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OFFICE OF THE AUDITOR
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DEPT. COMM. NO. 373

March 25, 2026

VIA EMAIL (senkouchi@capitol.hawaii.gov)
The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaiʻi State Capitol, Room 409
Honolulu, Hawaiʻi 96813

VIA EMAIL (repnakamura@capitol.hawaii.gov)
The Honorable Nadine K. Nakamura
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 Nakamura:

The audit report on the financial statements of the Hawaiʻi Public Housing Authority for the fiscal year ended June 30, 2025, was issued on December 10, 2025. The Office of the Auditor retained Plante & Moran, PLLC 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/2025_Audit/HPHA2025.pdf; and

https://files.hawaii.gov/auditor/Reports/2025_Audit/HPHA_Summary_2025.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

lml

cc/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, 2025



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, 2025. The audit was conducted by Plante & Moran, PLLC.

About the Authority

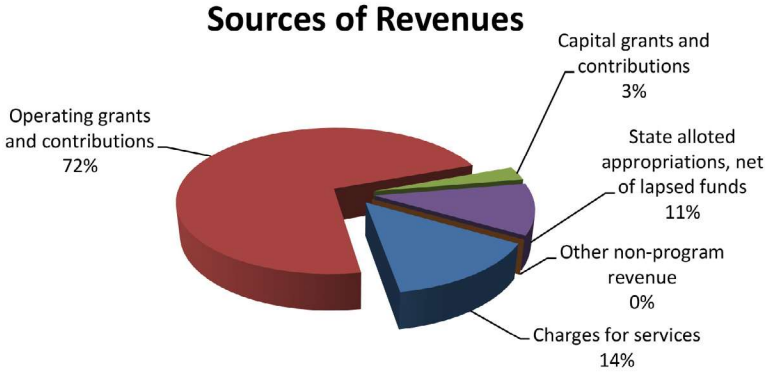
The mission of the Hawai'i Public Housing Authority (HPHA) is to provide safe, decent, and sanitary dwellings for low and moderate-income residents of Hawai'i and to operate its housing programs in accordance with federal and State laws and regulations. Some of HPHA's housing assistance programs are 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 an 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 a Governor's designee are ex-officio members.

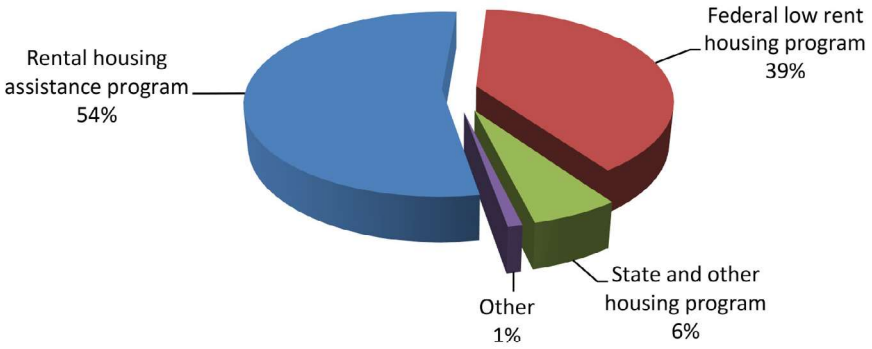
Financial Highlights

For the fiscal year ended June 30, 2025, HPHA reported total revenues of $229.2 million and total expenses of $229 million, resulting in an increase in net position of $200,000.

Total revenues of $229.2 million consisted of (1) $33 million in charges for services and other revenues, (2) $165.8 million in operating grants and contributions, (3) $5.7 million in capital grants and contributions, (4) $23.8 million in State allotted appropriations, net of lapsed funds, and (5) $900,000 in other non-program revenue.



Expenses



Total expenses of $229 million consisted of (1) $123.9 million for the rental housing assistance program, (2) $89.5 million for the federal low rent housing program program, (3) $13.1 million for the state and other housing program, and (4) $2.5 million for other costs.

As of June 30, 2025, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $471.3 million. The agency reported total assets and deferred outflows of resources of $579.3 million which were comprised of (1) cash of $130.1 million, (2) amounts due from State of $87.5 million, (3) notes and other receivables of $15.4 million, (4) net capital assets of $335.1 million, and (5) other assets and deferred outflows or resources of $11.2 million. The agency also reported total liabilities and deferred inflows of resources of $108 million which were comprised of (1) net pension liability of $42.5 million, (2) net other postemployment benefits other than pensions of $28.5 million, (3) accounts payable and accrued expenses of $25.4 million, and (4) other liabilities and deferred inflows of resources of $11.6 million.

Auditors' Opinion

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*.

Link to the complete report:
https://files.hawaii.gov/auditor/Reports/2025_Audit/HPHA2025.pdf

Hawaii Public Housing Authority

(a Component Unit of the State of Hawaii)

Financial Report
with Supplemental Information
June 30, 2025

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Independent Auditor's Report

To the Auditor
State of Hawaii

To the 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 (the "Authority"), a component unit of the State of Hawaii, as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the Hawaii Public Housing 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority as of June 30, 2025 and the changes in its financial position and, where applicable, its 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. 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 other 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 Matters

As described in Note 1 to the financial statements, the financial statements present only the Hawaii Public Housing Authority and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2025 and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, as of June 30, 2025. The adoption of this standard has been applied retrospectively, resulting in the restatement of the financial statements for the year ended June 30, 2024. The restatement was accounted for in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

As described in Note 2 to the financial statements, the Authority identified a correction of an error in previously issued financial statements, resulting in a restatement of the financial statements for the year ended June 30, 2024. The restatement was accounted for in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinion is not modified with respect to this matter.

To the Auditor
State of Hawaii

To the Board of Directors
Hawaii Public Housing Authority

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 12 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 from 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.

To the Auditor
State of Hawaii

To the Board of Directors
Hawaii Public Housing Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 OPEB liability, and schedule of the Authority's OPEB contributions 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hawaii Public Housing Authority's basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 on our consideration of the Hawaii Public Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hawaii Public Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hawaii Public Housing Authority's internal control over financial reporting and compliance.

Accuity LLP

December 10, 2025

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2025

The Management's Discussion and Analysis (MD&A) provides an overview of the Hawaii Public Housing Authority's (HPHA) financial performance for the fiscal year ended June 30, 2025. This section is intended to:

1. Highlight significant financial issues;
2. Review HPHA's financial activities;
3. Identify changes in HPHA's financial position, including its capacity to address future challenges; and
4. Present issues or concerns related to individual funds.

Readers are encouraged to review the MD&A in conjunction with the accompanying financial statements for a comprehensive understanding of HPHA's financial performance.

INTRODUCTION

HPHA is a full-service agency attached to the State's Department of Human Services for administrative purposes only. Its Board of Directors consists of eleven members: nine public members appointed by the Governor and two ex officio voting members—the Director of the Department of Human Services and the Governor's designee.

Public members represent the counties of Honolulu, Hawaii, Maui, and Kauai. One public member must advocate for low-income or homeless individuals, and another must either have a disability or advocate for persons with disabilities. In compliance with federal requirements, at least one Board member must be a tenant of federal low-rent public housing or a recipient of federal Housing Choice Voucher (Section 8) assistance during their service on the Board. Board actions require an affirmative vote of at least six members.

During the audited period from July 1, 2024, through June 30, 2025, HPHA administered the following programs:

• Federal Public Housing Programs

HPHA managed 4,731 federal public housing units statewide, funded by the U.S. Department of Housing and Urban Development (HUD). These units are grouped into 16 HUD-designated Asset Management Projects (AMPs) and 72 housing projects managed by HPHA.

• State Public Housing Programs

HPHA operated 864 state-funded public housing units, including six family housing projects and four elderly housing projects.

• Federal and State Rent Subsidy Programs

HPHA administered multiple federally funded rental assistance programs, including the Section 8 Housing Choice Voucher (HCV) Program, Veterans Affairs Supportive Housing (VASH) Program, Non-Elderly Disabled (NED) Voucher Program, Foster Youth to Independence Program, Mainstream Voucher Program, and Emergency Housing Voucher (EHV) Program. HPHA also administered a state-funded rental assistance program that provides monthly rent subsidies to eligible households.

• Federal Rental Assistance Program

HPHA administered the Section 8 Housing Assistance Payments – Special Allocation Program, a Performance-Based Contract Administration program, under a federal contract facilitated through its subcontractor, Du & Associates.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2025, HPHA's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by $471.34 million. Of this amount, $334.95 million was invested in capital assets, as reported in the Government-Wide Statement of Net Position.

- The beginning net positions as of June 30, 2024, were restated to reflect the two adjustments. These restatements ensure that beginning balances are reported in accordance with applicable accounting standards and accurately reflect asset impairments resulting from the wildfire. Additional details are provided in the notes to the financial statements.

    - 3.02 million decrease was recorded to implement GASB 101 for the accrual of compensated absences.
    - $7.81 million write-off of construction in progress (CIP) assets related to two Maui housing developments destroyed by the August 2023 wildfire was recorded. The documentation necessary to finalize the CIP closure was received in fiscal year 2025.

- HPHA's government-wide net position increased by $0.14 million, resulting from the following activities:

    - **Governmental Activities**
      The net position increased by $9.06 million, primarily due to State appropriations of $23.82 million (net of $7.51 million in lapsed funds) and $11.62 million in net transfers out. Details are presented in the Government-Wide Statement of Activities.

- **Business-Type Activities**
  The net position decreased by $8.92 million, largely due to a $20.53 million loss before transfers, partially offset by $11.62 million in net transfers from Governmental Activities. Additional information is provided in the Government-Wide Statement of Activities.

OVERVIEW OF FINANCIAL STATEMENTS

The HPHA's financial statements consist of three primary components:

1. Government-wide Financial Statements
2. Governmental Fund Financial Statements
3. Proprietary Fund Financial Statements

Supplementary information is also included to provide a comprehensive overview of HPHA's financial activities for FY 2025.

Government-wide Financial Statements

The government-wide financial statements provide a broad overview of HPHA's financial condition, similar to financial reports issued by private-sector entities. These statements include:

• Statement of Net Position

This statement presents HPHA's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, offering a snapshot of its financial standing at year-end. Changes in net position over time help assess whether HPHA's overall financial health is improving or declining.

• Statement of Activities

This statement reports how HPHA's net position changed during the fiscal year as a result of financial activities. Prepared using the accrual basis of accounting, it recognizes transactions when they occur, regardless of when cash is received or disbursed.

The government-wide statements report two types of activities:

1. Governmental Activities

These activities are primarily supported by State appropriations and HUD contributions. They emphasize the flow of financial resources and year-end balances. The governmental fund financial statements consist of:

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balances

These statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, providing a short-term perspective on available financial resources. Reconciliation schedules are included to relate governmental fund information to the long-term perspective of the government-wide statements.

2. Business-Type Activities (Proprietary Funds)

These activities are financed and operated similarly to private-sector enterprises, with costs recovered through user charges. The proprietary fund financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position

These statements use the economic resources measurement focus and the accrual basis of accounting.

Fund Financial Statements

HPHA uses fund accounting to segregate financial transactions by purpose and to ensure compliance with legal and contractual requirements. Each fund functions as a separate accounting entity with its own self-balancing set of accounts.

Funds are classified as major or non-major in accordance with GASB Statement No. 34. Major funds are presented individually within the financial statements, while non-major funds are combined into aggregated totals. Details of non-major funds are provided in the Supplementary Information section.

Notes to the Financial Statements

The notes offer essential explanatory information that supports the government-wide and fund financial statements. They provide additional detail, context, and disclosure necessary for a full understanding of HPHA’s financial data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

HAWAII PUBLIC HOUSING AUTHORITY
Condensed Statements of Net Position
June 30, 2025 and June 30, 2024
(In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	106,970	103,104	117,643	116,363	224,613	219,467
Capital assets	7,257	3,608	327,855	340,776	335,112	344,383
Other assets	1,256	-	7,988	9,662	9,244	9,662
Total Assets	115,483	106,712	453,486	466,801	568,969	573,513
Deferred Outflows of Resources	732	617	9,661	8,273	10,393	8,890
Total Assets & Deferred Outflows of Resources	116,216	107,329	463,146	475,074	579,362	582,403
Liabilities						
Current and other liabilities	8,034	8,067	14,753	17,468	22,787	25,535
Long-term liabilities	5,285	5,504	70,869	73,468	76,155	78,972
Total Liabilities	13,319	13,571	85,622	90,935	98,942	104,506
Deferred Inflows of Resources	534	452	8,551	6,247	9,085	6,699
Net position						
Investment in capital assets	7,257	3,608	327,695	348,421	334,952	352,028
Restricted	395	248	-	-	395	248
Unrestricted	94,710	89,451	41,278	29,471	135,988	118,922
Total Net Position	102,362	93,306	368,973	377,892	471,336	471,198
Total Liabilities, Deferred Inflows of Resources and Net Position	116,216	107,329	463,146	475,074	579,362	582,403

Statement of Net Position

Net position is a key measure of HPHA's overall financial health. At the end of the fiscal year, HPHA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $471.34 million, of which $334.95 million was invested in capital assets. As noted in the financial highlights, HPHA's net position increased by $0.14 million during the fiscal year (see the Government-Wide Statement of Net Position and the Statement of Activities).

Of HPHA's total $579.36 million in assets and deferred outflows of resources:

- $334.95 million (58%) represents capital assets.
- $217.60 million (38%) consists of cash and amounts due from the State of Hawaii.
- $26.81 million (4%) consists of receivables and deferred outflows of resources.

This asset composition is consistent with the prior fiscal year, during which capital assets also represented the majority of total assets.

Accounts payable and accrued current liabilities totaled $20.30 million, representing 89% of HPHA's total current liabilities (as reported in the Government-Wide Statement of Net Position).

Long-term liabilities increased slightly by $0.20 million compared to the prior year. Total long-term liabilities and deferred inflows of resources amounted to $85.24 million (79%) of total liabilities and deferred inflows, compared to $82.65 million (76%) in FY 2024.

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

HAWAII PUBLIC HOUSING AUTHORITY
Government-Wide Statements of Activities
June 30, 2025 and June 30, 2024
(In thousands of dollars)

	Governmental Activities		Business Activities		Elimination		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
Revenues								
Program Revenues:								
Charges for services	488	113	32,489	31,320	(2,099)	(1,630)	30,879	29,803
Operating grants and contributions	120,300	116,297	45,531	37,287			165,831	153,584
Capital grants and contributions	-	-	5,713	4,963			5,713	4,963
Other income	2	2	870	885			871	887
General Revenues:								
State allotted appropriations, net of lapsed funds	23,823	38,635	-	-			23,823	38,635
Total revenues	144,613	155,047	84,603	74,455	(2,099)	(1,630)	227,117	227,871
Expenses								
Governmental Activities								
Rental housing assistance program	123,942	117,560			(2,099)	(1,630)	121,843	115,930
Business-type activities								
Federal low rent housing program			89,485	84,950			89,485	84,950
State and other housing program			13,134	11,921			13,134	11,921
Other program			2,519	5,701			2,519	5,701
Total government-wide expenses	123,942	117,560	105,137	102,573	(2,099)	(1,630)	226,981	218,503
Excess (deficiency) of revenues over (under) expenses	20,671	37,487	(20,534)	(28,118)	-	-	137	9,369
Capital contributions	-	-					-	-
Net transfers	(11,615)	(22,226)	11,615	22,226			0	0
Changes in net position	9,056	15,261	(8,919)	(5,892)	-	-	137	9,369
Net position, 6/30/24, as previously reported	93,574		388,450				482,024	
Change in accounting principal (GASB 101	(268)		(2,749)				(3,017)	
Error correction			(7,809)				(7,809)	
Net position, 6/30/24, as restated	93,306	78,313	377,892	394,342			471,198	472,655
Net position, 6/30/25	102,362	93,574	368,973	388,450	-	-	471,335	482,024

Statement of Activities

Government-wide expenses increased by $8.48 million, rising from $218.50 million in FY 2024 to $226.98 million in the current fiscal year after eliminating the internal transactions. This includes a $5.91 million increase in governmental activities expenses, primarily driven by higher housing assistance payments, and a $2.57 million increase in business-type activities expenses, mainly due to higher repair and maintenance costs and personnel services.

Government-wide charges for services and other revenues increased by $1.55 million, from $31.43 million in the prior fiscal year to $32.98 million in the current year. Federal operating grants and contributions increased by $12.25 million, rising from $153.58 million to $165.83 million. HUD capital grants increased by $0.75 million, from $4.96 million to $5.71 million.

The loss from business-type activities decreased by $7.60 million, improving from $29.00 million in the prior year to $21.40 million in the current year. This loss was partially offset by $11.62 million in transfers from governmental activities and $0.87 million in interest and investment revenue. As a result, net position for business-type activities decreased by $8.92 million (see the Government-Wide Statement of Activities for additional details).

The net position for governmental activities increased by $9.06 million, rising from $93.31 million in the prior fiscal year to $102.36 million in the current year. This increase reflects:

- $23.82 million in State-allocated appropriations, net of lapsed funds
- $11.62 million in net transfers out to business-type activities
- $3.15 million deficit of revenues under expenditures
- $0.01 million in interest and investment revenue

(Refer to the Government-Wide Statement of Activities for further details.)

FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

Governmental funds

The focus of HPHA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful for assessing HPHA's ability to meet its financial obligations. Unreserved fund balances serve as a key indicator of the net resources available for spending at year-end (see the *Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances*).

• Governmental Fund Balance

At the end of the fiscal year, HPHA's governmental fund balance was $98.94 million, an increase of $3.90 million from $95.04 million at the end of FY 2024. Of the $98.94 million, $69.94 million (71%) consisted of capital funds (as shown in the Governmental Funds – Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances).

• General Fund

The General Fund reported an excess of revenues over expenditures of $13.18 million. During the year, $10.60 million was transferred out to support HPHA's business-type activities (see the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances).

• Redevelopment Fund

The Redevelopment Fund was established in FY 2025 to track funds granted and expended for redevelopment projects. HPHA and its master developer (HCDC) are working on the Kuhio Park Low-Rises Phase 1 project, as well as the broader Ka Lei Momi portfolio encompassing nine sites statewide. These projects are expected to receive and utilize redevelopment funds over multiple years.

At the end of FY 2025, the fund reported a balance of $5.42 million, comprised of $10.25 million in net transfers from other funds to the redevelopment fund, netted against a $4.83 million excess of expenditures over revenues.

• Capital Fund

The Capital Fund balance decreased by $3.57 million, from $73.51 million in the prior year to $69.94 million. This decrease reflects the receipt of $8.66 million in allotted appropriations (net of $4.54 million in lapsed funds) and $12.23 million in net transfers out.

• Housing Assistance Voucher Programs

The fund balance for the Housing Assistance Voucher Programs decreased by $0.53 million, ending the fiscal year at $6.73 million, due to an excess of expenditures over revenues.

• Section 8 Contract Administration

The fund balance for the Section 8 Contract Administration Program remained unchanged at $4.97 million.

Proprietary funds

HPHA's proprietary funds provide detailed financial information that aligns closely with the government-wide financial statements.

- **Proprietary Fund Balance**

The loss before transfers for the Proprietary Funds totaled $20.54 million, as reported in the Proprietary Funds – Statement of Revenues, Expenses, and Changes in Net Position. This reflects an improvement of $7.58 million compared to the prior year's loss of $28.12 million. Key factors contributing to this change include:

- $3.23 million higher operating loss, driven by increased repairs and maintenance costs and personnel services
- $7.76 million increase in HUD operating subsidies and capital grants
- $1.23 million increase in other federal grants
- $1.82 million decrease in other expenses

• Central Office Cost Center (COCC)

With HUD's implementation of Asset Management and Project-Based Budgeting, HPHA established the COCC to account for costs associated with general program oversight and administrative support. The COCC charges fees to HPHA housing programs for administrative and management services.

The COCC reported income before transfers of $0.38 million, compared to a loss of $2.54 million in the prior year. The fund transferred out $5.37 million during the fiscal year, resulting in a $4.99 million decrease in net position, from –$9.26 million to –$14.25 million.

• Federal Low Rent Program

The Federal Low Rent Program reported a loss before transfers of $13.65 million. The loss was primarily due to higher operating expenses—including repairs and maintenance, administrative and personnel costs, and depreciation—partially offset by increased federal grant revenue.

• State Family Housing Program

The State Family Housing Program incurred a loss before transfers of $3.87 million, an increase of $0.72 million over the prior year's loss of $3.15 million, primarily due to higher operational expenditures. The program received $5.06 million in net transfers from other funds, resulting in a $1.19 million increase in net position to $17.35 million.

• State Elderly Housing Program

The State Elderly Housing Program reported a loss before transfers of $3.14 million, reflecting rental income insufficient to cover operational costs. However, due to net transfers from governmental activities, the program's net position increased by $2.16 million to $42.46 million.

• Other Enterprise Funds

Other enterprise funds reported a loss before transfers of $0.29 million, an improvement compared to the prior fiscal year's loss of $0.58 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA's investment in capital assets as of June 30, 2025 is $334.95 million *(net of related debt)*. This investment includes land, buildings and improvements, equipment, furniture and fixtures, construction in progress, and right of use assets (as detailed in *Notes to the Financial Statements, Note 5*).

Hawaii Public Housing Authority Capital Assets
June 30, 2025 and June 30, 2024
(In thousand of dollars)

	Governmental Activities		Business Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	$ 2,373	$ 2,373	$ 22,966	$ 22,966	$ 25,339	$ 25,339
Buildings and improvements	15,614	15,614	821,525	792,064	837,139	807,678
Equipment	1,492	1,492	12,804	12,771	14,296	14,263
Construction in progress	3,818	-	37,534	62,344	41,352	62,344
Right of use assets	-	-	19	14	19	14
Total	23,296	19,478	894,847	890,159	918,143	909,637
Accumulated depreciation	(16,039)	(15,870)	(567,152)	(541,739)	(583,191)	(557,609)
Total Capital Assets, Net	7,257	$ 3,608	$ 327,695	$ 348,421	$ 334,952	$ 352,028

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

1. **Title to State-Owned Shelter Facilities (Homeless Program).** HPHA continues to hold title to the State-owned shelter facilities associated with the Homeless Program. During the 2009 legislative session, S.B. No. 910 was enacted, transferring the program's functions and duties to the Department of Human Services effective July 1, 2010. At that time, approximately $22,000,000 of net assets were transferred.

2. **Litigation and Claims.** As a statewide housing provider, HPHA is involved in certain legal matters typical for an agency of its size. These matters are disclosed in the notes to the financial statements and are not expected, at this time, to materially impair HPHA's overall financial position.

3. **Large, Multi-Year Redevelopment Pipeline.** HPHA and its master developer (HCDC) continue work on Kuhio Park Low-Rises and Homes Phase 1 (targeting financial closing in Q4 CY 2025) and the broader Ka Lei Momi portfolio (nine sites statewide). These projects are expected to draw down capital fund resources over multiple years.

4. **Dependence on State and Federal Funding.** Continuation of current service levels and capital activity depends on the level and timing of State appropriations and HUD operating/capital grants. Changes in either could affect future fund balances and transfers.

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
06/30/2025

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
Current Assets			
Cash	$ 13,968,783	$ 111,460,141	$ 125,428,924
Restricted cash	2,989,323	1,693,547	4,682,870
Due from State of Hawaii	87,487,391	-	87,487,391
Receivables:			-
Interest recivable	-	302,530	302,530
Tenant receivables, less allowance for doubtful receivables of $7,514,545	-	1,494,435	1,494,435
Other receivable	2,794,048	72,721	2,866,768
	107,239,545	115,023,374	222,262,919
Due from other state agencies	-	-	-
Due from HUD	315,602	1,202,951	1,518,553
Internal balance	(584,940)	584,940	(0)
Inventories	-	831,337	831,337
Total current assets	106,970,208	117,642,601	224,612,809
Noncurrent Assets			
Notes receivable	1,256,322	6,585,173	7,841,495
Lease receivable	-	1,402,626	1,402,626
Capital assets:			
Capital assets not being depreciated	6,191,456	60,499,855	66,691,311
Capital assets being depreciaited	17,105,544	834,507,217	851,612,762
Less: accumulated depreciation	(16,040,111)	(567,151,964)	(583,192,075)
Total noncurrent assets	8,513,212	335,842,907	344,356,118
Total assets	115,483,419	453,485,508	568,968,927
Deferred outflows of resources	732,325	9,660,892	10,393,217
Total Assets & deferred outflows of resources	$ 116,215,744	$ 463,146,400	$ 579,362,144

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION
06/30/2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable	$ 5,436,985	$ 5,323,595	$ 10,760,580
Accrued liabilities	2,254,420	7,281,958	9,536,378
Security deposits	-	1,599,899	1,599,899
Unearned revenue	342,321	547,830	890,151
Total current liabilities	8,033,726	14,753,282	22,787,008
Noncurrent Liabilities			
Net OPEB Liability	1,800,269	26,690,103	28,490,372
Net pension liability	3,024,569	39,507,912	42,532,481
Accrued other liabilities	460,549	4,671,099	5,131,648
Commitments and Contingencies	-	-	-
Total noncurrent liabilities	5,285,387	70,869,113	76,154,500
Total Liabilities	13,319,113	85,622,395	98,941,508
Deferred inflows of resources	534,171	8,550,961	9,085,132
Net position:			
Net investment in capital assets	7,256,889	327,695,189	334,952,078
Restricted by legislation and contractual agreements	395,129	-	395,129
Unrestricted net position	94,710,442	41,277,855	135,988,297
Total net position	102,362,460	368,973,044	471,335,504
Total Liabilities, deferred inflows of resources and net position	$ 116,215,744	$ 463,146,400	$ 579,362,144

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
Fiscal Year ended 06/30/2025

		Program Revenues			Net (Expense) Revenues 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 activities								
Rental Housing and Assistance Program	$ 123,941,992	$ 488,347	$ 120,300,536	$ -	$ (3,153,110)		$ 2,098,537	$ (1,054,572)
Total governmental activities	123,941,992	488,347	120,300,536	-	(3,153,110)		2,098,537	(1,054,572)
Business-type activities								
Federal low rent housing program	89,484,674	24,529,172	45,531,253	5,713,010		(13,711,239)		(13,711,239)
State and other housing program	13,133,991	5,728,525	-	-		(7,405,466)		(7,405,466)
Other programs	2,518,762	2,231,497				(287,265)	(2,098,537)	(2,385,802)
Total business-type activities	105,137,426	32,489,193	45,531,253	5,713,010		(21,403,970)	(2,098,537)	(23,502,507)
Total government-wide	$ 229,079,418	$ 32,977,540	$ 165,831,789	$ 5,713,010	(3,153,110)	(21,403,970)	-	(24,557,080)
State Allotted Appropriations, net of lapsed funds of $7,511,482					23,823,331	-		23,823,331
Interest and investment revenue					1,578	869,789		871,367
Net Transfers					(11,615,369)	11,615,369		-
Total general revenues and transfers					12,209,540	12,485,158		24,694,698
Changes in net position					9,056,430	(8,918,812)	-	137,619
Net position (deficit), 6/30/24, as previously reported					93,574,100	388,450,090	-	482,024,190
Change in accounting principal (GASB 101)					(268,070)	(2,748,914)		(3,016,984)
Error correction					-	(7,809,321)		(7,809,321)
Net position, 6/30/24, as restated					93,306,030	377,891,855	-	471,197,885
Net position (deficit), 6/30/25					$ 102,362,461	$ 368,973,044	$ -	$ 471,335,504

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
BALANCE SHEET
06/30/2025

	General	Redevelopment Funds	Capital Funds	Housing Assistance Vouchers - MTW	Section 8 Contract Administration	Total Governmental Funds
ASSETS						
Cash	$ 74,216	$ 2,744,432	$ -	$ 5,542,737	$ 5,607,398	$ 13,968,783
Restricted cash	-	-	-	2,988,358	965	2,989,323
Due from State of Hawaii	15,342,689	-	72,144,702	-	-	87,487,391
Due from HUD	-	-	-	-	315,602	315,602
Due from other funds	-	-	-	27,183	-	27,183
Receivables, net	-	2,674,531	-	119,516	-	2,794,048
Other assets	-	-	-	-	-	-
Total assets	15,416,905	5,418,963	72,144,702	8,677,794	5,923,966	107,582,330
Deferred outflows of resources				-		-
Total assets & deferred outflows of resources	$ 15,416,905	$ 5,418,963	$ 72,144,702	$ 8,677,794	$ 5,923,966	$ 107,582,330
LIABILITIES				-		-
Accounts payable	3,207,690	-	612,927	1,275,029	341,340	5,436,985
Accrued liabilities	251,937	-	1,594,176	408,306	-	2,254,420
Due to other funds	917	-	-	0	611,205	612,123
Unearned revenue	74,216	-	-	268,105	-	342,321
Total liabilities	3,534,761	-	2,207,103	1,951,440	952,545	8,645,849
FUND BALANCE						
Restricted by legislation and contractual agreements				395,129		395,129
Committed - obligations of contracts/agreements	11,884,373	-	46,466,951	-		58,351,324
Assigned - appropriation less encumbrance	-	5,418,963	23,470,648	-		28,889,611
Assigned - program administrative fees	-	-	-	6,331,225	4,971,421	11,302,646
Unassigned	(2,229)	-	-	-	-	(2,229)
Total fund balances	11,882,144	5,418,963	69,937,599	6,726,354	4,971,421	98,936,481
Total liabilities and fund balance	$ 15,416,905	$ 5,418,963	$ 72,144,702	$ 8,677,794	$ 5,923,966	$ 107,582,330

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

06/30/2025

Total fund balance - governmental funds		$ 98,936,481
Amount 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 are not reported in the funds	7,256,889	
Loans to developer are not financial resources and not reported in the funds	1,256,322	
Other long-term liabilities are not due and payable current period and therefore are not reported in the funds	(104,091)	
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(356,458)	
Other post-employment employee benefit are not due and payable in the current period and therefore are not reported in the funds	(1,800,269)	
Pension benefits are not due and payable in the current period and therefore are not reported in the funds	(3,024,569)	
Deferred outflows of resources related to the pension and OPEB liabilities are not financial resources and therefore not reported in the funds	732,325	
Deferred inflows of resources related to the pension and OPEB liabilities are not financial resources and therefore not reported in the funds	(534,171)	
Total		3,425,978
Net position of governmental activities		$ 102,362,459

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

Fiscal Year ended 06/30/2025

	General	Redevelopment Funds	Capital Funds	Housing Assistance Vouchers - MTW	Section 8 Contract Administration	Total Governmental Funds
Revenue						
HUD PHA Grants	$ -	$ -	$ -	$ 61,600,196	$ 50,971,771	$ 112,571,968
PHA Administrative Fees Earned	-	-	-	5,520,341	1,963,795	7,484,136
Other Federal Grant	-	244,432	-	-	-	244,432
State allotted appropriations, net of lapsed funds of $7,511,482	15,162,376	-	8,660,955	-	-	23,823,331
Other revenue	121	-	-	489,271	533	489,925
Total revenue	15,162,497	244,432	8,660,955	67,609,808	52,936,099	144,613,792
Expenditure		-		-		
Housing assistance payments	1,767,583	-	-	61,908,217	50,971,771	114,647,571
Administration	147,628	-	-	1,681,043	1,937,510	3,766,180
Personnel services	47,993	-	-	2,522,186	-	2,570,178
Professional services	17,698	-	-	305,374	11,628	334,700
Tenant services	377	-	-	1,266	-	1,643
Utilities	1,628	-	-	38,120	-	39,748
Repairs and maintenance	577	-	-	19,389	-	19,966
Security	336	-	-	8,010	-	8,346
Insurance	2,325	-	-	11,597	15,191	29,113
Capital expenditures		3,818,046	-	-	-	3,818,046
Bad debt	-	-	-	87,811	-	87,811
Loan to developer		1,256,322		-		1,256,322
Other expenses	-	-	-	2,519,766	-	2,519,766
Total expenditure	1,986,145	5,074,369	-	69,102,778	52,936,099	129,099,391
Excess (deficiency) of revenue over (under) expenditure	13,176,352	(4,829,937)	8,660,955	(1,492,970)	-	15,514,401
		-		-		
Other Financing Sources (Uses) - Net Transfers	(10,599,090)	10,248,900	(12,231,669)	966,491	-	(11,615,369)
Net change in fund balances	2,577,262	5,418,963	(3,570,715)	(526,479)	-	3,899,032
Fund Balances - Beginning	9,304,882	-	73,508,314	7,252,833	4,971,421	95,037,449
Fund Balances - Ending	$ 11,882,144	$ 5,418,963	$ 69,937,599	$ 6,726,354	$ 4,971,421	$ 98,936,481

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

Fiscal Year ended 06/30/2025

Net change in fund balances - total governmental funds		$	3,899,032
Amount reported for governmental activities in the statement of activities are different because:			
Governmental funds report purchases of capital asses as expenditures. In the statement of activities, the cost of capital assets is depreciated			
Expenditures for capital assets	3,818,046		
Current year depreciation expense	(168,719)		3,649,327
Loans to developer are not financial resources and not reported in the governmental funds			1,256,322
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			(40,862)
Long-term compensated absences reported in the statement of activities are not payable in the current period and therefore are not reported as expenditures in governmental funds			21,654
Other post-employment employee benefit expense reported in the the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds			268,160
Pension expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds			2,798
Rounding			-
Change in net position of governmental activities in Government-Wide Activities			9,056,431

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
06/30/2025

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	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
ASSETS AND DEFERRED OUTFLOWS								
Current Assets								
Cash	88,361,860	746,587	1,538,603	13,250,247	6,259,675		110,156,971	1,303,170
Restricted cash	1,603,127	-	-	90,420	-		1,693,547	-
	89,964,987	746,587	1,538,603	13,340,667	6,259,675		111,850,518	1,303,170
Receivables:								
Interest receivable	-	29,799	48,042	174,567	-		252,409	50,121
Tenant receivables, less allowance for doubtful accounts of $7,514,545	1,339,936	135,808	1,478	-	17,214		1,494,435	-
Other receivable	11,309	13,796	(223)	46,461	1,378		72,721	-
	1,351,244	179,403	49,297	221,028	18,593		1,819,565	50,121
Due from HUD	1,202,951	-	-	-	-		1,202,951	-
Due from other funds	-	-	45,650	6,512,821	-	(5,973,532)	584,940	8,745
Inventories	742,803	35,350	45,723	7,460	-		831,337	-
Total current assets	93,261,985	961,340	1,679,274	20,081,977	6,278,267	(5,973,532)	116,289,310	1,362,036
Noncurrent Assets								
Notes Receivable	6,585,173	-	-	-	-		6,585,173	-
Lease Receivable	-	-	-	1,402,626	-		1,402,626	-
Capital assets:								
Capital assets not being depreciated	30,208,367	4,174,447	24,602,168	0	1,514,873		60,499,855	-
Capital assets being depreciated	710,474,758	41,981,874	63,752,707	3,068,845	12,404,808		831,682,992	2,824,225
Less: accumulated depreciation	(480,928,130)	(26,517,205)	(46,648,741)	(1,097,026)	(9,427,647)		(564,618,749)	(2,533,215)
Total noncurrent assets	266,340,168	19,639,116	41,706,133	3,374,445	4,492,034	-	335,551,897	291,010
Total Assets	359,602,153	20,600,456	43,385,407	23,456,422	10,770,301	(5,973,532)	451,841,207	1,653,046
Deferred outflow of resources	4,403,139	344,426	-	4,913,327	-		9,660,892	-
Total Assets & Deferred outflows of resources	$364,005,291	$ 20,944,882	$ 43,385,407	$ 28,369,749	$ 10,770,301	$ (5,973,532)	$ 461,502,099	$ 1,653,046

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
06/30/2025

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	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
LIABILITIES								
Current Liabilities								
Accounts payable	3,977,896	103,395	570,745	324,993	346,567		5,323,595	-
Accrued liabilities	4,560,963	411,517	178,082	2,096,462	34,934		7,281,958	-
Due to other funds	934,871	43,981	-	-	5,003,425	(5,973,532)	8,745	-
Due to State of Hawaii	-	-	-	-	-		-	-
Security deposits	1,332,541	81,221	175,028	-	11,109		1,599,899	-
Unearned revenue	536,206	6,514	5,109	-	1		547,830	-
Total current liabilities	11,342,476	646,627	928,964	2,421,456	5,396,036	(5,973,532)	14,762,027	-
Noncurrent Liabilities								
Net OPEB liability	11,420,475	929,435	-	14,340,193	-		26,690,103	-
NET pension liability	19,047,734	1,592,933	-	18,867,245	-		39,507,912	-
Accrued other liabilities	2,510,836	175,835	-	1,984,428	-		4,671,099	-
Total Noncurrent liabilities	32,979,045	2,698,203	-	35,191,865	-	-	70,869,113	-
Total liabilities	44,321,521	3,344,831	928,964	37,613,321	5,396,036	(5,973,532)	85,631,140	-
Deferred inflows of resources	3,297,788	251,467	-	5,001,706	-		8,550,961	-
Net position:								
Net investment in capital assets	259,595,076	19,639,116	41,706,133	1,971,820	4,492,034	-	327,404,179	291,010
Unrestricted net position	56,790,906	(2,290,531)	750,310	(16,217,098)	882,232	-	39,915,819	1,362,036
Total net position (deficit)	316,385,982	17,348,585	42,456,443	(14,245,278)	5,374,266	-	367,319,997	1,653,046
Total Liabilities, deferred inflows, and net position (deficit)	364,005,291	20,944,882	43,385,407	28,369,749	10,770,301	(5,973,532)	461,502,099	1,653,046

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

06/30/2025

Total net position of enterprise funds	$	367,319,997
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		1,653,046
Net position of business-type activities	$	368,973,044

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year ended 06/30/2025

	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
Operating Revenue								
Rental income	$ 24,213,874	$ 1,618,363	$ 2,397,545	$ 16,920	$ 1,501,815		$ 29,748,517	$ -
Fee-for-service	-	-	-	12,389,659	-	(10,291,122)	2,098,537	-
Other revenue	315,298	21,859	36,622	11,098	152,320		537,197	104,941
Total operating revenues	24,529,172	1,640,222	2,434,167	12,417,677	1,654,135	(10,291,122)	32,384,252	104,941
Operating Expenses								
Administration	12,814,090	451,729	927,282	572,573	577,313	(9,398,810)	5,944,177	-
Personnel services	14,439,132	1,198,695	-	10,497,225	41,766		26,176,818	-
Professional services	735,328	13,668	28,442	1,056,754	33,224		1,867,416	17,067
Tenant services	77,831	1,649	2,340	12,952	-		94,771	-
Utilities	11,824,613	868,673	1,335,930	120,877	387,451		14,537,544	-
Repairs and maintenance	20,102,963	1,305,845	1,231,051	227,399	332,591	(892,312)	22,307,538	-
Security	3,939,332	143,031	2,131	36,081	-		4,120,575	-
Insurance	1,174,916	62,899	212,835	14,674	36,319		1,501,643	1,677
Bad debt	1,558,833	192,851	(0)	-	-		1,751,684	-
Depreciation	21,500,431	1,304,318	1,817,159	150,506	538,945		25,311,359	101,786
Payments in lieu of taxes	384,477	-	-	-	-		384,477	-
Housing assistance payments	-	-	-	-	-		-	-
Other expenses	137,811	-	-	312	-		138,124	-
Total operating expense	88,689,757	5,543,358	5,557,170	12,689,354	1,947,608	(10,291,122)	104,136,126	120,530
Operating income (loss)	(64,160,585)	(3,903,136)	(3,123,003)	(271,677)	(293,473)	-	(71,751,874)	(15,588)
Nonoperating Revenues (Expenses):								
HUD operating subsidies	41,167,120	-	-	-	-		41,167,120	-
HUD capital fund grants	5,713,010	-	-	-	-		5,713,010	-
Other Federal grants	4,364,133	-	-	-	-		4,364,133	-
Other revenue (expenses)	(738,101)	32,948	(17,263)	650,956	83		(71,377)	60,396
Total nonoperating revenues (exper	50,506,162	32,948	(17,263)	650,956	83	-	51,172,886	60,396
Income (loss) before transfers	(13,654,423)	(3,870,188)	(3,140,266)	379,279	(293,390)	-	(20,578,988)	44,807
Net Transfers	8,518,919	5,058,778	5,300,394	(5,369,646)	(1,893,076)	-	11,615,369	-
Change in net position	(5,135,504)	1,188,590	2,160,128	(4,990,366)	(2,186,466)		(8,963,619)	44,807
Net position (deficit), 6/30/24, as previously report	330,461,029	16,241,717	40,296,315	(7,717,942)	7,560,732		386,841,851	1,608,239
Change in accounting principal (GASB 101)	(1,130,222)	(81,722)	-	(1,536,970)	-		(2,748,914)	-
Error correction	(7,809,321)	-	-	-	-		(7,809,321)	-
Net position, 6/30/24, as restated	321,521,486	16,159,995	40,296,315	(9,254,912)	7,560,732	-	376,283,616	1,608,239
Net position (deficit), 6/30/25	316,385,982	17,348,585	42,456,443	(14,245,278)	5,374,266	-	367,319,997	1,653,046

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

Fiscal Year ended 06/30/2025

Changes in net position - total enterprise funds	$	(8,963,619)
Changes in net position - internal service funds		44,807
Changes in net position of business-type activities	$	(8,918,812)

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Fiscal Year ended 06/30/2025

	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	$ 18,970,845	$ 1,416,435	$ 2,408,347	$ 16,920	$ 1,489,299	24,301,845	$ -
Cash payments to employees	(13,950,750)	(1,185,871)	-	(10,282,000)	(41,766)	(25,460,387)	-
Cash payments to suppliers	(49,625,933)	(2,725,732)	(3,240,947)	(2,102,934)	(1,581,882)	(59,277,428)	(18,744)
Cash due from (to) other funds	(39,203)	(22,875)	(52,328)	10,991,960	948,321	11,825,875	-
Other cash receipts (payments)	(69,179)	10,498	45,247	(1,464,225)	152,320	(1,325,339)	81,534
Net cash provided by (used in) operating activities	(44,714,219)	(2,507,545)	(839,681)	(2,840,279)	966,292	(49,935,432)	62,790
Cash Flows from Noncapital Financing Activities							
HUD operating subsidy received	40,630,630	-	-	-	-	40,630,630	-
Other federal grants received	4,364,133	-	-	-	-	4,364,133	-
Net transfers	6,907,370	2,213,963	862,594	(2,292,831)	(81,401)	7,609,695	-
Net cash provided by noncapital financing activities	51,902,133	2,213,963	862,594	(2,292,831)	(81,401)	52,604,458	-
Cash Flows from Capital and Related Financing Activities							
HUD capital subsidy received	4,930,301	-	-	-	-	4,930,301	-
State appropriation transfers in	5,581,392	1,033,140	4,437,800	-	-	11,052,332	-
Payments for acquisition of property and equipment	(12,438,479)	(1,108,731)	(4,437,800)	(1,564,274)	-	(19,549,285)	-
Net cash provided by (used in) capital and related financing activities	(1,926,787)	(81,722)	-	(1,564,274)	-	(3,572,783)	-
Cash Flow from Investing Activities							
Development loans	-	-	-	0	-	-	-
Receipts of interest	56,815	39,079	62,460	650,956	83	809,393	60,396
Net cash provided by (used in) investing activities	56,815	39,079	62,460	650,956	83	809,394	60,396
Net increase (decrease) in cash	5,317,942	(336,225)	85,372	(6,046,428)	884,974	(94,363)	123,186
Cash and restricted cash at beginning	84,647,045	1,082,812	1,453,231	19,387,095	5,374,701	111,944,882	1,179,984
Cash and restricted cash at ending	$ 89,964,987	$ 746,587	$ 1,538,603	$ 13,340,667	$ 6,259,675	111,850,519	$ 1,303,170

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Fiscal Year ended 06/30/2025

	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 Flow from Operating Activities							
Reconciliation of operating loss to net cash provided by (used in) operating activities							
Operating loss	$ (64,160,585)	$ (3,903,136)	$ (3,123,003)	$ (271,677)	$ (293,473)	(71,751,874)	$ (15,588)
Adjustments to reconcile operating gain (loss) to net cash (used in) provided by operating activities							
Depreciation	21,500,431	1,304,318	1,817,159	150,506	538,945	25,311,359	101,786
Changes in assets and liabilities							
Tenant receivables	290,707	(39,828)	1,614	-	21,906	274,399	-
Other receivables	(1,928)	(20,825)	8,753	(1,521,704)	28,590	(1,507,114)	(23,408)
Due from other funds	(39,203)	(13,105)	(52,328)	(1,351,318)	919,731	(536,223)	-
Deferred outflow	(752,118)	(57,946)	-	(577,685)	-	(1,387,749)	-
Inventories	(74,755)	(5,673)	(758)	175	-	(81,012)	-
Prepaid expenses and other assets	-	-	-	2,620	-	2,620	-
Accounts payable	900,819	(2,540)	343,353	(91,906)	(211,637)	938,090	-
Accrued Liabilities	1,214,291	167,497	156,469	(1,069,114)	(3,347)	465,796	-
Security deposits	(29,069)	29,847	5,245	-	(31,920)	(25,897)	-
Unearned revenue	(3,943,907)	599	3,815	-	(2,503)	(3,941,996)	-
Deferred inflow	381,098	33,247	-	1,889,824	-	2,304,168	-
Net cash (used in) provided by operating activities	$ (44,714,219)	$ (2,507,545)	$ (839,681)	$ (2,840,279)	$ 966,292	(49,935,432)	$ 62,790

The accompanying notes are an integral part of this statement

Note 1 - Organization and Significant Accounting Policies

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 moneys 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, the 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, 2025 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.

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 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.

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 position is restricted when constraints placed on it 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 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. Nonmajor funds are summarized into a single column.

Note 1 - Organization and Significant Accounting Policies (Continued)

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.

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 60 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, 2025 has been reported in the government-wide financial statements.

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 are rental income. Federal grants are reported as nonoperating income.

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.

Note 1 - Organization and Significant Accounting Policies (Continued)

The financial activities of the Authority that are reported in the accompanying fund financial statements have been classified into the following major and nonmajor governmental and proprietary funds. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section.

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 Vouchers Moving To Work (MTW) Program Fund and Section 8 Contract Administration Fund.

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
- Redevelopment Fund
- Capital Projects Fund
- Housing Assistance Vouchers MTW Program Fund - 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 Fund - Accounts for federal contributions primarily for housing payments under the Project-Based Section 8 Program

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 Fund, Housing Revolving Fund, Housing for Elders Revolving Fund, Central Office Cost Center Fund, and other funds. The other funds include the Wilikina Apartments Project Fund, Kekumu at Waikoloa Project Fund, Disbursing Fund, and Kuhio Park Terrace (KPT) Resource Center Fund.

Internal Service Funds

These funds account for those activities that 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.

Note 1 - Organization and Significant Accounting Policies (Continued)

The Authority reports the following as major proprietary funds:

- Federal Low Rent Program Fund - 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

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).

In August 2022, the Authority became a Moving to Work agency. MTW is a demonstration program through HUD for public housing authorities that provides them the opportunity to design and test innovative, locally designed strategies that use federal dollars more efficiently and increases housing choices for low-income families among other things. MTW allows the Authority exemptions from many existing public housing and voucher rules and provides funding flexibility with how it uses its federal funds. The Authority is part of an expansion of MTW agencies referred to as the Landlord Incentives Cohort. The MTW Demonstration Program does not provide any additional funding to the Authority. Funding originates from the Federal Low Rent Program and Housing Assistance Vouchers MTW Program. MTW program activities are reported in the Federal Low Rent Program Fund for operating subsidies and capital and reported in the Housing Assistance Vouchers MTW Program Fund for housing assistance vouchers.

The Section 8 Program consists of the Housing Assistance Vouchers MTW Program Fund and the Section 8 Contract Administration Fund. The Housing Assistance Vouchers MTW 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 in affording 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 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.

Note 1 - Organization and Significant Accounting Policies (Continued)

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 fund 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 the following:

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 acquisition value at the date of donation.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

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

	Governmental Activities	Proprietary Fund and Business-type Activities
Building, building improvements, and land improvements	25 years	10-40 years
Equipment	7 years	7-10 years

Leases

The Authority has a policy to recognize a lease liability and a right-of-use lease asset (lease asset) in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of $100,000 or more for land and building leases and $25,000 or more for equipment and others, 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.

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.

Note 1 - Organization and Significant Accounting Policies (Continued)

- The lease term includes the noncancelable 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-of-use assets along with other capital assets and lease liabilities are reported with long-term accrued expenses on the statement of net position.

The Authority is a lessor for a noncancelable lease of a building and payments are generally fixed monthly. The Authority recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts. The Authority uses the interest rate charged to the lessee as the discount rate. When the interest rate charged to the lessee is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Cash and Cash Equivalents

Cash and cash equivalents, if any, include all cash and investments with original maturities of three months or less when purchased.

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.

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.

Note 1 - Organization and Significant Accounting Policies (Continued)

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, 2025 are as follows:

	Governmental Activities	Business-type Activities	Total
Deferred pension related costs	$ 353,852	$ 5,224,030	$ 5,577,882
Deferred OPEB related costs	378,473	4,436,862	4,815,335
Total	$ 732,325	$ 9,660,892	$ 10,393,217

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, 2025 are as follows:

	Governmental Activities	Business-type Activities	Total
Deferred pension related costs	$ -	$ 724,456	$ 724,456
Deferred OPEB related costs	534,171	6,386,494	6,920,665
Deferred inflows from leases	-	1,440,011	1,440,011
Total	$ 534,171	$ 8,550,961	$ 9,085,132

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 net position - proprietary funds as HUD operating subsidy.

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation, sick, and compensatory time. The compensated absence liabilities are reported in the government-wide and proprietary fund financial statements. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately $1,321,000.

The net change in compensated absences during the year is an increase of approximately $802,000.

As of June 30, 2025, approximately $486,000 and $6,085,000 of compensated absences was for government-wide activities and business-type activities, respectively, and is included in accrued expenses in the accompanying statement of net position.

Note 1 - Organization and Significant Accounting Policies (Continued)

Classifications of Net Position and Fund Balance

Net position is restricted when constraints placed on it 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 needed.

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

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

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

Committed - Balances that can be used only 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 composed 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.

Pensions

For the purpose 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.

Other Postemployment Benefits

For the purpose 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.

Note 1 - Organization and Significant Accounting Policies (Continued)

Temporary Hazard Pay

In November 2024, the State entered into an additional settlement agreement regarding the temporary hazard pay for unions with periods covering dates in March 2020 through March 2022 for those employees who performed essential functions during the COVID-19 pandemic, including employees of the Authority. Total accrued payroll for the fiscal year ended June 30, 2025 related to the temporary hazard pay settlement reached in November 2024 was approximately $1.65 million.

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.

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 postemployment benefits, and pension. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenues, expenses, and changes in net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2026.

Note 2 - Accounting Changes and Error Corrections

Adoption of New Accounting Pronouncement

During the current year, the Authority adopted GASB Statement No. 101, *Compensated Absences*. As a result, the liability for compensated absences in the statements of net position of the governmental activities, business-type activities, and proprietary funds has been calculated to comply with this new pronouncement. The financial statements for the year ended June 30, 2024 have been restated in order to adopt GASB Statement No. 101. The effects of this adoption of a new accounting pronouncement are shown in the table at the end of this section.

Note 2 - Accounting Changes and Error Corrections (Continued)

Correction of an Error in Previously Issued Financial Statements

During fiscal year 2024, the Authority determined that a portion of the construction in progress balances recorded at June 30, 2024 in the Federal Low Rent Program Fund were fully impaired during the year ended June 30, 2024. Therefore, capital assets were overstated by approximately $7.8 million and expenses were understated by approximately $7.8 million in the Federal Low Rent Program Fund and business-type activities for the fiscal year ended June 30, 2024. The effects of correcting that error are shown in the table at the end of this section.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, the changes noted above resulted in adjustments to and restatements of beginning net position as follows:

	June 30, 2024 As Previously Reported	Adoption of New Accounting Pronouncement	Error Correction	June 30, 2024 As Restated
Government-wide:				
Governmental activities	$ 93,574,100	$ (268,070)	$ -	$ 93,306,030
Business-type activities	388,450,090	(2,748,914)	(7,809,321)	377,891,855
Total primary government	$ 482,024,190	$ (3,016,984)	$ (7,809,321)	$ 471,197,885
Proprietary funds - Major funds:				
Federal Low Rent Program Fund	$ 330,461,029	$ (1,130,222)	$ (7,809,321)	$ 321,521,486
Housing Revolving Fund	16,241,717	(81,722)	-	16,159,995
Central Office Cost Center Fund	(7,717,942)	(1,536,970)	-	(9,254,912)
Total proprietary funds	$ 338,984,804	$ (2,748,914)	$ (7,809,321)	$ 328,426,569

Note 3 - Budgeting and Budgetary Control

Budgetary Information

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. Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund and function (or fund, function, and object). The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function (or object) level. 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 schedules are estimates 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. State law requires the Authority to have its budget in place by July 1. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Note 3 - Budgeting and Budgetary Control (Continued)

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 represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

To the extent not expended or encumbered, General Fund and special revenue fund 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 schedules.

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

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

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the General Fund and certain special revenue funds for the year ended June 30, 2025 is set forth in the required supplementary information.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Note 4 - Cash

The State maintains a cash pool that is available to all funds. The director of finance is responsible for the safekeeping of all moneys paid into the state Treasury. The director of finance may invest any moneys 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.

Note 4 - Cash (Continued)

At June 30, 2025, total cash, including restricted cash, reported in the statement of net position is $130,111,794, which consisted of the following:

	Governmental Activities	Business-type Activities	Total
State pool and petty cash	$ -	$ 8,774,207	$ 8,774,207
Cash in bank (book balance)	16,958,106	104,379,481	121,337,587
Total	$ 16,958,106	$ 113,153,688	$ 130,111,794

Restricted cash under the Housing Assistance Vouchers MTW Program Fund and Section 8 Program of approximately $2,988,000 and $1,000, respectively, consists of amounts restricted by HUD for housing assistance payments and the Family Self-Sufficiency Program. Restricted cash under the Federal Low Rent Program Fund of approximately $1,603,000 consists primarily of tenant security deposits. Restricted cash under the Central Office Cost Center Fund of approximately $90,000 consists of stale-dated checks.

Book balance of cash in bank was approximately $121,771,000, of which $750,000 was covered by federal depositary insurance and $121,021,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

Note 5 - Kuhio Park Terrace Towers and Homes - Notes Receivable and Rental Assistance Demonstration

On May 1, 2011, the Authority entered into an acquisitions financing agreement (the "Agreement") to sell, transfer, and convey unto a third party the buildings, structures, equipment, machinery, apparatus, fixtures, and fittings (the "Improvements") of the two high rise buildings known as Kuhio Park Terrace Towers (the "Project"), and for the execution of a ground lease for the land underlying the Improvements (the "Property"), as defined in the Agreement. The ground lease annual rent is $1 and expires on May 11, 2076, with an option for an additional 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 75 percent 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.

Note 5 - Kuhio Park Terrace Towers and Homes - Notes Receivable and Rental Assistance Demonstration (Continued)

During 2025, the interest earned on the note receivable amounted to approximately $3,340,000 and has been recorded in deferred gain. The Authority did not receive any payments during the year ended June 30, 2025. 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, 2025, the net note receivable, inclusive of all principal, accrued interest of approximately $36,553,000, and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program Fund statement of net position:

Principal and accrued interest	$ 83,055,328
Deferred gain	(80,370,157)
Net note receivable	$ 2,685,171

Note 6 - Capital Assets

Capital asset activity, including lease assets, of the Authority's governmental and business-type activities for the year ended June 30, 2025 was as follows:

Governmental Activities

	Balance July 1, 2024	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	$ 2,373,410	$ -	$ -	$ -	$ 2,373,410
Construction in progress	-	-	3,818,046	-	3,818,046
Subtotal	2,373,410	-	3,818,046	-	6,191,456
Capital assets being depreciated:					
Buildings and improvements	15,613,649	(1)	-	-	15,613,648
Equipment	1,491,896	-	-	-	1,491,896
Subtotal	17,105,545	(1)	-	-	17,105,544
Accumulated depreciation:					
Buildings and improvements	14,460,566	-	144,877	-	14,605,443
Equipment	1,410,827	-	23,842	-	1,434,669
Subtotal	15,871,393	-	168,719	-	16,040,112
Net capital assets being depreciated	1,234,152	(1)	(168,719)	-	1,065,432
Net governmental activities capital assets	$ 3,607,562	$ (1)	$ 3,649,327	$ -	$ 7,256,888

Note 6 - Capital Assets (Continued)

Proprietary Funds

	Balance July 1, 2024 (As Restated - Note 2)	Reclassifications	Additions	Disposals	Balance June 30, 2025
Capital assets not being depreciated:					
Land	$ 22,966,200	$ -	$ -	$ -	$ 22,966,200
Construction in progress	54,535,079	(29,460,920)	13,297,108	(837,612)	37,533,655
Subtotal	77,501,279	(29,460,920)	13,297,108	(837,612)	60,499,855
Capital assets being depreciated:					
Buildings and improvements	792,064,134	29,460,920	-	-	821,525,054
Equipment	9,946,611	-	32,883	-	9,979,494
Right-of-use asset	178,444	-	-	-	178,444
Subtotal	802,189,189	29,460,920	32,883	-	831,682,992
Accumulated depreciation:					
Buildings and improvements	532,168,131	-	24,963,037	-	557,131,168
Equipment	7,119,661	-	341,756	-	7,461,417
Right-of-use asset	19,598	-	6,566	-	26,164
Subtotal	539,307,390	-	25,311,359	-	564,618,749
Net capital assets being depreciated	262,881,799	29,460,920	(25,278,476)	-	267,064,243
Net proprietary funds capital assets	$ 340,383,078	$ -	$ (11,981,368)	$ (837,612)	$ 327,564,098

Current period depreciation expense was charged to programs as follows:

Governmental activities - Rental Housing and Assistance Program	$ 168,719
Proprietary funds:	
Federal Low Rent Program Fund	$ 21,500,431
Housing Revolving Fund	1,304,318
Housing for Elders Revolving Fund	1,817,159
Central Office Cost Center Fund	150,506
Others	538,945
Total proprietary funds	$ 25,311,359

Note 6 - Capital Assets (Continued)

At June 30, 2025, capital assets for the business-type activities consisted of the following:

	Enterprise Funds							
	Federal Low Rent Program Fund	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	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	703,316,184	40,900,844	62,716,310	2,186,908	12,404,808	821,525,054	-	821,525,054
Equipment, furniture, and fixtures	6,980,131	1,081,029	1,036,396	881,938	-	9,979,494	2,824,225	12,803,719
Construction in progress	17,114,737	1,921,567	18,497,351	-	-	37,533,655	-	37,533,655
Less accumulated depreciation	(480,901,966)	(26,517,205)	(46,648,741)	(1,097,026)	(9,427,647)	(564,592,585)	(2,533,215)	(567,125,800)
Right-of-use asset	178,444	-	-	-	-	178,444	-	178,444
Less accumulated amortization	(26,164)	-	-	-	-	(26,164)	-	(26,164)
Net property and equipment	$ 259,754,995	$ 19,639,116	$ 41,706,133	$ 1,971,820	$ 4,492,034	$ 327,564,098	$ 291,010	$ 327,855,108

Note 7 - Commitments and Contingencies

Construction Contracts

At June 30, 2025, the Authority had outstanding construction contract commitments to expend approximately $55,200,000 for the construction and renovation of housing projects.

Master Planning and Predevelopment Agreement

In June 2023, the Authority entered into a master planning and predevelopment agreement (the Agreement) with a third-party master developer to play a lead role in transforming a portion of the Authority's public housing portfolio of properties to preserve or replace existing public housing units on a one-for-one basis and to add at least 10,000 additional housing units by redeveloping under-utilized authority assets (the "Ka Lei Momi Redevelopment"). The Ka Lei Momi Redevelopment is expected to be completed in multiple phases estimated at roughly two years per phase over a total period of at least 10 years; although, this timeline is contingent upon permit approvals, market forces, funding, and the availability of financing. It is anticipated that a master plan for all the targeted portfolio sites, as defined in the Agreement, will be created by the master developer and delivered to the Authority within two years of the effective date of entering into the Agreement.

In relation to the Ka Lei Momi Redevelopment, the Authority entered into a master development agreement with a third-party developer for the revitalization and redevelopment of Mayor Wright Homes within a 10-year period, subject to extension, as defined.

Torts

The Authority is subject to various legal proceedings and claims that arise in the ordinary course of its business. The opinion of management and the attorney general is that the amount, if any, of ultimate liability with respect to legal actions will be covered by insurance or will be a liability against the State of Hawaii.

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, 2025, the Authority has determined there is not a significant liability for workers' compensation claims.

Note 7 - Commitments and Contingencies (Continued)

Litigation

The Authority is subject to various legal proceedings and claims that arise in the ordinary course of its business. The opinion of management and the attorney general is that the amount, if any, of ultimate liability with respect to legal actions will be covered by insurance or will be a liability against the State of Hawaii.

Note 8 - Retirement Plan

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://ers.ehawaii.gov/resources/financials.

Benefits Provided

The ERS Pension Trust is composed 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 plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25 percent to 2.25 percent) 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 on 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 percent increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5 percent 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 percent of average final compensation multiplied by the years of credited service. Employees with 10 years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35 percent of their average final compensation. Ordinary disability requires 10 years of credited service. 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 percent of average final compensation.

Note 8 - Retirement Plan (Continued)

Death Benefits

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30 percent of the average final compensation until remarriage or reentry 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 surviving dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least 10 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 percent joint and survivor lifetime pension and the surviving dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired Prior to July 1, 2012

Retirement Benefits

General employees' retirement benefits are determined as 2 percent 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 percent of their average final compensation. Ordinary disability requires 10 years of credited service. Ordinary disability benefits are determined as 1.75 percent of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30 percent 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 percent of the average final compensation until remarriage or reentry 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 1 year of service. Ordinary death benefits consist of a lump-sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, 50 percent 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 percent joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75 percent 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 60.

Note 8 - Retirement Plan (Continued)

Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50 percent of their average final compensation plus refund of contributions and accrued interest. Ordinary disability requires 10 years of credited service.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired on 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 percent 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 percent of their average final compensation plus refund of their contributions and accrued interest. Ordinary disability requires 10 years of credited service. 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 percent of average final compensation.

Death Benefits

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump-sum payment of the member's contributions and accrued interest plus a monthly benefit of 50 percent of the average final compensation until remarriage or reentry 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 percent, 50 percent 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 percent joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

Retirement Benefits

General employees' retirement benefits are determined as 1.75 percent 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 emergency medical technicians may retire with 25 years of credited service at age 55.

Note 8 - Retirement Plan (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, 50 percent 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 percent joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

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 rates for fiscal year 2025 was 24 percent for authority employees. Contributions to the pension plan from the Authority were $4,156,896 for the fiscal year ended June 30, 2025.

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 percent of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8 percent of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0 percent of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0 percent of their salary.

The payroll for all of the Authority's employees covered by the plan was approximately $17,658,000 for 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the Authority reported a liability of $42,532,481 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the Authority's proportion was 0.52 percent compared to the 0.51 percent proportion measured as of June 30, 2023.

There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net pension liability.

Note 8 - Retirement Plan (Continued)

For the year ended June 30, 2025, the Authority recognized pension gain of $34,868. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Changes in Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,226,393	$ (352,048)
Changes in assumptions	(764,774)	(301,228)
Net difference between projected and actual earnings on pension plan investments	471,332	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	488,035	(71,180)
Authority contributions subsequent to the measurement date	4,156,896	-
Total	$ 5,577,882	$ (724,456)

At June 30, 2025, the $4,156,896 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 ending June 30, 2026.

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

2026	$ (408,824)
2027	27,119
2028	761,056
2029	317,179
Total	$ 696,530

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS' board of trustees on August 8, 2022, based on the 2021 experience study for the five-year period from July 1, 2016 through June 30, 2021:

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.

Postretirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Preretirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

Note 8 - Retirement Plan (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 resampling with a replacement that directly keys in on specific plan-level risk factors 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 rate of returns based on ERS' investment consultant as of June 30, 2024 are summarized in the following table:

Classes	Strategic Class Weights	Long-term Expected Geometric Rate of Return
Broad growth:		
Public equity	20.00 %	7.20 %
Private equity	19.00	9.90
Liquid credit	4.00	6.50
Private credit	8.00	9.20
Real estate	9.00	6.30
Infrastruction	7.00	7.30
Timber/Agriculture/Infrastructure	3.00	5.30
Diversifying strategies:		
System trend following	8.00	3.80
Long U.S. Treasurys	4.00	4.30
Intermediate government	14.00	4.00
Reinsurance	4.00	5.30

Discount Rate

The discount rate used to measure the net pension liability was 7.00 percent, 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 State 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Authority's proportionate share of the net pension liability	$ 56,810,165	$ 42,532,481	$ 30,706,267

Note 8 - Retirement Plan (Continued)

Pension Plan Fiduciary Net Position

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. The ERS' complete financial statements are available at http://www.ers.ehawaii.gov/resources/financials.

Note 9 - Postemployment Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State 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, HI 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service and 50 percent of the base monthly contribution for employees retiring with fewer than 10 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 State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent 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 State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent 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.

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority were $3,877,028 for the year ended June 30, 2025. The employer is required to make all contributions for members.

Note 9 - Postemployment Health Care and Life Insurance Benefits (Continued)

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

At June 30, 2025, the Authority reported a liability of $28,490,372 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to projected contributions of all participants, actuarially determined. At June 30, 2024, the Authority's proportion was 0.5074 percent compared to its proportion at June 30, 2023 of 0.4932 percent.

There were no changes between the measurement date, July 1, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2025, the Authority recognized OPEB gain of approximately $3,341,000. At June 30, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows of Resources	Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 762,238	$ -
Differences between expected and actual experience	-	(6,387,980)
Changes in assumptions	176,069	(532,685)
Authority contributions subsequent to the measurement date	3,877,028	-
Total	$ 4,815,335	$ (6,920,665)

At June 30, 2025, the $3,877,028 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 ended June 30, 2025.

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

2026	$ (2,118,344)
2027	(1,330,705)
2028	(1,342,101)
2029	(637,601)
2030	(553,607)
Total	$ (5,982,358)

Note 9 - Postemployment Health Care and Life Insurance Benefits (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's board of trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022, as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Health care cost trend rates:	
PPO*	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
HMO*	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
Part B and base monthly contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

*Blended rates for medical and prescription drugs

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

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:

	Target Allocation	Long-term Expected Real Rate of Return
Private equity	15	10.1
U.S. microcap	3	8.3
Global equity	30	6
Real assets	12	5
Private credit	10	7.8
TIPS	2.5	2.1
Long treasurys	5	2.6
Reinsurance	5.5	5.1
Alternative risk premia	5	3.8
Trend following	10	2.4
Tail risk/Long volatility	2	-1.3

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. Therefore, the long-term expected rate of return on the EUTF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 - Postemployment Health Care and Life Insurance Benefits (Continued)

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. The EUTF's complete financial statements are available at https://eutf.hawaii.gov/reports/.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Health Care 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 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current discount rate:

	1 Percentage Point Decrease (6.00%)	Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Authority's proportionate share of the net OPEB liability	$ 36,732,212	$ 28,490,372	$ 21,862,492

The following table presents the Authority's net OPEB liability calculated using the assumed health care 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 1 percentage point lower or 1 percentage point higher than the current health care cost trend rate:

	1 Percentage Point Decrease	Health Care Cost Trend Rate	1 Percentage Point Increase
Authority's proportionate share of the net OPEB liability	$ 21,517,820	$ 28,490,372	$ 37,370,067

Note 10 - 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.

Note 11 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Housing Assistance Vouchers MTW Fund	Central Office Cost Center Fund	$ 27,183
Central Office Cost Center Fund	General Fund	917
	Section 8 Contract Administration Fund	611,205
	Nonmajor enterprise funds	5,003,425
	Housing Revolving Fund	42,891
	Federal Low Rent Program Fund	927,216
	Total Central Office Cost Center Fund	6,585,654
Internal service funds	Federal Low Rent Program Fund	7,655
	Housing Revolving Fund	1,090
	Total internal service funds	8,745
Housing for Elders Revolving Fund	Central Office Cost Center Fund	45,650
	Total	$ 6,667,232

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Federal Low Rent Program Fund	$ 6,718,077
	Housing Revolving Fund	2,123,792
	Housing for Elders Revolving Fund	862,594
	Housing Assistance Vouchers MTW Fund	430,000
	Central Office Cost Center Fund	464,627
	Total General Fund	10,599,090
Capital Projects Fund	Federal Low Rent Program Fund	5,770,685
	Housing Revolving Fund	1,041,910
	Housing for Elders Revolving Fund	4,437,800
	Redevelopment Fund	981,274
	Total Capital Projects Fund	12,231,669
Federal Low Rent Program Fund	Housing Assistance Vouchers MTW Fund	536,491
	Redevelopment Fund	3,433,352
	Total Federal Low Rent Program Fund	3,969,843
Central Office Cost Center Fund	Redevelopment Fund	5,834,274
Nonmajor enterprise fund	Housing Revolving Fund	1,893,076
	Total	$ 34,527,952

The transfers from the General Fund to the enterprise funds represent the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls and administrative expenses.

Note 11 - Interfund Receivables, Payables, and Transfers (Continued)

The transfers from the Capital Projects Fund to the enterprise funds and Redevelopment Fund represent the annual State of Hawaii appropriations for capital improvement, administrative expenses, and rental housing service repairs and maintenance.

The transfers from the Federal Low Rent Program Fund and Central Office Cost Center Fund to the Redevelopment Fund represent transfer of ongoing redevelopment project balances, as well as balances of appropriations for capital improvements for future redevelopment projects.

The transfer from the Federal Low Rent Program Fund to the Housing Assistance Vouchers MTW Fund represent transfers of federal and state revenues for particular purposes under MTW fungibility.

The transfer from the nonmajor enterprise fund to the Housing Revolving Fund represents a transfer of the Kekumu at Waikoloa Project Fund balances to the Housing Revolving Fund.

Note 12 - Risk Management

The State records a liability for risk financing and insurance-related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past 10 fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is $200,000,000, except for terrorism losses, which have a $100,000,000 per occurrence limit. The deductible for losses such as windstorm, tsunamis, floods, and earthquakes is 3 percent of the replacement costs to the property subject to a $1,000,000 per occurrence minimum. The deductible for all other losses, except terrorism, is $1,000,000 per occurrence. The deductible for terrorism is $10,000 per occurrence.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for social engineering fraud (with official authorization), which has a $100,000 limit per occurrence and a $25,000 deductible; social engineering fraud (without official authorization), which has a $25,000 limit per occurrence and a $25,000 deductible; claims and computer investigation expenses, which have a $100,000 limit per occurrence and a $0 deductible; and corporate credit card fraud, which has a $10,000,000 limit per occurrence and a $1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

Casualty and Professional Liability

Liability claims up to $25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has various types of coverages with a $5,000,000 self-insured retention per occurrence, including $2,500,000 corridor. The annual aggregate limit for the various coverages is $5,000,000. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Note 12 - Risk Management (Continued)

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit up to $10,000,000 with self-insured retention of $1,000,000. This policy covers all departments and divisions except for UH and includes (with sub-limits) media content liability, PCI-DSS assessment coverage, reputational risk response, reputational loss coverage, e-discovery consultant services, data recovery amendatory system failure nonphysical damage loss of use (bricking), system failure coverage, criminal reward expense, claim avoidance expense, crypto jacking coverage, fraudulent impersonation and telecommunication fraud coverage, court attendance cost coverage, and company definition amendatory-scheduled entities with varying co-insurance (tier 1 & 2). The UH has a separate cyber policy with various limits and self-insured retention amounts.

Medical Professional Liability Insurance

The State's community hospitals (HHSC) are insured by a comprehensive medical professional liability policy. The policy provides coverage for professional and general liability claims with a private insurance carrier. This primary policy covers losses up to a limit of $1,000,000 per claim and $5,000,000 in annual aggregate. HHSC also purchased additional excess insurance with a $34,000,000 per claim and aggregate limit.

Self-insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to $25,000 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources and Development.

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2025 and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses are generally paid from legislative appropriations of the State's General Fund.

Required Supplementary Information

Hawaii Public Housing Authority

Budgetary Comparison Schedule
General Fund (Unaudited)
For the Fiscal Year ended 06/30/2025

	Budgeted Amounts		Actual Amount Budgetary Basis (See Note A)
	Original	Final	
Revenues			
State alloted appropriations	15,162,376	15,162,376	15,162,376
Other revenue			121
Total revenues	15,162,376	15,162,376	15,162,497
Expenditures	1,986,145	1,986,145	1,986,145
Excess (deficiency) of revenues over expenditures	13,176,231	13,176,231	13,176,352
Other Financing Sources (Uses)			
Transfers out	(10,599,090)	(10,599,090)	(10,599,090)
Total other financing sources and uses	(10,599,090)	(10,599,090)	(10,599,090)
Net change in fund balance	2,577,141	2,577,141	2,577,262
Fund balance - beginning	9,304,882	9,304,882	9,304,882
Fund balance - ending	11,882,023	11,882,023	11,882,144

Hawaii Public Housing Authority

Budgetary Comparison Schedule
Housing Assistance Vouchers - MTW
(Unaudited)
For the Fiscal Year ended
06/30/2025

	Budgeted Amounts		Actual Amount Budgetary Basis (See Note A)
	Original	Final	
Revenues			
HUD grants	$ 67,120,537	67,120,537	67,120,537
Interest	-	-	1,045
Other revenue	488,226	488,226	488,226
Total revenues	67,608,763	67,608,763	67,609,808
Expenditures	67,608,763	67,608,763	69,102,778
Excess (deficiency) of revenues over expenditures	-	-	(1,492,970)
Other Financing Sources (Uses)			
Transfers in	-	-	966,491
Total other financing sources and uses	-	-	966,491
Net change in fund balance	-	-	(526,479)
Fund balance - beginning	7,252,833	7,252,833	7,252,833
Fund balance - ending	7,252,833	7,252,833	6,726,354

Hawaii Public Housing Authority

Budgetary Comparison Schedule
Section 8 Contract Administration
(Unaudited)
For the Fiscal Year ended
06/30/2025

	Budgeted Amounts		Actual Amount Budgetary Basis (See Note A)
	Original	Final	
Revenues			
HUD grants	$ 52,935,567	52,935,567	52,935,567
Interest	-	-	533
Total revenues	52,935,567	52,935,567	52,936,099
.			
Expenditures	52,935,567	52,935,567	52,936,099
Excess (deficiency) of revenues over expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers in	-	-	-
Total other financing sources and uses	-	-	-
Net change in fund balance	-	-	-
Fund balance - beginning	4,971,421	4,971,421	4,971,421
Fund balance - ending	4,971,421	4,971,421	4,971,421

Hawaii Public Housing Authority

Budgetary Comparison Schedule
(Unaudited)
Notes to RSI

Note A—Explanation of Differences between Revenues, Expenditures, and Other Financing Sources (Uses) for Budgetary Funds on a Budgetary Basis and on a GAAP Basis

	General Fund	Housing Assistance Vouchers - MTW	Section 8 Contract Administration
Revenues			
Actual amount (budgetary basis)	$ 15,162,497	67,609,808	52,936,099
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 15,162,497	$ 67,609,808	$ 52,936,099
Expenditures			
Actual amount (budgetary basis)	1,986,145	69,102,778	52,936,099
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,986,145	$ 69,102,778	$ 52,936,099
Other financing sources (uses)			
Actual amount (budgetary basis)	(10,599,090)	966,491	-
Total other financial sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ (10,599,090)	$ 966,491	$ -

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Employees' Retirement System of the State of Hawaii

Last Ten Plan Years

For the Plan Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability	0.52000 %	0.51000 %	0.29000 %	0.29000 %	0.29000 %	0.29000 %	0.28000 %	0.29000 %	0.29000 %	0.29000 %
Authority's proportionate share of the net pension liability	$ 42,532,481	$ 40,659,919	$ 37,965,808	$ 34,794,569	$ 44,224,997	$ 40,401,259	$ 37,880,199	$ 37,036,049	$ 38,216,244	$ 25,085,181
Authority's covered payroll	$ 15,075,388	$ 16,208,597	$ 16,635,736	$ 17,185,380	$ 16,033,163	$ 14,709,141	$ 14,806,198	$ 14,516,008	$ 13,576,230	$ 13,759,120
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	282.13 %	250.85 %	228.22 %	202.47 %	275.83 %	274.67 %	255.84 %	255.14 %	281.49 %	182.32 %
Plan fiduciary net position as a percentage of total pension liability	62.60 %	61.90 %	62.80 %	64.30 %	53.20 %	54.90 %	55.50 %	54.80 %	51.30 %	62.40 %

Required Supplementary Information
Schedule of the Authority's Pension Contributions
Employees' Retirement System of the State of Hawaii

Last Ten Fiscal Years

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 4,156,896	$ 3,665,401	$ 3,618,165	$ 3,768,544	$ 3,907,049	$ 3,319,373	$ 2,816,511	$ 2,510,750	$ 2,348,866	$ 2,172,048
Contributions in relation to the contractually required contribution	4,156,896	3,665,401	3,618,165	3,768,544	3,907,049	3,319,373	2,816,511	2,510,750	2,348,866	2,172,048
Contribution excess (deficiency)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	$ 17,657,589	$ 15,075,388	$ 16,208,597	$ 16,635,736	$ 17,185,380	$ 16,033,163	$ 14,709,141	$ 14,806,198	$ 14,516,008	$ 13,579,230
Contributions as a Percentage of Covered Payroll	23.54 %	24.31 %	22.32 %	22.65 %	22.73 %	20.70 %	19.15 %	16.96 %	16.18 %	16.00 %

Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Hawaii Employer-Union Health Benefits Trust Fund

Last Eight Plan Years

For the Plan Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the net OPEB liability	0.50735 %	0.49324 %	0.48809 %	0.47000 %	0.43000 %	0.43000 %	0.43000 %	0.43000 %
Authority's proportionate share of the net OPEB liability	$ 28,490,372	$ 33,182,220	$ 33,424,214	$ 35,852,702	$ 37,602,456	$ 40,339,825	$ 40,288,544	$ 39,895,932
Authority's covered-employee payroll	$ 15,075,388	$ 16,208,597	$ 16,635,736	$ 17,185,380	$ 16,033,163	$ 14,709,141	$ 14,806,198	$ 14,516,008
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	188.99 %	204.72 %	200.92 %	208.62 %	234.53 %	274.25 %	272.11 %	274.84 %

Required Supplementary Information
Schedule of the Authority's OPEB Contributions

Last Eight Fiscal Years

Years Ended June 30

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 3,877,028	$ 3,468,579	$ 1,684,587	$ 2,735,130	$ 1,237,587	$ 3,856,767	$ 3,466,987	$ 3,187,682
Contributions in relation to the actuarially determined contribution	3,877,028	3,468,579	1,684,587	1,663,676	1,811,876	3,693,632	3,597,601	2,825,229
Contribution excess (deficiency)	**$ -**	**$ -**	**$ -**	**$ (1,071,454)**	**$ 574,289**	**$ (163,135)**	**$ 130,614**	**$ (362,453)**
Covered-employee payroll	$ 17,657,589	$ 15,075,388	$ 16,208,597	$ 16,635,736	$ 17,185,380	$ 16,033,163	$ 14,709,141	$ 14,806,198
Contributions as a percentage of covered-employee payroll	21.96 %	23.01 %	10.39 %	10.00 %	10.54 %	23.04 %	24.46 %	19.08 %

Supplementary Information

Hawaii Public Housing Authority

NONMAJOR OTHER ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
06/30/2025

.

	Wilikina Apartments Project	Kekumu at Waikoloa Project	KPT Resource Center	Disbursing Fund	Total
ASSETS AND DEFERRED OUTFLOWS					
Current Assets					
Cash	457,201	-	743,433	5,059,041	6,259,675
Receivables:					
Tenant receivables, less allowance for doubtful accounts	-	-	17,214	-	17,214
Other receivable	-	-	-	1,378	1,378
Total current assets	457,201	-	760,647	5,060,419	6,278,267
Noncurrent Assets					
Capital assets not being depreciated	1,514,873	-	-	-	1,514,873
Capital assets being depreciated	-	-	12,404,808	-	12,404,808
Less: accumulated depreciation	-	-	(9,427,647)	-	(9,427,647)
Total noncurrent assets	1,514,873	-	2,977,161	-	4,492,034
Total Assets	1,972,074	-	3,737,808	5,060,419	10,770,301
Deferred outflow of resources	-	-	-	-	-
Total Assets & Deferred outflows of resources	$ 1,972,074	$ -	$ 3,737,808	$ 5,060,419	$ 10,770,301
LIABILITIES					
Current Liabilities					
Accounts payable	-	-	289,573	56,994	346,567
Accrued liabilities	-	-	34,934	-	34,934
Due to other funds	-	-	-	5,003,425	5,003,425
Security deposits	-	-	11,109	-	11,109
Unearned revenue	-	-	1	-	1
Total current liabilities	-	-	335,617	5,060,419	5,396,036
Total liabilities	-	-	335,617	5,060,419	5,396,036
Deferred inflows of resources	-	-	-	-	-
Net position:					
Net investment in capital assets	1,514,873	-	2,977,161	-	4,492,034
Unrestricted net position	457,201	-	425,031	-	882,232
Total net position	1,972,074	-	3,402,192	-	5,374,266
Total Liabilities, deferred inflows, and net position	1,972,074	-	3,737,808	5,060,419	10,770,301

Hawaii Public Housing Authority

NONMAJOR OTHER ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year ended 06/30/2025

	Wilikina Apartments Project	Kekumu at Waikoloa Project	KPT Resource Center	Disbursing Fund	Total
Operating Revenue					
Rental income	$ -	$ 681,138	$ 820,677	$ -	$ 1,501,815
Other revenue	-	152,281	39	-	152,320
Total operating revenues	-	833,419	820,716	-	1,654,135
Operating Expenses					
Administration	-	293,765	283,548	-	577,313
Personnel services	-	41,766	-	-	41,766
Professional services	-	24,573	8,651	-	33,224
Utilities	-	238,905	148,545	-	387,451
Repairs and maintenance	-	190,142	142,449	-	332,591
Insurance	-	19,265	17,054	-	36,319
Depreciation	-	42,753	496,192	-	538,945
Total operating expense	-	851,170	1,096,439	-	1,947,608
Operating income (loss)	-	(17,750)	(275,723)	-	(293,473)
Nonoperating Revenues (Expenses):					
Other revenue (expenses)	-	9	74	-	83
Total nonoperating revenues (exper	-	9	74	-	83
Income (loss) before transfers	-	(17,741)	(275,649)	-	(293,390)
Net Transfers	-	(1,893,076)	-	-	(1,893,076)
Change in net position	-	(1,910,817)	(275,649)		(2,186,466)
Net position, 6/30/24	1,972,074	1,910,817	3,677,841	-	7,560,732
Net position, 6/30/25	1,972,074	-	3,402,192	-	5,374,266

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

NONMAJOR OTHER ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

Fiscal Year ended 06/30/2025

	Wilikina Apartments Project	Kekumu at Waikoloa Project	KPT Resource Center	Disbursing Fund	Total
Cash Flows from Operating Activities					
Cash received from renters	$ -	$ 674,226	$ 815,073	$ -	$ 1,489,299
Cash payments to employees	-	(41,766)	-	-	(41,766)
Cash payments to suppliers	-	(1,002,706)	(601,161)	21,985	(1,581,882)
Cash due from (to) other funds	-	4,172	(48)	944,197	948,321
Other cash receipts (payments)	-	152,281	39	-	152,320
Net cash provided by (used in) operating activities	-	(213,793)	213,902	966,183	966,292
Cash Flows from Noncapital Financing Activities					
Net transfers	-	(81,401)	-	-	(81,401)
Net cash provided by noncapital financing activities	-	(81,401)	-	-	(81,401)
Cash Flow from Investing Activities					
Receipts of interest	-	9	74	-	83
Net cash provided by (used in) investing activities	-	9	74	-	83
Net increase (decrease) in cash	-	(295,184)	213,976	966,183	884,974
Cash and restricted cash at beginning	457,201	295,184	529,457	4,092,858	5,374,701
Cash and restricted cash at ending	$ 457,201	$ -	$ 743,433	$ 5,059,041	$ 6,259,675

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

NONMAJOR OTHER ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS

Fiscal Year ended 06/30/2025

	Wilikina Apartments Project	Kekumu at Waikoloa Project	KPT Resource Center	Disbursing Fund	Total
Cash Flow from Operating Activities					
Reconciliation of operating loss to net cash provided by (used in) operating activities					
Operating loss	$ -	$ (17,750)	$ (275,723)	$ -	$ (293,473)
Adjustments to reconcile operating gain (loss) to net cash (used in) provided by operating activities	-	-	-	-	-
Depreciation	-	42,753	496,192	-	538,945
Changes in assets and liabilities	-	-	-	-	-
Tenant receivables	-	27,511	(5,605)	-	21,906
Other receivables	-	4,172	-	24,419	28,590
Due from other funds	-	-	(48)	919,779	919,731
Deferred outflow	-	-	-	-	-
Inventories	-	-	-	-	-
Prepaid expenses and other assets	-	-	-	-	-
Accounts payable	-	(236,055)	2,432	21,985	(211,637)
Accrued Liabilities	-	-	(3,347)	-	(3,347)
Security deposits	-	(31,920)	-	-	(31,920)
Unearned revenue	-	(2,503)	-	-	(2,503)
Deferred inflow	-	-	-	-	-
Net cash (used in) provided by operating activities	$ -	$ (213,793)	$ 213,902	$ 966,183	$ 966,292

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
06/30/2025

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	Vehicle Rental Fund	Equipment Rental Fund	Total
ASSETS AND DEFERRED OUTFLOWS			
Current Assets			
Cash	448,431	854,739	1,303,170
Receivables:			
Interest receivable	15,460	34,661	50,121
Due from other funds	8,745	-	8,745
Total current assets	472,636	889,400	1,362,036
Noncurrent Assets			
Capital assets:			
Capital assets being depreciated	1,507,272	1,316,953	2,824,225
Less: accumulated depreciation	(1,216,262)	(1,316,953)	(2,533,215)
Total noncurrent assets	291,010	(0)	291,010
Total Assets	763,646	889,400	1,653,046
Deferred outflow of resources	-	-	-
Total Assets & Deferred outflows of resources	$ 763,646	$ 889,400	$ 1,653,046

Hawaii Public Housing Authority

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
06/30/2025

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	Vehicle Rental Fund	Equipment Rental Fund	Total
LIABILITIES			
Current Liabilities			
Accounts payable	-	-	-
Deferred inflows of resources	-	-	-
Net position:			
Net investment in capital assets	291,010	(0)	291,010
Unrestricted net position	472,636	889,400	1,362,036
Total net position (deficit)	763,646	889,400	1,653,046
Total Liabilities, deferred inflows, and net position (deficit)	763,646	889,400	1,653,046

Hawaii Public Housing Authority

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year ended 06/30/2025

	Vehicle Rental Fund	Equipment Rental Fund	Total
Operating Revenue			
Other revenue	104,941	-	104,941
Total operating revenues	104,941	-	104,941
Operating Expenses			
Professional services	8,526	8,541	17,067
Insurance	-	1,677	1,677
Depreciation	101,786	-	101,786
Total operating expense	110,312	10,218	120,530
Operating income (loss)	(5,370)	(10,218)	(15,588)
Nonoperating Revenues (Expenses):			
Other revenue (expenses)	18,697	41,698	60,396
Total nonoperating revenues (expenses)	18,697	41,698	60,396
Income (loss) before transfers	13,327	31,480	44,807
Net Transfers	-	-	-
Change in net position	13,327	31,480	44,807
Net position, 6/30/24	750,319	857,920	1,608,239
Net position (deficit), 6/30/25	763,646	889,400	1,653,046

Hawaii Public Housing Authority

INTERNAL SERVICE FUNDS
COMBING STATEMENT OF CASH FLOWS

Fiscal Year ended 06/30/2025

	Vehicle Rental Fund	Equipment Rental Fund	Total
Cash Flows from Operating Activities			
Cash payments to suppliers	(8,526)	(10,218)	(18,744)
Other cash receipts (payments)	96,448	(14,915)	81,534
Net cash provided by (used in) operating activities	87,923	(25,133)	62,790
Cash Flow from Investing Activities			
Receipts of interest	18,697	41,698	60,396
Net cash provided by (used in) investing activities	18,697	41,698	60,396
Net increase (decrease) in cash	106,620	16,565	123,186
Cash and restricted cash at beginning	341,811	838,173	1,179,984
Cash and restricted cash at ending	$ 448,431	$ 854,739	$ 1,303,170

The accompanying notes are an integral part of this statement

Hawaii Public Housing Authority

INTERNAL SERVICE FUNDS
COMBING STATEMENT OF CASH FLOWS

Fiscal Year ended 06/30/2025

	Vehicle Rental Fund	Equipment Rental Fund	Total
Cash Flow from Operating Activities			
Reconciliation of operating loss to net cash provided by (used in) operating activities			
Operating loss	$ (5,370)	$ (10,218)	$ (15,588)
Adjustments to reconcile operating gain (loss) to net cash (used in) provided by operating activities			
Depreciation	101,786	-	101,786
Other receivables	(8,493)	(14,915)	(23,408)
Net cash (used in) provided by operating activities	$ 87,923	$ (25,133)	$ 62,790

The accompanying notes are an integral part of this statement

HAWAII PUBLIC HOUSING AUTHORITY
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF CASH ON DEPOSIT AND ASSETS
JUNE 30, 2025

The Authority's cash consists of the following as of June 30, 2025:

Equity in State Treasury investment pool - Government-Wide	$ 8,774,207
Cash in banks	121,337,587
	$ 130,111,794

Total cash is in agreement with the State Comptroller's central accounting records as of June 30, 2025, as reconciled below:

Cash in State Treasury Special Funds	Appropriation Symbol	June 30, 2025
	S-20-337-K	$ 6,840
	S-21-337-K	1,600
	S-22-308-K	624
	S-22-337-K	11,343
	S-23-337-K	41,728
	S-24-337-K	53,592
	S-24-335-K	0
	S-23-308-K	48,207
	S-24-308-K	59,750
	S-23-332-K	0
	S-24-332-K	0
	S-24-336-K	7,025
	S-24-553-K	119,807
	S-25-308-K	524,280
	S-25-332-K	5,133,257
	S-25-335-K	448,431
	S-25-336-K	847,714
	S-25-337-K	1,300,275
	S-25-557-K	244,432
Total cash held in State Treasury as reported by State Comptrollers accounting records carried forward		$ 8,848,905
Reconciling items--		
Outstanding checks not recorded by DAGS		(74,698)
		8,774,207
Cash held outside State Treasury: Cash in bank		121,337,587
Cash and restricted cash on statement of net position		$ 130,111,794