

Hawaii Public Housing Authority

Financial Statements

June 30, 2008

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR
STATE OF HAWAII**



A Hawaii Limited Liability Partnership

March 16, 2009

Mr. Chad Taniguchi
Executive Director
Hawaii Public Housing Authority
State of Hawaii

Dear Mr. Taniguchi:

This is our report on the financial audit of the Hawaii Public Housing Authority (Authority) as of and for the fiscal year ended June 30, 2008. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, Government Auditing Standards, *Audits of States, Local Governments, and Non-Profit Organizations*.

OBJECTIVES OF THE AUDIT

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the Authority's basic financial statements as of and for the fiscal year ended June 30, 2008, and to comply with the requirements of OMB Circular A-133. The objectives of the audit were as follows:

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

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133. The scope of our audit included an examination of the transactions and accounting records of the Authority as of and for the fiscal year ended June 30, 2008.

ORGANIZATION OF THE REPORT

This report is presented in six parts as follows:

- Part I – The basic financial statements and related notes of the Authority as of and for the fiscal year ended June 30, 2008, and our opinion on the basic financial statements.
- Part II – Our report on internal control over financial reporting and compliance.
- Part III – Our report on compliance with requirements applicable to each major program and internal control over compliance.
- Part IV – The schedule of findings and questioned costs and management responses
- Part V – The summary schedule of prior audit findings.

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

Sincerely,



Wilcox Choy
Partner

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PART I

FINANCIAL SECTION



A Hawaii Limited Liability Partnership

Independent Auditor's Report

The Auditor
State of Hawaii

Board of Directors
Hawaii Public Housing Authority:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2008, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 8 to 17 and Budgetary Comparison Schedules on pages 62 to 64 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on Management's Discussion and Analysis or on the Budgetary Comparison Schedules.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 16, 2009

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

This Management's Discussion and Analysis (MD&A) provides an overall review of the Hawaii Public Housing Authority's (HPHA) financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the HPHA's financial performance as a whole. Readers should also review the financial statements to enhance their understanding of the HPHA's financial performance.

INTRODUCTION

The Hawaii Public Housing Authority was established by the State Legislature effective July 1, 2006. The HPHA bifurcated from the former Housing and Community Development Corporation of Hawaii (HCDCH), creating two separate agencies, the Hawaii Public Housing Authority and the Hawaii Housing Finance and Development Corporation (HHFDC). Previous to July 1, 2006 the HCDCH consolidated the Hawaii Housing Authority and the Housing Finance and Development Corporation.

Presently, the HPHA administers the following major programs:

- Federal and State public housing programs
 - The HPHA administers over 5,300 federal public housing units in Hawaii with funds received from the United States Department of Housing and Urban Development (HUD), and 860 state public housing units.
- Federal and State rent subsidy programs
 - The HPHA administers the HUD Section 8 Housing Assistance Payments – Special Allocations Program through a contract with the Bremerton (Washington) Housing Authority, the Section 8 Housing Choice Voucher Program, and a state funded rental assistance program, subsidizing rental payments to persons and families with incomes not exceeding 80% of the area median income.
- Homeless programs

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

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The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to HPHA's basic financial statements. There are the government wide financial statements, reflecting HPHA's governmental activities; and proprietary funds financial statements, reflecting HPHA's business activities. The statements are described in greater detail in the following sections.

Financial Highlights:

- Conversion to Asset Management. To meet the United States Department of Housing and Urban Development (HUD) requirement for conversion to Asset Management for Public Housing Authorities, the HPHA implemented the program guidelines of 24 CFR 990 for the 2008 Fiscal Year. This change affected the rental units under the Federal Low Rent Program. The HPHA also converted the State Housing Revolving (family units) and Housing for Elders (elderly/disabled units) funds to the Asset Management model to insure a consistent financial reporting system for the HPHA. The various components of Asset Based Management such as Project Based Management, Project Based Accounting and Central Office Cost Center were implemented in 2008. (Project Based Budgeting was implemented with the compilation of the FY2009 Budget adopted by the board of directors in June 2008.)
- Positive Net Change in Assets (see Government-Wide Statement of Activities):
 - For 2008 total revenues were \$152 million, an increase of 22 percent over 2007.
 - 2008 operating grants and contributions increased by 25 percent over 2007. The major sources of revenues in this category are federal subsidies restricted for specific programs, and State General Funds.
 - 2008 federal capital grants and contributions decreased by 37 percent over 2007. These federal funds are to provide capital improvements to the various housing projects.
 - 2008 general revenues increased by 60 percent over 2007, primarily due to increased state appropriations for state capital projects funding.

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- On the expense side, for 2008 total government-wide expenses were \$125 million, an increase of 12 percent over 2007, primarily due to increases in rental housing assistance program and housing development program.
- Overall for 2008 the change in net assets was \$25 million compared to \$12 million in 2007, an increase of 113 percent. The challenge is for the HPHA to use these assets to fix housing units to increase occupancy and provide more housing for Hawaii's low-income population.

Government-Wide Financial Statements:

The first two statements are government-wide financial statements — the *Statement of Net Assets* and the *Statement of Activities*. These provide both long-term and short-term information about the HPHA's overall financial status.

The *Statement of Net Assets* presents information on all of the HPHA's assets less liabilities, resulting in net assets. The statement displays the financial position of the HPHA. Over time, increases and decreases in net assets help determine whether the HPHA's financial position is improving or deteriorating.

The *Statement of Activities* shows how the HPHA's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent each expenditure function draws from general and federal revenues of the HPHA or is financed through charges for services and intergovernmental aid (primarily federal programs and state appropriations).

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

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

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

Fiduciary funds - Fiduciary funds account for assets held by the HPHA in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the HPHA cannot use these assets for its operations. Fiduciary funds of the HPHA, consisting of agency funds and private-purpose trust funds, are reported in the *Statement of Fiduciary Net Assets* using an accrual basis of accounting. Agency funds held by the HPHA involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments in a purely custodial capacity (assets equal liabilities).

Detailed information on HPHA’s most significant funds is represented in the fund financial statements, but the fund statements are not a representation of the HPHA as a whole.

Fund Financial Statements:

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

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

Notes to the Financial Statements:

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

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FINANCIAL ANALYSIS OF THE HPHA AS A WHOLE

The condensed statement of net assets is provided below, comparing fiscal year 2008 with the financial performance of fiscal year 2007.

HAWAII PUBLIC HOUSING AUTHORITY Condensed Statement of Net Assets June 30, 2008 & June 30, 2007 (In thousands of dollars)

	Governmental Activities		Business Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$54,896	\$33,619	\$ 19,859	\$ 19,234	\$ 74,755	\$ 52,853	41.44%
Assets held by trustee	-	-	-	-	-	-	100.00%
Capital assets	39,813	34,636	269,826	283,138	309,639	317,774	-2.56%
Other assets	-	-	8,937	-	8,937	-	100.00%
Total Assets	\$94,709	\$68,255	\$ 298,623	\$ 302,372	\$ 393,331	\$ 370,627	6.13%
Current and other liabilities	\$ 6,903	7,648	\$ 9,659	\$ 13,999	\$ 16,562	\$ 21,647	-23.49%
Long-term liabilities	-	-	507	576	507	576	-11.98%
Total Liabilities	6,903	7,648	10,166	14,575	17,069	22,223	-23.19%
Net assets:							
Invested in capital assets, net of related debt	39,813	34,636	269,319	273,617	309,132	308,253	0.29%
Restricted	-	-	7,917	8,001	7,917	8,001	-1.05%
Unrestricted	47,993	25,971	11,221	6,179	59,214	32,150	84.18%
Total net assets	87,806	60,607	288,457	287,797	376,263	348,404	8.00%
Total liabilities & net assets	\$94,709	\$68,255	\$ 298,623	\$ 302,372	\$ 393,332	\$ 370,627	6.13%

From the chart above, over 80% of the net assets of HPHA are land, buildings and equipment (\$309.1 million of the total net assets of \$376.2 fall into this category). The investment in capital assets remains approximately the same as in 2007 (\$309.1 million vs. \$308.3 million).

The major change reflected in the statement is the increase in current and other assets for governmental activities from \$33.6 million in 2007 to \$54.9 million in 2008. The increase of \$21.3 million was primarily due to unexpended funds for capital projects received from the State. The Capital Projects appropriations from the State exceeded expenditures by \$23.9 million (see page 23). Funds received were for both design and construction, and the capital projects are being designed.

The HPHA's total revenues and expenditures are reflected in the following chart.

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HAWAII PUBLIC HOUSING AUTHORITY Government-Wide Statement of Activities Years Ended June 30, 2008 & June 30, 2007 (In thousands of dollars)

	Governmental Activities		Business Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	
Revenues							
Program Revenues:							
Charges for services	\$ -	\$ -	\$ 21,940	\$ 22,993	\$ 21,940	\$ 22,993	-4.58%
Operating Grants and Contributions	44,374	37,682	17,404	11,483	61,774	49,165	25.64%
Capital Grants and Contributions	-	-	9,521	15,082	9,521	15,082	-36.87%
General Revenues:							
State Allotted Appropriations, net of Lapses	58,682	36,708	-	-	58,682	36,708	59.86%
Total Revenues	<u>103,056</u>	<u>74,390</u>	<u>48,865</u>	<u>49,558</u>	<u>151,921</u>	<u>123,948</u>	22..81%
Expenses							
Governmental Activities							
Homeless Services and assistance program	12,834	16,583	-	-	12,834	16,583	-22.61%
Rental housing assistance program	54,887	40,153	-	-	54,887	40,153	36.69%
Business-type activities							
Rental assistance program	-	-	47,508	46,299	47,508	46,299	2.61%
Housing development program	-	-	9,145	7,998	9,145	7,998	14.34%
Other	-	-	1,056	970	1,056	970	8.87%
Total governmental-wide expenses	<u>67,721</u>	<u>56,736</u>	<u>57,709</u>	<u>55,267</u>	<u>125,430</u>	<u>112,003</u>	11.99%
Excess of revenues over expenses	<u>35,335</u>	<u>17,654</u>	<u>(8,844)</u>	<u>(5,709)</u>	<u>26,491</u>	<u>11,945</u>	121.77%
Transfers	<u>(8,136)</u>	<u>(670)</u>	<u>8,136</u>	<u>670</u>	<u>-</u>	<u>-</u>	-100.00%
CHANGES IN NET ASSETS	27,199	16,984	(708)	(5,039)	26,491	11,945	121.77%
Total net assets, beginning of year	<u>60,607</u>	<u>43,622</u>	<u>289,165</u>	<u>292,836</u>	<u>349,772</u>	<u>336,458</u>	3.96%
Total net assets, end of year	<u>\$ 87,806</u>	<u>\$ 60,606</u>	<u>\$ 288,457</u>	<u>\$ 287,797</u>	<u>\$ 376,263</u>	<u>\$ 348,403</u>	7.99%

From the chart above, total net assets for the government-wide activities increased from \$348.4 million to \$376.2 million, or 7.9%. As noted earlier, the major increase was in unexpended state allotted appropriations of approximately \$22 million.

General revenues for government activities include \$28.2 million for general funds and \$30.5 million for capital projects (page 18), for a total of \$58.7 million. Expenditures were \$25.5 million and \$6.6 million (page 18), respectively, or \$32.1 million total, for a surplus of \$26.6 million over expenses. However, \$7.8 million from the general fund was transferred to other funds (page 23), for a net gain of \$18.8 million for the fiscal year. As noted, these funds will be expended or obligated in 2009.

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Within the business activities, the Federal Low Rent Program dominates, representing almost 80% of the revenues (\$17.3 of \$21.9 million total - page 28). Operating expenses for the federal low rent program are \$47.5 million, with an operating loss, before subsidies, of \$30.2 million (page 28). HUD subsidies of \$26.0 million (page 29) fell below the amount HUD recognizes as necessary to operate the program, and other revenues were not enough to cover the shortfall. As a result, the program, after transfers, showed a net loss of \$1.5 million for the fiscal year.

The Housing Revolving Fund showed a gain of \$4.2 million, due to an operating transfer appropriation from the Legislature of \$5.7 million (page 29). The transfer reduced the loss within the proprietary funds to a net loss of \$1.8 million in FY 2008 (pages 29).

Financial Analysis of the HPHA's Funds:

The analysis of governmental funds looks at what resources came into the funds, how they were spent, and what is available for future expenditures. This section allows HPHA management to determine: Did the HPHA generate enough revenue to pay for current obligations, and what is available for spending at the end of the year. (Note: federal funds appropriations are monies received from HUD. Federal funds provide for the majority of the HPHA's operations. General funds appropriations are monies received from the State Legislature to fund various State of Hawaii Homeless and Rental Assistance Programs.)

GOVERNMENTAL FUNDS

These comments refer to data on page 23.

General Fund (significant changes over previous year):

- Capital Outlays – 2008 amount of \$2,332,123 (page 23) is \$4,637,806 less than 2007 due to reduced capital spending for Homeless programs in 2008.
- Repairs & Maintenance – 2008 amount of \$3,819,107 (page 23) is \$3,070,000 more than 2007 due to expenditures for vacant unit repairs funded by the legislature in 2008.

Capital Fund:

- State Allotted Appropriations – 2008 amount of \$30,510,000 (page 23) is \$21,750,285 more than 2007 due to additional capital improvements projects appropriations, including special appropriations for elevator improvements of \$7.5 million.
- Capital Outlay – 2008 amount of \$5,471,250 (page 23) is \$3,141,465 more than 2007 due to increase in capital spending for physical improvements at Kahale Kahaluu (\$1.5 million) and conversion of large capacity cesspools at Lailani, Kealakehe, Noelani and Lokahi. (\$2.5 million).

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- Fund Balance – 2008 amount of \$35,563,181 (page 23) is \$23,861,811 more than 2007 due to capital improvements projects that are in planning and design stages.

Housing Choice Voucher:

- HUD Contributions – 2008 amount of \$21,596,567 (page 23) is \$4,696,721 more than 2007 due to increases in pro-ration of HUD base subsidies and funding for 80 new vouchers for Veterans Administration Support Housing Assistance Payment (HAP) subsidies.

PRORIETARY FUNDS

These comments refer to data on pages 25, 26, 28 and 29.

Federal Low Rent Program:

- Cash – 2008 amount of \$8,835,354 (page 25) is \$4,290,428 more than 2007 due to emergency transfers and HUD capital subsidies.
- Rental Income – 2008 amount of \$17,035,533 (page 28) is \$1,271,323 more than 2007 because of increased emphasis on evictions and collections.
- HUD Operating Subsidy – 2008 amount of \$26,037,416 (page 29) is \$527,711 less than 2007 due to “proration” (reduced percentage of funding by HUD) and deferral of draw down for operating portion of Capital fund.
- Personnel services – 2008 amount of \$14,438,637 (page 28) is \$1,448,005 more than 2007 due to implementation of Government Accounting Standards Board (GASB) 45: OPEB (Other Post Employment Benefits – medical coverage after retirement); \$1.2 million in potential expenses were allocated by the State to HPHA, subject to the actual performance of the retirement system.
- Depreciation – 2008 amount of \$9,578,594 (page 28) is \$1,410,573 more than 2007 due to full-year depreciation expense for fixed assets completed in 2007.
- Operating Transfers – 2008 amount of \$2,349,032 (page 29) is \$1,749,032 more than 2007 primarily due to legislative emergency appropriations for insurance and payroll costs.

Budgetary Analysis:

- The General Fund program revenues and expenses show a decrease to the final budget by \$3.6 million due to reductions in the Homeless facility, outreach services and housing programs. The Housing Voucher programs had an under expenditure of \$2.9 million due to reduced utilization of vouchers. The Section 8 Contract Administration program had a decrease in revenues and expenditures of \$6.0 million due to reduced HUD contributions.

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Capital Assets:

Housing Authority's Capital Assets Years ended June 30, 2008 and June 30, 2007 (In thousands of dollars)

	Governmental Activities		Business Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	
Land	\$ 2,373	\$ 2,373	\$ 22,973	\$ 22,973	\$ 25,346	\$ 25,346	0.00%
Buildings and improvements	48,061	42,784	487,642	474,327	535,703	517,111	+3.60%
Equipment	1,198	1,198	10,285	10,347	11,483	11,545	-0.54%
Construction in progress	11,642	9,629	23,755	29,733	35,397	39,362	-10.07%
Total	63,274	55,984	544,655	537,380	607,929	593,364	+2.45%
Accumulated Depreciation	(23,462)	(21,348)	(274,829)	(262,608)	(293,291)	(283,956)	+3.29%
Total Capital Assets Net	\$ 39,812	\$ 34,636	\$ 269,826	\$ 274,772	\$ 309,638	\$ 309,408	+0.07%

As of year end 2008, HPHA had net capital assets of \$309.6, approximately at the same level as year end 2007. There was an increase in the investment in buildings and improvements, before depreciation, and a slight decrease in construction in progress.

The agency has an aging plant, as can be noted in the amount of depreciation in comparison to the value of the buildings, improvements, and equipment. These capital assets are more than 50% depreciated.

Currently Known Facts, Decisions, or Conditions:

HUD increased operating funding for public housing for fiscal year 2009 by increasing the operating subsidy proration (actual funding) rate from 82% to 89% of full funding, and by adjusting the base subsidy for 2009. In addition, the HPHA's portion of the federal stimulus package approved in February 2009 will be in the neighborhood of \$16 million for federal public housing capital improvements.

The HPHA was named as a defendant in a lawsuit over living conditions at Kuhio Park Terrace calling for capital improvements such as elevators, trash chutes, fire alarms, and sewers, as well as an increase in handicap accessible units. The HPHA is working to address the issues involved with existing funds, and is seeking additional funds. The outcome of the lawsuit has not been determined at this time.

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Management Discussion and Analysis

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CONTACTING THE HPHA

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the HPHA's finances and to show the HPHA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact executive director Chad.K.Taniguchi@hawaii.gov, or call (808) 832-4694 during regular office hours, Monday through Friday, from 7:45 a.m. to 4:30 p.m., Hawaii Standard Time.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash	\$ 5,336,659	\$ 16,233,676	\$ 21,570,335
Due from State of Hawaii	45,280,030	-	45,280,030
Receivables:			
Accrued interest	-	13,938	13,938
Tenant receivables, less allowance for doubtful receivables of \$4,604,165	-	726,737	726,737
Other	300	305,297	305,597
	<u>300</u>	<u>1,045,972</u>	<u>1,046,272</u>
Internal balances	2,163,499	(2,163,499)	-
Due from other state agencies	-	726,003	726,003
Due from HUD	707,261	3,368,690	4,075,951
Inventories	-	557,741	557,741
Prepaid expenses and other assets	1,408,255	63,392	1,471,647
Deposits held in trust	-	27,165	27,165
Total current assets	<u>54,896,004</u>	<u>19,859,140</u>	<u>74,755,144</u>
Note Receivable	-	426,100	426,100
Accrued Interest	-	594,410	594,410
Restricted Deposits and Funded Reserves	-	7,917,014	7,917,014
Capital Assets, less accumulated depreciation	<u>39,812,744</u>	<u>269,825,954</u>	<u>309,638,698</u>
TOTAL ASSETS	<u>\$ 94,708,748</u>	<u>\$ 298,622,618</u>	<u>\$ 393,331,366</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS (continued)

June 30, 2008

LIABILITIES AND NET ASSETS	Governmental Activities	Business-type Activities	Total
Current Liabilities			
Accounts payable	\$ 4,208,235	\$ 4,807,671	\$ 9,015,906
Accrued expenses	732,397	3,522,468	4,254,865
Internal balances	1,686,321	(1,686,321)	-
Due to other state agencies	-	58,985	58,985
Due to State of Hawaii	-	571,402	571,402
Due to HUD	5,078	14,560	19,638
Security deposits	-	935,310	935,310
Other	-	128,006	128,006
Total current liabilities	<u>6,632,031</u>	<u>8,352,081</u>	<u>14,984,112</u>
Accrued Expenses	270,671	1,306,764	1,577,435
Mortgage and Note Payable	-	506,741	506,741
Commitments and Contingencies			
Net Assets			
Invested in capital assets, net of related debt	39,812,744	269,319,213	309,131,957
Restricted by legislation and contractual agreements	-	7,917,014	7,917,014
Unrestricted	47,993,302	11,220,805	59,214,107
Total net assets	<u>87,806,046</u>	<u>288,457,032</u>	<u>376,263,078</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 94,708,748</u></u>	<u><u>\$ 298,622,618</u></u>	<u><u>\$ 393,331,366</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities							
Homeless service and assistance program	\$ 12,834,265	\$ -	\$ 1,046,411	\$ -	\$ (11,787,854)	\$ -	\$ (11,787,854)
Rental housing and assistance program	54,887,419	-	43,327,944	-	(11,559,475)	-	(11,559,475)
Total governmental activities	67,721,684	-	44,374,355	-	(23,347,329)	-	(23,347,329)
Business-type activities							
Rental assistance program	47,508,491	17,311,003	16,801,188	9,521,427	-	(3,874,873)	(3,874,873)
Rental housing program	9,144,788	4,201,887	546,382	-	-	(4,396,519)	(4,396,519)
Others	1,055,841	426,639	56,410	-	-	(572,792)	(572,792)
Total business-type activities	57,709,120	21,939,529	17,403,980	9,521,427	-	(8,844,184)	(8,844,184)
Total government-wide	\$ 125,430,804	\$ 21,939,529	\$ 61,778,335	\$ 9,521,427	(23,347,329)	(8,844,184)	(32,191,513)
State Allotted Appropriations, net of lapses					58,682,496	-	58,682,496
Net Transfers					(8,136,190)	8,136,190	-
Total general revenues and transfers					50,546,306	8,136,190	58,682,496
Change in net assets					27,198,977	(707,994)	26,490,983
Net Assets at July 1, 2007 (As Restated)					60,607,069	289,165,026	349,772,095
Net Assets at June 30, 2008					\$ 87,806,046	\$ 288,457,032	\$ 376,263,078

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2008

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
Current Assets						
Cash	\$ -	\$ -	\$ 4,805,840	\$ 530,653	\$ 166	\$ 5,336,659
Due from State of Hawaii	8,618,758	36,661,272	-	-	-	45,280,030
Other receivables	300	-	-	-	-	300
Due from other funds	-	-	1,705,000	458,499	-	2,163,499
Due from HUD	-	-	-	406,564	300,697	707,261
Prepaid expenses and other assets	-	-	1,408,255	-	-	1,408,255
TOTAL ASSETS	\$ 8,619,058	\$ 36,661,272	\$ 7,919,095	\$ 1,395,716	\$ 300,863	\$ 54,896,004
LIABILITIES AND FUND BALANCE						
Current Liabilities						
Accounts payable	\$ 2,601,442	\$ 1,098,091	\$ 28,354	\$ 193,099	\$ 287,249	\$ 4,208,235
Accrued expenses	8,095	-	416,691	106,831	-	531,617
Due to other funds	219,634	-	1,327,463	125,776	13,448	1,686,321
Due to HUD	-	-	4,912	-	166	5,078
Total liabilities	2,829,171	1,098,091	1,777,420	425,706	300,863	6,431,251
Fund Balances - Unrestricted						
Reserved	5,789,887	35,563,181	-	-	-	41,353,068
Unreserved	-	-	6,141,675	970,010	-	7,111,685
Total fund balances	5,789,887	35,563,181	6,141,675	970,010	-	48,464,753
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,619,058	\$ 36,661,272	\$ 7,919,095	\$ 1,395,716	\$ 300,863	\$ 54,896,004

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO THE
STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds		\$	48,464,753
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	39,812,744		
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(270,671)		
Other post-retirement employee benefits are not due and payable in the current period and therefore are not reported in the funds	<u>(200,780)</u>		<u>39,341,293</u>
Net assets of governmental activities		\$	<u>87,806,046</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year ended June 30, 2008

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
Revenues						
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 21,596,567	\$ 21,320,092	\$ 1,256,476	\$ 44,173,135
State allotted appropriations, net of lapsed funds	28,172,496	30,510,000	-	-	-	58,682,496
Other	-	-	145,613	55,607	-	201,220
Total revenues	28,172,496	30,510,000	21,742,180	21,375,699	1,256,476	103,056,851
Expenditures						
Housing assistance payments	703,096	-	16,468,212	19,837,960	-	37,009,268
Homeless services	11,443,680	-	-	-	-	11,443,680
Grants	5,000,000	250,000	-	-	-	5,250,000
Personnel services	285,073	-	1,659,419	57,084	-	2,001,576
Administration	801,673	3,475	457,327	1,118,925	1,256,476	3,637,876
Professional services	68,388	-	82,153	56,060	-	206,601
Security	-	-	201	42	-	243
Repairs and maintenance	3,819,107	923,464	1,311	386	-	4,744,268
Utilities	126,196	-	-	-	-	126,196
Insurance	-	-	14,050	2,353	-	16,403
Capital outlays	2,332,123	5,471,250	-	-	-	7,803,373
Other	879,182	-	-	-	-	879,182
Total expenditures	25,458,518	6,648,189	18,682,673	21,072,810	1,256,476	73,118,666
EXCESS OF REVENUES OVER EXPENDITURES	2,713,978	23,861,811	3,059,507	302,889	-	29,938,185
Nonoperating Expenditure - Interest Expense	(7,318)	-	(55,706)	(1,726)	-	(64,750)
Other Financing Uses - Transfers (Out) In	(7,779,361)	-	116,550	38,850	-	(7,623,961)
NET CHANGE IN FUND BALANCE	(5,072,701)	23,861,811	3,120,351	340,013	-	22,249,474
Fund Balance at July 1, 2007	10,862,588	11,701,370	3,021,324	629,997	-	26,215,279
Fund Balance at June 30, 2008	\$ 5,789,887	\$ 35,563,181	\$ 6,141,675	\$ 970,010	\$ -	\$ 48,464,753

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN FUND
BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2008

Net change in fund balances - total governmental funds		\$ 22,249,474
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation during the year.	5,176,823	
Long-term compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(26,540)	
Other post-retirement employee benefits reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(200,780)</u>	<u>4,949,503</u>
Change in net assets of governmental activities		<u>\$ 27,198,977</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Assets:						
Cash	\$ 8,835,354	\$ 243,977	\$ 2,119,691	\$ 3,799,209	\$ 14,998,231	\$ 1,235,445
Receivables:						
Accrued interest	-	-	9,863	-	9,863	4,075
Tenant receivables, less allowance for doubtful accounts of \$4,604,165	582,552	29,960	3,423	110,802	726,737	-
Other	193,596	-	3,068	108,633	305,297	-
	<u>776,148</u>	<u>29,960</u>	<u>16,354</u>	<u>219,435</u>	<u>1,041,897</u>	<u>4,075</u>
Due from other funds	3,227,373	1,047,415	130,667	5,833,650	10,239,105	-
Due from other state agencies	-	-	-	726,003	726,003	-
Due from HUD	3,368,690	-	-	-	3,368,690	-
Inventories	493,174	20,745	43,822	-	557,741	-
Prepaid expenses and other assets	-	-	-	63,392	63,392	-
Deposits held in trust	-	-	-	27,165	27,165	-
	<u>16,700,739</u>	<u>1,342,097</u>	<u>2,310,534</u>	<u>10,668,854</u>	<u>31,022,224</u>	<u>1,239,520</u>
Note Receivable	-	426,100	-	-	426,100	-
Accrued Interest	-	594,410	-	-	594,410	-
Restricted Deposits and Funded Reserves	-	-	-	7,917,014	7,917,014	-
Capital Assets, less accumulated depreciation	196,170,700	12,034,813	41,230,713	20,293,959	269,730,185	95,769
	<u>\$ 212,871,439</u>	<u>\$ 14,397,420</u>	<u>\$ 43,541,247</u>	<u>\$ 38,879,827</u>	<u>\$ 309,689,933</u>	<u>\$ 1,335,289</u>
TOTAL ASSETS						

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (continued)

June 30, 2008

LIABILITIES AND NET ASSETS	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Liabilities						
Accounts payable	\$ 2,706,145	\$ 30,443	\$ 211,436	\$ 1,859,647	\$ 4,807,671	\$ -
Accrued expenses	2,712,419	147,494	80,719	581,836	3,522,468	-
Due to other funds	3,575,596	1,693	436,728	6,631,593	10,645,610	70,673
Due to other state agencies	-	-	-	58,985	58,985	-
Due to State of Hawaii	-	-	-	571,402	571,402	-
Due to HUD	-	-	-	14,560	14,560	-
Security deposits	663,800	32,977	148,509	90,024	935,310	-
Other	-	-	-	128,006	128,006	-
Total current liabilities	<u>9,657,960</u>	<u>212,607</u>	<u>877,392</u>	<u>9,936,053</u>	<u>20,684,012</u>	<u>70,673</u>
Accrued Expenses	1,225,786	56,077	24,901	-	1,306,764	-
Mortgage and Note Payables	-	-	-	506,741	506,741	-
Commitments and Contingencies						
Net Assets:						
Invested in capital assets, net of related debt	196,170,700	12,034,813	41,230,713	19,787,218	269,223,444	95,769
Restricted by legislation and contractual agreements	-	-	-	7,917,014	7,917,014	-
Unrestricted	5,816,993	2,093,923	1,408,241	732,801	10,051,958	1,168,847
Total net assets	<u>201,987,693</u>	<u>14,128,736</u>	<u>42,638,954</u>	<u>28,437,033</u>	<u>287,192,416</u>	<u>1,264,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 212,871,439</u>	<u>\$ 14,397,420</u>	<u>\$ 43,541,247</u>	<u>\$ 38,879,827</u>	<u>\$ 309,689,933</u>	<u>\$ 1,335,289</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year ended June 30, 2008

Total net assets of enterprise funds	\$ 287,192,416
Amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities	<u>1,264,616</u>
Net assets of business-type activities	<u><u>\$ 288,457,032</u></u>

The accompanying notes are an integral part of this statements.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues						
Rental	\$ 17,035,533	\$ 848,659	\$ 1,899,522	\$ 1,651,153	\$ 21,434,867	\$ -
Other	275,470	52,690	63,794	112,708	504,662	-
Total operating revenues	17,311,003	901,349	1,963,316	1,763,861	21,939,529	-
Operating Expenses						
Project	6,491,178	-	-	-	6,491,178	-
Personnel services	14,438,637	1,019,128	359,525	246,585	16,063,875	-
Depreciation	9,578,594	385,615	1,385,986	997,897	12,348,092	42,484
Administration	2,701,511	225,070	716,494	959,903	4,602,978	37,883
Provision for losses	-	71,595	11,597	-	83,192	-
Professional services	383,660	74,248	33,465	5,727	497,100	2,303
Security	1,358,439	-	655	-	1,359,094	-
Insurance	829,548	86,364	77,714	118,117	1,111,743	-
Repairs and maintenance	1,606,881	107,492	231,250	555,190	2,500,813	-
Utilities	9,731,442	569,377	989,573	419,045	11,709,437	-
Payments in lieu of taxes	-	-	-	-	-	-
Capital expenditures	388,601	-	-	-	388,601	7,421
Other	-	18,062	240,401	155,192	413,655	1,631
Total operating expenses	47,508,491	2,556,951	4,046,660	3,457,656	57,569,758	91,722
Operating loss carried forward	(30,197,488)	(1,655,602)	(2,083,344)	(1,693,795)	(35,630,229)	(91,722)

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (continued)

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating loss brought forward	(30,197,488)	(1,655,602)	(2,083,344)	(1,693,795)	(35,630,229)	(91,722)
Nonoperating Revenues (Expenses):						
Interest income	285,199	151,820	61,807	332,928	831,754	56,237
HUD operating subsidy and others	26,037,416	-	-	-	26,037,416	-
Interest expense	-	(29,341)	-	(18,299)	(47,640)	-
Net nonoperating revenues	26,322,615	122,479	61,807	314,629	26,821,530	56,237
Loss before transfers	(3,874,873)	(1,533,123)	(2,021,537)	(1,379,166)	(8,808,699)	(35,485)
Net Operating Transfers	2,349,032	5,748,308	38,850	-	8,136,190	-
CHANGE IN NET ASSETS	(1,525,841)	4,215,185	(1,982,687)	(1,379,166)	(672,509)	(35,485)
Fund Net Assets at July 1, 2007 (As Restated)	203,513,534	9,913,551	44,621,641	29,816,199	287,864,925	1,300,101
Fund Net Assets at June 30, 2008	<u>\$ 201,987,693</u>	<u>\$ 14,128,736</u>	<u>\$ 42,638,954</u>	<u>\$ 28,437,033</u>	<u>\$ 287,192,416</u>	<u>\$ 1,264,616</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN FUND
BALANCES OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2008

Net change in fund balances - total enterprise funds	\$	(672,509)
Net change in fund balances - internal service funds		<u>(35,485)</u>
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES	\$	<u><u>(707,994)</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from renters	\$ 17,107,314	\$ 807,660	\$ 1,928,584	\$ 1,643,739	\$ 21,487,297	\$ -
Cash payments to employees	(20,929,815)	(1,019,128)	(359,525)	(246,585)	(22,555,053)	-
Cash payments to suppliers	(19,335,306)	(934,982)	(1,965,315)	(2,408,112)	(24,643,715)	-
Cash receipts from (payments to) other funds	(8,505)	(5,433,390)	914,938	4,304,855	(222,102)	49,238
Other cash receipts (payments)	830,069	51,014	(177,865)	106,640	809,858	(49,238)
Net cash (used in) provided by operating activities	(22,336,243)	(6,528,826)	340,817	3,400,537	(25,123,715)	-
Cash Flows from Noncapital Financing Activities:						
Interest paid to the Department of Budget and Finance	-	(29,341)	-	(875,043)	(904,384)	-
HUD operating subsidy and others received	23,436,402	-	-	-	23,436,402	-
Cash payments to other state agencies	-	-	-	(667,018)	(667,018)	-
Operating transfers in	2,349,032	5,748,308	38,850	-	8,136,190	-
Net cash provided by (used in) noncapital financing activities	25,785,434	5,718,967	38,850	(1,542,061)	30,001,190	-
Cash Flows from Capital and Related Financing Activities:						
HUD capital subsidy received	7,145,081	-	-	-	7,145,081	-
Principal payments on mortgage loans	-	-	-	(69,260)	(69,260)	-
Payments of interest	-	-	-	(21,701)	(21,701)	-
Payments for acquisition of property and equipment	(7,145,081)	-	-	(878,557)	(8,023,638)	-
Net cash used in capital and related financing activities	-	-	-	(969,518)	(969,518)	-
Subtotal carried forward	3,449,191	(809,859)	379,667	888,958	3,907,957	-

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Subtotal brought forward	3,449,191	(809,859)	379,667	888,958	3,907,957	-
Cash Flows from Investing Activities:						
Receipts of interest	285,199	75,122	69,429	339,410	769,160	56,237
Net increase in restricted deposits and funded reserves	-	-	-	84,417	84,417	-
Net cash provided by investing activities	285,199	75,122	69,429	423,827	853,577	56,237
NET INCREASE (DECREASE) IN CASH	3,734,390	(734,737)	449,096	1,312,785	4,761,534	56,237
Cash at July 1, 2007 (as Restated)	5,100,964	978,714	1,670,595	2,486,424	10,236,697	1,179,208
Cash at June 30, 2008	<u>\$ 8,835,354</u>	<u>\$ 243,977</u>	<u>\$ 2,119,691</u>	<u>\$ 3,799,209</u>	<u>\$ 14,998,231</u>	<u>\$ 1,235,445</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:						
Reconciliation of operating loss to net cash (used in) provided by operating activities:						
Operating loss	\$ (30,197,488)	\$ (1,655,602)	\$ (2,083,344)	\$ (1,693,795)	\$ (35,630,229)	\$ (91,722)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:						
Depreciation	9,578,594	385,615	1,385,986	997,897	12,348,092	42,484
Provision for losses	817,146	71,595	11,597	-	900,338	-
Changes in assets and liabilities:						
Tenant receivables	(742,578)	(40,999)	(13,368)	(16,384)	(813,329)	-
Other receivables	554,599	16,386	(1,258)	167,089	736,816	-
Due from other funds	580,656	(754,832)	686,266	3,418,009	3,930,099	49,238
Due from HUD	-	-	-	-	-	-
Inventories	75,356	-	10,844	101,007	187,207	-
Prepaid expenses and other assets	-	-	1,707	(145)	1,562	-
Deposits held in trust	-	-	-	9,036	9,036	-
Accounts payable	(3,758,689)	(544)	-	(609,875)	(4,369,108)	-
Other accrued expenses	1,348,109	128,113	71,285	16,495	1,564,002	-
Other liabilities	-	-	-	19,143	19,143	-
Due to other funds	(589,161)	(4,678,558)	228,672	886,846	(4,152,201)	-
Due to HUD	-	-	-	-	-	-
Security deposits	(2,787)	-	42,430	(66)	39,577	-
Deferred income	-	-	-	105,280	105,280	-
Net cash (used in) provided by operating activities	<u>\$ (22,336,243)</u>	<u>\$ (6,528,826)</u>	<u>\$ 340,817</u>	<u>\$ 3,400,537</u>	<u>\$ (25,123,715)</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Private Purpose Trust</u>
ASSETS	
Cash	<u>\$ 610,715</u>
TOTAL ASSETS	<u><u>\$ 610,715</u></u>
LIABILITIES AND NET ASSETS	
Liability - Accounts Payable	\$ 118,162
Net Assets - Held in Trust	<u>492,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 610,715</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2008

	<u>Private Purpose Trust</u>
Addition - Intergovernmental Revenue	\$ -
Deductions - Capital Outlays	<u>4,037,807</u>
CHANGE IN NET ASSETS	(4,037,807)
Net Assets at July 1, 2007	<u>4,530,360</u>
Net Assets at June 30, 2008	<u><u>\$ 492,553</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies

a. General

Act 196, SLH 2005, as amended by Act 180, SLH 2006, create the Hawaii Public Housing Authority (the Authority).

The Authority's mission is to provide safe, decent and sanitary dwelling for low and moderate income residents of Hawaii and to operate its housing program in accordance with federal and state of Hawaii laws and regulations.

For financial reporting purposes, the Authority includes all funds that are controlled by or dependent on the Authority's Board of Directors. Control by or dependence on the Authority was determined on the basis of statutory authority and monies flowing through the Authority to each fund. The Authority is a component unit of the State of Hawaii.

The financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Authority's financial activities.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and the statement of activities, report information of all of the non-fiduciary activities of the Authority. Governmental activities, which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

b. Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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. The Authority does employ an indirect cost allocation system.

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

The fund financial statements are provided for governmental funds, proprietary funds and fiduciary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column. The Authority's fiduciary fund is presented in the fund financial statements. Since by definition their assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities as obligations of the government, their funds are not incorporated into the government-wide statements.

c. Measurement Focus and Basis of Accounting

i. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

ii. Governmental Fund Financial Statements

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' vested vacation and other post-retirement benefits, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to accumulated vacation and other post-retirement benefits at June 30, 2008 has been reported in the government-wide financial statements.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

iii. Proprietary Funds and Fiduciary Fund

The financial statements of proprietary funds and the fiduciary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under GASB Statement 20, Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected to not apply FASB statements after the applicable date.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Authority's enterprise funds is rental income. Federal grants are reported as nonoperating income.

d. Fund Accounting

The financial activities of the Authority are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Authority uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

GASB Statement 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

i. Governmental Funds

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds include Section 8 Housing Choice Voucher Program, Contract Administration, Shelter Plus Care, Housing Opportunities for Persons with AIDS (HOPWA) Program, Emergency Shelter Grant Program, Residential Opportunities Self-Sufficient Programs (ROSS), Supportive Housing Program, Office of Juvenile Justice and Delinquency Program and Economic Development Initiative Special Project Grant Boys and Girls Club of Hawaii.

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

The Authority reports the following major governmental funds:

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

ii. Proprietary Funds

Enterprise Funds – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

The enterprise funds include the Federal Low Rent Fund, Housing Revolving Fund, Housing for Elders Revolving Fund and other funds. The other funds include the Teacher Housing Revolving, Banyan Street Manor Project, Wilikina Apartments Project, Kekumu at Waikoloa Project, Disbursing Fund and Kuhio Park Terrace Resource Center.

Internal Service Funds – These funds account for those activities, which provide goods or services primarily to the Authority, rather than to external parties. In the government-wide statements, internal service funds are included with business-type activities. These funds include the Equipment Rental Fund and Vehicle Rental Fund.

The Authority reports the following as major proprietary funds:

Federal Low-Rent Program accounts for the proceeds from federal contributions for the development of rental property and rental income and federal operating subsidies from such properties.

Housing Revolving Fund accounts for various state multifamily housing projects located throughout the State of Hawaii.

Housing for Elders Revolving Fund accounts for various state elderly housing projects located throughout the State of Hawaii.

iii. Fiduciary Fund

The private-purpose trust fund accounts for net assets held in a trustee capacity for others.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

e. HUD Subsidized Programs

The Federal Low-Rent Program Fund operates under HUD's Annual Contribution Contract and consists of the operations of low-rent housing properties. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained and managed by the Authority. The properties are acquired, developed and modernized under HUD's comprehensive grant programs. Funding for the properties is provided by federal operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Section 8 Programs consists of the Housing Choice Voucher Program Fund and the Section 8 Contract Administration Fund. The Housing Choice Voucher Program Fund provides rental housing assistance subsidies to qualified participants. The purpose of the program is to assist low-income families, the elderly and the disabled to afford decent, safe and sanitary housing in the private market. Federal housing assistance is provided on behalf of the family or individuals and is paid directly to the landlord directly by the Authority. The family or individual is responsible for finding a suitable housing unit in which the landlord agrees to rent under the program. The Section 8 Contract Administration Fund administers non-Authority owned housing units used for low-income housing. HUD provides a contracted dollar amount to the Authority, which is used to provide rental payment assistance to landlords.

f. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. Capital assets are defined by the Authority as land and those assets with estimated useful lives greater than one year and with an acquisition cost greater than:

Land improvements	\$ 100,000
Building and building improvements	\$ 100,000
Equipment	\$ 5,000

Purchased and constructed capital assets are valued at cost. Donated assets are recorded at their fair market value at the date of donation.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

f. Capital Assets (continued)

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

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

g. Cash and Cash Equivalents

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

h. Inventories

In the governmental funds, the cost of inventories is recorded as an expenditure when consumed.

i. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

j. HUD Annual Contributions

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

k. Vacation

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately \$522,000.

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

<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>
<u>\$2,084,000</u>	<u>\$926,000</u>	<u>\$911,000</u>	<u>\$2,099,000</u>

l. Allocated Costs

The Authority provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of benefits provided to the funds.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

m. Reservations of Fund Balances

The general and capital projects fund balances are reserved for continuing appropriations, which are comprised of encumbrances and unencumbered allotment balances. Encumbrances represent outstanding commitments, which generally are liquidated in the subsequent fiscal year.

Unencumbered allotment balances represent amounts that have been released and made available for encumbrance or expenditure and are legally segregated for a specific future use.

n. 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.

o. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America (U.S. 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. Actual results could differ from those estimates.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

2. Restatement

During the current year, the Authority restated net assets as of June 30, 2007 to correct certain Federal Low Rent Program balances as follows:

	<u>Business-Type Activities</u>
Net assets as of June 30, 2007, as previously reported	\$ 287,797,419
Additions of:	
Capital assets erroneously expensed	578,905
Unrecorded state allotted appropriations	556,038
Accrued litigation settlement	530,080
Less:	
Accrued expenses	<u>(297,416)</u>
Net Assets as of June 30, 2007, as restated	<u><u>\$ 289,165,026</u></u>

3. Budgeting and Budgetary Control

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

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

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

A comparison of both the original budget and the final budget to the actual revenues and expenditures of the general and certain special revenue funds are presented in the accompanying Required Supplementary Information – Budgetary Comparison Schedule. Differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with generally accepted accounting principles (GAAP) are mainly due to revenues and expenditures of unbudgeted funds and the different methods used to recognize resource uses. For budgeting purposes, resource uses are recognized when cash disbursements are made or funds are encumbered.

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

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2008 is set forth in the Required Supplementary Information.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

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

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

At June 30, 2008, total cash reported in the Statement of Net Assets is \$21,597,500, which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 7,503,466	\$ 7,503,466
Cash in bank (book balance)	<u>5,336,659</u>	<u>8,730,210</u>	<u>14,066,869</u>
	5,336,659	16,233,676	21,570,335
Deposits held in trust	<u>-</u>	<u>27,165</u>	<u>27,165</u>
Total Cash	<u>\$ 5,336,659</u>	<u>\$ 16,260,841</u>	<u>\$ 21,597,500</u>

Bank balance of cash in bank was approximately \$17,122,000, of which \$400,000 was covered by federal depository insurance and \$16,722,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

5. Note Receivable

The note receivable consists of a \$426,100 uncollateralized promissory note receivable from a developer bearing interest at 9%. On January 1, 2010, the Authority has the option to acquire certain improvements constructed by the developer. If the Authority does not exercise the option, the entire principal balance and accrued interest as of January 1, 2010 shall be paid over a period of 15 years in monthly installments necessary to fully amortize the outstanding amount of this note.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

6. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	9,628,802	5,791,144	(3,777,816)	11,642,130
Total capital assets not being depreciated	12,002,212	5,791,144	(3,777,816)	14,015,540
Capital assets, being depreciated:				
Building and improvements	42,783,626	5,277,816	-	48,061,442
Equipment	1,197,769	-	-	1,197,769
Total capital assets being depreciated	43,981,395	5,277,816	-	49,259,211
Less accumulated depreciation for:				
Building and improvements	20,245,045	2,097,980	-	22,343,025
Equipment	1,102,641	16,341	-	1,118,982
Total accumulated depreciation	21,347,686	2,114,321	-	23,462,007
Governmental activities, net	<u>\$ 34,635,921</u>	<u>\$ 8,954,639</u>	<u>\$ (3,777,816)</u>	<u>\$ 39,812,744</u>
	(As Restated)			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 22,972,800	\$ -	\$ -	\$ 22,972,800
Construction in progress	29,732,927	6,507,357	(12,484,876)	23,755,408
Total capital assets not being depreciated	52,705,727	6,507,357	(12,484,876)	46,728,208
Capital assets being depreciated:				
Building and improvements	474,327,830	13,314,399	-	487,642,229
Equipment	10,346,735	107,854	(169,968)	10,284,621
Total capital assets being depreciated	484,674,565	13,422,253	(169,968)	497,926,850
Less accumulated depreciation for:				
Building and improvements	253,537,389	12,056,366	(169,968)	265,423,787
Equipment	9,071,107	334,210	-	9,405,317
Total accumulated depreciation	262,608,496	12,390,576	(169,968)	274,829,104
Business-type activities capital assets, net	<u>\$ 274,771,796</u>	<u>\$ 7,539,034</u>	<u>\$ (12,484,876)</u>	<u>\$ 269,825,954</u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

6. Capital Assets (continued)

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

Governmental Activities	
Homeless Service and Assistance Program	\$ 83,007
Rental Housing and Assistance Program	<u>2,031,314</u>
Total depreciation expense – governmental activities	<u>2,114,321</u>
Business-Type Activities	
Federal Low Rent Program	9,578,594
Housing Revolving Fund	385,615
Housing for Elders Revolving Fund	1,385,986
Others	<u>1,040,381</u>
Total depreciation expense – business-type activities	<u>12,390,576</u>
Total depreciation expense	<u><u>\$ 14,504,897</u></u>

At June 30, 2008, capital assets for the proprietary funds consisted of the following:

	Proprietary Fund Type						Total
	Enterprise Funds			Internal Service			
	Federal Low-Rent Fund	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Funds	Equipment Rental	Vehicle Rental	
Land	\$ 13,093,629	\$ 2,252,881	\$ 6,104,817	\$ 1,521,473	\$ -	\$ -	\$ 22,972,800
Buildings and Improvements	386,354,704	18,733,288	54,945,545	27,608,692	-	-	487,642,229
Equipment, furniture and fixtures	6,932,156	252,521	208,356	865,277	1,517,824	508,487	10,284,621
Construction in Progress	<u>23,755,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,755,408</u>
Less accumulated Depreciation	<u>233,965,197</u>	<u>9,203,877</u>	<u>20,028,005</u>	<u>9,701,483</u>	<u>1,506,370</u>	<u>424,172</u>	<u>274,829,104</u>
Net property and Equipment	<u><u>\$ 196,170,700</u></u>	<u><u>\$ 12,034,813</u></u>	<u><u>\$ 41,230,713</u></u>	<u><u>\$ 20,293,959</u></u>	<u><u>\$ 11,454</u></u>	<u><u>\$ 84,315</u></u>	<u><u>\$269,825,954</u></u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

7. Mortgage and Note Payable

The Banyan Street Manor Project entered into a mortgage note agreement in October 1976 in the amount of \$1,727,800 with USGI, Inc. (insured by HUD). On September 1, 1996, Greystone Servicing Authority, Inc. (GSCI) became the new servicing agent and mortgagee. The mortgage loan bears interest at 7.5 percent and is collateralized by the rental property. Principal and interest are payable in monthly installments of \$11,370, maturing January 1, 2018. At June 30, 2008, the mortgage payable balance was \$335,414. During the current year principal payments of approximately \$70,000 were paid.

The note payable amounting to \$171,327 is an unsecured promissory note payable to an individual (the former owner of Banyan Street). The entire principal balance plus accrued interest, which accrues at the same rate as the residual receipt funds held by GSCI, Inc. (approximately 1.0 percent for the year ended June 30, 2008), is due within 45 days of full payment of the 7.5 percent GSCI, Inc. mortgage note collateralized by HUD which matures on January 1, 2018.

8. Leases

a. Lease Commitments

The Authority leases land under noncancellable operating lease expiring at 2028. The land lease for the Banyan Street Manor Project contains the option to purchase the fee-simple interest in the land at any time for a specified percentage of fair market value at the time of purchase.

The minimum rental commitment under an operating lease for Ke Kumu at Waikoloa Project is \$92,000 for 2009. Related rental expense for the year ended June 30, 2008 totaled approximately \$185,000.

9. Commitments and Contingencies

a. Construction Contracts

At June 30, 2008, the Federal Low Rent Program fund had outstanding commitments to expend approximately \$6,867,000 for the construction and renovation of housing projects.

The General Fund, Capital Projects Fund and the Fiduciary Fund had outstanding construction contract commitments of approximately \$66,000, \$9,323,000 and \$608,000, respectively at June 30, 2008.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

9. Commitments and Contingencies (continued)

b. Torts

The Authority is involved in various actions, the outcome of which, in the opinion of management and the Attorney General, will not have a material adverse effect on the Authority's financial position except for the OHA lawsuit described below. Losses, if any, are either covered by insurance or will be a liability against the State of Hawaii.

c. Workers' Compensation Policy

The Authority has a retrospectively rated workers' compensation insurance policy. Based on available claim experience information, the minimum premium accrued for financial statement reporting purposes approximates the Authority's ultimate workers' compensation cost.

d. Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii (ERS). Accumulated sick leave at June 30, 2008 amounted to approximately \$5,058,000.

e. Deferred Compensation Plan

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit)

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation (continued)

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit) (continued)

On January 14, 1994, OHA filed suit against the State alleging that the State failed to properly account for and fully pay the pro rata share of proceeds and income derived from the lands of public trust established by the Admission Act and the 1978 amendments to the State Constitution. OHA seeks an accounting of all proceeds and income, funds and revenues derived from the lands since 1978, and restitution or damages amounting to 20 percent of the proceeds and income derived from (a) the lands since November 7, 1978, (b) the lands since June 16, 1980, and (c) the lands under Act 304, Session Laws of Hawaii 1990, as well as interest thereon. The State has denied all of OHA's substantive allegations, and asserted its sovereign immunity from suit and other jurisdictional and claim-barring defenses.

In May 1996, OHA filed four motions for partial summary judgment as to the State's liability to pay OHA 20 percent of monies from four specific sources, including rental housing projects of the Authority situated on public trust lands. The State opposed those four motions. The State also filed a motion to dismiss on sovereign immunity grounds.

On October 24, 1996, the Circuit Court of the First Circuit of the State of Hawaii (First Circuit Court) denied the State's motion to dismiss and granted OHA's four motions for partial summary judgment. The State has filed an interlocutory appeal to the Hawaii Supreme Court from both orders. All other proceedings have been stayed pending the Hawaii Supreme Court's disposition of the appeal.

OHA's complaint and motions do not specify the State's alleged failures, nor do they state the dollar amount of the claims. The First Circuit Court's October 24, 1996 order granting OHA's motions for partial summary judgment did not determine the amounts owing. The basis and methodology for calculating any such amount are being disputed. OHA has not provided complete information for its claims for the period from 1981 through 1991, and has provided no information as to its claims for the period from 1991 to the present. The expert witness retained by OHA in this case has estimated that the State's potential liability for the four sources specified in OHA's summary judgment motions for the years 1981 through 1991 (but not thereafter) to be not less than \$178,000,000, of which approximately \$9,200,000 is related to gross rental income derived by the Authority.

On June 30, 1997, the Governor approved Act 329, Session Laws of Hawaii, 1997. The purpose of this Act was to achieve a comprehensive, just and lasting resolution of all controversies relating to the proper management and disposition of the lands subject to public

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation (continued)

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

trust, and of the proceeds and income, which the lands generate. The Act also fixes the amount of proceeds and income OHA will receive during the two-year period at \$15.1 million per year, and requires the completion, continued maintenance, and use of a comprehensive inventory of the public trust lands.

On September 12, 2001 the Hawaii Supreme Court concluded by holding that Act 304 was effectively repealed by its own terms, and that there was no judicial management standard, by which to determine whether OHA was entitled to the revenues it sought because the repeal of Act 304 revived the law which the court in Yamasaki had previously concluded was insufficiently clear to establish how much OHA was entitled to receive. The Supreme Court dismissed this case for lack of justiciability. Immediately thereafter, agencies ceased paying OHA any receipts from the ceded lands.

The Legislature took no action during the 2002 and 2003 legislative sessions to establish a new mechanism for establishing how much OHA was to receive. On January 23, 2003, and pending legislative action to establish such a mechanism, the Governor issued Executive Order No. 03-03 directing state agencies to resume transferring receipts from the ceded lands to OHA. During the 2003 legislative session, the Legislature appropriated moneys from the various funds into which the ceded lands receipts had been deposited and directed the agencies to pay them to OHA. During the 2004 legislative session, the Legislature did not appropriate any moneys from the various funds. OHA continues to pursue its claims for a portion of the revenues from the ceded lands.

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

On July 27, 1995, OHA filed suit against the Hawaii Housing Authority and the State Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of ceded lands, which were transferred to the Authority for rental housing projects. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in the State's appeal.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation (continued)

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

The State's potential liability, if any, therefore, may be determined either (1) by the ruling by the Hawaii Supreme Court on the State's interlocutory appeal and, if such ruling is adverse to the State, the conclusion of any subsequent trial and related appeals, or (2) by legislation enacted as a result of the process set out in Act 329. Given all of the above, and the uncertain timing of any final disposition of the case, the State is not able to predict either the ultimate outcome of the case, or the magnitude of its potential liability, if any, with any reasonable certainty. A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the State's financial condition.

A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the Authority's financial condition if an adverse resolution or decision against the State includes liability for gross rental income derived by the Authority from rental housing projects situated on lands in the public trust and the liability is imposed upon the Authority.

However, the ultimate outcome of the litigation and its effect on the Authority, if any, cannot be determined. Accordingly, no estimate of loss has been made in the accompanying statement of net assets of the Authority.

g. Memorandum of Agreement with HUD

In accordance with the provisions of its Low Rent Public Housing Annual Contribution Contract with HUD, if the Authority's performance evaluation results in a designation as a "troubled" public housing agency, as defined by the provisions of Public Housing Assessment System (PHAS) as codified at 24 CFR Part 902, the Authority must enter into a binding contractual agreement designated as a Memorandum of Agreement (MOA) with HUD for the purpose of improving its performance.

On September 30, 2004, the Authority and HUD entered into an MOA, thereby requiring the Authority to comply with certain terms and conditions, including but not limited to meeting certain performance targets, implementing prescribed strategies, and meeting certain timelines for improvement, including written progress reports.

On November 22, 2005, HUD removed the "troubled" agency status noting that the Authority made significant progress in achieving the targets and strategies under the MOA. The Authority received a PHAS score of 73 points out of 100 points.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

10. Retirement Plan

a. Plan Description

All eligible employees of the State and Counties are required by Chapter 88 of the Hawaii Revised Statutes to become members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. The ERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for ERS. That report may be obtained from ERS.

The ERS consists of a contributory plan and a noncontributory plan. Employees covered by Social Security on June 30, 1984 were given the option of joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984, who are covered by Social Security, are generally required to join the noncontributory plan. Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service excluding the vacation payment. All benefits vest after five and ten years of credited service for the contributory and noncontributory plans, respectively. All contributions, benefits and eligibility requirements are governed by Chapter 88.

b. Funding Policy

Most covered employees of the contributory plan are required to contribute 7.8 percent of their salary. Police officers, firefighters, investigators of the department of the prosecuting attorney and the attorney general, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2 percent of their salary. The actuarial cost or funding method used to calculate the total employer contribution required is the entry age normal actuarial cost method. Under this method, the total employer contributions to the ERS is comprised of normal cost plus level annual payments required to amortize the unfunded actuarial accrued liability over the closed period ending June 30, 2029.

The Authority's contribution was approximately \$1,589,000 for the year ended June 30, 2008.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

11. Other Post Retirement Employee Benefits

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

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

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

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

The Authority contributed approximately \$775,000, \$813,000 and \$990,000 for the fiscal years 2008, 2007 and 2006, respectively.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

11. Other Post Retirement Employee Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

It is the State's policy that measurement of the actuarial valuation and the annual required contribution (ARC) are made for the state as a whole and are not separately computed for the individual state departments and agencies such as the Authority. The state allocates the ARC to the various departments and agencies based upon a systematic methodology. The Authority's contribution for the year ended June 30, 2008 was \$990,465, which represented 36% of the Corporation's share of the ARC for postretirement healthcare and life insurance benefits of \$2,755,421.

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2008:

Balance at June 30, 2007	\$ -
Additions	2,755,421
Deletions	<u>(990,465)</u>
Balance at June 30, 2008	<u>\$ 1,764,956</u>

The State's CAFR includes the required footnote disclosure and required supplementary information on the State's post-retirement health care and life insurance benefit plans.

12. Related Party Transactions

The Housing Voucher Programs provide rent subsidies to certain lessees of the Hawaii Housing Finance Development Corporation's (HFDC) various projects. Total rent subsidies provided to lessees of the HFDC's various projects approximated \$369,000 during the year ended June 30, 2008. Also, HFDC's Rental Assistance Program provides rent subsidies to certain lessees of the Authority's various projects, which amounted to approximately \$20,000. These amounts have been recorded by the Authority as rental income in the Kekumu at Waikoloa Project.

Also, the Authority has a receivable due from HFDC for property insurance expense for approximately \$280,000 as of June 30, 2008.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

13. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008 is as follows:

Due from	Housing Voucher Program	Section 8	Federal Low Rent Program	Housing Revolving Fund	Housing For Elders Revolving Fund	Nonmajor – Proprietary
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,634
Housing Choice Voucher Program	-	-	718	-	-	1,326,745
Section 8 Contract Administration	-	-	797	-	-	124,979
Federal Low-Rent Program	-	-	-	-	-	3,575,596
Housing Revolving Fund	-	-	1,693	-	-	-
Housing for Elders Revolving Fund	-	-	-	-	-	436,728
Internal Services	-	-	-	-	-	70,673
Nonmajor – Proprietary	1,705,000	458,499	3,224,165	1,047,415	130,667	65,847
Nonmajor – Government	-	-	-	-	-	13,448
Total	<u>\$ 1,705,000</u>	<u>\$ 458,499</u>	<u>\$ 3,227,373</u>	<u>\$ 1,047,415</u>	<u>\$ 130,667</u>	<u>\$ 5,833,650</u>

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

14. Operating Transfers

In accordance with Act 43 SLH 2008 and Act 213 SLH 2007, the State of Hawaii released emergency appropriations in the amounts of approximately \$3,068,000 and \$5,180,000, respectively, to the Authority. Approximately, \$7,779,000 of the emergency appropriations was transferred from the General Fund to respective proprietary and special revenue funds to pay for rental housing service shortfalls.

In addition, approximately \$512,000 of Capital Projects fund was expended for the benefit of certain properties under the Federal Low Rent Fund and has been reflected in the financial statements as operating transfers.

15. Subsequent Events

Subsequent to year-end, the Authority was named as a defendant in a lawsuit regarding the living conditions at Kuhio Park Terrace. The lawsuit is in its discovery stage as such its outcome is not determinable.

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

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2008

	General Fund		
	Original budget	Final budget	Budgetary Actual
Revenues -			
State allotted appropriations	\$ 29,203,816	\$ 31,771,771	\$ 28,172,496
Expenditures:			
Homeless service and assistance program	17,776,608	17,276,608	13,988,904
Rental housing and assistance program	11,427,208	11,427,208	11,115,637
Emergency Appropriation	-	3,067,955	3,067,955
REVENUES EQUALS			
EXPENDITURES	\$ -	\$ -	\$ -
	Housing Voucher Program		
	Original budget	Final budget	Budgetary Actual
Revenues -			
HUD contributions	\$ 20,327,896	\$ 21,323,703	\$ 21,596,567
Expenditures -			
Rental housing and assistance program	20,327,896	21,323,703	18,682,673
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 2,913,894

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS (continued)

Year ended June 30, 2008

	<u>Section 8 Contract Administration</u>		
	<u>Original budget</u>	<u>Final budget</u>	<u>Budgetary Actual</u>
Revenues			
HUD contributions	<u>\$ 27,374,925</u>	<u>\$ 25,797,618</u>	<u>\$ 21,320,092</u>
Expenditures			
Rental housing and assistance program	<u>27,374,925</u>	<u>25,797,618</u>	<u>21,072,810</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 247,282</u></u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2008

	<u>General Fund</u>	<u>Housing Voucher Program</u>	<u>Section 8 Contract Administration</u>
Excess of revenues over expenditures and other sources and uses - actual on budgetary basis	\$ -	\$ 2,913,894	\$ 247,282
Reserve for encumbrance at year end*	5,789,887	-	-
Expenditures for liquidation of prior year's encumbrances	(11,863,015)	-	-
Reversion of prior year's allotments	(105,079)	-	-
Accrual adjustments and other	<u>1,105,506</u>	<u>206,457</u>	<u>92,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES - US GAAP BASIS	<u><u>\$ (5,072,701)</u></u>	<u><u>\$ 3,120,351</u></u>	<u><u>\$ 340,013</u></u>

* Amount reflects the encumbrance balance included in continuing appropriation.

See accompanying independent auditor's report.

Supplementary Information

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2008

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>		
Section 8 Project-Based Cluster:		
Section 8 Housing Assistance Payments - Special Allocations	14.195	\$ 21,320,092
Emergency Shelter Grants Program	14.231	302,100
Supportive Housing Program	14.181	89,537
Shelter Plus Care	14.238	574,485
Housing Opportunities for Persons with AIDS Program	14.241	157,518
Public and Indian Housing	14.850	16,515,989
Section 8 Housing Choice Vouchers Program	14.871	21,596,567
Public Housing Capital Fund	14.872	9,521,427
Resident Opportunity & Self Sufficiency	14.870	29,628
Community Development Block Grants/Economic Development Initiative	14.246	<u>90,900</u>
TOTAL FEDERAL EXPENDITURES		<u><u>\$ 70,198,243</u></u>

The accompanying note is an integral part of this schedule.

Hawaii Public Housing Authority

Note to the Schedule of Expenditures of Federal Awards
Year ended June 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Hawaii Public Housing Authority, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Hawaii Public Housing Authority

SCHEDULE OF MODERNIZATION FUNDS AND MODERNIZATION COSTS
FOR PROJECTS HI-08-P001-150104, HI-08-P001-150105 and HI-08-URD001-D101

Year ended June 30, 2008

	Grant No. HI-08-P001-150104	Grant No. HI-08-P001-150105	Grant No. HI-08-URD001-D101
Original modernization funds approved	\$ 13,103,524	\$ 13,019,859	\$ 135,000
Modernization funds disbursed	\$ 13,103,524	\$ 13,019,859	\$ 135,000
Modernization funds expended (actual modernization cost)	\$ 13,103,524	\$ 13,019,859	\$ 135,000
Amounts to be recaptured	\$ -	\$ -	\$ -
EXCESS OF MODERNIZATION FUNDS DISBURSED	\$ -	\$ -	\$ -

Notes:

1. All modernization work in connection with the modernization grant has been completed.
2. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
3. There are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.
4. The time in which such liens could be filed has expired.

Hawaii Public Housing Authority

FDS Supplemental Schedule
June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
Balance Sheet							
111	Cash-unrestricted	\$ 6,163,156	\$ 8,473,832	\$ 2,672,198	\$ 17,309,186	\$ -	\$ 17,309,186
112	Cash-restricted-modernization and development	-	-	-	-	-	-
113	Cash-other restricted	-	12,543,172	-	12,543,172	-	12,543,172
114	Cash-tenant security deposits	-	272,871	-	272,871	-	272,871
115	Cash - Restricted for payment of current liability	-	-	-	-	-	-
100	Total Cash	6,163,156	21,289,875	2,672,198	30,125,229	-	30,125,229
121	Accounts receivable - PHA projects	-	-	-	-	-	-
122-010	Accounts receivable - HUD other projects - Operating Subsidy	-	-	-	-	-	-
122-020	Accounts receivable - HUD other projects - Capital fund	2,182,436	-	-	2,182,436	-	2,182,436
122-030	Accounts receivable - HUD other projects - Other	1,293,172	-	-	1,293,172	-	1,293,172
122	Accounts receivable - HUD other projects	3,475,608	818,962	-	4,294,570	-	4,294,570
124	Account receivable - other government	-	46,006,033	-	46,006,033	-	46,006,033
125-010	Account receivable - miscellaneous - Not For Profit	-	-	-	-	-	-
125-020	Account receivable - miscellaneous - Partnership	-	-	-	-	-	-
125-030	Account receivable - miscellaneous - Joint Venture	-	-	-	-	-	-
125-040	Account receivable - miscellaneous - Tax Credit	-	-	-	-	-	-
125-050	Account receivable - miscellaneous - Other	193,596	-	-	193,596	-	193,596
125-060	Other - Comment	-	-	-	-	-	-
125	Account receivable - miscellaneous	193,596	300	-	193,896	-	193,896
126	Accounts receivable - tenants	4,141,887	1,189,015	-	5,330,902	-	5,330,902
126.1	Allowance for doubtful accounts - tenants	-	(1,044,830)	-	(1,044,830)	-	(1,044,830)
126.2	Allowance for doubtful accounts - other	(3,559,335)	-	-	(3,559,335)	-	(3,559,335)
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-
129	Accrued interest receivable	-	608,348	-	608,348	-	608,348
120	Total receivables, net of allowance for doubtful accounts	4,251,756	47,577,828	-	51,829,584	-	51,829,584
131	Investments - unrestricted	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-
142	Prepaid expenses and other assets	-	1,471,647	-	1,471,647	-	1,471,647
143	Inventories	493,174	65,254	-	558,428	-	558,428
143.1	Allowance for obsolete inventories	-	(687)	-	(687)	-	(687)
144	Inter program - due from	-	9,175,231	3,227,373	12,402,604	-	12,402,604
145	Assets held for sale	-	-	-	-	-	-
150	Total Current Assets	10,908,086	79,579,148	5,899,571	96,386,805	-	96,386,805
161	Land	13,093,628	12,351,890	-	25,445,518	-	25,445,518
162	Buildings	386,311,847	148,942,395	42,857	535,297,099	-	535,297,099
163	Furniture, equipment and machinery - dwellings	5,022,928	2,334,331	-	7,357,259	-	7,357,259
164	Furniture, equipment and machinery - administration	1,843,671	2,523,166	65,558	4,432,395	-	4,432,395
165	Leasehold improvements	-	-	-	-	-	-
166	Accumulated depreciation	(233,945,516)	(64,325,914)	(19,681)	(298,291,111)	-	(298,291,111)
167	Construction in progress	23,755,408	11,642,130	-	35,397,538	-	35,397,538
168	Infrastructure	-	-	-	-	-	-
160	Total capital assets, net of accumulated depreciation	196,081,966	113,467,998	88,734	309,638,698	-	309,638,698
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	-	-	-	-	-	-
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	-	-	-	-	-	-
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	-	-	-	-	-	-
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	-	-	-	-	-	-
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	-	426,100	-	426,100	-	426,100
171-060	Other - Comment	-	-	-	-	-	-
171	Notes, Loans, & mortgages receivable - Non-current	-	426,100	-	426,100	-	426,100
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	-	-	-	-	-	-
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	-	-	-	-	-	-
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	-	-	-	-	-	-
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	-	-	-	-	-	-
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	-	-	-	-	-	-
172-060	Other - Comment	-	-	-	-	-	-
172	Notes, Loans, & mortgages receivable - Non-current - past due	-	-	-	-	-	-
173	Grants receivable - Non-current	-	-	-	-	-	-
174-010	Other assets - Not For Profit	-	-	-	-	-	-
174-020	Other assets - Partnership	-	-	-	-	-	-
174-030	Other assets - Joint Venture	-	-	-	-	-	-
174-040	Other assets - Tax Credit	-	-	-	-	-	-
174-050	Other assets - Other	-	-	-	-	-	-
174-060	Other - Comment	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-
176-010	Investment in Joint venture - Not For Profit	-	-	-	-	-	-
176-020	Investment in Joint venture - Partnership	-	-	-	-	-	-
176-030	Investment in Joint venture - Joint Venture	-	-	-	-	-	-
176-040	Investment in Joint venture - Tax Credit	-	-	-	-	-	-
176-050	Investment in Joint venture - Other	-	-	-	-	-	-
176-060	Other - Comment	-	-	-	-	-	-
176	Investment in joint venture	-	-	-	-	-	-
180	Total Non-current Assets	196,081,966	113,894,098	88,734	310,064,798	-	310,064,798
190	Total Assets	\$ 206,990,052	\$ 193,473,246	\$ 5,988,305	\$ 406,451,603	\$ -	\$ 406,451,603
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	2,210,686	6,480,646	495,466	9,186,798	-	9,186,798
313	Accounts payable > 90 days past due	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	118,395	-	118,395	-	118,395
322	Accrued compensated absences - current portion	-	35,690	-	35,690	-	35,690
324	Accrued contingency liability	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	-	-	-	-	-	-
331-020	Accounts payable - HUD PHA Programs - Capital fund	-	-	-	-	-	-
331-030	Accounts payable - HUD PHA Programs - Other	106,918	-	-	106,918	-	106,918
331	Accounts payable - HUD PHA Programs	106,918	19,638	-	126,556	-	126,556
332	Accounts payable - PHA Projects	-	-	-	-	-	-
333	Accounts payable - other government	-	630,388	-	630,388	-	630,388
341	Tenant security deposits	663,800	272,871	-	936,671	-	936,671
342-010	Deferred revenue - Operating Subsidy	-	-	-	-	-	-
342-020	Deferred revenue - Capital fund	-	-	-	-	-	-
342-030	Deferred revenue - Other	-	-	-	-	-	-

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Line Item No.	Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
342	Deferred revenue	-	140,814	-	140,814	-	140,814
343-010	CFFP	-	-	-	-	-	-
343-020	Capital Projects/ Mortgage Revenue	-	-	-	-	-	-
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-
345	Other current liabilities	-	5,657	-	5,657	-	5,657
346	Accrued liabilities - other	1,225,783	640,844	1,486,635	3,353,262	-	3,353,262
347	Inter program - due to	3,575,597	8,827,007	-	12,402,604	(12,402,604)	-
348-010	Loan liability - current - Not For Profit	-	-	-	-	-	-
348-020	Loan liability - current - Partnership	-	-	-	-	-	-
348-030	Loan liability - current - Joint Venture	-	-	-	-	-	-
348-040	Loan liability - current - Tax Credit	-	-	-	-	-	-
348-050	Loan liability - current - Other	-	-	-	-	-	-
348-060	Other - Comment	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	-
310	Total Current Liabilities	7,782,784	17,171,950	1,982,101	26,936,835	(12,402,604)	14,534,231
351-010	Long-term debt - CFFP	-	-	-	-	-	-
351-020	Long-term - Capital Projects/ Mortgage Revenue	-	-	-	-	-	-
351	Capital Projects/ Mortgage Revenue Bonds	-	506,741	-	506,741	-	506,741
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-
353	Non-current liabilities - other	-	474,188	-	474,188	-	474,188
354	Accrued compensated absences- Non-current	-	552,429	-	552,429	-	552,429
355-010	Loan liability - Non-current - Not For Profit	-	-	-	-	-	-
355-020	Loan liability - Non-current - Partnership	-	-	-	-	-	-
355-030	Loan liability - Non-current - Joint Venture	-	-	-	-	-	-
355-040	Loan liability - Non-current - Tax Credit	-	-	-	-	-	-
355-050	Loan liability - Non-current - Other	-	-	-	-	-	-
355-060	Other - Comment	-	-	-	-	-	-
355	Loan liability - Non-current	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-
357	Accrued Pension and OPEB Liability	-	-	1,225,786	1,225,786	-	1,225,786
350	Total Non-current liabilities	-	1,533,358	1,225,786	2,759,144	-	2,759,144
300	Total Liabilities	7,782,784	18,705,308	3,207,887	29,695,979	(12,402,604)	17,293,375
508.1	Invested in capital assets, net of related debt	196,081,966	112,961,257	88,734	309,131,957	-	309,131,957
511.1	Restricted Net Assets	-	12,192,197	-	12,192,197	-	12,192,197
512.1	Unrestricted Net Assets	3,125,302	49,614,484	2,691,684	55,431,470	-	55,431,470
513	Total Equity/Net Assets	199,207,268	174,767,938	2,780,418	376,755,624	-	376,755,624
600	Total Liabilities and Equity/Net assets	\$ 206,990,052	\$ 193,473,246	\$ 5,988,305	\$ 406,451,603	\$ (12,402,604)	\$ 394,048,999
Income Statement							
70300	Net tenant rental revenue	\$ 17,035,531	\$ 4,094,092	\$ -	\$ 21,129,623	\$ -	\$ 21,129,623
70400	Tenant revenue - other	-	73,114	-	73,114	-	73,114
70500	Total Tenant Revenue	17,035,531	4,167,206	-	21,202,737	-	21,202,737
70600-010	Housing assistance payments	-	19,285,502	-	19,285,502	-	19,285,502
70600-020	Ongoing administrative fees earned	-	2,191,798	-	2,191,798	-	2,191,798
70600-030	Hard to house fee revenue	-	-	-	-	-	-
70600-031	FSS Coordinator	-	119,267	-	119,267	-	119,267
70600-040	Actual independent public accountant audit costs	-	-	-	-	-	-
70600-050	Total preliminary fees earned	-	-	-	-	-	-
70600-060	All other fees	-	-	-	-	-	-
70600-070	Admin fee calculation description	-	-	-	-	-	-
70600	HUD PHA operating grants	20,042,288	44,160,827	-	64,203,115	-	64,203,115
70610	Capital grants	5,995,128	-	-	5,995,128	-	5,995,128
70710	Management Fee	-	-	4,351,183	4,351,183	(4,351,183)	-
70720	Asset Management Fee	-	-	567,550	567,550	(567,550)	-
70730	Book-Keeping Fee	-	-	425,663	425,663	(425,663)	-
70740	Front Line Service Fee	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-
70700	Total Fee Revenue	-	-	5,344,396	5,344,396	(5,344,396)	-
70800	Other government grants	-	58,987,739	-	58,987,739	-	58,987,739
71100-010	Housing Assistance Payment	-	-	-	-	-	-
71100-020	Administrative Fee	-	4,769	-	4,769	-	4,769
71100	Investment income - unrestricted	285,198	666,606	-	951,804	-	951,804
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-
71400-010	Housing Assistance Payment	-	-	-	-	-	-
71400-020	Administrative Fee	-	-	-	-	-	-
71400	Fraud recovery	-	-	-	-	-	-
71500	Other revenue	275,473	168,893	-	444,366	-	444,366
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-
72000-010	Housing Assistance Payment	-	4,422	-	4,422	-	4,422
72000-020	Administrative Fee	-	-	-	-	-	-
72000	Investment income - restricted	-	4,422	-	4,422	-	4,422
70000	Total Revenue	\$ 43,633,618	\$ 108,155,693	\$ 5,344,396	\$ 157,133,707	\$ (5,344,396)	\$ 151,789,311
91100	Administrative salaries	\$ 4,228,054	\$ 3,905,557	\$ 2,533,665	\$ 10,667,276	\$ -	\$ 10,667,276
91200	Auditing fees	146,256	184,674	-	330,930	-	330,930
91300	Management Fee	6,910,061	300,283	-	7,210,344	(4,351,183)	2,859,161
91310	Book-Keeping Fee	425,663	-	-	425,663	(425,663)	-
91400	Advertising and Marketing	22,098	-	17,340	39,438	-	39,438
91500	Employee benefit contributions - administrative	1,116,103	512,251	916,062	2,544,416	-	2,544,416
91600	Office Expenses	214,688	213,401	110,986	539,075	-	539,075
91700	Legal Expense	-	60,416	148,302	208,718	-	208,718
91800	Travel	22,266	26,715	34,274	83,255	-	83,255
91810	Allocated Overhead	-	-	-	-	-	-
91900	Other	1,109,993	1,405,229	74,176	2,589,398	-	2,589,398
91000	Total Operating-Administrative	14,195,182	6,608,526	3,834,805	24,638,513	(4,776,846)	19,861,667
92000	Asset Management Fee	567,550	-	-	567,550	(567,550)	-

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Line Item No.	Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
92100	Tenant services - salaries	-	-	-	-	-	-
92200	Relocation Costs	1,674	-	-	1,674	-	1,674
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-
92400	Tenant services - other	-	12,292,175	-	12,292,175	-	12,292,175
92500	Total Tenant Services	1,674	12,292,175	-	12,293,849	-	12,293,849
93100	Water	1,891,338	828,234	-	2,719,572	-	2,719,572
93200	Electricity	3,737,970	1,144,785	72,194	4,954,949	-	4,954,949
93300	Gas	1,664,851	119,327	-	1,784,178	-	1,784,178
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	2,365,091	-	-	2,365,091	-	2,365,091
93700	Employee benefit contributions - utilities	-	-	-	-	-	-
93800	Other utilities expense	-	11,456	-	11,456	-	11,456
93000	Total Utilities	9,659,250	2,103,802	72,194	11,835,246	-	11,835,246
94100	Ordinary maintenance and operations - labor	2,993,349	493,190	1,625,377	5,111,916	-	5,111,916
94200	Ordinary maintenance and operations - materials and other	1,305,123	472,499	29,189	1,806,811	-	1,806,811
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	1,317,138	-	5,661	1,322,799	-	1,322,799
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	14,361	-	-	14,361	-	14,361
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	-	-	-	-	-	-
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	165,514	-	-	165,514	-	165,514
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	66,723	-	-	66,723	-	66,723
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	-	-	-	-	-	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	21,852	-	216	22,068	-	22,068
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	55,080	-	103	55,183	-	55,183
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	25,563	-	5,845	31,408	-	31,408
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	-	-	-	-	-	-
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	1,303,860	-	98,212	1,402,072	-	1,402,072
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	423,060	14,635,473	4,781	15,063,314	-	15,063,314
94300	Ordinary Maintenance and Operations Contracts	3,393,151	14,635,473	114,818	18,143,442	-	18,143,442
94500	Employee benefit contribution - ordinary maintenance	1,187,817	78,334	587,665	1,853,816	-	1,853,816
94000	Total Maintenance	8,879,440	15,679,496	2,357,049	26,915,985	-	26,915,985
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services - other contract costs	-	-	-	-	-	-
95300	Protective services - other	1,356,309	106,726	2,130	1,465,165	-	1,465,165
95500	Employee benefit contributions - protective services	-	-	-	-	-	-
95000	Total Protective Services	1,356,309	106,726	2,130	1,465,165	-	1,465,165
96110	Property Insurance	829,547	-	-	829,547	-	829,547
96120	Liability Insurance	-	-	-	-	-	-
96130	Workmen's Compensation	-	-	-	-	-	-
96140	All other Insurance	-	302,698	-	302,698	-	302,698
96100	Total Insurance Premiums	829,547	302,698	-	1,132,245	-	1,132,245
96200	Other general expenses	536,112	2,034,115	15,105	2,585,332	-	2,585,332
96210	Compensated absences	79,699	44,008	71,107	194,814	-	194,814
96300	Payments in lieu of taxes	-	-	-	-	-	-
96400	Bad debt - tenant rents	817,147	125,067	-	942,214	-	942,214
96500	Bad debt - mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96000	Total Other General Expenses	1,432,958	2,203,190	86,212	3,722,360	-	3,722,360
96710	Interest of Mortgage (or Bonds) Payable	-	115,792	-	115,792	-	115,792
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	115,792	-	115,792	-	115,792
96900	Total Operating Expenses	36,921,910	39,412,405	6,352,390	82,686,705	(5,344,396)	77,342,309
97000	Excess Revenue Over Operating Expenses	6,711,708	68,743,288	(1,007,994)	74,447,002	-	74,447,002
97100	Extraordinary maintenance	-	479,667	-	479,667	-	479,667
97200	Casualty losses- Non-capitalized	-	-	-	-	-	-
97300-010	Mainstream 1 & 5 year	-	-	-	-	-	-
97300-020	Home-Ownership	-	-	-	-	-	-
97300-025	Litigation	-	-	-	-	-	-
97300-030	Hope IV	-	-	-	-	-	-
97300-035	Moving to Work	-	-	-	-	-	-
97300-040	Tenant Protection	-	-	-	-	-	-
97300-050	All Other	-	16,468,212	-	16,468,212	-	16,468,212
97300	Housing assistance payments	-	37,009,268	-	37,009,268	-	37,009,268
97350	HAP Portability-in	-	-	-	-	-	-
97400	Depreciation expense	9,576,131	4,926,303	2,463	14,504,897	-	14,504,897
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	Total Expenses	\$ 46,498,041	\$ 81,827,643	\$ 6,354,853	\$ 134,680,537	\$ (5,344,396)	\$ 129,336,141
10010	Operating transfer in	\$ 769,926	\$ 5,942,557	\$ 3,924,138	\$ 10,636,621	\$ (10,636,621)	\$ -
10020	Operating transfer out	(2,345,051)	(8,291,590)	-	(10,636,621)	10,636,621	-
10030-010	Not For Profit	-	-	-	-	-	-
10030-020	Partnership	-	-	-	-	-	-
10030-030	Joint Venture	-	-	-	-	-	-
10030-040	Tax Credit	-	-	-	-	-	-
10030-050	Other	-	-	-	-	-	-
10030-060	Other - Comment	-	-	-	-	-	-
10030	Operating transfers from / to primary government	-	-	-	-	-	-
10040	Operating transfers from / to component unit	-	-	-	-	-	-

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Line Item No.	Description	Project Totals	Program Totals	Central Office Cost Center	Subtotal	Elimination	Total
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
10093	Transfers between Programs and Projects - in	-	-	-	-	-	-
10094	Transfers between Programs and Projects - out	-	-	-	-	-	-
10100	Total other financing sources (uses)	(1,575,105)	(2,349,033)	3,924,138	-	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	(4,439,528)	23,979,017	2,913,681	22,453,170	-	22,453,170
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-
11030	Beginning equity	\$ 202,658,156	\$ 150,788,921	\$ -	\$ 353,447,077	\$ -	\$ 353,447,077
11040-010	Prior period adjustments and correction of errors - Editable	1,367,610	-	-	1,367,610	-	1,367,610
11040-020	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-
11040-030	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-
11040-040	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-
11040-050	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-
11040-060	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-
11040-070	Equity Transfers	-	-	-	-	-	-
11040-080	Equity Transfers	-	-	-	-	-	-
11040-090	Equity Transfers	-	-	-	-	-	-
11040-100	Equity Transfers	-	-	-	-	-	-
11040-110	Equity Transfers	-	-	-	-	-	-
11040	Prior period adjustments, equity transfers, and correction of errors	1,367,610	-	-	1,367,610	-	1,367,610
11170-001	Administrative Fee Equity- Beginning Balance	-	1,567,853	-	1,567,853	-	1,567,853
11170-010	Administrative Fee Revenue	-	2,191,798	-	2,191,798	-	2,191,798
11170-020	Hard to House Fee Revenue	-	-	-	-	-	-
11170-021	FSS Coordinator Grant	-	119,267	-	119,267	-	119,267
11170-030	Audit Costs	-	-	-	-	-	-
11170-040	Investment Income	-	4,769	-	4,769	-	4,769
11170-045	Fraud Recovery Revenue	-	-	-	-	-	-
11170-050	Other Revenue	-	117,091	-	117,091	-	117,091
11170-051	Comment for Other Revenue	-	-	-	-	-	-
11170-060	Total Admin Fee Revenues	-	2,432,925	-	2,432,925	-	2,432,925
11170-080	Total Operating Expenses	-	2,134,286	-	2,134,286	-	2,134,286
11170-090	Depreciation	-	-	-	-	-	-
11170-095	Housing Assistance Portability In	-	-	-	-	-	-
11170-100	Other Expenses	-	-	-	-	-	-
11170-101	Comment for Other Expense	-	-	-	-	-	-
11170-110	Total Expenses	-	2,134,286	-	2,134,286	-	2,134,286
11170-002	Net Administrative Fee	-	298,639	-	298,639	-	298,639
11170-003	Administrative Fee Equity- Ending Balance	-	1,866,492	-	1,866,492	-	1,866,492
11170	Administrative Fee Equity	-	1,866,492	-	1,866,492	-	1,866,492
11180-001	Housing Assistance Payments Equity - Beging Balance	-	1,453,471	-	1,453,471	-	1,453,471
11180-010	Housing Assistance Payment Revenues	-	19,285,502	-	19,285,502	-	19,285,502
11180-015	Fraud Recovery Revenue	-	-	-	-	-	-
11180-020	Other Revenue	-	-	-	-	-	-
11180-021	Comment for Other Revenue	-	-	-	-	-	-
11180-025	Investment Income	-	4,422	-	4,422	-	4,422
11180-030	Total HAP Revenues	-	19,289,924	-	19,289,924	-	19,289,924
11180-080	Housing Assistance Payments	-	16,468,212	-	16,468,212	-	16,468,212
11180-090	Other Expenses	-	-	-	-	-	-
11180-091	Comments for Other Expenses	-	-	-	-	-	-
11180-100	Total Housing Assistance Payments Expenses	-	16,468,212	-	16,468,212	-	16,468,212
11180-002	Net Housing Assistance Payments	-	2,821,712	-	2,821,712	-	2,821,712
11180-003	Housing Assistance Payments Equity-Ending Balance	-	4,275,183	-	4,275,183	-	4,275,183
11180	Housing Assistance Payments Equity	-	4,275,183	-	4,275,183	-	4,275,183
11190-210	Total ACC HCV Units	-	36,696	-	36,696	-	36,696
11190-220	Unfunded Units	-	-	-	-	-	-
11190-230	Other Adjustments	-	-	-	-	-	-
11190	Unit Months Available	62,892	90,454	-	153,346	-	153,346
11210	Unit Months Leased	56,755	73,107	-	129,862	-	129,862
11270	Excess Cash	2,632,128	-	-	2,632,128	-	2,632,128
11610	Land Purchases	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-
11630	Furniture & Equipment-Dwelling Purchases	-	-	-	-	-	-
11640	Furniture & Equipment-Administrative Purchases	-	-	-	-	-	-
11650	Leasehold Improvements Purchases	-	-	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

Hawaii Public Housing Authority

FDS Supplemental Schedule

Balance Sheet - Projects

June 30, 2008

Line Item No.	Description	Total Projects	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	Other Project
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
322	Accrued compensated absences - current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331-020	Accounts payable - HUD PHA Programs - Capital fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331-030	Accounts payable - HUD PHA Programs - Other	106,918	-	27,094	-	-	24,223	-	55,601	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA Programs	106,918	-	27,094	-	-	24,223	-	55,601	-	-	-	-	-	-	-	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	663,800	52,782	38,856	50,981	50,260	76,363	70,633	35,926	41,432	20,355	102,425	21,289	29,255	27,298	11,020	18,965	15,960	-
342-010	Deferred revenue - Operating Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342-020	Deferred revenue - Capital fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342-030	Deferred revenue - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342	Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
343-010	CFFP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
343-020	Capital Projects/ Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	1,225,783	82,741	79,526	82,946	84,997	132,851	133,762	69,891	73,339	44,663	169,539	52,871	59,479	63,752	27,576	40,961	26,889	-
347	Inter program - due to	3,575,597	241,356	231,982	241,953	247,935	387,524	390,182	203,870	213,930	130,282	494,541	154,223	173,498	185,965	80,439	119,482	78,435	-
348-010	Loan liability - current - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-020	Loan liability - current - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-030	Loan liability - current - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-040	Loan liability - current - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-050	Loan liability - current - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	7,782,784	405,129	642,203	652,003	383,192	620,961	1,039,864	594,379	328,701	195,300	1,330,889	381,616	262,232	448,454	197,169	179,408	121,284	-
351-010	Long-term debt - CFFP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
351-020	Long-term - Capital Projects/ Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
351	Capital Projects/ Mortgage Revenue Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued compensated absences- Non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-010	Loan liability - Non-current - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-020	Loan liability - Non-current - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-030	Loan liability - Non-current - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-040	Loan liability - Non-current - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-050	Loan liability - Non-current - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355	Loan liability - Non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350	Total Non-Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
300	Total Liabilities	7,782,784	405,129	642,203	652,003	383,192	620,961	1,039,864	594,379	328,701	195,300	1,330,889	381,616	262,232	448,454	197,169	179,408	121,284	-
508.1	Invested in capital assets, net of related debt	196,081,966	25,097,105	32,626,795	13,899,364	18,766,592	5,873,067	14,827,109	23,511,785	4,747,903	5,066,140	638,183	14,737,622	10,082,626	11,150,001	7,290,952	6,973,332	793,390	-
511.1	Restricted Net Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	3,125,302	392,531	197,726	416,321	95,549	131,476	208,855	39,522	246,479	167,021	693,318	49,994	147,049	76,910	38,433	26,177	197,941	-
513	Total Equity/Net Assets	199,207,268	25,489,636	32,824,521	14,315,685	18,862,141	6,004,543	15,035,964	23,551,307	4,994,382	5,233,161	1,331,501	14,787,616	10,229,675	11,226,911	7,329,385	6,999,509	991,331	-
600	Total Liabilities and Equity/Net assets	\$ 206,990,052	\$ 25,894,765	\$ 33,466,724	\$ 14,967,688	\$ 19,245,333	\$ 6,625,504	\$ 16,075,828	\$ 24,145,686	\$ 5,323,083	\$ 5,428,461	\$ 2,662,390	\$ 15,169,232	\$ 10,491,907	\$ 11,675,365	\$ 7,526,554	\$ 7,178,917	\$ 1,112,615	\$ -

Hawaii Public Housing Authority

FDS Supplemental Schedule

Income Statement - Projects

June 30, 2008

Line Item No.	Description	Total Projects	HI001000030	Operating Fund Program	Capital Fund Program	HI001000031	Operating Fund Program	Capital Fund Program	HI001000032	Operating Fund Program	Capital Fund Program	HI001000033	Operating Fund Program	Capital Fund Program	HI001000034	Operating Fund Program	Capital Fund Program	HI001000035	Operating Fund Program	Capital Fund Program	HI001000037	Operating Fund Program	Capital Fund Program	HI001000038	Operating Fund Program	Capital Fund Program	HI001000039	
70300	Net tenant rental revenue	\$ 17,035,531	\$ 1,665,014	\$ 1,665,014	\$ -	\$ 1,229,339	\$ 1,229,339	\$ -	\$ 1,373,015	\$ 1,373,015	\$ -	\$ 1,267,742	\$ 1,267,742	\$ -	\$ 1,594,724	\$ 1,594,724	\$ -	\$ 1,559,913	\$ 1,559,913	\$ -	\$ 759,472	\$ 759,472	\$ -	\$ 982,674	\$ 982,674	\$ -	\$ 652,549	
70400	Tenant revenue - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70500	Total Tenant Revenue	17,035,531	1,665,014	1,665,014	-	1,229,339	1,229,339	-	1,373,015	1,373,015	-	1,267,742	1,267,742	-	1,594,724	1,594,724	-	1,559,913	1,559,913	-	759,472	759,472	-	982,674	982,674	-	652,549	
70600-010	Housing assistance payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-020	Ongoing administrative fees earned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-030	Hard to house fee revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-031	FSS Coordinator	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-040	Actual independent public accountant audit costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-050	Total preliminary fees earned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-060	All other fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600-070	Admin fee calculation description	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70600	HUD PHA operating grants	20,042,288	1,143,649	1,143,649	-	1,474,681	1,046,917	427,764	1,713,705	1,267,555	446,150	1,087,723	1,087,723	-	1,653,538	1,653,538	-	2,438,783	1,719,305	719,478	1,456,157	1,086,000	370,157	1,069,984	1,069,984	-	646,582	
70610	Capital grants	5,995,128	-	-	-	85,450	-	85,450	97,270	-	97,270	-	-	-	-	-	-	1,562,230	-	1,562,230	177,240	-	177,240	-	-	-	-	
70710	Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70720	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70730	Book-Keeping Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70700	Total Fee Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70800	Other government grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71100-010	Housing Assistance Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71100-020	Administrative Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71100	Investment income - unrestricted	285,198	19,304	19,304	-	19,836	19,836	-	19,357	19,357	-	19,836	19,836	-	31,003	31,003	-	31,216	31,216	-	21,059	21,059	-	17,070	17,070	-	10,423	
71200	Mortgage interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71310	Cost of sale of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71400-010	Housing Assistance Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71400-020	Administrative Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71400	Fraud recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71500	Other revenue	275,473	18,647	18,647	-	19,159	19,159	-	18,697	18,697	-	19,159	19,159	-	29,946	29,946	-	30,151	30,151	-	20,341	20,341	-	16,488	16,488	-	10,068	
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
72000-010	Housing Assistance Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
72000-020	Administrative Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
72000	Investment income - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70000	Total Revenue	\$ 43,633,618	\$ 2,846,614	\$ 2,846,614	\$ -	\$ 2,828,465	\$ 2,315,251	\$ 513,214	\$ 3,222,044	\$ 2,678,624	\$ 543,420	\$ 2,394,460	\$ 2,394,460	\$ -	\$ 3,309,211	\$ 3,309,211	\$ -	\$ 5,622,293	\$ 3,340,585	\$ 2,281,708	\$ 2,434,269	\$ 1,886,872	\$ 547,397	\$ 2,086,216	\$ 2,086,216	\$ -	\$ 1,319,622	
91100	Administrative salaries	\$ 4,228,054	\$ 92,516	\$ 92,516	\$ -	\$ 435,582	\$ 91,724	\$ 343,858	\$ 444,902	\$ 86,264	\$ 358,638	\$ 99,702	\$ 99,702	\$ -	\$ 158,327	\$ 158,327	\$ -	\$ 734,851	\$ 156,900	\$ 578,351	\$ 369,275	\$ 71,725	\$ 297,550	\$ 78,990	\$ 78,990	\$ -	\$ 48,274	
91200	Auditing fee	146,256	9,322	9,322	-	9,322	9,322	-	9,322	9,322	-	9,322	9,322	-	14,971	14,971	-	15,074	10,535	10,535	-	8,243	8,243	-	8,243	8,243	-	8,033
91300	Management Fee	6,910,061	301,370	301,370	-	289,747	289,747	-	302,200	302,200	-	309,672	309,672	-	484,018	484,018	-	487,339	487,339	-	254,099	254,099	-	401,834	401,834	-	162,723	
91310	Book-Keeping Fee	425,663	31,770	31,770	-	24,487	24,487	-	30,952	30,952	-	32,505	32,505	-	50,197	50,197	-	46,530	46,530	-	22,973	22,973	-	27,195	27,195	-	12,293	
91400	Advertising and Marketing	22,098	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
91500	Employee benefit contributions - administrative	1,116,103	55,585	55,585	-	91,605	53,426	38,179	95,542	55,722	39,820	57,100	57,100	-	89,248	89,248	-	154,075	89,860	64,215	79,990	46,952	33,038	49,269	49,269	-	30,004	
91600	Office Expenses	214,688	10,595	10,595	-	15,221	15,221	-	16,682	16,682	-	1,606	1,606	-	18,678	18,678	-	27,552	27,552	-	20,266	20,266	-	27,925	27,925	-	10,455	
91700	Legal Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
91800	Travel	22,266	910	910	-	768	768	-	1,766	1,766	-	650	650	-	650	650	-	23	5,290	5,290	23	5,290	5,290	-	2,315	2,315	-	3,489
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
91900	Other	1,109,993	10,551	10,551	-	6,947	6,947	-	7,200	7,200	-	6,954	6,954	-	9,705	9,705	-	23,679	23,679	-	28,267	28,267	-	67,894	67,894	-	3,854	
91000	Total Operating-Administrative	14,195,182	512,619	512,619	-	873,936	491,899	382,037	908,592	510,134	398,458	517,118	517,118	-	825,794	825,794	-	1,489,123	846,557	642,566	790,695	460,107	330,588	663,665	663,665	-	276,225	
92000	Asset Management Fee	567,550	42,360	42,360	-	32,650	32,650	-	41,270	41,270	-	43,340	43,340	-	66,930	66,930	-	62,0										

Hawaii Public Housing Authority

FDS Supplemental Schedule

Balance Sheet - Programs

June 30, 2008

Line Item No.	Description	Total Programs	1	2	2.5	5	14.181	14.195	14.231	14.238	14.241	14.246	14.859	14.866	14.870	14.871	16.541
			Business Activities	State/Local	Internal Service Fund	Fiduciary	Supportive Housing for Persons with Disabilities	Section 8 Housing Assistance Payments Program_Special Allocations	Emergency Shelter Grants Program	Shelter Plus Care	Housing Opportunities for Persons with AIDS	Community Development Block Grants/Economic Development Initiative	Public Housing_Comprensive Grant Program	Revitalization of Severely Distressed Public Housing	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Juvenile Justice and Delinquency Prevention_Special Emphasis
111	Cash-unrestricted	\$ 8,473,832	\$ 5,917,171	\$ -	\$ 1,235,445	\$ 610,715	\$ 50	\$ 530,653	\$ 26	\$ 36	\$ 27	\$ 4	\$ -	\$ -	\$ 23	\$ 179,682	\$ -
112	Cash-restricted-modernization and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash-other restricted	12,543,172	7,917,014	-	-	-	-	-	-	-	-	-	-	-	-	4,626,158	-
114	Cash-tenant security deposits	272,871	272,871	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115	Cash - Restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Total Cash	21,289,875	14,107,056	-	1,235,445	610,715	50	530,653	26	36	27	4	-	-	23	4,805,840	-
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122-010	Accounts receivable - HUD other projects - Operating Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122-020	Accounts receivable - HUD other projects - Capital fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122-030	Accounts receivable - HUD other projects - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	Accounts receivable - HUD other projects	818,962	111,701	-	-	-	7,927	406,564	123,517	146,827	14,717	4,036	-	-	3,673	-	-
124	Account receivable - other government	46,006,033	726,003	45,280,030	-	-	-	-	-	-	-	-	-	-	-	-	-
125-010	Account receivable - miscellaneous - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125-020	Account receivable - miscellaneous - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125-030	Account receivable - miscellaneous - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125-040	Account receivable - miscellaneous - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125-050	Account receivable - miscellaneous - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Account receivable - miscellaneous	300	-	300	-	-	-	-	-	-	-	-	-	-	-	-	-
126	Accounts receivable - tenants	1,189,015	1,189,015	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126.1	Allowance for doubtful accounts - tenants	(1,044,830)	(1,044,830)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	608,348	604,273	-	4,075	-	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowance for doubtful account:	47,577,828	1,586,162	45,280,330	4,075	-	7,927	406,564	123,517	146,827	14,717	4,036	-	-	3,673	-	-
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	1,471,647	63,392	-	-	-	-	-	-	-	-	-	-	-	-	1,408,255	-
143	Inventories	65,254	65,254	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	(687)	(687)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
144	Inter program - due from	9,175,231	7,011,732	-	-	-	-	458,499	-	-	-	-	-	-	-	1,705,000	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Total Current Assets	79,579,148	22,832,909	45,280,330	1,239,520	610,715	7,977	1,395,716	123,543	146,863	14,744	4,040	-	-	3,696	7,919,095	-
161	Land	12,351,890	9,978,480	2,373,410	-	-	-	-	-	-	-	-	-	-	-	-	-
162	Buildings	148,942,395	100,880,953	48,061,442	-	-	-	-	-	-	-	-	-	-	-	-	-
163	Furniture, equipment and machinery - dwellings	2,334,331	1,243,875	1,090,456	-	-	-	-	-	-	-	-	-	-	-	-	-
164	Furniture, equipment and machinery - administration	2,523,166	389,542	107,313	2,026,311	-	-	-	-	-	-	-	-	-	-	-	-
165	Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(64,325,914)	(38,933,365)	(23,462,007)	(1,930,542)	-	-	-	-	-	-	-	-	-	-	-	-
167	Construction in progress	11,642,130	-	11,642,130	-	-	-	-	-	-	-	-	-	-	-	-	-
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
160	Total capital assets, net of accumulated depreciation	113,467,998	73,559,485	39,812,744	95,769	-	-	-	-	-	-	-	-	-	-	-	-
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	426,100	426,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
171-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
171	Notes, Loans, & mortgages receivable - Non-current	426,100	426,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
172	Notes, Loans, & mortgages receivable - Non-current - past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
173	Grants receivable - Non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174-010	Other assets - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174-020	Other assets - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174-030	Other assets - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174-040	Other assets - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174-050	Other assets - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174	Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176-010	Investment in Joint venture - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Hawaii Public Housing Authority

FDS Supplemental Schedule

Balance Sheet - Programs

June 30, 2008

Line Item No.	Description	Total Programs	1 Business Activities	2 State/Local	2.5 Internal Service Fund	5 Fiduciary	14.181 Supportive Housing for Persons with Disabilities	14.195 Section 8 Housing Assistance Payments Program Special Allocations	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.241 Housing Opportunities for Persons with AIDS	14.246 Community Development Block Grants/Economic Development Initiative	14.859 Public Housing Comprehensive Grant Program	14.866 Revitalization of Severely Distressed Public Housing	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	16.541 Juvenile Justice and Delinquency Prevention Special Emphasis
176-020	Investment in Joint venture - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176-030	Investment in Joint venture - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176-040	Investment in Joint venture - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176-050	Investment in Joint venture - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176	Investment in joint venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Total Non-current Assets	113,894,098	73,985,585	39,812,744	95,769	-	-	-	-	-	-	-	-	-	-	-	-
190	Total Assets	\$ 193,473,246	\$ 96,818,494	\$ 85,093,074	\$ 1,335,289	\$ 610,715	\$ 7,977	\$ 1,395,716	\$ 123,543	\$ 146,863	\$ 14,744	\$ 4,040	\$ -	\$ -	\$ 3,696	\$ 7,919,095	\$ -
311	Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312	Accounts payable <= 90 days	6,480,646	2,154,249	3,699,533	-	118,162	4,471	193,099	122,015	146,827	13,936	-	-	-	-	-	28,354
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	118,395	44,584	8,095	-	-	-	-	-	-	-	-	-	-	-	-	65,716
322	Accrued compensated absences - current portion	35,690	35,690	-	-	-	-	-	-	-	-	-	-	-	-	-	-
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331-020	Accounts payable - HUD PHA Programs - Capital fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331-030	Accounts payable - HUD PHA Programs - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD PHA Programs	19,638	14,560	-	-	-	50	-	26	36	27	4	-	-	-	23	4,912
332	Accounts payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	630,388	630,388	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	272,871	272,871	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342-010	Deferred revenue - Operating Subsidy	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342-020	Deferred revenue - Capital fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342-030	Deferred revenue - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
342	Deferred revenue	140,814	140,814	-	-	-	-	-	-	-	-	-	-	-	-	-	-
343-010	CFFP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
343-020	Capital Projects/ Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	5,657	5,657	-	-	-	-	-	-	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	640,844	534,013	-	-	-	-	106,831	-	-	-	-	-	-	-	-	-
347	Inter program - due to	8,827,007	7,070,013	219,634	70,673	-	3,456	125,776	1,502	-	781	4,036	-	-	3,673	1,327,463	-
348-010	Loan liability - current - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-020	Loan liability - current - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-030	Loan liability - current - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-040	Loan liability - current - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-050	Loan liability - current - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
348	Loan liability - current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
310	Total Current Liabilities	17,171,950	10,902,839	3,927,262	70,673	118,162	7,977	425,706	123,543	146,863	14,744	4,040	-	-	3,696	1,426,445	-
351-010	Long-term debt - CFFP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
351-020	Long-term - Capital Projects/ Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
351	Capital Projects/ Mortgage Revenue Bonds	506,741	506,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities - other	474,188	123,213	-	-	-	-	-	-	-	-	-	-	-	-	-	350,975
354	Accrued compensated absences- Non-current	552,429	80,978	471,451	-	-	-	-	-	-	-	-	-	-	-	-	-
355-010	Loan liability - Non-current - Not For Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-020	Loan liability - Non-current - Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-030	Loan liability - Non-current - Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-040	Loan liability - Non-current - Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-050	Loan liability - Non-current - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355-060	Other - Comment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
355	Loan liability - Non-current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
350	Total Non-current liabilities	1,533,358	710,932	471,451	-	-	-	-	-	-	-	-	-	-	-	350,975	-
300	Total Liabilities	18,705,308	11,613,771	4,398,713	70,673	118,162	7,977	425,706	123,543	146,863	14,744	4,040	-	-	3,696	1,777,420	-
508.1	Invested in capital assets, net of related debt	112,961,257	73,052,744	39,812,744	95,769	-	-	-	-	-	-	-	-	-	-	-	-
511.1	Restricted Net Assets	12,192,197	7,917,014	-	-	-	-	-	-	-	-	-	-	-	-	-	4,275,183
512.1	Unrestricted Net Assets	49,614,484	4,234,965	40,881,617	1,168,847	492,553	-	970,010	-	-	-	-	-	-	-	-	1,866,492
513	Total Equity/Net Assets	174,767,938	85,204,723	80,694,361	1,264,616	492,553	-	970,010	-	-	-	-	-	-	-	6,141,675	-
600	Total Liabilities and Equity/Net assets	\$ 193,473,246	\$ 96,818,494	\$ 85,093,074	\$ 1,335,289	\$ 610,715	\$ 7,977	\$ 1,395,716	\$ 123,543	\$ 146,863	\$ 14,744	\$ 4,040	\$ -	\$ -	\$ 3,696	\$ 7,919,095	\$ -

Hawaii Public Housing Authority

FDS Supplemental Schedule

Central Office Cost Center

June 30, 2008

Line Item No.	Description	Central Office Cost Center
Balance Sheet		
111	Cash-unrestricted	\$ 2,672,198
112	Cash-restricted-modernization and development	-
113	Cash-other restricted	-
114	Cash-tenant security deposits	-
115	Cash - Restricted for payment of current liability	-
100	Total Cash	2,672,198
121	Accounts receivable - PHA projects	-
122-010	Accounts receivable - HUD other projects - Operating Subsidy	-
122-020	Accounts receivable - HUD other projects - Capital fund	-
122-030	Accounts receivable - HUD other projects - Other	-
122	Accounts receivable - HUD other projects	-
124	Account receivable - other government	-
125-010	Account receivable - miscellaneous - Not For Profit	-
125-020	Account receivable - miscellaneous - Partnership	-
125-030	Account receivable - miscellaneous - Joint Venture	-
125-040	Account receivable - miscellaneous - Tax Credit	-
125-050	Account receivable - miscellaneous - Other	-
125-060	Other Comment	-
125	Account receivable - miscellaneous	-
126	Accounts receivable - tenants	-
126.1	Allowance for doubtful accounts - tenants	-
126.2	Allowance for doubtful accounts - other	-
127	Notes, Loans, & Mortgages Receivable - Current	-
128	Fraud recovery	-
128.1	Allowance for doubtful accounts - fraud	-
129	Accrued interest receivable	-
120	Total receivables, net of allowance for doubtful accounts	-
131	Investments - unrestricted	-
132	Investments - restricted	-
135	Investments - Restricted for payment of current liability	-
142	Prepaid expenses and other assets	-
143	Inventories	-
143.1	Allowance for obsolete inventories	-
144	Inter program - due from	3,227,373
145	Assets held for sale	-
150	Total Current Assets	5,899,571
161	Land	-
162	Buildings	42,857
163	Furniture, equipment and machinery - dwellings	-
164	Furniture, equipment and machinery - administration	65,558
165	Leasehold improvements	-
166	Accumulated depreciation	(19,681)
167	Construction in progress	-
168	Infrastructure	-
160	Total capital assets, net of accumulated depreciation	88,734
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit	-
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	-
171-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	-
171-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	-
171-050	Notes, Loans, & mortgages receivable - Non-current - Other	-
171-060	Other Comment	-
171	Notes, Loans, & mortgages receivable - Non-current	-
172-010	Notes, Loans, & mortgages receivable - Non-current - past due - Not For Profit	-
172-020	Notes, Loans, & mortgages receivable - Non-current - Partnership	-
172-030	Notes, Loans, & mortgages receivable - Non-current - Joint Venture	-
172-040	Notes, Loans, & mortgages receivable - Non-current - Tax Credit	-
172-050	Notes, Loans, & mortgages receivable - Non-current - Other	-
172-060	Other Comment	-
172	Notes, Loans, & mortgages receivable - Non-current - past due	-
173	Grants receivable - Non-current	-
174-010	Other assets - Not For Profit	-
174-020	Other assets - Partnership	-
174-030	Other assets - Joint Venture	-
174-040	Other assets - Tax Credit	-
174-050	Other assets - Other	-
174-060	Other Comment	-
174	Other assets	-
176-010	Investment in Joint venture - Not For Profit	-
176-020	Investment in Joint venture - Partnership	-
176-030	Investment in Joint venture - Joint Venture	-
176-040	Investment in Joint venture - Tax Credit	-
176-050	Investment in Joint venture - Other	-
176-060	Other - Comment	-

Hawaii Public Housing Authority

FDS Supplemental Schedule

Central Office Cost Center

June 30, 2008

Line Item No.	Description	Central Office Cost Center
Balance Sheet		
176	Investment in Joint venture	-
180	Total Non-current Assets	88,734
190	Total Assets	\$ 5,988,305
311	Bank overdraft	\$ -
312	Accounts payable <= 90 days	495,466
313	Accounts payable > 90 days past due	-
321	Accrued wage/payroll taxes payable	-
322	Accrued compensated absences - current portion	-
324	Accrued contingency liability	-
325	Accrued interest payable	-
331-010	Accounts payable - HUD PHA Programs - Operating Subsidy	-
331-020	Accounts payable - HUD PHA Programs - Capital fund	-
331-030	Accounts payable - HUD PHA Programs - Other	-
331	Accounts payable - HUD PHA Programs	-
332	Accounts payable - PHA Projects	-
333	Accounts payable - other government	-
341	Tenant security deposits	-
342-010	Deferred revenue - Operating Subsidy	-
342-020	Deferred revenue - Capital fund	-
342-030	Deferred revenue - Other	-
342	Deferred revenue	-
343-010	CFFP	-
343-020	Capital Projects/ Mortgage Revenue	-
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-
344	Current portion of long-term debt - operating borrowings	-
345	Other current liabilities	-
346	Accrued liabilities - other	1,486,635
347	Inter program - due to	-
348-010	Loan liability - current - Not For Profit	-
348-020	Loan liability - current - Partnership	-
348-030	Loan liability - current - Joint Venture	-
348-040	Loan liability - current - Tax Credit	-
348-050	Loan liability - current - Other	-
348-060	Other Comment	-
348	Loan liability - current	-
310	Total Current Liabilities	1,982,101
351-010	Long-term debt - CFFP	-
351-020	Long-term - Capital Projects/ Mortgage Revenue	-
351	Capital Projects/ Mortgage Revenue Bonds	-
352	Long-term debt, net of current - operating borrowings	-
353	Non-current liabilities - other	-
354	Accrued compensated absences- Non-current	-
355-010	Loan liability - Non-current - Not For Profit	-
355-020	Loan liability - Non-current - Partnership	-
355-030	Loan liability - Non-current - Joint Venture	-
355-040	Loan liability - Non-current - Tax Credit	-
355-050	Loan liability - Non-current - Other	-
355-060	Other Comment	-
355	Loan liability - Non-current	-
356	FASB 5 Liabilities	-
357	Accrued Pension and OPEB Liability	1,225,786
350	Total Non-current liabilities	1,225,786
300	Total Liabilities	3,207,887
508.1	Invested in capital assets, net of related debt	88,734
511.1	Restricted Net Assets	-
512.1	Unrestricted Net Assets	2,691,684
513	Total Equity/Net Assets	2,780,418
600	Total Liabilities and Equity/Net assets	\$ 5,988,305

Hawaii Public Housing Authority

FDS Supplemental Schedule

Central Office Cost Center

June 30, 2008

Line Item No.	Description	COCC Total	Operations	Capital Fund
Income Statement				
70300	Net tenant rental revenue	\$ -	\$ -	\$ -
70400	Tenant revenue - other	-	-	-
70500	Total Tenant Revenue	-	-	-
70600-010	Housing assistance payments	-	-	-
70600-020	Ongoing administrative fees earned	-	-	-
70600-030	Hard to house fee revenue	-	-	-
70600-031	FSS Coordinator	-	-	-
70600-040	Actual independent public accountant audit costs	-	-	-
70600-050	Total preliminary fees earned	-	-	-
70600-060	All other fees	-	-	-
70600-070	Admin fee calculation description	-	-	-
70600	HUD PHA operating grants	-	-	-
70610	Capital grants	-	-	-
70710	Management Fee	4,351,183	4,351,183	-
70720	Asset Management Fee	567,550	567,550	-
70730	Book-Keeping Fee	425,663	425,663	-
70740	Front Line Service Fee	-	-	-
70750	Other Fees	-	-	-
70700	Total Fee Revenue	5,344,396	5,344,396	-
70800	Other government grants	-	-	-
71100-010	Housing Assistance Payment	-	-	-
71100-020	Administrative Fee	-	-	-
71100	Investment income - unrestricted	-	-	-
71200	Mortgage interest income	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-
71310	Cost of sale of assets	-	-	-
71400-010	Housing Assistance Payment	-	-	-
71400-020	Administrative Fee	-	-	-
71400	Fraud recovery	-	-	-
71500	Other revenue	-	-	-
71600	Gain or loss on sale of capital assets	-	-	-
72000-010	Housing Assistance Payment	-	-	-
72000-020	Administrative Fee	-	-	-
72000	Investment income - restricted	-	-	-
70000	Total Revenue	\$ 5,344,396	\$ 5,344,396	\$ -
91100	Administrative salaries	\$ 2,533,665	\$ 2,533,665	\$ -
91200	Auditing fees	-	-	-
91300	Management Fee	-	-	-
91310	Book-Keeping Fee	-	-	-
91400	Advertising and Marketing	17,340	17,340	-
91500	Employee benefit contributions - administrative	916,062	916,062	-
91600	Office Expenses	110,986	110,986	-
91700	Legal Expense	148,302	148,302	-
91800	Travel	34,274	34,274	-
91810	Allocated Overhead	-	-	-
91900	Other	74,176	74,176	-
91000	Total Operating-Administrative	3,834,805	3,834,805	-
92000	Asset Management Fee	-	-	-
92100	Tenant services - salaries	-	-	-
92200	Relocation Costs	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-
92400	Tenant services - other	-	-	-
92500	Total Tenant Services	-	-	-
93100	Water	-	-	-
93200	Electricity	72,194	72,194	-
93300	Gas	-	-	-
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	-	-	-
93700	Employee benefit contributions - utilities	-	-	-
93800	Other utilities expense	-	-	-
93000	Total Utilities	72,194	72,194	-
94100	Ordinary maintenance and operations - labor	1,625,377	1,625,377	-
94200	Ordinary maintenance and operations - materials and other	29,189	29,189	-
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	5,661	5,661	-
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	-	-	-
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	-	-	-
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	-	-	-
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	-	-	-
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	-	-	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	216	216	-
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	103	103	-
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	5,845	5,845	-
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	-	-	-
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	98,212	98,212	-
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	4,781	4,781	-
94300	Ordinary Maintenance and Operations Contracts	114,818	114,818	-
94500	Employee benefit contribution - ordinary maintenance	587,665	587,665	-
94000	Total Maintenance	2,357,049	2,357,049	-
95100	Protective services - labor	-	-	-
95200	Protective services - other contract costs	-	-	-
95300	Protective services - other	2,130	2,130	-
95500	Employee benefit contributions - protective services	-	-	-
95000	Total Protective Services	2,130	2,130	-
96110	Property Insurance	-	-	-
96120	Liability Insurance	-	-	-
96130	Workmen's Compensation	-	-	-
96140	All Other Insurance	-	-	-
96100	Total Insurance Premiums	-	-	-
96200	Other general expenses	15,105	15,105	-
96210	Compensated absences	71,107	71,107	-
96300	Payments in lieu of taxes	-	-	-
96400	Bad debt - tenant rents	-	-	-
96500	Bad debt - mortgages	-	-	-
96600	Bad debt - other	-	-	-
96800	Severance expense	-	-	-
96000	Total Other General Expenses	86,212	86,212	-
96710	Interest of Mortgage (or Bonds) Payable	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-
96700	Total Interest Expense and Amortization Cos	-	-	-
96900	Total Operating Expenses	6,352,390	6,352,390	-

Hawaii Public Housing Authority
FDS Supplemental Schedule
Central Office Cost Center
June 30, 2008

Line Item No.	Description	COCC Total	Operations	Capital Fund
Income Statement				
97000	Excess Revenue Over Operating Expenses	(1,007,994)	(1,007,994)	-
97100	Extraordinary maintenance	-	-	-
97200	Casualty losses- Non-capitalized	-	-	-
97300-010	Mainstream 1 & 5 year	-	-	-
97300-020	Home-Ownership	-	-	-
97300-025	Litigation	-	-	-
97300-030	Hope IV	-	-	-
97300-035	Moving to Work	-	-	-
97300-040	Tenant Protection	-	-	-
97300-050	All Other	-	-	-
97300	Housing assistance payments	-	-	-
97350	HAP Portability-in	-	-	-
97400	Depreciation expense	2,463	2,463	-
97500	Fraud losses	-	-	-
97800	Dwelling units rent expense	-	-	-
90000	Total Expenses	\$ 6,354,853	\$ 6,354,853	\$ -
10010	Operating transfer in	\$ 3,924,138	\$ 3,924,138	\$ -
10020	Operating transfer out	-	-	-
10030-010	Not For Profit	-	-	-
10030-020	Partnership	-	-	-
10030-030	Joint Venture	-	-	-
10030-040	Tax Credit	-	-	-
10030-050	Other	-	-	-
10030-060	Other Comment	-	-	-
10030	Operating transfers from / to primary government	-	-	-
10040	Operating transfers from / to component unit	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-
10080	Special items, net gain/loss	-	-	-
10091	Inter Project Excess Cash Transfer In	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-
10093	Transfers between Programs and Projects - in	-	-	-
10094	Transfers between Programs and Projects - out	-	-	-
10100	Total other financing sources (uses)	3,924,138	3,924,138	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ 2,913,681	\$ 2,913,681	\$ -
11020	Required Annual Debt Principal Payments	-	-	-
11030	Beginning equity	-	-	-
11040-010	Prior period adjustments and correction of errors - Editable	-	-	-
11040-020	Prior period adjustments and correction of errors - Editable	-	-	-
11040-030	Prior period adjustments and correction of errors - Editable	-	-	-
11040-040	Prior period adjustments and correction of errors - Editable	-	-	-
11040-050	Prior period adjustments and correction of errors - Editable	-	-	-
11040-060	Prior period adjustments and correction of errors - Editable	-	-	-
11040-070	Equity Transfers	-	-	-
11040-080	Equity Transfers	-	-	-
11040-090	Equity Transfers	-	-	-
11040-100	Equity Transfers	-	-	-
11040-110	Equity Transfers	-	-	-
11040	Prior period adjustments, equity transfers, and correction of error	-	-	-
11170-001	Administrative Fee Equity- Beginning Balance	-	-	-
11170-010	Administrative Fee Revenue	-	-	-
11170-020	Hard to House Fee Revenue	-	-	-
11170-021	FSS Coordinator Grant	-	-	-
11170-030	Audit Costs	-	-	-
11170-040	Investment Income	-	-	-
11170-045	Fraud Recovery Revenue	-	-	-
11170-050	Other Revenue	-	-	-
11170-051	Comment for Other Revenue	-	-	-
11170-060	Total Admin Fee Revenues	-	-	-
11170-080	Total Operating Expenses	-	-	-
11170-090	Depreciation	-	-	-
11170-095	Housing Assistance Portability In	-	-	-
11170-100	Other Expenses	-	-	-
11170-101	Comment for Other Expense	-	-	-
11170-110	Total Expenses	-	-	-
11170-002	Net Administrative Fee	-	-	-
11170-003	Administrative Fee Equity- Ending Balance	-	-	-
11170	Administrative Fee Equity	-	-	-
11180-001	Housing Assistance Payments Equity - Beginning Balance	-	-	-
11180-010	Housing Assistance Payment Revenues	-	-	-
11180-015	Fraud Recovery Revenue	-	-	-
11180-020	Other Revenue	-	-	-
11180-021	Comment for Other Revenue	-	-	-
11180-025	Investment Income	-	-	-
11180-030	Total HAP Revenues	-	-	-
11180-080	Housing Assistance Payments	-	-	-
11180-090	Other Expenses	-	-	-
11180-091	Comments for Other Expenses	-	-	-
11180-100	Total Housing Assistance Payments Expenses	-	-	-
11180-002	Net Housing Assistance Payments	-	-	-
11180-003	Housing Assistance Payments Equity-Ending Balance	-	-	-
11180	Housing Assistance Payments Equity	-	-	-
11190-210	Total ACC HCV Units	-	-	-
11190-220	Unfunded Units	-	-	-
11190-230	Other Adjustments	-	-	-
11190	Unit Months Available	-	-	-
11210	Unit Months Leased	-	-	-
11270	Excess Cash	-	-	-
11610	Land Purchases	-	-	-
11620	Building Purchases	-	-	-
11630	Furniture & Equipment-Dwelling Purchases	-	-	-
11640	Furniture & Equipment-Administrative Purchases	-	-	-
11650	Leasehold Improvements Purchases	-	-	-
11660	Infrastructure Purchases	-	-	-
13510	CFFP Debt Service Payments	-	-	-
13901	Replacement Housing Factor Funds	-	-	-

PART II

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



A Hawaii Limited Liability Partnership

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Directors
Hawaii Public Housing Authority

We have audited the financial statements of the Hawaii Public Housing Authority (the Authority), as of and for the fiscal year ended as of and for the year ended June 30, 2008, and have issued our report thereon dated March 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hawaii Public Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hawaii Public Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hawaii Public Housing Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, items 2008-01 through 2008-03, 2008-05 and 2008-08, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 through 2008-03, 2008-05 and 2008-08 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Hawaii Public Housing Authority, in a separate letter dated March 16, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hawaii Public Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including applicable provisions of the Hawaii Public Procurement Code (Chapter 103D of the Hawaii Revised Statutes) and procurement rules, directives and circulars, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and response as items 2008-04 through 2008-10.

We noted certain matters that we reported to management of the Hawaii Public Housing Authority in a separate letter dated March 16, 2009.

Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questions Costs. We did not audit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and management of the Hawaii Public Housing Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 16, 2009

PART III

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**



A Hawaii Limited Liability Partnership

**Independent Auditor's Report on Compliance With Requirements Applicable to
Each Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133**

Board of Directors
Hawaii Public Housing Authority

Compliance

We have audited the compliance of the Hawaii Public Housing Authority (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Hawaii Public Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Hawaii Public Housing Authority's management. Our responsibility is to express an opinion on the Hawaii Public Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hawaii Public Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Hawaii Public Housing Authority's compliance with those requirements.

As described in items 2008-06 in the accompanying Schedule of Findings and Questioned Costs, the Hawaii Public Housing Authority did not comply with requirements regarding reporting that is applicable to its Public Housing Capital Fund program. Compliance with such requirements is necessary, in our opinion, for the Hawaii Public Housing Authority to comply with requirements applicable to that program.

As described in items 2008-07 and 2008-10 in the accompanying Schedule of Findings and Questioned Costs, the Hawaii Public Housing Authority did not comply with requirements regarding special tests and

provisions that are applicable to its Public and Indian Housing program. Compliance with such requirements is necessary, in our opinion, for the Hawaii Public Housing Authority to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Hawaii Public Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Hawaii Public Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Hawaii Public Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hawaii Public Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2008-04 through 2008-08 and 2008-10 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 2008-04 through 2008-08 and 2008-10 to be material weaknesses.

The Hawaii Public Housing Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Hawaii Public Housing Authority's response and, accordingly, we express no opinion on it.

The Authority's responses to the findings identified in our audit are described in the Response by Affected Agency section. We did not audit Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 16, 2009

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditors’ report issued: Unqualified.

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Qualified.

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$2,244,297 (3% of federal award expended)

Auditee qualified as low-risk auditee? Yes No

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings

Finding No.: 2008-01 Financial Management Deficiencies - Material Weakness

The lack of appropriate management leadership and shortage of adequate staffing in the Fiscal Management Office have continued to significantly impact HPHA’s ability to perform its core accounting functions. Many of the issues and conditions noted in the current year originated from prior year.

Condition & cause: Although HPHA subsequently hired a Chief Accountant in July 2007 and external financial consultants to assist with the Fiscal Management Office functions, accounting personnel did not have proper oversight and supervision during most of the fiscal year, including appropriate reviews and approval of transactions. Consequently, numerous routine accounting functions were not being performed. This lack of dedicated leadership and overall management of its accounting and financial reporting function during the 2008 fiscal year have limited the effectiveness of HPHA’s ability to record and report accurate and timely financial information. Some of these conditions noted include the following.

- Monthly general ledgers not prepared
- Monthly reconciliations of all account balances not performed
- Accruals incorrectly recorded or not recorded at all
- Certain revenue and expense items recorded on a cash basis
- Journal entries recorded incorrectly
- Expenses not allocated on a timely basis
- Obligations, including various payables and litigation settlements, not recorded
- Depreciation expense not recorded
- Transfer of assets not properly accounted for between funds

Context: The lack of proper training continues to be a significant shortcoming of the HPHA. This is evident in the lack of understanding and use of the “emPHAsys” computer system, the application of generally accepted governmental accounting standards, various State of Hawaii generated reports from the Department of Accounting and General Services and HUD’s reporting requirements. The shortage of training, in combination with the lack of clearly documented policies and procedures and the presence of shortage of staffing, has limited the effectiveness of the HPHA’s internal control environment and procedures. Additionally, HUD’s reporting requirements, including but not limited to “project-based” accounting, the Real Estate Assessment Center electronic submission filing requirements and asset-management accounting further accentuates the need for proper training and supervision.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)
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Finding No.: 2008-01 Financial Management Deficiencies - Material Weakness (continued)

Questioned costs: None

Effect: Failure to provide adequate oversight and supervision and the ineffectiveness or absence of key accounting and internal control functions can lead to misstatement of financial results and non-compliance.

Recommendation: HPHA needs to assess its current policies and procedures to ensure that internal controls over key accounting, financial reporting and budgeting processes are established and adhered to. Specifically:

1. We recommend that the Chief Financial Officer and Chief Accountant:
 - Gain an understanding of each program’s objectives and type of major transaction. They should also perform interviews with the various branch chiefs, program managers, and the compliance officer.
 - Interview each accountant to determine their functions and what financial information is currently prepared and maintained.
 - Perform a gap analysis between the current conditions and desired conditions.
 - Prepare and implement recommendations.
 - Identify any missing key internal controls, including but not limited to the following:
 - Reviewing and approving of monthly bank reconciliations.
 - Performing month end reconciliations to detail supporting documents.
 - Reviewing and approving of month-end accruals.
 - Recording of routine transaction: expense allocation, monthly review of CIP transfers, month end accruals.
 - Consider developing a month end closing checklist to ensure that accurate financial information is prepared timely. The month end checklist should be tailored to the specific requirements of each fund. For example: Federal low rent- checklist would include procedures specific to capital improvements.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)
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Finding No.: 2008-01 Financial Management Deficiencies - Material Weakness (continued)

- Monitor control systems to ensure effectiveness, including the timely review and approvals by appropriate personnel.
 - As a majority of the agency's funding are HUD subsidies, consider establishing and maintaining controls over operating and capital improvement budgets.
2. The HPHA should continue its efforts in seeking to hire a Chief Financial Officer. In addition, the agencies should evaluate the need to hire on a temporary basis an experienced personnel to provide the appropriate oversight and supervision over the accounting and reporting functions.

PHA Reply (Corrective Action Plan):

1. Program Assessment:
 - a. Fiscal Management Office (FMO) has interviewed Section 8 branch chief and Homeless branch chief. FMO plans to interview the Property Branch, AMP managers, Contracts and procurement, Construction Management Services, and other branches.
 - b. MD Strum performed an assessment of the Fiscal Management Office staff and job functions. Process maps were developed for most of the positions and a draft Policy and Procedure Manual was created. Upon joining HPHA, the CFMA conducted interviews with all accountants to review their functions and assess their skill levels. The Fiscal Officer has been evaluating the weaknesses of the present financial procedures during the course of completing the FY2008 Audit.
 - c. FMO is working on the gap analysis for internal controls, timely reconciliation, single/central recording of journal vouchers, timeliness of payments, and other functions of the FMO. FMO has performed the gap analyses for staff and identified areas in need of improvement. HPHA will be formally documenting these weak areas and will develop a timetable to work with the appropriate staff members to improve the job processes and internal financial control weaknesses. MD Strum will assist in this effort with the extension of their contract until June 30, 2009.
 - d. FMO will prepare and implement recommendations for improvement.
 - e. FMO will identify missing internal controls (see c, above).
 - f. FMO will develop month end closing checklists tailored for each fund.
 - g. FMO will monitor control systems by timely review and approvals by staff.
 - h. FMO is developing controls over operating and capital improvement budgets.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)
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Finding No.: 2008-01 Financial Management Deficiencies - Material Weakness (continued)

HPHA has had special meetings with the Honolulu HUD office to discuss HPHA needs and requests. The local office has generously offered assistance regarding increasing HPHA's understanding of Federal programs and requirements. HPHA has also met with the Department of Human Services (DHS) Fiscal Office management team to discuss possible ways they could assist HPHA in further training regarding State of Hawaii financial procedures.

2. Leadership. The Hawaii Public Housing Authority (HPHA) unsuccessfully sought to hire a Chief Financial Officer (CFO) level manager for over a year. Through the efforts of the Department of Housing and Urban Development (HUD), the firm of MD Strum was engaged to work with the HPHA staff to manage the Fiscal Management Office from July 2008 to December 2008. The Chief Financial Management Advisor (CFMA, functions as CFO) was hired effective October 1, 2008. The Fiscal Officer was hired effective October 10, 2008. HPHA hired a Budget Analyst in November 2008. He will be permanently assigned to the Fiscal Management Office effective March 2009. This position will be responsible for monitoring the HPHA operating budget and CIP budgets. All these key hires occurred after the 2008 fiscal year ended on June 30, 2008.

Contact Person: Gary Marushige, Chief Financial Management Adviser

Target Completion Date: June 30, 2009

Finding No.: 2008-02 No General Ledger and Non-reconciliations of General Ledger Accounts- Material Weakness

Criteria: Sound internal control procedures and Federal regulations require that the books and records of account should be maintained on a regular monthly basis for all programs.

Condition, cause & context: During the prior year, HPHA installed the “emPHAsys” general ledger system software to provide HPHA with a general ledger system that would be able to address HUD's new reporting requirements. However, the general ledger system continues to have very limited use. The lack of understanding of the “emPHAsys” computer system and appropriate accounting oversight and supervision have resulted in monthly general ledgers not being prepared during the fiscal year. Consequently, the key internal control activity of performing routine monthly reconciliations of the general ledger accounts balances to the corresponding transaction or activity details was not performed during the year. Without “reliable” and “timely” financial information, management decisions related to operation

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)
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**Finding No.: 2008-02 No General Ledger and Non-reconciliations of General Ledger Accounts-
Material Weakness (continued)**

may be compromised. The following is a list of issues noted during the audit as a result of the lack of the general ledger and respective account reconciliations:

- Lack of financial statements
- Lack of information to perform budget to actual comparisons to determine if the HPHA has sufficient funds to adequately cover operations. Additionally, the lack of budgetary control could result in the HPHA operating with deficits
- Lack of information to perform monthly cost analysis by Management Unit (MU) level to identify the causes of any overruns

The lack of a functioning general ledger system and related account reconciliations is a fundamental deficiency in the organization's internal control environment.

Questioned costs: None

Effect: Failure to adequately record all related financial activities on a timely basis can lead to misstatement of financial results and non-compliance.

Recommendation: HPHA's policy is to post approved journal vouchers to the general ledger and to perform monthly reconciliations of respective accounts. To ensure the accuracy and completeness of the HPHA's financial information, we recommend that management provide training in the full use of its general ledger system and comply with its policy to post journal vouchers to the general ledger and perform account reconciliations in a timely manner.

PHA Reply (Corrective Action Plan): At present the general ledger is in full use and financial transactions (checks, deposits, journal vouchers) are being recorded in the Emphasys system. With the addition of the Chief Financial Management Advisor and Fiscal Officer, financial statements were first produced for the November 2008 Board meeting and budget to actual reports have been produced on a monthly basis thereafter. Financial reports by Asset Management Project (AMP) are now being generated monthly and distributed to the AMPs through folders in the Agency's shared intranet drive.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)
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**Finding No.: 2008-02 No General Ledger and Non-reconciliations of General Ledger Accounts-
Material Weakness (continued)**

A two week retraining on the Emphasys system for the FMO staff was conducted in November 2008 with the trainer brought on site to provide personal one-on-one training. FMO staff are also presently being trained weekly on web-based training to review specific training issues on a regular schedule for a total of 100 hours over the next several months.

Remote Emphasys accounting training was provided to FMO staff during the month of February, as indicated below. Training is scheduled to resume again in April (April 7 and 14). The Fiscal Officer will choose the topic and determine which staff should attend training as applicable. Emphasys will train HPHA on any topic that we need help with. The hours are coming out of our current contract's bank of 100 training hours, but may not all be used for FMO. After the April sessions, we will reassess how much more training the FMO staff is going to need.

Emphasys Remote Training Sessions for FMO Staff:

- 2/3/09 – **Rent Runs**
- 2/10/09 – **Bank Reconciliation**
- 2/17/09 – **Section 8**
- 2/24/09 – **GL Budget**

With the recent completion of the FY2008 Audit, HPHA will begin to reconcile the key balance sheet accounts and analyze the monthly fund activities. Checklists and monitoring procedures to insure compliance with policies and procedures will be developed.

Contact Person: Gary Marushige, Chief Financial Management Advisor

Target Completion Date: June 30, 2009

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)
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Finding No.: 2008-03 Lack of Clear Policies and Procedures - Material Weakness

Criteria: Sound internal control procedures require that policies and procedures should be in place and operating effectively.

Condition, cause, and context: Our review of internal controls revealed that the accounting and budgeting departments do not maintain updated formal policies and procedures manuals or documents related to key internal control functions or activities. For example, HPHA does not maintain documented policies and procedures related to cash reconciliations, tenant accounts receivable reconciliations, general accounts payable processing, HPHA'S reporting, Capital Fund monitoring, or financial reporting procedures, including REAC's electronic submission filing.

Effect: The lack of clearly documented updated policies and procedures limits the effectiveness of the HPHA internal control environment and procedures and may result in additional costs expended by HPHA. This is especially true in situations where personnel is new to a position and performing certain functions for the first time. An example of such a situation was the hiring of an outside consultant to complete HPHA's REAC electronic submission filing.

Recommendation: HPHA should assess its current internal control polices and procedures related to key accounting and budgeting processes. Upon the completion of such assessment, a formal policies and procedures manual for all key accounting and budgeting functions. Any material changes to existing policies should be approved via resolution by the Board of Commissioners.

PHA Reply (Corrective Action Plan): During the finalizing of the FY2008 Audit, several internal control weaknesses surfaced. It was also evident that due to the lack of written polices and procedures, the staff were inconsistent in their accounting processes. As mentioned previously, HUD retained MD Strum to review the present finance operations and to revise the procedures to correct control deficiencies. A draft Policy and Procedures Manual was written and distributed to the staff. MD Strum is presently finalizing the draft version. In addition, HPHA received an abbreviated set of policies and procedures from the Emphasys trainer during the training in November 2008.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs

Finding No.: 2008-03 Lack of Clear Policies and Procedures - Material Weakness (continued)

In conjunction with the finalization of the policies and procedures manual, the FMO management team will begin individual training of the Accounting staff in the areas noted above. Staff will be tested on their understanding and adherence to the policy and procedure manual and make modifications if needed. The training of each staff member will be documented and recorded in the files. Any material changes to existing policies will be presented for approval via resolution by the Board of Directors.

Contact Person: Gary Marushige, Chief Financial Management Advisor

Target Completion Date: June 30, 2009

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs
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Section 8 Housing Choice Vouchers Program CFDA No. 14.871

Finding No.: 2008-04 Special Tests and Provisions - Waiting List – Material Weakness

Criteria: 24 CFR sections 5.410, 982.54(d) and 982.201 through 982.207 require the HPHA to establish policies for verification and documentation of information relevant to acceptance or rejection of an applicant.

Condition, cause, and context: Due to the limited number of housing vouchers, the HPHA's policy for placing applicants into the program is based upon preference criteria. Applicants on the waiting list who met these preference criteria, with the proper documentation and verification, were admitted to the program.

During our inquiry of HPHA's controls over the waiting list policy, we were informed by management that there is no quality review performed over the input of initial application information into the waiting list system. The lack of such a review led to findings such as applicants' applications mistakenly not being inputted or improperly being placed on the waiting list. During our review of the waiting list, it was noted that applicants were manually written into the waiting list because their applications were mistakenly overlooked or inputted incorrectly. These mistakes were not corrected until the applicant followed up on the application. Also, we were informed by management that changes to the waiting list are not monitored.

In addition, we noted that one applicant was not properly listed on the master waiting list based on his initial application. Management noted that the applicant was improperly placed on the waiting list due to an input error, which was subsequently corrected when the applicant contacted HPHA to follow up on his application.

Effect: Failure to adequately monitor the waiting list may result in non-compliance with program requirements.

Questioned costs: None

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Section 8 Housing Choice Vouchers Program CFDA No. 14.871

Finding No.: 2008-04 Special Tests and Provisions - Waiting List – Material Weakness (continued)

Recommendation: We recommend that the HPHA implement a quality review over input into the waiting list system.

PHA Reply (Corrective Action Plan): The Section 8 Housing Choice Voucher (HCV) program application taking process and waiting list has been closed since July 2006. Should the wait list be reopened for application taking and processing, the applicant's household information must be inputted into HPHA's software database to ensure that the applicant's household information and application date and time appears on the master wait list. The Branch will test the data input once all application data are entered into the database. To ensure that the applicant's data resides on the master wait list, the Branch will audit fifty (50) files to determine the accuracy of the inputted data. The single audit of 40 files produced one (1) data input error in which a preference was not entered as declared by the applicant. Deficiencies will be addressed and the Branch will audit additional files in increments of ten (10) until the Branch is assured that the input data is correct. The wait list will be re-sequenced after the Manager is assured that the input data is correct. The wait list will be audited through its normal quality review of new participants to the program. The Branch's quality review procedure is to review 10% of all new participants to the HCV to ensure that the HUD regulations and the Section 8 Administrative Plan is followed.

Contact Person: Dexter Ching, Section 8 Subsidy Program Branch Chief

Target Completion Date: June 30, 2009

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Public Housing Capital Fund CFDA No. 14.872

Finding No.: 2008-05 Equipment and Real Property Deficiencies - Material Weakness

Criteria: The requirements for maintaining equipment inventory and capital asset accounting are contained in the Federal Common Rule OMB A-102 and the Code of Federal Regulations. Also, the maintenance of appropriate accounting records and the conducting of physical inventory counts were annual requirements contained in the 7510, Low-Rent Housing Accounting Guidebook.

Condition, cause and context: During the audit, we noted that equipment and construction-in-progress (CIP) were not properly monitored and tracked during the fiscal year. A reconciliation of the detailed fixed assets and CIP to the general ledger was not performed during the year and the detailed listings of additions and deletions were not available until requested by the auditors.

Within the Federal Low Rent Program Fund, the HPHA maintains a Construction in Progress (CIP) schedule which details the projects and related costs. However, during our audit, it was noted that the CIP schedule as of June 30, 2008 was not updated for 2008 transactions on a timely basis. Additionally, the HPHA does not maintain an automated detail capital asset register, instead manual excel worksheets and previous detail general ledger printouts are used.

We also noted that the CIP schedule did not detail when projects were completed. Consequently, projects listed within the CIP schedule were completed and not transferred to the Capital Assets account. This resulted in a reclassification of CIP assets to Property and Equipment and an adjustment to record the corresponding depreciation expense.

Effect: The lack of appropriate monitoring and reporting may lead to misstatement of the CIP and equipment and real property balances and non-compliance with program requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA maintain detailed CIP records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. Complete information such as the above, on all assets, would provide excellent control for the safeguarding of these assets, which are significant in cost.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-05 Equipment and Real Property Deficiencies - Material Weakness (continued)

We also recommend that better monitoring, assessment and evaluation of the CIP be made regarding the status, completion and transfer of assets from construction in progress to active fixed assets which are being depreciated.

PHA Reply (Corrective Action Plan): The Capital Fund expenditures within the Federal Low Rent Program are presently tracked by the Capital Fund Coordinator using excel worksheets. However, these worksheets were never reconciled to the general ledger. FMO will implement a procedure to reconcile worksheets to General Ledger on a monthly basis. Presently, there is no written procedure for closing projects and re-classing amounts from CIP to fixed assets. FMO will implement a procedure detailing the required close out documents and the process of notification from Construction Management to FMO of the status of completed projects so CIP amounts can be cleared out to fixed assets on a quarterly basis. FMO will also research the availability of packaged software that could accommodate its needs in automating this detailed process.

Contact Person: Gary Marushige, Chief Financial Management Advisor

Target Completion Date: June 30, 2009

Finding No.: 2008-06 Reporting – Material Weakness

Criteria: Financial reporting requirements in 24 CFR section 902.33(a)(2) require the PHA to provide annual reports on a PHA-wide basis and electronically submit such annual reports in the format prescribed by HUD using the Financial Data Schedule (FDS). Also, 24 CFR sections 135.3(a) and 135.90, require that for each public and Indian housing grant that involves development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, (OMB No. 2529-0043).

Condition, cause, and context: Our review of internal controls over reporting requirements described above revealed that there are no PHA employees who have been properly trained to complete and submit the FDS. There is also no tracking of required HUD reporting requirements. For example, during the current year HPHA outsourced the completion of the FDS to a third-party, however, there was no HPHA employee who was able to verify the accuracy and propriety of the FDS filing. Also, as a result of not properly tracking HUD reporting requirements, HPHA has not submitted Form HUD 60002 for the past 2 years.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-06 Reporting – Material Weakness (continued)

Effect: The lack of clearly documented updated policies and procedures related to HUD reporting requirements limits the effectiveness of the HPHA internal control environment over HUD's reporting requirements and may result in noncompliance with program requirements.

Recommendation: HPHA should designate certain employees to be responsible for the FDS and ensure that these individuals receive the proper training to understand how to complete and submit the FDS. Also, HPHA should develop a HUD reporting schedule that lists all HUD reporting requirements and designate certain individuals to be responsible to complete the report. Other individuals should also be made responsible for reviewing the HUD reports prior to submission.

PHA Reply (Corrective Action Plan): The Chief Accountant had been responsible for assisting in preparing the FDS schedule in the past and will continue to be the person in charge. However, FMO will be training additional management personnel (Chief Financial Management Advisor, Fiscal Officer and Budget Analyst) in the preparation. HPHA, through MD Strum, has retained the services of Rector, Lindsay & Reeder to again assist in preparing the FDS submission. The consultant will train the FMO management staff on the procedures for preparing the reports and the consultant will also prepare a policy and procedure manual so written documentation will exist. The HPHA staff will be able to prepare the FDS with their own resources for the next submission.

The HUD reporting requirements will be part of the process review procedure being conducted by MD Strum on the second phase of their assignment. These requirements, including checklists and forms, will be incorporated into the final policy and procedure manual.

Contact Person: Gary Marushige, Chief Financial Management Advisor

Target Completion Date: April 15, 2009

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Public and Indian Housing Program CFDA No. 14.850

Finding No.: 2008-07 Special Tests and Provisions – Waiting List – Material Weakness

Criteria: 200824 CFR sections 960.204 through 960.207 require the HPHA to establish policies for verification and documentation of information relevant to acceptance or rejection of an applicant. Due to the excess of applicants on the waiting list for low-income housing in comparison to the number of units available, the HPHA's policy for placing applicants into the program is based upon preference criteria. Applicants on the waiting list who met these preference criteria with proper documentation and verification were admitted to the program.

Condition, cause, and context: During our review of HPHA's controls over the waiting list policy, we were informed by management that there is no quality review performed over the input of initial application information into the waiting list system. The lack of such a review led to findings such as applicants' applications mistakenly not being inputted or improperly being placed on the waiting list. During our review of the waiting list, we noted that applicants were manually written into the waiting list because their applications were mistakenly overlooked or inputted incorrectly. These mistakes were not corrected until the applicant followed up on the application. We were informed by management that changes to the waiting list are also not being reviewed or monitored.

In our discussions with management and in the performance of our audit, we noted several instances during the fiscal year where a "back log" of applications was not entered into the system on a timely basis. As such several applicants were not included in quarterly re-sequencing. Presently, the "back log" of applications noted during the fiscal year has yet to be resolved. Management also stated that applicants pulled from the waiting list are not monitored. There is no quality review to reassure that applicants are properly being pulled from the waiting list.

Our testing of the waiting list resulted in the following exceptions:

- 1) For 5 out of 40 new participants tested, we noted that documentation on how the tenant was pulled from the waiting list was missing, as such, we could not ascertain whether or not the applicants were properly pulled from the waiting list.
- 2) For 1 out of 40 participants tested, we noted that the initial application submitted by the participant was missing, as such, we could not determine whether or not the participant was initially properly placed on the waiting list.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-07 Special Tests and Provisions – Waiting List – Material Weakness (continued)

Effect: Failure to adequately maintain and monitor the waiting list in accordance with the administrative policies has resulted in non-compliance with program requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA follow its Administration Plan guidelines for the waiting list that were submitted to HUD. We also noted that the Administration Plan allows for HPHA to close the waiting list, which we recommend HPHA implement in order to catch up with its “back log” as described above. We also recommend that HPHA evaluate the various functions in the Application Department and determine whether the department has sufficient capacity to manage the volume of applications and/or if there are any inefficient processes that should be revised or eliminated.

PHA Reply (Corrective Action Plan): HPHA does not concur with the recommendation of closing the waitlist for public housing. This would require that we advertise in publications which then cause an influx of applications prior to the closing and at the time of reopening. It would take months to bring the resulting backlog to current.

In order to effectively manage the wait list, overtime was allowed for a two month period, where the backlog of applications was processed and brought up to date during the period ending June 30, 2008. The backlog was created because of an administrative rule change notice mailed out to all applicants on the waitlist in September 2007. Over 8,000+ applicants responded and had to be inputted into Emphasys system.

Since mid-July 2008, this section has retained two temporary clerical personnel who are part of the “special team” assignment. This assignment is for a one year period. This section has been able to fill a permanent PHS position as of February 6, 2009.

Application Services Unit (ASU) – Oahu office, has revised and is continuously reviewing its operational procedures. This section is now having the Administrative Assistant process acceptance letters to applicants who have applied. Previously the Public Housing Specialist II did the processing.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Public and Indian Housing Program CFDA No. 14.850 (continued)

The Oahu housing waitlist is currently being purged of nonresponsive addresses by using monthly mass mail outs. This started in staggered stages from January 2009 with the deadline for last mail out being in mid-March.

Contact Person: Michi Kanoura-Hatae, Applications Services Supervisor

Target Completion Date: June 30, 2009

Finding No.: 2008-08 Equipment and Real Property Deficiencies - Material Weakness

Criteria: The requirements for maintaining equipment inventory and capital asset accounting are contained in the Federal Common Rule OMB A-102 and the Code of Federal Regulations. Also, the maintenance of appropriate accounting records and the conducting of physical inventory were annual requirements contained in the 7510, Low-Rent Housing Accounting Guidebook.

Condition, cause and context: During the audit, we noted that equipment and construction-in-progress (CIP) were not properly monitored and tracked during the fiscal year. A reconciliation of the detailed fixed assets and CIP to the general ledger was not performed during the year and the detailed listings of additions and deletions were not available until requested by the auditors.

Within the Federal Low Rent Program Fund, the HPHA maintains a Construction in Progress (CIP) schedule which details the projects and related costs. However, during our audit, it was noted that the CIP schedule as of June 30, 2008 was not updated for 2008 transactions on a timely basis. Additionally, the HPHA does not maintain an automated detail capital asset register, instead manual excel worksheets and previous detail general ledger printouts are used.

We also noted that the CIP schedule did not detail when projects were completed. Consequently, projects listed within CIP schedule were completed and not transferred to the Capital Assets account. This resulted in a reclassification of CIP assets to Property and Equipment and an adjustment to record the corresponding depreciation expense.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-08 Equipment and Real Property Deficiencies - Material Weakness

Effect: The lack of appropriate monitoring and reporting may lead to misstatement of the equipment and real property balances and non-compliance with program requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA maintain detailed CIP records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. Complete information such as the above, on all assets, would provide excellent control for the safeguarding of these assets which are significant in costs.

We also recommend that better monitoring, assessment and evaluation of the (CIP) be made regarding the status, completion and transfer of assets from construction in progress to active fixed assets which are being depreciated.

PHA Reply (Corrective Action Plan): The Capital Fund expenditures within the Federal Low Rent Program are presently tracked by the Capital Fund Coordinator using excel worksheets. However, these worksheets were never reconciled to the general ledger. FMO will implement a procedure to reconcile worksheet to General Ledger on a monthly basis. Presently, there is no written procedure for closing projects and re-classing amounts from CIP to fixed assets. FMO will implement a procedure detailing the required close out documents and the process of notification from Construction Management to FMO of the status of completed projects so CIP amounts can be cleared out to fixed assets on a quarterly basis. FMO will also research the availability of packaged software that could accommodate its needs in automating this detailed process.

Contact Person: Gary Marushige

Target Completion Date: June 30, 2009

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-09 Eligibility – Tenant File Testing

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

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

- 1) For 2 out of 40 tenant files tested, we noted that an annual re-examination was not performed
- 2) For 1 out of 40 tenant files tested, we noted that the re-examination was not performed on a timely basis
- 3) For 1 out of 40 tenant files tested, we noted that the tenant file was missing certain eligibility documents.

Effect: Failure to adequately determine eligibility can lead to non-compliance with program requirements and potential disallowed costs.

Questioned costs: None

Recommendation: We recommend that the HPHA enforce proper implementation of its eligibility policy and procedures and establish a regular quality control review of tenant files by program management. This review and its results should be documented for monitoring at the HPHA management level. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

PHA Reply (Corrective Action Plan): HPHA's Property Management Branch has implemented a quality control review of the tenant files on a monthly basis since October 2008. The Monthly Supervisor Review Procedures requires a 10% review of all annual re-exams and new placements. The monthly reviews are submitted to PMMSB and an error analysis is conducted, tracking the number and type of errors for each review. The review logs and error analysis are then submitted to HUD for their review.

Contact Person: Stephanie Fo, PMMSB Chief

Target Completion Date: June 30, 2009

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-10 Special Tests and Provisions – Project Based Budgeting and Accounting, Classification of Costs and Balance Sheet Allocation – Material Weakness

Criteria: The follow requirements relate to asset management accounting that HPHA was required to implement during fiscal year 2008:

- 1) *Project Based Accounting:* Per 24 CFR section 990.280(a), PHAs implementing asset management shall develop and maintain a system of budgeting and accounting for each project in a manner that allows for analysis of actual revenues and expenses associated with each property. Financial information to be budgeted and accounted for at a project level shall include all data needed to complete a project-based FDS in accordance with generally accepted accounting principles, including revenues, expenses, assets, liabilities, and equity data.
- 2) *Classification of Costs:* Per 24 CFR section 990.280(d), for PHAs implementing asset management, if a PHA chooses to centralize functions that directly support a project (e.g., central maintenance), it must charge each project using a fee-for-service approach.
- 3) *Balance Sheet Allocation:* Per 24 CFR section 990.280(b)(1), PHAs implementing asset management must apportion their assets, liabilities, and equities to their projects and COCC at the time of conversion to project-based accounting.

Condition, cause, and context: Through our discussions with HPHA management and performance of our audit, we noted that due to the lack of training and adequate staffing, asset management accounting as described above was not implemented during the fiscal year.

Effect: Failure to adequately monitor and implement project based accounting can lead to non-compliance with program requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA provide adequate training to its accounting staff to properly implement asset management accounting, including the respective functions of the "emPHAsys" System.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs (continued)
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Finding No.: 2008-10 Special Tests and Provisions – Project Based Budgeting and Accounting, Classification of Costs and Balance Sheet Allocation – Material Weakness (continued)

PHA Reply (Corrective Action Plan): MD Strum has provided training to the applicable HPHA employees on the principles of asset management and project based accounting. They have also provided specialized training to the FMO staff. HPHA has also provided accounting employees special Emphasys retraining sessions by bringing back the trainer to conduct retraining since February 2009. MD Strum will continue to provide training on the details of asset management to improve the staff's knowledge of the system.

The principles of asset management were implemented through the AMPs but project based accounting was only partially implemented due to a lack of a general ledger. Project based budgeting was implemented with the 2009 fiscal year. HPHA will continue the education of the Fiscal Management Office through MD Strum and monitor the application of project based accounting by holding periodic reviews with the AMPs and Central Office Cost Center (COCC) staff.

Contact Person: Gary Marushige, Chief Financial Management Advisor

Target Completion Date: June 30, 2009

PART V

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings

Finding No.: 2007-01 Financial Management Deficiencies-Material Weakness:

During the past fiscal year, HPHA experienced a severe shortage of adequate staffing, including the Fiscal Officer and Chief Accountant positions. These vacancies had a significant impact on the HPHA's ability to perform its core accounting functions. In certain cases, individuals were performing functions in which they did not have the proper formal training or experience.

Condition & cause: With the bifurcation of the Housing and Community Development Corporation into two separate agencies, HPHA was operating without a Chief Accountant or Fiscal Officer during all of the 2007 fiscal year. Although HPHA subsequently hired a Chief Accountant in July 2007, accounting personnel did not have proper oversight and supervision during of the fiscal year, including appropriate reviews and approval of transactions. Consequently, numerous adjustments were recorded subsequent to the year-end closing, which resulted in the completion of the audit being significantly delayed. This lack of dedicated leadership and overall management of its accounting and financial reporting function during the 2007 fiscal year has limited the effectiveness of HPHA's ability to record and report accurate and timely financial information. Some of conditions noted includes but not limited to the following.

- Monthly general ledgers were not prepared
- Monthly reconciliations of all account balances were not performed
- Accruals incorrectly recorded or not recorded at all
- Certain revenues and expense items were recorded on a cash basis
- Journal entries were recorded incorrectly
- Expenses were not allocated on a timely basis
- Unrecorded obligations, including various payables and litigation settlement
- Lapsed appropriations
- Depreciation expense not recorded
- Transfer of assets not properly accounted for between funds

Additionally, as of our report date, subsequent internal monthly general ledgers, reconciliations and financial statements were not being completed on a timely basis.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings (continued)

Finding No.: 2007-01 Financial Management Deficiencies-Material Weakness (continued)

Context: Although the HPHA has subsequently filed the Fiscal Officer (FO) and Chief Accountant position, the lack of proper training is one of the most significant shortcomings of the HPHA. This is evident in the lack of understanding and use of the “emPHAsys” computer system, the application of generally accepted governmental accounting standards, various State of Hawaii generated reports from the Department of Accounting and General Services, and in HUD’s reporting requirements. The shortage of training, in combination with the lack of clearly documented policies and procedures and the presence of shortage of staffing, has limited the effectiveness of the HPHA’s internal control environment and procedures. Additionally, HUD’s reporting requirements, including but not limited to “project-based” accounting, the Real Estate Assessment Center electronic submission filing requirements and asset-management accounting, will further accentuate the need for proper training and supervision. The lack of proper oversight and supervision is a fundamental deficiency in the organization’s internal control environment.

Questioned costs: None

Effect: Failure to obtain adequate staffing levels and related controls can lead to misstatement of financial results and non-compliance. As a result of the above, the HPHA’s financials were restated for a correction of an error in its accounting for deferred income, see Note 2 of the financial statements.

Recommendation: HPHA needs to assess its current policies and procedures to ensure that internal controls over key accounting, financial reporting and budgeting processes are established and adhered to. Specifically:

1. We recommend that the Fiscal Officer and Chief Accountant should perform an assessment of current processes to:
 - Gain an understanding of each program’s objectives and type of major transaction. Perform interviews with the various branch chiefs, program managers, and with compliance officer.
 - Interview each accountant to determine their functions and what financial information is currently prepared and maintained.
 - Perform a gap analysis between the current conditions and desired conditions.

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings (continued)

Finding No.: 2007-01 Financial Management Deficiencies-Material Weakness (continued)

- Prepare and implement recommendations.
 - Identify any missing key internal controls, including but not limited to the following:
 - Review and approvals of monthly bank reconciliations,
 - Perform month end reconciliation to detail supporting documents. E.g. Review and approval of month-end accruals.
 - Recording of routine transaction: expense allocation, monthly review of CIP transfers, month end accruals.
 - Consider developing a month end closing checklist to ensure that accurate financial information is prepared timely. The month end checklist should be tailored to the specific requirements of each fund. For example: Federal low rent- checklist would include procedures specific to capital improvements.
 - Monitor control systems to ensure effectiveness. Timely review and approvals by appropriate personnel.
 - As a majority of the agency's funding are HUD subsidies, need to establish and maintain controls over operating and capital improvement budgets.
2. The HPHA should continue its efforts in seeking to hire a Chief Financial Officer. In addition, the agencies should evaluate the need to hire on a temporary basis experienced personnel to provide the appropriate oversight and supervision over the accounting and reporting functions.

PHA Reply (Corrective Action Plan): We acknowledge the problems caused by the lack of adequate staffing and internal controls, and concur with the above recommendations. Recognizing the need for management level leadership, HPHA created the position of a chief financial officer (formally known as the Chief Financial Management Advisor -- CFMA) in August 2007 and has been recruiting ever since without success, even with the services of a placement firm. The maximum rate of pay (\$70,000 - \$80,000) allowed for the position given HPHA's attached agency status is relatively low. CFOs are compensated at higher rates in other state departments and in the public housing authority sector. As an alternative, HPHA developed a request for proposals in October to contract with CPA firms that provided accounting services and financial management combined with knowledge of HUD. Despite advertising several times, no firms

Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings (continued)

Finding No.: 2007-01 Financial Management Deficiencies-Material Weakness (continued)

were able to meet our needs. HPHA attempted to have HUD deploy staff from Hawaii or mainland offices to oversee the fiscal management office, with no success. In December 2007, the state Department of Accounting & General Services deployed a senior manager and several staff accountants, and HPHA hired a CPA firm to provide basic accounting services under DAGS's direction. This resulted in the financial information that went to the auditor for FY 2007, as well as FY 2008 summary financial information for the period 7/1/2007 through 12/31/2007. HUD stepped in to provide technical assistance in March 2008, and is set to contract with a financial consultant beginning May 2008 to work on HPHA's behalf for 6 to 12 months. HPHA also contracted with a short term bridge financial consultant in late March 2008. Search to fill the CFMA position has been ongoing. Due to lack of qualified accounting applicants (affecting industry and government), as of March 2008 the agency has filled only 9 of 15 accounting positions, and still has not filled its budget analyst position. HPHA intends to supplement staff positions by evaluating the gaps with current staffing levels, then contracting to fill those gaps with temporary accounting services under the guidance of the financial consultant contracted by HUD.

Despite the lack of financial management information, HPHA presented for board review and approval a FY 2008 budget in October 2007, the first time an Authority-wide consolidated budget has been presented to the board in at least 30 years. The HPHA accounting staff started to develop a general ledger beginning 1/1/08. The Fiscal Officer and Chief Accountant are assessing current staff proficiency levels and scheduled initial training in January 2008 for staff to insure that the emPHAsys ECS financial management software system will be used as designed and that the transition to project based accounting will be in compliance with all applicable Federal regulations and generally accepted accounting procedures. Staff received training in encumbrances from Department of Human Services managers in February 2008. HPHA is currently implementing internal controls in response to the cited deficiencies. In March 2008, in response to the HUD technical assistance recommendations, HPHA formed an Asset Management Implementation Committee to drive preparation for July 1, 2008 implementation of asset management.

Contact Person: Chad Taniguchi, Executive Director (808) 832-4694; (Fax) 832-4679

Target Completion Date: June 30, 2009

Status: Comment still applicable. See finding **2008-01**.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings (continued)

Finding No.: 2007-02 No General Ledger and Non-reconciliations of General Ledger Accounts- Material Weakness:

Criteria: Internal Control deficiencies and Federal regulations require that the books and records of account should be maintained on a regular monthly basis for all programs.

Condition, cause & context: During the year, HPHA had installed the “emPHAsys” general ledger system software to provide HPHA with a general ledger system that would also be able to address HUD’s new reporting requirements. However, the use of the system had been very limited and in some instances not used at all. This lack of understanding of the “emPHAsys” computer system coupled with no Chief Accountant have resulted in monthly general ledgers not being prepared during the fiscal year. Consequently, the key internal control activity of routine monthly reconciliations of the general ledger accounts balances to the corresponding transaction or activity details was not performed during the year. For example, several major cash balances, account receivables, payables and accrued liabilities general ledger accounts, including amounts due from federal programs and from tenants, were not reconciled until the performance of the audit. Accordingly, numerous adjustments were recorded subsequent to the year end closing to correct various general ledger accounts. Without “reliable and timely” financial information, management decisions related to operations may be comprised. The following is a list of issues during the audit as a result of the lack of the general ledger and respective account reconciliations:

- Lack of financial statements
- Lack of information to perform budget to actual comparisons to determine if the HPHA has sufficient funds to adequately cover operations. Additionally, the lack of budgetary control could result in the HPHA operating with deficits
- Lack of information to perform monthly cost analysis by Management Unit (MU) level to identify the causes of any overruns

As of our report date, subsequent general ledgers and account reconciliations were not being completed. With the HUD required implementation of “asset-management” and “project-based” accounting, this situation would be further exacerbated. The lack of proper understanding of general ledger system and lack of account reconciliations is a fundamental deficiency in the organization’s internal control environment.

Questioned costs: None

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings (continued)

Finding No.: 2007-02 No General Ledger and Non-reconciliations of General Ledger Accounts-Material Weakness (continued)

Effect: Failure to adequately record all related financial activities can lead to misstatement of financial results and non-compliance.

Recommendation: HPHA’s policy is post journal vouchers to the general ledger and to perform monthly reconciliations for respective accounts. To ensure the accuracy and completeness of the HPHA’s financial information, we recommend that management provide training in the full use of its general ledger system and comply with its policy and post journal vouchers to the general ledger and perform account reconciliations in a timely manner.

PHA Reply (Corrective Action Plan): We will review all books of account, policies & procedures and other items to insure that all transactions are correctly recorded and adequately monitored. In addition, journal vouchers and related accrual will be recorded on a regular basis to prevent recurrence of this deficiency. The agency acknowledges the lack of training in the use of its computer system “emPHAsys”. While training was scheduled to occur during Fiscal Year 2007 the trainer’s time was largely focused on development of the general ledger system. Training was also hindered due to hardware and software failures by the “emPHAsys” system and HPHA’s internet connections, which prevented the timely input of information for the completion of the general ledger. Starting with January 2008, all information was been inputted and updated in the “emPHAsys” system, hardware was upgraded and training was scheduled for May, June, and July 2008 to increase the accountants’ proficiency in the use of the software. These actions should be sufficient to eliminate all cited deficiencies.

Contact Person: Gary Nakatsu, Information Technology Chief (808) 832-5937

Target Completion Date: July 30, 2009

Status: Comment still applicable. See finding **2008-02**.

Finding No.: 2007-03 Lack of Clear Policies and Procedures-Material Weakness

Criteria: Internal controls; General Accounting Standards. In addition, the requirements for appropriate controls over Federal programs are contained in the Code of Federal Regulations and the Low-Rent Housing Financial Management Handbook, 7475.1. Also, good internal control procedures require that policies and procedures should be in place and operating effectively.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section I – Financial Statement Findings (continued)

Finding No.: 2007-03 Lack of Clear Policies and Procedures-Material Weakness (continued)

Condition, cause, and context: Our review of internal controls revealed that the accounting and budgets departments do not maintain updated formal policies and procedures manuals or documents related to key internal control functions or activities. For example, HPHA does not maintain documented policies and procedures related to cash reconciliations, tenant accounts receivable reconciliations, general accounts payable processing, HPHA'S reporting, Capital Fund monitoring, or financial reporting procedures, including REAC's electronic submission filing.

The lack of clearly documented updated policies and procedures limits the effectiveness of the HPHA internal control environment and procedures and may result in additional costs expended by HPHA. This is especially true in situations where personnel are new to a position and performing certain functions for the first time. An example of such a situation was the hiring of an outside consultant to complete HPHA's REAC electronic submission filing.

Recommendation: HPHA should assess its current internal control polices and procedures related to key accounting and budgeting processes. Upon the completion of such assessment, a formal policies and procedures manual for all key accounting and budgeting functions. Any material changes to existing policies should be approved via resolution by the Board of Commissioners.

PHA Reply (Corrective Action Plan): We will review all Fiscal Management Office functions in light of the above recommendations. During Fiscal year 2007, HPHA developed a policy and procedures manual but due to department vacancies it was never implemented. At present, the manual is being verified and updated by current FMO management and will be presented to the HUD contracted financial consultant before being submitted to the Board for approval. All staff will be provided copies and training related to these policies so the HPHA will have these controls in place by the end of Fiscal 2008 so that this will not be an issue in subsequent periods.

Contact Person: Patti Miyamoto, Chief Compliance Officer (808)832-5904 ;(Fax) 832-3943

Target Completion Date: June 30, 2008

Status: Comment still applicable. See finding **2008-03**.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs

Section 8 Housing Choice Vouchers Program CFDA No. 14.871

Finding No.: 2007-04 Special Test and Provision-HUD Income Targeting Requirements

Criteria: 24 CFR 982.201(b) (2) (iii)

Condition, cause, and context: Based on our testing of the Housing Choice Voucher Program's waiting list, we noted the HPHA does not monitor its compliance with HUD Income Targeting Requirements which requires at least 75% of new admissions to be in the extremely low income and 25% very low income range (24 CFR 982.201(b)(2)(iii)). We also noted that the HPHA could not provide a report to ascertain whether or not it is in compliance with the income targets aforementioned. It was further noted that the HPHA failed to obtain a waiver from HUD.

Effect: Non-compliance.

Questioned costs: None

Recommendation: We recommend the HPHA structure program monitoring in such a manner that allows for compliance monitoring over admissions in order to adequately address HUD Income Targeting Requirements.

PHA Reply (Corrective Action Plan): HPHA will step up its efforts to monitor HUD Income Targeting requirements and will activate the ECS crystal reports writer module that will generate this report to document its attempts to maintain compliance with these requirements. If HPHA is unable to meet these requirements, it will request a waiver from HUD. HPHA will also set up a binder where reports will be housed and reviewed on a regular basis to document attempts at meeting HUD program requirements.

Contact Person: Dexter Ching, Section 8 Subsidy Program Branch Chief (808)832-5933 ;(Fax) 832-3461

Target Completion Date: June 30, 2008

Status: Comment no longer applicable.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2007-05 Special Tests and Provisions - Waiting List

Criteria: 24 CFR sections 5.410, 982.54(d) and 982.201 through 982.207 require the HPHA to establish policies for verification and documentation of information relevant to acceptance or rejection of an applicant.

Condition, cause, and context: Due to the limited number of housing vouchers, the HPHA’s policy for placing applicants into the program is based upon preference criteria. Applicants on the waiting list who met these preference criteria, with the proper documentation and verification, were admitted to the program.

During our inquiry of HPHA’s controls over the waiting list policy, we were informed by management that the waiting list was opened during the year for a short period, which resulted in approximately 3,400 new applicants during the fiscal year. When reviewing controls over these new applicants, we noted that not all applicants were properly entered into the system. This is not in compliance with the Housing Choice Voucher Program’s Administrative Plan submitted and approved by HUD and as a result we were not able to adequately test system controls. We noted that only eligible applicants from the first day were placed on the waiting list and all applicants after the first day, whether eligible or ineligible, were labeled as “INACTIVE” and excluded from the waiting list. Accordingly to Housing Choice Voucher Program management, this was done to give preference to the people who applied on the first day.

Effect: Failure to adequately maintain the waiting list and follow administrative the administrative plan results in non-compliance and represents a scope limitation for the tests of controls and compliance with OMB A-133 requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA complies with its Administration Plan guidelines for the waiting list that were submitted to HUD.

PHA Reply (Corrective Action Plan): HPHA will go back into the system and restore all applicants who applied in December to active status to insure that they are contacted in the correct order in relation to the application time and preferences, if any. HPHA will review the policies and procedures for opening the waiting list and in the future will provide greater details to be fair and to provide potential voucher recipients a realistic timetable for when they will be eligible for application processing.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs (continued)

Finding No.: 2007-05 Special Tests and Provisions - Waiting List (continued)

Contact Person: Dexter Ching, Section 8 Subsidy Program Branch Chief (808)832-5933 ;(Fax) 832-3461

Target Completion Date: June 30, 2008

Status: Comment no longer applicable.

Public and Indian Housing Program CFDA No. 14.850

Finding No.: 2007-06 Eligibility - Tenant Files-Material weakness:

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

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

- 1) For 18 tenant files, we noted that the required eligibility checklist was included in the tenant file but not properly checked off and or signed by the housing specialist. Nine out of the 18 files were missing either required 3rd party verifications, completion of forms or signatures on required forms.
- 2) For 2 tenant files, we noted that 3rd party verification of income was missing.
- 3) For 1 tenant file, we noted that the birth certificate was missing and for 1 tenant file, we noted that eligible income was miscalculated.

Effect: Failure to adequately determine eligibility can lead to non-compliance and potential disallowed costs.

Questioned costs: None

Recommendation: We recommend that the HPHA enforce proper implementation of its eligibility checklists and establish a regular quality control review of tenant files by program management. This review and its results should be documented for monitoring at the HPHA management level. Such a quality control review could identify areas requiring more attention by management and ultimately reduce the number of errors.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs (continued)

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

Finding No.: 2007-06 Eligibility - Tenant Files-Material weakness (continued)

PHA Reply (Corrective Action Plan): The HPHA will establish additional quality control procedures to better identify areas for improvement. This will include regular reviews by on-site personnel and management staff. HPHA will document the results of these reviews including the follow-up process for any identified deficiencies. This will insure that all initial certifications and ongoing re-certifications are conducted in accordance with HPHA and HUD policies and procedures.

Contact Person: Michi Kanoura-Hatae, Application Services Supervisor (808) 832-3427; (Fax) 832-5964

Target Completion Date: June 30, 2008

Status: Comment no longer applicable.

Finding No.: 2007-07 Eligibility - Waiting List

Criteria: 200824 CFR sections 960.204 through 960.207 require the HPHA to establish policies for verification and documentation of information relevant to acceptance or rejection of an applicant. Due to the excess of applicants on the waiting list for low-income housing in comparison to the number of units available, the HPHA's policy for placing applicants into the program is based upon preference criteria. Applicants on the waiting list who met these preference criteria, with the proper documentation and verification, were admitted to the program.

Condition, cause, and context: During our discussions with management, we noted that in the past housing specialists re-sequenced the waiting list on a daily basis, which is in accordance with the Administration Plan submitted and approved by HUD. Applicants are ranked by preference points. As such, when sequencing was done daily, the applicants would fluctuate on the waitlist, depending on changes to existing applicants' preference status and new applicants' preferences. As such, management initiated a quarterly re-sequencing to alleviate such fluctuations and to standardize the waitlist. The waitlist is now re-sequenced quarterly (1st working day of month). This policy is neither documented nor approved by HUD.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs (continued)

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

Finding No.: 2007-07 Eligibility - Waiting List (continued)

In our discussions with management and in the performance of our audit, we noted several instances during the year where a “back log” of applications was not entered into the system on a timely basis, as such; several applicants were not included in quarterly re-sequencing when they should have been. We also noted that there still remains a “back log” of applications submitted during the fiscal year that had not been entered into the system.

Effect: The fact that several applicants were not properly placed on the waiting list limits our scope for testing controls over compliance with OMB A-133 and test of compliance with OMB A-133 requirements.

Questioned costs: None

Recommendation: We recommend that the HPHA follow its Administration Plan guidelines for the waiting list that were submitted to HUD or resubmit a revised Administration Plan that incorporates management’s decision noted above. We also recommend that the HPHA evaluate its Application Department and its various functions, and determine whether the department has sufficient capacity to manage the volume of applications and or if there are any inefficient processes that should be eliminated.

PHA Reply (Corrective Action Plan): Management will review the current waiting list to insure that any backlogged applications have been input into the system. In addition, the list will be reviewed to make sure that all applicants are sequenced in accordance with the current approved Administrative Plan. This will help to insure that persons on the waiting list will be contacted in the correct order in relation to the initial application time and preferences. In the future, HPHA will review the policies and procedures for opening the waiting list and will obtain HUD approval prior to any future re-sequencing provisions. HPHA is in the process of transferring some of the responsibilities for applications final processing from the central applications section to the staff where the housing units are located. This move is intended to speed up placements by providing better coordination between those fixing units and those filling units. HPHA also approved, effective November 2007, for applicants to have only one choice of housing placements (instead of three previously). Since December, HPHA has worked with the Bank of Hawaii to evaluate processing speed with the eye to streamline procedures.

Contact Person: Michi Kanoura-Hatae, Application Services Supervisor (808) 832-3427; (Fax) 832-5964

Target Completion Date: June 30, 2008.

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs (continued)

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

Finding No.: 2007-07 Eligibility - Waiting List (continued)

Status: Comment still applicable. See finding 2008-07.

Finding No.: 2007-08 Equipment and Real Property Deficiencies-Material weakness

Criteria: The requirements for maintaining equipment inventory and capital asset accounting are contained in the Federal Common Rule OMB A-102 and the Code of Federal Regulations. Also, the maintaining of appropriate accounting records and the conducting of physical inventories was an annual requirement contained in the 7510, Low-Rent Housing Accounting Guidebook.

Condition, cause and context: During the audit, we noted that equipment and construction-in-progress (CIP) were not properly monitored and tracked during the fiscal year. A roll forward of fixed assets and CIP was not maintained and detailed listings of additions and deletions were not available until requested by the auditors.

Within the Federal Low Rent Program Fund, the HPHA maintains a Construction in Progress (CIP) schedule which details the projects and related costs. However, during our audit, it was noted that the CIP schedule as of June 30, 2007 was not updated for 2007 transactions on a timely basis. Additionally, the HPHA does not maintain an automated detail capital asset register, instead manual excel worksheets and previous detail general ledger printouts are used.

We also noted that the CIP schedule did not detail when projects were completed. Consequently, projects listed within CIP schedule were completed and not transferred to the Capital Assets account. This resulted in a reclassification of CIP assets to Property and Equipment and an adjustment to record the corresponding depreciation expense.

Effect: Non-compliance.

Questioned costs: None

Hawaii Public Housing Authority

Summary of Schedule of Prior-Year Audit Findings
Year Ended June 30, 2008

Section II – Federal Award Findings and Questioned Costs (continued)

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

Finding No.: 2007-08 Equipment and Real Property Deficiencies-Material weakness (continued)

Recommendation: We recommend that the HPHA maintain detailed CIP records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. Complete information such as the above, on all assets would provide excellent control for the safeguarding of these assets, which are significant in costs.

We, also, recommend that better monitoring, assessment and evaluation of the (CIP) could be made regarding the status, completion and transfer of assets from construction in progress to active fixed assets which are being depreciated.

PHA Reply (Corrective Action Plan): We are in agreement with this finding. HPHA will take the appropriate steps to insure that an inventory of all capital assets will be taken in May and June 2008, so that all required adjustments can be recorded in the general ledger prior to the closing of the June 30, 2008 financial statements. We are currently assessing all inter-department functions to determine the appropriate staffing assignments for this task and related emPHAsys ECS software functions to insure adequate controls will be in place by the year-end close. Since January 2008 HPHA has been publishing the completion date of projects in its reports to the board of directors for greater transparency and better record keeping.

Contact Person: Derek Fujikami, Construction Management Branch (808) 832-5374; (Fax) 832-4679

Target Completion Date: July 15, 2008

Status: Comment still applicable. See finding **2008-08**.