STATE OF HAWAIʻI
**OFFICE OF THE AUDITOR**
465 S. King Street, Room 500
Honolulu, Hawaiʻi 96813-2917

**LESLIE H. KONDO**
State Auditor

(808) 587-0800
lao.auditors@hawaii.gov

**DEPT. COMM. NO. 373**

February 3, 2023

**VIA EMAIL**

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

**VIA EMAIL**

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

**RE: Financial Audit of the Hawaiʻi Public Housing Authority**

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements of the Hawaiʻi Public Housing Authority for the fiscal year ended June 30, 2022, was issued on December 7, 2022. The Office of the Auditor retained KMH LLP to perform the financial audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial audit report.

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

https://files.hawaii.gov/auditor/Reports/2022_Audit/HPHA2022.pdf; and

https://files.hawaii.gov/auditor/Reports/2022_Audit/HPHA_Summary_2022.pdf.

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

Very truly yours,

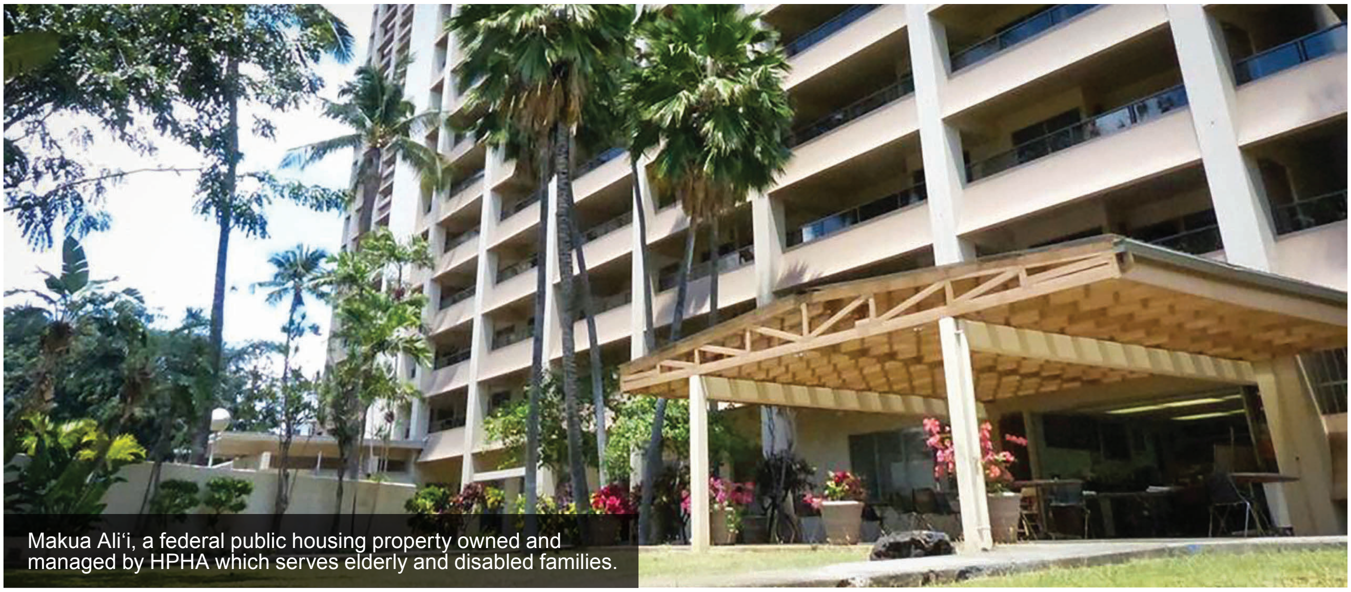
Leslie H. Kondo
State Auditor

LHK:LYK:emo
Attachment
ec/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

# Auditor’s Summary

## Financial Audit of the Hawai‘i Public Housing Authority

### Financial Statements, Fiscal Year Ended June 30, 2022



Makua Ali‘i, a federal public housing property owned and managed by HPHA which serves elderly and disabled families.

PHOTO: HAWAI'I 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 as of and for the fiscal year ended June 30, 2022. The audit was conducted by KMH LLP.*

## About the Authority

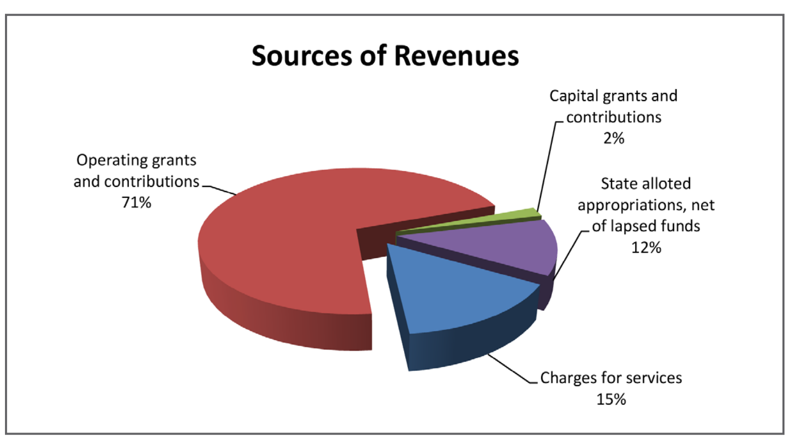
The mission of the Hawai‘i Public Housing Authority (HPHA) is to provide safe, decent, and sanitary dwellings for low and moderate-income residents of Hawai‘i and to operate its housing programs in accordance with federal and State laws and regulations. Some of HPHA’s housing assistance programs are funded by the U.S. Department of Housing and Urban Development (HUD).

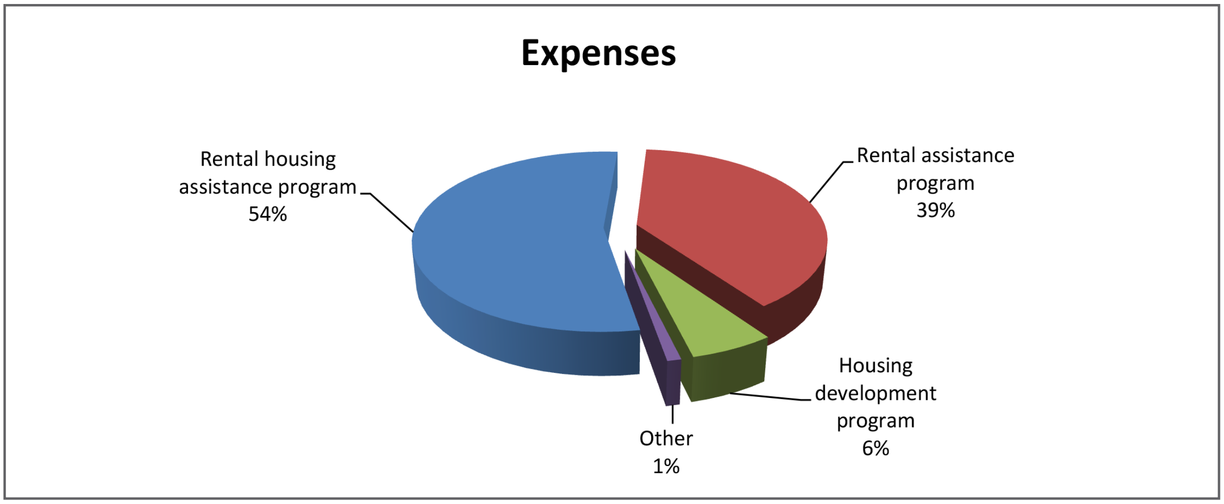
HPHA is administratively attached to the Hawai‘i Department of Human Services (DHS). HPHA operates under the direction of its Executive Director and Board of Directors, which consists of eleven board members, nine of whom are appointed by the Governor. The Director of DHS and the Governor’s designee are ex-officio members.

## Financial Highlights

**FOR THE FISCAL YEAR** ended June 30, 2022, HPHA reported total revenues of $189 million and total expenses of $183 million, resulting in an increase in net position of $6 million.

Total revenues of $189 million consisted of (1) $28 million in charges for services and other revenues, (2) $135 million in operating grants and contributions, (3) $4 million in capital grants and contributions, and (4) $22 million in state-allotted appropriations, net of lapsed funds.






Total expenses of $183 million consisted of (1) $98 million for the rental housing assistance program, (2) $71 million for the rental assistance program, (3) $11 million for the housing development program, and (4) $3 million for other costs.

As of June 30, 2022, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $463 million. The agency reported total assets and deferred outflows of resources of $561 million which were comprised of (1) cash of $108 million, (2) amounts due from State of $70 million, (3) notes and other receivables of $9 million, (4) net capital assets of $367 million, and (5) other assets and deferred outflows or resources of $7 million. The agency also reported total liabilities and deferred inflows of resources of $98 million which were comprised of (1) net pension liability of $35 million, (2) net other postemployment benefits other than pensions of $36 million, (3) accounts payable and accrued expenses of $14 million, and (4) other liabilities and deferred inflows of resources of $13 million.

## Auditor's Opinions

**HPHA RECEIVED AN UNMODIFIED OPINION** that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

## Findings

**THERE WERE NO MATERIAL WEAKNESSES** in internal control over financial reporting that were required to be reported under *Government Auditing Standards*.

For the complete report and financial statements visit our website at:
**https://files.hawaii.gov/auditor/Reports/2022_Audit/HPHA2022.pdf**

# Hawaii Public Housing Authority

Financial Statements
June 30, 2022
Together with Independent Auditor's Report

Submitted by

THE AUDITOR
STATE OF HAWAII

## Table of Contents

**Table of Contents (continued)**

**Independent Auditor's Report**

The Auditor
State of Hawaii

Board of Directors
Hawaii Public Housing Authority:

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Emphasis of Matter**

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2022, 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.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 27, the Budgetary Comparison schedules, Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the Authority's Pension Contributions, Schedule of the Authority's Proportionate Share of the Changes in Net Other Post Employment Benefits (OPEB) Liability and Related Ratios and Schedule of the Authority's OPEB Contributions on pages 92 to 100 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

**Supplementary 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 Combining Financial Statements of Nonmajor Other Enterprise and Internal Service Funds and Reconciliation of Cash schedules on pages 102 – 113 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the Combining Financial Statements of Nonmajor Other Enterprise and Internal Service Funds and Reconciliation of Cash schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii
December 7, 2022

# Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2022

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, 2022. The MD&A is designed to: 1) focus on significant financial issues; 2) review the HPHA's financial activity; 3) highlight changes in the HPHA's financial position (its ability to address the next and subsequent year challenges); and 4) 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, 2022, readers should review this in conjunction with the financial statements that follow.

**INTRODUCTION**

The HPHA is a full service agency attached to the State's Department of Human Services for "administrative purposes only". The HPHA's Board of Directors consists of eleven members, of whom nine are public members appointed by the Governor. Public members are appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai. One of the public members must be an advocate for low-income or homeless persons. Another one must be a person with a disability or an advocate for persons with disabilities. As required by federal statutes, at least one Board Director shall be a person who is directly assisted by the authority under the federal low-rent public housing or federal Housing Choice Voucher (section 8) 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, 2021 to June 30, 2022, the HPHA administered the following programs:

- Federal Public Housing Programs
  The HPHA administered 5,078 federal public housing units statewide with funds received from the United States Department of Housing and Urban Development (HUD). The 5,078 housing units consist of 15 Asset Management Projects (AMPs) under HUD and 71 housing projects under the HPHA's management.

- State Public Housing Programs
  The HPHA administered over 864 state public housing family units developed with State funds, which include 6 family housing and 4 elderly housing projects.

- Federal and State Rent Subsidy Programs
  The HPHA administered federally funded rental assistance programs including Section 8 Housing Choice Voucher Program, Veterans Affairs Supportive Housing Program, Non-Elder Disabled Voucher Program, Foster Youth to Independence Program, Mainstream Voucher Program, and Emergency Housing Voucher Program. The HPHA also administered a State funded rental assistance program. These programs subsidize monthly rental payments to qualified households.

- Federal Rental Assistance Program
  HPHA managed a Special Allocation Program which administered a Performance Based Contract Administration program under a contract with the federal government through a subcontractor, Du & Associates.

**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 $463.31 million. Of this amount, $367.29 million was invested in capital assets. (As detailed on *Government-Wide Statement of Net Position*, pages 28 and 29).

- The HPHA's government wide net position increased by $5.61 million. The change is a result of the following governmental and business-type activities:

  a. Governmental activities – an increase of $7.86 million in net position is affected by State allotted appropriations of $22.33 million (net of lapsed funds of $0.86 million) and net transfers of $15.93 million (capital expenditure/outlay of $12.21 million and operating transfers of $3.72 million to Business-type activities) (as detailed on *Government-Wide Statement of Activities*, page 30*)*.

  b. Business-type activities – a decrease in net position of $2.25 million (as detailed on *Government-Wide Statement of Activities,* page 30) is due to capital contributions of $12.21 million and operating transfers-in of $3.72 million from Governmental activities, offset by a loss before transfers of $18.18 million.

  $12.21 million of capital contributions is the Capital Project fund (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances,* page 33*)* expended for the benefit of business-type activities.

  $3.72 million of operating transfers-in consists of: $2.00 million for operating expenses of the State rental housing programs and $1.72 million for federal low rent program's security services and utilities *(*as detailed on *Proprietary Funds, Statement of Revenues, Expenses, and Changes in Net Position,* pages 38 and 39*)*.

  $18.18 million of loss before transfers is because the revenues are insufficient to support the operating expenses. It decreased $13.66 million in comparison to the previous fiscal year's loss before transfers of $31.84 million. The loss reduction is primarily due to $2.51 million lower repair and maintenance costs, $6.18 million lower personnel services expenses, $1.87 million lower depreciation and amortization expenses, and $2.44 million higher operating revenues (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position,* pages 38 and 39).

## OVERVIEW OF FINANCIAL STATEMENTS

The HPHA's financial statements comprise of three components:

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

Supplemental information in addition to the financial statements is provided. The financial statements summarize the financial transactions in fiscal year 2022.

**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 like 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 of HPHA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and 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 current year's financial activities. The statement is prepared with an accrual basis of accounting method. All revenues and expenses are recorded and reported when a transaction occurs rather than when payment is received or made.

The government-wide financial statements of the HPHA consist of two categories:

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

- **Business-type activities**. Business type activities (also referred to as "proprietary funds") are financed and operated in a manner similar to private business enterprises, where funding to recover costs of providing goods and services to the general public is derived through user charges. The business-type funds statements – the *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* are reported using an accrual basis of accounting and the economic resources measurement focus.

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

The financial activities of the HPHA are recorded in individual funds. Funds have been classified into either a major or non-major fund. The criteria for determining "major" or "non-major" funds are provided by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*. Major funds are reported separately, while non-major funds are combined in a column in the fund financial statements. Details for the non-major funds can be found in the *Supplementary Information* section.

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

# Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2022

## 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, 2022 and June 30, 2021
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | |
| Current & other assets | $ 81,351 | $ 72,856 | $ 99,552 | $ 91,981 | $ 180,903 | $ 164,837 |
| Capital assets | 3,651 | 3,806 | 363,636 | 371,362 | 367,287 | 375,168 |
| Other assets | - | - | 7,015 | 8,717 | 7,015 | 8,717 |
| Total Assets | 85,002 | 76,662 | 470,203 | 472,060 | 555,205 | 548,722 |
| Deferred Outflows of Resources | 399 | 622 | 5,979 | 8,899 | 6,378 | 9,521 |
| Total Assets & Deferred Outflows of Resources | $ 85,401 | $ 77,284 | $ 476,182 | $ 480,959 | $ 561,583 | $ 558,243 |
| Liabilities | | | | | | |
| Current & other liabilities | $ 4,872 | $ 4,296 | $ 9,763 | $ 8,958 | $ 14,635 | $ 13,254 |
| Long-term liabilities | 4,960 | 5,891 | 67,611 | 77,879 | 72,571 | 83,770 |
| Total Liabilities | 9,832 | 10,187 | 77,374 | 86,837 | 87,206 | 97,024 |
| Deferred Inflows of Resources | 808 | 195 | 10,257 | 3,322 | 11,065 | 3,517 |
| Net Position | | | | | | |
| Investment in capital assets, net of related debt | 3,651 | 3,806 | 363,636 | 371,362 | 367,287 | 375,168 |
| Restricted | 1,294 | 207 | - | - | 1,294 | 207 |
| Unrestricted | 69,816 | 62,889 | 24,915 | 19,438 | 94,731 | 82,327 |
| Total Net Position | 74,761 | 66,902 | 388,551 | 390,800 | 463,312 | 457,702 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | $ 85,401 | $ 77,284 | $ 476,182 | $ 480,959 | $ 561,583 | $ 558,243 |

**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 $463.31 million, $367.29 million of net assets was invested in capital assets. As discussed in the financial highlights, net position increased by $5.61 million during the fiscal period (as detailed on *Government-Wide Statement of Net Position and Statement of Activities*, pages 28 to 30).

Of the HPHA's total assets and deferred outflows of resources, $367.29 million (or 65%) represents capital assets. Cash and Due from the State of Hawaii in the amount of $177.80 million comprise 32% of total assets and deferred outflows of resources. The rest of $16.49 million, or 3% of total assets and deferred outflows of resources are Receivables and Deferred Outflows of Resources (as presented in the detailed *Government-Wide Statement of Net Position*, page 28). $70.25 million of Due from the State of Hawaii represents available State allotted appropriations designated for capital improvement projects. Net position at the end of the previous fiscal year had a similar composition of which the majority of total assets and deferred outflows of resources was capital assets.

Accounts payable and accrued current liabilities of $12.25 million comprise 84% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position*, page 29). Long term liabilities decreased by $11.20 million from the previous year mainly due to lower pension and OPEB liabilities. Total long-term liabilities and deferred inflows of resources were $83.64 million, or 85% of total liabilities and deferred inflows of resources, as compared to $87.29 million and 87% in fiscal year 2021.

# Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2022

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, 2022 and June 30, 2021
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Eliination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues | | | | | | | | |
| Program Revenues: | | | | | | | | |
| Charges for services | $ 669 | $ 550 | $ 26,930 | $ 24,489 | $ (1,304) | $ (944) | $ 26,295 | $ 24,095 |
| Operating grants & contributions | 99,048 | 85,451 | 35,732 | 33,687 | - | - | 134,780 | 119,138 |
| Capital grants & contributions | - | - | 3,915 | 5,863 | - | - | 3,915 | 5,863 |
| Other income | 1 | 1 | 53 | 206 | - | - | 54 | 207 |
| General Revenues: | | | | | | | | |
| State allotted appropriations, net of lapsed funds | 22,335 | 27,908 | - | - | - | - | 22,335 | 27,908 |
| Total Revenues | 122,053 | 113,910 | 66,630 | 64,245 | (1,304) | (944) | 188,683 | 178,155 |
| Expenses | | | | | | | | |
| Governmental Activities | | | | | | | | |
| Rental housing assistance program | 98,261 | 90,948 | - | - | (1,304) | (944) | 96,957 | 90,004 |
| Business-Type Activities | | | | | | | | |
| Rental assistance program | - | - | 71,365 | 79,783 | - | - | 71,365 | 79,783 |
| Housing development program | - | - | 10,849 | 11,272 | - | - | 10,849 | 11,272 |
| Other expenses | - | - | 2,597 | 5,032 | - | - | 2,597 | 5,032 |
| Total government-wide expenses | 98,261 | 90,948 | 84,811 | 96,087 | (1,304) | (944) | 183,072 | 187,035 |
| Excess (deficiency) of revenues over (under) expenses | 23,792 | 22,962 | (18,181) | (31,842) | - | - | 5,611 | (8,880) |
| Capital contributions | (12,215) | (9,676) | 12,215 | 9,676 | - | - | - | - |
| Transfers | (3,717) | (3,996) | 3,717 | 3,996 | - | - | - | - |
| CHANGES IN NET POSITION | 7,860 | 9,290 | (2,249) | (18,170) | - | - | 5,611 | (8,880) |
| Net position, beginning of year | 66,902 | 57,612 | 390,800 | 408,970 | - | - | 457,702 | 466,582 |
| Net position, end of year | $ 74,762 | $ 66,902 | $ 388,551 | $ 390,800 | $ - | $ - | $ 463,313 | $ 457,702 |

**Statement of Activities**

Government-wide operating grants and contributions increased by $15.64 million, or 13% in the current year from $119.14 million to $134.78 million. HUD capital grants decreased by $1.95 million in the current year from $5.86 million to $3.91 million. HUD operating subsidies for federal public housing program increased by $2.05 million or 6%, from $33.68 million in fiscal year 2021 to $35.73 million. Business-type activities operating loss decreased by $13.81 million for the year to $18.24 million, from prior year's $32.05 million (as detailed in the *Government – Wide Statement of Activities,* page 30*)*.

Governmental activities net position increased by $7.86 million from previous year's $66.90 million to current year's $74.76 million. This increase is primarily due to $15.93 million of capital contributions and operating transfers to other programs smaller than $22.34 million of State allotted appropriations, net of lapsed funds (as detailed in *Government-Wide Statement of Activities*, page 30*)*.

**FINANCIAL ANALYSIS OF THE HPHA'S FUNDS**

**Governmental Funds**

The focus of the HPHA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HPHA's ability to meet its financing requirements. 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 33).

- At the end of the fiscal year, the balance of governmental funds was $76.48 million, an increase of $7.92 million from the balance of $68.56 million at the end of fiscal year 2021. Of the $76.48 million fund balance, $65.70 million or 86% was reserved for capital projects, (as detailed in *Governmental Funds, Balance Sheet*, page 31 and *Statement of Revenues, Expenditures and Changes in Fund Balances*, page 33).

- Under the General Fund, excess of revenues over expenditures at the end of the fiscal year was $4.03 million. During the fiscal year, $3.64 million of the General Fund was transferred out to support the HPHA's business type activities (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances,* page 33*)*.

- The Capital Project Fund balance increased by $4.75 million, to $65.70 million from previous year's $60.95 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 33). The HPHA received allotted appropriations of $17.04 million (net of lapsed fund of $0.60 million). Capital outlay was $12.21 million, and operating transfers out was $0.08 million.

- The fund balance of the Housing Assistance Voucher Program increased by $2.34 million, to $5.77 million because of an excess of revenues over expenditures.

- The Section 8 Contract Administration fund balance increased by $0.44 million to $4.04 million because of an excess of revenues over expenditures.

**Proprietary Funds**

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

- With the implementation of HUD's Asset Management and Project Based Budgeting, the HPHA established the HUD-mandated Central Office Cost Center (COCC) fund to account for costs related to the general oversight of the programs and projects the HPHA administers, and other indirect and administrative costs of the HPHA. The COCC fund charges fees to the HPHA's various housing programs for administrative services and general oversight.

- The loss before transfers (fund transfers from Governmental Funds) of Proprietary Funds was $18.18 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 38 and 39), $13.66 million lower than the previous year's loss of $31.84. The reduction of loss was mainly because of $11.28 million lower operating expenses and $2.44 million higher operating revenues.

- The COCC's loss before transfers was $1.10 million (*Proprietary Funds*, *Statement of Revenues, Expenses and Changes in Net Position*, pages 38 and 39), in comparison to previous year's loss of $3.93 million. The decline in loss was mainly because of a reduction of $3.27 million of operating expenses. The COCC received $1.54 million of capital contributions during the year. The net position increased $0.44 million to $(6.66) million from prior year's $(7.10) million.

- The loss before transfers of the Federal Low Rent Program was $10.72 million, a decrease of $10.77 million compared to the previous year's loss of $21.49 million. The reduction in losses was mainly due to $2.25 million higher operating revenues and $8.42 million lower operating expenses (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position,* pages 38 and 39).

- The State family housing program's loss before transfers was $2.62 million, a decrease of $0.60 million compared to the previous year's loss of $3.22 million. The reduction in loss was because lower operational expenditures. The program received $2.35 million of capital contributions and operating transfers from Governmental activities. The program's net position reduced $0.27 million to $18.75 million *(Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position,* pages 38 and 39).

- The loss before transfers of the State Elderly Housing program was $3.25 million in comparison to the previous year's loss of $3.08 million. The loss was a result of rental income being insufficient to support the operational expenses. Due to capital contributions and operating funds transferred from Governmental activities, the net position increased by $1.70 million to $37.25 million *(Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position,* pages 38 and 39).

- Other Enterprise Funds loss before transfers amounted to $0.48 million *(Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions*, pages 38 and 39) compared to the prior fiscal year loss of $0.13 million.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA's investment in capital assets for the fiscal year ended June 30, 2022 is $367.29 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*)

HPHA Capital Assets
Years Ended June 30, 2022 and June 30, 2021
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | $ 2,373 | $ 2,373 | $ 22,966 | $ 22,966 | $ 25,339 | $ 25,339 |
| Buildings and improvements | 15,325 | 15,325 | 786,853 | 771,927 | 802,178 | 787,252 |
| Equipment | 1,492 | 1,492 | 12,765 | 12,718 | 14,257 | 14,210 |
| Right of use asset | - | - | 178 | - | 178 | - |
| Construction in progress | - | - | 40,980 | 40,076 | 40,980 | 40,076 |
| Total | 19,190 | 19,190 | 863,742 | 847,687 | 882,932 | 866,877 |
| Accumulated depreciation and amortization | (15,539) | (15,385) | (500,106) | (476,326) | (515,645) | (491,711) |
| Total Capital Assets, net | $ 3,651 | $ 3,805 | $ 363,636 | $ 371,361 | $ 367,287 | $ 375,166 |

Major project outstanding balances in construction in progress at the end of FY2022

- AMP 32 Mayor Wright Homes, Upgrade Electric Meters, Panels and Communication Boxes, $0.88 million
- AMP 32 Mayor Wright Homes, Redevelopment of Mayor Wrights, $0.30 million
- AMP 34 Kalakaua Homes, Makua Alii and Paoakalani, Modernization of Elevators, $0.11 million
- AMP 34 Makua Alii and Paoakalani, Design for Building and ADA Improvements, $0.60 million
- AMP 34 Makua Alii and Paoakalani, Building and ADA Improvements, $4.45 million
- AMP 34 Kalakaua Homes, Makua Alii and Paoakalani, Upgrade of Emergency Generators, $0.11 million
- AMP 35 Punchbowl Homes, Design and Engineering for Exterior repair, Re-roofing, Site and ADA Improvements, $0.80 million
- AMP 35 Kalanihuia, Punchbowl Homes, Pumehana and Makamae, Modernization of Elevators, $0.15 million
- AMP 35 Kalanihuia and Makamae, Design for Re-roofing and Repairs, $0.21 million
- AMP 35 Punchbowl Homes, Exterior repairs, Re-roofing, Site and ADA Improvements, $11.5 million
- AMP 35 Kalanihuia and Makamae, Construction for Re-roofing and Repairs, $3.22 million
- AMP 35 Kalanihuia and Pumehana, Design for Security Upgrades, $0.14 million
- AMP 35 Kalanihuia and Pumehana, Construction for Security Upgrades, $1.35 million
- AMP 37 Pomaikai (E), Hale Aloha O'Puna (E), Pahala Elderly (E), Site and Building Improvements, $0.68 million
- AMP 38 Kapaa, Design for Building and Site Improvements, $0.80 million
- AMP 38 Kapaa, Construction for Building and Site Improvements, $0.40 million
- AMP 39 Piilani Homes, Design for Site and Dwelling Improvements, $0.64 million
- AMP 39 Piilani Homes, Construction for Site and Dwelling Improvements, $2.47 million
- AMP 42 Hale Po'ai (E), Design for Site and Building Improvements, $0.58 million
- AMP 42 Lai'ola, Roof Replacement and Exterior Concrete Spall Repairs, $0.15 million
- AMP 42 Hale Po'ai (E), Construction for Site and Building Improvements, $4.17 million
- AMP 43 Kaimaino, Design for Site and Building Improvements, $0.21 million
- AMP 45 Hookipa Kahaluu, ADA and Site Improvements, $0.25 million
- AMP 49 Wahiawa Terrace, Design for New Sewage Pump Station, $0.15 million
- AMP 50 Palolo Valley Homes, Design for Modernization, $0.53 million
- State low rent housing project (Fund 318) Puahala Homes, Design for Site and Building Improvements, $0.96 million
- Central Office Cost Center (Fund 181) Develop and furnish Tiny Homes under the Kauhale at Kaleloa Pilot Project, $0.72 million
- Central Office Cost Center (Fund 181) Renovation of Building 32 at Kaleloa Pilot Project, $1.1 million
- Central Office Cost Center (Fund 181) School Street Redevelopment Project, $2.33 million

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

HPHA continues to hold title of the State-owned shelter facilities of the homeless program. During 2009 legislative session, S.B. bill No. 910 was enacted and required the transfer of the functions and duties of the homeless program to the Department of Human Services effective July 1, 2010. Approximately $22,000,000 of the net assets was transferred at that time.

**HUD Funding provided pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public Law 116-136)**

HPHA received $4,128,858 of the supplemental Public Housing Operating fund provided pursuant to the CARES Act (Public Law 116-136) in May 2020. The fund had been expended for the COVID-19 related costs and recognized as revenues of HUD operating subsidies under the Federal Low Rent Program before the funding ended date on December 31, 2021. HUD conducted a CARES Act monitoring review during the months of August and September 2022. The monitoring review resulted in zero finding, zero observations, and zero recommendations.

HPHA received $538,838 of the supplemental HCV Program administrative fee funding provided pursuant to CARES Act (Public Law 116-136) in May 2020, $707,968 of the 2nd round supplemental HCV Program administrative fee funding in August 2020, and $1,030,609 Housing Assistance Payments (HAP) Allocation from the CARES Act (Public Law 116-136) on November 1, 2020. All of the funds had been expended for the COVID-19 related costs and recognized as revenues under Housing Choice Vouchers Program before the funding ended date on December 31, 2021. HUD completed the review and closed out the fund on October 27, 2022.

**Pending Cases Re: Hawaii Public Housing Authority**

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 Corporation (Civil No. 10-1-1411-06, First Circuit Court)

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

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

In September 2018, the court granted the State, HPHA, and Kamehameha Homes' Motion for Summary Judgment as to all claims. On August 21, 2022, the Court filed an Order of Dismissal of the case pursuant to Rule 41 of the Hawaii Rules of Civil Procedure.

<u>McJerold William, et al. v. Hawaii Public Housing Authority, et al.</u> (Civil No. 15-1-0388-3, First Circuit Court)

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 incident. Then Universal Protection Service ("UPS") bought Kiamalu, including its contract with the HPHA.

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

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

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

Following service in October 2017, the State, the HPHA, and the employee answered the Amended Complaint. The State filed a third-party complaint against the minor's grandmother, Cynthia Kaminanga. In January 2019, the court granted the employee's Motion for Summary Judgment. On October 8, 2020, the Court filed its Order Granting the State of Hawaii and the Hawaii Public Housing Authority's Motion for Summary Judgment, Filed January 10, 2020. The final judgment in this case was filed on February 17, 2021, and Plaintiffs filed their Notice of Appeal. This case is currently pending in the Intermediate Court of Appeals.

Estate of A.C.D., Deceased, by and through its Personal Representative, Sheila Doi; et al. v. EAH Inc.; et al. Civil No: 1CCV-20-0001199; First Circuit Court

Plaintiffs, who had a Section 8 housing voucher issued by the Hawaii Public Housing Authority, were renting an apartment at the Hibiscus Hill Apartments in Mililani, Hawaii. Plaintiff, Candace Doi, mother of Decedent, A.C.D., a minor, rented the apartment in which she and her three children were living. On February 18, 2019, an 18-month old child was leaning on a window screen in the living room when it gave way. The child fell through the third-floor living room window of the apartment, and sustained severe injuries resulting in his death. Plaintiffs are alleging that the State was negligent in failing to warn of the danger of falls from windows and in failing to install window guards on the windows.

The property management company is a co-defendant along with several companies which handled window replacements and installation.

HPHA inspects the rental units for general habitability but not the windows specifically for potential fall risks. Under the current law, there is no requirement to do so but it is anticipated that Plaintiff will be arguing that such inspection should be made regardless and changes made to prevent fall. There are rules in place now for federally owned apartment buildings to protect against window falls after several tragic deaths.

Written discovery is underway. Trial has been scheduled for January 22, 2024.

Adeline Liftee v. HPHA et al. Civil Case No. 1CCV 22-0000756; First Circuit Court

Plaintiff Adeline A. Liftee alleges that she was walking her dog on a leash on the grounds of Kuhio Homes when she was attacked by two dogs, one of which was a white pit bull. The dogs rushed out from the open door of a neighboring unit and attacked Plaintiff in the common area hallway. Plaintiff suffered serious and permanent bite wounds to her left thigh/leg, which required surgery, skin grafting, hospitalization, and extensive medical treatment.

The Complaint further alleges that the State and/or HPHA had a "Pets and Assistance Animals Policy" which was applicable to all tenants living at Kuhio Homes. The pet policy prohibited full or mixed pit bull dogs, or other dangerous dogs, from being kept on the property.

Nevertheless, the Complaint alleges that the dog owner was allowed to harbor a full or mixed pit bull in his housing unit for several months prior to March 5, 2022. The Complaint further alleges that the State and HPHA knew or should have known that was keeping a full or mixed pit bull in his unit because the owner often walked the dog in the common areas of the complex. Despite having actual or "constructive knowledge" that the dog owner was harboring a full or mixed pit bull in his unit, the State and HPHA "failed to take appropriate measures to have the dog removed from the premises.

Hawaii Affordable Properties, Inc. ("HAPI") provided property management services at Kuhio Homes. Under its contract with HPHA, HAPI agreed to provide, in strict accordance with the contract, basic property management functions such as enforcing all covenants and conditions of the Rental Agreement. HAPI's "minimum" property management services included implementation and compliance with HPHA's Pet Ownership Policy. Based on available information, it appears that HAPI had received previous complaints about the unauthorized dogs being kept at Kuhio Homes, but took no action to have the dogs removed.

Plaintiff recently amended her Complaint to add HAPI as a party defendant. The parties have not answered the amended complaint to date. The State and HPHA will file a cross-claim against HAPI seeking reimbursement and/or contribution and a defense and indemnity pursuant to the contract. Based on limited information, we anticipate that the alleged damages will exceed $200,000. Assuming liability, we expect liability to be apportioned heavily against HAPI.

<u>Tangee R. Lazarus v. Hakim Ouansafi et al.</u> (Civil No. 1:21-CV-00247-HG-RT, U.S. District Court)

Plaintiff Tangee R. Lazarus is a tenant at Kalakaua Homes, AMP 34. Plaintiff names three HPHA employees in her Complaint and alleges discrimination by the HPHA employees on the basis of race and disability, and negligence due to the alleged discrimination. Plaintiff claims that she has been subjected to various acts of harassment and assault by her neighbors at Kalakaua Homes and claims that the HPHA employees have not taken any action following the incidents involving her neighbors, that the HPHA employees have improperly disclosed her confidential information and spread false rumors about her, and that the HPHA employees have retaliated against her following the incidents involving her neighbors. Plaintiff seeks $214,100 from two of the HPHA employees, compensatory and punitive damages, and injunctive relief.

In October 2021, the parties placed settlement terms on the record in the U.S. District Court. Plaintiff subsequently repudiated the settlement. The HPHA filed a motion to compel the settlement. US District Court Judge denied the HPHA's motion to enforce the settlement. The case is back with the Magistrate for further settlement discussion or setting the case for trial if there is no settlement.

**HPHA's Redevelopment Efforts**

**<u>Kuhio Park Tower and Kuhio Park Low-rises and Homes</u>**
In 2011, the HPHA entered a public-private partnership with The Michael's Organization (TMO) with the objective of undertaking a comprehensive revitalization of the Kuhio Park neighborhood, a 22-acre community with a high concentration of public housing located in the Kalihi area of O`ahu, just west of downtown Honolulu. The Kuhio Park neighborhood is a primarily residential community that includes the Towers at Kuhio Park, Kuhio Park Low-Rises and Kuhio Homes, which, combined, contain over 700 low-income public housing units.

The revitalization of the Kuhio Park neighborhood has been staged in two main phases. The first phase undertook the revitalization of Kuhio Park Terrace, which has now been completed. The second phase will undertake a masterplan that builds off the Final Kuhio Park Neighborhood Transformation Plan ("Transformation Plan") that was funded by a $300,000 Choice Neighborhoods Initiative (CNI) grant provided by the U.S. Department of Housing and Urban Development (HUD) and completed in October 2014.

**Phase I - Kuhio Park Towers**
In 2013, the HPHA an TMO completed the first phase of the redevelopment plan with the revitalization of Kuhio Park Terrace Towers, an existing federally funded public housing rental development consisting of two 16-story towers (Towers). The Towers were originally constructed from 1963 to 1965 and occupy an approximately 11.9-acre site located at 1475 Linapuni Street, in Honolulu, on the Island of Oahu.

A $135 million revitalization effort of the Towers enabled major capital repairs to be completed including interior and exterior upgrades utilizing private funds, low-income housing tax-credits (LIHTC) and Hula Mae Bond financing under HUD's Mixed-Finance program.

A Regulatory and Operating Agreement and Declaration was also recorded on the Towers under the transaction, as required by HUD ("HUD Declaration"). The Regulatory and Operating Agreement governed the public housing capital funds and operating subsidy that the HPHA continued to provide to the new ownership entity for the remaining 347 Public Housing Units within the Towers. The HUD Declaration imposes certain requirements including that the public housing units at the Towers be operated and maintained in compliance with applicable public housing requirements for the longer of 40 years from the date the public housing units become available for occupancy or 10 years after the end of the PHA's last fiscal year for which public housing operating fund assistance is provided by the PHA to the public housing units of the project.

**Kuhio Park Towers - RAD Conversion**
The Rental Assistance Demonstration ("RAD") program is a federal housing program enacted as part of the Consolidated and Further Continuing Appropriations Act, 2012 and administered by HUD. Broadly,

the purpose of the RAD program is to provide PHA's with a set of tools to address the unmet capital needs of deeply affordable, federally assisted rental housing properties in order to maintain both the viability of the properties and their long-term affordability. It also simplifies the administrative oversight of the properties by the federal government. RAD allows PHA's to leverage public and private debt and equity to reinvest in public housing stock. This is critical given the estimated $26 billion+ backlog of public housing capital improvements nationwide. Under the RAD program, units move from the public housing subsidy platform to the Section 8 voucher subsidy platform with a long-term contract that, by law, must be renewed. This ensures that the units remain permanently affordable to low-income households.

To better serve the remaining public housing residents of the Towers, the HPHA and TMO agreed to convert the 347 remaining public housing units to Project Based Section 8 Voucher Subsidy under HUD's RAD program. HUD's Office of Multifamily Housing issued a RAD Conversion Commitment (RCC) for the conversion of the remaining 347 Public Housing Units at KPT under the RAD program on May 16, 2021. The RAD conversion subsequently closed on November 30, 2021, with a Housing Assistance Payment ("HAP") effective contract date of December 1, 2021. This closing was a significant milestone for the HPHA as it was the first RAD conversion successfully completed in the state of Hawaii, taking approximately three years to complete.

**Kuhio Park Terrace Low-rises and Homes**
The HPHA and TMO are now moving forward expeditiously with "Phase II" of the Kuhio Park Neighborhood revitalization effort which will focus on the redevelopment of Kuhio Park Low-Rises and Kuhio Homes.

Kūhiō Park Terrace Low-Rises and Kūhiō Homes consists of three parcels (TMKs 1-3-039: 003, 006, and 008) located north of Linapuni Street. The three parcels total approximately 9.78-acres of the overall 22-acre Kūhiō Park neighborhood. The three land parcels are currently zoned A-2 and are improved with over 30 single-story barrack style building. The redevelopment effort under the Transformation Plan seeks to replace the existing severely distressed housing with a vibrant, sustainable community that significantly increases the range and amount of affordable housing available within the community. Consistent with the Transformation Plan, the 176 existing units will be demolished and replaced by up to 650 units contained in 4-, 6-, and 8-story buildings, and one 16-story building, with a mix of 1-, 2-, 3-, 4-, and some 5-bedroom configurations. Confirmation has been received from City and County of Honolulu that Sewer capacity is available for the proposed units. Water availability, however, although currently available, remains a concern due to the Red Hills fuel tank storage environmental impacts.

The new units will be developed over three phases. The first Phase will consist of approximately 256 units on land located closest to the School Street entrance to the site.

Historic Preservation requirements under Section 106 National Historic Preservation Act and Federal Environmental review (NEPA) work and related/required studies are now being finalized. A letter of invitation was also sent to approximately 120 Native Hawaiian Organizations inviting them to participate in the design process of Kuhio Park Low Rises and homes as required under Section 106. Completion, review and acceptance of these reports by SHPD is projected for 4th quarter of 2022.

The project's 201H application for entitlement, zoning and waivers was completed and submitted to the City & County of Honolulu Department of Planning and Permitting (DPP) on June 30, 2022, and was accepted by DPP on July 14th. The City and County of Honolulu City Council has 90 days thereafter to accept or reject the application.

Schematic Designs for the first phase of the project are progressing and the HPHA and TMO expect to apply for LIHTC, Hula-Mae Bonds and Rental Housing Revolving Fund financing to the Hawaii Housing and Finance Corporation in February 2023. The overall redevelopment program would also include applying to the U.S. Department of Housing and Urban Development ("HUD") to raze the existing structures and redevelop the site as an affordable housing development. Construction is expected to break ground sometime in 2024 subject to building permit approval.

**School Street Elderly Affordable Housing**

The HPHA has partnered with Retirement Housing Foundation, a non-profit affordable housing developer, to redevelop HPHA's administrative campus located at 1002 N. School Street. The project will deliver 800, age-restricted, Senior affordable Housing units over three development phases expected to be completed over an 8 to 10-year development horizon.

Community engagement has been a hallmark of the development effort, culminating in the approval of the project's 201H zoning and entitlement application by the Honolulu City Council on November 5, 2020, as Resolution 20- 251, CD1, FD1 (Resolution 20-251, CD1, FD1). Resolution 20-251, CD1, FD granted the project approximately $9.9 million in fee and other exemptions from statutes, ordinances, charter provisions, and rules relating to planning, zoning, construction standards for subdivision and development pursuant to HRS Sections 46-15.1 and 201H-38.

On July 9, 2021, School Street RHF Partners, Phase One, LP, ("RHF") submitted a consolidated application on behalf of the HPHA School Street Redevelopment Phase 1A to Hawaii Housing Finance and Development Corporation ("HHFDC") as a non-competitive application. The HHFDC approved the application at its October 14, 2021, Directors meeting as Resolution No. 163, which provides for official Intent with respect to the issuance of Hula Mae Multi-Family ("HHMF") Tax-Exempt Revenue Bonds; and reservation of Low Income Housing Tax Credits for Phase 1 of the School Street Redevelopment.

The HHFDC resolution provides tax-exempt issuance of up to $71,500,000 from the HMMF Bond Program, $5,257,493 in annual Federal LIHTC over a 10-year period and $5,257,493 in annual State

LIHTC over a 5-year period from the non-volume cap pool (4% LIHTC). As the project received $40 million in appropriation support as part of the Governor's FY 21- 22 Budget earmarked for the project through the HHFDC administered Rental Housing Revolving Fund (RHRF), a separate For Action was also approved by the HHFDC Board at the October 14, 2021, meeting providing an RHRF Loan for the project of up to $40,000,000.

It should be noted that Resolution 163 is considered an "Inducement Resolution", which is a non-binding resolution stating HHFDC's intent to possibly issue tax-exempt revenue bonds for a project. The approval of Resolution No. 163 only facilitates further discussions and negotiations between HHFDC staff, developer, underwriter, bond counsel, and other appropriate parties to determine the feasibility of the contemplated project. Approval of Resolution No.163 neither commits nor obligates HHFDC to issue bonds for the School Street project. HHFDC Board final approval for the issuance, sale, and delivery of bonds is still required and final bond issuance is subject to approval by the Department of Budget and Finance and the Governor.

Due to unforeseen delays resulting from the COVID-19 pandemic and other factors, RHF recently submitted a letter to the HHFDC requesting an extension to the August 30, 2022, deadline for construction commencement for the project and encumbering the $40 million RHRF Loan of approximately one year, to August 2023. HHFDC approved RHF's request at its June Board meeting. HHFDC approved extending the deadline until August 25, 2023.

As approved by HPHA's Board at its June board meeting, RHF will be submitting a request to the HHFDC seeking an extension of resolution No.163 dated October 14, 2021, which sets forth HHFDC's intent to Issue Hula Mae Multi-Family Tax-Exempt Revenue Bonds up to $71,500,000 for Phase 1A of the School Street Redevelopment Project. RHF will be requesting an extension to August 25, 2023, to close concurrently with the closing of HHFDC's Rental Housing Revolving Fund Loan.

As Resolution 20-251, CD1, FD1 is scheduled to expire November 5, 2022, RHF intends to submit a request to the Honolulu City Counsel requesting an extension to August 25, 2023, concurrent with HHFDC's revised RHRF construction deadline of August 25, 2023

**Mayor Wright Homes**

Much progress has been made on this project since HPHA terminated its Master Development Agreement with Hunt Companies (Hunt) for convenience in July 2020. HPHA has been working with an architectural firm to complete several potential gross massing designs for the project based on the existing master plan. The gross massing design will inform the final 201H-38 zoning and entitlement application for the project and will also be presented for comment during public engagement once a new development partner has been selected for the first phase of the development. A procurement process for a new development partner for phase 1 of the project is now underway.

**Hawai'i County - Lanakila Housing Project**

HPHA applied for and was awarded a planning grant from the state Office of Planning and Sustainable Development (OPSD) for its Lanakila project on the Island of Hawai'i. The grant has been awarded for funding by the OPSD under its FY21 $1.5 million CIP (GO) appropriation (Act 6, SLH 2020, Section 3, Item K, Capital Project No. 0.1).

The HPHA has a grandfathered right to redevelop 62 low-income public housing units at its Lanakila property located to the south of downtown Hilo at 60 Holomalia Street, Hilo HI, 96720 (TMK (3) 2-4-028:007). These units typically serve area residents in the 30% Area Median Income ("AMI") and below. In addition, the property also has the potential to support additional density for affordable, work force and/or market rate units.

The OPSD grant will provide funding for an updated master plan for the site to address new site conditions and streets that will need to be constructed to recently revised County of Hawai'i Standards. HPHA has issued a Request for Qualifications ("RFQ") for Professional Services to complete the Master Plan and Environmental Review (RFQ-DEV-2021-18) for its Lanakila Housing Project and several proposals to provide professional services for the project were received by the July 27, 2021, submission deadline. The RFQ selection committee convened on September 29, 2021, to finalize the consultant selection. A contract for these services was executed with the preferred consultant in August 2022.

**Puuwai Momi**

On August 31, 2021, the HPHA submitted a proposal to the Office of Planning and Sustainable Development (OPSD) for a CIP TOD planning grant (Act 88, Session Laws of Hawai'i 2021, Section 36, Item K, Capital Project No. 2 appropriating $2 million in CIP funds to OPSD for State TOD planning and implementation statewide) for our Puuwai Momi property located in 99-132 Kohomua Street, Aiea, Hawaii 96701 [TMK: (1) 9-9-003:056, 064]. The HPHA is exploring the possibility of a mixed-use, mixed-income redevelopment of Puuwai Momi, an aging 260-unit, public housing community built in 1969.

The Memorandum of Agreement ("MOA") authorizing the delegation and transfer of $400,000 in State TOD CIP Planning funds to HPHA for preliminary master planning of the project was approved by HPHA's Board at its December 16, 2021 meeting and the MOA was subsequently executed. A request for Qualifications ("RFQ") for professional services to complete the preliminary master planning is currently being drafted for internal and Attorney General review.

**Maui County**

The HPHA submitted a proposal to the OPSD for a CIP TOD planning grant in FY21 for its Kahekili project located in the Wailuku redevelopment district of Maui . Unfortunately, this project was not selected for a planning award. However, the property was added to the State's Strategic TOD plan to better positioned the property for future grant and funding opportunities. On August 31, 2021, the HPHA submitted an updated proposal to the OPSD for a CIP TOD planning grant for FY22 for Kahekili and on September 15, 2021, OPSD informed the HPHA that it has been awarded a $225,000 CIP TOD planning grant to develop a preliminary master plan for the redevelopment of this property.

A Memorandum of Agreement ("MOA") authorizing the delegation and transfer of $225,000 in State TOD CIP Planning funds to HPHA for preliminary master planning for the project was approved by the Board at its December 16, 2021 meeting and the MOA was subsequently executed. A Request for Qualifications ("RFQ") for professional services to complete preliminary master planning is currently being drafted for internal and Attorney General review.

**Kauai County**

HPHA continues to explore the possible development or redevelopment of HPHA properties on Kauai, including a vacant parcel of land next to the Hale Ho'olulu property and HPHA's public housing site at 4726 Malu Rd. However, no definitive plans have been confirmed at this time.

**Kalaeloa Kauhale**

On February 14, 2020, the HPHA entered into a ground lease agreement with U.S. VETS, a California non-profit public benefit corporation, as the operator of the Kauhale pilot project and also provided funding to create the micro-community. HomeAid Hawaii led the building effort for the project. The HPHA also contracted HomeAid to renovate an existing, derelict building (Building 32) located on the site containing over 2,000 square feet which provides communal bathrooms, showers, commercial kitchen, laundry services and meeting space and is a critical element to ensure the Kauhale's success. In addition to Building 32, the site is now comprised of 37 homes, community farming gardens, an outdoor multi-purpose pavilion, barbecue cabana, and storage facilities.

The Grand Opening of the project was held on Tuesday, November 16, 2021 and the project is now taking applications. Residents would be expected to pay a portion of the monthly rent to participate in the program and abide by the program rules established by the operator. The project is now complete and operational.

### 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, 2022

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Current Assets: | | | |
| Cash | $ 8,748,359 | $ 93,148,085 | $ 101,896,444 |
| Restricted cash | 2,055,665 | 3,597,991 | 5,653,656 |
| Due from State of Hawaii | 70,253,304 | - | 70,253,304 |
| Receivables: | | | |
| Accrued interest | - | 135,047 | 135,047 |
| Tenant receivables, less allowance for doubtful receivables of $2,618,475 | - | 909,075 | 909,075 |
| Other | 15,579 | 24,845 | 40,424 |
| | 15,579 | 1,068,967 | 1,084,546 |
| Internal balances | 23,103 | (23,103) | - |
| Due from HUD | 254,832 | 963,305 | 1,218,137 |
| Inventories | - | 777,755 | 777,755 |
| Prepaid expenses and other assets | - | 19,130 | 19,130 |
| Total current assets | 81,350,842 | 99,552,130 | 180,902,972 |
| Notes Receivable | - | 7,014,595 | 7,014,595 |
| Capital Assets, less accumulated depreciation | 3,651,194 | 363,636,121 | 367,287,315 |
| Total assets | 85,002,036 | 470,202,846 | 555,204,882 |
| Deferred Outflows of Resources | 398,942 | 5,978,895 | 6,377,837 |
| Total assets and deferred outflows of resources | $ 85,400,978 | $ 476,181,741 | $ 561,582,719 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION (continued)

June 30, 2022

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| Current Liabilities: | | | |
| Accounts payable | $ 2,331,825 | $ 4,571,621 | $ 6,903,446 |
| Accrued expenses | 2,162,281 | 3,186,142 | 5,348,423 |
| Security deposits | - | 1,502,826 | 1,502,826 |
| Deferred income | 377,633 | 502,008 | 879,641 |
| Total current liabilities | 4,871,739 | 9,762,597 | 14,634,336 |
| Accrued Expenses | 166,176 | 1,757,352 | 1,923,528 |
| Net Other Post Employment Benefits (OPEB) Liability | 2,407,706 | 33,444,996 | 35,852,702 |
| Net Pension Liability | 2,385,821 | 32,408,748 | 34,794,569 |
| Total liabilities | 9,831,442 | 77,373,693 | 87,205,135 |
| Deferred Inflows of Resources | 807,755 | 10,256,861 | 11,064,616 |
| Commitments and Contingencies | | | |
| Net Position: | | | |
| Invested in capital assets, net of related debt | 3,651,194 | 363,636,121 | 367,287,315 |
| Restricted by legislation and contractual agreements | 1,294,153 | - | 1,294,153 |
| Unrestricted | 69,816,434 | 24,915,066 | 94,731,500 |
| Total net position | 74,761,781 | 388,551,187 | 463,312,968 |
| Total liabilities, deferred inflows of resources, and net position | $ 85,400,978 | $ 476,181,741 | $ 561,582,719 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

| | | Program Revenues | | | Net revenue (expense) and changes in net position | | | |
|---|---|---|---|---|---|---|---|---|
| | Expenses | Charges for services and other revenues | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | Elimination | Total |
| Functions/Programs: | | | | | | | | |
| Governmental activity -- | | | | | | | | |
| Rental Housing and Assistance Program | $ 98,261,373 | $ 669,346 | $ 99,047,960 | $ - | $ 1,455,933 | $ - | $ 1,303,985 | $ 2,759,918 |
| Total governmental activities | 98,261,373 | 669,346 | 99,047,960 | - | 1,455,933 | - | 1,303,985 | 2,759,918 |
| Business-type activities: | | | | | | | | |
| Rental assistance program | 71,364,679 | 20,993,830 | 35,731,985 | 3,914,531 | - | (10,724,333) | - | (10,724,333) |
| Rental housing program | 10,849,357 | 4,461,729 | - | - | - | (6,387,628) | - | (6,387,628) |
| Others | 2,597,159 | 1,474,509 | - | - | - | (1,122,650) | (1,303,985) | (2,426,635) |
| Total business-type activities | 84,811,195 | 26,930,068 | 35,731,985 | 3,914,531 | - | (18,234,611) | (1,303,985) | (19,538,596) |
| Total government-wide | $ 183,072,568 | $ 27,599,414 | $ 134,779,945 | $ 3,914,531 | 1,455,933 | (18,234,611) | - | (16,778,678) |
| State Allotted Appropriations, net of lapsed funds of $863,980 | | | | | 22,334,771 | - | - | 22,334,771 |
| Other Non-Program Revenue | | | | | 1,200 | 53,359 | - | 54,559 |
| Net Transfers and Capital Contributions | | | | | (15,932,221) | 15,932,221 | - | - |
| Total general revenues and transfers | | | | | 6,403,750 | 15,985,580 | - | 22,389,330 |
| Change in net position | | | | | 7,859,683 | (2,249,031) | - | 5,610,652 |
| Net Position at July 1, 2021 | | | | | 66,902,098 | 390,800,218 | - | 457,702,316 |
| Net Position at June 30, 2022 | | | | | $ 74,761,781 | $ 388,551,187 | $ - | $ 463,312,968 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

## GOVERNMENTAL FUNDS
## BALANCE SHEET

June 30, 2022

| ASSETS | General | Capital Projects | Housing Assistance Voucher | Section 8 Contract Administration | Total Governmental Funds |
|---|---|---|---|---|---|
| Current Assets: | | | | | |
| Cash | $ - | $ - | $ 4,785,246 | $ 3,963,113 | $ 8,748,359 |
| Restricted cash | - | - | 2,054,700 | 965 | 2,055,665 |
| Due from State of Hawaii | 1,694,396 | 68,558,908 | - | - | 70,253,304 |
| Due from other funds | 74,216 | - | - | - | 74,216 |
| Other receivables | - | - | 15,579 | - | 15,579 |
| Due from HUD | - | - | - | 254,832 | 254,832 |
| Total current assets | $ 1,768,612 | $ 68,558,908 | $ 6,855,525 | $ 4,218,910 | $ 81,401,955 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | $ 192,880 | $ 1,507,012 | $ 549,177 | $ 82,756 | $ 2,331,825 |
| Accrued expenses | 536,368 | 1,353,272 | 177,087 | 95,554 | 2,162,281 |
| Due to other funds | 130 | - | 50,983 | - | 51,113 |
| Deferred income | 74,216 | - | 303,417 | - | 377,633 |
| Total current liabilities | 803,594 | 2,860,284 | 1,080,664 | 178,310 | 4,922,852 |
| Fund Balances: | | | | | |
| Restricted by legislation and contractual agreements | - | - | 1,294,153 | - | 1,294,153 |
| Committed | - | 30,483,749 | - | - | 30,483,749 |
| Assigned | 965,018 | 35,214,875 | 4,480,708 | 4,040,600 | 44,701,201 |
| Total fund balances | 965,018 | 65,698,624 | 5,774,861 | 4,040,600 | 76,479,103 |
| Total liabilities and fund balances | $ 1,768,612 | $ 68,558,908 | $ 6,855,525 | $ 4,218,910 | $ 81,401,955 |

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, 2022

| | | |
|---|---|---|
| Total fund balance - governmental funds | | $ 76,479,103 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds | 3,651,194 | |
| Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (70,924) | |
| Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds | (95,252) | |
| Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds | (2,407,706) | |
| Pension benefits are not due and payable in the current period and therefore are not reported in the funds | (2,385,821) | |
| Deferred outflows of resources related to the pension and other post employment benefits liabilities are not financial resources and therefore not reported in the funds | 398,942 | |
| Deferred inflows of resources related to the pension and other post employment benefits liabilities are not due and payable in the current period and therefore are not reported in the funds | (807,755) | (1,717,322) |
| Net position of governmental activities | | $ 74,761,781 |

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, 2022

| | General | Capital Projects | Housing Assistance Voucher | Section 8 Contract Administration | Total Governmental Funds |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Intergovernmental – HUD annual contributions and others | $ - | $ - | $ 54,678,053 | $ 44,369,907 | $ 99,047,960 |
| State allotted appropriations, net of lapsed funds of $863,980 | 5,296,373 | 17,038,398 | - | - | 22,334,771 |
| Other | 26 | - | 670,128 | 389 | 670,543 |
| Total revenues | 5,296,399 | 17,038,398 | 55,348,181 | 44,370,296 | 122,053,274 |
| Expenditures: | | | | | |
| Housing assistance payments | 1,129,458 | - | 48,567,945 | 42,755,086 | 92,452,489 |
| Administration | 16,214 | - | 1,901,267 | 1,138,687 | 3,056,168 |
| Personnel services | 67,558 | - | 1,984,100 | - | 2,051,658 |
| Professional services | 46,460 | - | 270,803 | 31,982 | 349,245 |
| Tenant services | - | - | 17,857 | - | 17,857 |
| Utilities | 692 | - | 22,985 | - | 23,677 |
| Repairs and maintenance | 528 | - | 26,659 | - | 27,187 |
| Security | 96 | - | 2,415 | - | 2,511 |
| Bad debt expense | - | - | 198,275 | - | 198,275 |
| Insurance | 534 | - | 14,731 | 7,112 | 22,377 |
| Capital outlays | - | 12,215,241 | - | - | 12,215,241 |
| Total expenditures | 1,261,540 | 12,215,241 | 53,007,037 | 43,932,867 | 110,416,685 |
| Excess of revenues over expenditures | 4,034,859 | 4,823,157 | 2,341,144 | 437,429 | 11,636,589 |
| Other Financing Uses - Transfers Out | (3,642,442) | (74,538) | - | - | (3,716,980) |
| Net change in fund balances | 392,417 | 4,748,619 | 2,341,144 | 437,429 | 7,919,609 |
| Fund Balances at July 1, 2021 | 572,601 | 60,950,005 | 3,433,717 | 3,603,171 | 68,559,494 |
| Fund Balances at June 30, 2022 | $ 965,018 | $ 65,698,624 | $ 5,774,861 | $ 4,040,600 | $ 76,479,103 |

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, 2022

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 7,919,609 |
| 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 $154,000. | | |
| Expenditures for capital assets | 12,215,241 | |
| Less current year depreciation expense | (154,416) | 12,060,825 |
| Transfer of capital assets between governmental activities and business-type activities | | (12,215,241) |
| 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 | | 2,227 |
| 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 | | 52,753 |
| Funds report expenditures for other post employment benefit (OPEB) contributions. The government-wide statements report changes in deferred outflows, deferred inflows and net OPEB liability as OPEB expense. | | 67,759 |
| Funds report expenditures for pension contributions. The government-wide statements report changes in deferred outflows, deferred inflows and net position liability as pension expense | | (28,249) |
| Change in net position of governmental activities | | $ 7,859,683 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

June 30, 2022

| 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 | Elimination | Total Enterprise Funds | Internal Service Funds |
|---|---|---|---|---|---|---|---|---|
| Current Assets: | | | | | | | | |
| Cash | $ 64,147,134 | $ 1,089,028 | $ 4,018,342 | $ 16,670,722 | $ 6,292,165 | $ - | $ 92,217,391 | $ 930,694 |
| Restricted cash | 1,268,654 | - | - | 2,293,601 | 35,736 | - | 3,597,991 | - |
| | 65,415,788 | 1,089,028 | 4,018,342 | 18,964,323 | 6,327,901 | - | 95,815,382 | 930,694 |
| Receivables: | | | | | | | | |
| Accrued interest | - | 7,538 | 62,004 | 51,521 | - | - | 121,063 | 13,984 |
| Tenant receivables, less allowance for doubtful accounts of $2,618,475 | 813,632 | 48,272 | 5,814 | - | 41,357 | - | 909,075 | - |
| Other | 2,758 | 9,385 | - | 441 | 12,261 | - | 24,845 | - |
| | 816,390 | 65,195 | 67,818 | 51,962 | 53,618 | - | 1,054,983 | 13,984 |
| Due from other funds | 665,806 | - | - | 6,389,578 | 637,215 | (7,692,599) | - | 8,745 |
| Due from HUD | 963,305 | - | - | - | - | - | 963,305 | - |
| Inventories | 686,952 | 32,847 | 44,947 | 13,009 | - | - | 777,755 | - |
| Prepaid expenses and other assets | - | - | - | 19,130 | - | - | 19,130 | - |
| Total current assets | 68,548,241 | 1,187,070 | 4,131,107 | 25,438,002 | 7,018,734 | (7,692,599) | 98,630,555 | 953,423 |
| Notes Receivable | 6,585,173 | - | - | 429,422 | - | - | 7,014,595 | - |
| Capital Assets, less accumulated depreciation | 296,100,496 | 20,580,914 | 33,734,765 | 4,660,281 | 7,963,298 | - | 363,039,754 | 596,367 |
| Total assets | 371,233,910 | 21,767,984 | 37,865,872 | 30,527,705 | 14,982,032 | (7,692,599) | 468,684,904 | 1,549,790 |
| Deferred Outflows of Resources | 2,510,721 | 191,135 | - | 3,277,039 | - | - | 5,978,895 | - |
| Total assets and deferred outflows of resources | $ 373,744,631 | $ 21,959,119 | $ 37,865,872 | $ 33,804,744 | $ 14,982,032 | $ (7,692,599) | $ 474,663,799 | $ 1,549,790 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION (continued)

June 30, 2022

| 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 | Elimination | Total Enterprise Funds | Internal Service Funds |
|---|---|---|---|---|---|---|---|---|
| Current Liabilities: | | | | | | | | |
| Accounts payable | $ 3,296,230 | $ 52,807 | $ 120,471 | $ 696,737 | $ 405,376 | $ - | $ 4,571,621 | $ - |
| Accrued expenses | 1,919,690 | 115,220 | 286,506 | 843,190 | 21,536 | - | 3,186,142 | - |
| Due to other funds | 1,904,702 | 40,275 | 40,417 | 22,498 | 5,716,555 | (7,692,599) | 31,848 | - |
| Security deposits | 1,239,457 | 51,604 | 164,935 | - | 46,830 | - | 1,502,826 | - |
| Deferred income | 487,202 | 9,192 | 2,464 | - | 3,150 | - | 502,008 | - |
| Total current liabilities | 8,847,281 | 269,098 | 614,793 | 1,562,425 | 6,193,447 | (7,692,599) | 9,794,445 | - |
| Accrued Expenses | 903,558 | 61,778 | - | 792,016 | - | - | 1,757,352 | - |
| Net OPEB Liability | 14,752,578 | 1,199,559 | - | 17,492,859 | - | - | 33,444,996 | - |
| Net Pension Liability | 15,459,626 | 1,301,916 | - | 15,647,206 | - | - | 32,408,748 | - |
| Total liabilities | 39,963,043 | 2,832,351 | 614,793 | 35,494,506 | 6,193,447 | (7,692,599) | 77,405,541 | - |
| Deferred Inflows of Resources | 4,902,869 | 380,962 | - | 4,973,030 | - | - | 10,256,861 | - |
| Commitments and Contingencies | | | | | | | | |
| Net Position: | | | | | | | | |
| Invested in capital assets, net of related debt | 296,100,496 | 20,580,914 | 33,734,765 | 4,660,281 | 7,963,298 | - | 363,039,754 | 596,367 |
| Unrestricted | 32,778,223 | (1,835,108) | 3,516,314 | (11,323,073) | 825,287 | - | 23,961,643 | 953,423 |
| Total net position | 328,878,719 | 18,745,806 | 37,251,079 | (6,662,792) | 8,788,585 | - | 387,001,397 | 1,549,790 |
| Total liabilities, deferred inflows of resources, and net position | $ 373,744,631 | $ 21,959,119 | $ 37,865,872 | $ 33,804,744 | $ 14,982,032 | $ (7,692,599) | $ 474,663,799 | $ 1,549,790 |

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, 2022

| | | |
|---|---|---|
| Total net position of enterprise funds | $ | 387,001,397 |
| 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 | | 1,549,790 |
| Net position of business-type activities | $ | 388,551,187 |

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, 2022

| | 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 | $ 20,153,141 | $ 1,226,533 | $ 2,090,215 | $ - | $ 1,035,383 | $ - | $ 24,505,272 | $ - |
| Fee-for-service | - | - | - | 10,659,917 | - | (9,355,932) | 1,303,985 | - |
| Other | 840,689 | 7,368 | 83,143 | 65,583 | 19,087 | - | 1,015,870 | 104,941 |
| Total operating revenues | 20,993,830 | 1,233,901 | 2,173,358 | 10,725,500 | 1,054,470 | (9,355,932) | 26,825,127 | 104,941 |
| Operating Expenses: | | | | | | | | |
| Personnel services | 11,113,804 | 929,578 | - | 10,420,416 | 22,011 | - | 22,485,809 | - |
| Depreciation and amortization | 19,977,030 | 1,273,696 | 1,784,714 | 83,304 | 560,322 | - | 23,679,066 | 101,787 |
| Administration | 11,752,677 | 387,538 | 905,659 | 439,647 | 430,124 | (7,543,434) | 6,372,211 | - |
| Provision for (recovery of) losses | 244,382 | (48,702) | 851 | - | 11,316 | - | 207,847 | - |
| Professional services | 413,413 | 34,423 | 36,930 | 373,359 | 5,702 | - | 863,827 | 4,584 |
| Tenant services | 230,109 | 2,807 | 14,873 | 4,906 | - | - | 252,695 | - |
| Security | 3,326,051 | - | 8,231 | 11,153 | - | - | 3,345,435 | - |
| Insurance | 545,264 | 31,715 | 55,916 | 11,634 | 19,823 | - | 664,352 | 987 |
| Repairs and maintenance | 12,332,001 | 417,312 | 1,239,078 | 352,753 | 206,244 | (1,812,498) | 12,734,890 | - |
| Utilities | 10,922,236 | 832,485 | 1,403,552 | 148,561 | 283,159 | - | 13,589,993 | - |
| Housing assistance payments | 209,103 | - | - | - | - | - | 209,103 | - |
| Payments in lieu of taxes | 298,609 | - | - | - | - | - | 298,609 | - |
| Total operating expenses | 71,364,679 | 3,860,852 | 5,449,804 | 11,845,733 | 1,538,701 | (9,355,932) | 84,703,837 | 107,358 |
| Operating loss carried forward | (50,370,849) | (2,626,951) | (3,276,446) | (1,120,233) | (484,231) | - | (57,878,710) | (2,417) |

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, 2022

| | 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 | (50,370,849) | (2,626,951) | (3,276,446) | (1,120,233) | (484,231) | - | (57,878,710) | (2,417) |
| Nonoperating Revenues: | | | | | | | | |
| HUD operating subsidies | 35,731,985 | - | - | - | - | - | 35,731,985 | - |
| HUD capital fund subsidies | 3,914,531 | - | - | - | - | - | 3,914,531 | - |
| Other revenues | 6,133 | 1,210 | 23,307 | 20,243 | 68 | - | 50,961 | 2,398 |
| Net nonoperating revenues | 39,652,649 | 1,210 | 23,307 | 20,243 | 68 | - | 39,697,477 | 2,398 |
| Loss before transfers | (10,718,200) | (2,625,741) | (3,253,139) | (1,099,990) | (484,163) | - | (18,181,233) | (19) |
| Capital Contributions | 5,375,500 | 352,173 | 4,952,196 | 1,535,372 | - | - | 12,215,241 | - |
| Net Transfers | 1,715,036 | 2,001,944 | - | - | - | - | 3,716,980 | - |
| Change in net position | (3,627,664) | (271,624) | 1,699,057 | 435,382 | (484,163) | - | (2,249,012) | (19) |
| Net Position at July 1, 2021 | 332,506,383 | 19,017,430 | 35,552,022 | (7,098,174) | 9,272,748 | - | 389,250,409 | 1,549,809 |
| Net Position at June 30, 2022 | $ 328,878,719 | $ 18,745,806 | $ 37,251,079 | $ (6,662,792) | $ 8,788,585 | $ - | $ 387,001,397 | $ 1,549,790 |

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, 2022

| | | |
|---|---|---|
| Change in net position - total enterprise funds | $ | (2,249,012) |
| Change in net position - internal service funds | | (19) |
| Change in net position of business-type activities | $ | (2,249,031) |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year Ended June 30, 2022

| | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|---|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | | | |
| Cash received from renters | $ 20,000,808 | $ 1,279,387 | $ 2,082,256 | $ - | $ 1,010,165 | $ 24,372,616 | $ - |
| Cash payments to employees | (11,113,804) | (929,942) | - | (10,496,023) | (22,011) | (22,561,780) | - |
| Cash payments to suppliers | (37,433,627) | (1,593,458) | (3,688,683) | 448,158 | (884,231) | (43,151,841) | - |
| Cash receipts from other funds | 2,876,232 | 2,027,896 | 52,809 | 10,882,037 | 57,281 | 15,896,255 | 104,943 |
| Other cash receipts (payments) | (946,604) | (106,953) | 83,143 | (1,612,721) | 24,138 | (2,558,997) | (619,535) |
| Net cash (used in) provided by operating activities | (26,616,995) | 676,930 | (1,470,475) | (778,549) | 185,342 | (28,003,747) | (514,592) |
| Cash Flows from Noncapital Financing Activity -- | | | | | | | |
| HUD operating subsidy received | 31,444,874 | - | - | - | - | 31,444,874 | - |
| Net cash provided by noncapital financing activities | 31,444,874 | - | - | - | - | 31,444,874 | - |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | |
| HUD capital subsidy received | 7,429,347 | - | - | - | - | 7,429,347 | - |
| Payments for acquisition of property and equipment | (3,788,830) | - | - | (1,572,118) | - | (5,360,948) | - |
| Other | 6,136 | (14,400) | - | - | - | (8,264) | - |
| Net cash provided by (used in) capital and related financing activities | 3,646,653 | (14,400) | - | (1,572,118) | - | 2,060,135 | - |
| Subtotal carried forward | 8,474,532 | 662,530 | (1,470,475) | (2,350,667) | 185,342 | 5,501,262 | (514,592) |

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, 2022

| | 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 | $ 8,474,532 | $ 662,530 | $ (1,470,475) | $ (2,350,667) | $ 185,342 | $ 5,501,262 | $ (514,592) |
| Cash Flows from Investing Activity -- | | | | | | | |
| Receipts of Interest | 2,131,457 | 4,015 | 26,279 | 29,861 | 68 | 2,191,680 | 6,590 |
| Issuance of note receivable | - | - | - | (429,422) | - | (429,422) | - |
| Net cash provided by investing activities | 2,131,457 | 4,015 | 26,279 | (399,561) | 68 | 1,762,258 | 6,590 |
| Net (decrease) increase in cash | 10,605,989 | 666,545 | (1,444,196) | (2,750,228) | 185,410 | 7,263,520 | (508,002) |
| Cash and Restricted Cash at July 1, 2021 | 54,809,799 | 422,483 | 5,462,538 | 21,714,551 | 6,142,491 | 88,551,862 | 1,438,696 |
| Cash and Restricted Cash at June 30, 2022 | $ 65,415,788 | $ 1,089,028 | $ 4,018,342 | $ 18,964,323 | $ 6,327,901 | $ 95,815,382 | $ 930,694 |

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, 2022

| | 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 | $ (50,370,849) | $ (2,626,951) | $ (3,276,446) | $ (1,120,233) | $ (484,231) | $ (57,878,710) | $ (2,417) |
| Adjustments to reconcile operating loss to net cash (used in) provided by operating activities: | | | | | | | |
| Depreciation | 19,977,030 | 1,273,696 | 1,784,714 | 83,304 | 560,322 | 23,679,066 | 101,787 |
| Provision for (recovery of) losses | 244,382 | (48,702) | 851 | - | 11,316 | 207,847 | - |
| Changes in assets and liabilities: | | | | | | | |
| Tenant receivables | (305,126) | 42,522 | (6,665) | - | (17,352) | (286,621) | - |
| Other receivables | 348 | (1,878) | - | - | (6,792) | (8,322) | - |
| Due from other funds | 1,290,431 | 2,004,134 | 14,515 | 457,529 | (245,826) | 3,520,783 | 2 |
| Inventories | 27,313 | 1,516 | 6,792 | 10,166 | - | 45,787 | - |
| Prepaid expenses and other assets | 49 | - | - | (5,425) | - | (5,376) | - |
| Deferred outflows of resources related to pension and OPEB | 1,359,997 | 94,901 | - | 1,465,748 | - | 2,920,646 | - |
| Accounts payable | 997,740 | (3,688) | (20,709) | 383,435 | 73,570 | 1,430,348 | (613,964) |
| Accrued expenses | 1,634 | 19,729 | (10,527) | (139,360) | (906) | (129,430) | - |
| Due to other funds | 1,585,801 | 23,762 | 38,294 | (235,409) | 303,107 | 1,715,555 | - |
| Security deposits | 55,382 | 4,521 | (888) | - | - | 59,015 | - |
| Deferred income | 97,411 | 5,811 | (406) | (463) | (7,866) | 94,487 | - |
| Net OPEB liability | (765,623) | (56,340) | - | (795,346) | - | (1,617,309) | - |
| Net pension liability | (4,186,138) | (324,980) | - | (4,175,380) | - | (8,686,498) | - |
| Deferred inflows of resources related to pension and OPEB | 3,373,223 | 268,877 | - | 3,292,885 | - | 6,934,985 | - |
| Net cash (used in) provided by operating activities | $ (26,616,995) | $ 676,930 | $ (1,470,475) | $ (778,549) | $ 185,342 | $ (28,003,747) | $ (514,592) |

The accompanying notes are an integral part of this statement.

## 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, 2022, 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.

## 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.

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

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

#### ii. Governmental Fund Financial Statements

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' long-term compensated absences, family self-sufficiency program costs, net other post employment benefits (OPEB) liability, net pension liability, and deferred inflows and outflows of resources, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to long-term compensated absences, family self-sufficiency program costs, net other post employment benefits liability, net pension liability and deferred inflows and outflows of resources at June 30, 2022 has been reported in the government-wide financial statements.

## 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.

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

### d. Fund Accounting (continued)

#### i. Governmental Funds

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

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

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

The Authority reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Housing Assistance Voucher Program – accounts for federal contributions for housing assistance payments under the Housing Choice Voucher Program, Emergency Housing Voucher Program, Mainstream Voucher Program and Family Self-Sufficiency Program.
- Section 8 Contract Administration – accounts for federal contributions primarily for housing payments under the Project-Based Section 8 Program.

**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 – 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.

### 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 Assistance Voucher Program Fund and the Section 8 Contract Administration Fund. The Housing Assistance 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.

### 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:

| | Governmental Activities | Proprietary Fund and Business-Type Activities |
|---|---|---|
| Building and building improvements | 25 years | 10 - 40 years |
| Equipment | 7 years | 1 - 10 years |

#### g. Leases

The Authority has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term of greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Authority has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

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

**g. Leases (continued)**

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a measurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term accrued expenses on the statement of net position.

**h. 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.

**i. 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.

**j. 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.

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

#### k. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and will not be recognized as an outflow of resources (expenditures) until then. The balances as of June 30, 2022 are as follows:

| | Governmental Funds | Business-Type Funds | Total |
|---|---|---|---|
| Deferred pension related costs | $ 237,609 | $ 4,091,304 | $ 4,328,913 |
| Deferred OPEB related costs | 161,333 | 1,887,591 | 2,048,924 |
| | $ 398,942 | $ 5,978,895 | $ 6,377,837 |

Deferred inflows of resources represent acquisitions of net position that apply to future periods and will not be recognized as an inflow of resources (revenues) until then. The balances as of June 30, 2022 are as follows:

| | Governmental Funds | Business-Type Funds | Total |
|---|---|---|---|
| Deferred pension related costs | $ (532,668) | $ (6,901,041) | $ (7,433,709) |
| Deferred OPEB related costs | (275,087) | (3,355,820) | (3,630,907) |
| | $ (807,755) | $ (10,256,861) | $ (11,064,616) |

#### l. 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.

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

### m. 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 $768,000.

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

| Balance at July 1, 2021 | Additions | Reductions | Balance at June 30, 2022 |
|---|---|---|---|
| $ 2,649,000 | $ 1,207,000 | $ 1,405,000 | $ 2,451,000 |

As of June 30, 2022, approximately $139,000 and $2,312,000 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.

### n. 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.

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

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

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

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

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

#### o. 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 the ERS 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 their fair value.

#### p. Other Post Employment Benefits

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

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

### q. 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.

### r. 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 employment benefits and pension. Actual results could differ from those estimates.

### s. Recently Issued Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement did not have a significant effect on the Authority's financial statements for the year ended June 30, 2022.

In April 2022, the GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Authority has not determined the effect this Statement will have on its financial statements.

## 2. Budgeting and Budgetary Control

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

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

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

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.

## 2. Budgeting and Budgetary Control (continued)

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

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2022 is set forth in the required supplementary information.

## 3. Cash

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

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

At June 30, 2022, total cash, including restricted cash, reported in the statement of net position is $107,550,100 which consisted of the following:

| | Governmental | Business-Type | Total |
|---|---|---|---|
| State pool and petty cash | $ - | $ 10,912,720 | $ 10,912,720 |
| Cash in bank (book balance) | 10,804,024 | 85,833,356 | 96,637,380 |
| | $ 10,804,024 | $ 96,746,076 | $ 107,550,100 |

Restricted cash under the Housing Assistance Voucher Program of approximately $2,055,000 consists of amounts restricted by HUD for housing assistance payments and the Family Self Sufficiency Program. Restricted cash under the Federal Low Rent Program and Kekumu at Waikoloa Project of approximately $1,269,000 and $36,000, respectively, consists primarily of tenant security deposits. Restricted cash under the Central Office Cost Center of approximately $2,294,000 consists of amounts held in an approved escrow account (see Note 6).

## 3. Cash (continued)

Bank balance of cash in bank was approximately $100,302,000 of which $750,000 was covered by federal depositary insurance and $99,552,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

## 4. Kuhio Park Terrace Towers and Homes – Notes Receivable and Rental Assistance Demonstration

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.

**4. Kuhio Park Terrace Towers and Homes – Notes Receivable and Rental Assistance Demonstration (continued)**

During 2022, the interest earned on the note receivable amounted to approximately $2,922,000 and has been recorded in deferred gain. The Authority received payment of accrued interest of approximately $2,131,000 in March 2022. As the total cash received from the buyer has not yet exceeded the cost of the Project, the cash payment received was recorded in deferred gain. As of June 30, 2022, the net note receivable, inclusive of all principal, accrued interest of approximately $26,930,000 and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program statement of net position:

| | |
|---|---|
| Principal and accrued interest | $ 73,432,681 |
| Deferred gain | (70,747,508) |
| Net note receivable | $ 2,685,173 |

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, 2022, 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.

In June 2020, the Authority entered into a Restated and Amended Master Development Agreement (MDA) with a third party developer to redevelop Kuhio Park Terrace and Kuhio Homes. Pursuant to the MDA, the Authority intends to lend up to $1,750,000 to the developer to cover up to 50 percent of Multiphase Predevelopment Costs, as defined, incurred by the developer. Payment of principal will be repaid on a pro rata basis at the closing of each Development Phase, as defined. The note does not bear interest unless the borrower defaults upon the maturity date of July 8, 2030. As of June 30, 2022, the Authority loaned approximately $429,000 to the developer, which is included in the accompanying statement of net position under the Central Office Cost Center.

## 4. Kuhio Park Terrace Towers and Homes – Notes Receivable and Rental Assistance Demonstration (continued)

The Rental Assistance Demonstration (RAD) program is a federal housing program enacted as part of the Consolidated and Further Continuing Appropriations Act of 2012 and administered by HUD. To better serve the public housing residents of the Kuhio Park Terrace Towers, the Authority and the developer converted the public housing units funded under the Federal Low Rent Program to Project Based Voucher units funded under the Housing Assistance Voucher Program through the RAD program. HUD's Office of Multifamily Housing issued a RAD Conversion Commitment for the conversion of 347 public housing units on May 16, 2021. The RAD conversion subsequently closed on November 30, 2021, with a Housing Assistance Payment contract effective December 1, 2021.

## 5. Capital Assets

Capital assets activity, including lease assets, for the year ended June 30, 2022 was as follows:

| | July 1, 2021 | Increases | Decreases | June 30, 2022 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 2,373,410 | $ - | $ - | $ 2,373,410 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | 2,373,410 | - | - | 2,373,410 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 15,325,444 | - | - | 15,325,444 |
| Equipment | 1,491,895 | - | - | 1,491,895 |
| Total capital assets being depreciated | 16,817,339 | - | - | 16,817,339 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 14,084,038 | 125,415 | - | 14,209,453 |
| Equipment | 1,301,101 | 29,001 | - | 1,330,102 |
| Total accumulated depreciation | 15,385,139 | 154,416 | - | 15,539,555 |
| Governmental activities capital assets, net | $ 3,805,610 | $ (154,416) | $ - | $ 3,651,194 |

## 5. Capital Assets (continued)

| | July 1, 2021 | Increases | Decreases | June 30, 2022 |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 22,966,200 | $ - | $ - | $ 22,966,200 |
| Construction in progress | 40,075,977 | 16,265,633 | (15,361,947) | 40,979,663 |
| Total capital assets not being depreciated | 63,042,177 | 16,265,633 | (15,361,947) | 63,945,863 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 771,926,773 | 14,939,629 | (13,235) | 786,853,167 |
| Equipment | 12,718,417 | 46,694 | - | 12,765,111 |
| Total capital assets being depreciated | 784,645,190 | 14,986,323 | (13,235) | 799,618,278 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 467,463,438 | 23,672,601 | - | 491,136,039 |
| Equipment | 8,862,173 | 101,786 | - | 8,963,959 |
| Total accumulated depreciation | 476,325,611 | 23,774,387 | - | 500,099,998 |
| Right of use asset | - | 178,444 | - | 178,444 |
| Less accumulated amortization | - | 6,466 | - | 6,466 |
| Business-type activities capital assets, net | $ 371,361,756 | $ 7,649,547 | $ (15,375,182) | $ 363,636,121 |

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

| | |
|---|---|
| Governmental Activity - - | |
| Rental Housing and Assistance Program | $ 154,416 |
| Business-Type Activities: | |
| Federal Low Rent Program | 19,977,030 |
| Housing Revolving Fund | 1,273,696 |
| Housing for Elders Revolving Fund | 1,784,714 |
| Central Office Cost Center Fund | 83,304 |
| Internal Services | 101,787 |
| Others | 560,322 |
| Total depreciation and amortization expense - business type activities | 23,780,853 |
| Total depreciation and amortization expense | $ 23,935,269 |

## 5. Capital Assets (continued)

At June 30, 2022, capital assets for the proprietary funds consisted of the following:

| | Enterprise Funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds | Total |
| Land | $ 13,093,629 | $ 2,252,881 | $ 6,104,817 | $ - | $1,514,873 | $ 22,966,200 | $ - | $ 22,966,200 |
| Buildings and improvements | 670,674,872 | 38,171,625 | 62,716,310 | 320,352 | 14,970,008 | 786,853,167 | - | 786,853,167 |
| Equipment, furniture, and fixtures | 6,987,832 | 1,081,029 | 1,036,396 | 835,630 | - | 9,940,887 | 2,824,224 | 12,765,111 |
| Right of use asset | 178,444 | - | - | - | - | 178,444 | - | 178,444 |
| Construction in progress | 30,804,628 | 982,669 | 5,074,506 | 4,117,860 | - | 40,979,663 | - | 40,979,663 |
| Less accumulated depreciation | 425,632,443 | 21,907,290 | 41,197,264 | 613,561 | 8,521,583 | 497,872,141 | 2,227,857 | 500,099,998 |
| Less accumulated amortization | 6,466 | - | - | - | - | 6,466 | - | 6,466 |
| Net capital assets | $296,100,496 | $ 20,580,914 | $ 33,734,765 | $ 4,660,281 | $7,963,298 | $363,039,754 | $ 596,367 | $363,636,121 |

## 6. Commitments and Contingencies

### a. Construction Contracts

At June 30, 2022, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately $9,822,000 and $29,445,000, respectively, for the construction and renovation of housing projects.

### b. 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.

## 6. Commitments and Contingencies (continued)

### b. Consulting Agreement (continued)

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 $2,294,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2022 is held in an approved escrow account.

### c. 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. Losses, if any, are either covered by insurance or will be a liability against the State of Hawaii.

### d. 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, 2022, the Authority has determined there is not a significant liability for workers' compensation claims.

### e. 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. Accumulated sick leave at June 30, 2022 amounted to approximately $4,857,000.

## 6. Commitments and Contingencies (continued)

### f. Litigation

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

The civil case was stayed from October 2012 to June 2015, pending completion of the appeal of Ahn’s criminal conviction. The parties then completed a CAAP arbitration hearing where the arbitrator found the State not liable and Defendant Ahn 100% liable. Plaintiffs appealed. In September 2018, the court granted the State, the Authority, and Kamehameha Homes' Motion for Summary Judgment as to all claims. On August 21, 2022, the Court filed an Order of Dismissal of the case pursuant to Rule 41 of the Hawaii Rules of Civil Procedure.

McJerold William et.al. vs. 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 guards and three assaults by Universal Protection Services (UPS) security guards.

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

### 6. Commitments and Contingencies (continued)

#### f. Litigation (continued)

McJerold William et.al. vs. Hawaii Public Housing Authority, et.al. (continued)

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

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

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

Following service in October 2017, the State, the Authority, and the employee answered the Amended Complaint. The State filed a third-party complaint against the minor's grandmother, Cynthia Kaminaga. In January 2019, the court granted the employee's Motion for Summary Judgment. On October 8, 2020, ,the Court filed its Order Granting the State of Hawaii and the Authority's Motion for Summary Judgment, filed January 10, 2020. The final judgment in this case was filed on February 17, 2021, and the Plaintiffs filed their Notice of Appeal. This case is currently pending in the Intermediate Court of Appeals.

## 6. Commitments and Contingencies (continued)

### f. Litigation (continued)

Tangee R. Lazarus v. Hakim Ouansafi et al. (Case No. 1:2020CV00313, U.S. District Court)

Plaintiff Tangee R. Lazarus is a tenant at Kalakaua Homes, AMP 34. Plaintiff names seven Authority employees in her Complaint and alleges discrimination by the Authority employees on the basis of race and disability, and negligence due to the alleged discrimination. Plaintiff claims that she has been subjected to various acts of harassment and assault by her neighbors at Kalakaua Homes and claims that the Authority employees have not taken any action following the incidents involving her neighbors, that the Authority employees have improperly disclosed her confidential information and spread false rumors about her, and that the Authority employees have retaliated against her following the incidents involving her neighbors. Plaintiff seeks $214,100 from two of the Authority employees, compensatory and punitive damages, and injunctive relief.

In October 2021, the parties placed settlement terms on the record in the U.S. District Court. Plaintiff subsequently repudiated the settlement. The Authority filed a motion to compel the settlement. US District Court Judge denied the Authority's motion to enforce the settlement. The case is back with the Magistrate for further settlement discussion or setting the case for trial if there is no settlement.

Estate of A.C.D., Deceased, by and through its Personal Representative, Sheila Doi; et al. v. EAH Inc.; et al. (Civil No: 1CCV-20-0001199; First Circuit Court)

Plaintiffs, who had a Section 8 housing voucher issued by the Authority, were renting an apartment at the Hibiscus Hill Apartments in Mililani, Hawaii. Plaintiff, Candace Doi, mother of Decedent, A.C.D., a minor, rented the apartment in which she and her three children were living. On February 18, 2019, an 18-month old child was leaning on a window screen in the living room when it gave way. The child fell through the third-floor living room window of the apartment, and sustained severe injuries resulting in his death. Plaintiffs are alleging that the State was negligent in failing to warn of the danger of falls from windows and in failing to install window guards on the windows.

The property management company is a co-defendant along with several companies which handled window replacements and installation.

**6. Commitments and Contingencies (continued)**

**f. Litigation (continued)**

Estate of A.C.D., Deceased, by and through its Personal Representative, Sheila Doi; et al. v. EAH Inc.; et al. (Civil No: 1CCV-20-0001199; First Circuit Court) (continued)

The Authority inspects the rental units for general habitability but not the windows specifically for potential fall risks. Under the current law, there is no requirement to do so but it is anticipated that Plaintiff will be arguing that such inspection should be made regardless and changes made to prevent fall. There are rules in place now for federally owned apartment buildings to protect against window falls after several tragic deaths.

Written discovery is underway. Trial has been scheduled for January 22, 2024.

Adeline Liftee v. HPHA et al. (Civil Case No. 1CCV 22-0000756; First Circuit Court)

Plaintiff Adeline A. Liftee alleges that she was walking her dog on a leash on the grounds of Kuhio Homes when she was attacked by two dogs, one of which was a white pit bull. The dogs rushed out from the open door of a neighboring unit and attacked Plaintiff in the common area hallway. Plaintiff suffered serious and permanent bite wounds to her left thigh/leg, which required surgery, skin grafting, hospitalization, and extensive medical treatment.

The Complaint further alleges that the State and/or the Authority had a "Pets and Assistance Animals Policy" which was applicable to all tenants living at Kuhio Homes. The pet policy prohibited full or mixed pit bull dogs, or other dangerous dogs, from being kept on the property.

Nevertheless, the Complaint alleges that the dog owner was allowed to harbor a full or mixed pit bull in his housing unit for several months prior to March 5, 2022. The Complaint further alleges that the State and the Authority knew or should have known that he was keeping a full or mixed pit bull in his unit because the owner often walked the dog in the common areas of the complex. Despite having actual or "constructive knowledge" that the dog owner was harboring a full or mixed pit bull in his unit, the State and the Authority "failed to take appropriate measures to have the dog removed from the premises".

## 6. Commitments and Contingencies (continued)

### f. Litigation (continued)

Adeline Liftee v. HPHA et al. (Civil Case No. 1CCV 22-0000756; First Circuit Court) (continued)

Hawaii Affordable Properties, Inc. (HAPI) provided property management services to Kuhio Homes. Under its contract with the Authority, HAPI agreed to provide, in strict accordance with the contract, basic property management functions such as enforcing all covenants and conditions of the Rental Agreement. HAPI's "minimum" property management services included implementation and compliance with the Authority's Pet Ownership Policy. Based on available information, it appears that HAPI had received previous complaints about the unauthorized dogs being kept at Kuhio Homes, but took no action to have the dogs removed.

Plaintiff recently amended her Complaint to add HAPI as a party defendant. The parties have not answered the amended complaint to date. The State and the Authority will file a cross-claim against HAPIT seeking reimbursement and/or contribution and a defense and indemnity pursuant to the contract.

## 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 the ERS website: http://www.ers.ehawaii.gov/resources/financials.

**7. Retirement Plan (continued)**

**b. Benefits Provided**

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

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

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

Noncontributory Class

Retirement Benefits

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

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

Noncontributory Class (continued)

Disability Benefits

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

Death Benefits

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

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

**7. Retirement Plan (continued)**

**b. Benefits Provided (continued)**

Contributory Class for Members Hired prior to July 1, 2012

Retirement Benefits

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

Disability Benefits

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

Death Benefits

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

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

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits

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

Disability and Death Benefits

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

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

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits

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

Disability Benefits

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

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

Death Benefits

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

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

Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits

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

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

Disability and Death Benefits

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

### c. Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2022 was 24.00% for Authority employees. Contributions to the pension plan from the Authority was approximately $3,769,000 for the fiscal year ended June 30, 2022.

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

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

The payroll for all of the Authority's employees and employees covered by the plan was approximately $16,636,000 for 2022.

## 7. Retirement Plan (continued)

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

At June 30, 2022, the Authority reported a liability of $34,794,569 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the Authority's proportion was 0.29%, which was consistent with its proportion measured as of June 30, 2020.

There were no changes in actuarial assumptions as of June 30, 2020 to June 30, 2021. There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2022, the Authority recognized pension expense of $4,117,231. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $1,048,917 | $ 7,823 |
| Changes in assumptions | (662,546) | (398) |
| Net difference between projected and actual earnings on pension plan investments | - | (7,244,244) |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 173,998 | (196,890) |
| Authority contributions subsequent to the measurement date | 3,768,544 | - |
| Total | $4,328,913 | $ (7,433,709) |

**7. Retirement Plan (continued)**

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

At June 30, 2022, the $3,768,544 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, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense approximately as follows:

| | |
|---|---|
| For the years ending June 30, | |
| 2023 | $ (1,722,000) |
| 2024 | (1,722,000) |
| 2025 | (1,722,000) |
| 2026 | (1,722,000) |
| 2027 | 14,660 |
| Total | $ (6,873,340) |

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five–year period from July 1, 2013 through June 30, 2018.

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

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

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

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

| Strategic Allocation (risk-based classes) | Target Allocation | Long-Term Expected Geometric Rate of Return |
|---|---|---|
| Broad Growth | 63% | 8.0% |
| Diversifying Strategies | 37 | 5.1 |
| | 100% | |

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

### 7. Retirement Plan (continued)

#### e. Actuarial Assumptions (continued)

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

| | 1 percent Decrease (6.00%) | Current Discount Rate (7.00%) | 1 percent Increase (8.00%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability | $ 47,491,940 | $ 34,794,569 | $ 24,326,315 |

#### 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/resources/financials.

## 8. Postemployment Health Care and Life Insurance Benefits

### a. Plan Description

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

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

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

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

### b. Employees Covered by Benefit Terms

At July 1, 2021, the following number of plan members were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefits | 38,534 |
| Inactive plan members entitled to but not yet receiving benefits | 7,539 |
| Active plan members | 49,700 |
| Total plan members | 95,773 |

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

### c. Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority was approximately $1,664,000 for the fiscal year ended June 30, 2022. The employer is required to make all contributions for members.

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

At June 30, 2022, the Authority reported a net OPEB liability of 35,852,702. The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2022, the Authority recognized OPEB expense of $827,301. At June 30, 2022 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ - | $ (3,347,833) |
| Changes in assumptions | 385,248 | (210,024) |
| Net difference between projected and actual earnings on OPEB plan investments | - | (73,050) |
| Authority contributions subsequent to the measurement date | 1,663,676 | - |
| Total | $2,048,924 | $ (3,630,907) |

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

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

At June 30, 2022, the $1,633,676 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense approximately as follows:

| | |
|---|---|
| For the years ending June 30, | |
| 2023 | $ (652,000) |
| 2024 | (652,000) |
| 2025 | (652,000) |
| 2026 | (652,000) |
| 2027 | (634,000) |
| Thereafter | (3,659) |
| Total | $ (3,245,659) |

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

### e. Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF Board of Trustees on January 13, 2020, based on the experience study covering the five year period ended June 30, 2018 as conducted for the ERS:

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

Healthcare Cost Trend Rates

| | |
|---|---|
| PPO* | Initial rate of 7.25 percent, declining to a rate of 4.70 percent after 12 years |
| HMO* | Initial rate of 7.25 percent, declining to a rate of 4.70 percent after 12 years |
| Contribution | Initial rate of 5.00 percent; declining to a rate of 4.70 percent after 9 years |
| Dental | 4.00 percent |
| Vision | 2.50 percent |
| Life Insurance | 0.00 percent |

*Blended rates for medical and prescription drug

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

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

### e. Actuarial Assumptions (continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| Private Equity | 12.5 % | 10.19 % |
| U.S. Microcap | 6 | 7.62 |
| U.S. Equity | 16 | 6.09 |
| Non-U.S. Equity | 11.5 | 7.12 |
| Global Options | 5 | 4.33 |
| Real assets | 10 | 6.16 |
| Private Credit | 8 | 5.83 |
| TIPS | 5 | -0.07 |
| Long Treasuries | 6 | 1.06 |
| Alternative Risk Premia | 5 | 1.46 |
| Trend Following | 10 | 2.01 |
| Reinusrance | 5 | 4.44 |
| | 100 % | |

### f. Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19.

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

**f. Single Discount Rate (continued)**

Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ending June 30, 2021, and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**g. OPEB Plan Fiduciary Net Position**

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

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

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

### h. Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2021.

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|---|---|---|
| Beginning Balance | $ 48,001,623 | $ 10,399,167 | $ 37,602,456 |
| Service Cost | 347,571 | - | 347,571 |
| Interest on the total OPEB liability | 1,153,780 | - | 1,153,780 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | (489,710) | - | (489,710) |
| Changes in assumptions | - | - | - |
| Employer contributions | - | 1,811,876 | (1,811,876) |
| Net investment income | - | 949,814 | (949,814) |
| Benefit payments | (527,256) | (527,256) | - |
| Administrative expense | - | (485) | 485 |
| Other | - | 190 | (190) |
| Net Changes | 484,385 | 2,234,139 | (1,749,754) |
| Ending balance | $ 48,486,008 | $ 12,633,306 | $ 35,852,702 |

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

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

| | 1 percent Decrease (6.00%) | Current Discount Rate (7.00%) | 1 percent Increase (8.00%) |
|---|---|---|---|
| Authority's proportionate share of the net OPEB liability | $ 44,347,881 | $ 35,852,702 | $ 29,149,905 |

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

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

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

| | 1 percent Decrease | Healthcare Cost Trend Rate | 1 percent Increase |
|---|---|---|---|
| Authority's proportionate share of the net OPEB liability | $ 28,788,063 | $ 35,852,702 | $ 44,978,120 |

## 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.

## 10. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2022 is as follows:

| Current Due from | General Fund | Federal Low-Rent Program | Central Office Cost Center Fund | Non-major Enterprise | Internal Service Funds |
|---|---|---|---|---|---|
| Federal Low Rent Program | $ - | $ - | $ 1,345,280 | $ 559,422 | $ - |
| Central Office Cost Center | - | 22,498 | - | - | - |
| Housing Revolving Fund | - | - | 6,240 | 34,035 | - |
| Housing for Elders Revolving Fund | - | - | - | 40,417 | - |
| Housing Assistance Voucher Program | - | - | 47,693 | 3,290 | - |
| General Fund | - | - | 130 | - | - |
| Non-major - Enterprise | 74,216 | 643,308 | 4,990,235 | 51 | 8,745 |
| Total | $ 74,216 | $ 665,806 | $ 6,389,578 | $ 637,215 | $ 8,745 |

The current interfund receivable and payable balances are due to interfund services provided or reimbursable expenditures and payments between funds.

## 11. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2022 is as follows:

| Transfer From | Federal Low-Rent Program | Housing Revolving Fund | Total |
|---|---|---|---|
| General Fund | $ 1,640,498 | $ 2,001,944 | $ 3,642,442 |
| Capital Projects | 74,538 | - | 74,538 |
| Total | $ 1,715,036 | $ 2,001,944 | $ 3,716,980 |

### 11. Net Transfers (continued)

The following describes the transfers noted above:

General Fund: The General Fund expended approximately $3,642,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls and administrative expenses under certain enterprise funds.

Capital Projects: The Capital Projects Fund expended approximately $75,000 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 the Federal Low Rent Program.

### 12. Capital Contributions

During 2022, the Capital Projects Fund expended approximately $12,215,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to other funds. The composition of capital contribution balances reflected in the Proprietary Funds financial statements as of June 30, 2022 is as follows:

| Contributed From | Federal Low-Rent Program | Housing Revolving Fund | Housing Elders Revolving Fund | Central Office Cost Center Fund | Total |
|---|---|---|---|---|---|
| Capital Projects | $ 5,375,500 | $ 352,173 | $ 4,952,196 | $ 1,535,372 | $ 12,215,241 |

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

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS
(UNAUDITED)

Year Ended June 30, 2022

| | General Fund | | |
|---|---|---|---|
| | Original Budget | Final Budget | Budgetary Actual |
| Revenues - | | | |
| State allotted appropriations | $ 5,563,751 | $ 5,563,751 | $ 5,563,751 |
| Expenditures - | | | |
| Rental housing and assistance program | 5,563,751 | 5,563,751 | 5,296,373 |
| EXCESS OF REVENUES OVER EXPENDITURES | $ - | $ - | $ 267,378 |

| | Housing Assistance Voucher Program | | |
|---|---|---|---|
| | Original Budget | Final Budget | Budgetary Actual |
| Revenues - | | | |
| HUD contributions | 51,896,161 | $ 51,896,161 | $ 51,896,161 |
| Expenditures - | | | |
| Rental housing and assistance program | 51,896,161 | 51,896,161 | 53,006,255 |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | $ - | $ - | $ (1,110,094) |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS (continued)
(UNAUDITED)

Year Ended June 30, 2022

| | Section 8 Contract Administration | | |
|---|---|---|---|
| | Original Budget | Final Budget | Budgetary Actual |
| Revenues - | | | |
| HUD contributions | $ 44,369,907 | $ 44,369,907 | $ 44,369,907 |
| Expenditures - | | | |
| Rental housing and assistance program | 44,369,907 | 44,369,907 | 43,893,773 |
| EXCESS OF REVENUES OVER EXPENDITURES | $ - | $ - | $ 476,134 |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

## REQUIRED SUPPLEMENTARY INFORMATION

## BUDGETARY COMPARISON SCHEDULE - BUDGET-TO-GAAP RECONCILIATION (UNAUDITED)

Year Ended June 30, 2022

| | General Fund | Housing Choice Voucher Program | Section 8 Contract Administration |
|---|---|---|---|
| Excess (deficiency) of revenues over (under) expenditures and other sources and uses - actual on budgetary basis | $ 267,378 | $ (1,110,094) | $ 476,134 |
| Reserve for encumbrance at year end* | 1,694,396 | - | - |
| Expenditures for liquidation of prior year's encumbrances | (995,757) | - | - |
| Reversion of prior year's allotments | (267,378) | - | - |
| Accrual adjustments, operating transfers and other | (306,222) | 3,451,238 | (38,705) |
| EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES - US GAAP BASIS | $ 392,417 | $ 2,341,144 | $ 437,429 |

* 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*
(Unaudited)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Authority's proportion of the net pension liability | 0.29% | 0.29% | 0.29% | 0.28% | 0.29% | 0.29% | 0.29% | 0.29% | 0.29% | |
| Authority's proportionate share of the net pension liability | $ 34,794,569 | $ 44,224,997 | $ 40,401,259 | $ 37,880,199 | $ 37,036,049 | $ 38,216,244 | $ 25,085,181 | $ 23,355,937 | $ 25,740,677 | |
| Authority's covered-employee payroll | 17,185,380 | 16,033,163 | 14,709,141 | 14,806,198 | 14,516,008 | 13,576,230 | 13,759,120 | 12,683,355 | 11,885,355 | |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 202.47% | 275.83% | 274.67% | 255.84% | 255.14% | 281.49% | 182.32% | 184.15% | 216.57% | |
| Plan fiduciary net position as a percentage of the total pension liability | 64.25% | 53.18% | 54.87% | 55.48% | 54.80% | 51.28% | 62.42% | 63.92% | 57.96% | |

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

Hawaii Public Housing Authority

Schedule of the Authority's Pension Contributions
Last 10 Fiscal Years
(Unaudited)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 3,768,544 | $ 3,907,049 | $ 3,319,373 | $ 2,816,511 | $ 2,510,750 | $ 2,348,866 | $ 2,172,048 | $ 2,159,495 | $ 1,965,345 | $ 1,788,664 |
| Contributions in relation to the contractually required contribution | (3,768,544) | (3,907,049) | (3,319,373) | (2,816,511) | (2,510,750) | (2,348,866) | (2,172,048) | (2,159,495) | (1,965,345) | (1,788,664) |
| Contributions deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority's covered-employee payroll | $ 16,635,736 | $ 17,185,380 | $ 16,033,163 | $ 14,709,141 | $ 14,806,198 | $ 14,516,008 | $ 13,576,230 | $ 13,759,120 | $ 12,683,355 | $ 11,885,355 |
| Contributions as a percentage of covered-employee payroll | 22.65% | 22.73% | 20.70% | 19.15% | 16.96% | 16.18% | 16.00% | 15.70% | 15.50% | 15.05% |

See accompanying independent auditor's report.

## Hawaii Public Housing Authority

Notes to the Schedule of the Authority's Pension Contributions
Year ended June 30, 2022

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

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

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

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

Hawaii Public Housing Authority

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |
| Service cost | $ 347,571 | $ 1,119,189 | $ 1,080,428 | $ 948,455 | $ 733,947 | | | | | |
| Interest on the total OPEB liability | 1,153,780 | 3,593,996 | 3,405,607 | 2,936,634 | 2,228,580 | | | | | |
| Changes of benefit terms | - | - | - | - | - | | | | | |
| Difference between expected and actual experience of total OPEB liability | (489,710) | (3,290,446) | (28,356) | (868,350) | - | | | | | |
| Changes of assumptions | - | (269,412) | 273,716 | 525,552 | - | | | | | |
| Benefit payments | (527,256) | (1,652,922) | (1,630,932) | (1,429,888) | (1,101,878) | | | | | |
| Net change in total OPEB liability | 484,385 | (499,595) | 3,100,463 | 2,112,403 | 1,860,649 | | | | | |
| Total OPEB liability - beginning | 48,001,623 | 48,501,218 | 45,400,755 | 43,288,352 | 41,427,703 | | | | | |
| Total OPEB liability - ending | $ 48,486,008 | $ 48,001,623 | $ 48,501,218 | $ 45,400,755 | $ 43,288,352 | | | | | |
| **Plan fiduciary net position** | | | | | | | | | | |
| Employer contributions | $ 1,811,876 | $ 3,693,632 | $ 3,597,601 | $ 2,825,229 | $ 2,191,159 | | | | | |
| Net investment income | 949,814 | 197,212 | 327,087 | 325,516 | 219,382 | | | | | |
| Benefit payments | (527,256) | (1,652,922) | (1,630,932) | (1,429,888) | (1,101,878) | | | | | |
| OPEB plan administrative expense | (485) | (1,386) | (2,251) | (1,066) | (561) | | | | | |
| Other | 196 | 1,238 | 757,677 | - | 17,616 | | | | | |
| Net change in plan fiduciary position | 2,234,145 | 2,237,774 | 3,049,182 | 1,719,791 | 1,325,718 | | | | | |
| Plan fiduciary net position - beginning | 10,399,167 | 8,161,393 | 5,112,211 | 3,392,420 | 2,066,702 | | | | | |
| Plan fiduciary net position - ending | $ 12,633,312 | $ 10,399,167 | $ 8,161,393 | $ 5,112,211 | $ 3,392,420 | | | | | |
| **Net OPEB liability - ending** | $ 35,852,696 | $ 37,602,456 | $ 40,339,825 | $ 40,288,544 | $ 39,895,932 | | | | | |
| Plan fiduciary net position as a percentage of total OPEB liability | 26% | 22% | 17% | 11% | 8% | | | | | |
| Covered-employee payroll | 17,185,380 | 16,033,163 | 14,709,141 | 14,806,198 | 14,516,008 | | | | | |
| Net OPEB liability as a percentage of covered-employee payroll | 209% | 235% | 274% | 272% | 275% | | | | | |

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

Schedule of the Authority's OPEB Contributions
Last 10 Fiscal Years*
(Unaudited)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 2,735,130 | $ 1,237,587 | $ 3,856,767 | $ 3,466,987 | $ 3,187,682 | | | | | |
| Contributions in relation to the actuarially determined contribution | 1,663,676 | 1,811,876 | 3,693,632 | 3,597,601 | 2,825,229 | | | | | |
| Contributions deficiency (excess) | $ 1,071,454 | $ (574,289) | $ 163,135 | $ (130,614) | $ 362,453 | | | | | |
| Authority's covered-employee payroll | $ 16,635,736 | $ 17,185,380 | $ 16,033,163 | $ 14,709,141 | $ 14,806,198 | | | | | |
| Contributions as a percentage of covered-employee payroll | 16.44% | 7.20% | 24.05% | 23.57% | 21.53% | | | | | |

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

See accompanying independent auditor's report.

## Hawaii Public Housing Authority

Notes to the Schedule of the Authority's OPEB Contributions
Year ended June 30, 2022

| | |
|---|---|
| Actuarial Valuation Date | July 1, 2021 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization method* | Level percent, closed |
| Remaining amortization period | 23 years |
| Asset valuation method | Market |
| **Actuarial Assumptions** | |
| Investment rate of return | 7.00 percent |
| Projected salary increases | 3.50 percent to 7.00 percent |
| **Healthcare Cost Inflation Rates** | |
| PPO** | 8.00 percent declining rate of 4.86 percent after 12 years |
| HMO** | 8.00 percent declining rate of 4.86 percent after 12 years |
| Dental | 5.00 percent initial rate for the first two years, declining to 4.00 percent for all future years |
| Vision | 0.00 percent initial rate for the first two years, then 2.50 percent for all future rates |
| Medicare Part B | Initial rates of 5.00 percent declining to a rate of 4.70 percent after 11 years |

* Closed bases are established at each valuation for new unfunded liabilities.
** Blended rates for medical and prescription drug.

**Supplementary Information**

Hawaii Public Housing Authority

COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER ENTERPRISE FUNDS

June 30, 2022

| ASSETS | Wilikina Apartments Project | Kekumu at Waikoloa Project | Disbursing Fund | KPT Resource Center | Total |
|---|---|---|---|---|---|
| Current Assets: | | | | | |
| Cash | $ 457,201 | $ 261,478 | $ 5,118,396 | $ 455,090 | $ 6,292,165 |
| Restricted cash | - | 35,736 | - | - | 35,736 |
| Tenant receivables, less allowance for doubtful accounts | - | 36,864 | - | 4,493 | 41,357 |
| Other receivables | - | 4,172 | 8,089 | - | 12,261 |
| Due from other funds | - | - | 637,215 | - | 637,215 |
| Total current assets | 457,201 | 338,250 | 5,763,700 | 459,583 | 7,018,734 |
| Capital Assets, less accumulated depreciation | 1,514,873 | 1,982,688 | - | 4,465,737 | 7,963,298 |
| Total assets | $ 1,972,074 | $ 2,320,938 | $ 5,763,700 | $ 4,925,320 | $ 14,982,032 |

See accompanying independent auditor's report.

COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER ENTERPRISE FUNDS (continued)

June 30, 2022

| LIABILITIES AND NET POSITION | Wilikina Apartments Project | Kekumu at Waikoloa Project | Disbursing Fund | KPT Resource Center | Total |
|---|---|---|---|---|---|
| Current Liabilities: | | | | | |
| Accounts payable | $ - | $ 73,265 | $ 47,196 | $ 284,915 | $ 405,376 |
| Accrued expenses | - | - | - | 21,536 | 21,536 |
| Due to other funds | - | - | 5,716,504 | 51 | 5,716,555 |
| Security deposits | - | 35,720 | - | 11,110 | 46,830 |
| Deferred income | - | 3,150 | - | - | 3,150 |
| Total current liabilities | - | 112,135 | 5,763,700 | 317,612 | 6,193,447 |
| Net Position: | | | | | |
| Invested in capital assets, net of related debt | 1,514,873 | 1,982,688 | - | 4,465,737 | 7,963,298 |
| Unrestricted | 457,201 | 226,115 | - | 141,971 | 825,287 |
| Total net position | 1,972,074 | 2,208,803 | - | 4,607,708 | 8,788,585 |
| Total liabilities and net position | $ 1,972,074 | $ 2,320,938 | $ 5,763,700 | $ 4,925,320 | $ 14,982,032 |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR OTHER ENTERPRISE FUNDS

Year Ended June 30, 2022

| | Wilikina Apartments Project | Kekumu at Waikoloa Project | Disbursing Fund | KPT Resource Center | Total |
|---|---|---|---|---|---|
| Operating Revenues: | | | | | |
| Rental | $ - | $ 425,329 | $ - | $ 610,054 | $ 1,035,383 |
| Other | - | 19,087 | | - | 19,087 |
| Total operating revenues | - | 444,416 | - | 610,054 | 1,054,470 |
| Operating Expenses: | | | | | |
| Personnel services | - | 22,011 | - | - | 22,011 |
| Depreciation | - | 64,130 | - | 496,192 | 560,322 |
| Administration | - | 217,194 | - | 212,930 | 430,124 |
| Provision for losses | - | - | - | 11,316 | 11,316 |
| Professional services | - | - | - | 5,702 | 5,702 |
| Security | - | - | - | - | - |
| Insurance | - | - | - | 19,823 | 19,823 |
| Repairs and maintenance | - | 113,774 | - | 92,470 | 206,244 |
| Utilities | - | 134,988 | - | 148,171 | 283,159 |
| Total operating expenses | - | 552,097 | - | 986,604 | 1,538,701 |
| Operating loss | - | (107,681) | - | (376,550) | (484,231) |
| Nonoperating Revenue -- | | | | | |
| Other revenues | - | 23 | - | 45 | 68 |
| Net nonoperating revenues | - | 23 | - | 45 | 68 |
| Change in net position | $ - | $ (107,658) | $ - | $ (376,505) | $ (484,163) |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CHANGES IN NET POSITION – NONMAJOR OTHER ENTERPRISE FUNDS

Year Ended June 30, 2021

| | Wilikina Apartments Project | Kekumu at Waikoloa Project | Disbursing Fund | KPT Resource Center | Total |
|---|---|---|---|---|---|
| Net Position at July 1, 2021 | $ 1,972,074 | $ 2,316,461 | $ - | $ 4,984,213 | $ 9,272,748 |
| Change in Net Position | - | (107,658) | - | (376,505) | (484,163) |
| Net Position at June 30, 2022 | $ 1,972,074 | $ 2,208,803 | $ - | $ 4,607,708 | $ 8,788,585 |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS

Year Ended June 30, 2022

| | Wilikina Apartments Project | Kekumu at Waikoloa Project | Disbursing Fund | KPT Resource Center | Total |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Cash received from renters | $ - | $ 404,605 | $ - | $ 605,560 | $ 1,010,165 |
| Cash payments to employees | - | (22,011) | - | - | (22,011) |
| Cash payments to suppliers | - | (408,848) | - | (475,383) | (884,231) |
| Cash payments to other funds | - | - | 57,230 | 51 | 57,281 |
| Other | - | 19,087 | 5,051 | - | 24,138 |
| Net cash (used in) provided by operating activities | - | (7,167) | 62,281 | 130,228 | 185,342 |
| Cash Flows from Investing Activity -- | | | | | |
| Receipts of Interest | - | 23 | - | 45 | 68 |
| Net cash provided by investing activity | - | 23 | - | 45 | 68 |
| Net (decrease) increase in cash | - | (7,144) | 62,281 | 130,273 | 185,410 |
| Cash at July 1, 2021 | 457,201 | 304,358 | 5,056,115 | 324,817 | 6,142,491 |
| Cash at June 30, 2022 | $ 457,201 | $ 297,214 | $ 5,118,396 | $ 455,090 | $ 6,327,901 |

See accompanying independent auditor's report.

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS (continued)

Year Ended June 30, 2021

| | Wilikina Apartments Project | Kekumu at Waikoloa Project | Disbursing Fund | KPT Resource Center | Total |
|---|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | | |
| Reconciliation of operating loss to net cash (used in) provided by operating activities: | | | | | |
| Operating loss | $ - | $ (107,681) | $ - | $ (376,550) | $ (484,231) |
| Adjustments to reconcile operating loss to net cash (used in) provided by operating activities: | | | | | |
| Depreciation | - | 64,130 | - | 496,192 | 560,322 |
| Provision for losses | - | - | - | 11,316 | 11,316 |
| Changes in assets and liabilities: | | | | | |
| Tenant receivables | - | (12,858) | - | (4,494) | (17,352) |
| Due from other funds | - | - | (245,826) | - | (245,826) |
| Other receivables | - | - | (6,792) | - | (6,792) |
| Accounts payable | - | 57,108 | 11,843 | 4,619 | 73,570 |
| Accrued expenses | - | - | - | (906) | (906) |
| Due to other funds | - | - | 303,056 | 51 | 303,107 |
| Deferred income | - | (7,866) | - | - | (7,866) |
| Net cash (used in) provided by operating activities | $ - | $ (7,167) | $ 62,281 | $ 130,228 | $ 185,342 |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

## COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS

June 30, 2022

| ASSETS | Equipment Rental | Vehicle Rental | Total |
|---|---|---|---|
| Current Assets: | | | |
| Cash | $ 805,605 | $ 125,089 | $ 930,694 |
| Accrued interest receivable | 10,284 | 3,700 | 13,984 |
| Due from other funds | - | 8,745 | 8,745 |
| Total current assets | 815,889 | 137,534 | 953,423 |
| Capital Assets, less accumulated depreciation | - | 596,367 | 596,367 |
| Total assets | $ 815,889 | $ 733,901 | $ 1,549,790 |
| LIABILITIES AND NET POSITION | | | |
| Current Liabilities: | | | |
| Accounts payable | $ - | $ - | $ - |
| Total current liabilities | - | - | - |
| Net Position: | | | |
| Invested in capital assets | - | 596,367 | 596,367 |
| Unrestricted | 815,889 | 137,534 | 953,423 |
| Total net position | 815,889 | 733,901 | 1,549,790 |
| Total liabilities and net position | $ 815,889 | $ 733,901 | $ 1,549,790 |

See accompanying independent auditor's report.

# COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION – INTERNAL SERVICE FUNDS

Year Ended June 30, 2022

| | Equipment Rental | Vehicle Rental | Total |
|---|---|---|---|
| Operating Revenue - Other | $ - | $ 104,941 | $ 104,941 |
| Operating Expenses: | | | |
| Professional services | 2,625 | 1,959 | 4,584 |
| Depreciation | - | 101,787 | 101,787 |
| Insurance | 987 | - | 987 |
| Total operating expenses | 3,612 | 103,746 | 107,358 |
| Operating loss | (3,612) | 1,195 | (2,417) |
| Nonoperating Revenues -- | | | |
| Interest income | 4,432 | (2,034) | 2,398 |
| Total nonoperating revenues | 4,432 | (2,034) | 2,398 |
| Change in net position | 820 | (839) | (19) |
| Net Position at July 1, 2021 | 815,069 | 734,740 | 1,549,809 |
| Net Position at June 30, 2022 | $ 815,889 | $ 733,901 | $ 1,549,790 |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year Ended June 30, 2022

| | Equipment Rental | Vehicle Rental | Total |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Cash receipts from other funds | $ - | $ 104,943 | $ 104,943 |
| Other cash payments | (3,612) | (615,923) | (619,535) |
| Net cash used in operating activities | (3,612) | (510,980) | (514,592) |
| Cash Flows from Investing Activity -- | | | |
| Receipts of Interest | 4,051 | 2,539 | 6,590 |
| Net cash provided by investing activity | 4,051 | 2,539 | 6,590 |
| Net increase (decrease) in cash | 439 | (508,441) | (508,002) |
| Cash at July 1, 2021 | 805,166 | 633,530 | 1,438,696 |
| Cash at June 30, 2022 | $ 805,605 | $ 125,089 | $ 930,694 |

See accompanying independent auditor's report.

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS (continued)

Year Ended June 30, 2022

| | Equipment Rental | Vehicle Rental | Total |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Reconciliation of operating (loss) income to net cash used in operating activities: | | | |
| Operating (loss) income | $ (3,612) | $ 1,195 | $ (2,417) |
| Adjustments to reconcile operating (loss) income to net cash used in operating activities | | | |
| Depreciation | - | 101,787 | 101,787 |
| Changes in assets and liabilities: | | | |
| Due from other funds | - | 2 | 2 |
| Accounts payable | - | (613,964) | (613,964) |
| Net cash used in operating activities | $ (3,612) | $ (510,980) | $ (514,592) |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

RECONCILIATION OF CASH

June 30, 2022

The Authority's cash consists of the following as of June 30, 2022:

| | |
|---|---|
| Equity in State Treasury investment pool - Gov't Wide | $ 10,912,720 |
| Cash in banks | 96,637,380 |
| | $ 107,550,100 |

Total cash is in agreement with the State Comptroller's central accounting records as of June 30, 2022, as reconciled below:

| | Appropriation symbol | June 30, 2022 |
|---|---|---|
| Cash in State Treasury | | |
| Special Funds | S-17-337-K | $ 2,559 |
| | S-18-337-K | 358 |
| | S-19-337-K | 150 |
| | S-20-337-K | 138,043 |
| | S-21-337-K | 74,469 |
| | S-22-337-K | 3,653,950 |
| | S-22-335-K | 124,792 |
| | S-22-336-K | 804,904 |
| | S-19-308-K | 28,265 |
| | S-20-308-K | 44,054 |
| | S-21-308-K | 141,711 |
| | S-22-308-K | 772,208 |
| | S-22-332-K | 2,638,220 |
| Trust Funds | T-11-913-K | 353 |
| | T-14-913-K | 33,128 |
| | T-15-913-K | 8,103 |
| Total cash held in State Treasury as reported by State Comptrollers accounting records carried forward | | 8,465,267 |

See accompanying independent auditor's report.

Hawaii Public Housing Authority

RECONCILIATION OF CASH (continued)

June 30, 2022

| | Appropriation symbol | June 30, 2022 |
|---|---|---|
| Subtotal brought forward | | 8,465,267 |
| Reconciling item -- | | |
| Deposits in transit not recorded by DAGS | | 2,447,453 |
| | | 10,912,720 |
| Cash held outside State Treasury: | | |
| Cash in bank | | 96,637,380 |
| Cash on statement of net position | | $ 107,550,100 |

See accompanying independent auditor's report.