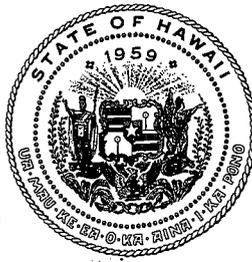


STATE OF HAWAII  
OFFICE OF THE AUDITOR  
465 S. King Street, Room 500  
Honolulu, Hawaii 96813-2917



LESLIE H. KONDO  
State Auditor  
(808) 587-0800  
lao.auditors@hawaii.gov

**DEPT. COMM. NO. 378**

April 24, 2018

**VIA HAND DELIVERY**

The Honorable Ronald D. Kouchi  
Senate President  
415 South Beretania Street  
State Capitol, Room 409  
Honolulu, Hawai'i 96813

RE: Financial and Compliance Audit of the Hawai'i Public Housing Authority

Dear President Kouchi:

The financial and compliance audit report of the Hawai'i Public Housing Authority for the fiscal year ended June 30, 2017, was issued on March 21, 2018. The Office of the Auditor retained KMH LLP to perform the financial and compliance audit. For your information, we are enclosing a copy of the two-page Auditor's Summary and the financial and compliance audit report.

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

[http://files.hawaii.gov/auditor/Reports/2017\\_Audit/HPHA2017.pdf](http://files.hawaii.gov/auditor/Reports/2017_Audit/HPHA2017.pdf)

[http://files.hawaii.gov/auditor/Reports/2017\\_Audit/HPHA\\_Summary\\_2017.pdf](http://files.hawaii.gov/auditor/Reports/2017_Audit/HPHA_Summary_2017.pdf)

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

Very truly yours,

Leslie H. Kondo  
State Auditor

LHK:RTS:emo

Enclosures

# **Hawaii Public Housing Authority**

Financial Statements

June 30, 2017

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR  
STATE OF HAWAII**



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A Hawaii Limited Liability Partnership

March 21, 2018

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, 2017. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the Authority's basic financial statements as of and for the fiscal year ended June 30, 2017, and to comply with the requirements of the Uniform Guidance. The objectives of the audit were as follows:

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

## **SCOPE OF THE AUDIT**

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Uniform Guidance. The scope of our audit included an examination of the transactions and accounting records of the Authority as of and for the fiscal year ended June 30, 2017.

## **ORGANIZATION OF THE REPORT**

This report is presented in six parts as follows:

- Part I – The basic financial statements and related notes of the Authority as of and for the fiscal year ended June 30, 2017, and our opinion on the basic financial statements.
- Part II – Our report on internal control over financial reporting and compliance.
- Part III – Our report on compliance for each major program; internal control over compliance; and report on schedule of expenditures of federal awards.
- Part IV – The schedule of findings and questioned costs.
- Part V – The summary schedule of prior audit findings.
- Part VI – The corrective action plan.

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

Sincerely,



Wilcox Choy  
Partner

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



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A Hawaii Limited Liability Partnership

## **Independent Auditor's Report**

The Auditor  
State of Hawaii

Board of Directors  
Hawaii Public Housing Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2017 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2017, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison schedules, Schedule of the Authority's Proportionate Share of the Net Pension Liability and Schedule of the Authority's Contributions on pages 9 through 22 and pages 78 to 83, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards on pages 85 and 86, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Financial Data Schedule on pages 87 through 93, respectively, are presented for purposes of additional analysis and are 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 21, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KMH LLP

KMH LLP

Honolulu, Hawaii  
March 21, 2018

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

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, 2017. 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, 2017, 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, 2016 to June 30, 2017, 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, 2017

- Federal rental assistance program  
HPHA manages a Special Allocation Program which administers a project based program under a contract with the federal government through a subcontract, Contract Management Services (a subsidiary of the Bremerton Housing Authority).

## FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the HPHA exceeded its liabilities and deferred inflows of resources by \$487.47 million. Of this amount, \$344.15 million was invested in capital assets (as detailed on *Government-Wide Statement of Net Position, page 23*).
- The HPHA's government wide net position increased by \$18.57 million. The increase in net position is due to the offsetting activities of governmental activities and business-type activities as follows:
  - a. Governmental activities decrease in net position of \$0.10 million is primarily due to State allotted appropriations of \$42.50 million, net of lapsed funds of \$1.72 million, capital outlays of \$30.57 million and net transfers out of \$10.93 million (as detailed on *Government-Wide Statement of Activities, page 25*).
  - b. Business-type activities increase in net position of \$18.67 million (as detailed on *Government-Wide Statement of Activities, page 25*) is due to capital contributions of \$30.57 million and net transfers in of \$10.93 million from Governmental Activities, offset by a loss before transfers of \$22.85 million.

The capital contribution is related to the Capital Projects fund's current year capital outlay of \$30.57 million (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 28*), expended for the benefit of business-type activities funds.

Out of the \$10.93 million net operating transfers in, \$3.50 million is for State rental housing programs to cover operating shortfalls, \$2.31 million for federal low rent program's security services, \$4.89 million for central office cost center, and \$0.24 million for other enterprise type of programs (as detailed on *Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Position, page 34*).

The loss before transfers of \$22.85 million is primarily due to higher security services and repair and maintenance costs (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, pages 33 and 34*).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

- Restatement - During 2017, the HPHA implemented GASB Statement No. 82, Pension Issues – Amendment of GASB Statements No. 67, No. 68, and No. 73. The adoption of these pronouncements resulted in a restatement of beginning net position for governmental activities and business type activities of \$34,203 and \$569,899, respectively, which were reported as of July 1, 2016.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The *Statement of Net Position* presents information on all of the HPHA’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. The statement displays the financial position of the HPHA. Over time, increases or decreases in net position may serve as an indicator of whether the HPHA’s financial position is improving or deteriorating.

The *Statement of Activities* shows how the HPHA’s net position changed as a result of the year’s activities. The statement uses the accrual basis of accounting, similar to the accounting method used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies program revenues and expenses for each type of activity.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

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

- **Governmental activities:** The activities in this section are primarily supported by State appropriations and by HUD contributions, and focus on money flow into and out of those funds and the balances left at year-end. The governmental funds statements – the *Balance Sheet* and the *Statement of Revenues and Expenditures and Changes in Fund Balances* – are reported using current financial resources measurement and the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view to help determine whether there are more or fewer financial resources to finance the HPHA’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to explain the relationship (or differences) between them.
- **Business-type activities:** Business type activities (also referred to as “proprietary funds”) are financed and operated in a manner similar to private business enterprises, where funding to recover costs of providing goods and services to the general public is derived through user charges. The business-type fund statements – the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* are reported using an accrual basis of accounting and the economic resources measurement focus.

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

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

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

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

HAWAII PUBLIC HOUSING AUTHORITY  
Condensed Statements of Net Position  
June 30, 2017 and June 30, 2016  
(In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2017	2016 as restated	2017	2016 as restated	2017	2016 as restated
<b>Assets</b>						
Current & other assets	\$ 111,429	\$ 109,891	\$ 86,072	\$ 78,099	\$ 197,501	\$ 187,990
Capital assets	4,146	4,309	340,003	325,200	344,149	329,509
Other assets	-	-	8,717	8,717	8,717	8,717
<b>Total Assets</b>	<b>115,575</b>	<b>114,200</b>	<b>434,792</b>	<b>412,016</b>	<b>550,367</b>	<b>526,216</b>
Deferred Outflows of Resources	847	172	12,093	2,926	12,940	3,098
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 116,422</b>	<b>\$ 114,372</b>	<b>\$ 446,885</b>	<b>\$ 414,942</b>	<b>\$ 563,307</b>	<b>\$ 529,314</b>
<b>Liabilities</b>						
Current & other liabilities	\$ 5,169	\$ 4,079	\$ 7,063	\$ 7,037	\$ 12,232	\$ 11,116
Long-term liabilities	3,754	2,613	59,122	44,895	62,876	47,508
<b>Total Liabilities</b>	<b>8,923</b>	<b>6,692</b>	<b>66,185</b>	<b>51,932</b>	<b>75,108</b>	<b>58,624</b>
Deferred Inflows of Resources	(7)	77	737	1,712	730	1,789
<b>Net Position</b>						
Investment in capital assets, net of related debt	4,146	4,309	340,003	325,200	344,149	329,509
Restricted	4,657	3,301	-	-	4,657	3,301
Unrestricted	98,703	99,993	39,960	36,098	138,663	136,091
<b>Total Net Position</b>	<b>107,506</b>	<b>107,603</b>	<b>379,963</b>	<b>361,298</b>	<b>487,469</b>	<b>468,901</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 116,422</b>	<b>\$ 114,372</b>	<b>\$ 446,885</b>	<b>\$ 414,942</b>	<b>\$ 563,307</b>	<b>\$ 529,314</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

## Statement of Net Position

Net position may serve over time as a useful indicator of the HPHA's financial position. At the close of the fiscal year, the HPHA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$487.47 million. \$344.15 million of net position was invested in capital assets, net of related debt. As discussed in the financial highlights, net position increased by \$18.57 million during the fiscal period (as detailed on *Government-Wide Statement of Net Position and Statement of Activities, pages 23, 24 & 25*).

Of the HPHA's total assets and deferred outflows of resources, \$344.15 million (or 61.1%) represents capital assets. Cash and Due from the State of Hawaii (as presented in the detailed *Government-Wide Statement of Net Position, page 23*) in the amount of \$187.40 million comprises 33.3% of total assets and deferred outflows of resources. A majority of the \$104.00 million in Due from the State of Hawaii represents available State allotted appropriations designated for capital improvement projects. Net position for the previous fiscal year had a similar composition with the majority of total net position represented by capital assets.

Accounts payable and accrued current expenses of \$10.39 million comprise 84.9% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position, page 24*). Long term liabilities increased by \$15.37 million from the prior year. This is primarily due to the increase in net pension liability and other post retirement employment benefits (OPEB) liability (as detailed in the *Notes to the Financial Statements, #7 and #8, page 61*). Total long term liabilities and deferred inflows of resources amounted to \$63.61 million, or 83.9% of total liabilities and deferred inflows of resources, as compared to \$49.30 million or 81.6% in prior year. The increase in both amounts and percentages are a result of the implementation of *GASB 68, Accounting and Financial Reporting for Pensions*. The HPHA's obligations related to pension and OPEB are based on reports provided by the State's Department of Accounting and General Services.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

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, 2017 and June 30, 2016  
(In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2017	2016 as restated	2017	2016 as restated	2017	2016 as restated
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 22,226	\$ 20,592	\$ 22,226	\$ 20,592
Operating grants & contributions	65,449	62,885	24,054	24,013	89,503	86,898
Capital grants & contributions	-	-	5,999	9,669	5,999	9,669
Other income	-	-	270	127	270	127
General Revenues:						
State allotted appropriations, net of lapsed funds	42,498	16,171	-	-	42,498	16,171
<b>Total Revenues</b>	<b>107,947</b>	<b>79,056</b>	<b>52,549</b>	<b>54,401</b>	<b>160,496</b>	<b>133,457</b>
<b>Expenses</b>						
Governmental Activities						
Rental housing assistance program	66,539	62,878	-	-	66,539	62,878
Business-Type Activities						
Rental assistance program	-	-	60,362	56,982	60,362	56,982
Housing development program	-	-	9,896	9,553	9,896	9,553
Other expenses	-	-	5,131	3,839	5,131	3,839
<b>Total government-wide expenses</b>	<b>66,539</b>	<b>62,878</b>	<b>75,389</b>	<b>70,374</b>	<b>141,928</b>	<b>133,252</b>
Excess (deficiency) of revenues over (under) expenses	41,408	16,178	(22,840)	(15,973)	18,568	205
Capital contributions	(30,573)	(31,969)	30,573	31,969	-	-
Transfers	(10,932)	(10,653)	10,932	10,653	-	-
<b>CHANGES IN NET POSITION</b>	<b>(97)</b>	<b>(26,444)</b>	<b>18,665</b>	<b>26,649</b>	<b>18,568</b>	<b>205</b>
Net position, beginning of year	107,603	134,047	361,298	334,649	468,901	468,696
<b>Net position, end of year</b>	<b>\$ 107,506</b>	<b>\$ 107,603</b>	<b>\$ 379,963</b>	<b>\$ 361,298</b>	<b>\$ 487,469</b>	<b>\$ 468,901</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

## Statement of Activities

Government-wide operating grants and contributions increased by \$2.60 million in the current year from \$86.90 million to \$89.50 million. Capital grants and contributions decreased by \$3.68 million in the current year from \$9.67 million to \$5.99 million. HUD operating subsidies for federal public housing program increased by \$0.04 million or 0.2% from \$24.01 million in prior year to \$24.05 million. The business-type activities operating loss increased by \$6.87 million for the year to \$22.84 million, from prior year's \$15.97 million (as detailed in the *Government – Wide Statement of Activities, Page 25*).

Governmental activities net position decreased by \$0.09 million from prior year's \$107.60 million to current year's \$107.51 million. This decrease is primarily due to State allotted appropriations of \$42.50 million, net of lapsed capital funds of \$1.72 million, and net transfers out of \$10.93 million (as detailed in *Government-Wide Statement of Net Position, Page 24*).

## FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

### Governmental Funds

The focus of the HPHA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HPHA's ability to meet its financing requirements. In particular, unreserved fund balances may serve as a useful measure of the HPHA's net resources available for spending at the end of the fiscal year (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance, page 28*).

- At the end of the fiscal year, combined fund balances amounted to \$106.26 million, an increase of \$0.45 million, in comparison with the previous year's combined fund balance of \$105.81 million. Of the \$106.26 million fund balance, \$97.01 million was reserved for capital projects (as detailed in *Governmental Funds, Balance Sheet, page 26 and Statement of Revenues, Expenditures and Changes in Fund Balances, page 28*).
- Under the General fund, excess of revenues over expenditures at the end of the fiscal year was \$6.55 million, and \$6.18 million was transferred out of the General Fund to support the HPHA's business type activities (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances, page 28*).
- The Capital Projects fund balance decreased by \$1.53 million, to \$97.01 million from prior year's \$98.54 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 28*). The HPHA received allotted appropriations of \$33.78 million, net of lapsed fund of \$1.37 million. Capital contribution was \$30.57 million, and net transfers out was \$4.75 million.
- The Housing Choice Voucher Program fund balance increased by \$1.36 million, to \$4.66 million. This is mainly because of the \$1.36 million of revenues over expenditures.

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2017

- The Section 8 Contract Administration fund balance increased by \$0.26 million to \$2.32 million. Revenues exceeded expenditures by \$0.26 million.

### Proprietary Funds

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

- With the implementation of HUD's Asset Management and Project Based Budgeting, the HPHA established the HUD-mandated Central Office Cost Center (COCC) fund to account for costs related to the general oversight of the programs and projects HPHA administers, and other indirect and administrative costs of the HPHA. The COCC fund charges fees to the HPHA's various housing programs for administrative services and general oversight.
- Combined Proprietary Funds losses before transfers amounted to \$22.85 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 34*), compared with prior year loss of \$15.97 million. The \$6.88 million increase in loss is due to a combination of variances in revenues and expenses, including \$1.69 million more rental income, offset by \$3.67 million less HUD capital fund grants, \$0.14 million more repair and maintenance expenses, \$0.29 million more administrative expenses, and \$3.37 million more personnel expenses.
- The COCC's loss before transfers was increased to \$4.93 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 34*), in comparison to prior year's loss of \$3.67 million. The increase in loss is mainly because of \$0.51 million less transfers-in. The COCC finished the fiscal year with a decrease in net position, to \$10.35 million from \$10.39 million in the prior year.
- Under the Federal Low Rent Program, net loss before transfers increased by \$5.70 million to \$12.46 million, compared to prior year net loss of \$6.76 million. The increase in net losses was due to a combination of variances in revenues and expenses, including \$1.85 million more rental income and \$0.04 million more in HUD operating subsidies; offset by \$3.67 million less in HUD capital grants, \$2.14 million more in personnel expenses, and \$1.12 million more in depreciation expense (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 33 and 34*).
- The State family housing program's loss before transfers amounted to \$2.18 million, an increase from prior year's \$1.82 million loss. This was mainly because rental income received was not sufficient to support operational expenditures. However, \$3.80 million of capital contributions and \$2.03 million operating transfers in resulted in a \$3.65 million net position increase (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 34*).

# Hawaii Public Housing Authority

## Management Discussion and Analysis

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- 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 \$2.47 million, as compared to prior year's \$2.46 million loss before transfers. The program's net position increased by \$0.27 million due to \$1.28 million of capital contributions and \$1.47 million of operating transfers in (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, page 34*).
- Other Enterprise funds loss before transfers amounted to \$0.81 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions, page 34*) compared with prior year loss of \$0.69 million.

Ke Kumu Ekahi and 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, 2017 is approximately \$344.15 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 55 and 56*).

HPHA Capital Assets  
Years Ended June 30, 2017 and June 30, 2016  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,325	15,325	639,206	610,147	654,531	625,472
Equipment	1,292	1,292	9,244	8,997	10,536	10,289
Construction in progress	-	-	58,545	53,810	58,545	53,810
Total	18,990	18,990	729,961	695,920	748,951	714,910
Accumulated depreciation	(14,845)	(14,682)	(389,958)	(370,720)	(404,803)	(385,402)
Total Capital Assets, net	\$ 4,145	\$ 4,308	\$ 340,003	\$ 325,200	\$ 344,148	\$ 329,508

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

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

- AMP 30 Hale Laulima, Site and Dwelling Improvements, \$6.98 million
- AMP 30 Salt Lake Apartment, Modernization of Salt Lake Apartments, Phase I, \$0.68 million
- AMP 30 Salt Lake Apartment, Modernization of Salt Lake Apartments, Phase II, \$3.96 million
- AMP 31 Kalihi Valley Homes, Site, Dwelling and Accessibility Improvements, \$0.75 million
- AMP 31 Kalihi Valley Homes, Building and Accessibility Improvements, \$5.22 million

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2017

- AMP 31 Hauiki Homes, Site, Exterior Building and Accessibility Improvements, \$0.44 million
- AMP 31 Hauiki Homes, Upgrade Electrical System, \$0.31 million
- AMP 31 Puahala Homes I, Abatement and Modernization, \$4.54 million
- AMP 31 Puahala Homes I, Safety and Energy Conservation, \$0.34 million
- AMP 31 Puahala Homes I, Site and Building Improvements, \$0.34 million
- AMP 32 Mayor Wright Homes, Homes Modernization, \$0.84 million
- AMP 33 Kaahumanu Homes, Homes Modernization, \$5.40 million
- AMP 33 Kaahumanu Homes, Site, Building and Accessibility Improvements, \$0.53 million
- AMP 34 Makua Alii, Site and Building Improvements, \$3.01 million
- AMP 35 Punchbowl Homes (E), Roofing, Site and Accessibility Improvements, \$0.27 million
- AMP 35 Spencer House, Masonry Stabilization and Repairs, \$0.17 million
- AMP 37 Lanakila Homes I, Demolition of Wooden Structures, \$1.57 million
- AMP 37 Lanakila Homes I, Replacement of Major Utility Systems, \$0.59 million
- AMP 37 Lanakila Homes I, New Construction of Phase IIIB & IV, \$0.90 million
- AMP 37 Pahala (E), Site and Building Improvements, \$0.25 million
- AMP 37 Hale Aloha O Puna (E), Site and Building Improvements, \$0.25 million
- AMP 37 Lanakila Homes IV, Demolition of Wooden Structures, \$2.01 million
- AMP 38 Kapaa, Homes Modernization, \$0.28 million
- AMP 38 Eleele Homes, Site, Dwelling and Accessibility Improvements, \$0.26 million
- AMP 38 Home Nani (E), ADA Accessibility Compliance, \$1.34 million
- AMP 39 David Malo Circle, Renovation, \$0.40 million
- AMP 39 Kahekili Terrace, Site and Dwelling Improvements, \$3.98 million
- AMP 39 Kahale Mua - Federal Site and Dwelling Improvements, \$0.24 million
- AMP 39 Kahale Mua - State, Site and Dwelling Improvements, \$0.50 million
- AMP 40 Kuhio Park Terrace Lowrise, Site and Roadway Improvements, \$4.15 million
- AMP 42 Hale Po'ai, Upgrade major Utility Systems, \$0.36 million
- AMP 42 Hale Po'ai, Site and Dwelling Improvements, \$0.14 million
- AMP 42 La'iola (E), Upgrade major Utility Systems, \$0.19 million
- AMP 42 Kamalu (E) and Ho'olulu, Upgrade major Utility Systems, \$0.39 million
- AMP 44 Kau'iokalani, Site & Building Improvements, \$0.87 million
- AMP 44 Kau'iokalani, Site, Dwelling and Accessibility Improvements, \$0.37 million
- AMP 49 Wahiawa Terrace, Site, Dwelling and Accessibility Improvements, \$0.55 million
- AMP 50 Palolo Valley Homes, Modernization, Phase I & II, \$5.14 million
- AMP 50 Palolo Valley Homes, Modernization, Phase III, \$0.40 million

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

## CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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

On August 20, 2009, the HPHA Board of Directors approved the selection of the Michaels Development Company to undertake a mixed finance redevelopment project at the Kuhio Park Terrace and Kuhio Homes (KPT/KH). On May 12, 2011 the sale of Kuhio Park Terrace closed and the HPHA received sale proceeds in the amount of \$3.1 million. The HPHA intends to select a new master developer to continue to redevelop the remaining parcel at Kuhio Park Terrace/Kuhio Homes. A new Master Development Agreement will be negotiated after a competitive solicitation is issued and a development partner selected.

### Sophia Karsom, et al. v. State of Hawaii, et al.

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

The State and the HPHA were served with the Amended Complaint on October 13, 2017. The employee was served with Amended Complaint on October 27, 2017.

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

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes in Kalihi. Her body was discovered in an alley adjacent to the housing complex. The Complaint alleges, among other things, that the State: failed to secure, to properly monitor and light the premises; "encouraged hoodlums like Defendant Ahn to enter the premises"; removed gates to keep "gangsters" out; "allowed sexual predators onto the premises"; and refused to enforce a curfew for hoodlums. A jury found Ahn guilty of Murder in the Second Degree and Sexual Assault in the Third Degree. He was sentenced on July 9, 2012 to a mandatory life term in prison. The conviction was upheld on appeal.

The case was stayed from October 2012 to June 2015, pending completion of the appeal of Ahn's criminal conviction. The parties have resumed discovery and completed a CAAP arbitration hearing. The arbitrator found the State not liable, and Defendant Ahn 100% liable. Plaintiffs appealed. Trial de novo is scheduled for September 17, 2018.

## **Hawaii Public Housing Authority**

Management Discussion and Analysis

June 30, 2017

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

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

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

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self insured retention on the insurance it selected. UPS has not accepted the HPHA's tender of defense yet. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the HPHA has not been served with the Complaint, a deputy attorney general will attend the mediation, but the HPHA will not pay for the cost of the mediation and will not be making any offer (as it understood that UPS is obligated under its contract with the HPHA, and the facts). Nor will there be any discovery requests aimed at the HPHA before the mediation. If the mediation is unsuccessful, the HPHA will press UPS to retain independent counsel for the HPHA based on contractual indemnity.

### Office of Hawaiian Affairs, et al. v. Hawaii Housing Authority, et al. ("OHA V. HHA")

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

On January 11, 2000, all proceedings in this suit stayed pending the Hawaii Supreme Court's decision in OHA, et al. v. State of Hawai'i, et al., Civil No. 94-02505-01 (1st Cir.). The September 12, 2001 decision of the Hawai'i Supreme Court (OHA, et al. v. State of Hawaii, 96 Hawaii 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in OHA v. HHA, and this case remains pending.

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

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2017

Based on the Hawai'i Supreme Court's decision in OHA v. State in 2001, and Act 15, Session Laws of Hawaii 2012, which resolved and extinguished any and all claims and disputes that OHA, and other persons and entities claiming by, through, or under OHA, had asserted or raised, relating to the portion of the income and proceeds from the public trust lands, the claims in OHA v. HHA are no longer viable and extinguished. The HPHA intends to file a stipulation to dismiss OHA v. HHA with prejudice.

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

During 2017, HPHA continued working with Hunt Development Group and the Vitus Group, the selected developer for redevelopment of Mayor Wright Homes, located within the Transit-Oriented Development (TOD) zone of the Honolulu Rail System, in close proximity to the Iwilei Station. The vision for the redevelopment includes: one-for-one replacement of public housing units, mixed-income and mixed-uses. The HPHA anticipates the execution of a Master Development Agreement in the coming fiscal period.

During 2017, HPHA continued working with Retirement Housing Foundation and its partners to redevelop its administrative offices located at 1002 N. School Street. The project will include new HPHA offices, affordable housing units and commercial uses that best serve the surrounding community. The Retirement Housing Foundation is currently conducting community outreach meetings, stakeholder discussions, and environmental reviews.

## 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, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 2,865,741	\$ 76,495,920	\$ 79,361,661
Restricted cash	1,514,452	2,528,235	4,042,687
Due from State of Hawaii	103,998,993	-	103,998,993
Receivables:			
Accrued interest	-	33,514	33,514
Tenant receivables, less allowance for doubtful receivables of \$1,882,235	-	291,988	291,988
Other	344,826	4,631,504	4,976,330
	<u>344,826</u>	<u>4,957,006</u>	<u>5,301,832</u>
Internal balances	(171,354)	171,354	-
Due from HUD	129,138	1,235,824	1,364,962
Inventories	-	637,781	637,781
Prepaid expenses and other assets	2,747,588	10,723	2,758,311
Deposits held in trust	-	35,716	35,716
Total current assets	<u>111,429,384</u>	<u>86,072,559</u>	<u>197,501,943</u>
Notes Receivable	-	8,716,630	8,716,630
Capital Assets, less accumulated depreciation	<u>4,145,999</u>	<u>340,003,072</u>	<u>344,149,071</u>
Total assets	115,575,383	434,792,261	550,367,644
Deferred Outflows of Resources	<u>846,645</u>	<u>12,092,708</u>	<u>12,939,353</u>
Total assets and deferred outflows of resources	<u>\$ 116,422,028</u>	<u>\$ 446,884,969</u>	<u>\$ 563,306,997</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION (continued)

June 30, 2017

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 4,890,696	\$ 2,514,939	\$ 7,405,635
Accrued expenses	278,715	2,703,456	2,982,171
Due to State of Hawaii	-	571,402	571,402
Security deposits	-	982,054	982,054
Deferred income	-	290,918	290,918
Total current liabilities	<u>5,169,411</u>	<u>7,062,769</u>	<u>12,232,180</u>
Accrued Expenses	1,106,928	23,552,777	24,659,705
Net Pension Liability	<u>2,646,952</u>	<u>35,569,292</u>	<u>38,216,244</u>
Total liabilities	8,923,291	66,184,838	75,108,129
Deferred Inflows of Resources	<u>(7,408)</u>	<u>737,183</u>	<u>729,775</u>
Commitments and Contingencies			
Net Position:			
Invested in capital assets, net of related debt	4,145,999	340,003,072	344,149,071
Restricted by legislation and contractual agreements	4,656,650	-	4,656,650
Unrestricted	<u>98,703,496</u>	<u>39,959,876</u>	<u>138,663,372</u>
Total net position	<u>107,506,145</u>	<u>379,962,948</u>	<u>487,469,093</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 116,422,028</u>	<u>\$ 446,884,969</u>	<u>\$ 563,306,997</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	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	\$ 66,538,777	\$ -	\$ 65,448,944	\$ -	\$ (1,089,833)	\$ -	\$ (1,089,833)
Total governmental activities	<u>66,538,777</u>	<u>-</u>	<u>65,448,944</u>	<u>-</u>	<u>(1,089,833)</u>	<u>-</u>	<u>(1,089,833)</u>
Business-type activities:							
Rental assistance program	60,361,992	17,752,141	24,054,123	5,998,506	-	(12,557,222)	(12,557,222)
Rental housing program	9,895,882	4,386,088	-	-	-	(5,509,794)	(5,509,794)
Others	5,130,965	87,999	-	-	-	(5,042,966)	(5,042,966)
Total business-type activities	<u>75,388,839</u>	<u>22,226,228</u>	<u>24,054,123</u>	<u>5,998,506</u>	<u>-</u>	<u>(23,109,982)</u>	<u>(23,109,982)</u>
Total government-wide	<u>\$ 141,927,616</u>	<u>\$ 22,226,228</u>	<u>\$ 89,503,067</u>	<u>\$ 5,998,506</u>	<u>(1,089,833)</u>	<u>(23,109,982)</u>	<u>(24,199,815)</u>
State Allotted Appropriations, net of lapsed funds of \$1,723,121					42,497,627	-	42,497,627
Other Non-Program Revenue					-	269,728	269,728
Net Transfers					(41,504,746)	41,504,746	-
Total general revenues and transfers					<u>992,881</u>	<u>41,774,474</u>	<u>42,767,355</u>
Change in net position					<u>(96,952)</u>	<u>18,664,492</u>	<u>18,567,540</u>
Net Position at July 1, 2016, as previously reported					107,637,300	361,868,355	469,505,655
Restatement due to change in accounting principle					(34,203)	(569,899)	(604,102)
Net Position at July 1, 2016, as restated					<u>107,603,097</u>	<u>361,298,456</u>	<u>468,901,553</u>
Net Position at June 30, 2017					<u>\$ 107,506,145</u>	<u>\$ 379,962,948</u>	<u>\$ 487,469,093</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2017

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Current Assets:</b>					
Cash	\$ -	\$ -	\$ 578,962	\$ 2,286,779	\$ 2,865,741
Restricted cash	-	-	1,514,452	-	1,514,452
Due from State of Hawaii	2,595,208	101,403,785	-	-	103,998,993
Other receivables	13,353	-	331,473	-	344,826
Due from other funds	-	-	-	300	300
Due from HUD	-	-	-	129,138	129,138
Prepaid expenses and other assets	168,362	-	2,579,226	-	2,747,588
Total assets	<u>\$ 2,776,923</u>	<u>\$ 101,403,785</u>	<u>\$ 5,004,113</u>	<u>\$ 2,416,217</u>	<u>\$ 111,601,038</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 458,957	\$ 4,398,384	\$ 33,355	\$ -	\$ 4,890,696
Accrued expenses	27,741	-	152,228	98,746	278,715
Due to other funds	9,774	-	161,880	-	171,654
Total current liabilities	496,472	4,398,384	347,463	98,746	5,341,065
<b>Fund Balances:</b>					
Restricted by legislation and contractual agreements	-	-	4,656,650	-	4,656,650
Committed	-	62,802,759	-	-	62,802,759
Assigned	2,280,451	34,202,642	-	2,317,471	38,800,564
Total fund balances	<u>2,280,451</u>	<u>97,005,401</u>	<u>4,656,650</u>	<u>2,317,471</u>	<u>106,259,973</u>
Total liabilities and fund balances	<u>\$ 2,776,923</u>	<u>\$ 101,403,785</u>	<u>\$ 5,004,113</u>	<u>\$ 2,416,217</u>	<u>\$ 111,601,038</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, 2017

Total fund balance - governmental funds		\$ 106,259,973
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	4,145,999	
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(120,784)	
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(97,520)	
Other post-retirement employee benefits are not due and payable in the current period and therefore are not reported in the funds	(888,624)	
Pension benefits are not due and payable in the current period and therefore are not reported in the funds	(2,646,952)	
Deferred outflows of resources related to the pension liability are not financial resources and therefore not reported in the funds	846,645	
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	7,408	1,246,172
Net position of governmental activities	<u>7,408</u>	<u>\$ 107,506,145</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, 2017

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 32,219,294	\$ 32,758,999	\$ 64,978,293
State allotted appropriations, net of lapsed funds of \$1,515,532	8,714,416	33,783,211	-	-	42,497,627
Other	-	-	470,130	521	470,651
<b>Total revenues</b>	<b>8,714,416</b>	<b>33,783,211</b>	<b>32,689,424</b>	<b>32,759,520</b>	<b>107,946,571</b>
<b>Expenditures:</b>					
Housing assistance payments	937,410	-	29,658,116	31,328,581	61,924,107
Administration	50,072	-	866,666	1,104,165	2,020,903
Personnel services	1,142,491	-	398,320	-	1,540,811
Professional services	25,983	-	86,238	65,594	177,815
Tenant services	-	-	265,053	-	265,053
Utilities	-	-	12,881	-	12,881
Repairs and maintenance	3,447	-	41,040	-	44,487
Security	1,982	-	806	-	2,788
Insurance	237	-	4,430	-	4,667
Capital outlays	-	30,573,078	-	-	30,573,078
<b>Total expenditures</b>	<b>2,161,622</b>	<b>30,573,078</b>	<b>31,333,550</b>	<b>32,498,340</b>	<b>96,566,590</b>
Excess (deficiency) of revenues over (under) expenditures	6,552,794	3,210,133	1,355,874	261,180	11,379,981
Other Financing Uses - Transfers Out	(6,183,222)	(4,748,446)	-	-	(10,931,668)
<b>Net change in fund balances</b>	<b>369,572</b>	<b>(1,538,313)</b>	<b>1,355,874</b>	<b>261,180</b>	<b>448,313</b>
Fund Balances at July 1, 2016	1,910,879	98,543,714	3,300,776	2,056,291	105,811,660
<b>Fund Balances at June 30, 2017</b>	<b>\$ 2,280,451</b>	<b>\$ 97,005,401</b>	<b>\$ 4,656,650</b>	<b>\$ 2,317,471</b>	<b>\$ 106,259,973</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, 2017

Net change in fund balances - total governmental funds		\$ 448,313
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those governmental activities assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of those governmental activity assets amounted to approximately \$163,000.		
Expenditures for capital assets	30,573,078	
Less current year depreciation expense	<u>(162,838)</u>	30,410,240
Transfer of capital assets between governmental activities and business-type activities		(30,573,078)
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		(22,936)
Family Self-Sufficiency program expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(56,717)
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		(152,253)
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>(150,521)</u>
Change in net assets of governmental activities		<u>\$ (96,952)</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION

June 30, 2017

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	\$ 43,048,495	\$ 1,883,134	\$ 3,722,542	\$ 17,454,265	\$ 9,218,098	\$ 75,326,534	\$ 1,169,386
Restricted cash	-	-	-	2,528,235	-	2,528,235	-
	<u>43,048,495</u>	<u>1,883,134</u>	<u>3,722,542</u>	<u>19,982,500</u>	<u>9,218,098</u>	<u>77,854,769</u>	<u>1,169,386</u>
<b>Receivables:</b>							
Accrued interest	-	3,366	6,273	21,679	-	31,318	2,196
Tenant receivables, less allowance for doubtful accounts of \$1,822,235	256,989	24,683	701	-	9,615	291,988	-
Other	-	-	555	4,543,486	87,463	4,631,504	-
	<u>256,989</u>	<u>28,049</u>	<u>7,529</u>	<u>4,565,165</u>	<u>97,078</u>	<u>4,954,810</u>	<u>2,196</u>
Due from other funds	-	178,250	130,667	9,037,253	-	9,346,170	64,000
Due from HUD	1,235,824	-	-	-	-	1,235,824	-
Inventories	521,321	827	90,295	25,338	-	637,781	-
Prepaid expenses and other assets	-	-	-	10,723	-	10,723	-
Deposits held in trust	-	-	-	-	35,716	35,716	-
Total current assets	<u>45,062,629</u>	<u>2,090,260</u>	<u>3,951,033</u>	<u>33,620,979</u>	<u>9,350,892</u>	<u>94,075,793</u>	<u>1,235,582</u>
Notes Receivable	8,716,630	-	-	-	-	8,716,630	-
Due from Other Funds	-	-	-	11,520,358	-	11,520,358	-
Capital Assets, less accumulated depreciation	270,474,180	24,766,121	33,511,919	338,861	10,764,902	339,855,983	147,089
Total assets	<u>324,253,439</u>	<u>26,856,381</u>	<u>37,462,952</u>	<u>45,480,198</u>	<u>20,115,794</u>	<u>454,168,764</u>	<u>1,382,671</u>
Deferred Outflows of Resources	5,358,350	428,732	-	6,305,626	-	12,092,708	-
Total assets and deferred outflows of resources	<u>\$ 329,611,789</u>	<u>\$ 27,285,113</u>	<u>\$ 37,462,952</u>	<u>\$ 51,785,824</u>	<u>\$ 20,115,794</u>	<u>\$ 466,261,472</u>	<u>\$ 1,382,671</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (continued)

June 30, 2017

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	1,924,141	\$ 38,766	\$ 18,104	\$ 296,480	\$ 237,448	\$ 2,514,939	\$ -
Accrued expenses	1,681,767	56,839	-	764,354	200,496	2,703,456	-
Due to other funds	1,401,473	22,773	47,690	64,300	7,702,580	9,238,816	-
Due to State of Hawaii	-	-	-	-	571,402	571,402	-
Security deposits	730,077	40,996	164,152	-	46,829	982,054	-
Deferred income	258,402	13,714	7,184	9,523	2,095	290,918	-
Total current liabilities	<u>5,995,860</u>	<u>173,088</u>	<u>237,130</u>	<u>1,134,657</u>	<u>8,760,850</u>	<u>16,301,585</u>	<u>-</u>
Accrued Expenses	707,086	50,180	-	22,795,511	-	23,552,777	-
Due to Other Funds	10,657,496	862,862	-	-	-	11,520,358	-
Net Pension Liability	16,953,355	1,439,299	-	17,176,638	-	35,569,292	-
Total liabilities	<u>34,313,797</u>	<u>2,525,429</u>	<u>237,130</u>	<u>41,106,806</u>	<u>8,760,850</u>	<u>86,944,012</u>	<u>-</u>
Deferred Inflows of Resources	382,517	26,127	-	328,539	-	737,183	-
Commitments and Contingencies							
<b>Net Position:</b>							
Invested in capital assets, net of related debt	270,474,180	24,766,121	33,511,919	338,861	10,764,902	339,855,983	147,089
Unrestricted	24,441,295	(32,564)	3,713,903	10,011,618	590,042	38,724,294	1,235,582
Total net position	<u>294,915,475</u>	<u>24,733,557</u>	<u>37,225,822</u>	<u>10,350,479</u>	<u>11,354,944</u>	<u>378,580,277</u>	<u>1,382,671</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 329,611,789</u>	<u>\$ 27,285,113</u>	<u>\$ 37,462,952</u>	<u>\$ 51,785,824</u>	<u>\$ 20,115,794</u>	<u>\$ 466,261,472</u>	<u>\$ 1,382,671</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, 2017

Total net position of enterprise funds	\$ 378,580,277
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>1,382,671</u>
Net position of business-type activities	<u><u>\$ 379,962,948</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, 2017

	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	\$ 17,491,126	\$ 1,142,101	\$ 2,106,282	\$ -	\$ 1,045,294	\$ -	\$ 21,784,803	\$ 64,000
Fee-for-service	-	-	-	8,689,825	-	(8,689,825)	-	-
Other	261,015	7,177	60,257	23,999	24,977	-	377,425	-
Total operating revenues	17,752,141	1,149,278	2,166,539	8,713,824	1,070,271	(8,689,825)	22,162,228	64,000
Operating Expenses:								
Personnel services	11,388,023	942,098	-	11,945,897	-	-	24,276,018	-
Depreciation	16,071,017	959,350	1,518,008	69,048	560,324	-	19,177,747	58,917
Administration	10,135,740	305,911	769,752	592,604	295,133	(8,689,825)	3,409,315	-
Provision for (recovery of) losses	289,085	19,537	7,382	-	172,966	-	488,970	-
Professional services	86,596	21,654	19,838	605,513	1,173	-	734,774	5,350
Tenant services	211,506	403	-	2,274	-	-	214,183	-
Security	2,552,578	-	1,097	10,507	178,124	-	2,742,306	-
Insurance	639,034	40,706	98,783	12,085	9,370	-	799,978	-
Repairs and maintenance	8,507,623	338,049	1,090,380	416,220	345,116	-	10,697,388	-
Utilities	10,307,201	719,284	1,162,083	102,375	319,361	-	12,610,304	-
Payments in lieu of taxes	173,589	-	-	-	-	-	173,589	-
Total operating expenses	60,361,992	3,346,992	4,667,323	13,756,523	1,881,567	(8,689,825)	75,324,572	64,267
Operating loss carried forward	(42,609,851)	(2,197,714)	(2,500,784)	(5,042,699)	(811,296)	-	(53,162,344)	(267)

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, 2017

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
Operating loss brought forward	(42,609,851)	(2,197,714)	(2,500,784)	(5,042,699)	(811,296)	-	(53,162,344)	(267)
Nonoperating Revenues:								
HUD operating subsidies	24,054,123	-	-	-	-	-	24,054,123	-
HUD capital fund subsidies	5,998,506	-	-	-	-	-	5,998,506	-
Other revenues	101,573	13,454	28,605	115,756	-	-	259,388	10,340
Net nonoperating revenues	30,154,202	13,454	28,605	115,756	-	-	30,312,017	10,340
(Loss) income before transfers	(12,455,649)	(2,184,260)	(2,472,179)	(4,926,943)	(811,296)	-	(22,850,327)	10,073
Capital Contributions	25,497,163	3,799,846	1,276,069	-	-	-	30,573,078	-
Net Transfers	2,305,075	2,032,969	1,467,224	4,887,481	238,919	-	10,931,668	-
Change in net position	15,346,589	3,648,555	271,114	(39,462)	(572,377)	-	18,654,419	10,073
Net Position at July 1, 2016, as previously reported	279,822,785	21,103,833	36,954,708	10,687,110	11,927,321	-	360,495,757	1,372,598
Restatement due to change in accounting principle	(253,899)	(18,831)	-	(297,169)	-	-	(569,899)	-
Net Position at July 1, 2016, as restated	279,568,886	21,085,002	36,954,708	10,389,941	11,927,321	-	359,925,858	1,372,598
Net Position at June 30, 2017	\$ 294,915,475	\$ 24,733,557	\$ 37,225,822	\$ 10,350,479	\$ 11,354,944	\$ -	\$ 378,580,277	\$ 1,382,671

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, 2017

Change in net position - total enterprise funds	\$ 18,654,419
Change in net position - internal service funds	<u>10,073</u>
Change in net position of business-type activities	<u>\$ 18,664,492</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, 2017

	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	\$ 17,346,004	\$ 1,124,632	\$ 2,110,974	\$ -	\$ 1,052,391	\$ 21,634,001	\$ -
Cash payments to employees	(11,388,023)	(936,461)	-	(10,007,086)	-	(22,331,570)	-
Cash payments to suppliers	(36,297,125)	(1,651,213)	(3,287,318)	(6,449,804)	(1,294,339)	(48,979,799)	-
Cash receipts from (payments to) other funds	3,100,718	2,094,491	1,426,007	15,060,879	265,167	21,947,262	-
Other cash receipts (payments)	5,231,383	423,188	90,257	1,353,347	(4,492)	7,093,683	(5,350)
Net cash (used in) provided by operating activities	(22,007,043)	1,054,637	339,920	(42,664)	18,727	(20,636,423)	(5,350)
<b>Cash Flows from Noncapital Financing Activity --</b>							
HUD operating subsidy received	24,054,123	-	-	92,149	-	24,146,272	-
Net cash provided by noncapital financing activities	24,054,123	-	-	92,149	-	24,146,272	-
<b>Cash Flows from Capital and Related Financing Activities:</b>							
HUD capital subsidy received	5,548,717	-	-	-	-	5,548,717	-
Payments for acquisition of property and equipment	(3,742,010)	-	-	(224,970)	-	(3,966,980)	-
Other	101,573	-	-	-	-	101,573	-
Net cash provided by (used in) capital and related financing activities	1,908,280	-	-	(224,970)	-	1,683,310	-
Subtotal carried forward	3,955,360	1,054,637	339,920	(175,485)	18,727	5,193,159	(5,350)

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, 2017

	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	3,955,360	1,054,637	339,920	(175,485)	18,727	5,193,159	(5,350)
Cash Flows from Investing Activity --							
Receipts of Interest	-	10,579	24,307	3,998	-	38,884	8,822
Net cash provided by investing activities	-	10,579	24,307	3,998	-	38,884	8,822
Net increase (decrease) in cash	3,955,360	1,065,216	364,227	(171,487)	18,727	5,232,043	3,472
Cash at July 1, 2016	39,093,135	817,918	3,358,315	20,153,987	9,199,371	72,622,726	1,165,914
Cash at June 30, 2017	<u>\$ 43,048,495</u>	<u>\$ 1,883,134</u>	<u>\$ 3,722,542</u>	<u>\$ 19,982,500</u>	<u>\$ 9,218,098</u>	<u>\$ 77,854,769</u>	<u>\$ 1,169,386</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, 2017

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:							
Reconciliation of operating loss to net cash (used in) provided by operating activities:							
Operating loss	\$ (42,609,851)	\$ (2,197,714)	\$ (2,500,784)	\$ (5,042,699)	\$ (811,296)	\$ (53,162,344)	\$ (267)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:							
Depreciation	16,071,017	959,350	1,518,008	69,048	560,324	19,177,747	58,917
Provision for (recovery of) losses	289,085	19,537	7,382	-	172,966	488,970	-
Loss on capital asset write off	-	-	30,000	-	-	30,000	-
Changes in assets and liabilities:							
Tenant receivables	(217,490)	(26,411)	(5,939)	-	(167,971)	(417,811)	-
Other receivables	-	10,055	(555)	(4,541,805)	(87,463)	(4,619,768)	-
Due from other funds	2,305,075	2,032,969	1,467,224	6,306,754	53,782	12,165,804	(64,000)
Due from other state agency	-	-	-	-	-	-	-
Inventories	(31,450)	74,881	(15,838)	(1,883)	-	25,710	-
Prepaid expenses and other assets	-	-	-	3,266	-	3,266	-
Deposits held in trust	-	-	-	-	(2,273)	(2,273)	-
Deferred outflows	(4,050,128)	(331,283)	-	(4,784,836)	-	(9,166,247)	-
Accounts payable	286,209	20,446	(128,992)	59,602	64,213	301,478	-
Accrued expenses	112,111	16,387	-	1,954,436	20,688	2,103,622	-
Due to other funds	795,643	61,522	(41,217)	64,300	211,382	1,091,630	-
Security deposits	163,091	10,528	9,990	-	2,280	185,889	-
Deferred income	(90,723)	(1,586)	641	-	2,095	(89,573)	-
Net pension liability	5,397,207	444,322	-	6,380,393	-	12,221,922	-
Deferred inflows	(426,839)	(38,366)	-	(509,240)	-	(974,445)	-
Net cash (used in) provided by operating activities	\$ (22,007,043)	\$ 1,054,637	\$ 339,920	\$ (42,664)	\$ 18,727	\$ (20,636,423)	\$ (5,350)

The accompanying notes are an integral part of this statement.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 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, 2017, 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, 2017

## 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, 2017

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

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

#### ii. Governmental Fund Financial Statements

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' long-term compensated absences, family self-sufficiency program costs, other post-retirement benefits, net pension liability, and deferred inflows and outflows of resources, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to long-term compensated absences, family self-sufficiency program costs, other post-retirement benefits, net pension liability and deferred inflows and outflows of resources at June 30, 2017 has been reported in the government-wide financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 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, 2017

## 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, 2017

## 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, 2017

## 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, 2017

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

### f. Capital Assets (continued)

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

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

### g. Cash and Cash Equivalents

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

### h. Inventories

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

### i. Interfund Receivables and Payables

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

### 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

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

### 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.

### 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 \$724,000.

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

<u>Balance at July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2017</u>
<u>\$2,197,000</u>	<u>\$1,076,000</u>	<u>\$962,000</u>	<u>\$2,311,000</u>

As of June 30, 2017, approximately \$142,000 and \$2,169,000 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

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

### 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.

*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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

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

### 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.

### q. Recently Issued Accounting Pronouncements

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. This Statement has no impact on the Authority's 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. The Authority has determined that Statement No. 75 will have a material effect on its financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

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

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

During 2017, the Authority implemented GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*.

The adoption of Statement No. 82 had no impact on the Authority's governmental fund financial statements, which continue to report expenditures using the modified-accrual basis of accounting. However, adoption has resulted in the restatement of the Authority's fiscal year 2016 government-wide financial statements to reflect the new calculation of deferred outflows of resources in accordance with the provisions of Statement No. 82. The restatement of beginning net position for governmental activities and business type activities of \$34,203 and \$569,899, respectively, were reported as of July 1, 2016.

In March 2017, the GASB issued Statement No. 85 (GASB 85), *Omnibus 2017*. GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB 85 will be effective for the Authority's financial statements for the year ending June 30, 2018, with earlier adoption permitted. Management is currently assessing the impact of GASB 85 on its financial positions and results of operations reported on its financial statements.

## 2. Budgeting and Budgetary Control

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 2. Budgeting and Budgetary Control (continued)

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.

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, 2017 is set forth in the required supplementary information.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

### 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, 2017, total cash, including restricted cash and deposits, reported in the statement of net position is \$83,440,064 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 14,888,227	\$ 14,888,227
Cash in bank (book balance)	<u>4,380,193</u>	<u>64,135,928</u>	<u>65,516,121</u>
	4,380,193	79,024,155	83,404,348
Deposits held in trust	<u>-</u>	<u>35,716</u>	<u>35,716</u>
Total Cash	<u>\$ 4,380,193</u>	<u>\$ 79,059,871</u>	<u>\$ 83,440,064</u>

Bank balance of cash in bank was approximately \$72,267,000 of which \$750,000 was covered by federal depository insurance and \$71,517,000 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, 2017

## 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, 2017

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

During 2017, the interest earned on the note receivable amounted to approximately \$2,033,000 and has been recorded in deferred gain. As of June 30, 2017, 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	\$ 59,936,867
Deferred gain	<u>(55,120,237)</u>
Net note receivable	<u>\$ 4,816,630</u>

Additionally, prior to the execution of the ground lease and sale of the Improvements, several planned capital improvements related to the Project had not been completed. As both the Authority and the buyer agreed that the work is necessary, the buyer agreed to complete the work and the Authority agreed to provide the financing. Accordingly, the Authority agreed to loan the buyer up to \$3,900,000 from Public Housing Capital Funds and State of Hawaii Capital Improvement Projects Funds. Payment of principal is deferred until the maturity date, whereupon all principal is due, subject to the availability of surplus cash, as defined in the note agreement. The note does not bear interest unless the borrower defaults upon the maturity date of May 2051. As of June 30, 2016, the Authority loaned the full \$3,900,000 to the buyer, which is included in the accompanying statement of net position under the Federal Low Rent Program.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>2,373,410</u>	<u>-</u>	<u>-</u>	<u>2,373,410</u>
Capital assets, being depreciated:				
Building and improvements	15,325,444	-	-	15,325,444
Equipment	1,291,869	-	-	1,291,869
Total capital assets being depreciated	<u>16,617,313</u>	<u>-</u>	<u>-</u>	<u>16,617,313</u>
Less accumulated depreciation for:				
Building and improvements	13,461,072	153,428	-	13,614,500
Equipment	1,220,814	9,410	-	1,230,224
Total accumulated depreciation	<u>14,681,886</u>	<u>162,838</u>	<u>-</u>	<u>14,844,724</u>
Governmental activities capital assets, net	<u>\$ 4,308,837</u>	<u>\$ (162,838)</u>	<u>\$ -</u>	<u>\$ 4,145,999</u>
	July 1, 2016	Increases	Decreases	June 30, 2017
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	53,810,340	34,482,760	(29,747,963)	58,545,137
Total capital assets not being depreciated	<u>76,776,540</u>	<u>34,482,760</u>	<u>(29,747,963)</u>	<u>81,511,337</u>
Capital assets being depreciated:				
Building and improvements	610,147,044	29,058,564	-	639,205,608
Equipment	8,997,281	246,347	-	9,243,628
Total capital assets being depreciated	<u>619,144,325</u>	<u>29,304,911</u>	<u>-</u>	<u>648,449,236</u>
Less accumulated depreciation for:				
Building and improvements	363,108,400	18,962,935	-	382,071,335
Equipment	7,612,437	273,729	-	7,886,166
Total accumulated depreciation	<u>370,720,837</u>	<u>19,236,664</u>	<u>-</u>	<u>389,957,501</u>
Business-type activities capital assets, net	<u>\$325,200,028</u>	<u>\$ 44,551,007</u>	<u>\$ (29,747,963)</u>	<u>\$340,003,072</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 5. Capital Assets (continued)

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

Governmental Activity -	
Rental Housing and Assistance Program	<u>\$ 162,838</u>
Business-Type Activities:	
Federal Low Rent Program	16,071,017
Housing Revolving Fund	959,350
Housing for Elders Revolving Fund	1,518,008
Central Office Cost Center Fund	69,048
Internal Services	58,917
Others	<u>560,324</u>
Total depreciation expense – business-type activities	<u>19,236,664</u>
Total depreciation expense	<u><u>\$ 19,399,502</u></u>

At June 30, 2017, 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	534,217,089	31,319,602	58,656,052	42,857	14,970,008	639,205,608	-	639,205,608
Equipment, Furniture and fixtures	5,410,806	985,702	214,676	520,721	-	7,131,905	2,111,723	9,243,628
Construction in Progress	50,910,030	6,244,966	1,390,141	-	-	58,545,137	-	58,545,137
Less accumulated depreciation	<u>333,157,374</u>	<u>16,037,030</u>	<u>32,853,767</u>	<u>224,717</u>	<u>5,719,979</u>	<u>387,992,867</u>	<u>1,964,634</u>	<u>389,957,501</u>
Net property and Equipment	<u><u>\$ 270,474,180</u></u>	<u><u>\$ 24,766,121</u></u>	<u><u>\$ 33,511,919</u></u>	<u><u>\$ 338,861</u></u>	<u><u>\$ 10,764,902</u></u>	<u><u>\$339,855,983</u></u>	<u><u>\$ 147,089</u></u>	<u><u>\$ 340,003,072</u></u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 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, 2017, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$9,369,000 and \$62,803,000, respectively, for the construction and renovation of housing projects.

### c. Consulting Agreement

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

In accordance with the consulting agreement, the amount paid to the Authority shall be held in an interest bearing escrow account by an escrow agent mutually agreed upon by the Authority and the buyer until the state tax credit release date. Approximately \$2,528,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2017 is held in an approved escrow account.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 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, 2017, 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, 2017 amounted to approximately \$4,911,000.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 6. Commitments and Contingencies (continued)

### g. Litigation

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

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

On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in OHA, et al. v. State of Hawaii, et al., Civil No. 94-02505-01 (1st Cir.). The September 12, 2001 decision of the Hawai'i Supreme Court (OHA, et al. v. State of Hawaii, 96 Hawaii 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in OHA v. HHA, and this case remains pending.

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

Based on the Hawai'i Supreme Court's decision in OHA v. State in 2001, and Act 15, Session Laws of Hawaii 2012, which resolved and extinguished any and all claims and disputes that OHA, and other persons and entities claiming by, through, or under OHA, had asserted or raised, relating to the portion of the income and proceeds from the public trust lands, the claims in OHA v. HHA are no longer viable and extinguished. The Authority intends to file a stipulation to dismiss OHA v. HHA with prejudice.

#### 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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 6. Commitments and Contingencies (continued)

### h. Litigation (continued)

secure, to properly monitor and light the premises; "encouraged hoodlums like Defendant Ahn to enter the premises"; removed gates to keep "gangsters" out; "allowed sexual predators onto the premises"; and refused to enforce a curfew for hoodlums.

Defendant Ahn was criminally convicted of murder in July 2012. 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 completed a CAAP arbitration hearing. The arbitrator found the State not liable, and Defendant Ahn 100% liable. Plaintiffs appealed. Trial de novo is scheduled for September 17, 2018.

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

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

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

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self-insured retention on the insurance it selected. UPS has not accepted the HPHA's tender of defense yet. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the HPHA has not been served with the Complaint, a deputy attorney general will attend the mediation, but the HPHA will not pay for the cost of the mediation and will not be making any offer (as it understood that UPS is obligated under its contract with the HPHA, and the facts). Nor will there be any discovery requests aimed at the HPHA before the mediation. If the mediation is unsuccessful, the HPHA will press UPS to retain independent counsel for the HPHA based on contractual indemnity.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

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

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

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

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

The State and the Authority were served with the Amended Complaint on October 13, 2017. The employee was served with an Amended Complaint on October 27, 2017.

## 7. Retirement Plan

### a. Plan Description

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

### b. Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%)

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

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

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

#### Noncontributory Class

##### Retirement Benefits

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

##### Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. 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, 2017

## 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.

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

#### 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, 2017

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

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

#### Contributory 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 ten years of credited service are eligible to retire at age 60.

##### Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 1.75% of average final compensation for each year of service 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, 2017

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Retirement Benefits

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

##### Disability Benefits

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

##### Death Benefits

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or 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, 2017

## 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, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

### c. Contributions

Contributions are 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 2017 was 17.00% for Authority employees. The Authority's contributions requirements as of June 30, 2017 were approximately \$2,349,000.

On May 18, 2017, the Governor signed into law Act 17 SLH 2017. Per Act 17, future employer contributions from the State and counties are expected to increase pursuant to a phased-in contribution rate increase over four years beginning July 1, 2017. The rate for Authority employees increases to 18.00% on July 1, 2017; 19.00% on July 1, 2018; 22.00% on July 1, 2019; and 24.00% on July 1, 2020.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 7. Retirement Plan (continued)

### c. Contributions

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

The payroll for all of the Authority's employees and employees covered by the plan was approximately \$14,516,000 for 2017.

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

At June 30, 2017, the Authority reported a liability of \$38,216,244 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the Authority's proportion was 0.29%, which was consistent with its proportion measured as of June 30, 2015.

There were significant changes in actuarial assumptions effective June 30, 2016 based on the Five-Year Experience Study report dated July 5, 2016 that resulted in a significant increase in the measurement of the total pension liability. Primary drivers for the increase include a decrease in the investment return assumption and discount rate from 7.65% as of June 30, 2015 to 7.00% as of June 30, 2016; and a decrease in the mortality assumptions for longer life expectancy and an explicit assumption for continued future mortality improvement (generational approach).

There were no other changes between the measurement date, June 30, 2016, and the reporting date, June 30, 2017, 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, 2017

## 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, 2017, the Authority recognized pension expense of \$4,581,908. At June 30, 2017, 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	\$ 791,282	\$ (597,345)
Changes in assumptions	7,297,595	-
Net difference between projected and actual earnings on pension plan investments	2,369,369	-
Changes in proportionate and differences between Authority contributions and proportionate share of contributions	130,946	(132,430)
Authority contributions subsequent to the measurement date	<u>2,350,161</u>	<u>-</u>
Total	<u>\$ 12,939,353</u>	<u>\$ (729,775)</u>

The \$2,350,161 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, 2018. 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,	
2018	\$ (2,165,000)
2019	(2,165,000)
2020	(2,165,000)
2021	(2,165,000)
2022	<u>(1,199,417)</u>
Total	<u>\$ (9,859,417)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Employees' Retirement System of the State of Hawaii, on December 12, 2016, based on the most recent experience study dated July 5, 2016:

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

There were no changes to ad hoc postemployment benefits including COLA.

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2017

## 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 geometric real rates of return for each major asset class are summarized in the following table:

Strategic Allocation (risk-based classes)	Target Allocation	Long-Term Expected Geometric Rate of Return
Broad Growth	63%	8.35%
Principal Protection	7	2.20
Real Return	10	6.15
Crisis Risk Offset	20	5.50
Total	100%	

The discount rate used to measure the net pension liability was 7.00%, a decrease from the 7.65% rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Authority will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate.

	1 percent Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1 percent Increase <u>(8.00%)</u>
Authority's proportionate share of the net pension liability	49,361,048	38,216,244	29,679,970

### 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, 2017

## 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, 2017, was approximately \$1,115,000, which represented 35% of the Authority's share of the ARC for postretirement healthcare and life insurance benefits of approximately \$3,217,000. The Authority's contribution for the years ended June 30, 2016 and 2015 were approximately \$1,194,000 and \$1,334,000, respectively.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

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

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2017:

Balance at June 30, 2016	\$ 20,849,869
Additions	3,216,855
Deletions	<u>(1,115,010)</u>
Balance at June 30, 2017	<u>\$ 22,951,714</u>

As of June 30, 2017, the postretirement liability balance of approximately \$22,063,000 and \$889,000 was included in long-term accrued expenses under the Central Office Cost Center Fund and Governmental Activities, respectively.

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

## 9. Deferred Compensation Plan

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 10. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Current Due from</u>	<u>Section 8 Contract Administration</u>	<u>Housing Revolving Fund</u>	<u>Housing for Elders Revolving Fund</u>	<u>Central Office Cost Center Fund</u>	<u>Internal Service Funds</u>
General Fund	\$ -	\$ -	\$ -	\$ 9,774	\$ -
Housing Choice Voucher	-	-	-	161,880	-
Central Office Cost Center	300	-	-	-	64,000
Federal Low Rent Program	-	-	-	1,401,473	-
Housing Revolving Fund	-	-	-	22,773	-
Housing for Elders Revolving Fund	-	-	-	47,690	-
Non-major - Enterprise	-	178,250	130,667	7,393,663	-
Total	<u>\$ 300</u>	<u>\$ 178,250</u>	<u>\$ 130,667</u>	<u>\$ 9,037,253</u>	<u>\$ 64,000</u>

<u>Noncurrent Due to</u>	<u>Federal Low-Rent Program</u>	<u>Housing Revolving Fund</u>
Central Office Cost Center	\$ 10,657,496	\$ 862,862

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 11. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2017 is as follows:

Transfer From	General Fund	Capital Projects Fund	Federal Low-Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Non-major Enterprise
General Fund	\$ -	\$ -	\$ 2,177,145	\$ 2,036,740	\$ 1,710,995	\$ -	\$ 260,486
Capital Projects	-	-	127,930	-	49,401	4,574,886	-
Central Office Cost Center	2,144	-	-	-	-	-	-
Housing Revolving Fund	-	3,771	-	-	-	-	-
Housing for Elders Revolving Fund	-	-	-	-	-	293,172	-
Non-Major Enterprise	-	-	-	-	-	21,567	-
<b>Total</b>	<b>\$ 2,144</b>	<b>\$ 3,771</b>	<b>\$ 2,305,075</b>	<b>\$ 2,036,740</b>	<b>\$ 1,760,396</b>	<b>\$ 4,889,625</b>	<b>\$ 260,486</b>

The following describes the transfers noted above:

**General Fund:** The General Fund expended approximately \$6,185,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

**Capital Projects:** The Capital Projects Fund expended approximately \$4,752,000 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. A transfer of approximately \$4,542,000 was made to the Central Office Cost Center for reimbursement of administrative payroll costs on state funded projects.

**Central Office Cost Center:** The Central Office Cost Center expended approximately \$2,000 to the General Fund, which was returned to the State of Hawaii general fund.

**Housing Revolving Fund:** The Housing Revolving Fund expended approximately \$4,000 to pay for administrative expenses under the Capital Projects fund.

**Housing for Elders Revolving Fund:** The Housing for Elders Revolving Fund expended approximately \$293,000 to pay for administrative expenses under the Central Office Cost Center fund.

**Non-Major Enterprise Funds:** A Non-Major Enterprise fund expended approximately \$22,000 to reimburse administrative expenses under the Central Office Cost Center fund.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2017

## 12. Capital Contributions

During 2017, the Capital Projects Fund expended approximately \$30,573,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. The composition of capital contribution balances reflected in the Proprietary Funds financial statements as of June 30, 2017 is as follows:

<u>Contributed From</u>	<u>Federal Low-Rent Program</u>	<u>Housing Revolving Fund</u>	<u>Housing for Elders Revolving Fund</u>	<u>Total</u>
Capital Projects	\$ 25,497,163	\$ 3,799,846	\$ 1,276,069	\$ 30,573,078

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

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

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2017

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
State allotted appropriations	<u>\$ 9,070,748</u>	<u>\$ 9,070,748</u>	<u>\$ 9,070,748</u>
Expenditures -			
Rental housing and assistance program	<u>9,070,748</u>	<u>9,070,748</u>	<u>8,714,416</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 356,332</u>
	Housing Choice Voucher Program		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 32,070,826</u>	<u>\$ 32,070,826</u>	<u>\$ 32,070,826</u>
Expenditures -			
Rental housing and assistance program	<u>32,070,826</u>	<u>32,070,826</u>	<u>31,330,162</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 740,664</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, 2017

	<u>Section 8 Contract Administration</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 32,758,999</u>	<u>\$ 32,758,999</u>	<u>\$ 32,758,999</u>
Expenditures -			
Rental housing and assistance program	<u>32,758,999</u>	<u>32,758,999</u>	<u>32,432,746</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 326,253</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
BUDGET-TO-GAAP RECONCILIATION

Year Ended June 30, 2017

	<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	\$ 356,332	\$ 740,664	\$ 326,253
Reserve for encumbrance at year end*	2,595,208	-	-
Expenditures for liquidation of prior year's encumbrances	(2,087,097)	-	-
Reversion of prior year's allotments	(356,332)	-	-
Accrual adjustments, operating transfers and other	<u>(138,539)</u>	<u>615,210</u>	<u>(65,073)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER USES - US GAAP BASIS</b>	<u><u>\$ 369,572</u></u>	<u><u>\$ 1,355,874</u></u>	<u><u>\$ 261,180</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\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Authority's proportion of the net pension liability	0.29%	0.29%	0.29%	0.28%						
Authority's proportionate share of the net pension liability	\$ 38,216,244	\$ 25,085,181	\$ 23,355,937	\$ 25,740,677						
Authority's covered-employee payroll	13,576,230	13,759,120	12,683,355	11,885,355						
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	281.49%	182.32%	184.15%	216.57%						
Plan fiduciary net position as a percentage of the total pension liability	51.28%	62.42%	63.92%	57.96%						

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 2,348,866	\$ 2,172,048	\$ 2,159,495	\$ 1,965,345	\$ 1,788,664	\$ 1,571,123	\$ 1,536,848			
Contributions in relation to the contractually required contribution	<u>(2,348,866)</u>	<u>(2,172,048)</u>	<u>(2,159,495)</u>	<u>(1,965,345)</u>	<u>(1,788,664)</u>	<u>(1,571,123)</u>	<u>(1,536,848)</u>			
Contributions deficiency (excess)	<u>\$ -</u>									
Authority's covered-employee payroll	\$ 14,516,008	\$ 13,576,230	\$ 13,759,120	\$ 12,683,355	\$ 11,885,355	\$ 10,400,580	\$ 9,850,368			
Contributions as a percentage of covered-employee payroll	16.18%	16.00%	15.70%	15.50%	15.05%	15.11%	15.60%			

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

See accompanying independent auditor's report.

## Hawaii Public Housing Authority

Notes to the Schedules of Proportionate Share of the Net Pension Liability and Contributions  
Year ended June 30, 2017

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

<u>Effective Starting</u>	<u>General Employees</u>
July 1, 2015	17.0%
July 1, 2014	16.5%
July 1, 2013	16.0%
July 1, 2012	15.5%
July 1, 2011	15.0%

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

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

## **Supplementary Information**

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>		
Section 8 Project-Based Cluster --		
Section 8 Housing Assistance Payments - Special Allocations	14.195	\$ 32,498,340
Public and Indian Housing	14.850	24,054,123
Section 8 Housing Choice Vouchers	14.871	31,201,519
Resident Opportunity & Supporting Services	14.870	132,031
Economic Development Initiative	14.251	855,000
Public Housing Capital Fund	14.872	<u>5,143,506</u>
Total federal expenditures		<u><u>\$ 93,884,519</u></u>

The accompanying note is an integral part of this schedule.

## **Hawaii Public Housing Authority**

Notes to the Schedule of Expenditures of Federal Awards  
Year ended June 30, 2017

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

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hawaii Public Housing Authority (the Authority) under the programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

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

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

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Balance Sheet  
June 30, 2017

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Resident Opportunity & Supportive Services 14.870	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
111	Cash - Unrestricted	41,445,294	2,286,779	-	578,962	-	14,607,513	1,169,386	17,454,265	-	77,542,199
113	Cash - Other Restricted	873,124	-	-	1,503,086	-	-	-	2,528,235	-	4,904,445
114	Cash - Tenant Security Deposits	730,077	-	-	-	-	251,977	-	-	-	982,054
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	11,366	-	-	-	-	-	11,366
<b>100</b>	<b>Total Cash</b>	<b>43,048,495</b>	<b>2,286,779</b>	<b>-</b>	<b>2,093,414</b>	<b>-</b>	<b>14,859,490</b>	<b>1,169,386</b>	<b>19,982,500</b>	<b>-</b>	<b>83,440,064</b>
121	Accounts Receivable - PHA Projects	-	-	-	169,902	-	-	-	-	-	169,902
122	Accounts Receivable - HUD Other Projects	1,235,824	129,138	-	-	-	-	-	-	-	1,364,962
124	Accounts Receivable - Other Government	-	-	-	-	103,998,993	-	-	-	-	103,998,993
125	Accounts Receivable - Miscellaneous	-	-	-	161,571	13,353	972,353	-	4,825,467	-	5,972,744
126	Accounts Receivable - Tenants	614,723	-	-	-	-	601,066	-	-	-	1,215,789
126.1	Allowance for Doubtful Accounts - Tenants	(393,026)	-	-	-	-	(567,366)	-	-	-	(960,392)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	(884,335)	-	(281,981)	-	(1,166,316)
127	Notes, Loans and Mortgages Receivable - Current	35,292	-	-	-	-	1,299	-	-	-	36,591
129	Accrued Interest Receivable	-	-	-	-	-	9,639	2,196	21,679	-	33,514
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>1,492,813</b>	<b>129,138</b>	<b>-</b>	<b>331,473</b>	<b>104,012,346</b>	<b>132,656</b>	<b>2,196</b>	<b>4,565,165</b>	<b>-</b>	<b>110,665,787</b>
142	Prepaid Expenses and Other Assets	-	-	-	2,579,226	168,362	-	-	10,723	-	2,758,311
143	Inventories	578,665	-	-	-	-	101,145	-	25,338	-	705,148
143.1	.1 Allowance for Obsolete Inventories	(57,344)	-	-	-	-	(10,023)	-	-	-	(67,367)
144	Inter Program Due From	-	300	-	-	-	308,917	64,000	9,037,253	(9,410,470)	-
	<b>Total Other Current Assets</b>	<b>521,321</b>	<b>300</b>	<b>-</b>	<b>2,579,226</b>	<b>168,362</b>	<b>400,039</b>	<b>64,000</b>	<b>9,073,314</b>	<b>(9,410,470)</b>	<b>3,396,092</b>
<b>150</b>	<b>Total Current Assets</b>	<b>45,062,629</b>	<b>2,416,217</b>	<b>-</b>	<b>5,004,113</b>	<b>104,180,708</b>	<b>15,392,185</b>	<b>1,235,582</b>	<b>33,620,979</b>	<b>(9,410,470)</b>	<b>197,501,943</b>
161	Land	13,093,629	-	-	-	2,373,410	9,872,571	-	-	-	25,339,610
162	Buildings	534,217,092	-	-	-	15,325,444	104,945,662	-	42,857	-	654,531,055
163	Furniture, Equipment & Machinery - Dwellings	3,329,340	-	-	-	-	99,089	-	-	-	3,428,429
164	Furniture, Equipment & Machinery - Administration	2,081,464	-	-	-	1,291,870	1,101,289	2,111,723	520,721	-	7,107,067
166	Accumulated Depreciation	(333,157,375)	-	-	-	(14,844,725)	(54,610,776)	(1,964,634)	(224,717)	-	(404,802,227)
167	Construction in Progress	50,910,030	-	-	-	-	7,635,107	-	-	-	58,545,137
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>270,474,180</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,145,999</b>	<b>69,042,942</b>	<b>147,089</b>	<b>338,861</b>	<b>-</b>	<b>344,149,071</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	8,716,630	-	-	-	-	-	-	-	-	8,716,630
	<b>Total Other Non-Current Assets</b>	<b>8,716,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,716,630</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>279,190,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,145,999</b>	<b>69,042,942</b>	<b>147,089</b>	<b>338,861</b>	<b>-</b>	<b>352,865,701</b>
<b>190</b>	<b>Total Assets</b>	<b>324,253,439</b>	<b>2,416,217</b>	<b>-</b>	<b>5,004,113</b>	<b>108,326,707</b>	<b>84,435,127</b>	<b>1,382,671</b>	<b>33,959,840</b>	<b>(9,410,470)</b>	<b>550,367,644</b>
<b>200</b>	<b>Deferred Outflow of Resources</b>	<b>5,358,350</b>	<b>-</b>	<b>-</b>	<b>795,063</b>	<b>58,990</b>	<b>428,732</b>	<b>-</b>	<b>6,305,626</b>	<b>-</b>	<b>12,946,761</b>
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>329,611,789</b>	<b>2,416,217</b>	<b>-</b>	<b>5,799,176</b>	<b>108,385,697</b>	<b>84,863,859</b>	<b>1,382,671</b>	<b>40,265,466</b>	<b>(9,410,470)</b>	<b>563,314,405</b>
312	Accounts Payable <= 90 Days	577,031	-	-	28,028	458,957	179,745	-	143,464	-	1,387,225
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	116,005	-	-	-	116,005
321	Accrued Wage/Payroll Taxes Payable	395,473	-	-	62,129	4,599	33,945	-	430,194	-	926,340
322	Accrued Compensated Absences - Current Portion	322,601	-	-	40,215	4,279	22,894	-	334,160	-	724,149
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	462,637	-	-	776	-	571,402	-	-	-	1,034,815
341	Tenant Security Deposits	730,077	-	-	-	-	251,977	-	-	-	982,054
342	Deferred Revenues	258,402	-	-	-	-	22,993	-	9,523	-	290,918
345	Other Current Liabilities	1,444,148	-	-	14,685	3,181,091	(1,443)	-	153,016	-	4,791,497
346	Accrued Liabilities - Other	404,018	98,746	-	39,750	1,236,156	200,507	-	-	-	1,979,177
347	Inter Program - Due To	1,401,473	-	-	161,880	9,774	7,773,043	-	64,300	(9,410,470)	-
<b>310</b>	<b>Total Current Liabilities</b>	<b>5,995,860</b>	<b>98,746</b>	<b>-</b>	<b>347,463</b>	<b>4,894,856</b>	<b>9,171,068</b>	<b>-</b>	<b>1,134,657</b>	<b>(9,410,470)</b>	<b>12,232,180</b>
353	Non-Current Liabilities - Other	-	-	-	120,784	-	-	-	-	-	120,784
354	Accrued Compensated Absences - Non Current	707,086	-	-	88,146	9,378	50,180	-	732,421	-	1,587,211
357	Accrued Pension and OPEB Liabilities	27,610,851	-	-	3,103,353	432,219	2,302,161	-	27,719,370	-	61,167,954
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>28,317,937</b>	<b>-</b>	<b>-</b>	<b>3,312,283</b>	<b>441,597</b>	<b>2,352,341</b>	<b>-</b>	<b>28,451,791</b>	<b>-</b>	<b>62,875,949</b>
<b>300</b>	<b>Total Liabilities</b>	<b>34,313,797</b>	<b>98,746</b>	<b>-</b>	<b>3,659,746</b>	<b>5,336,453</b>	<b>11,523,409</b>	<b>-</b>	<b>29,586,448</b>	<b>(9,410,470)</b>	<b>75,108,129</b>
<b>400</b>	<b>Deferred Inflow of Resources</b>	<b>382,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,127</b>	<b>-</b>	<b>328,539</b>	<b>-</b>	<b>737,183</b>
508.4	Invested in Capital Assets, Net of Related Debt	270,474,180	-	-	-	4,145,999	69,042,942	147,089	338,861	-	344,149,071
511.4	Restricted Fund Balance	-	-	-	1,390,228	-	-	-	-	-	1,390,228
512.4	Unrestricted Net Assets	24,441,295	2,317,471	-	749,202	98,903,245	4,271,381	1,235,582	10,011,618	-	141,929,794
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>294,915,475</b>	<b>2,317,471</b>	<b>-</b>	<b>2,139,430</b>	<b>103,049,244</b>	<b>73,314,323</b>	<b>1,382,671</b>	<b>10,350,479</b>	<b>-</b>	<b>487,469,093</b>
<b>600</b>	<b>Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets</b>	<b>329,611,789</b>	<b>2,416,217</b>	<b>-</b>	<b>5,799,176</b>	<b>108,385,697</b>	<b>84,863,859</b>	<b>1,382,671</b>	<b>40,265,466</b>	<b>(9,410,470)</b>	<b>563,314,405</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2017

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Resident Opportunity & Supportive Services 14.870	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
70300	Net Tenant Rental Revenue	17,141,057	-	-	-	-	4,247,150	-	-	-	21,388,207
70400	Tenant Revenue - Other	350,069	-	-	-	-	46,527	-	-	-	396,596
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>17,491,126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,293,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,784,803</b>
70600	HUD PHA Operating Grants	27,627,875	32,758,999	132,031	32,070,826	-	-	-	-	-	92,589,731
70610	Capital Grants	4,267,726	-	-	-	-	-	-	-	-	4,267,726
70710	Management Fee	-	-	-	-	-	-	-	4,262,893	(4,262,893)	-
70720	Asset Management Fee	-	-	-	-	-	-	-	565,800	(565,800)	-
70730	Book Keeping Fee	-	-	-	-	-	-	-	689,968	(689,968)	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	3,171,164	(3,171,164)	-
70750	Other Fees	-	-	-	-	-	-	-	92,149	-	92,149
<b>70700</b>	<b>Total Fee Revenue</b>	<b>31,895,601</b>	<b>32,758,999</b>	<b>132,031</b>	<b>32,070,826</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,781,974</b>	<b>(8,689,825)</b>	<b>96,949,606</b>
70800	Other Government Grants	-	-	-	-	42,497,627	-	-	-	-	42,497,627
71100	Investment Income - Unrestricted	101,573	521	-	2,065	-	42,059	10,340	23,607	-	180,165
71400	Fraud Recovery	-	-	-	56,555	-	-	-	-	-	56,555
71500	Other Revenue	261,015	-	-	427,947	-	92,411	64,000	23,999	-	869,372
	<b>Total Other Revenue</b>	<b>362,588</b>	<b>521</b>	<b>-</b>	<b>486,567</b>	<b>42,497,627</b>	<b>134,470</b>	<b>74,340</b>	<b>47,606</b>	<b>-</b>	<b>43,603,719</b>
<b>70000</b>	<b>Total Revenue</b>	<b>49,749,315</b>	<b>32,759,520</b>	<b>132,031</b>	<b>32,557,393</b>	<b>42,497,627</b>	<b>4,428,147</b>	<b>74,340</b>	<b>8,829,580</b>	<b>(8,689,825)</b>	<b>162,338,128</b>
91100	Administrative Salaries	4,155,867	-	-	378,847	975,434	330,838	-	6,407,471	-	12,248,457
91200	Auditing Fees	81,648	58,155	-	64,824	25,983	42,665	5,350	76,370	-	354,995
91300	Management Fee	3,392,697	-	-	472,796	6,447	390,953	-	-	(4,262,893)	-
91310	Book-keeping Fee	413,938	-	-	197,655	4,035	74,340	-	-	(689,968)	-
91400	Advertising and Marketing	14,364	-	-	27,306	14,599	-	-	7,883	-	64,152
91500	Employee Benefit contributions - Administration	1,130,614	-	-	167,279	298,772	87,168	-	2,078,466	-	3,762,299
91600	Office Expenses	1,090,648	1,092,884	-	104,704	13,300	451,464	-	345,510	-	3,098,510
91700	Legal Expense	1,777	7,439	-	21,414	-	-	-	520,904	-	551,534
91800	Travel	23,734	-	-	-	-	27	-	101,446	-	125,207
91900	Other	1,827,193	11,281	-	36,917	11,691	459,944	-	88,940	-	2,435,966
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>12,132,480</b>	<b>1,169,759</b>	<b>-</b>	<b>1,471,742</b>	<b>1,350,261</b>	<b>1,837,399</b>	<b>5,350</b>	<b>9,626,990</b>	<b>(4,952,861)</b>	<b>22,641,120</b>
<b>92000</b>	<b>Asset Management Fee</b>	<b>565,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(565,800)</b>	<b>-</b>
92200	Relocation Costs	16,489	-	-	-	-	-	-	-	-	16,489
92400	Tenant Services - Other	194,615	-	132,031	133,022	-	403	-	2,274	-	462,345
<b>92500</b>	<b>Total Tenant Services</b>	<b>211,104</b>	<b>-</b>	<b>132,031</b>	<b>133,022</b>	<b>-</b>	<b>403</b>	<b>-</b>	<b>2,274</b>	<b>-</b>	<b>478,834</b>
93100	Water	2,777,956	-	-	254	-	336,878	-	2,453	-	3,117,541
93200	Electricity	1,890,024	-	-	11,766	-	976,270	-	91,138	-	2,969,198
93300	Gas	1,370,647	-	-	-	-	84,092	-	-	-	1,454,739
93400	Fuel	-	-	-	-	-	-	-	427	-	427
93600	Sewer	4,265,883	-	-	861	-	803,488	-	8,357	-	5,078,589
93800	Other Utilities Expense	2,691	-	-	-	-	-	-	-	-	2,691
<b>93000</b>	<b>Total Utilities</b>	<b>10,307,201</b>	<b>-</b>	<b>-</b>	<b>12,881</b>	<b>-</b>	<b>2,200,728</b>	<b>-</b>	<b>102,375</b>	<b>-</b>	<b>12,623,185</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Entity-Wide Revenue and Expense Summary  
June 30, 2017

Line Item Number	Description	Federal Low Rent Program	Section 8 Housing Assistance Payments 14.195	Resident Opportunity & Supportive Services 14.870	Section 8 Housing Choice Voucher Program 14.871	State/Local	Business Activities	Internal Service	Central Office Cost Center	Elimination	Total
94100	Ordinary Maintenance and Operations - Labor	3,978,934	-	-	-	-	347,534	-	2,274,669	-	6,601,137
94200	Ordinary Maintenance and Operations - Materials and Other	3,236,656	-	-	184	-	299,988	-	126,430	-	3,663,258
94300	Ordinary Maintenance and Operations Contracts	8,080,458	-	-	20,232	3,447	1,473,557	-	242,507	(3,171,164)	6,649,037
94500	Employee Benefit Contributions - Ordinary Maintenance	1,976,902	-	-	-	-	168,349	-	1,058,002	-	3,203,253
<b>94000</b>	<b>Total Maintenance</b>	<b>17,272,950</b>	<b>-</b>	<b>-</b>	<b>20,416</b>	<b>3,447</b>	<b>2,289,428</b>	<b>-</b>	<b>3,701,608</b>	<b>(3,171,164)</b>	<b>20,116,685</b>
95100	Protective Services - Labor	-	-	-	-	-	-	-	-	-	-
95200	Protective Services - Other Contract Costs	2,550,563	-	-	-	1,982	178,167	-	1,641	-	2,732,353
95300	Protective Services - Other	2,015	-	-	806	-	1,054	-	8,866	-	12,741
<b>95000</b>	<b>Total Protective Services</b>	<b>2,552,578</b>	<b>-</b>	<b>-</b>	<b>806</b>	<b>1,982</b>	<b>179,221</b>	<b>-</b>	<b>10,507</b>	<b>-</b>	<b>2,745,094</b>
96110	Property Insurance	555,645	-	-	-	-	98,236	-	369	-	654,250
96120	Liability Insurance	38,440	-	-	66	-	8,386	-	341	-	47,233
96130	Workmen's Compensation	32,568	-	-	4,364	237	-	-	25,495	-	62,664
96140	All Other Insurance	44,949	-	-	-	-	42,237	-	11,375	-	98,561
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>671,602</b>	<b>-</b>	<b>-</b>	<b>4,430</b>	<b>237</b>	<b>148,859</b>	<b>-</b>	<b>37,580</b>	<b>-</b>	<b>862,708</b>
96200	Other General Expenses	1,793,515	-	-	104,629	-	(5,932)	-	104,345	-	1,996,557
96210	Compensated Absences	113,141	-	-	44,730	1,459	8,209	-	101,995	-	269,534
96300	Payments in Lieu of Taxes	173,589	-	-	-	-	-	-	-	-	173,589
96400	Bad debt - Tenant Rents	289,085	-	-	-	-	199,885	-	-	-	488,970
96800	Severance Expense	-	-	-	-	-	-	-	(199)	-	(199)
<b>96000</b>	<b>Total Other General Expenses</b>	<b>2,369,330</b>	<b>-</b>	<b>-</b>	<b>149,359</b>	<b>1,459</b>	<b>202,162</b>	<b>-</b>	<b>206,141</b>	<b>-</b>	<b>2,928,451</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>46,083,045</b>	<b>1,169,759</b>	<b>132,031</b>	<b>1,792,656</b>	<b>1,357,386</b>	<b>6,858,200</b>	<b>5,350</b>	<b>13,687,475</b>	<b>(8,689,825)</b>	<b>62,396,077</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>3,666,270</b>	<b>31,589,761</b>	<b>-</b>	<b>30,764,737</b>	<b>41,140,241</b>	<b>(2,430,053)</b>	<b>68,990</b>	<b>(4,857,895)</b>	<b>-</b>	<b>99,942,051</b>
97100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	50,902	31,328,581	-	29,251,154	937,410	-	-	-	-	61,568,047
97350	HAP Portability-In	-	-	-	406,962	-	-	-	-	-	406,962
97400	Depreciation Expense	16,071,017	-	-	-	162,838	3,037,682	58,917	69,048	-	19,399,502
<b>97000</b>	<b>Subtotal</b>	<b>16,121,919</b>	<b>31,328,581</b>	<b>-</b>	<b>29,658,116</b>	<b>1,100,248</b>	<b>3,037,682</b>	<b>58,917</b>	<b>69,048</b>	<b>-</b>	<b>81,374,511</b>
<b>90000</b>	<b>Total Expenses</b>	<b>62,204,964</b>	<b>32,498,340</b>	<b>132,031</b>	<b>31,450,772</b>	<b>2,457,634</b>	<b>9,895,882</b>	<b>64,267</b>	<b>13,756,523</b>	<b>(8,689,825)</b>	<b>143,770,588</b>
10010	Operating Transfer In	2,305,075	-	-	-	-	3,760,679	-	4,887,481	(10,953,235)	-
10020	Operating Transfer Out	-	-	-	-	(10,931,668)	(21,567)	-	-	10,953,235	-
<b>10100</b>	<b>Total Other Financing Sources (Uses)</b>	<b>2,305,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,931,668)</b>	<b>3,739,112</b>	<b>-</b>	<b>4,887,481</b>	<b>-</b>	<b>-</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(10,150,574)</b>	<b>261,180</b>	<b>-</b>	<b>1,106,621</b>	<b>29,108,325</b>	<b>(1,728,623)</b>	<b>10,073</b>	<b>(39,462)</b>	<b>-</b>	<b>18,567,540</b>
11030	Beginning Equity	279,822,785	2,056,291	-	1,064,360	104,516,649	69,985,862	1,372,598	10,687,110	-	469,505,655
10000	Excess (deficiency) of total revenue over (under) total expenses	(10,150,574)	261,180	-	1,106,621	29,108,325	(1,728,623)	10,073	(39,462)	-	18,567,540
11040-010	Prior Period Adjustment	(253,899)	-	-	(31,551)	(2,652)	(18,831)	-	(297,169)	-	(604,102)
11040-070	Equity transfer of capital contributions from capital projects fund	25,497,163	-	-	-	(30,573,078)	5,075,915	-	-	-	-
	<b>Ending Equity</b>	<b>294,915,475</b>	<b>2,317,471</b>	<b>-</b>	<b>2,139,430</b>	<b>103,049,244</b>	<b>73,314,323</b>	<b>1,382,671</b>	<b>10,350,479</b>	<b>-</b>	<b>487,469,093</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Balance Sheet  
June 30, 2017

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
111	Cash - Unrestricted	3,704,188	5,039,380	4,324,792	3,435,337	4,651,059	4,859,848	2,443,259	2,164,793	1,409,392	824,440	1,070,501	2,028,698	1,850,109	622,622	856,243	2,160,633	-	41,445,294
113	Cash - Other Restricted	33,525	14,700	-	27,921	3,347	-	-	-	-	-	-	9,223	784,368	-	-	40	-	873,124
114	Cash - Tenant Security Deposits	52,814	56,142	62,198	59,771	88,153	88,182	53,182	52,059	34,499	23,522	35,458	34,613	32,949	19,521	21,280	15,734	-	730,077
<b>100</b>	<b>Total Cash</b>	<b>3,790,527</b>	<b>5,110,222</b>	<b>4,386,990</b>	<b>3,523,029</b>	<b>4,742,559</b>	<b>4,948,030</b>	<b>2,496,441</b>	<b>2,216,852</b>	<b>1,443,891</b>	<b>847,962</b>	<b>1,105,959</b>	<b>2,072,534</b>	<b>2,667,426</b>	<b>642,143</b>	<b>877,523</b>	<b>2,176,407</b>	<b>-</b>	<b>43,048,495</b>
122	Accounts Receivable - HUD Other Projects	550,579	116	116	232	89,749	7,460	79,074	1,158	218,695	232	579	579	695	463	260,347	25,750	-	1,235,824
126	Accounts Receivable - Tenants	5,309	51,571	34,578	16,139	63,550	31,911	35,175	53,879	32,497	118,977	21,570	17,529	9,854	56,130	46,665	19,389	-	614,723
126.1	.1 Allowance for Doubtful Accounts - Tenants	(1,946)	(18,703)	(12,656)	(6,436)	(56,035)	(18,741)	(18,320)	(35,326)	(16,300)	(90,009)	(13,312)	(3,290)	(8,723)	(46,999)	(30,402)	(15,828)	-	(393,026)
127	Notes, Loans and Mortgages Receivable - Current	83	4,934	4,253	1,139	7,341	1,375	5,429	-	3,948	2,061	1,209	-	-	3,520	-	-	-	35,292
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>554,025</b>	<b>37,918</b>	<b>26,291</b>	<b>11,074</b>	<b>104,605</b>	<b>22,005</b>	<b>101,358</b>	<b>19,711</b>	<b>238,840</b>	<b>31,261</b>	<b>10,046</b>	<b>14,818</b>	<b>1,826</b>	<b>13,114</b>	<b>276,610</b>	<b>29,311</b>	<b>-</b>	<b>1,492,813</b>
143	Inventories	32,625	93,315	60,418	40,222	82,355	53,968	10,937	15,027	24,816	46,493	38,543	23,159	31,327	5,550	15,873	4,037	-	578,665
143.1	.1 Allowance for Obsolete Inventories	(3,233)	(9,247)	(5,987)	(3,986)	(8,161)	(5,348)	(1,084)	(1,489)	(2,459)	(4,608)	(3,820)	(2,295)	(3,104)	(550)	(1,573)	(400)	-	(57,344)
	<b>Total Other Current Assets</b>	<b>29,392</b>	<b>84,068</b>	<b>54,431</b>	<b>36,236</b>	<b>74,194</b>	<b>48,620</b>	<b>9,853</b>	<b>13,538</b>	<b>22,357</b>	<b>41,885</b>	<b>34,723</b>	<b>20,864</b>	<b>28,223</b>	<b>5,000</b>	<b>14,300</b>	<b>3,637</b>	<b>-</b>	<b>521,321</b>
<b>150</b>	<b>Total Current Assets</b>	<b>4,373,944</b>	<b>5,232,208</b>	<b>4,467,712</b>	<b>3,570,339</b>	<b>4,921,358</b>	<b>5,018,655</b>	<b>2,607,652</b>	<b>2,250,101</b>	<b>1,705,088</b>	<b>921,108</b>	<b>1,150,728</b>	<b>2,108,216</b>	<b>2,697,475</b>	<b>660,257</b>	<b>1,168,433</b>	<b>2,209,355</b>	<b>-</b>	<b>45,062,629</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	38,908,745	56,415,241	26,235,677	38,031,674	34,375,871	31,587,654	63,500,480	46,125,413	26,296,902	10,670,400	33,051,707	33,755,317	43,786,250	19,763,547	18,296,505	13,415,709	-	534,217,092
163	Furniture, Equipment & Machinery - Dwellings	72,608	105,792	1,211,821	338,439	234,607	262,283	276,575	154,490	116,727	42,624	55,005	159,476	103,545	89,639	34,187	71,522	-	3,329,340
164	Furniture, Equipment & Machinery - Administration	397,847	167,773	437,717	98,483	91,492	131,119	276,210	164,450	79,008	69,064	19,048	40,821	13,654	7,734	5,989	81,055	-	2,081,464
166	Accumulated Depreciation	(34,062,707)	(33,708,411)	(18,040,627)	(24,062,233)	(22,310,347)	(20,508,038)	(33,008,772)	(23,815,412)	(16,162,870)	(10,374,469)	(18,887,630)	(24,866,806)	(25,955,493)	(8,512,695)	(14,014,976)	(4,865,889)	-	(333,157,375)
167	Construction in Progress	11,644,223	5,971,189	851,867	5,920,966	3,341,994	1,108,224	4,705,254	719,501	4,688,145	4,158,103	53,738	1,262,594	78,724	32,336	837,197	5,535,975	-	50,910,030
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>19,495,190</b>	<b>29,502,432</b>	<b>10,904,134</b>	<b>20,646,836</b>	<b>16,031,319</b>	<b>14,535,108</b>	<b>37,456,805</b>	<b>23,896,888</b>	<b>15,530,570</b>	<b>4,985,096</b>	<b>15,247,181</b>	<b>11,167,075</b>	<b>18,152,570</b>	<b>11,573,446</b>	<b>6,798,020</b>	<b>14,551,510</b>	<b>-</b>	<b>270,474,180</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	-	8,716,630	-	-	-	-	-	-	-	8,716,630
	<b>Total Other Non-Current Assets</b>	<b>-</b>	<b>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>19,495,190</b>	<b>29,502,432</b>	<b>10,904,134</b>	<b>20,646,836</b>	<b>16,031,319</b>	<b>14,535,108</b>	<b>37,456,805</b>	<b>23,896,888</b>	<b>15,530,570</b>	<b>13,701,726</b>	<b>15,247,181</b>	<b>11,167,075</b>	<b>18,152,570</b>	<b>11,573,446</b>	<b>6,798,020</b>	<b>14,551,510</b>	<b>-</b>	<b>279,190,810</b>
<b>190</b>	<b>Total Assets</b>	<b>23,869,134</b>	<b>34,734,640</b>	<b>15,371,846</b>	<b>24,217,175</b>	<b>20,952,677</b>	<b>19,553,763</b>	<b>40,064,457</b>	<b>26,146,989</b>	<b>17,235,658</b>	<b>14,622,834</b>	<b>16,397,909</b>	<b>13,275,291</b>	<b>20,850,045</b>	<b>12,233,703</b>	<b>7,966,453</b>	<b>16,760,865</b>	<b>-</b>	<b>324,253,439</b>
<b>200</b>	<b>Deferred Outflow of Resources</b>	<b>721,525</b>	<b>553,580</b>	<b>458,791</b>	<b>470,344</b>	<b>760,318</b>	<b>773,330</b>	<b>597,453</b>	<b>577,561</b>	<b>445,448</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,358,350</b>
<b>290</b>	<b>Total Assets and Deferred Outflow of Resources</b>	<b>24,590,659</b>	<b>35,288,220</b>	<b>15,830,637</b>	<b>24,687,519</b>	<b>21,712,995</b>	<b>20,327,093</b>	<b>40,661,910</b>	<b>26,724,550</b>	<b>17,681,106</b>	<b>14,622,834</b>	<b>16,397,909</b>	<b>13,275,291</b>	<b>20,850,045</b>	<b>12,233,703</b>	<b>7,966,453</b>	<b>16,760,865</b>	<b>-</b>	<b>329,611,789</b>
312	Accounts Payable <= 90 Days	23,380	55,765	35,913	22,516	16,980	21,588	19,102	49,732	10,254	60,402	60,222	43,403	40,906	25,167	58,638	33,063	-	577,031
321	Accrued Wage/Payroll Taxes Payable	42,999	45,085	34,554	35,408	56,361	57,511	47,621	41,429	34,505	-	-	-	-	-	-	-	-	395,473
322	Accrued Compensated Absences - Current Portion	49,788	31,870	26,034	27,097	45,073	47,239	34,110	27,977	33,413	-	-	-	-	-	-	-	-	322,601
333	Accounts Payable - Other Government	-	-	-	-	-	-	190,587	121,598	70,123	-	37,400	-	42,929	-	-	-	-	462,637
341	Tenant Security Deposits	52,814	56,142	62,198	59,771	88,153	88,182	53,182	52,059	34,499	23,522	35,458	34,613	32,949	19,521	21,280	15,734	-	730,077
342	Deferred Revenues	2,194	35,059	12,805	19,693	29,498	11,187	7,348	30,747	6,342	29,174	10,334	16,631	15,236	4,615	8,353	19,186	-	258,402
345	Other Current Liabilities	587,676	42,640	9,997	34,379	98,340	9,565	86,138	8,186	226,821	7,056	11,387	15,749	9,681	5,189	263,562	27,782	-	1,444,148
346	Accrued Liabilities - Other	8,447	7,143	5,737	1,672	1,322	108,354	24,898	45,161	17,405	20,018	14,584	54,218	58,452	6,635	26,935	3,037	-	404,018
347	Inter Program - Due To	102,699	83,762	213,290	210,829	139,739	182,245	80,735	88,588	46,771	45,003	39,893	49,496	43,576	20,925	25,536	28,386	-	1,401,473
<b>310</b>	<b>Total Current Liabilities</b>	<b>869,997</b>	<b>357,466</b>	<b>400,528</b>	<b>411,365</b>	<b>475,466</b>	<b>525,871</b>	<b>543,721</b>	<b>465,477</b>	<b>480,133</b>	<b>185,175</b>	<b>209,278</b>	<b>214,110</b>	<b>200,800</b>	<b>124,981</b>	<b>404,304</b>	<b>127,188</b>	<b>-</b>	<b>5,995,860</b>
354	Accrued Compensated Absences - Non Current	109,127	69,855	57,062	59,391	98,791	103,539	74,764	61,322	73,235	-	-	-	-	-	-	-	-	707,086
357	Accrued Pension and OPEB Liabilities	3,957,496	2,978,998	2,509,224	2,596,135	3,952,732	4,124,556	2,911,852	2,416,640	2,028,933	-	-	-	-	-	3,142	131,143	-	27,610,851
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>4,066,623</b>	<b>3,048,853</b>	<b>2,566,286</b>	<b>2,655,526</b>	<b>4,051,523</b>	<b>4,228,095</b>	<b>2,986,616</b>	<b>2,477,962</b>	<b>2,102,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,142</b>	<b>131,143</b>	<b>-</b>	<b>28,317,937</b>
<b>300</b>	<b>Total Liabilities</b>	<b>4,936,620</b>	<b>3,406,319</b>	<b>2,966,814</b>	<b>3,066,891</b>	<b>4,526,989</b>	<b>4,753,966</b>	<b>3,530,337</b>	<b>2,943,439</b>	<b>2,582,301</b>	<b>185,175</b>	<b>209,278</b>	<b>214,110</b>	<b>200,800</b>	<b>124,981</b>	<b>407,446</b>	<b>258,331</b>	<b>-</b>	<b>34,313,797</b>
<b>400</b>	<b>Deferred Inflow of Resources</b>	<b>70,763</b>	<b>23,730</b>	<b>37,073</b>	<b>39,686</b>	<b>74,653</b>	<b>54,302</b>	<b>39,068</b>	<b>25,698</b>	<b>17,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382,517</b>
508.4	Invested in Capital Assets, Net of Related Debt	19,495,190	29,502,432	10,904,134	20,646,836	16,031,319	14,535,108	37,456,805	23,896,888	15,530,570	4,985,096	15,247,181	11,167,075	18,152,570	11,573,446	6,798,020	14,551,510	-	270,474,180
511.4	Restricted Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.4	Unrestricted Net Assets	88,086	2,355,739	1,922,616	934,106	1,080,034	983,717	(364,300)	(141,475)	(449,309)	9,452,563	941,450	1,894,106	2,496,675	535,276	760,987	1,951,024	-	24,441,295
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>19,583,276</b>	<b>31,858,171</b>	<b>12,826,750</b>	<b>21,580,942</b>	<b>17,111,353</b>	<b>15,518,825</b>	<b>37,092,505</b>	<b>23,755,413</b>	<b>15,081,261</b>	<b>14,437,659</b>	<b>16,188,631</b>							

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2017

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	1,368,877	1,589,147	1,739,224	1,270,753	1,864,792	1,941,553	931,850	1,168,256	820,855	870,198	602,524	963,390	812,479	325,149	509,832	362,178	-	17,141,057
70400	Tenant Revenue - Other	38,081	86,042	21,390	13,231	29,913	17,181	18,898	19,163	25,667	16,648	18,093	15,107	4,832	15,274	4,690	5,859	-	350,069
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>1,406,958</b>	<b>1,675,189</b>	<b>1,760,614</b>	<b>1,283,984</b>	<b>1,894,705</b>	<b>1,958,734</b>	<b>950,748</b>	<b>1,187,419</b>	<b>846,522</b>	<b>886,846</b>	<b>620,617</b>	<b>978,497</b>	<b>817,311</b>	<b>340,423</b>	<b>514,522</b>	<b>368,037</b>	<b>-</b>	<b>17,491,126</b>
70600	HUD PHA Operating Grants	2,175,078	2,516,404	3,175,411	2,000,744	2,693,507	2,691,025	1,383,275	1,343,877	883,427	1,230,271	998,133	1,423,711	1,258,611	471,890	778,863	760,676	1,842,972	27,627,875
70610	Capital Grants	698,568	613,860	-	415,403	42,269	51,367	552,800	-	1,423,535	-	-	2,000	159,596	-	262,000	46,328	-	4,267,726
<b>70700</b>	<b>Total Fee Revenue</b>	<b>2,873,646</b>	<b>3,130,264</b>	<b>3,175,411</b>	<b>2,416,147</b>	<b>2,735,776</b>	<b>2,742,392</b>	<b>1,936,075</b>	<b>1,343,877</b>	<b>2,306,962</b>	<b>1,230,271</b>	<b>998,133</b>	<b>1,425,711</b>	<b>1,418,207</b>	<b>471,890</b>	<b>1,040,863</b>	<b>807,004</b>	<b>1,842,972</b>	<b>31,895,601</b>
71100	Investment Income - Unrestricted	12,625	14,197	19,408	14,787	11,315	10,277	5,323	6,555	4,888	490	155	711	397	80	116	249	-	101,573
71500	Other Revenue	4,180	2,718	4	-	43,062	115,650	10,890	11,750	14,985	-	18,865	15,195	3,897	9,602	10,217	-	-	261,015
	<b>Total Other Revenue</b>	<b>16,805</b>	<b>16,915</b>	<b>19,412</b>	<b>14,787</b>	<b>54,377</b>	<b>125,927</b>	<b>16,213</b>	<b>18,305</b>	<b>19,873</b>	<b>490</b>	<b>19,020</b>	<b>15,906</b>	<b>4,294</b>	<b>9,682</b>	<b>10,333</b>	<b>249</b>	<b>-</b>	<b>362,588</b>
<b>70000</b>	<b>Total Revenue</b>	<b>4,297,409</b>	<b>4,822,368</b>	<b>4,955,437</b>	<b>3,714,918</b>	<b>4,684,858</b>	<b>4,827,053</b>	<b>2,903,036</b>	<b>2,549,601</b>	<b>3,173,357</b>	<b>2,117,607</b>	<b>1,637,770</b>	<b>2,420,114</b>	<b>2,239,812</b>	<b>821,995</b>	<b>1,565,718</b>	<b>1,175,290</b>	<b>1,842,972</b>	<b>49,749,315</b>
91100	Administrative Salaries	520,505	406,048	362,961	371,938	570,022	592,136	489,515	449,211	393,531	-	-	-	-	-	-	-	-	4,155,867
91200	Auditing Fees	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	5,103	-	81,648
91300	Management Fee	286,778	305,759	294,646	303,757	478,171	481,276	254,752	260,758	151,292	89,539	97,944	115,926	105,050	49,403	64,789	52,857	-	3,392,697
91310	Book-keeping Fee	31,163	33,225	32,018	33,008	51,960	52,298	27,683	28,335	16,440	15,308	18,158	22,613	19,748	9,240	12,788	9,953	-	413,938
91400	Advertising and Marketing	1,256	1,435	1,193	1,077	1,515	1,378	1,044	1,066	595	613	567	804	706	290	425	400	-	14,364
91500	Employee Benefit contributions - Administration	131,245	98,114	95,202	97,557	164,687	157,514	140,892	127,205	118,198	-	-	-	-	-	-	-	-	1,130,614
91600	Office Expenses	54,389	52,168	47,907	32,444	81,271	55,381	65,828	60,800	56,051	76,048	101,539	121,370	110,458	55,239	68,296	51,459	-	1,090,648
91700	Legal Expense	-	-	1,709	5	-	-	62	-	-	-	-	-	1	-	-	-	-	1,777
91800	Travel	-	-	-	-	-	-	1,096	18,750	2,797	-	441	-	-	650	-	-	-	23,734
91900	Other	42,365	52,048	44,971	41,395	67,921	80,622	14,046	27,679	13,815	177,819	204,220	245,295	223,547	140,234	187,562	171,505	92,149	1,827,193
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>1,072,804</b>	<b>953,900</b>	<b>885,710</b>	<b>886,284</b>	<b>1,420,650</b>	<b>1,425,708</b>	<b>1,000,021</b>	<b>978,907</b>	<b>757,822</b>	<b>364,430</b>	<b>427,972</b>	<b>511,111</b>	<b>464,613</b>	<b>260,159</b>	<b>338,963</b>	<b>291,277</b>	<b>92,149</b>	<b>12,132,480</b>
<b>92000</b>	<b>Asset Management Fee</b>	<b>43,560</b>	<b>44,760</b>	<b>43,680</b>	<b>44,760</b>	<b>69,960</b>	<b>70,440</b>	<b>38,640</b>	<b>38,520</b>	<b>23,520</b>	<b>20,880</b>	<b>24,240</b>	<b>31,200</b>	<b>27,120</b>	<b>12,360</b>	<b>18,000</b>	<b>14,160</b>	<b>-</b>	<b>565,800</b>
92200	Relocation Costs	-	-	-	-	-	-	276	30	-	-	-	2,509	-	13,674	-	-	-	16,489
92400	Tenant Services - Other	20,709	33,127	43,482	24,028	32,231	603	126	42	973	-	-	18,670	12,349	70	85	8,120	-	194,615
<b>92500</b>	<b>Total Tenant Services</b>	<b>20,709</b>	<b>33,127</b>	<b>43,482</b>	<b>24,028</b>	<b>32,231</b>	<b>603</b>	<b>126</b>	<b>318</b>	<b>1,003</b>	<b>-</b>	<b>-</b>	<b>18,670</b>	<b>14,858</b>	<b>70</b>	<b>13,759</b>	<b>8,120</b>	<b>-</b>	<b>211,104</b>
93100	Water	165,109	265,216	246,606	220,640	172,544	182,392	121,157	285,986	124,744	270,126	128,645	237,363	142,010	37,536	89,528	88,354	-	2,777,956
93200	Electricity	92,742	58,897	73,793	43,596	361,039	399,575	106,584	122,961	164,908	96,285	101,778	38,183	25,784	36,145	158,204	9,550	-	1,890,024
93300	Gas	10,965	-	269,206	28,815	105,557	193,011	25,934	196,032	98,206	159,615	117,081	35,162	9,311	30,694	63,128	27,930	-	1,370,647
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	334,508	451,887	428,275	415,894	515,789	526,653	55,668	144,877	125,700	294,218	41,474	364,129	265,145	42,863	124,894	133,909	-	4,265,883
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	2,691	-	-	-	-	-	-	-	-	2,691
<b>93000</b>	<b>Total Utilities</b>	<b>603,324</b>	<b>776,000</b>	<b>1,017,880</b>	<b>708,945</b>	<b>1,154,929</b>	<b>1,301,631</b>	<b>309,343</b>	<b>749,856</b>	<b>516,249</b>	<b>820,244</b>	<b>388,978</b>	<b>674,837</b>	<b>442,250</b>	<b>147,238</b>	<b>435,754</b>	<b>259,743</b>	<b>-</b>	<b>10,307,201</b>

See accompanying independent auditor's report

Hawaii Public Housing Authority  
Financial Data Schedule  
Project Revenue and Expense Summary  
June 30, 2017

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
94100	Ordinary Maintenance and Operations - Labor	495,515	510,419	364,402	373,412	541,460	647,112	406,319	347,590	292,705	-	-	-	-	-	-	-	-	3,978,934
94200	Ordinary Maintenance and Operations - Materials & Other	293,363	334,630	517,978	291,464	301,590	292,907	146,804	180,393	105,477	177,064	227,557	107,410	180,097	102,897	59,753	13,272	-	3,332,656
94300	Ordinary Maintenance and Operations Contracts	712,799	433,596	1,497,469	553,903	517,808	615,707	160,784	255,808	79,931	543,339	531,941	614,825	429,911	277,837	475,947	282,853	-	7,984,458
94500	Employee Benefit Contributions - Ordinary Maintenance	232,035	239,116	186,705	191,322	274,043	310,050	216,413	175,707	151,511	-	-	-	-	-	-	-	-	1,976,902
<b>94000</b>	<b>Total Maintenance</b>	<b>1,733,712</b>	<b>1,517,761</b>	<b>2,566,554</b>	<b>1,410,101</b>	<b>1,634,901</b>	<b>1,865,776</b>	<b>930,320</b>	<b>959,498</b>	<b>629,624</b>	<b>720,403</b>	<b>759,498</b>	<b>722,235</b>	<b>610,008</b>	<b>380,734</b>	<b>535,700</b>	<b>296,125</b>	<b>-</b>	<b>17,272,950</b>
95200	Protective Services - Other Contract Costs	281,141	536,665	683,005	187,457	103,453	396,704	225	-	-	361,411	-	-	-	-	94	408	-	2,550,563
95300	Protective Services - Other	-	260	-	-	765	504	449	37	-	-	-	-	-	-	-	-	-	2,015
<b>95000</b>	<b>Total Protective Services</b>	<b>281,141</b>	<b>536,925</b>	<b>683,005</b>	<b>187,457</b>	<b>104,218</b>	<b>397,208</b>	<b>674</b>	<b>37</b>	<b>-</b>	<b>361,411</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94</b>	<b>408</b>	<b>-</b>	<b>2,552,578</b>
96110	Property Insurance	43,100	60,591	25,214	41,824	35,634	33,888	65,115	48,397	28,833	11,724	36,056	36,974	32,008	21,625	19,895	14,767	-	555,645
96120	Liability Insurance	1,265	1,299	1,268	1,299	2,031	2,045	1,338	1,118	683	4,788	-	6,327	6,509	-	6,006	2,464	-	38,440
96130	Workmen's Compensation	4,823	2,976	3,176	3,255	4,823	4,594	3,395	2,762	2,764	-	-	-	-	-	-	-	-	32,568
96140	All Other Insurance	733	743	1,225	743	3,033	1,169	765	639	390	1,375	11,425	4,509	3,600	10,072	3,928	600	-	44,949
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>49,921</b>	<b>65,609</b>	<b>30,883</b>	<b>47,121</b>	<b>45,521</b>	<b>41,696</b>	<b>70,613</b>	<b>52,916</b>	<b>32,670</b>	<b>17,887</b>	<b>47,481</b>	<b>47,810</b>	<b>42,117</b>	<b>31,697</b>	<b>29,829</b>	<b>17,831</b>	<b>-</b>	<b>671,602</b>
96200	Other General Expenses	4,500	20,269	5,829	236	-	11,640	-	-	-	-	-	-	218	-	-	-	1,750,823	1,793,515
96210	Compensated Absences	(16,344)	15,393	12,730	13,251	24,895	34,798	18,759	(2,709)	12,368	-	-	-	-	-	-	-	-	113,141
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	62,251	41,840	30,729	-	20,978	-	-	17,791	-	-	-	173,589
96400	Bad Debt - Tenant Rents	24,394	14,744	15,424	5,407	14,431	20,533	7,499	9,597	10,504	55,466	14,193	34,778	3,879	17,550	20,304	20,382	-	289,085
<b>96000</b>	<b>Total Other General Expenses</b>	<b>12,550</b>	<b>50,406</b>	<b>33,983</b>	<b>18,894</b>	<b>39,326</b>	<b>66,971</b>	<b>88,509</b>	<b>48,728</b>	<b>53,601</b>	<b>55,466</b>	<b>35,171</b>	<b>34,778</b>	<b>4,097</b>	<b>35,341</b>	<b>20,304</b>	<b>20,382</b>	<b>1,750,823</b>	<b>2,369,330</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>3,817,721</b>	<b>3,978,488</b>	<b>5,305,177</b>	<b>3,327,590</b>	<b>4,501,736</b>	<b>5,170,033</b>	<b>2,438,246</b>	<b>2,828,780</b>	<b>2,014,489</b>	<b>2,360,721</b>	<b>1,683,340</b>	<b>2,040,641</b>	<b>1,605,063</b>	<b>867,599</b>	<b>1,392,403</b>	<b>908,046</b>	<b>1,842,972</b>	<b>46,083,045</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>479,688</b>	<b>843,880</b>	<b>(349,740)</b>	<b>387,328</b>	<b>183,122</b>	<b>(342,980)</b>	<b>464,790</b>	<b>(279,179)</b>	<b>1,158,868</b>	<b>(243,114)</b>	<b>(45,570)</b>	<b>379,473</b>	<b>634,749</b>	<b>(45,604)</b>	<b>173,315</b>	<b>267,244</b>	<b>-</b>	<b>3,666,270</b>
97300	Housing Assistance Payments	8,694	13,949	-	13,341	4,193	-	-	-	-	-	-	6,259	4,466	-	-	-	-	50,902
97400	Depreciation Expense	1,307,285	2,324,195	546,205	761,438	943,033	966,666	2,156,424	1,314,382	693,366	29,060	854,341	1,103,936	1,262,130	798,840	503,816	505,900	-	16,071,017
	<b>Subtotal</b>	<b>1,315,979</b>	<b>2,338,144</b>	<b>546,205</b>	<b>774,779</b>	<b>947,226</b>	<b>966,666</b>	<b>2,156,424</b>	<b>1,314,382</b>	<b>693,366</b>	<b>29,060</b>	<b>854,341</b>	<b>1,110,195</b>	<b>1,266,596</b>	<b>798,840</b>	<b>503,816</b>	<b>505,900</b>	<b>-</b>	<b>16,121,919</b>
<b>90000</b>	<b>Total Expenses</b>	<b>5,133,700</b>	<b>6,316,632</b>	<b>5,851,382</b>	<b>4,102,369</b>	<b>5,448,962</b>	<b>6,136,699</b>	<b>4,594,670</b>	<b>4,143,162</b>	<b>2,707,855</b>	<b>2,389,781</b>	<b>2,537,681</b>	<b>3,150,836</b>	<b>2,871,659</b>	<b>1,666,439</b>	<b>1,896,219</b>	<b>1,413,946</b>	<b>1,842,972</b>	<b>62,204,964</b>
10010	Operating Transfer In	251,358	496,380	649,941	188,628	107,032	509,661	-	4,079	-	12,050	2,507	2,508	4,413	2,005	74,012	501	-	2,305,075
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>251,358</b>	<b>496,380</b>	<b>649,941</b>	<b>188,628</b>	<b>107,032</b>	<b>509,661</b>	<b>-</b>	<b>4,079</b>	<b>-</b>	<b>12,050</b>	<b>2,507</b>	<b>2,508</b>	<b>4,413</b>	<b>2,005</b>	<b>74,012</b>	<b>501</b>	<b>-</b>	<b>2,305,075</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(584,933)</b>	<b>(997,884)</b>	<b>(246,004)</b>	<b>(198,823)</b>	<b>(657,072)</b>	<b>(799,985)</b>	<b>(1,691,634)</b>	<b>(1,589,482)</b>	<b>465,502</b>	<b>(260,124)</b>	<b>(897,404)</b>	<b>(728,214)</b>	<b>(627,434)</b>	<b>(842,439)</b>	<b>(256,489)</b>	<b>(238,155)</b>	<b>-</b>	<b>(10,150,574)</b>
11030	Beginning Equity	15,866,897	30,554,584	12,214,089	18,875,971	16,646,197	14,892,168	37,342,543	24,256,476	13,748,348	11,672,192	17,044,640	12,862,770	18,786,926	12,925,817	7,805,330	14,327,837	-	279,822,785
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(584,933)	(997,884)	(246,004)	(198,823)	(657,072)	(799,985)	(1,691,634)	(1,589,482)	465,502	(260,124)	(897,404)	(728,214)	(627,434)	(842,439)	(256,489)	(238,155)	-	(10,150,574)
	Prior Period Adjustment	(37,033)	(23,332)	(22,480)	(23,035)	(37,857)	(36,984)	(27,154)	(26,072)	(19,952)	-	-	-	-	-	-	-	-	(253,899)
11040-070	Equity Transfer of Capital Contributions	4,338,345	2,324,803	881,145	2,926,829	1,160,085	1,463,626	1,468,750	1,114,491	887,363	3,025,591	41,395	926,625	2,489,753	25,344	10,166	2,412,852	-	25,497,163
	<b>Ending Equity</b>	<b>19,583,276</b>	<b>31,858,171</b>	<b>12,826,750</b>	<b>21,580,942</b>	<b>17,111,353</b>	<b>15,518,825</b>	<b>37,092,505</b>	<b>23,755,413</b>	<b>15,081,261</b>	<b>14,437,659</b>	<b>16,188,631</b>	<b>13,061,181</b>	<b>20,649,245</b>	<b>12,108,722</b>	<b>7,559,007</b>	<b>16,502,534</b>	<b>-</b>	<b>294,915,475</b>

See accompanying independent auditor's report

**Hawaii Public Housing Authority**  
**Financial Data Schedule**  
**GASB No. 54 Supplemental Reporting Schedule**  
**June 30, 2017**

<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>\$ 2,139,430</u>	<u>\$ 2,317,471</u>	<u>\$ 103,049,244</u>	<u>\$ 107,506,145</u>
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ 4,145,999	\$ 4,145,999
509.3	Restricted Fund Balance	1,390,228	-	-	1,390,228
510.3	Committed Fund Balance	-	-	62,802,759	62,802,759
511.3	Assigned Fund Balance	749,202	2,317,471	36,100,486	39,167,159
512.3	Unassigned Fund Balance	-	-	-	-
	Total Equity as Calculated	<u>\$ 2,139,430</u>	<u>\$ 2,317,471</u>	<u>\$ 103,049,244</u>	<u>\$ 107,506,145</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, 2017, 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 21, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D of the Hawaii Revised Statutes) and procurement rules, directives and circulars, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*KMH LLP*

KMH LLP

Honolulu, Hawaii  
March 21, 2018

**PART III**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED  
BY THE UNIFORM GUIDANCE**



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A Hawaii Limited Liability Partnership

**Independent Auditor's Report on Compliance for Each Major  
Federal Program; Report on Internal Control Over Compliance;  
And Report on Schedule of Expenditures of Federal Awards Required  
By The Uniform Guidance**

Board of Directors  
Hawaii Public Housing Authority

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

We have audited the Hawaii Public Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of the auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the Summary of Auditor's Results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2017.

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

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

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

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

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

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

We have audited the financial statements of the Authority as of and for the year ended June 30, 2017, and have issued our report thereon dated March 21, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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

*KMH LLP*

KMH LLP

Honolulu, Hawaii

March 21, 2018

**PART IV**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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## Section I – Summary of Auditor’s Results

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### *Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

### *Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$2,816,536 (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, 2017

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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, 2017

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

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No matters were reported.

**PART V**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

# Hawaii Public Housing Authority

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

## Public and Indian Housing CFDA No. 14.850

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

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

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

**Condition:** For 25 participant files, supporting documents used in the determination of eligibility contained errors.

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

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

## **Hawaii Public Housing Authority**

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

- 9) For 4 out of 60 participant files tested, we noted that the Family Annual/Update Report form, used to facilitate the annual re-examination, was not signed by the Housing Specialist and/or tenant.

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

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

**Questioned costs:** None

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

**Status:** This comment is no longer applicable.

# Auditor's Summary

## Financial and Compliance Audit of the Hawai'i Public Housing Authority

Financial Statements, Fiscal Year Ended June 30, 2017



PHOTO: HAWAII PUBLIC HOUSING AUTHORITY

**THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Public Housing Authority (HPHA) as of and for the fiscal year ended June 30, 2017, and to comply with the requirements of Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KMH LLP.

### About the Authority

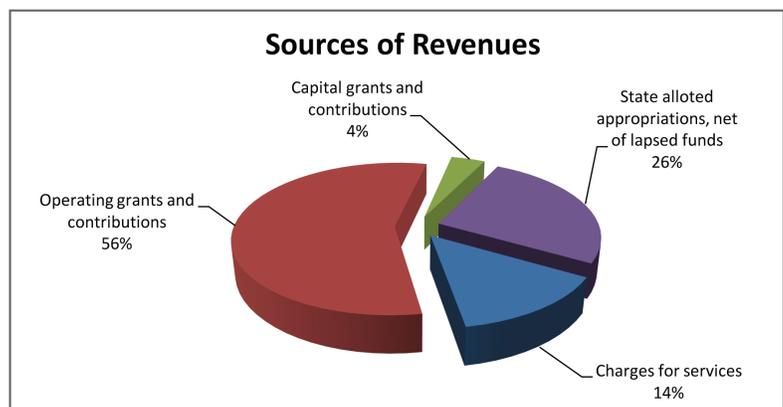
**THE MISSION** of HPHA is to provide safe, decent, and sanitary dwelling for low and moderate-income residents of Hawai'i and to operate its housing programs in accordance with federal and State laws and regulations. Some of HPHA's housing assistance programs are funded by the U.S. Department of Housing and Urban Development (HUD).

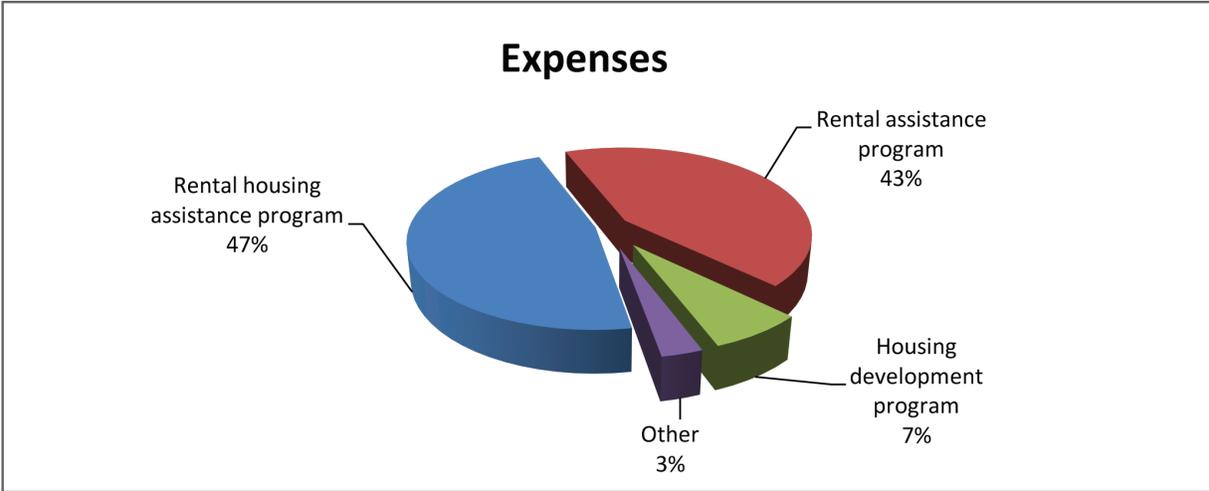
HPHA is administratively attached to the State Department of Human Services (DHS). HPHA operates under the direction of its executive director and board of directors, which consists of eleven members, of whom nine are public members appointed by the Governor. The Director of DHS and the Governor's designee are ex-officio voting members.

### Financial Highlights

**FOR THE FISCAL YEAR** ended June 30, 2017, HPHA reported total revenues of \$160 million and total expenses of \$142 million, resulting in a change in net position of \$18 million.

Total revenues of \$160 million consisted of \$22 million in charges for services, \$90 million in operating grants and contributions, \$6 million in capital grants and contributions, and \$42 million in State allotted appropriations, net of lapsed funds.





Total expenses of \$142 million consisted of \$67 million for the rental housing assistance program, \$60 million for the rental assistance program, \$10 million for the housing development program, and \$5 million for other costs.

As of June 30, 2017, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$487 million. Total assets and deferred outflows of resources of \$563 million were comprised of cash of \$83 million, due from State of \$104 million, other receivables of \$15 million, net capital assets of \$344 million, and other assets of \$17 million. Total liabilities and deferred inflows of resources totaled \$76 million.

## Auditor's Opinions

**HPHA RECEIVED AN UNMODIFIED OPINION** that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HPHA also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

## Findings

**THERE WERE NO REPORTED DEFICIENCIES** in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

For the complete report and financial statements visit our website at:  
[http://files.hawaii.gov/auditor/Reports2017\\_Audit/HPHA2017.pdf](http://files.hawaii.gov/auditor/Reports2017_Audit/HPHA2017.pdf)