

# **Hawaii Public Housing Authority**

Financial Statements

June 30, 2015

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR  
STATE OF HAWAII**



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A Hawaii Limited Liability Partnership

March 14, 2016

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, 2015. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, Government Auditing Standards, *Audits of States, Local Governments, and Non-Profit Organizations*.

#### **OBJECTIVES OF THE AUDIT**

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the Authority's basic financial statements as of and for the fiscal year ended June 30, 2015, and to comply with the requirements of OMB Circular A-133. The objectives of the audit were as follows:

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

## **SCOPE OF THE AUDIT**

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of the Authority as of and for the fiscal year ended June 30, 2015.

## **ORGANIZATION OF THE REPORT**

This report is presented in five parts as follows:

- Part I – The basic financial statements and related notes of the Authority as of and for the fiscal year ended June 30, 2015, and our opinion on the basic financial statements.
- Part II – Our report on internal control over financial reporting and compliance.
- Part III – Our report on compliance for each major program; internal control over compliance; and report on schedule of expenditures of federal awards.
- Part IV – The schedule of findings and questioned costs and management responses
- Part V – The summary schedule of prior audit findings.

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

Sincerely,



Wilcox Choy  
Partner

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**PART I**  
**FINANCIAL SECTION**



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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, 2015 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, 2015, 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 Matter**

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, 2015, 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.

As discussed in Note 1 to the financial statements of the Authority, in 2015 the Authority adopted Governmental Accounting Standards Board (GASB) Statements No. 68 (GASB 68), Accounting and Reporting for Pensions (an amendment of GASB Statement No. 27) and GASB Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68. As a result of adopting these standards the net position at July 1, 2014 has been restated. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison schedules and Schedule of the Authority's Proportionate Share of the Net Pension Liability and Schedule of the Authority's Contributions on pages 9 through 20 and pages 75 through 80, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other



knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards on pages 82 and 83, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is not a required part of the basic financial statements.

The accompanying Financial Data Schedule on pages 84 through 90 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

KMH LLP

KMH LLP

Honolulu, Hawaii  
March 14, 2016

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2015

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, 2015. 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, 2015, readers should review this in conjunction with the financial statements that follow.

## INTRODUCTION

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

During the audited period of July 1, 2014 to June 30, 2015, the HPHA administered the following programs:

- Federal public housing programs  
The HPHA administered over 5,300 federal public housing units in Hawaii with funds received from the United States Department of Housing and Urban Development (HUD).
- State public housing programs  
The HPHA administered over 860 state public housing units developed with State funds.
- Federal and State rent subsidy programs  
The HPHA administered two federally funded rental assistance programs - Section 8 Housing Choice Voucher Program and Veterans Affairs Supportive Housing Program, and the State funded rental assistance program, subsidizing monthly rental payments to qualified households.

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2015

- 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

- In June 2012, GASB issued Statement No. 68 (GASB 68), *Accounting and Reporting for Pensions (an amendment of GASB Statement No. 27)*. GASB 68 is effective for the Authority's financial statements for the current fiscal year. The net effects of implementing GASB 68 include a \$23.36 million increase in net pension liability and a \$23.24 million decrease in net position at June 30, 2015. As the measurement date is back to 2013, fiscal year 2014 financial statements have been restated to reflect the ending balance at June 30, 2014. Comparisons and analysis regarding fiscal year 2014 use amounts contained in restated fiscal year 2014 financial statements.
- At the close of the fiscal year, the assets of the HPHA exceeded its liabilities by \$468.70 million. Of this amount, \$309.14 million was invested in capital assets (as detailed on *Government-Wide Statement of Net Position, page 21*).
- The HPHA's government wide net position increased by \$8.93 million. The increase in net position is due to the offsetting activities of governmental activities and business-type activities as follows:
  - a. Governmental activities increase in net position of \$4.51 million is primarily due to State allotted appropriations of \$25.56 million, net of lapsed funds of \$0.73 million, and net transfers out of \$6.25 million (as detailed on *Government-Wide Statement of Activities, page 23*).
  - b. Business-type activities increase in net position of \$4.42 million (as detailed on *Government-Wide Statement of Activities, page 23*) is due to capital contributions of \$13.54 million and net transfers in of \$6.25 million from Governmental Activities, offset by a loss before transfers of \$15.37 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*).

The capital contribution is related to the Capital Projects fund and General fund's current year capital outlay of \$13.51 and \$0.03 million, respectively (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 26*), expended for the benefit of business-type activities funds.

Similar to the prior year, the \$6.25 million net operating transfers in are related to rental housing shortfalls paid for by the General fund and Capital Projects fund (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 26*).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2015

The loss before transfers of \$15.37 million is primarily due to higher personnel and repair and maintenance costs (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, pages 31 and 32*).

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

This report also contains other supplemental information in addition to the basic financial statements themselves. The report is a summary generated from over 650,000 transactions or approximately 2,000 transactions per day.

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

The *Statement of Net Position* presents information on all of the HPHA's assets and liabilities, 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 used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent each expenditure function draws from general and federal revenues of the HPHA or is financed through charges for services and intergovernmental aid (primarily federal programs and state appropriations).

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

- **Governmental activities:** The activities in this section are primarily supported by State appropriations and by HUD contributions, and focus on money flow into and out of those funds and the balances left at year-end. The governmental funds statements – the *Balance Sheet* and the *Statement of Revenues and Expenditures and Changes in Fund Balances* – are reported using

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2015

current financial resources measurement and the modified accrual 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. Business-type activities are reported using an accrual basis of accounting and the economic resources measurement focus.

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

The financial activities of the HPHA are recorded in individual funds, each deemed to be a separate accounting entity. Funds are then either reported as a major or non-major fund. The criteria for determining "major" or "non-major" funds is based on Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments. Major funds are reported separately, while non-major funds are combined as a whole and separated as 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, 2015

## 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 Positions						
June 30, 2015 and June 30, 2014						
(In thousands of dollars)						
	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets</b>						
Current & other assets	\$ 134,369	\$ 129,689	\$ 68,007	\$ 68,316	\$ 202,376	\$ 198,005
Capital assets	4,483	4,720	304,653	298,227	309,136	302,947
Other assets	-	-	8,717	8,717	8,717	8,717
Total Assets	138,852	134,409	381,377	375,260	520,229	509,669
Deferred Outflows of Resources	151	-	2,986	-	3,137	-
Total Assets & Deferred Outflows of Resources	\$ 139,003	\$ 134,409	\$ 384,363	\$ 375,260	\$ 523,366	\$ 509,669
<b>Liabilities</b>						
Current & other liabilities	\$ 2,566	\$ 3,178	\$ 6,257	\$ 6,788	\$ 8,823	\$ 9,966
Long-term liabilities	2,251	89	40,694	16,611	42,945	16,700
Total Liabilities	4,817	3,267	46,951	23,399	51,768	26,666
Deferred Inflows of Resources	140	-	2,763	-	2,903	-
<b>Net Position</b>						
Investment in capital assets, net of related debt	4,483	4,720	304,653	298,227	309,136	302,947
Restricted	2,600	2,276	-	-	2,600	2,276
Unrestricted	126,963	124,146	29,996	53,634	156,959	177,780
Total Net Position	134,046	131,142	334,649	351,861	468,695	483,003
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 139,003	\$ 134,409	\$ 384,363	\$ 375,260	\$ 523,366	\$ 509,669

### Statement of Net Position

Net position may serve over time as a useful indicator of the HPHA's financial position. At the close of the fiscal year, the HPHA's assets exceeded its liabilities by \$468.70 million. \$309.14 million of net position was invested in capital assets, net of related debt. As discussed in the financial highlights, net position increased by \$8.93 million during the fiscal period (as detailed on *Government-Wide Statement of Net Position and Statement of Activities, pages 21, 22 & 23*).

Of the HPHA's total assets, \$309.14 million (or 59.1%) represents capital assets. Cash and Due from the State of Hawaii (as presented in the detailed *Government-Wide Statement of Net Position, page 21*) in the amount of \$196.85 million comprises 37.6% of total assets. Amounts in "Due from the State of Hawaii" represent available State allotted appropriations designated for capital improvement projects. Net

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2015

position for the previous fiscal year had a similar composition with the majority of total net position represented by capital assets.

Accounts payable and accrued current expenses of \$7.07 million comprise 80.1% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position*, page 22). Long term liabilities increased by \$29.15 million from the prior year. This is primarily due to the increase in net pension liability of \$23.36 million and deferred inflow of resources of \$2.90 million (as detailed in the *Notes to the Financial Statements*, #7, page 60). The HPHA's obligations related to pension and other post retirement employee benefits are based on reports provided by the State's Department of Accounting and General Services.

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, 2015 and June 30, 2014  
(In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 19,906	\$ 19,315	\$ 19,906	\$ 19,315
Operating grants & contributions	57,494	52,662	22,536	20,358	80,030	73,020
Capital grants & contributions	-	-	10,877	13,869	10,877	13,869
Other income	-	-	549	47	549	47
General Revenues:						
State allotted appropriations, net of lapsed funds	25,558	49,630	-	-	25,558	49,630
<b>Total Revenues</b>	<b>83,052</b>	<b>102,292</b>	<b>53,868</b>	<b>53,589</b>	<b>136,920</b>	<b>155,881</b>
<b>Expenses</b>						
Governmental Activities						
Rental housing assistance program	72,290	69,590	-	-	72,290	69,590
Business-Type Activities						
Rental assistance program	-	-	53,663	58,285	53,663	58,285
Housing development program	-	-	9,552	8,591	9,552	8,591
Other expenses	-	-	6,020	3,109	6,020	3,109
<b>Total government-wide expenses</b>	<b>72,290</b>	<b>69,590</b>	<b>69,235</b>	<b>69,985</b>	<b>141,525</b>	<b>139,575</b>
Excess (deficiency) of revenues over (under) expenses	10,762	32,702	(15,367)	(16,396)	(4,605)	16,306
Capital contributions	-	-	13,539	14,479	13,539	14,479
Transfers	(6,251)	(6,682)	6,251	6,682	-	-
<b>CHANGES IN NET POSITION</b>	<b>4,511</b>	<b>26,020</b>	<b>4,423</b>	<b>4,765</b>	<b>8,934</b>	<b>30,785</b>
Net position at July 1, 2014, as restated	129,535	105,122	330,226	347,095	459,761	452,217
<b>Net position, end of year</b>	<b>\$ 134,046</b>	<b>\$ 131,142</b>	<b>\$ 334,649</b>	<b>\$ 351,860</b>	<b>\$ 468,695</b>	<b>\$ 483,002</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2015

## Statement of Activities

Operating grants and contributions increased by \$7.01 million in the current year from \$73.02 million to \$80.03 million. Capital grants and contributions decreased by \$2.99 million in the current year from \$13.87 million to \$10.88 million. HUD operating subsidies for federal public housing program increased by \$2.18 million or 10.7%, from \$20.36 million in prior year to \$22.54 million. Contributing to the business-type activities operating loss of \$15.92 million for the year (as detailed in the *Government – Wide Statement of Activities, Page 23*), was higher rental assistance program losses due to higher management fees, personnel costs and utilities. Consequently, business-type activities recognized net loss, before capital contributions and transfers, of \$15.37 million.

Governmental activities net position increased by \$4.51 million from prior year's \$129.54 million to current year's \$134.05 million. This increase is primarily due to State allotted appropriations of \$26.29 million, net of lapsed capital funds of \$0.73 million, and net transfers out of \$6.25 million (as detailed in *Government-Wide Statement of Net Position, Page 22*).

## FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

### Governmental Funds

The focus of the HPHA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HPHA's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the HPHA's net 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 23*).

- At the end of the fiscal year, combined fund balances amounted to \$131.80 million, of which \$126.77 million was reserved for capital projects, an increase of \$5.29 million, in comparison with the prior year's combined fund balance of \$126.51 million (as detailed in *Governmental Funds, Balance Sheet, page 21* and *Statement of Revenues, Expenditures and Changes in Fund Balances, page 26*).
- Under the General fund, excess of revenues over expense at the end of the fiscal year was \$4.06 million. However, \$4.10 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 26*).
- The Capital Projects fund balance increased by \$5.01 million, to \$126.77 million from prior year's \$121.76 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 26*). The HPHA received allotted appropriation of \$20.49 million,



# Hawaii Public Housing Authority

## Management Discussion and Analysis

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net of lapsed fund of \$0.43 million. Capital outlay was \$13.51 million, and net transfers out was \$1.97 million.

- The Housing Choice Voucher Program fund balance increased by \$0.32 million, to \$2.60 million. This is mainly because of the excess \$0.32 million revenue over expenditures.
- The Section 8 Contract Administration fund balance decreased by \$0.01 million to \$1.80 million. Revenue exceeded expenses by \$0.18 million, offset by operating transfer out of \$0.19 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 its housing projects and other indirect and administrative costs of the HPHA. The COCC fund charges fees to the HPHA's various federal housing projects for administrative services and general oversight.
- Combined Proprietary Funds losses before transfers amounted to \$15.371 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*), compared with prior year loss of \$16.40 million. The change is due to a combination of a decrease in other revenue of \$1.18 million, offset by an increase in expenses such as repair and maintenance of \$1.07 million, increase in personnel expense by \$1.28 million and decrease in administration expense by \$1.44 million.
- The COCC finished the current year with a loss before transfers of \$5.01 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*), in comparison to prior year's loss of \$0.02 million. This is due to a decrease in fee-for-service revenue of \$2.43 million from prior year's \$9.49 million, decrease in other income of \$1.27 million from prior year's \$1.68 million, and \$1.02 million increase related to staff cost, resulting in \$4.54 million net position change, from prior year's \$13.51 million to current year's \$8.96 million.
- Under the Federal Low Rent Program, net loss before transfers decreased by \$5.37 million to \$5.26 million, compared to prior year net loss of \$10.63 million. The variance was mainly due to a decrease in repair and maintenance expenses of \$3.76 million. The program's net position increased by \$10.25 million from prior year's \$244.44 million to \$254.69 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*).

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2015

- The State family projects or Housing Revolving fund losses before transfers amounted to \$1.98 million. This was mainly because rental income received was not sufficient to support operational expenditures (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*).
- 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 \$2.22 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 32*).
- Other Enterprise funds loss before transfers amounted to \$0.95 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions, page 32*) compared with prior year loss of \$1.03 million.
- Ke Kumu Ekahi 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, 2015 is approximately \$309.14 million, net of related debt. This investment in capital assets includes land, buildings and improvements, equipment, furniture, and fixtures, and construction in progress. (Detailed in *Notes to the Financial Statements, #5, page 54 and 55*).

HPHA Capital Assets  
Years Ended June 30, 2015 and June 30, 2014  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,325	15,325	592,353	573,984	607,678	589,309
Equipment	1,292	1,292	8,082	7,836	9,374	9,128
Construction in progress	-	23	33,990	28,954	33,990	28,977
Total	18,990	19,013	657,391	633,740	676,381	652,753
Accumulated depreciation	(14,507)	(14,293)	(352,738)	(335,514)	(367,245)	(349,807)
Total Capital Assets, net	\$ 4,483	\$ 4,720	\$ 304,653	\$ 298,226	\$ 309,136	\$ 302,946

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2015

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

## Major Projects Outstanding (Construction in Progress) at the End of the Year

- AMP 30 Hale Laulima, Site and Dwelling Improvements, \$2.31 million
- AMP 30 Salt Lake Apartment, Modernization of Salt Lake Apartments, \$1.85 million
- AMP 31 Kalihi Valley Homes, Site & Dwelling Improvements, \$0.70 million
- AMP 31 Kalihi Valley Homes, Reroofing, \$0.94 million
- AMP 31 Hauiki Homes, Upgrade Electrical Distribution System, \$0.62 million
- AMP 31 Puahala Homes I, Site and Building Improvements , \$0.24 million
- AMP 32 Mayor Wright Homes, Homes Modernization, \$1.21 million
- AMP 33 Kaahumanu Homes, Infrastructure, Spall Repair and Painting, \$0.40 million
- AMP 34 Makua Alii, Reroofing and Structural Repairs , \$3.03 million
- AMP 37 Lanakila Homes I, Physical Improvements, \$1.45 million
- AMP 37 Pomaikai Homes (E), Site and Building Improvements, \$1.79 million
- AMP 37 Pahala (E), Site and Building Improvements, \$0.16 million
- AMP 37 Hale Aloha O Puna (E), Site and Building Improvements, \$0.16 million
- AMP 37 Lanakila Homes IV, Physical Improvements, \$0.30 million
- AMP 37 Lokahi, Solar Hot Water Heating System, \$0.25 million
- AMP 38 Kapaa, Sewage Improvements, Electrical Upgrades, Building and Site Improvements, \$1.62 million
- AMP 38 Eleele Homes , ADA Accessibility Compliance, \$1.31 million
- AMP 38 Hui O Hanamaulu, New Solar Water Heating Systems With Tankless Gas, \$2.78 million
- AMP 38 Home Nani (E), ADA Accessibility Compliance, \$0.16 million
- AMP 38 Hale Hoonanea (E) (Port Allen), ADA Accessibility Compliance, \$0.99 million
- AMP 38 Kekaha Ha'aheo, ADA Accessibility Compliance, \$2.05 million
- AMP 39 David Malo Circle, Site & Dwelling Improvements, \$0.28 million
- AMP 39 Kahale Mua, Site and Dwelling Improvements, \$0.19 million
- AMP 39 Kahale Mua, Site and Dwelling Improvements, \$0.20 million
- AMP 42 Hale Po'ai, Building Improvements, \$2.27 million

## **Debt Activity**

As of June 30, 2015, HPHA has no mortgage or notes payable debt outstanding. The two loans for the Banyan Street Manor development were paid in full during the fiscal year ended June 30, 2011. During the fiscal year ended June 30, 2011, approximately \$291,605 was paid as part of the planned amortization and sale of Banyan Street Manor development. No additional debt was incurred during the fiscal year ended June 30, 2015.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2015

## CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

During the 2009 legislative session, S.B. bill No. 910 was enacted and required the transfer of the functions and duties of the homeless programs branch of the HPHA to the Department of Human Services, effective July 1, 2010. The impact of the transfer to the HPHA's net position was approximately \$22,000,000 and was included in intergovernmental transfers under governmental activities in the governmental-wide statement of activities. The HPHA, however, continues to hold title to the State owned shelter facilities.

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

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

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

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

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes (KH) in Kalihi. KH is operated by the HPHA. Neither Iris, who was 18 years old, or Ahn were residents at KH and may have visited residents of KH on the evening of the murder, although this has not been confirmed. The complaint alleges, among other things, that the State: failed to secure, properly monitor and light the premises; "encouraged hoodlums like Defendant Ahn to enter the premises"; removed gates to keep "gangsters" out; "allowed sexual predators onto the premises"; and refused to enforce a curfew for hoodlums. Defendant Ahn was criminally convicted of murder in July 2012. The conviction was upheld on appeal. The case was stayed from October 2012 to June 2015, pending completion of the appeal of Defendant Ahn's criminal conviction. The parties have resumed discovery and are in the process of

# **Hawaii Public Housing Authority**

Management Discussion and Analysis

June 30, 2015

rescheduling the arbitration hearing. The State intends to vigorously defend this case. Trial is presently set for June 27, 2016.

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

During 2015, HPHA negotiated with Hunt Development Group, McCormack Barron Salazar and the Vitus Group for the 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.

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

## **CONTACT INFORMATION**

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

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION

June 30, 2015

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 4,055,263	\$ 60,509,072	\$ 64,564,335
Restricted cash	383,365	2,435,912	2,819,277
Due from State of Hawaii	129,466,408	-	129,466,408
Receivables:			
Accrued interest	-	3,373	3,373
Tenant receivables, less allowance for doubtful receivables of \$1,403,048	-	279,520	279,520
Other	27,805	53,112	80,917
	<u>27,805</u>	<u>336,005</u>	<u>363,810</u>
Internal balances	(2,088,216)	2,088,216	-
Due from other state agencies	-	13,791	13,791
Due from HUD	243,046	2,040,667	2,283,713
Inventories	-	535,187	535,187
Prepaid expenses and other assets	2,281,205	12,962	2,294,167
Deposits held in trust	-	35,660	35,660
Total current assets	<u>134,368,876</u>	<u>68,007,472</u>	<u>202,376,348</u>
Notes Receivable	-	8,716,630	8,716,630
Capital Assets, less accumulated depreciation	<u>4,483,276</u>	<u>304,652,946</u>	<u>309,136,222</u>
Total assets	138,852,152	381,377,048	520,229,200
Deferred Outflows of Resources	<u>151,434</u>	<u>2,985,888</u>	<u>3,137,322</u>
Total assets and deferred outflows of resources	<u>\$ 139,003,586</u>	<u>\$ 384,362,936</u>	<u>\$ 523,366,522</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION (continued)

June 30, 2015

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 2,172,081	\$ 2,117,324	\$ 4,289,405
Accrued expenses	394,141	2,386,669	2,780,810
Due to State of Hawaii	-	571,402	571,402
Security deposits	-	801,640	801,640
Deferred income	-	379,965	379,965
Total current liabilities	<u>2,566,222</u>	<u>6,257,000</u>	<u>8,823,222</u>
Accrued Expenses	628,645	18,960,349	19,588,994
Net Pension Liability	<u>1,621,883</u>	<u>21,734,058</u>	<u>23,355,941</u>
Total liabilities	4,816,750	46,951,407	51,768,157
Deferred Inflows of Resources	<u>140,126</u>	<u>2,762,925</u>	<u>2,903,051</u>
Commitments and Contingencies			
Net Position:			
Invested in capital assets, net of related debt	4,483,276	304,652,946	309,136,222
Restricted by legislation and contractual agreements	2,600,107	-	2,600,107
Unrestricted	<u>126,963,327</u>	<u>29,995,658</u>	<u>156,958,985</u>
Total net position	<u>134,046,710</u>	<u>334,648,604</u>	<u>468,695,314</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 139,003,586</u>	<u>\$ 384,362,936</u>	<u>\$ 523,366,522</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Expenses	Program Revenues			Net (expense) revenue and changes in net position		
		Charges for services and other revenues	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Functions/Programs:							
Governmental activity --							
Rental Housing and Assistance Program	\$ 72,290,797	\$ -	\$ 57,494,195	\$ -	\$ (14,796,602)	\$ -	\$ (14,796,602)
Total governmental activities	<u>72,290,797</u>	<u>-</u>	<u>57,494,195</u>	<u>-</u>	<u>(14,796,602)</u>	<u>-</u>	<u>(14,796,602)</u>
Business-type activities:							
Rental assistance program	53,663,136	14,991,077	22,536,390	10,876,857	-	(5,258,812)	(5,258,812)
Rental housing program	9,552,009	4,402,107	-	-	-	(5,149,902)	(5,149,902)
Others	6,019,483	512,883	-	-	-	(5,506,600)	(5,506,600)
Total business-type activities	<u>69,234,628</u>	<u>19,906,067</u>	<u>22,536,390</u>	<u>10,876,857</u>	<u>-</u>	<u>(15,915,314)</u>	<u>(15,915,314)</u>
Total government-wide	<u>\$ 141,525,425</u>	<u>\$ 19,906,067</u>	<u>\$ 80,030,585</u>	<u>\$ 10,876,857</u>	<u>(14,796,602)</u>	<u>(15,915,314)</u>	<u>(30,711,916)</u>
State Allotted Appropriations, net of lapsed funds of \$727,989					25,557,785	-	25,557,785
Other Non-Program Revenue					-	549,162	549,162
Capital Contributions					-	13,539,047	13,539,047
Net Transfers					(6,251,252)	6,251,252	-
Total general revenues and transfers					<u>19,306,533</u>	<u>20,339,461</u>	<u>39,645,994</u>
Change in net position					<u>4,509,931</u>	<u>4,424,147</u>	<u>8,934,078</u>
Net Position at July 1, 2014, as previously reported					131,142,017	351,860,457	483,002,474
Restatement					<u>(1,605,238)</u>	<u>(21,636,000)</u>	<u>(23,241,238)</u>
Net Position at July 1, 2014, as restated					<u>129,536,779</u>	<u>330,224,457</u>	<u>459,761,236</u>
Net Position at June 30, 2015					<u>\$ 134,046,710</u>	<u>\$ 334,648,604</u>	<u>\$ 468,695,314</u>

The accompanying notes are an integral part of this statement.



Hawaii Public Housing Authority

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2015

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Current Assets:</b>					
Cash	\$ -	\$ -	\$ 2,206,674	\$ 1,848,589	\$ 4,055,263
Restricted cash	-	-	383,365	-	383,365
Due from State of Hawaii	1,228,388	128,238,020	-	-	129,466,408
Other receivables	-	-	27,805	-	27,805
Due from other funds	-	-	178,120	-	178,120
Due from HUD	-	-	72,132	170,914	243,046
Prepaid expenses and other assets	28,778	-	2,252,427	-	2,281,205
Total assets	<u>\$ 1,257,166</u>	<u>\$ 128,238,020</u>	<u>\$ 5,120,523</u>	<u>\$ 2,019,503</u>	<u>\$ 136,635,212</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 612,269	\$ 1,465,091	\$ 19,797	\$ 74,924	\$ 2,172,081
Accrued expenses	14,979	-	235,162	144,000	394,141
Due to other funds	145	-	2,265,457	734	2,266,336
Total current liabilities	627,393	1,465,091	2,520,416	219,658	4,832,558
<b>Fund Balances:</b>					
Restricted by legislation and contractual agreements	-	-	2,600,107	-	2,600,107
Committed	-	64,297,474	-	-	64,297,474
Assigned	629,773	62,475,455	-	1,799,845	64,905,073
Total fund balances	629,773	126,772,929	2,600,107	1,799,845	131,802,654
Total liabilities and fund balances	<u>\$ 1,257,166</u>	<u>\$ 128,238,020</u>	<u>\$ 5,120,523</u>	<u>\$ 2,019,503</u>	<u>\$ 136,635,212</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

June 30, 2015

Total fund balance - governmental funds		\$	131,802,654
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	4,483,276		
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(81,832)		
Other post-retirement employee benefits are not due and payable in the current period and therefore are not reported in the funds	(546,813)		
Pension benefits are not due and payable in the current period and therefore are not reported in the funds	(1,621,883)		
Deferred outflows of resources related to the pension liability are not financial resources and therefore not reported in the funds	151,434		
Deferred inflows of resources related to the pension liability are not due and payable in the current period and therefore are not reported in the funds	(140,126)		
			<u>2,244,056</u>
Net position of governmental activities		\$	<u>134,046,710</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, 2015

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 26,112,335	\$ 31,345,995	\$ 57,458,330
State allotted appropriations, net of lapsed funds of \$727,989	5,065,920	20,491,865	-	-	25,557,785
Other	-	-	35,663	202	35,865
<b>Total revenues</b>	<b>5,065,920</b>	<b>20,491,865</b>	<b>26,147,998</b>	<b>31,346,197</b>	<b>83,051,980</b>
<b>Expenditures:</b>					
Housing assistance payments	375,831	-	24,598,735	30,191,484	55,166,050
Personnel services	384,247	-	403,112	73,004	860,363
Administration	119,330	-	685,099	2,524	806,953
Professional services	45,807	-	29,294	19,818	94,919
Security	220	-	587	-	807
Repairs and maintenance	9,059	-	10,747	-	19,806
Utilities	19,222	-	29,637	-	48,859
Project	-	-	-	877,252	877,252
Capital outlays	26,137	13,512,910	-	-	13,539,047
Other	27,197	-	66,203	1,497	94,897
<b>Total expenditures</b>	<b>1,007,050</b>	<b>13,512,910</b>	<b>25,823,414</b>	<b>31,165,579</b>	<b>71,508,953</b>
Excess (deficiency) of revenues over (under) expenditures	4,058,870	6,978,955	324,584	180,618	11,543,027
Other Financing Uses - Transfers Out	(4,095,362)	(1,968,856)	-	(187,034)	(6,251,252)
<b>Net change in fund balances</b>	<b>(36,492)</b>	<b>5,010,099</b>	<b>324,584</b>	<b>(6,416)</b>	<b>5,291,775</b>
Fund Balances at July 1, 2014	666,265	121,762,830	2,275,523	1,806,261	126,510,879
<b>Fund Balances at June 30, 2015</b>	<b>\$ 629,773</b>	<b>\$ 126,772,929</b>	<b>\$ 2,600,107</b>	<b>\$ 1,799,845</b>	<b>\$ 131,802,654</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, 2015

Net change in fund balances - total governmental funds		\$ 5,291,775
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those governmental activities assets, net of \$13,539,047 of capital contribution outlays, is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	(22,543)	
Less current year depreciation expense	<u>(214,140)</u>	(236,683)
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		6,989
Other post-retirement employee benefit expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(546,813)
Pension expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		<u>(5,337)</u>
Change in net assets of governmental activities		<u>\$ 4,509,931</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION

June 30, 2015

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	\$ 22,916,167	\$ 815,347	\$ 1,910,682	\$ 28,070,006	\$ 5,693,241	\$ 59,405,443	\$ 1,103,629
Restricted cash	-	-	-	2,435,912	-	2,435,912	-
	<u>22,916,167</u>	<u>815,347</u>	<u>1,910,682</u>	<u>30,505,918</u>	<u>5,693,241</u>	<u>61,841,355</u>	<u>1,103,629</u>
<b>Receivables:</b>							
Accrued interest	-	384	733	1,854	-	2,971	402
Tenant receivables, less allowance for doubtful accounts of \$1,403,048	236,327	26,031	748	-	16,414	279,520	-
Other	48,283	4,829	-	-	-	53,112	-
	<u>284,610</u>	<u>31,244</u>	<u>1,481</u>	<u>1,854</u>	<u>16,414</u>	<u>335,603</u>	<u>402</u>
Due from other funds	2,028,681	178,250	130,667	4,112,022	628,654	7,078,274	-
Due from other state agencies	-	-	-	13,791	-	13,791	-
Due from HUD	2,040,667	-	-	-	-	2,040,667	-
Inventories	445,190	5,804	55,848	28,345	-	535,187	-
Prepaid expenses and other assets	-	-	-	12,962	-	12,962	-
Deposits held in trust	-	-	-	-	35,660	35,660	-
Total current assets	<u>27,715,315</u>	<u>1,030,645</u>	<u>2,098,678</u>	<u>34,674,892</u>	<u>6,373,969</u>	<u>71,893,499</u>	<u>1,104,031</u>
Notes Receivable	8,716,630	-	-	-	-	8,716,630	-
Due from Other Funds	-	-	-	3,103,884	-	3,103,884	-
Capital Assets, less accumulated depreciation	236,746,363	20,879,551	34,693,831	182,732	11,885,546	304,388,023	264,923
Total assets	<u>273,178,308</u>	<u>21,910,196</u>	<u>36,792,509</u>	<u>37,961,508</u>	<u>18,259,515</u>	<u>388,102,036</u>	<u>1,368,954</u>
Deferred Outflows of Resources	1,382,481	107,518	-	1,495,889	-	2,985,888	-
Total assets and deferred outflows of resources	<u>\$ 274,560,789</u>	<u>\$ 22,017,714</u>	<u>\$ 36,792,509</u>	<u>\$ 39,457,397</u>	<u>\$ 18,259,515</u>	<u>\$ 391,087,924</u>	<u>\$ 1,368,954</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (continued)

June 30, 2015

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	\$ 1,687,678	\$ 37,546	\$ 74,423	\$ 246,930	\$ 70,747	\$ 2,117,324	\$ -
Accrued expenses	1,349,972	74,820	75,394	722,138	164,345	2,386,669	-
Due to other funds	652,877	262,233	39,455	-	4,035,493	4,990,058	-
Due to State of Hawaii	-	-	-	-	571,402	571,402	-
Security deposits	572,706	32,553	149,612	-	46,769	801,640	-
Deferred income	346,427	17,532	6,483	9,523	-	379,965	-
Total current liabilities	<u>4,609,660</u>	<u>424,684</u>	<u>345,367</u>	<u>978,591</u>	<u>4,888,756</u>	<u>11,247,058</u>	<u>-</u>
Accrued Expenses	692,898	48,346	-	18,219,105	-	18,960,349	-
Due to Other Funds	2,411,398	692,486	-	-	-	3,103,884	-
Net Pension Liability	10,873,324	947,764	-	9,912,970	-	21,734,058	-
Total liabilities	<u>18,587,280</u>	<u>2,113,280</u>	<u>345,367</u>	<u>29,110,666</u>	<u>4,888,756</u>	<u>55,045,349</u>	<u>-</u>
Deferred Inflows of Resources	<u>1,279,248</u>	<u>99,489</u>	<u>-</u>	<u>1,384,188</u>	<u>-</u>	<u>2,762,925</u>	<u>-</u>
Commitments and Contingencies							
<b>Net Position:</b>							
Invested in capital assets, net of related debt	236,746,363	20,879,551	34,693,831	182,732	11,885,546	304,388,023	264,923
Unrestricted	17,947,898	(1,074,606)	1,753,311	8,779,811	1,485,213	28,891,627	1,104,031
Total net position	<u>254,694,261</u>	<u>19,804,945</u>	<u>36,447,142</u>	<u>8,962,543</u>	<u>13,370,759</u>	<u>333,279,650</u>	<u>1,368,954</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 274,560,789</u>	<u>\$ 22,017,714</u>	<u>\$ 36,792,509</u>	<u>\$ 39,457,397</u>	<u>\$ 18,259,515</u>	<u>\$ 391,087,924</u>	<u>\$ 1,368,954</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

June 30, 2015

Total net position of enterprise funds	\$ 333,279,650
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>1,368,954</u>
Net position of business-type activities	<u><u>\$ 334,648,604</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, 2015

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
Operating Revenues:								
Rental	\$ 14,743,724	\$ 1,077,463	\$ 2,039,007	\$ -	\$ 1,022,978	\$ -	\$ 18,883,172	\$ 95,424
Fee-for-service	-	-	-	7,053,030	-	(7,053,030)	-	-
Other	247,353	37,732	203,855	417,459	21,072	-	927,471	-
Total operating revenues	14,991,077	1,115,195	2,242,862	7,470,489	1,044,050	(7,053,030)	19,810,643	95,424
Operating Expenses:								
Project	4,338,414	86,211	909,278	1,034	568,266	(457,114)	5,446,089	-
Personnel services	9,528,696	673,487	-	11,001,098	-	-	21,203,281	-
Depreciation	14,235,341	922,616	1,419,756	26,999	560,325	-	17,165,037	58,920
Administration	6,297,125	214,423	248,366	607,595	121,508	(6,595,916)	893,101	-
Provision for losses	32,352	32,376	1,718	209,379	108,531	-	384,356	-
Professional services	145,422	22,854	19,303	516,411	3,952	-	707,942	1,478
Security	1,886,689	241	516	10,831	-	-	1,898,277	-
Insurance	618,097	38,614	98,544	16,311	6,036	-	777,602	-
Repairs and maintenance	5,516,557	302,759	461,625	521,877	265,939	-	7,068,757	-
Utilities	10,967,656	799,666	1,308,436	100,580	356,663	-	13,533,001	-
Payments in lieu of taxes	96,787	-	-	-	-	-	96,787	-
Total operating expenses	53,663,136	3,093,247	4,467,542	13,012,115	1,991,220	(7,053,030)	69,174,230	60,398
Operating (loss) income carried forward	(38,672,059)	(1,978,052)	(2,224,680)	(5,541,626)	(947,170)	-	(49,363,587)	35,026

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, 2015

	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) income brought forward	(38,672,059)	(1,978,052)	(2,224,680)	(5,541,626)	(947,170)	-	(49,363,587)	35,026
Nonoperating Revenues:								
HUD operating subsidies	22,536,390	-	-	-	-	-	22,536,390	-
HUD capital fund subsidies	10,876,857	-	-	-	-	-	10,876,857	-
Other revenues	2,714	2,083	11,008	529,163	-	-	544,968	4,194
Net nonoperating revenues	33,415,961	2,083	11,008	529,163	-	-	33,958,215	4,194
Loss before transfers	(5,256,098)	(1,975,969)	(2,213,672)	(5,012,463)	(947,170)	-	(15,405,372)	39,220
Capital Contributions	13,142,886	383,874	12,287	-	-	-	13,539,047	-
Net Transfers	2,366,009	1,678,425	180,374	467,567	1,558,877	-	6,251,252	-
Change in net position	10,252,797	86,330	(2,021,011)	(4,544,896)	611,707	-	4,384,927	39,220
Net Position at July 1, 2014, as previously reported	255,251,181	20,659,138	38,468,153	23,393,199	12,759,052	-	350,530,723	1,329,734
Restatement	(10,809,717)	(940,523)	-	(9,885,760)	-	-	(21,636,000)	-
Net Position at July 1, 2014, as restated	244,441,464	19,718,615	38,468,153	13,507,439	12,759,052	-	328,894,723	1,329,734
Net Position at June 30, 2015	\$ 254,694,261	\$ 19,804,945	\$ 36,447,142	\$ 8,962,543	\$ 13,370,759	\$ -	\$ 333,279,650	\$ 1,368,954

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, 2015

Change in net position - total enterprise funds	\$ 4,384,927
Change in net position - internal service funds	<u>39,220</u>
Change in net position of business-type activities	<u>\$ 4,424,147</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, 2015

	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	\$ 14,507,595	\$ 1,040,691	\$ 2,046,578	\$ -	\$ 1,010,574	\$ 18,605,438	\$ -
Cash payments to employees	(9,528,696)	(688,610)	-	(8,585,624)	-	(18,802,930)	-
Cash payments to suppliers	(31,508,016)	(1,533,640)	(3,036,173)	(3,290,795)	(1,273,162)	(40,641,786)	-
Cash receipts from (payments to) other funds	4,029,516	1,314,138	(377,122)	5,912,250	2,317,371	13,196,153	102,465
Other cash receipts (payments)	1,541,925	146,694	203,855	1,639,062	(74,330)	3,457,206	(1,478)
Net cash (used in) provided by operating activities	(20,957,676)	279,273	(1,162,862)	(4,325,107)	1,980,453	(24,185,919)	100,987
<b>Cash Flows from Noncapital Financing Activity --</b>							
HUD operating subsidy received	22,536,089	-	-	498,339	-	23,034,428	-
Net cash provided by noncapital financing activities	22,536,089	-	-	498,339	-	23,034,428	-
<b>Cash Flows from Capital and Related Financing Activities:</b>							
HUD capital subsidy received	9,968,181	-	-	-	-	9,968,181	-
Payments for acquisition of property and equipment	(10,022,132)	-	-	(89,176)	-	(10,111,308)	-
Other	2,714	-	-	-	-	2,714	-
Net cash used in capital and related financing activities	(51,237)	-	-	(89,176)	-	(140,413)	-
Subtotal carried forward	1,527,176	279,273	(1,162,862)	(3,915,944)	1,980,453	(1,291,904)	100,987

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, 2015

	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	1,527,176	279,273	(1,162,862)	(3,915,944)	1,980,453	(1,291,904)	100,987
Cash Flows from Investing Activity --							
Receipts of Interest	-	1,817	10,962	28,970	-	41,749	4,071
Net cash provided by investing activities	-	1,817	10,962	28,970	-	41,749	4,071
Net increase (decrease) in cash	1,527,176	281,090	(1,151,900)	(3,886,974)	1,980,453	(1,250,155)	105,058
Cash at July 1, 2014	21,388,991	534,257	3,062,582	34,392,892	3,712,788	63,091,510	998,571
Cash at June 30, 2015	<u>\$ 22,916,167</u>	<u>\$ 815,347</u>	<u>\$ 1,910,682</u>	<u>\$ 30,505,918</u>	<u>\$ 5,693,241</u>	<u>\$ 61,841,355</u>	<u>\$ 1,103,629</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, 2015

	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) income to net cash (used in) provided by operating activities:							
Operating (loss) income	\$ (38,672,059)	\$ (1,978,052)	\$ (2,224,680)	\$ (5,541,626)	\$ (947,170)	\$ (49,363,587)	\$ 35,026
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:							
Depreciation	14,235,341	922,616	1,419,756	26,999	560,325	17,165,037	58,920
Provision for losses	32,352	32,376	1,718	209,379	108,531	384,356	-
Changes in assets and liabilities:							
Tenant receivables	115,112	(26,039)	(1,591)	-	(120,237)	(32,755)	-
Other receivables	(48,283)	2,232	431	-	38,021	(7,599)	-
Due from other funds	2,743,365	1,980,589	224,186	(534,327)	1,466,005	5,879,818	7,041
Due from other state agency	-	-	-	(189,795)	-	(189,795)	-
Inventories	13,235	15,200	(4,891)	4,869	-	28,413	-
Prepaid expenses and other assets	-	-	-	(2,718)	-	(2,718)	-
Deposits held in trust	-	-	-	-	(3,458)	(3,458)	-
Deferred outflows	(1,382,481)	(107,518)	-	(1,495,889)	-	(2,985,888)	-
Accounts payable	(442,277)	(516)	(38,155)	25,022	(29,746)	(485,672)	-
Accrued expenses	170,254	8,839	52,510	2,368,034	54,574	2,654,211	-
Due to other funds	1,286,151	(666,451)	(601,308)	(606,453)	850,848	262,787	-
Security deposits	(29,758)	(3,658)	2,679	-	2,760	(27,977)	-
Deferred income	(321,483)	(7,075)	6,483	-	-	(322,075)	-
Net pension liability	63,607	7,241	-	27,210	-	98,058	-
Deferred inflows	1,279,248	99,489	-	1,384,188	-	2,762,925	-
Net cash (used in) provided by operating activities	<u>\$ (20,957,676)</u>	<u>\$ 279,273</u>	<u>\$ (1,162,862)</u>	<u>\$ (4,325,107)</u>	<u>\$ 1,980,453</u>	<u>\$ (24,185,919)</u>	<u>\$ 100,987</u>

The accompanying notes are an integral part of this statement.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 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, 2015, 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, 2015

## 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, 2015

## 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, other post-retirement benefits, net pension liability, and deferred inflows and outflows of resources, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to long-term compensated absences, other post-retirement benefits, net pension liability and deferred inflows and outflows of resources at June 30, 2015 has been reported in the government-wide financial statements.



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 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, 2015

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

### d. Fund Accounting (continued)

#### i. Governmental Funds

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

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

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

The Authority reports the following major governmental funds:

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 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, 2015

## 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, 2015

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

### f. Capital Assets (continued)

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

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

### g. Cash and Cash Equivalents

Cash and cash equivalents 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, 2015

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

### j. Deferred Outflows/Inflows of Resources

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

According to paragraph 33 of Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period. The average of expected remaining service lives for the purposes of recognizing the applicable deferred outflows and inflows of resources established in the 2014 fiscal year is 5.7661 years.

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

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

### k. HUD Annual Contributions

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 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 \$707,000.

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

Balance at July 1, 2014	Additions	Reductions	Balance at June 30, 2015
<u>\$2,162,000</u>	<u>\$1,132,000</u>	<u>\$1,037,000</u>	<u>\$2,257,000</u>

As of June 30, 2015, approximately \$119,000 and \$2,138,000 of the unpaid vacation balance was for government-wide activities and business-type activities, respectively, and is included in accrued expenses in the accompanying statement of net position.

### m. Restrictions of Net Positions and Fund Balances

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

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

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

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

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

### n. Pensions

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

### o. Risk Management

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

### p. Management's Use of Estimates

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



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

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

### q. Recently Adopted/Issued Accounting Pronouncements

Effective July 1, 2014, the Authority implemented GASB 68 and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB 68*. GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms
- Pension plan assets are legally protected from the creditors of employers, nonemployee contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 replaces the requirements of GASB Statement No. 27 (GASB 27), *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50 (GASB 50), *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of GASB 27 and GASB 50 remain applicable for pensions that are not covered by the scope of GASB 68.

GASB 71 is required to be implemented simultaneously with GASB 68 and amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB 68 by employers and nonemployer contributing entities.

The adoption of GASB 68 and 71 has no impact on the Authority's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, adoption has resulted in the restatement of the Authority's fiscal year 2014 government-wide financial statements to reflect the reporting in net pension liability in accordance with the provisions of GASB 68 and deferred outflow of resources related to pensions in accordance with GASB 71.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

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

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

Net pension liability of \$25,740,677 and deferred outflow of resources related to pensions of \$2,499,439 was reported as of June 30, 2014. Refer to Note 7 for more information regarding the Authority's pension.

In June 2015, the GASB issued Statement No. 73 (GASB 73), *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. GASB 73 applies the accounting and financial reporting established in GASB 68 to all defined benefit and defined contribution pensions that are no within the scope of GASB 68. GASB 73 will be effective for the Authority's financial statements for the year ending June 30, 2017. Management is currently assessing the impact of GASB 73 on its financial position and results of operations and has not determined if the adoption will have a material effect on its financial statements.

In June 2015, the GASB issued Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 amends the accounting guidance related to employers' accounting for postemployment benefits other than pension (other postemployment benefits or OPEB) administered through trusts that meet specified criteria. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures related to OPEB. Note disclosures and required supplementary information are addressed by the statement. GASB 75 will be effective for the Authority's financial statements for the year ending June 30, 2018. Management is currently assessing the impact of GASB 75 on its financial position and results of operations reported on its financial statements.

In June 2015, the GASB issued Statement No. 76 (GASB 76), *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. GASB 76 will be effective for the Authority's financial statements for the year ended June 30, 2016. Management is currently assessing the impact of this Statement on its financial position and results of operations and has not determined if the adoption will have a material effect on its financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 2. Budgeting and Budgetary Control

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

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 2. Budgeting and Budgetary Control (continued)

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

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2015 is set forth in the required supplementary information.

## 3. Cash

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

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

At June 30, 2015, total cash, including restricted cash and deposits, reported in the statement of net position is \$67,419,272 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 8,366,183	\$ 8,366,183
Cash in bank (book balance)	<u>4,438,628</u>	<u>54,578,801</u>	<u>59,017,429</u>
	4,438,628	62,944,984	67,383,612
Deposits held in trust	<u>-</u>	<u>35,660</u>	<u>35,660</u>
Total Cash	<u>\$ 4,438,628</u>	<u>\$ 62,980,644</u>	<u>\$ 67,419,272</u>

Bank balance of cash in bank was approximately \$61,390,000, of which \$750,000 was covered by federal depository insurance and \$60,640,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

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

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

Pursuant to the Agreement, the buyer agreed to pay the Authority an acquisition fee of \$4,665,000 in consideration for acquiring the leasehold interest in the Property and \$45,000,000 for the Improvements, such that the total purchase price was \$49,665,000. Of the total purchase price, \$3,162,943 was paid in cash and the remaining balance of \$46,502,057 was financed pursuant to the Agreement by a note. The note, which is secured by a leasehold mortgage and security agreement, matures in May 2051 and accrues interest at the greater of 4.19 percent per annum or 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.

## Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

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

During 2015, the interest earned on the note receivable amounted to approximately \$2,033,000 and has been recorded in deferred gain. As of June 30, 2015, the net note receivable, inclusive of all principal, accrued interest and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program statement of net position:

Principal and accrued interest	\$ 55,869,575
Deferred gain	<u>(51,052,945)</u>
Net note receivable	<u><u>\$ 4,816,630</u></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, 2015, 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, 2015

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	22,543	-	(22,543)	-
Total capital assets not being depreciated	2,395,953	-	(22,543)	2,373,410
Capital assets, being depreciated:				
Building and improvements	15,325,444	-	-	15,325,444
Equipment	1,291,869	-	-	1,291,869
Total capital assets being depreciated	16,617,313	-	-	16,617,313
Less accumulated depreciation for:				
Building and improvements	13,091,313	204,730	-	13,296,043
Equipment	1,201,994	9,410	-	1,211,404
Total accumulated depreciation	14,293,307	214,140	-	14,507,447
Governmental activities capital assets, net	<u>\$ 4,719,959</u>	<u>\$ (214,140)</u>	<u>\$ (22,543)</u>	<u>\$ 4,483,276</u>
	July 1, 2014	Increases	Decreases	June 30, 2015
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	28,954,003	23,537,793	(18,501,948)	33,989,848
Total capital assets not being depreciated	51,920,203	23,537,793	(18,501,948)	56,956,048
Capital assets being depreciated:				
Building and improvements	573,984,344	18,368,442	-	592,352,786
Equipment	7,836,283	246,067	-	8,082,350
Total capital assets being depreciated	581,820,627	18,614,509	-	600,435,136
Less accumulated depreciation for:				
Building and improvements	328,236,330	17,089,311	-	345,325,641
Equipment	7,277,951	134,646	-	7,412,597
Total accumulated depreciation	335,514,281	17,223,957	-	352,738,238
Business-type activities capital assets, net	<u>\$298,226,549</u>	<u>\$ 24,928,345</u>	<u>\$ (18,501,948)</u>	<u>\$304,652,946</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 5. Capital Assets (continued)

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

Governmental Activity -	
Rental Housing and Assistance Program	<u>\$ 214,140</u>
Business-Type Activities:	
Federal Low Rent Program	14,235,341
Housing Revolving Fund	922,616
Housing for Elders Revolving Fund	1,419,756
Central Office Cost Center Fund	26,999
Internal Services	58,920
Others	<u>560,325</u>
Total depreciation expense – business-type activities	<u>17,223,957</u>
Total depreciation expense	<u><u>\$ 17,438,097</u></u>

At June 30, 2015, 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	490,117,378	31,207,636	56,014,907	42,857	14,970,008	592,352,786	-	592,352,786
Equipment, Furniture and fixtures	5,263,729	252,521	214,676	239,701	-	5,970,627	2,111,723	8,082,350
Construction in Progress	30,401,469	1,312,943	2,275,436	-	-	33,989,848	-	33,989,848
Less accumulated depreciation	<u>302,129,842</u>	<u>14,146,430</u>	<u>29,916,005</u>	<u>99,826</u>	<u>4,599,335</u>	<u>350,891,438</u>	<u>1,846,800</u>	<u>352,738,238</u>
Net property and Equipment	<u><u>\$ 236,746,363</u></u>	<u><u>\$ 20,879,551</u></u>	<u><u>\$ 34,693,831</u></u>	<u><u>\$ 182,732</u></u>	<u><u>\$ 11,885,546</u></u>	<u><u>\$304,388,023</u></u>	<u><u>\$ 264,923</u></u>	<u><u>\$ 304,652,946</u></u>



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 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, 2015, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$7,160,000 and \$72,741,000, respectively, for the construction and renovation of housing projects.

### c. Consulting Agreement

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

In accordance with the consulting agreement, the amount paid to the Authority shall be held in an interest bearing escrow account by an escrow agent mutually agreed upon by the Authority and the buyer until the state tax credit release date, which is estimated to be May 2016. Approximately \$2,436,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2015 is held in an approved escrow account.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 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, 2015, 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, 2015 amounted to approximately \$4,914,000.

### g. Deferred Compensation Plan

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 6. Commitments and Contingencies (continued)

### h. Litigation

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

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 6. Commitments and Contingencies (continued)

### h. Litigation (continued)

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

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

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 6. Commitments and Contingencies (continued)

### h. Litigation (continued)

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

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

The case was stayed from October 2012 to June 2015, pending completion of the appeal of Defendant Ahn's criminal conviction. The parties have resumed discovery and are in the process of rescheduling the CAAP arbitration hearing. The State intends to vigorously defend this case. Trial is presently set for June 27, 2016.

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

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

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

## 7. Retirement Plan

### a. Plan Description

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### b. Benefits Provided

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

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

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

#### Noncontributory Class

##### Retirement Benefits

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

##### 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Noncontributory Class (continued)

##### Death Benefits

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

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

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

##### Retirement Benefits

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

##### 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Death Benefits

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

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

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

##### Disability and Death Benefits

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

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



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Retirement Benefits

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

##### Disability Benefits

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

##### Death Benefits

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### 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.

##### Disability and Death Benefits

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

### c. Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2015 was 16.50% for Authority employees. The Authority's contributions requirements as of June 30, 2015 were approximately \$2,159,000.

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### c. Contributions (continued)

The payroll for all of the Authority's employees and employees covered by the plan was approximately \$19,699,000 for 2015.

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

At June 30, 2015, the Authority reported a liability of \$23,355,941 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the Authority's proportion was 0.29%, which was an increase of .01% from its proportion measured as of June 30, 2013.

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

	<u>Balance at July 1, 2014</u>	<u>Restatement</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at July 1, 2015</u>
Governmental Activities	\$ -	\$ 1,777,870		\$ (155,987)	\$ 1,621,883
Business-Type Activities	-	23,962,807		(2,228,749)	21,734,058
Total	<u>\$ -</u>	<u>\$ 25,740,677</u>	<u>\$ -</u>	<u>\$ (2,384,736)</u>	<u>\$ 23,355,941</u>

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

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

For the year ended June 30, 2015, the Authority recognized pension expense of \$2,125,771. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 312,847	\$ (7,055)
Net difference between projected and actual earnings on pension plan investments	-	(2,895,996)
Changes in proportionate and differences between Authority contributions and proportionate share of contributions	45,037	-
Authority contributions subsequent to the measurement date	<u>2,779,438</u>	<u>-</u>
Total	<u>\$ 3,137,322</u>	<u>\$ (2,903,051)</u>

The \$2,779,438 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the years ending June 30,	
2016	\$ (650,345)
2017	(650,345)
2018	(650,345)
2019	(650,345)
2020	56,213
Total	<u>\$ (2,545,167)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	3.00 percent
Payroll growth rate	3.50 percent
Investment rate of return	7.75 percent per year, compounded annually, including inflation

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates their experience studies every five years.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

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

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30%	8.5%
International equity	26	9.0
Fixed income	20	3.1
Real estate	7*	8.5
Private equity	7*	11.8
Real return	5*	6.1
Covered calls	5	7.7
Total	100%	

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

determine the total pension liability. There has been no change in the discount rate since the prior measurement date.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage point higher (8.75%) than the current rate.

	1 percent Decrease (6.75%)	Current Discount Rate (7.75%)	1 percent Increase (8.75%)
Authority's proportionate share of the net pension liability	31,513,639	23,355,941	18,186,229

### 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, 2015

## 8. Other Post Retirement Employee Benefits

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

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

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

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

### Annual OPEB Cost and Net OPEB Obligation

It is the State's policy that measurement of the actuarial valuation and the annual required contribution (ARC) for postretirement healthcare and life are made for the State as a whole and are not separately computed for the individual state departments and agencies such as the Authority. The state allocates the ARC to the various departments and agencies based upon a systematic methodology. The Authority's contribution for the year ended June 30, 2015, was approximately \$1,334,000, which represented 32% of the Authority's share of the ARC for postretirement healthcare and life insurance benefits of approximately \$4,227,000. The Authority's contribution for the years ended June 30, 2014 and 2013 were approximately \$1,273,000 and \$1,176,000, respectively.



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

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

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2015:

Balance at June 30, 2014	\$ 15,145,715
Additions	4,227,352
Deletions	<u>(1,333,770)</u>
Balance at June 30, 2015	<u>\$ 18,039,297</u>

As of June 30, 2015, the postretirement liability balance of \$17,495,484 and \$543,813 was included in long-term accrued expenses under the Central Office Cost Center Fund and Governmental Activities, respectively.

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

## 9. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Current Due from</u>	<u>Housing Choice Voucher</u>	<u>Housing Revolving Fund</u>	<u>Housing for Elders Revolving Fund</u>	<u>Federal Low-Rent Program</u>	<u>Central Office Cost Center Fund</u>	<u>Non-major Enterprise</u>
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 145	\$ -
Housing Choice Voucher	-	-	-	-	2,255,819	9,638
Section 8 Contract Admin	-	-	-	-	-	734
Federal Low Rent Program	-	-	-	-	529,946	122,931
Housing Revolving Fund	-	-	-	-	15,912	246,321
Housing for Elders Revolving Fund	-	-	-	-	39,455	-
Non-major - Enterprise	<u>178,120</u>	<u>178,250</u>	<u>130,667</u>	<u>2,028,681</u>	<u>1,270,745</u>	<u>249,030</u>
Total	<u>\$ 178,120</u>	<u>\$ 178,250</u>	<u>\$ 130,667</u>	<u>\$ 2,028,681</u>	<u>\$ 4,112,022</u>	<u>\$ 628,654</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 9. Interfund Receivables and Payables (continued)

<u>Noncurrent Due to</u>	<u>Federal Low-Rent Program</u>	<u>Housing Revolving Fund</u>
Central Office Cost Center	\$ 2,411,398	\$ 692,486

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 pension liability recorded under the Central Office Cost Center Fund as of year-end.

## 10. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2015 is as follows:

<u>Transfer From</u>	<u>Federal Low-Rent Program</u>	<u>Housing Revolving Fund</u>	<u>Housing for Elders Revolving Fund</u>	<u>Central Office Cost Center Fund</u>	<u>Non-major Enterprise</u>
General Fund	\$ 1,644,161	\$ 1,625,379	\$ 415,075	\$ 152,239	\$ 258,508
Capital Projects	738,392	58,804	34,879	23,446	1,113,335
Section 8 Contract Administration	-	-	-	-	187,034
Federal Low Rent Program	-	-	-	16,544	-
Housing for Elders Revolving Fund	-	-	-	269,580	-
Housing Revolving Fund	-	-	-	5,758	-
Total	<u>\$ 2,382,553</u>	<u>\$ 1,684,183</u>	<u>\$ 449,954</u>	<u>\$ 467,567</u>	<u>\$ 1,558,877</u>

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$4,095,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

Section 8 Contract Administration: The Section 8 Contract Administration expended approximately \$187,000 to pay for Non-Major Enterprise service shortfalls.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2015

## 10. Net Transfers (continued)

Capital Projects: The Capital Projects Fund expended approximately \$856,000 from the current year annual State of Hawaii appropriations to primarily pay for capital improvement administrative expenses and rental housing service repairs and maintenance under certain enterprise funds. In June 2015, upon approval from the Department of Budget and Finance, a transfer of approximately \$1,113,000 was made to a non-major enterprise fund for reimbursement of administrative payroll costs on state funded projects.

Federal Low Rent Program: The Federal Low Rent Program expended approximately \$17,000 to pay for repairs and maintenance for certain enterprise funds.

Housing for Elders Revolving Fund: The Housing for Elders Revolving Fund expended approximately \$270,000 to pay for administrative expenses under the Central Office Cost Center fund.

Housing Revolving Fund: The Housing Revolving Fund expended approximately \$5,800 to pay for administrative expenses under the Central Office Cost Center fund.

## 11. Capital Contributions

During 2015, the Capital Projects Fund and General Fund expended approximately \$13,513,000 and \$26,000, respectively, from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. The composition of capital contribution balances reflected in the financial statements as of June 30, 2015 is as follows:

Contributed From	Federal Low-Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Total
Capital Projects	\$ 13,116,749	\$ 383,874	\$ 12,287	\$ 13,512,910
General Fund	26,137	-	-	26,137
Total	\$ 13,142,886	\$ 383,874	\$ 12,287	\$ 13,539,047

**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, 2015

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
State allotted appropriations	<u>\$ 5,362,089</u>	<u>\$ 5,362,089</u>	<u>\$ 5,362,089</u>
Expenditures -			
Rental housing and assistance program	<u>5,362,089</u>	<u>5,362,089</u>	<u>5,065,920</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 296,169</u>
	Housing Choice Voucher Program		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 25,486,975</u>	<u>\$ 25,486,975</u>	<u>\$ 25,486,975</u>
Expenditures -			
Rental housing and assistance program	<u>25,486,975</u>	<u>25,486,975</u>	<u>25,823,220</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (336,245)</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, 2015

	Section 8 Contract Administration		
	Original Budget	Final Budget	Budgetary Actual
Revenues -			
HUD contributions	\$ 31,345,995	\$ 31,345,995	\$ 31,345,995
Expenditures -			
Rental housing and assistance program	31,345,995	31,345,995	31,145,761
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 200,234

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
BUDGET-TO-GAAP RECONCILIATION

Year Ended June 30, 2015

	<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	\$ 296,169	\$ (336,245)	\$ 200,234
Reserve for encumbrance at year end*	1,228,388	-	-
Expenditures for liquidation of prior year's encumbrances	(985,404)	-	-
Reversion of prior year's allotments	(296,169)	-	-
Accrual adjustments, operating transfers and other	<u>(279,476)</u>	<u>660,829</u>	<u>(206,650)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER USES - US GAAP BASIS</b>	<u><u>\$ (36,492)</u></u>	<u><u>\$ 324,584</u></u>	<u><u>\$ (6,416)</u></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\*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Authority's proportion of the net pension liability	0.29%	0.28%								
Authority's proportionate share of the net pension liability	\$ 23,355,937	\$ 25,740,677								
Authority's covered-employee payroll	18,118,041	16,513,288								
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	128.91%	155.88%								
Plan fiduciary net position as a percentage of the total pension liability	63.92%	57.96%								

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

See accompanying independent auditor's report.



Hawaii Public Housing Authority

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 2,159,495	\$ 1,965,345	\$ 1,788,664	\$ 1,571,123	\$ 1,536,848					
Contributions in relation to the contractually required contribution	<u>(2,159,495)</u>	<u>(1,965,345)</u>	<u>(1,788,664)</u>	<u>(1,571,123)</u>	<u>(1,536,848)</u>					
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Authority's covered-employee payroll	\$ 19,698,982	\$ 18,118,041	\$ 16,513,288	\$ 14,901,697	\$ 14,286,365					
Contributions as a percentage of covered-employee payroll	10.96%	10.85%	10.83%	10.54%	10.76%					

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

See accompanying independent auditor's report.

## **Supplementary Information**

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2015

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	\$ 31,352,613
Public and Indian Housing	14.850	22,536,390
Section 8 Housing Choice Vouchers	14.871	26,234,137
Public Housing Capital Fund	14.872	<u>11,107,835</u>
Total federal expenditures		<u><u>\$ 91,230,975</u></u>

The accompanying note is an integral part of this schedule.

## **Hawaii Public Housing Authority**

Note to the Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

### **NOTE 1 – BASIS OF PRESENTATION**

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

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Balance Sheet  
June 30, 2015

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
111	Cash - Unrestricted	22,343,461	1,848,589	2,206,674	-	8,225,996	1,103,629	28,070,006	-	63,798,355
113	Cash - Other Restricted	-	-	383,365	-	-	-	2,435,912	-	2,819,277
114	Cash - Tenant Security Deposits	572,706	-	-	-	228,934	-	-	-	801,640
<b>100</b>	<b>Total Cash</b>	<b>22,916,167</b>	<b>1,848,589</b>	<b>2,590,039</b>	<b>-</b>	<b>8,454,930</b>	<b>1,103,629</b>	<b>30,505,918</b>	<b>-</b>	<b>67,419,272</b>
121	Accounts Receivable - PHA Projects	-	-	27,805	-	-	-	-	-	27,805
122	Accounts Receivable - HUD Other Projects	2,040,667	170,914	-	-	-	-	-	-	2,211,581
124	Accounts Receivable - Other Government	-	-	-	129,466,408	-	-	13,791	-	129,480,199
125	Accounts Receivable - Miscellaneous	48,283	-	72,132	-	4,829	-	-	-	125,244
126	Accounts Receivable - Tenants	644,183	-	-	-	615,195	-	-	-	1,259,378
126.1	.1 Allowance for Doubtful Accounts -Tenants	(407,856)	-	-	-	(572,002)	-	-	-	(979,858)
129	Accrued Interest Receivable	-	-	-	-	1,117	402	1,854	-	3,373
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>2,325,277</b>	<b>170,914</b>	<b>99,937</b>	<b>129,466,408</b>	<b>49,139</b>	<b>402</b>	<b>15,645</b>	<b>-</b>	<b>132,127,722</b>
142	Prepaid Expenses and Other Assets	-	-	2,252,427	28,778	-	-	12,962	-	2,294,167
143	Inventories	494,162	-	-	-	68,433	-	28,345	-	590,940
143.1	.1 Allowance for Obsolete Inventories	(48,972)	-	-	-	(6,781)	-	-	-	(55,753)
144	Inter Program Due From	2,032,819	-	178,120	-	937,571	-	4,112,022	(7,260,532)	-
	<b>Total Other Current Assets</b>	<b>2,478,009</b>	<b>-</b>	<b>2,430,547</b>	<b>28,778</b>	<b>999,223</b>	<b>-</b>	<b>4,153,329</b>	<b>(7,260,532)</b>	<b>2,829,354</b>
<b>150</b>	<b>Total Current Assets</b>	<b>27,719,453</b>	<b>2,019,503</b>	<b>5,120,523</b>	<b>129,495,186</b>	<b>9,503,292</b>	<b>1,104,031</b>	<b>34,674,892</b>	<b>(7,260,532)</b>	<b>202,376,348</b>
161	Land	13,093,629	-	-	2,373,410	9,872,571	-	-	-	25,339,610
162	Buildings	490,117,378	-	-	15,325,444	102,192,551	-	42,857	-	607,678,230
163	Furniture, Equipment & Machinery - Dwellings	3,329,340	-	-	-	99,089	-	-	-	3,428,429
164	Furniture, Equipment & Machinery - Administration	1,934,389	-	-	1,291,869	368,108	2,111,723	239,701	-	5,945,790
166	Accumulated Depreciation	(302,129,842)	-	-	(14,507,447)	(48,661,770)	(1,846,800)	(99,826)	-	(367,245,685)
167	Construction in Progress	30,401,469	-	-	-	3,588,379	-	-	-	33,989,848
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>236,746,363</b>	<b>-</b>	<b>-</b>	<b>4,483,276</b>	<b>67,458,928</b>	<b>264,923</b>	<b>182,732</b>	<b>-</b>	<b>309,136,222</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	8,716,630	-	-	-	-	-	-	-	8,716,630
	<b>Total Other Non-Current Assets</b>	<b>8,716,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,716,630</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>245,462,993</b>	<b>-</b>	<b>-</b>	<b>4,483,276</b>	<b>67,458,928</b>	<b>264,923</b>	<b>182,732</b>	<b>-</b>	<b>317,852,852</b>
<b>190</b>	<b>Total Assets</b>	<b>273,182,446</b>	<b>2,019,503</b>	<b>5,120,523</b>	<b>133,978,462</b>	<b>76,962,220</b>	<b>1,368,954</b>	<b>34,857,624</b>	<b>(7,260,532)</b>	<b>520,229,200</b>
200	Deferred Outflow of Resources	1,382,481	-	142,305	9,129	107,518	-	1,495,889	-	3,137,322
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>274,564,927</b>	<b>2,019,503</b>	<b>5,262,828</b>	<b>133,987,591</b>	<b>77,069,738</b>	<b>1,368,954</b>	<b>36,353,513</b>	<b>(7,260,532)</b>	<b>523,366,522</b>
312	Accounts Payable <= 90 Days	927,021	374	14,655	2,077,360	144,835	-	92,724	-	3,256,969
313	Accounts Payable >90 Days Past Due	-	-	-	-	37,136	-	-	-	37,136
321	Accrued Wage/Payroll Taxes Payable	339,498	-	48,661	2,696	25,478	-	390,360	-	806,693
322	Accrued Compensated Absences - Current Portion	316,127	-	32,873	4,462	22,057	-	331,778	-	707,297
331	Accounts Payable - HUD PHA Programs	-	74,550	-	-	-	-	-	-	74,550
333	Accounts Payable - Other Government	144,807	-	591	-	571,402	-	-	-	716,800
341	Tenant Security Deposits	572,706	-	-	-	228,934	-	-	-	801,640
342	Deferred Revenues	346,427	-	-	-	24,015	-	9,523	-	379,965
345	Other Current Liabilities	760,657	-	10,128	7,821	746	-	154,206	-	933,558
346	Accrued Liabilities - Other	549,540	144,000	42,000	-	254,316	-	-	-	989,856
347	Inter Program - Due To	657,015	734	2,265,457	145	4,337,181	-	-	(7,260,532)	-
<b>310</b>	<b>Total Current Liabilities</b>	<b>4,613,798</b>	<b>219,658</b>	<b>2,414,365</b>	<b>2,092,484</b>	<b>5,646,100</b>	<b>-</b>	<b>978,591</b>	<b>(7,260,532)</b>	<b>8,704,464</b>
353	Non-Current Liabilities - Other	-	-	106,051	-	12,707	-	-	-	118,758
354	Accrued Compensated Absences - Non Current	692,898	-	-	81,832	48,346	-	726,602	-	1,549,678
357	Accrued Pension and OPEB Liabilities	13,284,722	-	1,941,588	227,108	1,640,250	-	24,301,589	-	41,395,257
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>13,977,620</b>	<b>-</b>	<b>2,047,639</b>	<b>308,940</b>	<b>1,701,303</b>	<b>-</b>	<b>25,028,191</b>	<b>-</b>	<b>43,063,693</b>
<b>300</b>	<b>Total Liabilities</b>	<b>18,591,418</b>	<b>219,658</b>	<b>4,462,004</b>	<b>2,401,424</b>	<b>7,347,403</b>	<b>-</b>	<b>26,006,782</b>	<b>(7,260,532)</b>	<b>51,768,157</b>
400	Deferred Inflow of Resources	1,279,248	-	131,679	8,447	99,489	-	1,384,188	-	2,903,051
508.1	Invested in Capital Assets, Net of Related Debt	236,746,363	-	-	4,483,276	67,458,928	264,923	182,732	-	309,136,222
511.1	Restricted Fund Balance	-	-	381,150	-	-	-	-	-	381,150
512.1	Unrestricted Net Assets	17,947,898	1,799,845	287,995	127,094,444	2,163,918	1,104,031	8,779,811	-	159,177,942
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>254,694,261</b>	<b>1,799,845</b>	<b>669,145</b>	<b>131,577,720</b>	<b>69,622,846</b>	<b>1,368,954</b>	<b>8,962,543</b>	<b>-</b>	<b>468,695,314</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets</b>	<b>274,564,927</b>	<b>2,019,503</b>	<b>5,262,828</b>	<b>133,987,591</b>	<b>77,069,738</b>	<b>1,368,954</b>	<b>36,353,513</b>	<b>(7,260,532)</b>	<b>523,366,522</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2015

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	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	14,442,084	-	-	-	4,089,913	-	-	-	18,531,997
70400	Tenant Revenue - Other	301,640	-	-	-	49,531	-	-	-	351,171
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>14,743,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,139,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,883,168</b>
70600	HUD PHA Operating Grants	26,614,143	31,345,995	25,549,213	-	-	-	-	-	83,509,351
70610	Capital Grants	9,535,693	-	-	-	-	-	-	-	9,535,693
70710	Management Fee	-	-	-	-	-	-	3,645,198	(3,645,198)	-
70720	Asset Management Fee	-	-	-	-	-	-	573,240	(573,240)	-
70730	Bookkeeping Fee	-	-	-	-	-	-	662,575	(662,575)	-
70740	Front Line Service Fee	-	-	-	-	-	-	2,172,017	(2,172,017)	-
70750	Other Fees	-	-	-	-	-	-	498,339	-	498,339
<b>70700</b>	<b>Total Fee Revenue</b>	<b>36,149,836</b>	<b>31,345,995</b>	<b>25,549,213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,551,369</b>	<b>(7,053,030)</b>	<b>93,543,383</b>
70800	Other Government Grants	-	-	-	25,557,785	-	-	-	-	25,557,785
71100	Investment Income - Unrestricted	2,714	202	194	-	13,095	4,194	30,824	-	51,223
71400	Fraud Recovery	-	-	16,248	-	-	-	-	-	16,248
71500	Other Revenue	247,353	-	582,343	-	262,659	95,424	417,459	-	1,605,238
<b>70000</b>	<b>Total Other Revenue</b>	<b>250,067</b>	<b>202</b>	<b>598,785</b>	<b>25,557,785</b>	<b>275,754</b>	<b>99,618</b>	<b>448,283</b>	<b>-</b>	<b>27,230,494</b>
<b>70000</b>	<b>Total Revenue</b>	<b>51,143,627</b>	<b>31,346,197</b>	<b>26,147,998</b>	<b>25,557,785</b>	<b>4,415,198</b>	<b>99,618</b>	<b>7,999,652</b>	<b>(7,053,030)</b>	<b>139,657,045</b>
91100	Administrative Salaries	3,116,440	46,925	620,769	399,355	242,026	-	6,096,088	-	10,521,603
91200	Auditing Fees	133,794	15,437	28,964	45,547	43,186	1,478	71,591	-	339,997
91300	Management Fee	3,011,340	-	280,452	5,535	347,871	-	-	(3,645,198)	-
91310	Bookkeeping Fee	410,178	-	175,283	3,469	73,645	-	-	(662,575)	-
91400	Advertising and Marketing	3,122	-	-	157	-	-	20,551	-	23,830
91500	Employee Benefit Contributions - Administration	792,086	26,079	198,233	114,163	47,321	-	2,082,122	-	3,260,004
91600	Office Expenses	859,326	877,252	52,475	33,068	285,907	-	338,456	-	2,446,484
91700	Legal Expense	9,507	4,381	330	-	2,923	-	412,573	-	429,714
91800	Travel	20,762	-	-	2,288	-	-	122,611	-	145,661
91900	Other	1,604,229	2,524	21,670	75,073	456,904	-	80,608	-	2,241,008
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>9,960,784</b>	<b>972,598</b>	<b>1,378,176</b>	<b>678,655</b>	<b>1,499,783</b>	<b>1,478</b>	<b>9,224,600</b>	<b>(4,307,773)</b>	<b>19,408,301</b>
<b>92000</b>	<b>Asset Management Fee</b>	<b>573,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(573,240)</b>	<b>-</b>
92200	Relocation Costs	37,911	-	-	-	-	-	-	-	37,911
92400	Tenant Services - Other	299,028	-	155,219	-	434	-	968	-	455,649
<b>92500</b>	<b>Total Tenant Services</b>	<b>336,939</b>	<b>-</b>	<b>155,219</b>	<b>-</b>	<b>434</b>	<b>-</b>	<b>968</b>	<b>-</b>	<b>493,560</b>
93100	Water	2,485,784	-	684	441	353,828	-	3,087	-	2,843,824
93200	Electricity	2,921,040	-	27,534	17,878	1,250,424	-	89,903	-	4,306,779
93300	Gas	1,844,632	-	-	-	141,219	-	-	-	1,985,851
93400	Fuel	-	-	-	-	-	-	1,099	-	1,099
93600	Sewer	3,715,726	-	1,419	903	719,295	-	6,491	-	4,443,834
93800	Other Utilities Expense	474	-	-	-	-	-	-	-	474
<b>93000</b>	<b>Total Utilities</b>	<b>10,967,656</b>	<b>-</b>	<b>29,637</b>	<b>19,222</b>	<b>2,464,766</b>	<b>-</b>	<b>100,580</b>	<b>-</b>	<b>13,581,861</b>
94100	Ordinary Maintenance and Operations - Labor	3,808,689	-	-	-	270,544	-	1,972,230	-	6,051,463
94200	Ordinary Maintenance and Operations - Materials and Other	2,612,414	-	525	22,742	215,240	-	166,312	-	3,017,233
94300	Ordinary Maintenance and Operations Contracts	6,514,144	-	10,222	8,859	1,633,061	-	308,311	(2,172,017)	6,302,580
94500	Employee Benefit Contributions - Ordinary Maintenance	1,668,614	-	-	-	113,594	-	805,522	-	2,587,730
<b>94000</b>	<b>Total Maintenance</b>	<b>14,603,861</b>	<b>-</b>	<b>10,747</b>	<b>31,601</b>	<b>2,232,439</b>	<b>-</b>	<b>3,252,375</b>	<b>(2,172,017)</b>	<b>17,959,006</b>
95200	Protective Services - Other Contract Costs	2,182,663	-	-	-	165,313	-	1,954	-	2,349,930
95300	Protective Services - Other	1,783	-	587	220	757	-	8,877	-	12,224
<b>95000</b>	<b>Total Protective Services</b>	<b>2,184,446</b>	<b>-</b>	<b>587</b>	<b>220</b>	<b>166,070</b>	<b>-</b>	<b>10,831</b>	<b>-</b>	<b>2,362,154</b>
96110	Property Insurance	534,930	-	-	-	98,262	-	3,091	-	636,283
96120	Liability Insurance	49,057	-	68	29	10,916	-	1,165	-	61,235
96130	Workmen's Compensation	142,799	-	2,128	912	-	-	28,059	-	173,898
96140	All Other Insurance	34,110	-	500	-	34,016	-	12,055	-	80,681
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>760,896</b>	<b>-</b>	<b>2,696</b>	<b>941</b>	<b>143,194</b>	<b>-</b>	<b>44,370</b>	<b>-</b>	<b>952,097</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2015

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
96200	Other General Expenses	2,629,306	1,497	63,507	26,257	-	-	124,934	-	2,845,501
96300	Payments in Lieu of Taxes	96,787	-	-	-	-	-	-	-	96,787
96400	Bad debt - Tenant Rents	32,352	-	-	-	142,625	-	209,379	-	384,356
96800	Severance Expense	65	-	-	-	-	-	17,079	-	17,144
<b>96000</b>	<b>Total Other General Expenses</b>	<b>2,758,510</b>	<b>1,497</b>	<b>63,507</b>	<b>26,257</b>	<b>142,625</b>	<b>-</b>	<b>351,392</b>	<b>-</b>	<b>3,343,788</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>42,146,332</b>	<b>974,095</b>	<b>1,640,569</b>	<b>756,896</b>	<b>6,649,311</b>	<b>1,478</b>	<b>12,985,116</b>	<b>(7,053,030)</b>	<b>58,100,767</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>8,997,295</b>	<b>30,372,102</b>	<b>24,507,429</b>	<b>24,800,889</b>	<b>(2,234,113)</b>	<b>98,140</b>	<b>(4,985,464)</b>	<b>-</b>	<b>81,556,278</b>
97300	Housing Assistance Payments	18,052	30,191,484	24,123,375	375,831	-	-	-	-	54,708,742
97350	HAP Portability-In	-	-	475,360	-	-	-	-	-	475,360
97400	Depreciation Expense	14,235,341	-	-	214,140	2,902,697	58,920	26,999	-	17,438,097
	<b>Subtotal</b>	<b>14,253,393</b>	<b>30,191,484</b>	<b>24,598,735</b>	<b>589,971</b>	<b>2,902,697</b>	<b>58,920</b>	<b>26,999</b>	<b>-</b>	<b>72,622,199</b>
<b>90000</b>	<b>Total Expenses</b>	<b>56,399,725</b>	<b>31,165,579</b>	<b>26,239,304</b>	<b>1,346,867</b>	<b>9,552,008</b>	<b>60,398</b>	<b>13,012,115</b>	<b>(7,053,030)</b>	<b>130,722,966</b>
10010	Operating Transfer In	2,366,009	-	-	-	3,417,676	-	467,567	(6,251,251)	1
10020	Operating transfer Out	-	(187,034)	-	(6,064,218)	-	-	-	6,251,251	(1)
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>2,366,009</b>	<b>(187,034)</b>	<b>-</b>	<b>(6,064,218)</b>	<b>3,417,676</b>	<b>-</b>	<b>467,567</b>	<b>-</b>	<b>-</b>
<b>10000</b>	<b>Excess (deficiency) of total revenue over (under) total expenses</b>	<b>(2,890,089)</b>	<b>(6,416)</b>	<b>(91,306)</b>	<b>18,146,700</b>	<b>(1,719,134)</b>	<b>39,220</b>	<b>(4,544,896)</b>	<b>-</b>	<b>8,934,079</b>
11030	Beginning Equity	255,251,181	1,806,261	2,275,523	127,060,233	71,886,343	1,329,734	23,393,199	-	483,002,474
10000	Excess (deficiency) of total revenue over (under) total expenses	(2,890,089)	(6,416)	(91,306)	18,146,700	(1,719,134)	39,220	(4,544,896)	-	8,934,079
11040-010	Prior Period Adjustment	(10,809,717)	-	(1,515,072)	(90,166)	(940,524)	-	(9,885,760)	-	(23,241,239)
11040-070	Equity transfer of capital contributions from capital projects fund	13,142,886	-	-	(13,539,047)	396,161	-	-	-	-
	<b>Ending Equity</b>	<b>254,694,261</b>	<b>1,799,845</b>	<b>669,145</b>	<b>131,577,720</b>	<b>69,622,846</b>	<b>1,368,954</b>	<b>8,962,543</b>	<b>-</b>	<b>468,695,314</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Balance Sheet  
June 30, 2015

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	2,214,543	1,407,418	2,151,339	1,309,436	2,460,017	2,665,678	1,185,097	1,166,542	717,120	698,019	800,502	1,281,974	1,868,134	293,190	633,954	1,490,498	-	22,343,461
114	Cash - Tenant Security Deposits	42,039	43,384	48,488	48,215	71,465	77,069	36,077	34,533	24,869	22,204	25,657	29,397	29,000	12,723	17,185	10,401	-	572,706
<b>100</b>	<b>Total Cash</b>	<b>2,256,582</b>	<b>1,450,802</b>	<b>2,199,827</b>	<b>1,357,651</b>	<b>2,531,482</b>	<b>2,742,747</b>	<b>1,221,174</b>	<b>1,201,075</b>	<b>741,989</b>	<b>720,223</b>	<b>826,159</b>	<b>1,311,371</b>	<b>1,897,134</b>	<b>305,913</b>	<b>651,139</b>	<b>1,500,899</b>	-	<b>22,916,167</b>
122	Accounts Receivable - HUD Other Projects	200,227	446,804	1,502	53,004	93,891	12,055	97,540	233,453	209,010	153,003	7,508	8,918	11,662	207,135	5,351	299,604	-	2,040,667
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	40,500	-	7,783	-	-	-	-	-	-	-	-	-	48,283
126	Accounts Receivable - Tenants	116,395	20,104	40,991	34,000	52,225	57,455	15,501	72,920	47,433	50,324	9,533	41,884	30,806	29,475	12,335	12,802	-	644,183
126.1	.1 Allowance for Doubtful Accounts -Tenants	(108,001)	(7,351)	(7,232)	(10,172)	(39,192)	(48,759)	(3,902)	(47,833)	(38,088)	(12,851)	(6,488)	(28,475)	(16,891)	(22,764)	(2,915)	(6,942)	-	(407,856)
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>208,621</b>	<b>459,557</b>	<b>35,261</b>	<b>76,832</b>	<b>106,924</b>	<b>61,251</b>	<b>109,139</b>	<b>266,323</b>	<b>218,355</b>	<b>190,476</b>	<b>10,553</b>	<b>22,327</b>	<b>25,577</b>	<b>213,846</b>	<b>14,771</b>	<b>305,464</b>	-	<b>2,325,277</b>
143	Inventories	59,981	62,366	10,542	7,242	74,944	47,738	11,381	18,646	9,277	40,244	30,946	35,875	59,102	5,236	6,740	13,902	-	494,162
143.1	.1 Allowance for Obsolete Inventories	(5,944)	(6,180)	(1,045)	(718)	(7,427)	(4,731)	(1,128)	(1,848)	(919)	(3,988)	(3,067)	(3,555)	(5,857)	(519)	(668)	(1,378)	-	(48,972)
144	Inter Program Due From	160,018	148,870	147,128	151,193	227,658	231,487	146,912	126,405	84,061	247,244	66,878	86,080	78,961	34,101	49,662	46,161	-	2,032,819
<b>150</b>	<b>Total Other Current Assets</b>	<b>214,055</b>	<b>205,056</b>	<b>156,625</b>	<b>157,717</b>	<b>295,175</b>	<b>274,494</b>	<b>157,165</b>	<b>143,203</b>	<b>92,419</b>	<b>283,500</b>	<b>94,757</b>	<b>118,400</b>	<b>132,206</b>	<b>38,818</b>	<b>55,734</b>	<b>58,685</b>	-	<b>2,478,009</b>
<b>150</b>	<b>Total Current Assets</b>	<b>2,679,258</b>	<b>2,115,415</b>	<b>2,391,713</b>	<b>1,592,200</b>	<b>2,933,581</b>	<b>3,078,492</b>	<b>1,487,478</b>	<b>1,610,601</b>	<b>1,052,763</b>	<b>1,194,199</b>	<b>931,469</b>	<b>1,452,098</b>	<b>2,054,917</b>	<b>558,577</b>	<b>721,644</b>	<b>1,865,048</b>	-	<b>27,719,453</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	38,972,602	55,409,433	21,519,494	37,991,570	32,415,064	30,743,933	59,296,004	34,407,952	26,296,902	10,660,823	33,052,574	33,772,069	29,242,371	16,644,977	18,240,049	11,451,561	-	490,117,378
163	Furniture, Equipment & Machinery - Dwellings	72,608	105,792	1,211,821	338,439	234,607	262,283	276,575	154,490	116,727	42,624	55,005	159,476	103,545	89,639	34,187	71,522	-	3,329,340
164	Furniture, Equipment & Machinery - Administration	397,847	157,071	321,222	98,483	91,492	131,120	256,330	164,450	79,008	69,064	19,048	40,821	13,654	7,734	5,989	81,056	-	1,934,389
166	Accumulated Depreciation	(31,430,638)	(29,070,810)	(17,111,737)	(22,548,548)	(20,486,715)	(18,586,707)	(28,823,320)	(21,428,337)	(14,776,138)	(10,318,544)	(17,158,153)	(22,623,133)	(23,919,809)	(7,085,316)	(12,817,828)	(3,944,109)	-	(302,129,842)
167	Construction in Progress	4,040,220	1,714,019	1,135,993	397,241	2,960,297	50,995	3,855,234	8,903,378	465,566	196,377	-	312,698	1,601,986	2,124,637	397,248	2,245,580	-	30,401,469
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>14,587,113</b>	<b>28,866,353</b>	<b>7,284,472</b>	<b>16,596,692</b>	<b>15,512,447</b>	<b>14,555,490</b>	<b>36,567,881</b>	<b>22,750,379</b>	<b>12,694,723</b>	<b>1,069,718</b>	<b>16,923,787</b>	<b>12,477,604</b>	<b>7,167,637</b>	<b>11,974,556</b>	<b>7,498,763</b>	<b>10,218,748</b>	-	<b>236,746,363</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	8,716,630	-	-	-	-	-	-	-	8,716,630
<b>180</b>	<b>Total Non-Current Assets</b>	<b>14,587,113</b>	<b>28,866,353</b>	<b>7,284,472</b>	<b>16,596,692</b>	<b>15,512,447</b>	<b>14,555,490</b>	<b>36,567,881</b>	<b>22,750,379</b>	<b>12,694,723</b>	<b>9,786,348</b>	<b>16,923,787</b>	<b>12,477,604</b>	<b>7,167,637</b>	<b>11,974,556</b>	<b>7,498,763</b>	<b>10,218,748</b>	-	<b>245,462,993</b>
<b>190</b>	<b>Total Assets</b>	<b>17,266,371</b>	<b>30,981,768</b>	<b>9,676,185</b>	<b>18,188,892</b>	<b>18,446,028</b>	<b>17,633,982</b>	<b>38,055,359</b>	<b>24,360,980</b>	<b>13,747,486</b>	<b>10,980,547</b>	<b>17,855,256</b>	<b>13,929,702</b>	<b>9,222,554</b>	<b>12,533,133</b>	<b>8,220,407</b>	<b>12,083,796</b>	-	<b>273,182,446</b>
200	Deferred Outflow of Resources	203,672	129,003	122,204	127,058	215,838	198,245	151,503	133,918	101,040	-	-	-	-	-	-	-	-	1,382,481
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>17,470,043</b>	<b>31,110,771</b>	<b>9,798,389</b>	<b>18,315,950</b>	<b>18,661,866</b>	<b>17,832,227</b>	<b>38,206,862</b>	<b>24,494,898</b>	<b>13,848,526</b>	<b>10,980,547</b>	<b>17,855,256</b>	<b>13,929,702</b>	<b>9,222,554</b>	<b>12,533,133</b>	<b>8,220,407</b>	<b>12,083,796</b>	-	<b>274,564,927</b>
312	Accounts Payable <= 90 Days	18,712	65,918	33,052	21,261	45,798	24,482	31,904	53,633	17,967	70,550	71,062	65,461	149,120	40,477	38,826	178,798	-	927,021
321	Accrued Wage/Payroll Taxes Payable	43,968	31,950	29,152	29,873	50,219	51,808	39,248	36,372	26,908	-	-	-	-	-	-	-	-	339,498
322	Accrued Compensated Absences - Current Portion	52,374	30,432	21,902	22,796	47,695	55,216	25,338	30,604	29,770	-	-	-	-	-	-	-	-	316,127
333	Accounts Payable - Other Government	-	-	-	-	-	-	75,390	36,948	18,137	-	2,512	-	-	11,820	-	-	-	144,807
341	Tenant Security Deposits	42,039	43,384	48,488	48,215	71,465	77,069	36,077	34,533	24,869	22,204	25,657	29,397	29,000	12,723	17,185	10,401	-	572,706
342	Deferred Revenues	6,714	25,401	11,218	20,849	48,949	15,864	6,509	35,328	61,606	26,542	10,663	28,478	21,558	2,220	14,301	10,227	-	346,427
345	Other Current Liabilities	220,415	61,621	9,535	9,123	91,017	5,066	36,592	125,153	5,205	6,737	7,720	5,431	14,038	4,588	3,063	155,353	-	760,657
346	Accrued Liabilities - Other	23,082	48,165	7,864	5,271	43,239	67,051	39,150	63,469	56,611	32,197	31,589	40,905	40,872	14,167	32,912	2,996	-	549,540
347	Inter Program - Due To	67,523	115,209	84,287	81,421	50,008	43,732	79,383	20,937	38,602	7,936	12,195	10,473	-	10,896	17,225	17,188	-	657,015
<b>310</b>	<b>Total Current Liabilities</b>	<b>474,827</b>	<b>422,080</b>	<b>245,498</b>	<b>238,809</b>	<b>448,390</b>	<b>340,288</b>	<b>369,591</b>	<b>436,977</b>	<b>279,675</b>	<b>166,166</b>	<b>161,398</b>	<b>180,145</b>	<b>254,588</b>	<b>96,891</b>	<b>123,512</b>	<b>374,963</b>	-	<b>4,613,798</b>
354	Accrued Compensated Absences - Non Current	114,795	66,701	48,006	49,965	104,539	121,025	55,537	67,079	65,251	-	-	-	-	-	-	-	-	692,898
357	Accrued Pension and OPEB Liabilities	1,998,857	1,416,014	1,211,344	1,257,367	1,968,268	2,043,100	1,396,257	1,089,506	904,009	-	-	-	-	-	-	-	-	13,284,722
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>2,113,652</b>	<b>1,482,715</b>	<b>1,259,350</b>	<b>1,307,332</b>	<b>2,072,807</b>	<b>2,164,125</b>	<b>1,451,794</b>	<b>1,156,585</b>	<b>969,260</b>	-	-	-	-	-	-	-	-	<b>13,977,620</b>
<b>300</b>	<b>Total Liabilities</b>	<b>2,588,479</b>	<b>1,904,795</b>	<b>1,504,848</b>	<b>1,546,141</b>	<b>2,521,197</b>	<b>2,504,413</b>	<b>1,821,385</b>	<b>1,593,562</b>	<b>1,248,935</b>	<b>166,166</b>	<b>161,398</b>	<b>180,145</b>	<b>254,588</b>	<b>96,891</b>	<b>123,512</b>	<b>374,963</b>	-	<b>18,591,418</b>
400	Deferred Inflow of Resources	188,463	119,371	113,079	117,571	199,721	183,442	140,190	123,918	93,493	-	-	-	-	-	-	-	-	1,279,248
508.1	Invested in Capital Assets, Net of Related Debt	14,587,113	28,866,353	7,284,472	16,596,692	15,512,447	14,555,490	36,567,881	22,750,379	12,694,723	1,069,718	16,923,787	12,477,604	7,167,637	11,974,556	7,498,763	10,218,748	-	236,746,363
511.1	Restricted Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	105,988	220,252	895,990	55,546	428,501	588,882	(322,594)	27,039	(188,625)	9,744,663	770,071	1,271,953	1,800,329	461,686	598,132	1,490,085	-	17,947,898
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>14,693,101</b>	<b>29,086,605</b>	<b>8,180,462</b>	<b>16,652,238</b>	<b>15,940,948</b>	<b>15,144,372</b>	<b>36,245,287</b>	<b>22,777,418</b>	<b>12,506,098</b>	<b>10,814,381</b>	<b>17,693,858</b>	<b>13,749,557</b>	<b>8,967,966</b>	<b>12,436,242</b>	<b>8,096,895</b>	<b>11,708,833</b>	-	<b>254,694,261</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets</b>	<b>17,470,043</b>	<b>31,110,771</b>	<b>9,798,389</b>	<b>18,315,950</b>	<b>18,661,866</b>	<b>17,832,227</b>	<b>38,206,862</b>	<b>24,494,898</b>	<b>13,848,526</b>	<b>10,980,547</b>	<b>17,855,256</b>	<b>13,929,702</b>	<b>9,222,554</b>	<b>12,533,133</b>	<b>8,220</b>			



Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2015

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	1,291,536	1,127,758	1,303,066	1,113,923	1,681,185	1,835,093	789,178	1,030,068	722,565	794,504	450,533	698,301	604,128	239,687	453,498	307,121	-	14,442,084
70400	Tenant Revenue - Other	37,574	93,928	17,628	22,413	12,611	15,056	5,766	7,426	16,745	27,631	17,221	10,105	6,609	7,196	120	3,611	-	301,640
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>1,329,110</b>	<b>1,221,686</b>	<b>1,320,634</b>	<b>1,136,336</b>	<b>1,693,796</b>	<b>1,850,149</b>	<b>794,944</b>	<b>1,037,494</b>	<b>739,310</b>	<b>822,135</b>	<b>467,754</b>	<b>708,406</b>	<b>610,737</b>	<b>246,883</b>	<b>453,618</b>	<b>310,732</b>	<b>-</b>	<b>14,743,724</b>
70600	HUD PHA Operating Grants	2,111,488	2,519,486	2,187,409	1,756,012	2,447,633	2,520,897	1,290,792	1,415,130	1,126,143	1,175,581	981,325	1,336,618	872,785	656,639	724,607	755,009	2,736,589	26,614,143
70610	Capital Grants	1,526,331	2,732,147	135,744	-	759,732	-	346,583	2,599,068	-	-	-	-	-	-	1,177,418	258,670	-	9,535,693
<b>70700</b>	<b>Total Fee Revenue</b>	<b>3,637,819</b>	<b>5,251,633</b>	<b>2,323,153</b>	<b>1,756,012</b>	<b>3,207,365</b>	<b>2,520,897</b>	<b>1,637,375</b>	<b>4,014,198</b>	<b>1,126,143</b>	<b>1,175,581</b>	<b>981,325</b>	<b>1,336,618</b>	<b>872,785</b>	<b>656,639</b>	<b>1,902,025</b>	<b>1,013,679</b>	<b>2,736,589</b>	<b>36,149,836</b>
71100	Investment Income - Unrestricted	237	189	451	168	280	272	128	130	115	76	107	130	180	37	74	140	-	2,714
71500	Other Revenue	4,179	350	130	113	37,791	93,170	659	16,653	10,023	5	21,582	31,167	9,597	9,336	12,598	-	-	247,353
	<b>Total Other Revenue</b>	<b>4,416</b>	<b>539</b>	<b>581</b>	<b>281</b>	<b>38,071</b>	<b>93,442</b>	<b>787</b>	<b>16,783</b>	<b>10,138</b>	<b>81</b>	<b>21,689</b>	<b>31,297</b>	<b>9,777</b>	<b>9,373</b>	<b>12,672</b>	<b>140</b>	<b>-</b>	<b>250,067</b>
<b>70000</b>	<b>Total Revenue</b>	<b>4,971,345</b>	<b>6,473,858</b>	<b>3,644,368</b>	<b>2,892,629</b>	<b>4,939,232</b>	<b>4,464,488</b>	<b>2,433,106</b>	<b>5,068,475</b>	<b>1,875,591</b>	<b>1,997,797</b>	<b>1,470,768</b>	<b>2,076,321</b>	<b>1,493,299</b>	<b>912,895</b>	<b>2,368,315</b>	<b>1,324,551</b>	<b>2,736,589</b>	<b>51,143,627</b>
91100	Administrative Salaries	513,053	270,936	239,345	245,219	437,301	387,181	396,031	359,258	268,116	-	-	-	-	-	-	-	-	3,116,440
91200	Auditing Fees	8,536	8,537	8,537	8,537	8,537	8,536	7,606	7,606	7,605	8,536	8,536	8,537	8,537	8,537	8,537	8,537	-	133,794
91300	Management Fee	266,168	268,793	267,043	272,544	429,568	433,570	230,975	231,226	138,960	67,838	77,732	97,045	88,854	39,403	54,146	47,475	-	3,011,340
91310	Bookkeeping Fee	31,936	32,251	32,040	32,701	51,541	52,021	27,715	27,744	16,674	14,985	17,933	21,610	20,065	9,091	12,271	9,600	-	410,178
91400	Advertising and Marketing	25	-	13	13	-	-	1,282	-	-	-	1,306	-	-	483	-	-	-	3,122
91500	Employee Benefit Contributions - Administration	141,339	25,150	41,242	42,063	114,635	115,752	94,698	122,799	94,408	-	-	-	-	-	-	-	-	792,086
91600	Office Expenses	30,742	25,569	51,668	25,327	46,954	36,998	33,086	32,875	32,447	71,400	102,144	107,474	98,585	48,038	65,779	50,240	-	859,326
91700	Legal Expense	-	-	5,417	184	-	-	-	-	-	3,258	-	-	648	-	-	-	-	9,507
91800	Travel	-	-	-	-	-	-	1,600	5,676	11,830	-	1,396	-	-	260	-	-	-	20,762
91900	Other	47,373	51,492	51,513	55,834	114,636	94,560	6,039	6,883	3,368	165,045	158,493	206,855	88,818	134,493	150,785	131,213	136,829	1,604,229
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>1,039,172</b>	<b>682,728</b>	<b>696,818</b>	<b>682,422</b>	<b>1,203,172</b>	<b>1,128,618</b>	<b>799,032</b>	<b>794,067</b>	<b>573,408</b>	<b>331,062</b>	<b>367,540</b>	<b>441,521</b>	<b>305,507</b>	<b>240,305</b>	<b>291,518</b>	<b>247,065</b>	<b>136,829</b>	<b>9,960,784</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>46,080</b>	<b>38,520</b>	<b>23,520</b>	<b>20,880</b>	<b>24,240</b>	<b>31,200</b>	<b>27,120</b>	<b>12,360</b>	<b>18,000</b>	<b>14,160</b>	<b>-</b>	<b>573,240</b>
92200	Relocation Costs	-	-	-	-	-	-	-	37,891	-	-	-	-	20	-	-	-	-	37,911
92400	Tenant Services - Other	23,228	242,704	2,298	4,727	4,436	1,054	155	884	95	2,381	(1,147)	4,418	9,561	53	1,443	2,738	-	299,028
<b>92500</b>	<b>Total Tenant Services</b>	<b>23,228</b>	<b>242,704</b>	<b>2,298</b>	<b>4,727</b>	<b>4,436</b>	<b>1,054</b>	<b>155</b>	<b>38,775</b>	<b>95</b>	<b>2,381</b>	<b>(1,147)</b>	<b>4,418</b>	<b>9,581</b>	<b>53</b>	<b>1,443</b>	<b>2,738</b>	<b>-</b>	<b>336,939</b>
93100	Water	164,015	220,943	245,373	190,800	162,971	161,815	125,727	228,936	121,709	195,264	124,253	192,218	138,929	48,240	81,490	83,101	-	2,485,784
93200	Electricity	536,023	71,557	96,468	52,080	488,811	525,468	128,605	139,208	285,783	129,564	126,481	51,888	36,758	48,103	185,747	18,496	-	2,921,040
93300	Gas	16,390	-	364,985	140,220	125,761	260,995	37,059	236,670	83,422	247,777	134,409	43,128	35,011	26,809	66,778	25,218	-	1,844,632
93600	Sewer	318,952	380,003	385,636	350,344	451,866	447,578	51,358	127,980	114,814	232,334	40,409	305,052	241,504	28,860	116,538	122,498	-	3,715,726
93800	Other Utilities Expense	-	-	-	25	-	-	-	-	449	-	-	-	-	-	-	-	-	474
<b>93000</b>	<b>Total Utilities</b>	<b>1,035,380</b>	<b>672,503</b>	<b>1,092,462</b>	<b>733,469</b>	<b>1,229,409</b>	<b>1,395,856</b>	<b>342,749</b>	<b>732,794</b>	<b>606,177</b>	<b>804,939</b>	<b>425,552</b>	<b>592,286</b>	<b>452,202</b>	<b>152,012</b>	<b>450,553</b>	<b>249,313</b>	<b>-</b>	<b>10,967,656</b>
94100	Ordinary Maintenance and Operations - Labor	496,209	361,254	373,685	382,924	595,169	629,607	338,973	351,413	279,455	-	-	-	-	-	-	-	-	3,808,689
94200	Ordinary Maintenance and Operations - Materials & Other	171,042	307,139	471,010	306,837	238,221	199,412	75,971	143,061	96,570	107,888	68,745	115,505	119,657	38,040	96,201	57,115	-	2,612,414
94300	Ordinary Maintenance and Operations Contracts	245,630	791,259	862,928	561,939	182,201	215,642	218,060	168,062	156,928	468,287	618,872	642,277	407,085	405,345	329,874	239,755	-	6,514,144
94500	Employee Benefit Contributions - Ordinary Maintenance	204,102	144,775	169,896	174,097	266,829	277,072	141,793	157,808	132,242	-	-	-	-	-	-	-	-	1,668,614
<b>94000</b>	<b>Total Maintenance</b>	<b>1,116,983</b>	<b>1,604,427</b>	<b>1,877,519</b>	<b>1,425,797</b>	<b>1,282,420</b>	<b>1,321,733</b>	<b>774,797</b>	<b>820,344</b>	<b>665,195</b>	<b>576,175</b>	<b>687,617</b>	<b>757,782</b>	<b>526,742</b>	<b>443,385</b>	<b>426,075</b>	<b>296,870</b>	<b>-</b>	<b>14,603,861</b>
95200	Protective Services - Other Contract Costs	258,794	490,864	654,436	122,682	98,682	258,900	-	-	-	297,757	-	-	-	-	-	548	-	2,182,663
95300	Protective Services - Other	-	276	-	-	-	727	-	-	-	-	-	-	-	-	-	78	-	1,783
<b>95000</b>	<b>Total Protective Services</b>	<b>258,794</b>	<b>491,140</b>	<b>654,436</b>	<b>122,682</b>	<b>98,682</b>	<b>259,627</b>	<b>702</b>	<b>-</b>	<b>-</b>	<b>297,757</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>626</b>	<b>-</b>	<b>2,184,446</b>
96110	Property Insurance	41,177	60,271	25,679	43,055	34,887	34,679	67,639	35,798	29,654	12,042	37,115	37,923	32,895	18,758	18,777	4,581	-	534,930
96120	Liability Insurance	2,065	2,122	2,071	2,122	3,317	3,340	2,187	1,828	1,115	1,797	4,052	6,659	3,485	2,410	9,871	616	-	49,057
96130	Workmen's Compensation	4,208	4,209	3,040	3,039	5,144	4,208	4,444	3,040	2,570	29,269	-	34,452	31,269	-	-	13,907	-	142,799
96140	All Other Insurance	815	836	816	836	1,307	1,317	1,273	720	439	4,365	4,117	5,988	6,202	1,722	909	2,448	-	34,110
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>48,265</b>	<b>67,438</b>	<b>31,606</b>	<b>49,052</b>	<b>44,655</b>	<b>43,544</b>	<b>75,543</b>	<b>41,386</b>	<b>33,778</b>	<b>47,473</b>	<b>45,284</b>	<b>85,022</b>	<b>73,851</b>	<b>22,890</b>	<b>29,557</b>	<b>21,552</b>	<b>-</b>	<b>760,896</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2015

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
96200	Other General Expenses	(135)	19,292	5,901	3	(4)	5,922	(19)	(1,415)	1	6	(1)	-	(10)	-	5	-	2,599,760	2,629,306
96300	Payments in Lieu of Taxes	-	-	-	128	-	-	44,517	29,495	11,372	-	2,512	-	-	8,763	-	-	-	96,787
96400	Bad Debt - Tenant Rents	7,773	21,246	2,025	5,926	(2,848)	11,836	5,997	(56)	41,605	(95,899)	16,508	(81)	13,647	3,352	(8)	1,329	-	32,352
96800	Severance Expense	65	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	65
<b>96000</b>	<b>Total Other General Expenses</b>	<b>7,703</b>	<b>40,538</b>	<b>7,926</b>	<b>6,057</b>	<b>(2,852)</b>	<b>17,758</b>	<b>50,495</b>	<b>28,024</b>	<b>52,978</b>	<b>(95,893)</b>	<b>19,019</b>	<b>(81)</b>	<b>13,637</b>	<b>12,115</b>	<b>(3)</b>	<b>1,329</b>	<b>2,599,760</b>	<b>2,758,510</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>3,573,085</b>	<b>3,846,238</b>	<b>4,406,745</b>	<b>3,068,966</b>	<b>3,929,882</b>	<b>4,238,630</b>	<b>2,089,553</b>	<b>2,493,910</b>	<b>1,955,151</b>	<b>1,984,774</b>	<b>1,568,105</b>	<b>1,912,148</b>	<b>1,408,640</b>	<b>883,120</b>	<b>1,217,143</b>	<b>833,653</b>	<b>2,736,589</b>	<b>42,146,332</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>1,398,260</b>	<b>2,627,620</b>	<b>(762,377)</b>	<b>(176,337)</b>	<b>1,009,350</b>	<b>225,858</b>	<b>343,553</b>	<b>2,574,565</b>	<b>(79,560)</b>	<b>13,023</b>	<b>(97,337)</b>	<b>164,173</b>	<b>84,659</b>	<b>29,775</b>	<b>1,151,172</b>	<b>490,898</b>	<b>-</b>	<b>8,997,295</b>
97300	Housing Assistance Payments	9,339	582	-	2,941	-	-	-	-	-	-	-	801	3,703	-	648	38	-	18,052
97400	Depreciation Expense	1,211,788	2,220,614	307,059	752,247	900,006	958,225	2,034,792	785,526	693,367	26,758	885,240	1,139,044	772,558	591,254	643,110	313,753	-	14,235,341
	<b>Subtotal</b>	<b>1,221,127</b>	<b>2,221,196</b>	<b>307,059</b>	<b>755,188</b>	<b>900,006</b>	<b>958,225</b>	<b>2,034,792</b>	<b>785,526</b>	<b>693,367</b>	<b>26,758</b>	<b>885,240</b>	<b>1,139,845</b>	<b>776,261</b>	<b>591,254</b>	<b>643,758</b>	<b>313,791</b>	<b>-</b>	<b>14,253,393</b>
<b>90000</b>	<b>Total Expenses</b>	<b>4,794,212</b>	<b>6,067,434</b>	<b>4,713,804</b>	<b>3,824,154</b>	<b>4,829,888</b>	<b>5,196,855</b>	<b>4,124,345</b>	<b>3,279,436</b>	<b>2,648,518</b>	<b>2,011,532</b>	<b>2,453,345</b>	<b>3,051,993</b>	<b>2,184,901</b>	<b>1,474,374</b>	<b>1,860,901</b>	<b>1,147,444</b>	<b>2,736,589</b>	<b>56,399,725</b>
10010	Operating Transfer In	269,639	324,744	584,882	129,221	103,806	262,568	15,233	465,164	7,594	24,669	5,774	34,256	35,543	76,569	24,460	1,887	-	2,366,009
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>269,639</b>	<b>324,744</b>	<b>584,882</b>	<b>129,221</b>	<b>103,806</b>	<b>262,568</b>	<b>15,233</b>	<b>465,164</b>	<b>7,594</b>	<b>24,669</b>	<b>5,774</b>	<b>34,256</b>	<b>35,543</b>	<b>76,569</b>	<b>24,460</b>	<b>1,887</b>	<b>-</b>	<b>2,366,009</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>446,772</b>	<b>731,168</b>	<b>(484,554)</b>	<b>(802,304)</b>	<b>213,150</b>	<b>(469,799)</b>	<b>(1,676,006)</b>	<b>2,254,203</b>	<b>(765,333)</b>	<b>10,934</b>	<b>(976,803)</b>	<b>(941,416)</b>	<b>(656,059)</b>	<b>(484,910)</b>	<b>531,874</b>	<b>178,994</b>	<b>-</b>	<b>(2,890,089)</b>
11030	Beginning Equity	14,221,967	29,492,441	8,823,092	18,396,150	17,158,095	17,079,017	36,876,503	15,883,910	13,974,889	10,803,446	18,670,663	14,444,525	9,344,077	11,021,672	7,509,960	11,550,774	-	255,251,181
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	446,772	731,168	(484,554)	(802,304)	213,150	(469,799)	(1,676,006)	2,254,203	(765,333)	10,934	(976,803)	(941,416)	(656,059)	(484,910)	531,874	178,994	-	(2,890,089)
11040-010	Prior Period Adjustment	(1,636,342)	(1,188,997)	(994,162)	(1,034,741)	(1,592,948)	(1,677,601)	(1,132,046)	(842,033)	(710,847)	1	(2)	(1)	(1)	1	2	-	-	(10,809,717)
11040-070	Equity Transfer of Capital Contributions	1,660,704	51,993	836,086	93,133	162,651	212,755	2,176,836	5,481,338	7,389	-	-	246,449	279,949	1,899,479	55,059	(20,935)	-	13,142,886
	<b>Ending Equity</b>	<b>14,693,101</b>	<b>29,086,605</b>	<b>8,180,462</b>	<b>16,652,238</b>	<b>15,940,948</b>	<b>15,144,372</b>	<b>36,245,287</b>	<b>22,777,418</b>	<b>12,506,098</b>	<b>10,814,381</b>	<b>17,693,858</b>	<b>13,749,557</b>	<b>8,967,966</b>	<b>12,436,242</b>	<b>8,096,895</b>	<b>11,708,833</b>	<b>-</b>	<b>254,694,261</b>

See accompanying independent auditor's report

**Hawaii Public Housing Authority**  
**Financial Data Schedule**  
**GASB No. 54 Supplemental Reporting Schedule**  
**June 30, 2015**

<u>FDS Line Item</u>	<u>FDS Line Item Name</u>	<u>CFDA No. 14.871 Housing Choice Voucher Program</u>	<u>CFDA No. 14.195 Section 8 Contract Administration</u>	<u>State/Local</u>	<u>Total</u>
513	Total Equity as Reported in FDS	<u>\$ 669,145</u>	<u>\$ 1,799,845</u>	<u>\$ 131,577,720</u>	<u>\$ 134,046,710</u>
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ 4,483,276	\$ 4,483,276
509.3	Restricted Fund Balance	381,150	-	-	381,150
510.3	Committed Fund Balance	-	-	64,297,474	64,297,474
511.3	Assigned Fund Balance	287,995	1,799,845	62,796,970	64,884,810
512.3	Unassigned Fund Balance	-	-	-	-
	Total Equity as Calculated	<u>\$ 669,145</u>	<u>\$ 1,799,845</u>	<u>\$ 131,577,720</u>	<u>\$ 134,046,710</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, 2015, 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 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D of the Hawaii Revised Statutes) and procurement rules, directives and circulars, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 2015-02.

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

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

### **Purpose of this Report**

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

KMH LLP

KMH LLP

Honolulu, Hawaii  
March 14, 2016

**PART III**

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



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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 OMB Circular A-133**

Board of Directors  
Hawaii Public Housing Authority

**Report on Compliance for Each Major Federal Program**

We have audited the Hawaii Public Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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



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

As described in item 2015-02 in the accompanying *Schedule of Findings and Questioned Costs*, the Authority did not comply with the eligibility compliance requirement under CFDA number 14.850 Public and Indian Housing. Compliance with such requirement is necessary, in our opinion, for the Authority to comply with requirements applicable to this program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Public and Indian Housing for the year ended June 30, 2015.

### **Unmodified on Section 8 Housing Choice Vouchers and Public Housing Capital Fund**

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 its Section 8 Housing Choice Vouchers and Public Housing Capital Fund for the year ended June 30, 2015.

### **Other Matters**

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

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

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as item 2015-01 to be a significant deficiency and item 2015-02 to be a material weakness.

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We have issued our report thereon dated March 14, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB A-133 and is not a required part of the basic 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 basic 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 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii

March 14, 2016

**PART IV**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

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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: Qualified

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$2,736,929 (3% of federal award expended)

Auditee qualified as low-risk auditee?  Yes  No

# **Hawaii Public Housing Authority**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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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, 2015

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## Section III – Federal Award Findings and Questioned Costs

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

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

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

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

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

**Questioned costs:** None

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

#### **PHA Reply (Corrective Action Plan):**

The HPHA will take the following actions.

1. Continue to work with the HPHA's contractor to check elite software settings to identify whether there are prompts or alerts that can be utilized to help reduce errors.
2. Provide training on each finding, provide refresher training every 2 years, include reminders and tips at staff meetings
3. The Supervisor position that would conduct quality control review of tenant rent calculations has been vacant and in continuous recruitment since 2013. Once hired, the Section 8 Branch will increase the number of files that are audited for quality control to 30% and determine if more quality control is needed.
4. To address the missing inspection documents, the branch is in the process of filling the office assistant position vacant since December 2012. This position will maintain the filing of HQS inspection forms, re-schedule inspections as needed, take all incoming calls from landlords and tenants, correspondence and track deadlines.
5. Once the HQS Inspections office assistant is hired, the Section 8 Branch will implement procedures to scan the inspection documents into our system, have the assistant track repair deadlines on the lotus notes calendar and prepare template letters for follow up with clients and landlords.

# Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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

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

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

6. Our rent calculation staff (PHS, Public Housing Specialist) has a caseload of at least 425 voucher holders. All other section 8 departments statewide have a caseload of 200 to 250. Three more PHS positions will be offered.

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

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

### Public and Indian Housing CFDA No. 14.850

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

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

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

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

- 1) For 2 out of 80 tenant files tested, we noted that the tenant files could not be located.
- 2) For 2 out of 80 tenant files tested, we noted that the annual re-examination was not completed within the fiscal year.
- 3) For 19 out of 80 tenant files tested, we noted that the annual re-examination was not completed in a timely manner.



## Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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

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

##### Finding No.: 2015-02 Eligibility – Material Weakness (continued)

- 4) For 5 out of 80 tenant files tested, we noted no verification of social security numbers, citizenship declaration form or birth certificates.
- 5) For 8 out of 80 tenant files tested, we noted no indication that a criminal background check was performed for adult household family members.
- 6) For 10 out of 80 tenant files tested, we noted that the rent per the Form 50058 did not agree to the amount charged per the respective rent runs.
- 7) For 4 out of 80 tenant files tested, we noted that income after exclusions was miscalculated, incorrectly input into the Form 50058 or not properly verified.
- 8) For 4 out of 80 tenant files tested, we noted that the Family Annual/Update Report form, used to facilitate the annual re-examination, was not signed by the Housing Specialist and/or tenant.

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

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

**Questioned costs:** None

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

##### **PHA Reply (Corrective Action Plan):**

As the only statewide housing authority in Hawaii, we have experienced challenges in filling the public housing specialist positions, thereby causing staffing shortages. This contributed to the condition of the tenant files. As an example, HPHA is required to recertify a voluminous number of tenants annually, totaling 6,196, to determine those tenants eligible to remain in public housing. At HPHA, we have decreased our late re-certifications under the Federal Low-Income Public Housing program tremendously, from over 1,500 in 2010, to 686 in 2012, to 116 presently. Although much improvement has been made, we recognize the need to eliminate late re-certifications altogether and are already addressing this issue.

## **Hawaii Public Housing Authority**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2015

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

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

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

In particular, HPHA has been severely understaffed, but last month was able to secure a new Property Management and Maintenance Services Branch (PMMSB) Chief after a 3-year search, who has made this matter a priority. HPHA is actively recruiting for the Public Housing Specialist I, II and IV positions that have been left vacant due to promotions, resignations and retirement. These positions are essential in minimizing the late recertification. With the proper staffing in place, the HPHA will be able to implement a robust system of monitoring and quality control.

**Contact Person:** Helen Enobakhare, Public Housing, 808-832-4676

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

**PART V**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

# Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2015

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

### **Finding No.: 2014-02 Eligibility, Reporting, Special Tests and Provisions (Reasonable Rent, Housing Assistance Payments, HQS Inspections & HQS Enforcement) – Material Weakness**

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

- 1) For 1 out of 60 tenant files tested, we noted that an annual re-examination was not performed within the most recent 12 months.
- 2) For 2 out of 60 tenant files tested, we noted no HQS inspection report.
- 3) For 2 out of 60 tenant files tested, we noted that the adjusted gross income was incorrectly calculated.
- 4) For 6 out of 60 tenant files tested, we noted that the assets and/or exempt income per the Form 50058 did not agree to the support in the file or the incorrect payment standard was used on the Form 50058.
- 5) For 1 out of 60 tenant files tested, we noted no income verification for one of the adult family members.

During our review of supervisory quality control HQS inspections, we noted the following:

- 1) For 4 out of 40 HQS enforcement samples tested, we noted that the re-inspection date and correction of the failed portion of the HQS inspection was not completed within the designated time frame.
- 2) For 4 out of 40 HQS enforcement samples tested, we noted that Housing Assistance Payments were not stopped in a timely manner upon HQS inspection failure.
- 3) For 1 out of 40 HQS enforcement samples tested, we noted no supporting documents for re-inspection.

**Recommendation:** We recommend that the Authority enforce proper implementation of its eligibility policy and procedures and complete regular quality control review of HQS inspections.

**Status:** A portion of this comment is still applicable. See finding 2015-01.

# Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2015

## Public Housing Capital Fund CFDA No. 14.872

### Finding No.: 2014-03 Eligibility – Material Weakness

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

- 1) For 4 out of 60 tenant files tested, we noted that income after exclusions was miscalculated, incorrectly input into the Form 50058 or not properly verified.
- 2) For 4 out of 60 tenant files tested, we noted no verification of social security numbers, disability certificate or citizenship declaration form.
- 3) For 1 out of 60 tenant files tested, we noted that the annual re-examination was not performed in a timely basis.
- 4) For 2 out of 60 tenant files tested, we noted no supporting documents for childcare costs or medical expenses or income and/or assets.
- 5) For 3 out 60 tenant files tested, we noted that the assets reported on the Form 50058 did not agree to the supporting documents.

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

*Status:* The comment is still applicable. See finding 2015-02.