

# **Hawaii Public Housing Authority**

Financial Statements

June 30, 2019

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR  
STATE OF HAWAII**



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A Hawaii Limited Liability Partnership

March 10, 2020

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, 2019. 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, 2019, 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, 2019.

## **ORGANIZATION OF THE REPORT**

This report is presented in four 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, 2019, 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.

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, 2019 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, 2019, 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, 2019, 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 on pages 9 through 22, the Budgetary Comparison schedules, Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the Authority's Pension Contributions, Schedule of the Authority's Proportionate Share of the Changes in Net Other Post Employment Benefits (OPEB) Liability and Related Ratios and Schedule of the Authority's OPEB Contributions on pages 83 to 91 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 93 and 94, 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 95 through 96 and 97 through 103, respectively, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2020 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, 2020

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

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, 2019. 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, 2019, readers should review this in conjunction with the financial statements that follow.

## INTRODUCTION

The HPHA is a full service agency 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, 2018 to June 30, 2019, 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 family units and elderly housing 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, 2019

- 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 of the HPHA exceeded its liabilities by \$487.16 million. Of this amount, \$371.08 million was invested in capital assets. (As detailed on *Government-Wide Statement of Net Position*, pages 23 and 24)
- The HPHA's government wide net position increased by \$7.88 million. The increase is a result of the following offsetting activities in governmental activities and business-type activities:
  - a. Governmental activities - decrease in net position of \$10.86 million is affected by State allotted appropriations of \$31.61 million (net of lapsed funds of \$0.76 million), capital expenditure/outlay of \$30.48 million and transfers-out of \$9.49 million (as detailed on *Government-Wide Statement of Activities*, page 25).
  - b. Business-type activities - increase in net position of \$18.73 million (as detailed on *Government-Wide Statement of Activities*, page 25) is due to capital contributions of \$30.10 million and net transfers-in of \$9.49 million from Governmental activities, offset by a loss before transfers of \$20.86 million.

The capital contribution is related to the Capital Project and General funds current year capital outlay (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 28) expended for the benefit of business-type activities.

The \$9.49 million of net operating transfers-in is distributed as: \$2.68 million for State rental housing programs to cover operating shortfalls, \$3.04 million for federal low rent program's security services and utilities, and \$3.78 million for central office cost center. (as detailed on *Proprietary Funds, Statement of Revenues, Expenses, and Changes in Net Position*, pages 33 and 34).

The loss before transfers of \$20.86 million is primarily due to higher administrative expenses, security services and repair and maintenance costs (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 33 and 34).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

## 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 of 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 fiscal year 2019, or approximately 2,000 transactions per working 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.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

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, Expenditures and Changes in Fund Balances* – are reported using the current financial resources measurement focus 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.
- **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 funds 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 operations. 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 No. 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, 2019

## 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, 2019 and June 30, 2018  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current & other assets	\$ 93,296	\$ 102,626	\$ 97,514	\$ 92,040	\$ 190,810	\$ 194,666
Capital assets	3,920	4,053	367,160	351,317	371,080	355,370
Other assets	-	-	8,717	8,717	8,717	8,717
<b>Total Assets</b>	<b>97,216</b>	<b>106,679</b>	<b>473,391</b>	<b>452,074</b>	<b>570,607</b>	<b>558,753</b>
Deferred Outflows of Resources	759	763	10,786	10,959	11,545	11,722
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 97,975</b>	<b>\$ 107,442</b>	<b>\$ 484,177</b>	<b>\$ 463,033</b>	<b>\$ 582,152</b>	<b>\$ 570,475</b>
<b>Liabilities</b>						
Current & other liabilities	\$ 7,632	\$ 6,300	\$ 5,750	\$ 5,270	\$ 13,382	\$ 11,570
Long-term liabilities	5,581	5,591	74,249	73,115	79,830	78,706
<b>Total Liabilities</b>	<b>13,213</b>	<b>11,891</b>	<b>79,999</b>	<b>78,385</b>	<b>93,212</b>	<b>90,276</b>
Deferred Inflows of Resources	66	(1)	1,720	924	1,786	923
<b>Net Position</b>						
Investment in capital assets, net of related debt	3,920	4,053	367,160	351,317	371,080	355,370
Restricted	3,231	3,729	-	-	3,231	3,729
Unrestricted	77,545	87,770	35,298	32,407	112,843	120,177
<b>Total Net Position</b>	<b>84,696</b>	<b>95,552</b>	<b>402,458</b>	<b>383,724</b>	<b>487,154</b>	<b>479,276</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 97,975</b>	<b>\$ 107,442</b>	<b>\$ 484,177</b>	<b>\$ 463,033</b>	<b>\$ 582,152</b>	<b>\$ 570,475</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

## 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 \$487.16 million, \$371.08 million of net assets was invested in capital assets, net of related debt. As discussed in the financial highlights, net position increased by \$7.88 million during the fiscal period (as detailed on *Government-Wide Statement of Net Position and Statement of Activities*, pages 23 to 25).

Of the HPHA's total assets and deferred outflows of resources, \$371.08 million (or 63.7%) represents capital assets. Cash and Due from the State of Hawaii (as presented in the detailed *Government-Wide Statement of Net Position*, page 23) in the amount of \$188.01 million comprises 32.3% of total assets and deferred outflows of resources, of which \$86.67 million is Due from the State of Hawaii, representing 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 assets and deferred outflows of resources represented by capital assets.

Accounts payable and accrued current expenses of \$12.00 million comprise 89.7% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position*, page 24). Long term liabilities increased by \$1.13 million from the previous year. Total long-term liabilities and deferred inflows of resources mounts to \$81.62 million, or 85.9% of total liabilities and deferred inflows of resources, as compared to \$79.63 million and 87.3% in prior year.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

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, 2019 and June 30, 2018  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 24,814	\$ 23,781	\$ 24,814	\$ 23,781
Operating grants & contributions	71,220	66,961	24,833	23,821	96,053	90,782
Capital grants & contributions	-	-	6,799	11,902	6,799	11,902
Other income	664	765	559	329	1,223	1,094
General Revenues:						
State allotted appropriations, net of lapsed funds	31,611	24,243	-	-	31,611	24,243
Total Revenues	103,495	91,969	57,005	59,833	160,500	151,802
Expenses						
Governmental Activities						
Rental housing assistance program	74,381	71,193	-	-	74,381	71,193
Business-Type Activities						
Rental assistance program	-	-	61,135	61,293	61,135	61,293
Housing development program	-	-	10,342	9,781	10,342	9,781
Other expenses	-	-	6,389	3,511	6,389	3,511
Total government-wide expenses	74,381	71,193	77,866	74,585	152,247	145,778
Excess (deficiency) of revenues over (under) expenses	29,114	20,776	(20,861)	(14,752)	8,253	6,024
Capital contributions	(30,477)	(23,140)	30,102	23,140	(375)	-
Transfers	(9,493)	(7,972)	9,493	7,972	-	-
CHANGES IN NET POSITION	(10,856)	(10,336)	18,734	16,360	7,878	6,024
Net position, beginning of year	95,552	105,888	383,724	367,364	479,276	473,252
Net position, end of year	\$ 84,696	\$ 95,552	\$ 402,458	\$ 383,724	\$ 487,154	\$ 479,276



# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

## Statement of Activities

Government-wide operating grants and contributions increased by \$5.27 million in the current year from \$90.78 million to \$96.05 million. HUD capital grants decreased by \$5.10 million in the current year from \$11.90 million to \$6.80 million. HUD operating subsidies for federal public housing program increased by \$1.01 million or 4.2%, from \$23.82 million in the prior year to \$24.83 million. Business-type activities operating loss increased by \$6.11 million for the year to \$20.86 million, from prior year's \$14.75 million (as detailed in the *Government – Wide Statement of Activities*, Page 25).

Governmental activities net position decreased by \$10.86 million from previous year's \$95.55 million to current year's \$84.70 million. This decrease is primarily due to State allotted appropriations of \$31.61 million (net of lapsed capital funds of \$0.76 million), and net transfers out of \$9.49 million (as detailed in *Government-Wide Statement of Activities*, Page 25).

## FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

### Governmental Funds

The focus of the HPHA's governmental funds 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 28).

- At the end of the fiscal year, combined fund balances amounted to \$85.66 million, a decrease of \$10.66 million, in comparison with the previous year's combined fund balance of \$96.33 million. Of the \$85.66 million fund balance, \$78.09 million was reserved for capital projects, (as detailed in *Governmental Funds, Balance Sheet*, page 26 and *Statement of Revenues, Expenditures and Changes in Fund Balances*, page 28).
- Under the General Fund, excess of revenues over expenditures at the end of the fiscal year was \$4.72 million. During the year, the General Fund expended \$1.35 million on capital projects, and \$5.86 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 28).
- The Capital Project Fund balance decreased by \$9.32 million, to \$78.09 million from previous year's \$87.41 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 28). The HPHA received allotted appropriations of \$23.44 million net of lapsed fund of \$0.56 million. Capital outlay was \$29.12 million, and net transfer out was \$3.64 million.

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2019

- The Housing Choice Voucher Program fund balance decreased by \$0.50 million, to \$3.23 million. This is mainly because of \$0.50 million of excess expenditures over revenues.
- The Section 8 Contract Administration fund balance increased by \$0.29 million to \$2.90 million. Revenues exceeded expenditures by \$0.29 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 the 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 \$20.89 million. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34) compared with previous year's loss of \$14.75 million. The \$6.14 million more loss is due to a combination of variances in revenues and expenses, including \$5.10 million less HUD capital fund grants, \$0.06 million more administrative expenses and \$1.37 more personnel expenses, offset by \$0.47 million more rental income and \$0.12 less repair and maintenance expenses.
- The COCC's loss before transfers increased to \$5.16 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34), in comparison to previous year's loss of \$2.98 million. The increase in loss is mainly because of \$2.14 million less in fee-for-service revenue. Net position decreased by \$1.38 million, to \$0.82 million from prior years' \$2.20 million.
- Under the Federal Low Rent Program, loss before transfers increased by \$3.11 million to \$9.56 million, compared to previous year's net loss of \$6.45 million. The increase in losses is due to a combination of variances in revenues and expenses, including \$5.10 million less HUD capital grants and \$0.63 more personnel expenses, offset by \$1.01 million more federal operating subsidies, \$0.83 more rental income and \$1.70 million less administrative expenses. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 33 and 34).
- The State family housing program's loss before transfers amounted to \$2.35 million from previous year's \$2.34 million. This was mainly because rental income received was not sufficient to support operational expenditures. The program's net position decreased by \$1.39 million to \$23.16 million, mainly due to \$1.79 million less capital contributions, offset by \$0.21 million more operating transfers in. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

- 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 \$2.72 million in comparison to previous year’s \$2.66 million. The program’s net position increased by \$0.36 million to \$36.33 million due to \$1.18 million more capital contributions and \$0.49 million more operating transfers-in (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34).
- Other Enterprise Funds loss before transfers amounted to \$1.09 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions*, page 34) compared with prior year loss of \$0.33 million.
- Ke Kumu at Waikoloa Project and the 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, 2019 is \$371.08 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*, pages 54 and 55.)

HPHA Capital Assets  
Years Ended June 30, 2019 and June 30, 2018  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,325	15,325	674,117	649,813	689,442	665,138
Equipment	1,332	1,332	10,396	10,304	11,728	11,636
Construction in progress	-	-	89,379	77,647	89,379	77,647
Total	19,030	19,030	796,858	760,730	815,888	779,760
Accumulated depreciation	(15,110)	(14,978)	(429,698)	(409,412)	(444,808)	(424,390)
Total Capital Assets, net	\$ 3,920	\$ 4,052	\$ 367,160	\$ 351,318	\$ 371,080	\$ 355,370

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2019

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

## Major project outstanding balances in construction in progress at the end of FY2019

- AMP 30 Salt Lake Apartment, Modernization, Phase I & II, \$0.62 million
- AMP 31 Kalihi Valley Homes, Site, Dwelling and Accessibility Improvements, \$3.0 million
- AMP 31 Hauiki Homes, Upgrade Electrical System, \$0.92 million
- AMP 31 Puahala Homes I, Abatement and Modernization, \$0.22 million
- AMP 31 Puahala Homes I, Site and Building Improvements, \$0.67 million
- AMP 32 Mayor Wright Homes, Modernize Electric Meters, Panels, and Communication Boxes, \$0.35 million
- AMP 33 Kaahumanu Homes, Modernization, \$0.30 million
- AMP 34 Makua Alii, Upgrade Fire Alarm System and Call for Aid System, \$0.21 million
- AMP 34 Paoakalani (E), Upgrade Fire Alarm System and Call for Aid System, \$0.21 million
- AMP 34 Kalakaua Homes, Upgrade Fire Alarm System and Call for Aid System, \$0.21 million
- AMP 35 Punchbowl Homes (E), Trash Chutes, \$0.21 million
- AMP 35 Makamae (E), Trash Chutes, \$0.21 million
- AMP 35 Pumehana (E), Trash Chutes, \$0.21 million
- AMP 35 Pumehana (E), Upgrade Fire Alarm System and Call for Aid System, \$0.84 million
- AMP 35 Punchbowl Homes, Exterior Repairs, Re-roofing, Site & ADA improvements, \$8.14 million
- AMP 37 Lanakila Homes I, Major Utility Systems Upgrade, \$0.29 million
- AMP 37 Lanakila Homes I, Demolition Wooden Duplex Structures, \$2.25 million
- AMP 37 Lanakila Homes I, Construction of 4 Single-Story, Wood-Framed Townhouse, \$0.64 million
- AMP 37 Pahala (E), Design Service for Valve Boxes and Building Improvements, \$0.99 million
- AMP 37 Pahala (E), Site & Building Improvements, \$1.04 million
- AMP 37 Lanakila Homes IV, Demolition Wooden Duplex Structures, \$2.25 million
- AMP 38 Kapaa, Modernization, \$0.58 million
- AMP 38 Eleele Homes, Building, Site and Accessibility Improvement, \$0.46 million
- AMP 38 Renovation & Repairs to Units, \$0.34 million
- AMP 38 Kekaha Ha'aheo, Infrastructure and Site Improvement, \$0.66 million
- AMP 38 Home Nani (E), Infrastructure and Site Improvements, \$0.66 million
- AMP 38 Hale Hoolulu (E), Infrastructure & Site Improvement, \$0.33 million
- AMP 38 Hale Nana Kai O Kea (E), Infrastructure & Site Improvement, \$0.33 million
- AMP 38 Hui O Hanamaulu, Infrastructure & Site Improvement, \$0.33 million
- AMP 38 Hale Hoolulu (E), Infrastructure & Site Improvement, \$0.33 million
- AMP 39 Makani Kai Hale, Site & Dwelling Improvement, \$0.32 million
- AMP 42 Hale Poai & Halia Hale, Upgrade 5 Elevators, \$1.19 million
- AMP 42 Hale Po'ai, Site & Building Improvements, \$0.32 million
- AMP 44 Kau'iokalani, Site and Building Improvement, \$3.80 million
- AMP 44 Nanakuli, Drainage, \$0.33 million

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

- AMP 45 Hookipa Kahaluu, Accessibility & Site Improvement, \$0.42 million
- AMP 49 Wahiawa Terrace, Additional Construction due to Unforeseen Situation, \$2.05 million
- AMP 50 Palolo Valley Homes, Modernization, Phase 1 & 2, \$0.34 million
- AMP 50 Palolo Valley Homes, Modernization & Site Improvement, \$0.88 million
- AMP 50 Palolo Valley Homes, Modernization Phase 4, \$0.80 million

## 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 assets was approximately \$22,000,000 and was included in intergovernmental transfers under governmental activities in the government-wide statement of activities. The HPHA, however, continues to hold title to the State-owned shelter facilities.

## PENDING CASES

Sophia Karsom, et al. v. State of Hawaii, et al. (Civil No. 17-1-0843, First Circuit Court)

Plaintiffs allege that an employee of the HPHA, driving an HPHA maintenance vehicle, struck a four (4) year-old boy who was playing on the sidewalk in front of his home at 1555 Haka Drive, on or about August 26, 2016. The complaint alleges that the boy suffered a fractured pelvis, broken bones and internal injuries.

Following service in October 2017, the State, the HPHA, and the employee answered the Amended Complaint. The State filed a third-party complaint against the minor's grandmother, Cynthia Kaminanga. In January 2019, the court granted the employee's Motion for Summary Judgment. Discovery is ongoing. In October 2019, the depositions of Plaintiffs and Third-Party Complainant Kaminanga were conducted. Depositions of Plaintiff mother and Plaintiff father are ongoing. Trial is scheduled for March 2, 2020.

Steven Rodrigues, as Personal Representative of the Estate of Iris Rodrigues-Kaikana, and in his individual capacity vs. Corbit K. Ahn, Kamehameha IV Housing Project, Hawaii Public Housing Authority, City & County of Honolulu, State of Hawaii, Mixed Martial Arts Academy, LLC, A Domestic Limited Liability Corporation

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes in Kalihi. Her body was discovered in an alley adjacent to the housing complex. 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**

Management Discussion and Analysis  
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A jury in the criminal case against Ahn found him guilty of Murder in the Second Degree and Sexual Assault in the Third Degree. He was sentenced on July 9, 2012 to a mandatory life term in prison. The conviction was upheld on appeal.

The civil case was stayed from October 2012 to June 2015, pending completion of the appeal of Ahn's criminal conviction. The parties then completed a CAAP arbitration hearing where the arbitrator found the State not liable and Defendant Ahn 100% liable. Plaintiffs appealed.

In September 2018, the court granted the State, HPHA, and Kamehameha Homes' Motion for Summary Judgment as to all claims. Plaintiff has not filed a final judgment in this case as Plaintiff intends to re-file a Motion for Default Judgment against Defendant Corbit Ahn. As such, it remains unknown at this time if Plaintiffs intend to appeal the order granting the motion for summary judgment.

### McJerold William, et al. v. Hawaii Public Housing Authority, et al.

This case involves five separate incidents of alleged mistreatment by the security guards at Kalihi Valley Homes. Plaintiffs allege there were two assaults by Kiamalu Security Services ("Kiamalu") security guard(s) and three assaults by Universal Protection Services ("UPS") security guards.

There had been an asset purchase of security companies. Kiamalu was the security guard company for the first two incidents including the William one. Then Universal Protection Service ("UPS") bought Kiamalu, including its contract with the HPHA.

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self insured retention on the insurance it selected. UPS did not accept the HPHA's tender of defense. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the HPHA had not been served with the Complaint, the deputy attorney general attended the mediation, with the understanding that HPHA would not pay for the cost of the mediation, would not be making any offer (as it understood that UPS is obligated under its contract with the HPHA, and the facts), and there would not be any discovery requests aimed at the HPHA before the mediation. Following the mediation, four (4) Plaintiffs dismissed their claims against the HPHA pursuant to these Plaintiffs' respective settlement agreements with UPS and Kiamalu in early 2018. In July 2019, the remaining Plaintiff dismissed his claims against UPS but the filed stipulation to dismiss did not include or reference HPHA. To clarify the court record, HPHA intends to file a stipulation that dismisses all claims against HPHA and the State by the remaining Plaintiff.

### Ke Kumu Ekahi

On July 9, 2014, the property known as Ke Kumu Ekahi in the City of Waikoloa, County of Hawaii, consisting of 48-unit low income rental housing project terminated its ground lease and the property reverted to HPHA. In consideration HPHA released Ke Kumu Limited Partnership from a mortgage loan of \$426,100 and the mortgagee and mortgagor forever discharge each other from any liabilities that may exist.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2019

## Mayor Wright Homes Redevelopment

During 2019, HPHA continued working with Hunt Development Group 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. The Hunt Development Group has fallen behind schedule with the delayed implementation of the NEPA review. Now that the NEPA review is completed, the HPHA is pending execution of a memorandum of agreement with the Governor of the State of Hawaii, the State Historic Preservation Officer, the Hawaii Public Housing Authority and MWH Partners, LLC to move the project forward into design. The HPHA anticipates the execution of a Phase I Development Agreement in the coming fiscal period.

## N. School Street Redevelopment

During 2019, HPHA continued working 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. The Retirement Housing Foundation is currently conducting community outreach meetings, stakeholder discussions, and environmental reviews. The HPHA Board of Directors approved the execution of a Master Development Agreement with Retirement Housing Foundation on October 31, 2019. After the execution of the MDA, the HPHA will be obligated for 50% of the shared predevelopment costs for activities such as planning and environmental review, subject to the availability of funding.

## Kuhio Park Terrace Low Rises and Kuhio Homes

During 2019, HPHA continued working with Michaels Development Company to redevelop additional phases at Kuhio Park Terrace Low Rises and Kuhio Homes. The project anticipates demolition of the remaining structures at the property and new construction of senior and family housing units. The HPHA anticipates executing a revised Master Development Agreement with Michaels Development Company and a Phase II Development Agreement in the coming fiscal period.

## **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, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 5,364,222	\$ 90,937,291	\$ 96,301,513
Restricted cash	289,895	4,749,813	5,039,708
Due from State of Hawaii	86,669,258	-	86,669,258
Receivables:			
Accrued interest	-	311,622	311,622
Tenant receivables, less allowance for doubtful receivables of \$1,653,689	-	461,259	461,259
Other	253,950	22,904	276,854
	<u>253,950</u>	<u>795,785</u>	<u>1,049,735</u>
Internal balances	(64,970)	64,970	-
Due from HUD	783,279	257,411	1,040,690
Inventories	-	692,100	692,100
Prepaid expenses and other assets	-	17,430	17,430
Total current assets	<u>93,295,634</u>	<u>97,514,800</u>	<u>190,810,434</u>
Notes Receivable	-	8,716,630	8,716,630
Capital Assets, less accumulated depreciation	<u>3,919,982</u>	<u>367,160,380</u>	<u>371,080,362</u>
Total assets	97,215,616	473,391,810	570,607,426
Deferred Outflows of Resources	<u>759,442</u>	<u>10,785,952</u>	<u>11,545,394</u>
Total assets and deferred outflows of resources	<u>\$ 97,975,058</u>	<u>\$ 484,177,762</u>	<u>\$ 582,152,820</u>

The accompanying notes are an integral part of this statement.



Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION (continued)

June 30, 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 6,796,352	\$ 1,402,396	\$ 8,198,748
Accrued expenses	835,406	2,967,431	3,802,837
Security deposits	-	1,175,092	1,175,092
Deferred income	-	205,245	205,245
Total current liabilities	<u>7,631,758</u>	<u>5,750,164</u>	<u>13,381,922</u>
Accrued Expenses	216,809	1,444,350	1,661,159
Net Other Post Employment Benefits (OPEB) Liability	2,742,132	37,546,412	40,288,544
Net Pension Liability	<u>2,622,301</u>	<u>35,257,898</u>	<u>37,880,199</u>
Total liabilities	13,213,000	79,998,824	93,211,824
Deferred Inflows of Resources	<u>65,753</u>	<u>1,720,157</u>	<u>1,785,910</u>
Commitments and Contingencies			
Net Position:			
Invested in capital assets, net of related debt	3,919,982	367,160,380	371,080,362
Restricted by legislation and contractual agreements	3,231,182	-	3,231,182
Unrestricted	<u>77,545,141</u>	<u>35,298,401</u>	<u>112,843,542</u>
Total net position	<u>84,696,305</u>	<u>402,458,781</u>	<u>487,155,086</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 97,975,058</u>	<u>\$ 484,177,762</u>	<u>\$ 582,152,820</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	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
<b>Functions/Programs:</b>							
Governmental activity --							
Rental Housing and Assistance Program	\$ 74,381,228	\$ -	\$ 71,220,505	\$ -	\$ (3,160,723)	\$ -	\$ (3,160,723)
Total governmental activities	<u>74,381,228</u>	<u>-</u>	<u>71,220,505</u>	<u>-</u>	<u>(3,160,723)</u>	<u>-</u>	<u>(3,160,723)</u>
Business-type activities:							
Rental assistance program	61,134,922	19,934,291	24,832,784	6,798,509	-	(9,569,338)	(9,569,338)
Rental housing program	10,342,181	4,035,310	-	-	-	(6,306,871)	(6,306,871)
Others	6,388,906	844,528	-	-	-	(5,544,378)	(5,544,378)
Total business-type activities	<u>77,866,009</u>	<u>24,814,129</u>	<u>24,832,784</u>	<u>6,798,509</u>	<u>-</u>	<u>(21,420,587)</u>	<u>(21,420,587)</u>
Total government-wide	<u>\$ 152,247,237</u>	<u>\$ 24,814,129</u>	<u>\$ 96,053,289</u>	<u>\$ 6,798,509</u>	<u>(3,160,723)</u>	<u>(21,420,587)</u>	<u>(24,581,310)</u>
State Allotted Appropriations, net of lapsed funds of \$761,187					31,610,725	-	31,610,725
Other Non-Program Revenue					664,661	559,663	1,224,324
Net Transfers					(39,970,122)	39,595,122	(375,000)
Total general revenues and transfers					<u>(7,694,736)</u>	<u>40,154,785</u>	<u>32,460,049</u>
Change in net position					(10,855,459)	18,734,198	7,878,739
Net Position at July 1, 2018					<u>95,551,764</u>	<u>383,724,583</u>	<u>479,276,347</u>
Net Position at June 30, 2019					<u>\$ 84,696,305</u>	<u>\$ 402,458,781</u>	<u>\$ 487,155,086</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2019

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Current Assets:</b>					
Cash	\$ -	\$ -	\$ 2,556,607	\$ 2,807,615	\$ 5,364,222
Restricted cash	-	-	289,895	-	289,895
Due from State of Hawaii	2,461,726	84,207,532	-	-	86,669,258
Other receivables	-	-	253,950	-	253,950
Due from HUD	-	-	401,800	381,479	783,279
<b>Total current assets</b>	<b>\$ 2,461,726</b>	<b>\$ 84,207,532</b>	<b>\$ 3,502,252</b>	<b>\$ 3,189,094</b>	<b>\$ 93,360,604</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 258,920	\$ 6,113,572	\$ 132,736	\$ 291,124	\$ 6,796,352
Accrued expenses	704,605	-	130,801	-	835,406
Due to other funds	57,437	-	7,533	-	64,970
<b>Total current liabilities</b>	<b>1,020,962</b>	<b>6,113,572</b>	<b>271,070</b>	<b>291,124</b>	<b>7,696,728</b>
<b>Fund Balances:</b>					
Restricted by legislation and contractual agreements	-	-	3,231,182	-	3,231,182
Committed	-	42,571,829	-	-	42,571,829
Assigned	1,440,764	35,522,131	-	2,897,970	39,860,865
<b>Total fund balances</b>	<b>1,440,764</b>	<b>78,093,960</b>	<b>3,231,182</b>	<b>2,897,970</b>	<b>85,663,876</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,461,726</b>	<b>\$ 84,207,532</b>	<b>\$ 3,502,252</b>	<b>\$ 3,189,094</b>	<b>\$ 93,360,604</b>

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, 2019

Total fund balance - governmental funds		\$	85,663,876
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	3,919,982		
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(95,421)		
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(121,388)		
Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds	(2,742,132)		
Pension benefits are not due and payable in the current period and therefore are not reported in the funds	(2,622,301)		
Deferred outflows of resources related to the pension and other post employment benefits liabilities are not financial resources and therefore not reported in the funds	759,442		
Deferred inflows of resources related to the pension and other post employment benefits liabilities are not due and payable in the current period and therefore are not reported in the funds	(65,753)		(967,571)
Net position of governmental activities		\$	<u>84,696,305</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, 2019

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 35,247,155	\$ 35,973,350	\$ 71,220,505
State allotted appropriations, net of lapsed funds of \$761,187	8,168,762	23,441,963	-	-	31,610,725
Other	118	-	664,261	282	664,661
<b>Total revenues</b>	<b>8,168,880</b>	<b>23,441,963</b>	<b>35,911,416</b>	<b>35,973,632</b>	<b>103,495,891</b>
<b>Expenditures:</b>					
Housing assistance payments	1,947,653	-	33,396,488	34,527,286	69,871,427
Administration	32,669	-	1,066,685	1,103,081	2,202,435
Personnel services	75,456	-	1,760,272	-	1,835,728
Professional services	36,285	-	48,577	48,068	132,930
Tenant services	35	-	76,172	-	76,207
Utilities	1,971	-	21,768	-	23,739
Repairs and maintenance	1,243	-	27,507	-	28,750
Security	157	-	1,645	-	1,802
Insurance	809	-	9,808	4,576	15,193
Capital outlays	1,352,416	29,124,981	-	-	30,477,397
<b>Total expenditures</b>	<b>3,448,694</b>	<b>29,124,981</b>	<b>36,408,922</b>	<b>35,683,011</b>	<b>104,665,608</b>
Excess (deficiency) of revenues over (under) expenditures	4,720,186	(5,683,018)	(497,506)	290,621	(1,169,717)
Other Financing Uses - Transfers Out	(5,856,336)	(3,636,389)	-	-	(9,492,725)
<b>Net change in fund balances</b>	<b>(1,136,150)</b>	<b>(9,319,407)</b>	<b>(497,506)</b>	<b>290,621</b>	<b>(10,662,442)</b>
Fund Balances at July 1, 2018	2,576,914	87,413,367	3,728,688	2,607,349	96,326,318
<b>Fund Balances at June 30, 2019</b>	<b>\$ 1,440,764</b>	<b>\$ 78,093,960</b>	<b>\$ 3,231,182</b>	<b>\$ 2,897,970</b>	<b>\$ 85,663,876</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, 2019

Net change in fund balances - total governmental funds		\$ (10,662,442)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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 \$133,000.</p>		
Expenditures for capital assets	30,102,397	
Less current year depreciation expense	<u>(132,864)</u>	29,969,533
Transfer of capital assets between governmental activities and business-type activities		(30,102,397)
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		(15,299)
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		111,339
Funds report expenditures for other post employment benefit (OPEB) contributions. The government-wide statements report changes in deferred outflows, deferred inflows and net OPEB liability as OPEB expense.		7,032
Funds report expenditures for pension contributions. The government-wide statements report changes in deferred outflows, deferred inflows and net position liability as pension expense		<u>(163,225)</u>
Change in net position of governmental activities		<u>\$ (10,855,459)</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION

June 30, 2019

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	\$ 53,036,740	\$ 1,345,990	\$ 4,654,463	\$ 17,944,563	\$ 12,594,152	\$ 89,575,908	\$ 1,361,383
Restricted cash	1,763,675	43,163	166,656	2,740,599	35,720	4,749,813	-
	<u>54,800,415</u>	<u>1,389,153</u>	<u>4,821,119</u>	<u>20,685,162</u>	<u>12,629,872</u>	<u>94,325,721</u>	<u>1,361,383</u>
<b>Receivables:</b>							
Accrued interest	-	27,572	94,609	162,827	-	285,008	26,614
Tenant receivables, less allowance for doubtful accounts of \$1,653,689	355,466	86,740	-	-	19,053	461,259	-
Other	-	11,590	-	1,868	9,446	22,904	-
	<u>355,466</u>	<u>125,902</u>	<u>94,609</u>	<u>164,695</u>	<u>28,499</u>	<u>769,171</u>	<u>26,614</u>
Due from other funds	88,157	178,250	130,667	13,199,772	148,814	13,745,660	-
Due from HUD	257,411	-	-	-	-	257,411	-
Inventories	551,047	65,976	61,190	13,887	-	692,100	-
Prepaid expenses and other assets	-	-	-	17,430	-	17,430	-
<b>Total current assets</b>	<u>56,052,496</u>	<u>1,759,281</u>	<u>5,107,585</u>	<u>34,080,946</u>	<u>12,807,185</u>	<u>109,807,493</u>	<u>1,387,997</u>
Notes Receivable	8,716,630	-	-	-	-	8,716,630	-
Due from Other Funds	-	-	-	18,034,640	-	18,034,640	-
Capital Assets, less accumulated depreciation	301,378,438	24,166,341	31,692,183	246,242	9,644,264	367,127,468	32,912
<b>Total assets</b>	<u>366,147,564</u>	<u>25,925,622</u>	<u>36,799,768</u>	<u>52,361,828</u>	<u>22,451,449</u>	<u>503,686,231</u>	<u>1,420,909</u>
<b>Deferred Outflows of Resources</b>	<u>4,735,041</u>	<u>375,205</u>	<u>-</u>	<u>5,675,706</u>	<u>-</u>	<u>10,785,952</u>	<u>-</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 370,882,605</u>	<u>\$ 26,300,827</u>	<u>\$ 36,799,768</u>	<u>\$ 58,037,534</u>	<u>\$ 22,451,449</u>	<u>\$ 514,472,183</u>	<u>\$ 1,420,909</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (continued)

June 30, 2019

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
<b>Current Liabilities:</b>							
Accounts payable	\$ 957,770	\$ 11,066	\$ 105,355	\$ 78,104	\$ 250,101	\$ 1,402,396	\$ -
Accrued expenses	1,624,351	138,739	149,065	918,253	137,023	2,967,431	-
Due to other funds	1,584,356	47,009	44,368	88,157	11,916,800	13,680,690	-
Security deposits	918,444	43,163	166,656	-	46,829	1,175,092	-
Deferred income	199,817	2,172	2,917	-	339	205,245	-
<b>Total current liabilities</b>	<b>5,284,738</b>	<b>242,149</b>	<b>468,361</b>	<b>1,084,514</b>	<b>12,351,092</b>	<b>19,430,854</b>	<b>-</b>
Accrued Expenses	655,705	49,554	-	739,091	-	1,444,350	-
Due to Other Funds	16,678,845	1,355,795	-	-	-	18,034,640	-
Net OPEB Liability	-	-	-	37,546,412	-	37,546,412	-
Net Pension Liability	16,867,044	1,433,448	-	16,957,406	-	35,257,898	-
<b>Total liabilities</b>	<b>39,486,332</b>	<b>3,080,946</b>	<b>468,361</b>	<b>56,327,423</b>	<b>12,351,092</b>	<b>111,714,154</b>	<b>-</b>
Deferred Inflows of Resources	770,740	56,169	-	893,248	-	1,720,157	-
Commitments and Contingencies							
<b>Net Position:</b>							
Invested in capital assets, net of related debt	301,378,438	24,166,341	31,692,183	246,242	9,644,264	367,127,468	32,912
Unrestricted	29,247,095	(1,002,629)	4,639,224	570,621	456,093	33,910,404	1,387,997
<b>Total net position</b>	<b>330,625,533</b>	<b>23,163,712</b>	<b>36,331,407</b>	<b>816,863</b>	<b>10,100,357</b>	<b>401,037,872</b>	<b>1,420,909</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 370,882,605</b>	<b>\$ 26,300,827</b>	<b>\$ 36,799,768</b>	<b>\$ 58,037,534</b>	<b>\$ 22,451,449</b>	<b>\$ 514,472,183</b>	<b>\$ 1,420,909</b>

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, 2019

Total net position of enterprise funds	\$ 401,037,872
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>1,420,909</u>
Net position of business-type activities	<u><u>\$ 402,458,781</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, 2019

	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
<b>Operating Revenues:</b>								
Rental	\$ 19,500,372	\$ 1,217,149	\$ 2,084,980	\$ -	\$ 608,991	\$ -	\$ 23,411,492	\$ -
Fee-for-service	-	-	-	7,747,526	-	(7,747,526)	-	-
Other	433,919	3,391	78,562	787,235	42,237	-	1,345,344	57,293
<b>Total operating revenues</b>	<b>19,934,291</b>	<b>1,220,540</b>	<b>2,163,542</b>	<b>8,534,761</b>	<b>651,228</b>	<b>(7,747,526)</b>	<b>24,756,836</b>	<b>57,293</b>
<b>Operating Expenses:</b>								
Personnel services	11,801,667	881,252	-	12,373,556	-	-	25,056,475	-
Depreciation	16,860,260	1,140,295	1,592,615	76,883	560,316	-	20,230,369	55,260
Administration	7,346,808	301,989	780,177	484,955	368,488	(6,036,815)	3,245,602	-
Provision for losses (recoveries)	214,061	(56,986)	228	-	-	-	157,303	-
Professional services	221,540	53,898	66,891	623,265	12,028	-	977,622	1,224
Tenant services	40,087	404	100	28,062	-	-	68,653	-
Security	3,131,050	-	529	11,135	170,381	-	3,313,095	-
Insurance	486,073	27,696	81,372	12,148	15,823	-	623,112	940
Repairs and maintenance	10,100,562	546,100	1,152,728	288,530	327,893	(1,710,711)	10,705,102	-
Utilities	10,726,179	704,795	1,318,817	180,474	294,352	-	13,224,617	-
Payments in lieu of taxes	206,635	-	-	-	-	-	206,635	-
<b>Total operating expenses</b>	<b>61,134,922</b>	<b>3,599,443</b>	<b>4,993,457</b>	<b>14,079,008</b>	<b>1,749,281</b>	<b>(7,747,526)</b>	<b>77,808,585</b>	<b>57,424</b>
<b>Operating loss carried forward</b>	<b>(41,200,631)</b>	<b>(2,378,903)</b>	<b>(2,829,915)</b>	<b>(5,544,247)</b>	<b>(1,098,053)</b>	<b>-</b>	<b>(53,051,749)</b>	<b>(131)</b>

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, 2019

	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	(41,200,631)	(2,378,903)	(2,829,915)	(5,544,247)	(1,098,053)	-	(53,051,749)	(131)
Nonoperating Revenues:								
HUD operating subsidies	24,832,784	-	-	-	-	-	24,832,784	-
HUD capital fund subsidies	6,798,509	-	-	-	-	-	6,798,509	-
Other revenues	6,085	30,363	107,041	386,897	-	-	530,386	29,277
Net nonoperating revenues	31,637,378	30,363	107,041	386,897	-	-	32,161,679	29,277
(Loss) income before transfers	(9,563,253)	(2,348,540)	(2,722,874)	(5,157,350)	(1,098,053)	-	(20,890,070)	29,146
Capital Contributions	28,740,175	9,654	1,352,568	-	-	-	30,102,397	-
Net Transfers	3,037,054	952,828	1,727,326	3,775,517	-	-	9,492,725	-
Change in net position	22,213,976	(1,386,058)	357,020	(1,381,833)	(1,098,053)	-	18,705,052	29,146
Net Position at July 1, 2018	308,411,557	24,549,770	35,974,387	2,198,696	11,198,410	-	382,332,820	1,391,763
Net Position at June 30, 2019	<u>\$ 330,625,533</u>	<u>\$ 23,163,712</u>	<u>\$ 36,331,407</u>	<u>\$ 816,863</u>	<u>\$ 10,100,357</u>	<u>\$ -</u>	<u>\$ 401,037,872</u>	<u>\$ 1,420,909</u>

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, 2019

Change in net position - total enterprise funds	\$ 18,705,052
Change in net position - internal service funds	<u>29,146</u>
Change in net position of business-type activities	<u>\$ 18,734,198</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, 2019

	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	\$ 19,302,624	\$ 1,200,582	\$ 2,080,995	\$ -	\$ 607,551	\$ 23,191,752	\$ -
Cash payments to employees	(11,801,667)	(881,662)	-	(12,016,446)	-	(24,699,775)	-
Cash payments to suppliers	(31,679,989)	(1,608,076)	(3,164,474)	(1,641,363)	(902,001)	(38,995,903)	-
Cash receipts from (payments to) other funds	4,244,461	982,953	1,857,001	10,674,847	(1,023,347)	16,735,915	118,037
Other cash receipts (payments)	1,144,578	276,382	78,562	1,600,446	(59,087)	3,040,881	(2,164)
Net cash (used in) provided by operating activities	(18,789,993)	(29,821)	852,084	(1,382,516)	(1,376,884)	(20,727,130)	115,873
<b>Cash Flows from Noncapital Financing Activity --</b>							
HUD operating subsidy received	24,832,784	-	-	108,892	-	24,941,676	-
Net cash provided by noncapital financing activities	24,832,784	-	-	108,892	-	24,941,676	-
<b>Cash Flows from Capital and Related Financing Activities:</b>							
HUD capital subsidy received	6,660,731	-	-	-	-	6,660,731	-
Payments for acquisition of property and equipment	(6,243,533)	-	-	-	-	(6,243,533)	-
Other	6,085	-	-	-	-	6,085	-
Net cash provided by capital and related financing activities	423,283	-	-	-	-	423,283	-
Subtotal carried forward	6,466,074	(29,821)	852,084	(1,273,624)	(1,376,884)	4,637,829	115,873

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, 2019

	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	\$ 6,466,074	\$ (29,821)	\$ 852,084	\$ (1,273,624)	\$ (1,376,884)	\$ 4,637,829	\$ 115,873
Cash Flows from Investing Activity --							
Receipts of Interest	-	14,254	35,304	167,930	-	217,488	10,259
Net cash provided by investing activities	-	14,254	35,304	167,930	-	217,488	10,259
Net increase (decrease) in cash	6,466,074	(15,567)	887,388	(1,105,694)	(1,376,884)	4,855,317	126,132
Cash at July 1, 2018	48,334,341	1,404,720	3,933,731	21,790,856	14,006,756	89,470,404	1,235,251
Cash at June 30, 2019	<u>\$ 54,800,415</u>	<u>\$ 1,389,153</u>	<u>\$ 4,821,119</u>	<u>\$ 20,685,162</u>	<u>\$ 12,629,872</u>	<u>\$ 94,325,721</u>	<u>\$ 1,361,383</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, 2019

	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	\$ (41,200,631)	\$ (2,378,903)	\$ (2,829,915)	\$ (5,544,247)	\$ (1,098,053)	\$ (53,051,749)	\$ (131)
Adjustments to reconcile operating loss							
to net cash (used in) provided by operating activities:							
Depreciation	16,860,260	1,140,295	1,592,615	76,883	560,316	20,230,369	55,260
Provision for (recovery of) losses	214,061	(56,986)	228	-	-	157,303	-
Loss on capital asset write off	-	217,312	-	-	-	217,312	-
Changes in assets and liabilities:							
Tenant receivables	(271,714)	(10,635)	202	-	(907)	(283,054)	-
Other receivables	-	(1,783)	793	(84)	4,786	3,712	-
Due from other funds	3,717,594	1,168,177	1,994,411	2,899,908	(148,476)	9,631,614	60,744
Inventories	(96,885)	(31,570)	2,329	7,538	-	(118,588)	-
Prepaid expenses and other assets	-	-	-	(4,443)	33	(4,410)	-
Deferred outflows of resources related to pension and OPEB	114,097	11,851	-	46,809	-	172,757	-
Accounts payable	305,927	(9,914)	83,953	(93,533)	93,044	379,477	-
Accrued expenses	255,806	56,029	149,065	32,617	109,234	602,751	-
Due to other funds	526,867	(185,224)	(137,410)	27,413	(324,926)	(93,280)	-
Due to State of Hawaii	-	-	-	-	(571,402)	(571,402)	-
Security deposits	75,726	2,487	756	-	760	79,729	-
Deferred income	(1,760)	(8,419)	(4,943)	(9,523)	(1,293)	(25,938)	-
Net OPEB liability	-	-	-	355,328	-	355,328	-
Net pension liability	374,910	30,287	-	390,036	-	795,233	-
Deferred inflows of resources related to pension and OPEB	335,749	27,175	-	432,782	-	795,706	-
Net cash (used in) provided by operating activities	<u>\$ (18,789,993)</u>	<u>\$ (29,821)</u>	<u>\$ 852,084</u>	<u>\$ (1,382,516)</u>	<u>\$ (1,376,884)</u>	<u>\$ (20,727,130)</u>	<u>\$ 115,873</u>

The accompanying notes are an integral part of this statement.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 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, 2019, 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, 2019

## 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, 2019

## 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, net other post employment benefits (OPEB) liability, 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, net other post employment benefits liability, net pension liability and deferred inflows and outflows of resources at June 30, 2019 has been reported in the government-wide financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2019

## 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, 2019

## 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 Housing Choice Voucher Program and Section 8 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 and Family Self-Sufficiency 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, 2019

## 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, 2019

## 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, 2019

## 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
Equipement	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, 2019

## 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. The balances as of June 30, 2019 are as follows:

	Governmental Funds	Business-Type Funds	Total
Deferred pension related costs	\$ 455,409	\$ 7,053,872	\$ 7,509,281
Deferred OPEB related costs	304,033	3,732,080	4,036,113
	<u>\$ 759,442</u>	<u>\$ 10,785,952</u>	<u>\$ 11,545,394</u>

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. The balances as of June 30, 2019 are as follows:

	Governmental Funds	Business-Type Funds	Total
Deferred pension related costs	\$ (7,149)	\$ (998,778)	\$ (1,005,927)
Deferred OPEB related costs	(58,604)	(721,379)	(779,983)
	<u>\$ (65,753)</u>	<u>\$ (1,720,157)</u>	<u>\$ (1,785,910)</u>

### 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, 2019

## 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 \$714,000.

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

Balance at July 1, 2018	Additions	Reductions	Balance at June 30, 2019
<u>\$ 2,281,000</u>	<u>\$ 1,171,000</u>	<u>\$ 1,172,000</u>	<u>\$ 2,280,000</u>

As of June 30, 2019, approximately \$177,000 and \$2,103,000 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

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

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

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

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

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

### 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. Other Post Employment Benefits (OPEB)

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

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

### p. 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.

### q. 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.

## 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.

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2019

## 2. Budgeting and Budgetary Control (continued)

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.

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, 2019 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

### 3. Cash (continued)

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

At June 30, 2019, total cash, including restricted cash and deposits, reported in the statement of net position is \$101,341,221 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 19,070,003	\$ 19,070,003
Cash in bank (book balance)	<u>5,654,117</u>	<u>76,617,101</u>	<u>82,271,218</u>
	<u>\$ 5,654,117</u>	<u>\$ 95,687,104</u>	<u>\$ 101,341,221</u>

Bank balance of cash in bank was approximately \$84,018,000 of which \$750,000 was covered by federal depository insurance and \$83,268,000 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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2019

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

Agreement by a note. The note, which is secured by a leasehold mortgage and security agreement, matures in May 2051 and accrues interest at the greater of 4.19 percent per annum or the long term annually compounding applicable federal rate. The note is payable from cash flows from the Property in the amounts and priority set forth in the note, provided that the payments due shall not exceed seventy-five percent (75%) of the borrower's surplus cash, as defined in the note. Additionally, the note is subordinate to the rights of certain financing agreements related to the issuance of revenue bonds for the redevelopment of the Project. Any remaining unpaid principal and accrued interest balance is due and payable on the maturity date of the note.

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 2019, the interest earned on the note receivable amounted to approximately \$2,033,000 and has been recorded in deferred gain. As of June 30, 2019, the net note receivable, inclusive of all principal, accrued interest of approximately \$17,502,000 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	\$ 64,004,159
Deferred gain	<u>(59,187,529)</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, 2019, 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, 2019

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>1,331,660</u>	<u>-</u>	<u>-</u>	<u>1,331,660</u>
Total capital assets being depreciated	<u>16,657,104</u>	<u>-</u>	<u>-</u>	<u>16,657,104</u>
Less accumulated depreciation for:				
Building and improvements	13,733,297	117,768	-	13,851,065
Equipment	<u>1,244,371</u>	<u>15,096</u>	<u>-</u>	<u>1,259,467</u>
Total accumulated depreciation	<u>14,977,668</u>	<u>132,864</u>	<u>-</u>	<u>15,110,532</u>
Governmental activities capital assets, net	<u>\$ 4,052,846</u>	<u>\$ (132,864)</u>	<u>\$ -</u>	<u>\$ 3,919,982</u>
	<u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2019</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	<u>77,647,616</u>	<u>37,333,764</u>	<u>(25,602,385)</u>	<u>89,378,995</u>
Total capital assets not being depreciated	<u>100,613,816</u>	<u>37,333,764</u>	<u>(25,602,385)</u>	<u>112,345,195</u>
Capital assets, being depreciated:				
Building and improvements	649,812,873	24,304,518	-	674,117,391
Equipment	<u>10,303,613</u>	<u>92,719</u>	<u>-</u>	<u>10,396,332</u>
Total capital assets being depreciated	<u>660,116,486</u>	<u>24,397,237</u>	<u>-</u>	<u>684,513,723</u>
Less accumulated depreciation for:				
Building and improvements	401,271,058	20,031,127	-	421,302,185
Equipment	<u>8,141,851</u>	<u>254,502</u>	<u>-</u>	<u>8,396,353</u>
Total accumulated depreciation	<u>409,412,909</u>	<u>20,285,629</u>	<u>-</u>	<u>429,698,538</u>
Business-type activities capital assets, net	<u>\$ 351,317,393</u>	<u>\$ 41,445,372</u>	<u>\$ (25,602,385)</u>	<u>\$ 367,160,380</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 5. Capital Assets (continued)

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

Governmental Activity - -	
Rental Housing and Assistance Program	<u>\$ 132,864</u>
Business-Type Activities:	
Federal Low Rent Program	16,860,260
Housing Revolving Fund	1,140,295
Housing for Elders Revolving Fund	1,592,615
Central Office Cost Center Fund	76,883
Internal Services	55,260
Others	<u>560,316</u>
Total depreciation expense - business type activities	<u>20,285,629</u>
Total depreciation expense	<u><u>\$ 20,418,493</u></u>

At June 30, 2019, 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	562,709,452	37,745,565	58,649,509	42,857	14,970,008	674,117,391	-	674,117,391
Equipment, furniture, and fixtures	5,650,698	995,117	1,036,396	602,399	-	8,284,610	2,111,722	10,396,332
Construction in progress	86,155,537	1,317,500	1,905,958	-	-	89,378,995	-	89,378,995
Less accumulated depreciation	<u>366,230,878</u>	<u>18,144,722</u>	<u>36,004,497</u>	<u>399,014</u>	<u>6,840,617</u>	<u>427,619,728</u>	<u>2,078,810</u>	<u>429,698,538</u>
Net property and equipment	<u><u>\$ 301,378,438</u></u>	<u><u>\$ 24,166,341</u></u>	<u><u>\$ 31,692,183</u></u>	<u><u>\$ 246,242</u></u>	<u><u>\$ 9,644,264</u></u>	<u><u>\$ 367,127,468</u></u>	<u><u>\$ 32,912</u></u>	<u><u>\$ 367,160,380</u></u>



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 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, 2019, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$16,491,000 and \$42,193,000, 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 \$2,741,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2019 is held in an approved escrow account.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 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, 2019, 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, 2019 amounted to approximately \$4,845,000.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 6. Commitments and Contingencies (continued)

### g. Litigation

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

On July 27, 1995, the Office of Hawaiian Affairs (OHA) and its Board of Trustees filed a Complaint for declaratory judgment and injunctive relief against the Hawaii Housing Authority (HHA) (since succeeded by the Authority), as described below, its Executive Director and Board of Commissioners, as well as the Department of Budget and Finance and its Director, to secure additional compensation and itemized account of sums previously paid to OHA for five specifically identified parcels of Ceded Lands. These Ceded Lands parcels had been transferred to the HHA for its use to develop, construct, and manage additional affordable public rental housing units under (now repealed) Hawaii Revised Statutes Chapter 201 G. The Authority, through its prior entity HHA, currently owns certain parcels of Ceded Lands identified in the lawsuit.

On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in OHA, et al. v. State of Hawaii, et al., Civil No. 94-02505-01 (1st Cir.). The September 12, 2001 decision of the Hawai'i Supreme Court (OHA, et al. v. State of Hawaii, 96 Hawaii 399 (2001) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in OHA v. HHA. On November 12, 2018, State Defendants and the Plaintiffs executed and filed with the First Circuit Court a stipulation for dismissal with prejudice of all claims and parties to this case.

The Housing Finance and Development Corporation and the HHA were merged in the Housing and Community Development Corporation of Hawaii, after the above-described suits against them were filed. The corporation subsequently was bifurcated into the Hawaii Housing Finance and Development Corporation and the Authority.

#### 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. Her body was discovered in an alley adjacent to the housing complex. 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, 2019

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

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

A jury in the criminal case against Defendant Ahn found him guilty of Murder in the Second Degree and Sexual Assault in the Third Degree. He was sentenced on July 9, 2012 to a mandatory life term in prison.

The civil case was stayed from October 2012 to June 2015, pending completion of the appeal of Defendant Ahn's criminal conviction. The parties then completed a CAAP arbitration hearing where the arbitrator found the State not liable and Defendant Ahn 100% liable. Plaintiffs appealed.

In September 2018, the court granted the State, the Authority, and Kamehameha Homes' Motion for Summary Judgment as to all claims. The Plaintiff has not filed a final judgment in this case as the Plaintiff intends to re-file a Motion for Default Judgment against Defendant Corbit Ahn. As such, it remains unknown at this time if the Plaintiffs intend to appeal the order granting the motion for summary judgment.

#### 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 by the security guards at Kalihi Valley Homes. Plaintiffs allege there were two assaults by Kiamalu Security Services (Kiamalu) security guards and three assaults by Universal Protection Services (UPS) security guards.

There had been an asset purchase of security companies. Kiamalu was the security guard company for the first two incidents including the William one. Then UPS bought Kiamalu, including its contract with the Authority.

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self-insured retention on the insurance it selected. UPS has not accepted the Authority's tender of defense. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the Authority has not been served with the Complaint, the deputy attorney general attended the mediation, with the understanding that the Authority would not pay for the cost of the mediation and will would not be making any offer (as it understood that UPS is obligated under its contract with the Authority, and the facts), and there would not be any discovery requests aimed at the Authority before mediation. Following the mediation four Plaintiffs

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

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

dismissed their claims against the Authority pursuant to these Plaintiffs' respective settlement agreement with UPS and Kiamalu in early 2018. In July 2019, the remaining Plaintiff dismissed his claims against UPS but the filed stipulation to dismiss did not include or reference the Authority. To clarify the court record, the Authority intends to file a stipulation that dismisses claims against the Authority and the State by the remaining Plaintiff.

Sophia Karsom, et al. v. State of Hawaii, et al. Civil No. 17-1-0843, First Circuit Court

Plaintiffs allege that an employee of the Authority driving an Authority maintenance vehicle struck a four year-old boy who was playing on the sidewalk in front of his home at 1555 Haka Drive, on or about August 26, 2016. The complaint alleges that the boy suffered a fractured pelvis, broken bones and internal injuries.

Following service in October 2017, the State, the Authority, and the employee answered the Amended Complaint. The State filed a third-party complain against the minor's grandmother, Cynthia Kaminaga. In January 2019, the court granted the employee's Motion for Summary Judgment. Discovery is ongoing. In October 2019, the depositions of the Plaintiffs and Third-Party Complainant Kaminaga were conducted. Depositions of the Plaintiff's mother and father are ongoing. Trial is scheduled for March 2, 2020.

## 7. Retirement Plan

### a. Plan Description

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 7. Retirement Plan (continued)

### b. Benefits Provided

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

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

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

#### Noncontributory Class

##### Retirement Benefits

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 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.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Retirement Benefits

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

##### Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. 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 surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump-sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten 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, 2019

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Retirement Benefits

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

##### Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

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 Members Hired Prior to July 1, 2012

##### Retirement Benefits

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with 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, 2019

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Death Benefits

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

Ordinary death benefits are available to employees who were active at time of death with at least 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, 2019

## 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, 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 ten 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.

### c. Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2019 was 19.00% for Authority employees. Contributions to the pension plan from the Authority was approximately \$2,816,000 for the fiscal year ended June 30, 2019.

Per Act 17 (SLH 2017), employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for Authority employees increased to 19.00% on July 1, 2018; and increases to 22.00% on July 1, 2019; and 24.00% on July 1, 2020.

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

The payroll for all of the Authority's employees and employees covered by the plan was approximately \$14,709,000 for 2019.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 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, 2019, the Authority reported a liability of \$37,880,199 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the Authority's proportion was 0.28%, which was consistent with its proportion measured as of June 30, 2017.

There was no change in actuarial assumptions as of June 30, 2017 to June 30, 2018. There were no changes between the measurement date, June 30, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2019, the Authority recognized pension expense of \$5,185,094. At June 30, 2019, 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>
Difference between expected and actual experience	\$ 701,076	\$ (250,507)
Changes in assumptions	3,872,858	-
Net difference between projected and actual earnings on pension plan investments	-	(443,840)
Changes in proportionate and differences between Authority contributions and proportionate share of contributions	118,836	(311,580)
Authority contributions subsequent to the measurement date	<u>2,816,511</u>	<u>-</u>
Total	<u>\$7,509,281</u>	<u>\$ (1,005,927)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 7. Retirement Plan (continued)

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

At June 30, 2019, the \$2,816,511 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, 2020. 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,	
2020	\$ 830,000
2021	830,000
2022	830,000
2023	830,000
2024	366,843
Total	<u>\$ 3,686,843</u>

### e. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on December 12, 2016, based on the 2015 Experience Study for the five-year period from July 1, 2010 through June 30, 2015:

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

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

Post-retirement mortality rates are based on the 2016 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2016 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of RP-2014 mortality table based on the occupation of the member.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

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

<u>Strategic Allocation (risk-based classes)</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Rate of Return</u>
Broad Growth	63%	7.1%
Principal Protection	7	2.5
Real Return	10	4.1
Crisis Risk Offset	<u>20</u>	4.6
	<u>100%</u>	

The discount rate used to measure the net pension liability was 7.00%, consistent with the rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the 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 periods of projected benefit payments to determine the total pension liability.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate.

	1 percent Decrease (6.00%)	Current Discount Rate (7.00%)	1 percent Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 53,445,760	\$ 37,880,199	\$ 30,901,375

### 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.

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>.

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits

### a. Plan Descriptions

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

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 a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than 10 years of service, the 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 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.

### b. Employees Covered by Benefit Terms

At July 1, 2018, the following number of plan members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	36,340
Inactive plan members entitled to but not yet receiving benefits	7,588
Active plan members	<u>50,519</u>
Total plan members	<u><u>94,447</u></u>



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### c. State Policy

The actuarial valuation of the EUTF does not provide OPEB information by department or agency. Accordingly, the State's policy on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, deferred inflows and outflows, and OPEB expense, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's Comprehensive Annual Financial Report. The basis for the allocation is the proportionate share of contributions made by each component unit or proprietary fund for retiree health benefits.

### d. Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority was approximately \$3,598,000 for the fiscal year ended June 30, 2019. The employer is required to make all contributions for members.

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

At June 30, 2019, the Authority reported a net OPEB liability of approximately \$40,288,544. The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the net OPEB liability.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### e. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

For the year ended June 30, 2019, the Authority recognized OPEB expense of approximately \$3,504,242. At June 30, 2019 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (724,536)
Changes in assumptions	438,512	-
Net difference between projected and actual earnings on pension plan investments	-	(55,447)
Authority contributions subsequent to the measurement date	<u>3,597,601</u>	<u>-</u>
Total	<u>\$4,036,113</u>	<u>\$ (779,983)</u>

At June 30, 2019, the \$3,597,601 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the years ending June 30,	
2020	\$ (58,460)
2021	(58,460)
2022	(58,460)
2023	(58,460)
2024	(58,460)
Thereafter	<u>(49,171)</u>
Total	<u>\$ (341,471)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### f. Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 8, 2018, based on the experience study covering the five year period ended June 30, 2015 as conducted for the ERS:

Inflation	2.50 percent
Salary Increases	3.50 percent to 7.00 percent including inflation
Investment Rate of Return	7.00 percent

#### Healthcare Cost Trend Rates

PPO*	Initial rate of 10.00 percent, declining to a rate of 4.86 percent after 13 years
HMO*	Initial rate of 10.00 percent, declining to a rate of 4.86 percent after 13 years
Contribution	Initial rates of 4.00 percent and 5.00 percent; declining to a rate of 4.70 percent after 12 years
Dental	Initial rate of 5.00 percent for the first three years, followed by 4.00 percent
Vision	Initial rate of 0.00 percent for the first three years, followed by 2.50 percent
Life Insurance	0.00 percent

\*Blended rates for medical and prescription drug

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### f. Actuarial Assumptions (continued)

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

Asset Class	Target Allocation	Long- Term Expected Real Rate
U.S. Equity	15 %	5.05 %
Non-U.S. Equity	17	6.50
U.S. Microcap	7	7.00
Private Equity	10	8.65
Private Credit	6	5.25
Core Real Estate	10	4.10
Global Options	7	4.50
Core Bonds	3	1.30
Long Treasuries	6	1.90
Trend Following	9	3.00
Alternative Risk Premia	5	2.45
TIPS	5	0.75
	100 %	

### g. Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent and the municipal bond rate of 3.62 percent (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA index”). Beginning with the fiscal year 2019 contribution, the Authority’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### g. Single Discount Rate (continued)

projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### h. OPEB Plan Fiduciary Net Position

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### i. Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2018.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance	\$ 43,288,352	\$ 3,392,420	\$ 39,895,932
Service Cost	948,455	-	948,455
Interest on the total OPEB liability	2,936,634	-	2,936,634
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(868,350)	-	(868,350)
Changes in assumptions	525,552	-	525,552
Employer contributions	-	2,825,229	(2,825,229)
Net investment income	-	325,516	(325,516)
Benefit payments	(1,429,888)	(1,429,888)	-
Administrative expense	-	(1,066)	1,066
Other	-	-	-
Net Changes	<u>2,112,403</u>	<u>1,719,791</u>	<u>392,612</u>
Ending balance	<u>\$ 45,400,755</u>	<u>\$ 5,112,211</u>	<u>\$ 40,288,544</u>

### j. Sensitivity of Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

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

	1 percent Decrease (6.00%)	Current Discount Rate (7.00%)	1 percent Increase (8.00%)
Authority's proportionate share of the net OPEB liability	\$ 47,630,727	\$ 40,288,544	\$ 34,519,389

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 8. Postemployment Health Care and Life Insurance Benefits (continued)

### j. Sensitivity of Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates (continued)

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

	1 percent Decrease (6.00%)	Current Discount Rate (7.00%)	1 percent Increase (8.00%)
Authority's proportionate share of the net OPEB liability	\$ 34,204,971	\$ 40,288,544	\$ 48,183,688

## 9. Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 10. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2019 is as follows:

Current Due from	Federal Low-Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Non-major Enterprise
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 57,437
Housing Choice Voucher	-	-	-	7,533	-
Federal Low Rent Program	-	-	-	1,584,356	-
Housing Revolving Fund	-	-	-	-	47,009
Housing for Elders Revolving Fund	-	-	-	-	44,368
Central Office Cost Center	88,157	-	-	-	-
Non-major - Enterprise	-	178,250	130,667	11,607,883	-
Total	<u>\$ 88,157</u>	<u>\$ 178,250</u>	<u>\$ 130,667</u>	<u>\$ 13,199,772</u>	<u>\$ 148,814</u>

Noncurrent Due to	Federal Low-Rent Program	Housing Revolving Fund
Central Office Cost Center	\$ 16,678,845	\$ 1,355,795

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.

During 2019, the Authority wrote-off a previously accrued for payable to the State of Hawaii of approximately \$571,000. The amount was recorded, via interfund, as other revenue under the Central Office Cost Center.



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 11. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2019 is as follows:

Transfer From	Federal Low-Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund
General Fund	\$ 2,884,369	\$ 967,443	\$ 2,004,524	\$ -
Capital Projects	152,685	-	41,420	3,442,284
Housing Revolving Fund	-	-	-	14,615
Housing for Elders Revolving Fund	-	-	-	318,618
Total	<u>\$ 3,037,054</u>	<u>\$ 967,443</u>	<u>\$ 2,045,944</u>	<u>\$ 3,775,517</u>

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$5,856,000 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 \$3,636,000 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.

Housing Revolving Fund: The Housing Revolving Fund expended approximately \$15,000 to pay for administrative expenses under the Central Office Cost Center fund.

Housing for Elders Revolving Fund: The Housing for Elders Revolving Fund transferred approximately \$319,000 to pay for administrative expenses under the Central Office Cost Center fund.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2019

## 12. Capital Contributions

During 2019, the Capital Projects Fund and General Fund expended approximately \$28,750,000 and \$1,352,000, respectively, from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. During 2019, the Capital Projects Fund also expended \$375,000 from the current year annual State of Hawaii appropriations on behalf of Housing Solutions, Inc., a non-profit developer and manager of transitional and long-term affordable housing for the renovation of its Thomas Building facility. The composition of capital contribution balances reflected in the Proprietary Funds financial statements as of June 30, 2019 is as follows:

Contributed From	Federal Low-Rent Program	Housing Revolving Fund	Housing Elders Revolving Fund	Total
Capital Projects	\$ 26,447,816	\$ 949,597	\$ 1,352,568	\$ 28,749,981
General Fund	1,352,416	-	-	1,352,416
Housing Revolving Fund	939,943	-	-	939,943
Total	\$ 28,740,175	\$ 949,597	\$ 1,352,568	31,042,340
Capital Projects				375,000
				\$ 31,417,340

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, 2019

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
State allotted appropriations	<u>\$ 8,372,030</u>	<u>\$ 8,372,030</u>	<u>\$ 8,372,030</u>
Expenditures -			
Rental housing and assistance program	<u>8,372,030</u>	<u>8,372,030</u>	<u>8,168,880</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,150</u>
	Housing Choice Voucher Program		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>35,152,564</u>	<u>\$ 35,152,564</u>	<u>\$ 35,152,564</u>
Expenditures -			
Rental housing and assistance program	<u>35,152,564</u>	<u>35,152,564</u>	<u>36,408,599</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,256,035)</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, 2019

	<u>Section 8 Contract Administration</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 35,973,350</u>	<u>\$ 35,973,350</u>	<u>\$ 35,973,350</u>
Expenditures -			
Rental housing and assistance program	<u>35,973,350</u>	<u>35,973,350</u>	<u>35,630,367</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,983</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, 2019

	<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	\$ 203,150	\$ (1,256,035)	\$ 342,983
Reserve for encumbrance at year end*	2,461,726	-	-
Expenditures for liquidation of prior year's encumbrances	(3,057,689)	-	-
Reversion of prior year's allotments	(203,150)	-	-
Accrual adjustments, operating transfers and other	<u>(540,187)</u>	<u>758,529</u>	<u>(52,362)</u>
 (DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES AND OTHER USES - US GAAP BASIS	 <u>\$ (1,136,150)</u>	 <u>\$ (497,506)</u>	 <u>\$ 290,621</u>

\* 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\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Authority's proportion of the net pension liability	0.28%	0.29%	0.29%	0.29%	0.29%	0.29%				
Authority's proportionate share of the net pension liability	\$ 37,880,199	\$ 37,036,049	\$ 38,216,244	\$ 25,085,181	\$ 23,355,937	\$ 25,740,677				
Authority's covered-employee payroll	14,806,198	14,516,008	13,576,230	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	255.84%	255.14%	281.49%	281.49%	182.32%	216.57%				
Plan fiduciary net position as a percentage of the total pension liability	55.48%	54.80%	51.28%	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 Pension Contributions  
Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 2,816,511	\$ 2,510,750	\$ 2,348,866	\$ 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	(2,816,511)	(2,510,750)	(2,348,866)	(2,172,048)	(2,159,495)	(1,965,345)	(1,788,664)	(1,571,123)	(1,536,848)	
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Authority's covered-employee payroll	\$ 14,709,141	\$ 14,806,198	\$ 14,516,008	\$ 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	19.15%	16.96%	16.18%	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.



# Hawaii Public Housing Authority

Notes to the Schedule of the Authority’s Pension Contributions  
Year ended June 30, 2019

Contribution rates are a percentage of pensionable payroll and are set by statute based on the recommendation of the ERS actuary. Act 256/2007 established contribution rates beginning July 1, 2008 through June 30, 2012. Act 163/2011 established new contribution rates beginning July 1, 2012 through July 1, 2015. Act 17/2017 established new contribution rates beginning July 1, 2018 until statutory changes are implemented. Contribution rates by year are as follows:

<u>Effective Starting</u>	<u>General Employees</u>
July 1, 2020	24.0%
July 1, 2019	22.0%
July 1, 2018	19.0%
July 1, 2017	18.0%
July 1, 2015	17.0%
July 1, 2014	16.5%
July 1, 2013	16.0%
July 1, 2012	15.5%
July 1, 2011	15.0%

Act 152/2012 amended the definition of compensation for new employees hired after June 30, 2012 for the purpose of pension benefit calculations. Compensation is defined as normal periodic payments and does not include overtime, supplemental payments, bonuses, lump sum salary differentials and other types of differentials. For employees hired prior to July 1, 2012 compensation includes overtime, supplemental payments, bonuses and other types of differentials for the purpose of pension benefit calculations.

Act 153/2012 requires employers to pay additional contributions for those employees who retire on or after July 1, 2012 with significant “non-base pay” increase in the three or five years used to calculate their average final compensation and maximum retirement allowances. The amount is determined by comparing the maximum retirement allowance that would have been received without the significant non-base pay increase to the actual maximum allowance. These amounts are assessed, on a fiscal year basis, for all retirees meeting the criteria during the previous fiscal year.

Hawaii Public Housing Authority

Schedule of the Authority's Proportionate Share of the Changes in Net OPEB Liability and Related Ratios  
Last 10 Fiscal Years\*

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total OPEB Liability</b>										
Service cost	\$ 948,455	\$ 733,947								
Interest on the total OPEB liability	2,936,634	2,228,580								
Changes of benefit terms	-	-								
Difference between expected and actual experience of total OPEB liability	(868,350)	-								
Changes of assumptions	525,552	-								
Benefit payments	(1,429,888)	(1,101,878)								
Net change in total OPEB liability	2,112,403	1,860,649								
Total OPEB liability - beginning	43,288,352	41,427,703								
Total OPEB liability - ending	<u>\$ 45,400,755</u>	<u>\$ 43,288,352</u>								
<b>Plan fiduciary net position</b>										
Employer contributions	\$ 2,825,229	\$ 2,191,159								
Net investment income	325,516	219,382								
Benefit payments	(1,429,888)	(1,101,878)								
OPEB plan administrative expense	(1,066)	(561)								
Other	-	17,616								
Net change in plan fiduciary position	1,719,791	1,325,718								
Plan fiduciary net position - beginning	3,392,420	2,066,702								
Plan fiduciary net position - ending	<u>\$ 5,112,211</u>	<u>\$ 3,392,420</u>								
<b>Net OPEB liability - ending</b>	\$ 40,288,544	\$ 39,895,932								
Plan fiduciary net position as a percentage of total OPEB liability	11%	8%								
Covered-employee payroll	14,806,198	14,516,008								
Net OPEB liability as a percentage of covered-employee payroll	272%	275%								

\*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 OPEB Contributions  
Last 10 Fiscal Years\*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 3,466,987	\$ 3,187,682								
Contributions in relation to the actuarially determined contribution	<u>3,597,601</u>	<u>2,825,229</u>								
Contributions deficiency (excess)	<u>\$ (130,614)</u>	<u>\$ 362,453</u>								
Authority's covered-employee payroll	\$ 14,709,141	\$ 14,806,198								
Contributions as a percentage of covered-employee payroll	23.57%	21.53%								

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

See accompanying independent auditor's report.

## Hawaii Public Housing Authority

Notes to the Schedule of the Authority's OPEB Contributions  
Year ended June 30, 2019

Actuarial Valuation Date	July 1, 2018
Actuarial Cost Method	Entry Age Normal
Amortization method*	Level percent, closed
Remaining amortization period	26 years
Asset valuation method	Market
<b>Actuarial Assumptions</b>	
Investment rate of return	7.00 percent
Projected salary increases	3.50 percent
<b>Healthcare Cost Trend Rates</b>	
PPO**	Initial rates of 6.60 percent and 9.00 percent, 4.86 percent after 14 years
HMO**	Initial rate of 9.00 percent, 4.86 percent after 14 years
Contribution	Initial rates of 2.00 percent and 5.00 percent, 4.70 percent after 14 years
Dental	3.50 percent
Vision	2.50 percent

\* Closed bases are established at each valuation for new unfunded liabilities.

\*\* Blended rates for medical and prescription drug.

## **Supplementary Information**

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

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	\$ 35,683,011
Public and Indian Housing	14.850	24,832,784
Section 8 Housing Choice Vouchers	14.871	36,336,922
Resident Opportunity & Supporting Services	14.870	72,000
Public Housing Capital Fund	14.872	<u>6,798,509</u>
Total federal expenditures		<u><u>\$ 103,723,226</u></u>

The accompanying notes are an integral part of this schedule.

## **Hawaii Public Housing Authority**

Notes to the Schedule of Expenditures of Federal Awards  
Year ended June 30, 2019

### **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, 2019. 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, 2019

	Grant No. <u>HI-08-P001-501-08</u>	Grant No. <u>HI-08-P001-501-13</u>	Grant No. <u>HI-08-P001-501-14</u>
Funds approved	<u>\$ 12,613,733</u>	<u>\$ 9,066,970</u>	<u>\$ 9,140,603</u>
Funds disbursed	<u>\$ 12,613,733</u>	<u>\$ 9,066,970</u>	<u>\$ 9,140,603</u>
Funds expended (actual modernization cost)	<u>\$ 12,613,733</u>	<u>\$ 9,066,970</u>	<u>\$ 9,140,603</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, 2019

	Grant No. <u>HI-08-P001-501-15</u>	Grant No. <u>HI-08-E001-501-12</u>
Funds approved	\$ 9,036,788	\$ 250,000
Funds disbursed	\$ 9,036,788	\$ 250,000
Funds expended (actual modernization cost)	\$ 9,036,788	\$ 250,000
Amounts to be recaptured	\$ -	\$ -
<b>EXCESS OF FUNDS DISBURSED</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2019

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	53,036,740	2,807,615	-	2,556,607	-	18,594,605	1,361,383	17,944,563	-	96,301,513
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	845,231	-	-	167,016	-	-	-	2,740,599	-	3,752,846
114	Cash - Tenant Security Deposits	918,444	-	-	-	-	245,539	-	-	-	1,163,983
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	122,879	-	-	-	-	-	122,879
<b>100</b>	<b>Total Cash</b>	<b>54,800,415</b>	<b>2,807,615</b>	<b>-</b>	<b>2,846,502</b>	<b>-</b>	<b>18,840,144</b>	<b>1,361,383</b>	<b>20,685,162</b>	<b>-</b>	<b>101,341,221</b>
121	Accounts Receivable - PHA Projects	-	-	-	253,950	-	-	-	-	-	253,950
122	Accounts Receivable - HUD Other Projects	257,411	381,479	-	401,685	-	-	-	-	-	1,040,575
124	Accounts Receivable - Other Government	-	-	-	-	86,669,258	-	-	-	-	86,669,258
125	Accounts Receivable - Miscellaneous	1,242	-	-	115	-	566,119	-	198,979	-	766,455
126	Accounts Receivable - Tenants	856,306	-	-	-	-	635,570	-	-	-	1,491,876
126.1	Allowance for Doubtful Accounts - Tenants	(538,087)	-	-	-	-	(530,923)	-	-	-	(1,069,010)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	(545,083)	-	(197,111)	-	(742,194)
127	Notes, Loans, & Mortgages Receivable - Current	36,005	-	-	-	-	1,146	-	-	-	37,151
129	Accrued Interest Receivable	-	-	-	-	-	122,181	26,614	162,827	-	311,622
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>612,877</b>	<b>381,479</b>	<b>-</b>	<b>655,750</b>	<b>86,669,258</b>	<b>249,010</b>	<b>26,614</b>	<b>164,695</b>	<b>-</b>	<b>88,759,683</b>
142	Prepaid Expenses and Other Assets	-	-	-	-	-	-	-	17,430	-	17,430
143	Inventories	611,663	-	-	-	-	141,154	-	13,887	-	766,704
143.1	.1 Allowance for Obsolete Inventories	(60,616)	-	-	-	-	(13,988)	-	-	-	(74,604)
144	Inter Program Due From	88,157	-	-	-	-	217,538	-	13,199,772	(13,505,467)	-
	<b>Total Other Current Assets</b>	<b>639,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>344,704</b>	<b>-</b>	<b>13,231,089</b>	<b>(13,505,467)</b>	<b>709,530</b>
<b>150</b>	<b>Total Current Assets</b>	<b>56,052,496</b>	<b>3,189,094</b>	<b>-</b>	<b>3,502,252</b>	<b>86,669,258</b>	<b>19,433,858</b>	<b>1,387,997</b>	<b>34,080,946</b>	<b>(13,505,467)</b>	<b>190,810,434</b>
161	Land	13,093,629	-	-	-	2,373,410	9,872,571	-	-	-	25,339,610
162	Buildings	562,709,452	-	-	-	15,325,444	111,365,082	-	42,857	-	689,442,835
163	Furniture, Equipment & Machinery - Dwellings	3,361,885	-	-	-	-	920,810	-	-	-	4,282,695
164	Furniture, Equipment & Machinery - Administration	2,288,813	-	-	39,791	1,291,869	1,110,703	2,111,722	602,399	-	7,445,297
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(366,230,878)	-	-	(10,425)	(15,100,107)	(60,989,836)	(2,078,810)	(399,014)	-	(444,809,070)
167	Construction in Progress	86,155,537	-	-	-	-	3,223,458	-	-	-	89,378,995
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>301,378,438</b>	<b>-</b>	<b>-</b>	<b>29,366</b>	<b>3,890,616</b>	<b>65,502,788</b>	<b>32,912</b>	<b>246,242</b>	<b>-</b>	<b>371,080,362</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	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>310,095,068</b>	<b>-</b>	<b>-</b>	<b>29,366</b>	<b>3,890,616</b>	<b>65,502,788</b>	<b>32,912</b>	<b>246,242</b>	<b>-</b>	<b>379,796,992</b>
<b>190</b>	<b>Total Assets</b>	<b>366,147,564</b>	<b>3,189,094</b>	<b>-</b>	<b>3,531,618</b>	<b>90,559,874</b>	<b>84,936,646</b>	<b>1,420,909</b>	<b>34,327,188</b>	<b>(13,505,467)</b>	<b>570,607,426</b>
200	Deferred Outflow of Resources	4,735,041	-	-	704,062	56,688	375,205	-	5,675,706	-	11,546,702
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>370,882,605</b>	<b>3,189,094</b>	<b>-</b>	<b>4,235,680</b>	<b>90,616,562</b>	<b>85,311,851</b>	<b>1,420,909</b>	<b>40,002,894</b>	<b>(13,505,467)</b>	<b>582,154,128</b>
312	Accounts Payable <= 90 Days	673,463	291,124	-	1,060	258,920	365,192	-	26,511	-	1,616,270
321	Accrued Wage/Payroll Taxes Payable	435,775	-	-	78,252	2,584	31,513	-	494,218	-	1,042,342
322	Accrued Compensated Absences - Current Portion	299,158	-	-	49,778	5,603	22,609	-	337,203	-	714,351
333	Accounts Payable - Other Government	206,635	-	-	1,226	-	-	-	-	-	207,861
341	Tenant Security Deposits	918,444	-	-	-	-	256,648	-	-	-	1,175,092
342	Deferred Revenues	199,817	-	-	3,020	-	5,428	-	-	-	208,265
345	Other Current Liabilities	347,840	-	-	127,516	4,100,790	1,330	-	51,593	-	4,629,069
346	Accrued Liabilities - Other	619,250	-	-	2,684	2,709,200	370,705	-	86,832	-	3,788,671
347	Inter Program - Due To	1,584,356	-	-	7,533	57,437	11,767,984	-	88,157	(13,505,467)	-
<b>310</b>	<b>Total Current Liabilities</b>	<b>5,284,738</b>	<b>291,124</b>	<b>-</b>	<b>271,069</b>	<b>7,134,534</b>	<b>12,821,409</b>	<b>-</b>	<b>1,084,514</b>	<b>(13,505,467)</b>	<b>13,381,921</b>
353	Non-Current Liabilities - Other	-	-	-	95,421	-	-	-	-	-	95,421
354	Accrued Compensated Absences - Non Current	655,705	-	-	109,108	12,281	49,554	-	739,091	-	1,565,739
357	Accrued Pension and OPEB Liabilities	33,545,889	-	-	5,006,888	357,545	2,789,243	-	36,469,178	-	78,168,743
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>34,201,594</b>	<b>-</b>	<b>-</b>	<b>5,211,417</b>	<b>369,826</b>	<b>2,838,797</b>	<b>-</b>	<b>37,208,269</b>	<b>-</b>	<b>79,829,903</b>
<b>300</b>	<b>Total Liabilities</b>	<b>39,486,332</b>	<b>291,124</b>	<b>-</b>	<b>5,482,486</b>	<b>7,504,360</b>	<b>15,660,206</b>	<b>-</b>	<b>38,292,783</b>	<b>(13,505,467)</b>	<b>93,211,824</b>
400	Deferred Inflow of Resources	770,740	-	-	67,061	-	56,169	-	893,248	-	1,787,218
508.4	Invested in capital assets, net of related debt	301,378,438	-	-	29,366	3,890,616	65,502,788	32,912	246,242	-	371,080,362
511.4	Restricted Fund Balance	-	-	-	74,692	-	-	-	-	-	74,692
512.4	Unrestricted Net Assets	29,247,095	2,897,970	-	(1,417,925)	79,221,586	4,092,688	1,387,997	570,621	-	116,000,032
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>330,625,533</b>	<b>2,897,970</b>	<b>-</b>	<b>(1,313,867)</b>	<b>83,112,202</b>	<b>69,595,476</b>	<b>1,420,909</b>	<b>816,863</b>	<b>-</b>	<b>487,155,086</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets</b>	<b>370,882,605</b>	<b>3,189,094</b>	<b>-</b>	<b>4,235,680</b>	<b>90,616,562</b>	<b>85,311,851</b>	<b>1,420,909</b>	<b>40,002,894</b>	<b>(13,505,467)</b>	<b>582,154,128</b>

See accompanying independent auditor's report.

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2019

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	19,077,225	-	-	-	-	3,851,839	-	-	-	22,929,064
70400	Tenant Revenue - Other	423,147	-	-	-	-	59,281	-	-	-	482,428
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>19,500,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,911,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,411,492</b>
70600	HUD PHA Operating Grants	27,517,697	35,973,350	72,000	35,152,564	-	-	-	-	-	98,715,611
70610	Capital Grants	6,291,426	-	-	-	-	-	-	-	-	6,291,426
70710	Management Fee	-	-	-	-	-	-	-	4,108,735	(4,108,735)	-
70720	Asset Management Fee	-	-	-	-	-	-	-	565,800	(565,800)	-
70730	Bookkeeping Fee	-	-	-	-	-	-	-	684,290	(684,290)	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	2,388,701	(2,388,701)	-
70750	Other Fees	-	-	-	-	-	-	-	108,892	-	108,892
<b>70700</b>	<b>Total Fee Revenue</b>	<b>33,809,123</b>	<b>35,973,350</b>	<b>72,000</b>	<b>35,152,564</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,856,418</b>	<b>(7,747,526)</b>	<b>105,115,929</b>
70800	Other Government Grants	-	-	-	-	31,610,725	-	-	-	-	31,610,725
71100	Investment Income - Unrestricted	6,085	282	-	323	-	137,404	29,277	278,005	-	451,376
71400	Fraud Recovery	-	-	-	32,770	-	-	-	-	-	32,770
71500	Other Revenue	433,919	-	-	653,760	118	124,190	57,293	787,235	-	2,056,515
<b>70000</b>	<b>Total Other Revenue</b>	<b>440,004</b>	<b>282</b>	<b>-</b>	<b>686,853</b>	<b>31,610,843</b>	<b>261,594</b>	<b>86,570</b>	<b>1,065,240</b>	<b>-</b>	<b>34,151,386</b>
<b>70000</b>	<b>Total Revenue</b>	<b>53,749,499</b>	<b>35,973,632</b>	<b>72,000</b>	<b>35,839,417</b>	<b>31,610,843</b>	<b>4,172,714</b>	<b>86,570</b>	<b>8,921,658</b>	<b>(7,747,526)</b>	<b>162,678,807</b>
91100	Administrative Salaries	3,479,415	-	-	1,227,923	91,219	262,955	-	5,971,654	-	11,033,166
91200	Auditing Fees	101,415	47,078	-	44,946	36,285	67,211	1,224	19,776	-	317,935
91300-010	Management Fee - to COCC	3,213,744	-	-	539,742	14,226	341,022	-	-	(4,108,734)	-
91300-020	Management Fee - to 3rd Party	433,274	-	-	-	-	429,063	-	-	-	862,337
91310	Bookkeeping Fee	396,303	-	-	205,808	8,915	73,269	-	-	(684,295)	-
91400	Advertising and Marketing	1,355	-	-	35	-	-	-	43,860	-	45,250
91500	Employee Benefit Contributions - Administration	1,380,796	-	-	673,496	-	104,787	-	2,956,885	-	5,115,964
91600	Office Expenses	394,410	1,101,768	-	61,067	4,533	125,514	-	416,079	-	2,103,371
91700	Legal Expense	98,867	990	-	1,111	-	7,960	-	453,792	-	562,720
91800	Travel	16,849	-	-	-	-	1,587	-	87,145	-	105,581
91900	Other	2,386,575	1,313	-	11,663	4,995	536,936	-	70,864	(677,992)	2,334,354
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>11,903,003</b>	<b>1,151,149</b>	<b>-</b>	<b>2,765,791</b>	<b>160,173</b>	<b>1,950,304</b>	<b>1,224</b>	<b>10,020,055</b>	<b>(5,471,021)</b>	<b>22,480,678</b>
<b>92000</b>	<b>Asset Management Fee</b>	<b>565,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(565,800)</b>	<b>-</b>
92200	Relocation Costs	4,008	-	-	-	-	-	-	-	-	4,008
92400	Tenant Services - Other	36,079	-	72,000	4,172	35	504	-	28,062	-	140,852
<b>92500</b>	<b>Total Tenant Services</b>	<b>40,087</b>	<b>-</b>	<b>72,000</b>	<b>4,172</b>	<b>35</b>	<b>504</b>	<b>-</b>	<b>28,062</b>	<b>-</b>	<b>144,860</b>
93100	Water	2,771,469	-	-	853	81	342,110	-	4,767	-	3,119,280
93200	Electricity	2,184,121	-	-	19,173	1,724	1,034,652	-	165,273	-	3,404,943
93300	Gas	1,567,601	-	-	-	-	107,556	-	-	-	1,675,157
93400	Fuel	729	-	-	-	-	-	-	21	-	750
93600	Sewer	4,202,259	-	-	1,742	166	833,646	-	10,413	-	5,048,226
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	-	-
<b>93000</b>	<b>Total Utilities</b>	<b>10,726,179</b>	<b>-</b>	<b>-</b>	<b>21,768</b>	<b>1,971</b>	<b>2,317,964</b>	<b>-</b>	<b>180,474</b>	<b>-</b>	<b>13,248,356</b>

See accompanying independent auditor's report.

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2019

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	4,327,470	-	-	-	-	318,761	-	2,144,525	-	6,790,756
94200	Ordinary Maintenance and Operations - Materials and Other	2,358,605	-	-	293	374	182,310	-	113,301	-	2,654,883
94300	Ordinary Maintenance and Operations Contracts	7,690,661	-	-	6,514	869	1,836,463	-	140,429	(1,710,705)	7,964,231
94500	Employee Benefit Contributions - Ordinary Maintenance	2,598,681	-	-	-	-	192,801	-	1,290,731	-	4,082,213
<b>94000</b>	<b>Total Maintenance</b>	<b>16,975,417</b>	<b>-</b>	<b>-</b>	<b>6,807</b>	<b>1,243</b>	<b>2,530,335</b>	<b>-</b>	<b>3,688,986</b>	<b>(1,710,705)</b>	<b>21,492,083</b>
95100	Protective Services - Labor	-	-	-	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	3,109,776	-	-	1,381	132	170,379	-	9,250	-	3,290,918
95300	Protective Services - Other	21,274	-	-	264	25	531	-	1,885	-	23,979
<b>95000</b>	<b>Total Protective Services</b>	<b>3,131,050</b>	<b>-</b>	<b>-</b>	<b>1,645</b>	<b>157</b>	<b>170,910</b>	<b>-</b>	<b>11,135</b>	<b>-</b>	<b>3,314,897</b>
96110	Property Insurance	392,063	-	-	28	-	74,565	-	251	-	466,907
96120	Liability Insurance	39,941	4,576	-	4,554	311	6,018	940	2,033	-	58,373
96130	Workmen's Compensation	31,630	-	-	4,691	447	2,546	-	25,687	-	65,001
96140	All Other Insurance	54,069	-	-	535	51	44,308	-	9,864	-	108,827
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>517,703</b>	<b>4,576</b>	<b>-</b>	<b>9,808</b>	<b>809</b>	<b>127,437</b>	<b>940</b>	<b>37,835</b>	<b>-</b>	<b>699,108</b>
96200	Other General Expenses	2,151,751	-	-	160,246	-	8,857	-	51,504	-	2,372,358
96210	Compensated Absences	(16,325)	-	-	13,679	902	(598)	-	(15,926)	-	(18,268)
96300	Payments in Lieu of Taxes	206,635	-	-	-	-	-	-	-	-	206,635
96400	Bad Debt - Tenant Rents	214,061	-	-	-	-	(56,758)	-	-	-	157,303
<b>96000</b>	<b>Total Other General Expenses</b>	<b>2,556,122</b>	<b>-</b>	<b>-</b>	<b>173,925</b>	<b>902</b>	<b>(48,499)</b>	<b>-</b>	<b>35,578</b>	<b>-</b>	<b>2,718,028</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>46,415,361</b>	<b>1,155,725</b>	<b>72,000</b>	<b>2,983,916</b>	<b>165,290</b>	<b>7,048,955</b>	<b>2,164</b>	<b>14,002,125</b>	<b>(7,747,526)</b>	<b>64,098,010</b>
<b>97000</b>	<b>Excess of Operating Revenue Over Operating Expenses</b>	<b>7,334,138</b>	<b>34,817,907</b>	<b>-</b>	<b>32,855,501</b>	<b>31,445,553</b>	<b>(2,876,241)</b>	<b>84,406</b>	<b>(5,080,467)</b>	<b>-</b>	<b>98,580,797</b>
97300	Housing Assistance Payments	37,131	34,527,286	-	32,805,172	1,947,653	-	-	-	-	69,317,242
97350	HAP Portability-In	-	-	-	591,316	-	-	-	-	-	591,316
97400	Depreciation Expense	16,860,260	-	-	5,688	127,176	3,293,226	55,260	76,883	-	20,418,493
<b>97000</b>	<b>Subtotal</b>	<b>16,897,391</b>	<b>34,527,286</b>	<b>-</b>	<b>33,402,176</b>	<b>2,074,829</b>	<b>3,293,226</b>	<b>55,260</b>	<b>76,883</b>	<b>-</b>	<b>90,327,051</b>
<b>90000</b>	<b>Total Expenses</b>	<b>63,312,752</b>	<b>35,683,011</b>	<b>72,000</b>	<b>36,386,092</b>	<b>2,240,119</b>	<b>10,342,181</b>	<b>57,424</b>	<b>14,079,008</b>	<b>(7,747,526)</b>	<b>154,425,061</b>
10010	Operating Transfer In	475,141	-	-	-	-	-	-	-	(475,141)	-
10020	Operating Transfer Out	(475,141)	-	-	-	-	-	-	-	475,141	-
10091	Inter Project Excess Cash Transfer In	400,000	-	-	-	-	-	-	-	(400,000)	-
10092	Inter Project Excess Cash Transfer Out	(400,000)	-	-	-	-	-	-	-	400,000	-
10093	Transfers Between Program and Project - In	3,037,054	-	-	-	-	2,680,154	-	3,775,517	(9,492,725)	-
10094	Transfers Between Program and Project - Out	-	-	-	-	(9,492,725)	-	-	-	9,492,725	-
<b>10100</b>	<b>Total Other Financing Sources (Uses)</b>	<b>3,037,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,492,725)</b>	<b>2,680,154</b>	<b>-</b>	<b>3,775,517</b>	<b>-</b>	<b>-</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(6,526,199)</b>	<b>290,621</b>	<b>-</b>	<b>(546,675)</b>	<b>19,877,999</b>	<b>(3,489,313)</b>	<b>29,146</b>	<b>(1,381,833)</b>	<b>-</b>	<b>8,253,746</b>
11030	Beginning Equity	308,411,557	2,607,349	-	(767,192)	93,711,600	71,722,567	1,391,763	2,198,696	-	479,276,340
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(6,526,199)	290,621	-	(546,675)	19,877,999	(3,489,313)	29,146	(1,381,833)	-	8,253,746
11040-010	Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-
11040-070	Equity Transfer of Capital Contributions From Capital Projects Fund	28,740,175	-	-	-	(30,477,397)	1,362,222	-	-	-	(375,000)
	<b>Ending Equity</b>	<b>330,625,533</b>	<b>2,897,970</b>	<b>-</b>	<b>(1,313,867)</b>	<b>83,112,202</b>	<b>69,595,476</b>	<b>1,420,909</b>	<b>816,863</b>	<b>-</b>	<b>487,155,086</b>

See accompanying independent auditor's report.

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Balance Sheet  
June 30, 2019

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	5,280,940	7,583,226	7,333,488	4,457,550	5,128,604	5,729,673	2,215,110	2,177,910	1,285,429	1,423,058	1,150,980	2,672,576	2,535,771	620,701	798,150	2,643,574	-	53,036,740
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	20,868	9,747	4,204	8,576	-	-	-	-	-	-	11,286	790,550	-	-	-	-	845,231
114	Cash - Tenant Security Deposits	88,646	85,175	73,069	70,721	92,057	98,215	64,708	58,546	50,844	36,816	39,310	38,439	46,763	26,717	25,176	23,242	-	918,444
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>100</b>	<b>Total Cash</b>	<b>5,369,586</b>	<b>7,689,269</b>	<b>7,416,304</b>	<b>4,532,475</b>	<b>5,229,237</b>	<b>5,827,888</b>	<b>2,279,818</b>	<b>2,236,456</b>	<b>1,336,273</b>	<b>1,459,874</b>	<b>1,190,290</b>	<b>2,722,301</b>	<b>3,373,084</b>	<b>647,418</b>	<b>823,326</b>	<b>2,666,816</b>	<b>-</b>	<b>54,800,415</b>
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	9,500	-	5,489	8,525	115,486	16,414	8,138	15,168	16,963	3,900	12,960	-	5,487	-	9,958	29,423	-	257,411
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	1,242	-	-	-	-	-	-	-	-	-	-	-	1,242
126	Accounts Receivable - Tenants	57,306	81,020	98,417	53,701	38,286	51,322	24,711	123,742	88,320	82,534	17,488	26,347	33,827	49,029	22,726	7,530	-	856,306
126.1	.1 Allowance for Doubtful Accounts - Tenants	(32,329)	(49,199)	(47,996)	(31,532)	(25,859)	(37,050)	(14,155)	(89,006)	(60,534)	(59,110)	(6,081)	(15,514)	(14,354)	(39,599)	(14,396)	(1,373)	-	(538,087)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	1,807	8,210	13,842	3,907	425	466	104	-	925	1,780	963	-	571	2,668	-	337	-	36,005
129	Accrued Interest Receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>36,284</b>	<b>40,031</b>	<b>69,752</b>	<b>34,601</b>	<b>128,338</b>	<b>32,394</b>	<b>18,798</b>	<b>49,904</b>	<b>45,674</b>	<b>29,104</b>	<b>25,330</b>	<b>10,833</b>	<b>25,531</b>	<b>12,098</b>	<b>18,288</b>	<b>35,917</b>	<b>-</b>	<b>612,877</b>
142	Prepaid Expenses and Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143	Inventories	49,229	88,405	86,562	-	98,898	49,705	11,185	46,454	56,641	37,383	23,933	3,748	8,792	22,846	11,330	16,552	-	611,663
143.1	.1 Allowance for Obsolete Inventories	(4,879)	(8,761)	(8,578)	-	(9,801)	(4,926)	(1,108)	(4,604)	(5,613)	(3,705)	(2,372)	(371)	(871)	(2,264)	(1,123)	(1,640)	-	(60,616)
144	Inter Program Due From	-	-	-	-	-	-	-	88,157	-	-	-	-	-	-	-	-	-	88,157
	<b>Total Other Current Assets</b>	<b>44,350</b>	<b>79,644</b>	<b>77,984</b>	<b>-</b>	<b>89,097</b>	<b>44,779</b>	<b>10,077</b>	<b>130,007</b>	<b>51,028</b>	<b>33,678</b>	<b>21,561</b>	<b>3,377</b>	<b>7,921</b>	<b>20,582</b>	<b>10,207</b>	<b>14,912</b>	<b>-</b>	<b>639,204</b>
<b>150</b>	<b>Total Current Assets</b>	<b>5,450,220</b>	<b>7,808,944</b>	<b>7,564,040</b>	<b>4,567,076</b>	<b>5,446,672</b>	<b>5,905,061</b>	<b>2,308,693</b>	<b>2,416,367</b>	<b>1,432,975</b>	<b>1,522,656</b>	<b>1,237,181</b>	<b>2,736,511</b>	<b>3,406,536</b>	<b>680,098</b>	<b>851,821</b>	<b>2,717,645</b>	<b>-</b>	<b>56,052,496</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	48,185,429	56,395,387	27,038,717	43,919,670	34,486,771	34,457,069	63,889,305	46,258,113	30,483,925	15,129,809	33,349,724	33,755,317	43,893,028	19,754,974	18,296,505	13,415,709	-	562,709,452
163	Furniture, Equipment & Machinery - Dwellings	72,608	105,792	1,211,821	370,981	234,607	262,284	276,575	154,490	116,727	42,624	55,005	159,476	103,545	89,639	34,187	71,524	-	3,361,885
164	Furniture, Equipment & Machinery - Administration	397,847	167,773	437,717	98,483	91,492	131,119	466,192	175,199	79,008	75,682	19,048	40,821	13,654	7,734	5,989	81,055	-	2,288,813
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(35,701,427)	(38,343,922)	(19,255,104)	(26,262,722)	(24,306,633)	(22,747,529)	(37,462,034)	(26,378,023)	(18,038,080)	(10,615,352)	(20,614,934)	(26,785,205)	(28,753,138)	(10,109,514)	(14,979,588)	(5,877,673)	-	(366,230,878)
167	Construction in Progress	7,993,095	9,315,752	45,178	35,653	9,809,738	6,486,872	15,729,236	3,211,574	6,511,746	3,000	7,731	5,590,231	680,311	55,161	8,387,545	12,292,714	-	86,155,537
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>23,482,026</b>	<b>28,191,630</b>	<b>9,686,008</b>	<b>18,481,572</b>	<b>20,613,677</b>	<b>20,543,681</b>	<b>44,606,332</b>	<b>23,969,799</b>	<b>19,665,984</b>	<b>5,055,137</b>	<b>13,771,887</b>	<b>13,576,313</b>	<b>16,063,290</b>	<b>9,990,879</b>	<b>13,383,756</b>	<b>20,296,467</b>	<b>-</b>	<b>301,378,438</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	8,716,630	-	-	-	-	-	-	-	8,716,630
	<b>Total Other Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,716,630</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>23,482,026</b>	<b>28,191,630</b>	<b>9,686,008</b>	<b>18,481,572</b>	<b>20,613,677</b>	<b>20,543,681</b>	<b>44,606,332</b>	<b>23,969,799</b>	<b>19,665,984</b>	<b>13,771,767</b>	<b>13,771,887</b>	<b>13,576,313</b>	<b>16,063,290</b>	<b>9,990,879</b>	<b>13,383,756</b>	<b>20,296,467</b>	<b>-</b>	<b>310,095,068</b>
<b>190</b>	<b>Total Assets</b>	<b>28,932,246</b>	<b>36,000,574</b>	<b>17,250,048</b>	<b>23,048,648</b>	<b>26,060,349</b>	<b>26,448,742</b>	<b>46,915,025</b>	<b>26,386,166</b>	<b>21,098,959</b>	<b>15,294,423</b>	<b>15,009,068</b>	<b>16,312,824</b>	<b>19,469,826</b>	<b>10,670,977</b>	<b>14,235,577</b>	<b>23,014,112</b>	<b>-</b>	<b>366,147,564</b>
200	Deferred Outflow of Resources	628,369	474,466	403,236	413,415	680,320	669,886	543,204	526,294	395,851	-	-	-	-	-	-	-	-	4,735,041
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>29,560,615</b>	<b>36,475,040</b>	<b>17,653,284</b>	<b>23,462,063</b>	<b>26,740,669</b>	<b>27,118,628</b>	<b>47,458,229</b>	<b>26,912,460</b>	<b>21,494,810</b>	<b>15,294,423</b>	<b>15,009,068</b>	<b>16,312,824</b>	<b>19,469,826</b>	<b>10,670,977</b>	<b>14,235,577</b>	<b>23,014,112</b>	<b>-</b>	<b>370,882,605</b>
312	Accounts Payable <= 90 Days	29,064	33,421	9,638	7,153	19,783	10,178	59,044	31,362	21,562	74,106	96,287	90,484	68,278	52,146	57,747	13,210	-	673,463
321	Accrued Wage/Payroll Taxes Payable	53,277	38,745	43,958	45,752	64,503	65,777	48,390	41,022	34,351	-	-	-	-	-	-	-	-	435,775
322	Accrued Compensated Absences - Current Portion	46,155	33,672	22,957	23,894	44,515	43,542	32,688	22,591	29,144	-	-	-	-	-	-	-	-	299,158
333	Accounts Payable - Other Government	-	-	-	-	-	-	68,724	50,984	42,022	-	19,003	-	25,902	-	-	-	-	206,635
341	Tenant Security Deposits	88,646	85,175	73,069	70,721	92,057	98,215	64,708	58,546	50,844	36,816	39,310	38,439	46,763	26,717	25,176	23,242	-	918,444
342	Deferred Revenues	5,352	17,578	15,228	16,055	21,808	11,244	10,168	10,165	7,568	18,578	13,337	14,904	8,794	5,675	7,156	16,207	-	199,817
345	Other Current Liabilities	2,614	57,892	19,753	10,906	128,004	6,920	7,860	12,363	7,487	7,009	13,293	17,243	17,625	6,119	4,485	28,267	-	347,840
346	Accrued Liabilities - Other	32,087	29,543	38,307	20,646	44,030	52,747	32,258	33,299	68,066	74,931	21,327	26,154	28,337	3,298	63,986	50,234	-	619,250
347	Inter Program - Due To	191,312	167,748	209,654	326,249	224,083	221,690	38,290	-	33,365	21,665	28,515	24,181	47,310	16,729	19,439	14,126	-	1,584,356
<b>310</b>	<b>Total Current Liabilities</b>	<b>448,507</b>	<b>463,774</b>	<b>432,564</b>	<b>521,376</b>	<b>638,783</b>	<b>510,313</b>	<b>362,130</b>	<b>260,332</b>	<b>294,409</b>	<b>233,105</b>	<b>231,072</b>	<b>211,405</b>	<b>217,107</b>	<b>136,586</b>	<b>177,989</b>	<b>145,286</b>	<b>-</b>	<b>5,284,738</b>
353	Non-Current Liabilities - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	101,165	73,804	50,317	52,371	97,569	95,436	71,647	49,517	63,879	-	-	-	-	-	-	-	-	655,705
357	Accrued Pension and OPEB Liabilities	4,573,562	3,596,437	2,943,142	3,030,770	4,770,951	4,964,342	3,715,621	3,311,585	2,639,479	-	-	-	-	-	-	-	-	33,545,889
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>4,674,727</b>	<b>3,670,241</b>	<b>2,993,459</b>	<b>3,083,141</b>	<b>4,868,520</b>	<b>5,059,778</b>	<b>3,787,268</b>	<b>3,361,102</b>	<b>2,703,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,201,594</b>
<b>300</b>	<b>Total Liabilities</b>	<b>5,123,234</b>	<b>4,134,015</b>	<b>3,426,023</b>	<b>3,604,517</b>	<b>5,507,303</b>	<b>5,570,091</b>	<b>4,149,398</b>	<b>3,621,434</b>	<b>2,997,767</b>									

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2019

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	1,815,681	1,762,220	1,798,742	1,475,217	1,925,920	1,958,591	1,026,001	1,318,770	934,850	960,609	669,962	948,032	1,018,859	426,888	563,393	473,490	-	19,077,225
70400	Tenant Revenue - Other	35,453	82,330	28,901	22,005	18,117	13,212	14,079	47,993	23,138	52,809	22,429	15,616	11,827	12,461	10,264	12,513	-	423,147
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>1,851,134</b>	<b>1,844,550</b>	<b>1,827,643</b>	<b>1,497,222</b>	<b>1,944,037</b>	<b>1,971,803</b>	<b>1,040,080</b>	<b>1,366,763</b>	<b>957,988</b>	<b>1,013,418</b>	<b>692,391</b>	<b>963,648</b>	<b>1,030,686</b>	<b>439,349</b>	<b>573,657</b>	<b>486,003</b>	-	<b>19,500,372</b>
70600	HUD PHA Operating Grants	1,846,379	2,421,855	2,481,921	1,939,420	2,818,694	2,821,544	1,411,517	1,485,337	866,263	1,290,740	1,038,793	1,516,660	1,223,888	496,263	893,312	787,281	2,177,830	27,517,697
70610	Capital Grants	-	826,812	-	-	451,858	1,362,128	69,371	-	-	-	-	-	-	-	2,508,057	1,073,200	-	6,291,426
70710	Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70730	Bookkeeping Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>70700</b>	<b>Total Fee Revenue</b>	<b>1,846,379</b>	<b>3,248,667</b>	<b>2,481,921</b>	<b>1,939,420</b>	<b>3,270,552</b>	<b>4,183,672</b>	<b>1,480,888</b>	<b>1,485,337</b>	<b>866,263</b>	<b>1,290,740</b>	<b>1,038,793</b>	<b>1,516,660</b>	<b>1,223,888</b>	<b>496,263</b>	<b>3,401,369</b>	<b>1,860,481</b>	<b>2,177,830</b>	<b>33,809,123</b>
70800	Other Government Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	522	706	1,535	431	522	566	218	226	141	111	122	258	324	66	82	255	-	6,085
71400	Fraud Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71500	Other Revenue	8,300	5,475	9,908	5,810	50,989	94,539	12,935	166,788	16,097	-	18,140	19,195	2,566	10,741	12,379	57	-	433,919
	<b>Total Other Revenue</b>	<b>8,822</b>	<b>6,181</b>	<b>11,443</b>	<b>6,241</b>	<b>51,511</b>	<b>95,105</b>	<b>13,153</b>	<b>167,014</b>	<b>16,238</b>	<b>111</b>	<b>18,262</b>	<b>19,453</b>	<b>2,890</b>	<b>10,807</b>	<b>12,461</b>	<b>312</b>	-	<b>440,004</b>
<b>70000</b>	<b>Total Revenue</b>	<b>3,706,335</b>	<b>5,099,398</b>	<b>4,321,007</b>	<b>3,442,883</b>	<b>5,266,100</b>	<b>6,250,580</b>	<b>2,534,121</b>	<b>3,019,114</b>	<b>1,840,489</b>	<b>2,304,269</b>	<b>1,749,446</b>	<b>2,499,761</b>	<b>2,257,464</b>	<b>946,419</b>	<b>3,987,487</b>	<b>2,346,796</b>	<b>2,177,830</b>	<b>53,749,499</b>
91100	Administrative Salaries	448,077	299,263	315,145	326,370	463,775	480,606	440,318	386,631	319,230	-	-	-	-	-	-	-	-	3,479,415
91200	Auditing Fees	11,551	6,763	4,599	4,324	7,003	7,210	9,023	4,775	7,537	5,925	4,315	6,353	4,622	4,311	5,623	7,481	-	101,415
91300-010	Management Fee - to COCC	272,077	295,268	287,882	289,056	467,403	471,752	239,914	250,957	140,387	74,745	92,232	76,813	111,233	46,913	55,289	41,823	-	3,213,744
91300-020	Management Fee - to 3rd Party	-	-	-	-	-	-	-	-	-	62,674	71,760	93,666	72,222	37,222	53,970	41,760	-	433,274
91310	Bookkeeping Fee	29,565	32,085	31,283	31,410	50,790	51,263	26,070	27,270	15,255	14,933	17,820	18,525	19,935	9,143	11,873	9,083	-	396,303
91400	Advertising and Marketing	271	271	271	-	271	271	-	-	-	-	-	-	-	-	-	-	-	1,355
91500	Employee Benefit Contributions - Administration	194,977	111,942	112,031	116,516	181,085	185,923	164,316	170,271	143,735	-	-	-	-	-	-	-	-	1,380,796
91600	Office Expenses	29,699	25,335	33,542	22,098	33,729	41,259	32,480	38,369	34,741	15,408	26,059	11,704	16,253	8,205	16,923	8,606	-	394,410
91700	Legal Expense	3,784	5,819	12,441	12,237	2,041	2,068	15,298	1,543	959	294	354	942	38,476	75	896	1,640	-	98,867
91800	Travel	-	-	-	-	-	-	1,466	1,944	11,808	-	179	-	-	1,452	-	-	-	16,849
91900	Other	82,837	85,356	83,215	76,154	124,720	126,991	24,481	27,858	17,524	236,689	244,066	271,302	253,810	199,065	225,566	198,049	108,892	2,386,575
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>1,072,838</b>	<b>862,102</b>	<b>880,409</b>	<b>878,165</b>	<b>1,330,817</b>	<b>1,367,343</b>	<b>953,366</b>	<b>909,618</b>	<b>691,176</b>	<b>410,668</b>	<b>456,785</b>	<b>479,305</b>	<b>516,551</b>	<b>306,386</b>	<b>370,140</b>	<b>308,442</b>	<b>108,892</b>	<b>11,903,003</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>38,640</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>565,800</b>
92200	Relocation Costs	1,365	-	-	-	-	-	-	2,643	-	-	-	-	-	-	-	-	-	4,008
92400	Tenant Services - Other	6,361	5,127	2,712	2,823	3,264	5,861	1,200	236	318	1,102	127	3,386	395	5	-	3,162	-	36,079
<b>92500</b>	<b>Total Tenant Services</b>	<b>7,726</b>	<b>5,127</b>	<b>2,712</b>	<b>2,823</b>	<b>3,264</b>	<b>5,861</b>	<b>1,200</b>	<b>2,879</b>	<b>318</b>	<b>1,102</b>	<b>127</b>	<b>3,386</b>	<b>395</b>	<b>5</b>	-	<b>3,162</b>	-	<b>40,087</b>
93100	Water	159,742	277,977	215,326	221,363	178,486	185,344	138,557	341,673	114,396	213,871	162,680	227,988	133,253	44,055	70,770	85,988	-	2,771,469
93200	Electricity	96,335	68,042	100,663	47,920	428,912	501,117	117,958	129,917	132,246	129,639	108,112	52,513	28,021	38,741	194,386	9,599	-	2,184,121
93300	Gas	18,834	-	340,107	3,257	132,398	210,164	27,103	205,210	102,776	197,036	167,069	19,096	6,813	38,635	59,886	39,217	-	1,567,601
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	729	-	-	729
93600	Sewer	340,310	460,089	424,039	417,624	522,312	530,503	55,140	132,121	114,566	287,696	42,071	352,238	256,978	46,442	114,006	106,124	-	4,202,259
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>93000</b>	<b>Total Utilities</b>	<b>615,221</b>	<b>806,108</b>	<b>1,080,135</b>	<b>690,164</b>	<b>1,262,108</b>	<b>1,427,128</b>	<b>338,758</b>	<b>808,921</b>	<b>463,984</b>	<b>828,242</b>	<b>479,932</b>	<b>651,835</b>	<b>425,065</b>	<b>167,873</b>	<b>439,777</b>	<b>240,928</b>	-	<b>10,726,179</b>

See accompanying independent auditor's report.

Hawaii Public Housing Authority  
 Financial Data Schedule  
 Project Revenue and Expense Summary  
 June 30, 2019

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	522,111	423,550	462,193	480,634	635,220	675,824	428,899	400,007	299,032	-	-	-	-	-	-	-	-	4,327,470
94200	Ordinary Maintenance and Operations - Materials & Other	200,642	184,769	160,111	252,070	357,357	232,571	173,192	157,261	67,338	127,780	75,429	62,134	139,658	43,141	48,004	77,148	-	2,358,605
94300	Ordinary Maintenance and Operations Contracts	501,932	478,510	414,101	576,484	793,527	435,147	206,307	181,997	131,950	819,428	626,108	610,994	591,609	347,719	557,299	417,549	-	7,690,661
94500	Employee Benefit Contributions - Ordinary Maintenance	337,713	255,727	267,127	277,813	358,312	425,294	243,119	242,273	191,303	-	-	-	-	-	-	-	-	2,598,681
<b>94000</b>	<b>Total Maintenance</b>	<b>1,562,398</b>	<b>1,342,556</b>	<b>1,303,532</b>	<b>1,587,001</b>	<b>2,144,416</b>	<b>1,768,836</b>	<b>1,051,517</b>	<b>981,538</b>	<b>689,623</b>	<b>947,208</b>	<b>701,537</b>	<b>673,128</b>	<b>731,267</b>	<b>390,860</b>	<b>605,303</b>	<b>494,697</b>	-	<b>16,975,417</b>
95100	Protective Services - Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	379,614	551,540	771,766	248,045	161,849	401,720	115	-	-	594,485	-	-	-	-	-	642	-	3,109,776
95300	Protective Services - Other	-	133	4,849	5,043	-	10,573	676	-	-	-	-	-	-	-	-	-	-	21,274
<b>95000</b>	<b>Total Protective Services</b>	<b>379,614</b>	<b>551,673</b>	<b>776,615</b>	<b>253,088</b>	<b>161,849</b>	<b>412,293</b>	<b>791</b>	-	-	<b>594,485</b>	-	-	-	-	-	-	<b>642</b>	<b>3,131,050</b>
96110	Property Insurance	27,883	40,386	19,854	31,701	24,805	22,930	45,603	33,067	21,872	7,679	23,727	24,224	31,413	14,180	13,093	9,646	-	392,063
96120	Liability Insurance	1,171	746	797	534	1,088	1,357	970	499	863	4,788	-	7,716	6,509	-	10,439	2,464	-	39,941
96130	Workmen's Compensation	3,797	3,199	3,065	3,190	4,021	4,467	3,882	3,513	2,496	-	-	-	-	-	-	-	-	31,630
96140	All Other Insurance	1,854	865	1,016	1,052	1,076	1,735	2,566	8,809	1,979	1,593	12,399	3,397	3,404	11,746	-	578	-	54,069
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>34,705</b>	<b>45,196</b>	<b>24,732</b>	<b>36,477</b>	<b>30,990</b>	<b>30,489</b>	<b>53,021</b>	<b>45,888</b>	<b>27,210</b>	<b>14,060</b>	<b>36,126</b>	<b>35,337</b>	<b>41,326</b>	<b>25,926</b>	<b>23,532</b>	<b>12,688</b>	-	<b>517,703</b>
96200	Other General Expenses	6,300	17,016	13,470	-	-	22,130	-	2,087	-	6,078	-	-	14,108	-	-	1,624	2,068,938	2,151,751
96210	Compensated Absences	(20,480)	13,319	(4,226)	(4,399)	16,423	4,024	(7,822)	(14,470)	1,306	-	-	-	-	-	-	-	-	(16,325)
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	68,724	50,984	42,022	-	19,003	-	25,902	-	-	-	-	206,635
96400	Bad Debt - Tenant Rents	10,397	24,754	18,182	8,005	17,118	27,426	(1,632)	29,203	2,362	27,859	5,780	6,084	5,164	29,874	758	2,727	-	214,061
<b>96000</b>	<b>Total Other General Expenses</b>	<b>(3,783)</b>	<b>55,089</b>	<b>27,426</b>	<b>3,606</b>	<b>33,541</b>	<b>53,580</b>	<b>59,270</b>	<b>67,804</b>	<b>45,690</b>	<b>33,937</b>	<b>24,783</b>	<b>6,084</b>	<b>19,272</b>	<b>55,776</b>	<b>758</b>	<b>4,351</b>	<b>2,068,938</b>	<b>2,556,122</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>3,712,279</b>	<b>3,712,611</b>	<b>4,139,241</b>	<b>3,496,084</b>	<b>5,036,945</b>	<b>5,135,970</b>	<b>2,496,563</b>	<b>2,855,168</b>	<b>1,941,521</b>	<b>2,850,582</b>	<b>1,723,530</b>	<b>1,880,275</b>	<b>1,760,996</b>	<b>959,186</b>	<b>1,457,510</b>	<b>1,079,070</b>	<b>2,177,830</b>	<b>46,415,361</b>
<b>97000</b>	<b>Excess of Operating Revenue Over Operating Expenses</b>	<b>(5,944)</b>	<b>1,386,787</b>	<b>181,766</b>	<b>(53,201)</b>	<b>229,155</b>	<b>1,114,610</b>	<b>37,558</b>	<b>163,946</b>	<b>(101,032)</b>	<b>(546,313)</b>	<b>25,916</b>	<b>619,486</b>	<b>496,468</b>	<b>(12,767)</b>	<b>2,529,977</b>	<b>1,267,726</b>	-	<b>7,334,138</b>
97300	Housing Assistance Payments	6,591	10,537	1,763	3,432	2,633	-	-	-	-	-	-	7,004	5,171	-	-	-	-	37,131
97350	HAP Portability-In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97400	Depreciation Expense	814,557	2,318,988	649,336	1,151,448	994,980	1,206,603	2,249,232	1,283,900	971,771	213,539	868,013	949,928	1,401,021	798,756	482,304	505,884	-	16,860,260
<b>97000</b>	<b>Subtotal</b>	<b>821,148</b>	<b>2,329,525</b>	<b>651,099</b>	<b>1,154,880</b>	<b>997,613</b>	<b>1,206,603</b>	<b>2,249,232</b>	<b>1,283,900</b>	<b>971,771</b>	<b>213,539</b>	<b>868,013</b>	<b>956,932</b>	<b>1,406,192</b>	<b>798,756</b>	<b>482,304</b>	<b>505,884</b>	-	<b>16,897,391</b>
<b>90000</b>	<b>Total Expenses</b>	<b>4,533,427</b>	<b>6,042,136</b>	<b>4,790,340</b>	<b>4,650,964</b>	<b>6,034,558</b>	<b>6,342,573</b>	<b>4,745,795</b>	<b>4,139,068</b>	<b>2,913,292</b>	<b>3,064,121</b>	<b>2,591,543</b>	<b>2,837,207</b>	<b>3,167,188</b>	<b>1,757,942</b>	<b>1,939,814</b>	<b>1,584,954</b>	<b>2,177,830</b>	<b>63,312,752</b>
10010	Operating Transfer In	35,166	23,235	25,262	28,787	43,092	48,907	45,702	45,985	27,610	19,299	26,907	28,249	29,660	18,975	18,106	10,199	-	475,141
10020	Operating Transfer Out	(35,166)	(23,235)	(25,262)	(28,787)	(43,092)	(48,907)	(45,702)	(45,985)	(27,610)	(19,299)	(26,907)	(28,249)	(29,660)	(18,975)	(18,106)	(10,199)	-	(475,141)
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-	-	-	400,000	-	-	-	-	-	-	-	400,000
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-	-	-	-	-	(200,000)	(200,000)	-	-	-	-	(400,000)
10093	Transfers Between Program and Project - In	387,087	558,364	772,653	244,550	176,599	424,931	132,662	17,897	2,722	287,730	4,096	18,761	551	251	7,910	290	-	3,037,054
10094	Transfers Between Program and Project - Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>10100</b>	<b>Total Other Financing Sources (Uses)</b>	<b>387,087</b>	<b>558,364</b>	<b>772,653</b>	<b>244,550</b>	<b>176,599</b>	<b>424,931</b>	<b>132,662</b>	<b>17,897</b>	<b>2,722</b>	<b>687,730</b>	<b>4,096</b>	<b>(181,239)</b>	<b>(199,449)</b>	<b>251</b>	<b>7,910</b>	<b>290</b>	-	<b>3,037,054</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(440,005)</b>	<b>(384,374)</b>	<b>303,320</b>	<b>(963,531)</b>	<b>(591,859)</b>	<b>332,938</b>	<b>(2,079,012)</b>	<b>(1,102,057)</b>	<b>(1,070,081)</b>	<b>(72,122)</b>	<b>(838,001)</b>	<b>(518,685)</b>	<b>(1,109,173)</b>	<b>(811,272)</b>	<b>2,055,583</b>	<b>762,132</b>	-	<b>(6,526,199)</b>
11030	Beginning Equity	23,386,675	30,455,792	13,662,010	20,753,039	18,179,757	18,434,087	38,469,184	21,979,995	17,760,472	15,123,027	15,429,840	14,515,058	20,038,303	11,341,693	9,504,337	19,378,288	-	308,411,557
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(440,005)	(384,374)	303,320	(963,531)	(591,859)	332,938	(2,079,012)	(1,102,057)	(1,070,081)	(72,122)	(838,001)	(518,685)	(1,109,173)	(811,272)	2,055,583	762,132	-	(6,526,199)
11040-010	Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11040-070	Equity Transfer of Capital Contributions	1,348,085	2,206,253	197,191	-	3,516,289	2,674,397	6,844,447	2,339,479	1,758,785	10,413	186,157	2,105,046	323,589	3,970	2,497,668	2,728,406	-	28,740,175
	<b>Ending Equity</b>	<b>24,294,755</b>	<b>32,277,671</b>	<b>14,162,521</b>	<b>19,789,508</b>	<b>21,104,187</b>	<b>21,441,422</b>	<b>43,234,619</b>	<b>23,217,417</b>	<b>18,449,176</b>	<b>15,061,318</b>	<b>14,777,996</b>	<b>16,101,419</b>	<b>19,252,719</b>	<b>10,534,391</b>	<b>14,057,588</b>	<b>22,868,826</b>	-	<b>330,625,533</b>

See accompanying independent auditor's report.

**Hawaii Public Housing Authority**  
**Financial Data Schedule**  
**GASB No. 54 Supplemental Reporting Schedule**  
**June 30, 2019**

<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 Housing Assistance Payments</u>	<u>State/Local</u>	<u>Total</u>
513	Total Equity as Reported in FDS	<u>\$ (1,313,867)</u>	<u>\$ 2,897,970</u>	<u>\$ 83,112,202</u>	<u>\$ 84,696,305</u>
508.3	Nonspendable Fund Balance	\$ 29,366	\$ -	\$ 3,890,615	\$ 3,919,981
509.3	Restricted Fund Balance	74,692	-	-	74,692
510.3	Committed Fund Balance	-	-	42,571,829	42,571,829
511.3	Assigned Fund Balance	(1,417,925)	2,897,970	36,649,758	38,129,803
512.3	Unassigned Fund Balance	-	-	-	-
	Total Equity as Calculated	<u>\$ (1,313,867)</u>	<u>\$ 2,897,970</u>	<u>\$ 83,112,202</u>	<u>\$ 84,696,305</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, 2019, 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, 2020.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*KMH LLP*

KMH LLP

Honolulu, Hawaii  
March 10, 2020

**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, 2019. 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 considered necessary in the circumstances.

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

### **Opinion on Each Major Federal 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 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, 2019.

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

Our consideration of internal control 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, 2019, and have issued our report thereon dated March 10, 2020, 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, 2020

**PART IV**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



# Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2019

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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

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 Contract Administration
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: \$3,000,000

Auditee qualified as low-risk auditee?  Yes  No

# **Hawaii Public Housing Authority**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2019

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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, 2019

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## **Section III – Federal Award Findings and Questioned Costs**

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No matters were reported.

**PART V**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

# **Hawaii Public Housing Authority**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2019

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## **Section I – Summary Schedule of Prior Audit Findings**

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No matters were reported.