872,164</b>	<b>926,266</b>	<b>637,738</b>	<b>406,200</b>	<b>439,033</b>	<b>533,123</b>	<b>510,803</b>	<b>269,605</b>	<b>324,146</b>	<b>299,910</b>	<b>136,829</b>	<b>11,628,518</b>
<b>92000</b>	<b>Asset Management Fee</b>	<b>43,560</b>	<b>44,760</b>	<b>43,680</b>	<b>44,760</b>	<b>69,960</b>	<b>70,440</b>	<b>41,280</b>	<b>38,520</b>	<b>23,520</b>	<b>20,880</b>	<b>24,240</b>	<b>31,200</b>	<b>27,120</b>	<b>12,360</b>	<b>18,000</b>	<b>14,160</b>	<b>-</b>	<b>568,440</b>
92200	Relocation Costs	-	-	-	-	-	-	-	23,964	-	-	-	-	-	-	-	-	-	23,964
92400	Tenant Services - Other	17,068	20,447	10,230	6,055	4,657	261	7	-	12	377	-	7,095	7,277	-	-	3,242	-	76,728
<b>92500</b>	<b>Total Tenant Services</b>	<b>17,068</b>	<b>20,447</b>	<b>10,230</b>	<b>6,055</b>	<b>4,657</b>	<b>261</b>	<b>7</b>	<b>23,964</b>	<b>12</b>	<b>377</b>	<b>-</b>	<b>7,095</b>	<b>7,277</b>	<b>-</b>	<b>-</b>	<b>3,242</b>	<b>-</b>	<b>100,692</b>
93100	Water	181,766	271,813	273,717	214,537	184,848	190,544	116,497	250,986	119,615	223,986	109,875	219,977	135,448	39,709	101,710	91,937	-	2,726,965
93200	Electricity	99,803	56,458	74,337	42,861	369,807	403,613	102,801	122,196	227,502	97,111	107,051	41,809	33,234	39,492	152,399	12,159	-	1,982,633
93300	Gas	10,537	-	282,184	95,560	114,414	175,714	28,662	190,514	85,406	171,317	102,026	38,103	7,823	28,966	62,744	22,536	-	1,416,506
93400	Fuel	1,734	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,734
93600	Sewer	324,511	420,409	417,431	382,305	488,223	494,902	55,668	128,598	121,862	255,804	38,833	327,373	239,715	32,495	126,313	128,803	-	3,983,245
93800	Other Utilities Expense	-	-	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	160
<b>93000</b>	<b>Total Utilities</b>	<b>618,351</b>	<b>748,680</b>	<b>1,047,669</b>	<b>735,263</b>	<b>1,157,292</b>	<b>1,264,773</b>	<b>303,628</b>	<b>692,294</b>	<b>554,545</b>	<b>748,218</b>	<b>357,785</b>	<b>627,262</b>	<b>416,220</b>	<b>140,662</b>	<b>443,166</b>	<b>255,435</b>	<b>-</b>	<b>10,111,243</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2016

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
94100	Ordinary Maintenance and Operations - Labor	418,745	417,601	340,825	349,252	519,406	536,960	355,325	351,815	274,559	-	-	-	-	-	-	-	-	3,564,488
94200	Ordinary Maintenance and Operations - Materials & Other	350,468	132,981	155,227	229,006	412,971	247,766	117,064	156,436	102,305	155,437	138,824	138,679	145,990	45,397	47,372	30,508	-	2,606,431
94300	Ordinary Maintenance and Operations Contracts	742,506	495,766	789,550	567,426	544,513	626,047	285,326	268,481	162,191	570,294	587,881	891,113	547,206	395,320	272,049	251,725	-	7,997,394
94500	Employee Benefit Contributions - Ordinary Maintenance	187,156	184,885	161,495	165,487	225,621	236,266	164,673	166,490	136,729	-	-	-	-	-	-	-	-	1,628,802
<b>94000</b>	<b>Total Maintenance</b>	<b>1,698,875</b>	<b>1,231,233</b>	<b>1,447,097</b>	<b>1,311,171</b>	<b>1,702,511</b>	<b>1,647,039</b>	<b>922,388</b>	<b>943,222</b>	<b>675,784</b>	<b>725,731</b>	<b>726,705</b>	<b>1,029,792</b>	<b>693,196</b>	<b>440,717</b>	<b>319,421</b>	<b>282,233</b>	<b>-</b>	<b>15,797,115</b>
95200	Protective Services - Other Contract Costs	276,264	457,491	583,363	180,998	75,426	282,506	220	-	-	331,174	-	-	-	-	-	392	-	2,187,834
95300	Protective Services - Other	-	340	-	-	-	737	387	-	-	-	-	-	-	-	-	443	-	1,907
<b>95000</b>	<b>Total Protective Services</b>	<b>276,264</b>	<b>457,831</b>	<b>583,363</b>	<b>180,998</b>	<b>75,426</b>	<b>283,243</b>	<b>607</b>	<b>-</b>	<b>-</b>	<b>331,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>835</b>	<b>-</b>	<b>2,189,741</b>
96110	Property Insurance	44,037	62,375	25,828	43,055	36,502	34,679	67,031	38,799	29,682	12,070	37,115	38,062	32,894	18,758	20,481	11,439	-	552,807
96120	Liability Insurance	1,263	1,296	1,265	1,296	2,026	2,040	1,336	1,116	682	4,787	-	7,237	5,966	-	11,319	2,464	-	44,093
96130	Workmen's Compensation	4,208	4,209	3,040	3,039	5,144	4,208	4,445	3,040	2,570	-	-	-	-	-	-	-	-	33,903
96140	All Other Insurance	725	744	1,277	1,244	8,118	1,170	2,761	1,076	641	1,500	8,981	1,800	2,042	4,800	-	550	-	37,429
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>50,233</b>	<b>68,624</b>	<b>31,410</b>	<b>48,634</b>	<b>51,790</b>	<b>42,097</b>	<b>75,573</b>	<b>44,031</b>	<b>33,575</b>	<b>18,357</b>	<b>46,096</b>	<b>47,099</b>	<b>40,902</b>	<b>23,558</b>	<b>31,800</b>	<b>14,453</b>	<b>-</b>	<b>668,232</b>
96200	Other General Expenses	(244)	18,720	6,479	-	-	6,599	-	-	-	5,870	6,924	-	23,767	-	(3)	-	2,599,760	2,667,872
96210	Compensated Absences	13,396	(11,429)	6,877	7,157	(33,265)	(55,204)	742	(4,488)	(5,438)	-	-	-	-	-	-	-	-	(81,652)
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	52,946	42,810	21,257	-	13,910	-	-	13,318	-	-	-	144,241
96400	Bad Debt - Tenant Rents	51,709	26,463	9,363	11,356	32,859	8,506	14,749	24,089	(43,967)	38,372	12,453	9,696	16,106	3,483	8,208	3,492	-	226,937
<b>96000</b>	<b>Total Other General Expenses</b>	<b>64,861</b>	<b>33,754</b>	<b>22,719</b>	<b>18,513</b>	<b>(406)</b>	<b>(40,099)</b>	<b>68,437</b>	<b>62,411</b>	<b>(28,148)</b>	<b>38,372</b>	<b>32,233</b>	<b>16,620</b>	<b>16,106</b>	<b>40,568</b>	<b>8,205</b>	<b>3,492</b>	<b>2,599,760</b>	<b>2,957,398</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>3,877,086</b>	<b>3,470,732</b>	<b>3,981,567</b>	<b>3,151,072</b>	<b>4,413,781</b>	<b>4,613,550</b>	<b>2,284,084</b>	<b>2,730,708</b>	<b>1,897,026</b>	<b>2,289,309</b>	<b>1,626,092</b>	<b>2,292,191</b>	<b>1,711,624</b>	<b>927,470</b>	<b>1,144,738</b>	<b>873,760</b>	<b>2,736,589</b>	<b>44,021,379</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>147,004</b>	<b>2,293,785</b>	<b>235,121</b>	<b>610,758</b>	<b>958,709</b>	<b>279,206</b>	<b>442,157</b>	<b>751,474</b>	<b>979,586</b>	<b>(122,584)</b>	<b>176,061</b>	<b>102,040</b>	<b>461,863</b>	<b>4,984</b>	<b>308,191</b>	<b>617,870</b>	<b>-</b>	<b>8,246,225</b>
97100	Extraordinary Maintenance	-	-	-	-	14,665	-	-	-	-	-	-	-	-	-	-	-	-	14,665
97300	Housing Assistance Payments	6,001	4,248	-	10,950	357	-	-	-	-	-	-	2,902	5,643	-	-	-	-	30,101
97400	Depreciation Expense	1,324,750	2,313,406	382,684	752,247	880,599	954,677	2,029,028	1,072,693	693,366	26,865	875,136	1,139,737	773,554	628,541	693,332	415,877	-	14,956,492
	<b>Subtotal</b>	<b>1,330,751</b>	<b>2,317,654</b>	<b>382,684</b>	<b>763,197</b>	<b>895,621</b>	<b>954,677</b>	<b>2,029,028</b>	<b>1,072,693</b>	<b>693,366</b>	<b>26,865</b>	<b>875,136</b>	<b>1,142,639</b>	<b>779,197</b>	<b>628,541</b>	<b>693,332</b>	<b>415,877</b>	<b>-</b>	<b>15,001,258</b>
<b>90000</b>	<b>Total Expenses</b>	<b>5,207,837</b>	<b>5,788,386</b>	<b>4,364,251</b>	<b>3,914,269</b>	<b>5,309,402</b>	<b>5,568,227</b>	<b>4,313,112</b>	<b>3,803,401</b>	<b>2,590,392</b>	<b>2,316,174</b>	<b>2,501,228</b>	<b>3,434,830</b>	<b>2,490,821</b>	<b>1,556,011</b>	<b>1,838,070</b>	<b>1,289,637</b>	<b>2,736,589</b>	<b>59,022,637</b>
10010	Operating Transfer In	321,349	463,480	601,768	194,679	115,885	117,008	42,067	307,608	44,218	7,997	36,849	63,115	43,992	36,636	6,744	7,370	-	2,410,765
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>321,349</b>	<b>463,480</b>	<b>601,768</b>	<b>194,679</b>	<b>115,885</b>	<b>117,008</b>	<b>42,067</b>	<b>307,608</b>	<b>44,218</b>	<b>7,997</b>	<b>36,849</b>	<b>63,115</b>	<b>43,992</b>	<b>36,636</b>	<b>6,744</b>	<b>7,370</b>	<b>-</b>	<b>2,410,765</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(862,398)</b>	<b>439,611</b>	<b>454,205</b>	<b>42,240</b>	<b>178,973</b>	<b>(558,463)</b>	<b>(1,544,804)</b>	<b>(13,611)</b>	<b>330,438</b>	<b>(141,452)</b>	<b>(662,226)</b>	<b>(977,484)</b>	<b>(273,342)</b>	<b>(586,921)</b>	<b>(378,397)</b>	<b>209,363</b>	<b>-</b>	<b>(4,344,268)</b>
11030	Beginning Equity	14,693,103	29,086,605	8,180,462	16,652,238	15,940,948	15,144,372	36,245,287	22,777,418	12,506,098	10,814,381	17,693,858	13,749,557	8,967,966	12,436,242	8,096,895	11,708,831	-	254,694,261
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(862,398)	439,611	454,205	42,240	178,973	(558,463)	(1,544,804)	(13,611)	330,438	(141,452)	(662,226)	(977,484)	(273,342)	(586,921)	(378,397)	209,363	-	(4,344,268)
11040-070	Equity Transfer of Capital Contributions	2,036,215	1,028,368	3,579,419	2,181,493	526,276	306,258	2,642,045	1,492,669	911,812	999,262	13,008	90,697	10,092,301	1,076,496	86,832	2,409,641	-	29,472,792
	<b>Ending Equity</b>	<b>15,866,920</b>	<b>30,554,584</b>	<b>12,214,086</b>	<b>18,875,971</b>	<b>16,646,197</b>	<b>14,892,167</b>	<b>37,342,528</b>	<b>24,256,476</b>	<b>13,748,348</b>	<b>11,672,191</b>	<b>17,044,640</b>	<b>12,862,770</b>	<b>18,786,925</b>	<b>12,925,817</b>	<b>7,805,330</b>	<b>14,327,835</b>	<b>-</b>	<b>279,822,785</b>

See accompanying independent auditor's report

**Hawaii Public Housing Authority**  
**Financial Data Schedule**  
**GASB No. 54 Supplemental Reporting Schedule**  
**June 30, 2016**

<u>FDS Line Item</u>	<u>FDS Line Item Name</u>	<u>CFDA No. 14.871 Housing Choice Voucher Program</u>	<u>CFDA No. 14.195 Section 8 Contract Administration</u>	<u>State/Local</u>	<u>Total</u>
513	Total Equity as Reported in FDS	<u>\$ 1,064,360</u>	<u>\$ 2,056,291</u>	<u>\$ 104,516,649</u>	<u>\$ 107,637,300</u>
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ 4,308,837	\$ 4,308,837
509.3	Restricted Fund Balance	901,388	-	-	901,388
510.3	Committed Fund Balance	-	-	52,585,233	52,585,233
511.3	Assigned Fund Balance	162,972	2,056,291	47,622,579	49,841,842
512.3	Unassigned Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total Equity as Calculated	<u>\$ 1,064,360</u>	<u>\$ 2,056,291</u>	<u>\$ 104,516,649</u>	<u>\$ 107,637,300</u>

See accompanying independent auditor's report.

**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**



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A Hawaii Limited Liability Partnership

**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 Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 2016-01.

### **The Authority's Response to Findings**

The Authority's responses to the findings identified in our audit are described in the accompanying *Corrective Action Plan*. The Authority'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 10, 2017

**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 THE UNIFORM GUIDANCE**



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A Hawaii Limited Liability Partnership

**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 The Uniform Guidance**

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 Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2016. The Authority'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority'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 Authority's compliance.

### **Basis for Qualified Opinion on Public and Indian Housing**

As described in item 2016-01 in the accompanying *Schedule of Findings and Questioned Costs*, the Authority did not comply with the eligibility compliance requirement under CFDA number 14.850 Public and Indian Housing. Compliance with such requirement is necessary, in our opinion, for the Authority to comply with requirements applicable to this program.

### **Qualified Opinion on Public and Indian Housing**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Public and Indian Housing for the year ended June 30, 2016.

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

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2016.

### **Other Matters**

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying *Corrective Action Plan*. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Authority 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 Authority'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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2016-01 to be a material weakness.

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

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying *Corrective Action Plan*. The Authority'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended June 30, 2016, and have issued our report thereon dated March 10, 2017, 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 the Uniform Guidance 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 10, 2017

**PART IV**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

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## Section I – Summary of Auditor’s Results

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### Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- 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: Unmodified for all major programs except for Public and Indian Housing, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)  Yes  No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$2,868,310 (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, 2016

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## **Section II – Financial Statement Findings**

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No matters were reported.

# Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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## Section III – Federal Award Findings and Questioned Costs

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### Public and Indian Housing CFDA No. 14.850

#### Finding No.: 2016-01 Eligibility – Material Weakness

**Criteria:** 24 CFR section 5.601 and 24 CFR sections 960.253, 960.255 and 960.259 require the Authority 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 Authority’s housing specialists 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 Authority 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:** For 25 participant files, supporting documents used in the determination of eligibility contained errors.

**Context:** During our audit, we selected a non-statistical sample of 60 eligibility determinations, out of a population of approximately 4,400 determinations, for testing and noted exceptions in 25 participant files as follows:

- 1) For 1 out of 60 participant files tested, we noted that the Family Annual/Update Report form and Form 50058 was not completed.
- 2) For 2 out of 60 participant files tested, we noted that the total anticipated income from assets was incorrectly reported on the Form 50058, resulting in the incorrect rent being charged.
- 3) For 2 out of 60 participant files tested, we noted that a Family Annual/Update Report form, used to facilitate the annual re-examination, was not maintained in the tenant file.
- 4) For 11 out of 60 participant files tested, we noted that the annual re-examination was not completed in a timely manner.
- 5) For 2 out of 60 participant files tested, we noted no verification of social security numbers, citizenship declaration form or birth certificates.
- 6) For 5 out of 60 participant files tested, we noted that household member’s names or date of birth reported on the Form 50058 did not agree to the supporting documents.

## Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2016

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

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

#### Finding No.: 2016-01 Eligibility – Material Weakness (continued)

- 7) For 4 out of 60 participant files tested, we noted that the rent per the Form 50058 did not agree to the amount charged per the respective rent runs.
- 8) For 1 out of 60 participant files tested, we noted that income for a household member was incorrectly included in the total tenant payment calculation.
- 9) For 4 out of 60 participant 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 and/or tenant.

*Cause:* Although the Authority has policies and procedures in place to ensure the proper eligibility documents are maintained, there was a lack of diligence in complying with the policies and procedures.

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

*Questioned costs:* None

*Identification of a repeat finding:* This is a repeat finding from the immediate previous audit, 2015-02.

*Recommendation:* We recommend that the Authority enforce proper implementation of its eligibility policy and procedures.

**PART V**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

## **Hawaii Public Housing Authority**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

### **Section 8 Housing Choice Vouchers CFDA No. 14.871**

#### **Finding No.: 2015-01 Special Tests and Provisions HQS Enforcement – Significant Deficiency**

*Criteria:* 24 CFR section 982.404(a)(2) requires the Authority to stop housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the Authority and the Authority verifies the correction.

*Condition, cause, and context:* During our testing of participant files, we noted that 3 out of 40 HQS enforcement samples tested where the re-inspection was not performed within the designated timeframe.

*Effect:* Failure to properly monitor HQS enforcement inspections, can lead to non-compliance with program requirements and potential disallowed costs.

*Questioned costs:* None

*Recommendation:* We recommend that the Authority enforce proper implementation of its HQS enforcement policy and procedures.

*Status:* This comment is no longer applicable.

### **Public and Indian Housing CFDA No. 14.850**

#### **Finding No.: 2015-02 Eligibility – Material Weakness**

*Criteria:* 24 CFR section 5.601 and 24 CFR sections 960.253, 960.255 and 960.259 require the Authority 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 Authority's housing specialists 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 Authority 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.

# Hawaii Public Housing Authority

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

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

- 1) For 2 out of 80 tenant files tested, we noted that the tenant files could not be located.
- 2) For 2 out of 80 tenant files tested, we noted that the annual re-examination was not completed within the fiscal year.
- 3) For 19 out of 80 tenant files tested, we noted that the annual re-examination was not completed in a timely matter.
- 4) For 5 out of 80 tenant files tested, we noted no verification of social security numbers, declaration form or birth certificates.
- 5) For 8 out of 80 tenant files tested, we noted no indication that a criminal background check was performed for adult household family members.
- 6) For 10 out of 80 tenant files tested, we noted that the rent per the Form 50058 did not agree to the amount charged per the respective rent runs.
- 7) For 4 out of 80 tenant files tested, we noted that income after exclusions was miscalculated, incorrectly input into the Form 50058 or not properly verified.
- 8) For 4 out of 80 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 and/or tenant.

During our testing, we also noted that the tenant files selected had corrections and/or adjustments made to the file subsequent to the annual re-examination. For 7 out of the 80 tenant files selected, we noted that the corrections and/or adjustments changed the total tenant payment and retroactive adjustments were made.

**Effect:** Noncompliance. 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 Authority enforce proper implementation of its eligibility policy and procedures.

**Status:** This comment is still applicable. See finding 2016-01.

**PART VI**  
**CORRECTIVE ACTION PLAN**



**STATE OF HAWAII**  
HAWAII PUBLIC HOUSING AUTHORITY  
1002 NORTH SCHOOL STREET  
POST OFFICE BOX 17907  
HONOLULU, HAWAII 96817

IN REPLY PLEASE REFER TO:  
17:OED/14

**Corrective Action Plan  
For the year ended June 30, 2016**

**Finding 2016-01 Public and Indian Housing CFDA 14.850 Eligibility – Material Weakness**

**Criteria:** 24 CFR section 5.601 and 24 CFR sections 960.253, 960.255 and 960.259 require the Authority 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 Authority's housing specialists 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 Authority 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:** For 25 participant files, supporting documents used in the determination of eligibility contained errors.

**Context:** During our audit, we selected a non-statistical sample of 60 eligibility determinations, out of a population of approximately 4,400 determination, for testing and noted exceptions in 25 participant files as follows:

- 1) For 1 out of 60 participant files tested, we noted that the Family Annual/Update Report form and Form 50058 was not completed.
- 2) For 2 out of 60 participant files tested, we noted that the total anticipated income from assets was incorrectly reported on the Form 50058, resulting in the incorrect rent being charged.
- 3) For 2 out of 60 participant files tested, we noted that a Family Annual/Update Report form, used to facilitate the annual re-examination, was not maintained in the tenant file.
- 4) For 11 out of 60 participant files tested, we noted that the annual re-examination was not completed in a timely manner.
- 5) For 2 out of 60 participant files tested, we noted no verification of social security numbers, citizenship declaration form or birth certificates.
- 6) For 5 out of 60 participant files tested, we noted that household member's names or date of birth reported on the Form 50058 did not agree to the supporting documents.
- 7) For 4 out of 60 participant files tested, we noted that the rent per the Form 50058 did not agree to the amount charged per the respective rent runs.

8) For 1 out of 60 participant files tested, we noted that income for a household member was incorrectly included in the total tenant payment calculation.

9) For 4 out of 60 participant 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 and/or tenant.

**Cause:** Although the Authority has policies and procedures in place to ensure the proper eligibility documents are maintained, there was a lack of diligence in complying with the policies and procedures.

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

**Questioned costs:** None

**Identification of a repeat finding:** This is a repeat finding from the immediate previous audit, 2015-02.

**Recommendation:** We recommend that the Authority enforce proper implementation of its eligibility policy and procedures.

**Corrective Actions Taken or Planned:**

The HPHA's Compliance Office will reevaluate the monthly monitoring form used during the 10% quality review of all annual recertification and placement tenant files. HPHA will increase the monitoring review to 20% of all tenant files. To eliminate further errors and missing documentations, PMMSB will conduct quarterly monitoring on the use of the Uniformity of Tenant File Checklist.

PMMSB has continued to provide guidance; training and adoption of rules from HUD published PIH Notices that has helped streamline the eligibility process. HPHA notes, however, that employee retirements/resignations combined with the tight job market has made it difficult to recruit qualified staff for key positions. These position vacancies also often create delays and difficulties in completing recertifications timely.

The HPHA will continue to have one-on-one discussions with the specialist staff on the Supervisor's Discussion Notes (SDN) in accordance with the State's performance appraisal system to improve performance. For the contracted properties, the monthly review is being used to enforce the contract provisions relating to performance.

The HPHA will continue to provide and support training opportunities for staff who require refresher training, and to keep abreast of changes in the federal rules.

**Contact Person:** Helen Enobakhare, Public Housing, 808-832-4696

**Target Completion Date:** Monitoring and quality control reviews will occur on a regular ongoing basis.