

# **Hawaii Public Housing Authority**

Financial Statements

June 30, 2011

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR  
STATE OF HAWAII**



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A Hawaii Limited Liability Partnership

March 27, 2012

Mr. Hakim Ouansafi  
Executive Director  
Hawaii Public Housing Authority  
State of Hawaii

Dear Mr. Ouansafi:

This is our report on the financial audit of the Hawaii Public Housing Authority (Authority) as of and for the fiscal year ended June 30, 2011. 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, 2011, 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, 2011.

## ORGANIZATION OF THE REPORT

This report is presented in five parts as follows:

- Part I – The basic financial statements and related notes of the Authority as of and for the fiscal year ended June 30, 2011, 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**



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A Hawaii Limited Liability Partnership

## **Independent Auditor's Report**

The Auditor  
State of Hawaii

Board of Directors  
Hawaii Public Housing Authority:

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, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011 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, 2011, 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 January 13, 2012, 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, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 19 and Budgetary Comparison Schedules on pages 70 to 72 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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. 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 and Schedule of Modernization Funds and Modernization Costs are 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  
January 13, 2012



# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2011

The Management Discussion and Analysis (MD&A) provides the highlights of the Hawaii Public Housing Authority's (HPHA) financial performance for the fiscal year ended June 30, 2011. The HPHA's MD&A is designed to: focus on significant financial issues; review the HPHA's financial activity; highlight changes in the HPHA's financial position (its ability to address the next and subsequent year challenges); and identify individual fund issues or concerns. Since the MD&A is designed to focus on the financial activities of the HPHA for the last fiscal year ended June 30, 2011, readers should review this in conjunction with the financial statements that follow.

## INTRODUCTION

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

During the audited period of July 1, 2010 to June 30, 2011, the HPHA administered the following major programs:

- Federal and State public housing programs  
The HPHA administered over 5,300 federal public housing units in Hawaii with funds received from the United States Department of Housing and Urban Development (HUD), and 860 state public housing units developed with State funds.
- Federal and State rent subsidy programs  
The HPHA administered two federally funded rental assistance programs - Section 8 Housing Choice Voucher Program, Veterans Affairs Supportive Housing Program and the State funded rental assistance program, subsidizing monthly rental payments to qualified households. HPHA also has a Special Allocation Program which administers a project based program under a contract with the federal government through a subcontract, Contract Management Services (a subsidiary of the Bremerton, Washington Housing Authority).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2011

## FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets of the HPHA exceeded its liabilities by \$387,209,990 (net assets). Of this amount, \$298,607,858 is invested in capital assets, net of related debt (*Government-Wide Statement of Net Assets, page 21*)
- The HPHA's government-wide net assets decreased by \$3,331,714. The decrease in net assets is the offsetting activities in government activities and business-type activities as follows:
  - a. Governmental activities change in net assets of (\$30,891,209) is primarily due to the intergovernmental transfers of \$21,919,677, (*Government-Wide Statement of Activities, page 22*) which represents the transfer of the Homeless Program, HMS 224 (pursuant to a legislative order) to the Department of Human Services (*Notes to the Financial Statement #7, page 55*).

Of the \$21,919,677 transferred to the Department of Human Services, \$20,106,315 represents the capital assets related to the Homeless Program (*Reconciliation of the Change in Fund Balances of Governmental Funds To the Statement of Activities, page 26*) and the remaining balance of \$1,813,362 represents Intergovernmental Transfers (*Governmental Funds Statement of Revenues, Expenditures and changes in Fund Balances, page 25*).

The remaining change is related to the net change in Capital Projects funds of approximately (\$8,679,000), which consists of capital outlay of approximately \$12,774,000, net of current year appropriations of approximately \$4,094,000 (*Governmental Funds Statement of Revenues, Expenditures and changes in Fund Balances, page 25*).

- b. Business-type activities change in net assets of approximately \$27,559,495 (*Government-Wide Statement of Activities, page 22*) is primarily due to capital contribution transfers of \$12,716,254, net operating transfers of \$4,798,396, and income before transfers of \$10,044,845 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*).

The capital contribution transfers are related to the Capital Project fund's current year capital outlay \$12,773,703 (*Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 25*) expended for the benefit of business-type activities funds.

Similar to the prior year, the net operating transfers are related to rental housing shortfalls paid for by the General Fund (*Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, page 25*).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2011

The income before transfers of \$10,044,845 is due to an increase in HUD capital subsidy from prior year of approximately \$6.7 million and from the gain from the sale of Banyan Street Manor Project of approximately \$4.0 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*).

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

This report also contains other supplemental information in addition to the basic financial statements themselves.

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

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2011

HPHA's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided to explain the relationship (or differences) between them.

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

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 a major or non-major fund. The criteria for determining "major" or "non-major" funds is based on Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments. Major funds are reported separately, while non-major funds are combined as a whole and separated as a column in the fund financial statements. Details for the non-major funds 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.

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2011

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### HAWAII PUBLIC HOUSING AUTHORITY Condensed Statement of Net Assets June 30, 2011 & June 30, 2010

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 49,643	\$ 60,076	\$ 53,788	\$ 38,294	\$ 103,431	\$ 98,370
Capital assets	5,435	25,851	293,172	281,933	298,607	307,784
Other assets	-	-	8,303	8,181	8,303	8,181
<b>Total Assets</b>	<b>\$ 55,078</b>	<b>\$ 85,927</b>	<b>\$ 355,263</b>	<b>\$ 328,408</b>	<b>\$ 410,341</b>	<b>\$ 414,335</b>
Current and other liabilities	\$ 5,135	\$ 5,081	\$ 9,301	\$ 11,722	\$ 14,436	\$ 16,803
Long-term liabilities	137	149	8,558	6,841	8,695	6,990
<b>Total Liabilities</b>	<b>5,272</b>	<b>5,230</b>	<b>17,859</b>	<b>18,563</b>	<b>23,131</b>	<b>23,793</b>
Net assets:						
Invested in capital assets, net of related debt	5,435	25,851	293,173	281,810	298,608	307,661
Restricted	3,984	-	5,829	7,160	9,813	7,160
Assigned	40,387	54,846	38,402	20,875	78,789	75,721
<b>Total net assets</b>	<b>49,806</b>	<b>80,697</b>	<b>337,404</b>	<b>309,845</b>	<b>387,210</b>	<b>390,542</b>
<b>Total liabilities &amp; net assets</b>	<b>\$ 55,078</b>	<b>\$ 85,927</b>	<b>\$ 355,263</b>	<b>\$ 328,408</b>	<b>\$ 410,341</b>	<b>\$ 414,335</b>

### Statement of net assets

Net assets may serve over time as a useful indicator of the HPHA's financial position. At the close of the fiscal year, the HPHA's assets exceeded its liabilities by \$387,209,990. As noted earlier, \$298,607,858 of net assets is invested in capital assets, net of related debt.

Of the HPHA's total assets, \$298,607,858 (or 73%) represents capital assets, net of related debt, Cash and Due from the State of Hawaii (*Government-Wide Statement of Net Assets, page 20*) in the amount of \$93,822,990 and comprises 23% of total assets. Amounts that are "Due from the state of Hawaii" represent available State allotted appropriations as of the end of the fiscal year and are primarily designated for capital improvement projects. Net assets for the previous fiscal year had a similar composition with the majority of total net assets represented by capital assets, net of related debt.

Accounts payable and accrued current expenses of \$11,309,754 (*Government-Wide Statement of Net Assets, page 21*) comprise 78% of the HPHA's total current liabilities.

Long term liabilities increased by \$1,705,137 from the prior year. This is primarily due to the increase in other post retirement employee benefits liability of \$1,693,236 (*Notes to the Financial Statements, #11, page 64*). The HPHA's obligations related to other post retirement employee benefits are based on reports provided by the State's Department of Accounting and General Services.

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2011

## HAWAII PUBLIC HOUSING AUTHORITY Government-Wide Statement of Activities Years Ended June 30, 2011 and 2010 (In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ -	\$ -	\$ 20,442	\$ 21,724	\$ 20,442	\$ 21,724
Operating grants and contributions	48,409	48,349	22,412	21,793	70,821	70,142
Capital grants and contributions	-	-	24,242	17,496	24,242	17,496
Other income	-	-	3,993	1,163	3,993	1,163
General Revenues:						
State allotted appropriations, net of lapsed funds	9,274	48,852	-	-	9,274	48,852
Other (loss) income	-	(75)	-	-	-	(75)
Total revenues	<u>57,683</u>	<u>97,126</u>	<u>71,089</u>	<u>62,176</u>	<u>128,772</u>	<u>159,302</u>
<b>Expenses</b>						
Governmental Activities						
Homeless services and assistance program	-	22,916	-	-	-	22,916
Rental housing assistance program	61,856	57,292	-	-	61,856	57,292
Business-Type Activities						
Rental assistance program	-	-	50,870	51,966	50,870	51,966
Rental housing program	-	-	8,637	8,415	8,637	8,415
Other	-	-	1,538	1,160	1,538	1,160
Total governmental-wide expenses	<u>61,856</u>	<u>80,208</u>	<u>61,045</u>	<u>61,541</u>	<u>122,901</u>	<u>141,749</u>
Excess of revenues over expenses	(4,173)	16,918	10,044	635	5,871	17,553
Capital contributions	-	-	12,716	9,119	12,716	9,119
Transfers	<u>(26,718)</u>	<u>(3,610)</u>	<u>4,799</u>	<u>3,493</u>	<u>(21,919)</u>	<u>(117)</u>
CHANGES IN NET ASSETS	(30,891)	13,308	27,559	13,247	(3,332)	26,555
Total net assets, beginning of year	<u>80,697</u>	<u>67,389</u>	<u>309,845</u>	<u>296,598</u>	<u>390,542</u>	<u>363,987</u>
Total net assets, end of year	<u>\$ 49,806</u>	<u>\$80,697</u>	<u>\$ 337,404</u>	<u>\$ 309,845</u>	<u>\$ 387,210</u>	<u>\$ 390,542</u>

### Statement of Activities

Operating grants and contributions increased \$679,504 in the current year from \$70,141,974 to \$70,821,478. Capital grants and contributions also increased by \$6,745,701 in the current year from \$17,496,330 to \$24,242,031. Included in those increase are the HUD operating and capital subsidies which increased from \$39,289,053 to \$46,654,508 an increase of \$7,365,455 or 19% from prior year. Those amounts contributed to the business-type activities operating income of \$6,051,646 for the year (*Government-wide Statement of Activities, page 22*). Consequently, business-type activities recognized net income, before capital contributions and transfers, of \$10,044,845 for the year.

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Management Discussion and Analysis  
June 30, 2011

Governmental activities net asset decreased by \$30,891,209. This change is primarily due to \$21,919,677 intergovernmental transfers which represents the transfer of the Homeless program (pursuant to a legislative order) to DHS, (*Government-Wide Statement of Activities, page 22 and Notes to the Financial Statements, #7, page 55*).

## FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

### Governmental funds

The focus of the HPHA's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HPHA's financing requirements. In particular, unrestricted fund balances may serve as a useful measure of the HPHA's net resource available for spending at the end of the fiscal year (*Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance, page 25*).

- At the end of the fiscal year, combined fund balances amounted to \$44,507,648, of which \$36,363,105 is reserved for capital projects, a decrease of \$10,487,837 in comparison with the prior year's combined fund balance.
- The key factors in this decrease was the intergovernmental transfers of \$21,919,677 which represents the transfer of the Homeless program (pursuant to a legislative order) to DHS, (*Government-Wide Statement of Activities, page 22, and Notes to the Financial Statements, #7, page 55*). Of the \$21,919,677 transfer, \$1,813,362 represents the Governmental Fund net assets transferred (*Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 25*) with the remaining balance of \$20,106,315 representing the capital assets related to this program (*Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities, page 26*).
- The remaining change is related to the net change is Capital Projects funds of approximately \$8,679,000, which consists of capital outlay of approximately \$12,773,000, net of current year appropriations of approximately \$4,094,000 (*Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances, page 25*).
- Housing Choice Voucher Program for the current year, approximately \$1.4 million (*Governmental Funds, Balance Sheet, page 23*) of HUD contributions have been recorded as deferred income. HUD contributions are paid based on the budget of expected voucher payments. As such, HUD contributions in excess of housing assistance payments are reported as deferred income.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
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## Proprietary funds

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

- The combined net assets restricted by legislation and contractual agreement amounted to \$5,829,310 are related to restricted deposits and funded reserves (*Proprietary Funds, Statement of Net Assets, page 28*).
- With the implementation of HUD's Asset Management and Project Based Budgeting, the HPHA established the Central Office Cost Center (COCC) fund to account for costs related to the general oversight of its housing projects and other indirect and administrative costs of the Authority. The COCC fund charges fees to the HPHA's various housing projects for administrative services and general oversight.
- Overall income before transfers amounted to approximately \$10,045,000 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*) compared with prior year amount of \$635,029. The change is primarily due to approximately \$4,007,000 of gains from the sale of Banyan Street Manor and the increase in HUD capital subsidies of approximately \$6.7 million.

The COCC income before transfers decreased from \$1.0 million to a loss of \$487,291 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*). This is primarily due to the overall decrease in "Fee-for-service" of approximately \$1.7 million to \$5.9 million or 22.8%. The majority of the decrease is related to the decrease in capital fund management fee. Additionally, the COCC received approximately \$11.3 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*) of operating transfers compared with prior year transfers of \$586,802. Of this amount, \$7.3 million is from the sale of Banyan Street Manor Apartments and \$3.4 million is from the sale of Kuhio Park Terrace Towers under the Federal Low Rent Program.

- Under the Federal Low Rent Program, net income before transfers amounted to approximately \$11.3 million compared to prior year net income of \$4.3 million. The total net variance of approximately \$7.0 million is due to an overall operating expenses decrease and an increase in HUD capital subsidies. Operating expenses decreased by approximately \$1.1 million to \$50.8 million from prior year (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 30*). The majority of the decrease in operating expense is related to a \$1.7 million decrease in COCC management fee charges (*see related decreased COCC revenues above*). HUD capital subsidies increased from \$17.5 million to \$24.2 million from prior year (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*).



# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2011

- The Housing Revolving Fund's and Housing for Elderly Fund's operations is consistent with prior year. The rental income received for the two funds is not sufficient to support each of the fund's operational expenditures. Consequently, the Housing Revolving Fund's and Housing for Elderly Fund's losses before transfer amounted to approximately \$1.5 million and \$2.2 million, respectively (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*).
- Other Enterprise Funds income before transfers amounted to approximately \$2,859,000 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*) compared with prior year loss of approximately \$976,000. The increase in income is due to the gain from sale of Banyan Street Manor of \$4,007,463 (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*). Additionally, there was an increase in interest expense and accrual of \$350,000 related to the Ke Kumu Ekahi project for amount owned under a lease agreement (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Assets, page 31*) under other. Ke Kumu Ekahi continues to operate at a deficit.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA's investment in capital assets for its governmental and business-type activities for the fiscal year ended June 30, 2011 is \$298,607,858 (*net of related debt*). This investment in capital assets includes land, buildings and improvements, equipment, furniture, and fixtures. The following information is detailed in *Notes to the Financial Statements, #5, pages 52 and 53*.

### HPHA Capital Assets Years ended June 30, 2011 and June 30, 2010 (In thousands of dollars)

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,041	48,095	536,419	523,172	551,460	571,267
Equipment	1,198	1,198	9,721	9,767	10,919	10,965
Construction in progress	350	350	35,991	27,035	36,341	27,385
Total	18,962	52,016	605,097	582,940	624,059	634,956
Accumulated Depreciation	(13,527)	(26,165)	(311,924)	(301,007)	(325,451)	(327,172)
Total Capital Assets Net	\$ 5,435	\$ 25,851	\$ 293,173	\$ 281,933	\$ 298,608	\$ 307,784

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2011

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

## Major Projects Outstanding FY2011 (work-in-progress) at the end of the year

- AMP 30 Puuwai Momi Electrical System repairs - \$2,035,515
- AMP 31 Kalihi Valley Homes Site & Dwelling Improvements - \$4,562,882
- AMP 32 Mayor Wright Homes Reroofing- \$256,020
- AMP 33 Kaahumanu Homes Reroofing - \$838,467
- AMP 34 Makua Alii Structural Investigation and Repairs - \$692,816
- AMP 34 Makua Alii Structural and Spall Repairs - \$2,174,814
- AMP 37 Lanakila Homes Design Major Modernization - \$681,289
- AMP 39 Kahekili Terrace Physical Improvements - \$5,080,990
- AMP 39 Makani kai Hale Physical Improvements - \$1,651,765
- AMP 46 Hale Hauoli at Honokaa, Hawaii Painting, Re-Roofing and Renovation - \$974,999
- AMP 50 Palolo Valley Homes Physical Improvements - \$1,887,824

## **Debt Activity**

As of June 30, 2011, HPHA had no Mortgage and Notes Payable debt outstanding. The two loans for the Banyan Street Manor development were paid in full during the fiscal year ended June 30, 2011 (*Notes to the Financial Statements, #8, page 55*). During the fiscal year ended June 30, 2011, approximately \$294,605 was paid as part of the planned amortization and the sale of Banyan Street Manor development. No additional debt was incurred during the fiscal year ended June 30, 2011.

As of June 30, 2011, \$5,829,310 of cash was considered restricted, which was comprised of the replacement reserves and escrow accounts of HHA Wilikina Apartments.

## **ECONOMIC FACTORS**

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

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2011

In May 2009, the Board of Directors authorized the sale of the Banyan Street Manor Apartments at 1122 Banyan Street, Honolulu, Hawaii. In January 2010, the HPHA entered into a Purchase Agreement with Banyan Housing Limited Partnership (LP) and issued escrow instructions for the sale. The sale was structured as a purchase of the improvements by Banyan Housing LP and the assumption of the ground lease issued by the City and County of Honolulu to the HPHA by Banyan Housing LP. On May 30, 2011 the sale of Banyan Street Manor closed and the HPHA received sale proceeds in the amount of approximately \$6.6 million.

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

During the 2011 Legislative session, the Hawaii State Legislature appropriated an unprecedented \$78 million in Capital Improvement Program Funds to the HPHA for capital repairs. The majority of these funds will be expended on capital assets of various activities over the next two fiscal periods.

On April 21, 2011, the plaintiffs Fetu Kolio, et al., filed two lawsuits in federal and state courts naming the State of Hawaii, et al., as defendant. The plaintiffs are residents of Mayor Wright Homes, a 364 public housing project built in 1953 and financed by HUD. In the federal action, the plaintiffs seek declaratory and injunctive relief and damages for alleged violations of the ADA, the Rehabilitation Act, and the Fair Housing Amendments. The plaintiffs' state court complaint alleges lack of hot water, vermin infestation, inadequate security. The plaintiffs seek class action status in both actions as well as statutory attorneys' fees.

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

# **Hawaii Public Housing Authority**

Management Discussion and Analysis

June 30, 2011

## **CONTACT INFORMATION**

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

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 6,602,697	\$ 46,597,252	\$ 53,199,949
Due from State of Hawaii	40,623,041	-	40,623,041
Receivables:			
Accrued interest	-	148,075	148,075
Tenant receivables, less allowance for doubtful receivables of \$5,063,076	-	452,149	452,149
Other	139,503	30,339	169,842
	<u>139,503</u>	<u>630,563</u>	<u>770,066</u>
Internal balances	245,452	(245,452)	-
Due from other state agencies	-	559,541	559,541
Due from HUD	309,127	5,289,360	5,598,487
Inventories	-	911,585	911,585
Prepaid expenses and other assets	1,722,971	5,500	1,728,471
Deposits held in trust	-	39,373	39,373
	<u>49,642,791</u>	<u>53,787,722</u>	<u>103,430,513</u>
Total current assets			
Note Receivable	-	1,878,935	1,878,935
Accrued Interest	-	594,410	594,410
Restricted Deposits and Funded Reserves	-	5,829,310	5,829,310
Capital Assets, less accumulated depreciation	<u>5,435,291</u>	<u>293,172,567</u>	<u>298,607,858</u>
Total assets	<u>\$ 55,078,082</u>	<u>\$ 355,262,944</u>	<u>\$ 410,341,026</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET ASSETS (continued)

June 30, 2011

LIABILITIES AND NET ASSETS	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 3,203,038	\$ 4,530,927	\$ 7,733,965
Accrued expenses	535,876	3,039,913	3,575,789
Due to State of Hawaii	-	571,402	571,402
Due to HUD	40	-	40
Security deposits	-	809,557	809,557
Deferred income	1,396,189	348,844	1,745,033
Total current liabilities	<u>5,135,143</u>	<u>9,300,643</u>	<u>14,435,786</u>
Accrued Expenses	137,191	8,558,059	8,695,250
Commitments and Contingencies			
Net Assets:			
Invested in capital assets, net of related debt	5,435,291	293,172,567	298,607,858
Restricted by legislation and contractual agreements	3,983,800	5,829,310	9,813,110
Assigned	40,386,657	-	40,386,657
Unrestricted	-	38,402,365	38,402,365
Total net assets	<u>49,805,748</u>	<u>337,404,242</u>	<u>387,209,990</u>
Total liabilities and net assets	<u>\$ 55,078,082</u>	<u>\$ 355,262,944</u>	<u>\$ 410,341,026</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Expenses	Program Revenues			Net (expense) revenue and changes in net assets		
		Charges for services and other revenues	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Functions/Programs:							
Governmental activity --							
Rental Housing and Assistance Program	\$ 61,855,713	\$ -	\$ 48,409,001	\$ -	\$ (13,446,712)	\$ -	\$ (13,446,712)
Total governmental activities	61,855,713	-	48,409,001	-	(13,446,712)	-	(13,446,712)
Business-type activities:							
Rental assistance program	50,870,004	16,056,901	21,951,172	24,242,031	-	11,380,100	11,380,100
Rental housing program	8,636,666	3,787,986	461,305	-	-	(4,387,375)	(4,387,375)
Others	1,538,373	597,294	-	-	-	(941,079)	(941,079)
Total business-type activities	61,045,043	20,442,181	22,412,477	24,242,031	-	6,051,646	6,051,646
Total government-wide	\$ 122,900,756	\$ 20,442,181	\$ 70,821,478	\$ 24,242,031	(13,446,712)	6,051,646	(7,395,066)
State Allotted Appropriations, net of lapsed funds of \$690,489					9,273,576	-	9,273,576
Other Non-Program Revenue					-	3,993,199	3,993,199
Capital Contributions					-	12,716,254	12,716,254
Net Transfers					(4,798,396)	4,798,396	-
Intergovernmental Transfer					(21,919,677)	-	(21,919,677)
Total general (expenses) revenues and transfers					(17,444,497)	21,507,849	4,063,352
Change in net assets					(30,891,209)	27,559,495	(3,331,714)
Net Assets at July 1, 2010					80,696,957	309,844,747	390,541,704
Net Assets at June 30, 2011					\$ 49,805,748	\$ 337,404,242	\$ 387,209,990

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2011

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
<b>Current Assets:</b>						
Cash	\$ -	\$ -	\$ 5,379,989	\$ 1,222,668	\$ 40	\$ 6,602,697
Due from State of Hawaii	1,333,901	39,289,140	-	-	-	40,623,041
Other receivables	-	-	139,503	-	-	139,503
Due from other funds	137,841	-	301,769	715,689	-	1,155,299
Due from HUD	-	-	-	299,920	9,207	309,127
Prepaid expenses and other assets	56,769	-	1,666,202	-	-	1,722,971
Total assets	<u>\$ 1,528,511</u>	<u>\$ 39,289,140</u>	<u>\$ 7,487,463</u>	<u>\$ 2,238,277</u>	<u>\$ 9,247</u>	<u>\$ 50,552,638</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current Liabilities:</b>						
Accounts payable	\$ 276,992	\$ 2,926,035	\$ -	\$ 11	\$ -	\$ 3,203,038
Accrued expenses	11,810	-	248,370	275,696	-	535,876
Due to other funds	48,778	-	630,179	221,683	9,207	909,847
Deferred income	-	-	1,396,189	-	-	1,396,189
Due to HUD	-	-	-	-	40	40
Total liabilities	<u>337,580</u>	<u>2,926,035</u>	<u>2,274,738</u>	<u>497,390</u>	<u>9,247</u>	<u>6,044,990</u>
<b>Fund Balances:</b>						
Restricted by legislation and contractual agreements	-	-	3,983,800	-	-	3,983,800
Assigned	1,190,931	36,363,105	1,228,925	1,740,887	-	40,523,848
Total fund balances	<u>1,190,931</u>	<u>36,363,105</u>	<u>5,212,725</u>	<u>1,740,887</u>	<u>-</u>	<u>44,507,648</u>
Total liabilities and fund balances	<u>\$ 1,528,511</u>	<u>\$ 39,289,140</u>	<u>\$ 7,487,463</u>	<u>\$ 2,238,277</u>	<u>\$ 9,247</u>	<u>\$ 50,552,638</u>

The accompanying notes are an integral part of this statement.



Hawaii Public Housing Authority

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

June 30, 2011

Total fund balance - governmental funds		\$	44,507,648
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	5,435,291		
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	<u>(137,191)</u>		<u>5,298,100</u>
Net assets of governmental activities		\$	<u>49,805,748</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year ended June 30, 2011

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
<b>Revenues:</b>						
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 21,347,287	\$ 26,879,928	\$ 143,998	\$ 48,371,213
State allotted appropriations, net of lapsed funds of \$690,489	5,179,140	4,094,436	-	-	-	9,273,576
Other	-	-	33,956	114	-	34,070
<b>Total revenues</b>	<b>5,179,140</b>	<b>4,094,436</b>	<b>21,381,243</b>	<b>26,880,042</b>	<b>143,998</b>	<b>57,678,859</b>
<b>Expenditures:</b>						
Housing assistance payments	725,279	-	19,362,135	25,155,731	-	45,243,145
Personnel services	62,422	-	1,141,723	-	-	1,204,145
Administration	18,974	-	840,966	1,209,676	78,998	2,148,614
Professional services	24,570	-	45,911	38,763	-	109,244
Security	240	-	803	-	-	1,043
Repairs and maintenance	1,781	-	-	-	-	1,781
Insurance	-	-	3,885	-	-	3,885
Capital outlays	-	12,773,703	-	-	-	12,773,703
Other	15,273	494	57,329	-	-	73,096
<b>Total expenditures</b>	<b>848,539</b>	<b>12,774,197</b>	<b>21,452,752</b>	<b>26,404,170</b>	<b>78,998</b>	<b>61,558,656</b>
Excess (deficiency) of revenues over (under) expenditures	4,330,601	(8,679,761)	(71,509)	475,872	65,000	(3,879,797)
Nonoperating Expenditure - Interest Income	-	-	3,718	-	-	3,718
Intergovernmental Transfer	(1,813,362)	-	-	-	-	(1,813,362)
Other Financing (Uses) Sources - Transfers (Out) In	(4,566,482)	(264,897)	97,983	-	(65,000)	(4,798,396)
<b>Net change in fund balances</b>	<b>(2,049,243)</b>	<b>(8,944,658)</b>	<b>30,192</b>	<b>475,872</b>	<b>-</b>	<b>(10,487,837)</b>
Fund Balances at July 1, 2010	3,240,174	45,307,763	5,182,533	1,265,015	-	54,995,485
Fund Balances at June 30, 2011	\$ 1,190,931	\$ 36,363,105	\$ 5,212,725	\$ 1,740,887	\$ -	\$ 44,507,648

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, 2011

Net change in fund balances - total governmental funds		\$ (10,487,837)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those governmental activities assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of those governmental activity assets amounted to approximately \$309,000.	(309,181)	
Intergovernmental transfers, capital related items	(20,106,315)	
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	<u>12,124</u>	<u>(20,403,372)</u>
Change in net assets of governmental activities		<u>\$ (30,891,209)</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS

June 30, 2011

ASSETS	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Assets:							
Cash	\$ 23,992,451	\$ 312,713	\$ 1,704,741	\$ 15,169,956	\$ 4,127,281	\$ 45,307,142	\$ 1,290,110
Receivables:							
Accrued interest	-	-	51,850	-	62,231	114,081	33,994
Tenant receivables, less allowance for doubtful accounts of \$5,063,076	372,179	35,985	1,906	-	42,079	452,149	-
Other	-	7,785	2,664	-	19,890	30,339	-
	<u>372,179</u>	<u>43,770</u>	<u>56,420</u>	<u>-</u>	<u>124,200</u>	<u>596,569</u>	<u>33,994</u>
Due from other funds	-	548,558	618,320	10,038,396	1,136,149	12,341,423	116,747
Due from other state agencies	-	-	-	284,704	274,837	559,541	-
Due from HUD	5,063,255	-	-	-	226,105	5,289,360	-
Inventories	765,443	27,499	92,291	26,352	-	911,585	-
Prepaid expenses and other assets	-	-	-	5,500	-	5,500	-
Deposits held in trust	-	-	-	-	39,373	39,373	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,373</u>	<u>39,373</u>	<u>-</u>
Total current assets	<u>30,193,328</u>	<u>932,540</u>	<u>2,471,772</u>	<u>25,524,908</u>	<u>5,927,945</u>	<u>65,050,493</u>	<u>1,440,851</u>
Note Receivable	1,452,835	426,100	-	-	-	1,878,935	-
Accrued Interest	-	594,410	-	-	-	594,410	-
Restricted Deposits and Funded Reserves	-	-	-	-	5,829,310	5,829,310	-
Capital Assets, less accumulated depreciation	220,968,656	19,469,785	38,651,840	75,775	14,001,960	293,168,016	4,551
	<u>220,968,656</u>	<u>19,469,785</u>	<u>38,651,840</u>	<u>75,775</u>	<u>14,001,960</u>	<u>293,168,016</u>	<u>4,551</u>
Total assets	<u>\$ 252,614,819</u>	<u>\$ 21,422,835</u>	<u>\$ 41,123,612</u>	<u>\$ 25,600,683</u>	<u>\$ 25,759,215</u>	<u>\$ 366,521,164</u>	<u>\$ 1,445,402</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS (continued)

June 30, 2011

LIABILITIES AND NET ASSETS	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Liabilities:							
Accounts payable	\$ 4,002,748	\$ 51,503	\$ 162,468	\$ 46,848	\$ 267,360	\$ 4,530,927	\$ -
Accrued expenses	1,313,787	52,979	11,288	631,670	1,030,189	3,039,913	-
Due to other funds	6,787,677	477,402	213,578	602,620	4,561,905	12,643,182	60,440
Due to State of Hawaii	-	-	-	-	571,402	571,402	-
Due to HUD	-	-	-	-	-	-	-
Security deposits	585,990	38,451	134,278	-	50,838	809,557	-
Deferred income	313,047	35,797	-	-	-	348,844	-
Total current liabilities	<u>13,003,249</u>	<u>656,132</u>	<u>521,612</u>	<u>1,281,138</u>	<u>6,481,694</u>	<u>21,943,825</u>	<u>60,440</u>
Accrued Expenses	910,368	65,369	-	7,582,322	-	8,558,059	-
Commitments and Contingencies							
Net Assets:							
Invested in capital assets, net of related debt	220,968,656	19,469,785	38,651,840	75,775	14,001,960	293,168,016	4,551
Restricted by legislation and contractual agreement	-	-	-	-	5,829,310	5,829,310	-
Unrestricted	17,732,546	1,231,549	1,950,160	16,661,448	(553,749)	37,021,954	1,380,411
Total net assets	<u>238,701,202</u>	<u>20,701,334</u>	<u>40,602,000</u>	<u>16,737,223</u>	<u>19,277,521</u>	<u>336,019,280</u>	<u>1,384,962</u>
Total liabilities and net assets	<u>\$ 252,614,819</u>	<u>\$ 21,422,835</u>	<u>\$ 41,123,612</u>	<u>\$ 25,600,683</u>	<u>\$ 25,759,215</u>	<u>\$ 366,521,164</u>	<u>\$ 1,445,402</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

June 30, 2011

Total net assets of enterprise funds	\$ 336,019,280
Amounts reported for business-type activities in the statement of net assets are different because internal service fund assets and liabilities are included with business-type activities	<u>1,384,962</u>
Net assets of business-type activities	<u>\$ 337,404,242</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year ended June 30, 2011

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues:</b>								
Rental	\$ 15,888,752	\$ 1,001,046	\$ 1,991,553	\$ -	\$ 1,127,206	\$ -	\$ 20,008,557	\$ 10,495
Fee-for-service	-	-	-	5,911,401	-	(5,911,401)	-	-
Other	266,685	27,544	61,942	23,788	39,188	-	419,147	-
<b>Total operating revenues</b>	<b>16,155,437</b>	<b>1,028,590</b>	<b>2,053,495</b>	<b>5,935,189</b>	<b>1,166,394</b>	<b>(5,911,401)</b>	<b>20,427,704</b>	<b>10,495</b>
<b>Operating Expenses:</b>								
Project	7,177,431	-	-	-	-	-	7,177,431	-
Personnel services	8,584,899	717,044	-	5,318,823	-	-	14,620,766	-
Depreciation	11,158,502	490,385	1,399,776	8,030	1,015,869	-	14,072,562	10,241
Administration	5,657,921	292,702	1,140,850	638,902	798,005	(5,431,479)	3,096,901	10,495
Provision for losses	628,302	37,227	112	-	26,148	-	691,789	-
Professional services	605,590	31,442	22,866	197,851	75,207	-	932,956	2,639
Security	1,413,208	-	512	10,843	-	-	1,424,563	-
Insurance	576,588	29,959	128,127	27,825	25,935	-	788,434	-
Repairs and maintenance	3,352,688	230,749	463,154	110,018	344,329	(479,922)	4,021,016	-
Utilities	11,714,875	748,219	1,125,629	112,138	476,027	-	14,176,888	-
Capital expenditures	-	-	-	18,362	-	-	18,362	-
<b>Total operating expenses</b>	<b>50,870,004</b>	<b>2,577,727</b>	<b>4,281,026</b>	<b>6,442,792</b>	<b>2,761,520</b>	<b>(5,911,401)</b>	<b>61,021,668</b>	<b>23,375</b>
<b>Operating loss carried forward</b>	<b>(34,714,567)</b>	<b>(1,549,137)</b>	<b>(2,227,531)</b>	<b>(507,603)</b>	<b>(1,595,126)</b>	<b>-</b>	<b>(40,593,964)</b>	<b>(12,880)</b>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year ended June 30, 2011

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
Operating loss brought forward	<u>(34,714,567)</u>	<u>(1,549,137)</u>	<u>(2,227,531)</u>	<u>(507,603)</u>	<u>(1,595,126)</u>	<u>-</u>	<u>(40,593,964)</u>	<u>(12,880)</u>
Nonoperating Revenues (Expenses):								
Interest income (expense)	44,414	16,937	22,899	67,429	(401,358)	-	(249,679)	42,370
Gain on sale of Project	-	-	-	-	4,007,463	-	4,007,463	-
HUD operating subsidy and others	46,193,203	-	-	-	461,305	-	46,654,508	-
State allotted appropriation	-	-	-	-	-	-	-	-
Other (expenses) revenues	<u>(142,950)</u>	<u>-</u>	<u>-</u>	<u>(47,117)</u>	<u>387,094</u>	<u>-</u>	<u>197,027</u>	<u>-</u>
Net nonoperating revenues	<u>46,094,667</u>	<u>16,937</u>	<u>22,899</u>	<u>20,312</u>	<u>4,454,504</u>	<u>-</u>	<u>50,609,319</u>	<u>42,370</u>
Income (loss) before transfers	11,380,100	(1,532,200)	(2,204,632)	(487,291)	2,859,378	-	10,015,355	29,490
Capital Contributions	8,376,472	3,490,393	849,389	-	-	-	12,716,254	-
Net Operating Transfers	<u>(825,645)</u>	<u>627,502</u>	<u>1,015,765</u>	<u>11,339,122</u>	<u>(7,358,348)</u>	<u>-</u>	<u>4,798,396</u>	<u>-</u>
Change in net assets	18,930,927	2,585,695	(339,478)	10,851,831	(4,498,970)	-	27,530,005	29,490
Net Assets at July 1, 2010	<u>219,770,275</u>	<u>18,115,639</u>	<u>40,941,478</u>	<u>5,885,392</u>	<u>23,776,491</u>	<u>-</u>	<u>308,489,275</u>	<u>1,355,472</u>
Net Assets at June 30, 2011	<u>\$ 238,701,202</u>	<u>\$ 20,701,334</u>	<u>\$ 40,602,000</u>	<u>\$ 16,737,223</u>	<u>\$ 19,277,521</u>	<u>\$ -</u>	<u>\$ 336,019,280</u>	<u>\$ 1,384,962</u>

The accompanying notes are an integral part of this statement.



Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN NET ASSETS  
OF PROPRIETARY FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2011

Change in net assets - total enterprise funds	\$ 27,530,005
Change in net assets - internal service funds	<u>29,490</u>
Change in net assets of business-type activities	<u>\$ 27,559,495</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, 2011

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>							
Cash received from renters	\$ 15,176,860	\$ 972,970	\$ 1,978,036	\$ -	\$ 1,103,360	\$ 19,231,226	\$ -
Cash payments to employees	(9,088,394)	(702,052)	-	-	-	(9,790,446)	-
Cash payments to suppliers	(26,214,198)	(1,362,719)	(2,847,109)	(1,073,415)	(1,709,315)	(33,206,756)	-
Cash receipts from (payments to) other funds	2,695,079	415,009	336,728	(735,814)	110,510	2,821,512	932
Other cash receipts (payments)	266,685	19,759	59,926	25,923	33,297	405,590	(5,264)
	<u>(17,163,968)</u>	<u>(657,033)</u>	<u>(472,419)</u>	<u>(1,783,306)</u>	<u>(462,148)</u>	<u>(20,538,874)</u>	<u>(4,332)</u>
<b>Net cash used in operating activities</b>							
<b>Cash Flows from Noncapital Financing Activities:</b>							
HUD operating subsidy and others received	26,134,939	-	-	-	370,398	26,505,337	-
Cash payments to other state agencies	-	-	-	-	(38,671)	(38,671)	-
Net operating transfers	(3,446,273)	438,477	744,936	10,819,350	(7,990,487)	566,003	-
Other	(142,950)	(103)	-	(47,117)	97,261	(92,909)	-
	<u>22,545,716</u>	<u>438,374</u>	<u>744,936</u>	<u>10,772,233</u>	<u>(7,561,499)</u>	<u>26,939,760</u>	<u>-</u>
<b>Net cash provided by (used in) noncapital financing activities</b>							
<b>Cash Flows from Capital and Related Financing Activities:</b>							
HUD capital subsidy received	20,143,842	-	-	-	-	20,143,842	-
Net proceeds from sale of Project	3,162,943	-	-	-	6,690,547	9,853,490	-
Principal payments on mortgage loans	-	-	-	-	(109,028)	(109,028)	-
Interest payments	-	-	-	-	(4,674)	(4,674)	-
Payments for acquisition of property and equipment	(22,091,602)	-	-	-	-	(22,091,602)	-
Deposits in restricted deposits and funded reserves	-	-	-	-	(55,435)	(55,435)	-
Release of restricted deposits and funded reserves	-	-	-	-	1,395,508	1,395,508	-
Other	384,041	-	-	-	-	384,041	-
	<u>1,599,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,916,918</u>	<u>9,516,142</u>	<u>-</u>
<b>Net cash provided by capital and related financing activities</b>							
Subtotal carried forward	<u>6,980,972</u>	<u>(218,659)</u>	<u>272,517</u>	<u>8,988,927</u>	<u>(106,729)</u>	<u>15,917,028</u>	<u>(4,332)</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, 2011

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Subtotal brought forward	6,980,972	(218,659)	272,517	8,988,927	(106,729)	15,917,028	(4,332)
Cash Flows from Investing Activity -- Receipts of Interest	44,414	-	26,322	67,429	-	138,165	44,526
Net cash provided by investing activities	44,414	-	26,322	67,429	-	138,165	44,526
Net increase (decrease) in cash	7,025,386	(218,659)	298,839	9,056,356	(106,729)	16,055,193	40,194
Cash at July 1, 2010	16,967,065	531,372	1,405,902	6,113,600	4,234,010	29,251,949	1,249,916
Cash at June 30, 2011	\$ 23,992,451	\$ 312,713	\$ 1,704,741	\$ 15,169,956	\$ 4,127,281	\$ 45,307,142	\$ 1,290,110

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, 2011

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:							
Reconciliation of operating loss to net cash used in operating activities							
Operating loss	\$ (34,714,567)	\$ (1,549,137)	\$ (2,227,531)	\$ (507,603)	\$ (1,595,126)	\$ (40,593,964)	\$ (12,880)
Adjustments to reconcile operating loss to net cash used in operating activities							
Depreciation	11,158,502	490,385	1,399,776	8,030	1,015,869	14,072,562	10,241
Provision for losses	628,302	37,227	112	-	26,148	691,789	-
Changes in assets and liabilities:							
Tenant receivables	(658,887)	(45,536)	(2,018)	-	(36,590)	(743,031)	-
Other receivables	-	(7,785)	(2,016)	2,135	(14,322)	(21,988)	-
Due from other funds	2,695,079	321,831	341,107	(4,138,124)	(580,847)	(1,360,954)	(234)
Due from other state agency	-	-	-	10,040	-	10,040	-
Due from HUD	-	-	-	-	-	-	-
Inventories	(23,815)	(5,055)	(1,574)	3,276	-	(27,168)	-
Prepaid expenses and other assets	-	-	-	-	-	-	-
Deposits held in trust	-	-	-	-	14,292	14,292	-
Accounts payable	42,574	(24,593)	35,382	39,248	(862)	91,749	-
Accrued expenses	221,596	14,992	221	2,197,072	19,481	2,453,362	-
Due to other funds	3,540,253	93,178	(4,379)	602,620	691,357	4,923,029	(1,459)
Due to HUD	-	-	-	-	-	-	-
Security deposits	(94,017)	3,784	(11,499)	-	674	(101,058)	-
Deferred income	41,012	13,676	-	-	(2,222)	52,466	-
Net cash used in operating activities	<u>\$ (17,163,968)</u>	<u>\$ (657,033)</u>	<u>\$ (472,419)</u>	<u>\$ (1,783,306)</u>	<u>\$ (462,148)</u>	<u>\$ (20,538,874)</u>	<u>\$ (4,332)</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2011

	<u>Private Purpose Trust</u>
ASSET	
Cash	<u>\$ 1,655</u>
NET ASSETS	
Total Net Assets - Held in Trust	<u>\$ 1,655</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, 2011

	<u>Private Purpose Trust</u>
Deductions - Reversion of Funds to Office of Hawaiian Affairs	\$ (421,414)
Net Assets at July 1, 2010	<u>423,069</u>
Net Assets at June 30, 2011	<u>\$ 1,655</u>

The accompanying notes are an integral part of this statement.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 1. Organization and Significant Accounting Policies

### a. General

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

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

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

The financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2011, 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, 2011

## 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 employs 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, 2011

## 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, 2011 has been reported in the government-wide financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 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, 2011

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

### d. Fund Accounting (continued)

#### i. Governmental Funds

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

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

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, 2011

## 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, Central Office Cost Center Fund and other funds. The other funds include the Banyan Street Manor Project, Wilikina Apartments Project, Kekumu at Waikoloa Project, Disbursing Fund and Kuhio Park Terrace (KPT) Resource Center.

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

The Authority reports the following as major proprietary funds:

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

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

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

Central Office Cost Center Fund was established to account for costs related to the general oversight of its housing projects and other indirect and administrative costs of the Authority. The fund charges fees to the Authority's various housing projects for such services. In addition to the fee income to operate the public housing programs, the Authority also earns fees from its other federal and state programs. The fee income earned by the fund is considered to be de-federalized.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

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

### d. Fund Accounting (continued)

#### iii. Fiduciary Fund

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

### 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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

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

### f. Capital Assets (continued)

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

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

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, 2011

## 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 \$650,000.

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

Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
<u>\$2,172,000</u>	<u>\$1,193,000</u>	<u>\$1,051,000</u>	<u>\$2,314,000</u>

As of June 30, 2011, approximately \$191,000 and \$2,123,000 of the unpaid vacation balance was for government-wide activities and business-type activities, respectively, and is included in accrued expenses in the accompanying balance sheets.

### 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, 2011

## 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. Management's Use of Estimates

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

### p. Recently Adopted Accounting Pronouncements

In 2010, the Authority adopted Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes standards of accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specially defined classifications and clarifies definitions for governmental fund types.

Classifications include:

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



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

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

### p. Recently Adopted Accounting Pronouncements (continued)

*Committed.* Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the state legislature.

*Assigned.* Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed.

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

This Statement is effective for financial statement periods beginning after June 15, 2010. The adoption of GASB Statement No. 54 did not have an impact on the Authority's financial position or results of operations.

## 2. Budgeting and Budgetary Control

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2011

## 2. Budgeting and Budgetary Control (continued)

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

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

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

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2011 is set forth in the required supplementary information.

## 3. Cash

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2011

### 3. Cash (continued)

At June 30, 2011, total cash reported in the statement of net assets is \$53,239,322 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 6,598,912	\$ 6,598,912
Cash in bank (book balance)	<u>6,602,697</u>	<u>39,998,340</u>	<u>46,601,037</u>
	<u>6,602,697</u>	<u>46,597,252</u>	<u>53,199,949</u>
Deposits held in trust	<u>-</u>	<u>39,373</u>	<u>39,373</u>
Total Cash	<u>\$ 6,602,697</u>	<u>\$ 46,636,625</u>	<u>\$ 53,239,322</u>

During 2011, the Authority recorded a valuation gain of approximately \$113,000 for its State pool cash balances included in interest income. The valuation adjustment relates primarily to the State of Hawaii auction rate securities.

Bank balance of cash in bank was approximately \$43,932,000, of which \$771,000 was covered by federal depositary insurance and \$43,161,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

### 4. Notes Receivable

#### a. Uncollateralized Promissory Note Receivable

The note receivable consists of a \$426,100 uncollateralized promissory note receivable, bearing interest at 9%, from a developer who had leased certain building improvements under a sublease agreement with the Authority. The entire payment of principal and unpaid interest was due and payable on January 1, 2009, unless the Authority acquired such building improvements constructed by the developer for a sum equal to the amount owed under this note. During 2009, the Authority had agreed with the developer to acquire such building improvements. However, as of June 30, 2011, the legal title transfer has not been executed. Consequently, the financial statements reflect a note receivable balance of \$426,100 and the related accrued interest receivable balance of approximately \$594,000. The Authority is currently addressing this issue.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 4. Notes Receivable (continued)

### b. Note Receivable for Sale of Kuhio Park Terrace Towers

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

The buyer, pursuant to the Agreement, agreed to pay the Authority an acquisition fee of \$4,665,000 in consideration for acquiring the leasehold interest in the Property and \$45,000,000 for the Improvements, such that the total purchase price was \$49,665,000. Of the total purchase price, \$3,162,943 was paid in cash and the remaining balance of \$46,502,057 is being financed pursuant to the Agreement by a note. The note, which is secured by a leasehold mortgage and security agreement, matures in May 2051 and accrues interest at the greater of 4.19 percent per annum or the long term annually compounding applicable federal rate. The note is payable from cash flows from the Property in the amounts and priority set forth in the note, provided that the payments due shall not exceed seventy-five percent (75%) of the borrower's surplus cash, as defined in the note. Additionally, the note is subordinate to the rights of certain financing agreements related to the issuance of revenue bonds for the redevelopment of the Project. Any remaining unpaid principal and accrued interest balance is due and payable on the maturity date of the note.

Additionally, prior to the execution of the ground lease and sale of the Improvements, several planned capital improvements related to the Project had not been completed. As both the Authority and the buyer agreed that the work is necessary, the buyer agreed to complete the work and the Authority agreed to provide the financing. Accordingly, the Authority agreed to loan the buyer up to \$3,900,000 from Public Housing Capital Funds and State of Hawaii Capital Improvement Projects Funds. Payment of principal would be deferred until the maturity date, whereupon all principal is due, subject to the availability of surplus cash, as defined in the note agreement. As of June 30, 2011, the Authority has not provided such financing.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 4. Notes Receivable (continued)

### a. Note Receivable for Sale of Kuhio Park Terrace Towers (continued)

The sale of the Project is being accounted for under the cost recovery method. Under this method, the gain on sale is deferred until the total payments made by the buyer exceed the cost of the Project. However, a portion of the deferred gain is recognized as income to the extent that the deferred gain exceeds the note receivable from the buyer plus the maximum contingent liability to the Authority for other debt on the Project.

As of June 30, 2011, the net note receivable, inclusive of all principal, accrued interest and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program statement of net assets:

Principal and accrued interest	\$ 46,502,057
Deferred gain	<u>(45,049,222)</u>
Net note receivable	<u><u>\$ 1,452,835</u></u>

## 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	350,349	-	-	350,349
Total capital assets not being depreciated	<u>2,723,759</u>	<u>-</u>	<u>-</u>	<u>2,723,759</u>
Capital assets, being depreciated:				
Building and improvements	48,094,877	-	(33,054,183)	15,040,694
Equipment	1,197,769	-	-	1,197,769
Total capital assets being depreciated	<u>49,292,646</u>	<u>-</u>	<u>(33,054,183)</u>	<u>16,238,463</u>
Less accumulated depreciation for:				
Building and improvements	25,018,242	294,984	(12,947,868)	12,365,358
Equipment	1,147,376	14,197	-	1,161,573
Total accumulated depreciation	<u>26,165,618</u>	<u>309,181</u>	<u>(12,947,868)</u>	<u>13,526,931</u>
Governmental activities, net	<u><u>\$ 25,850,787</u></u>	<u><u>\$ (309,181)</u></u>	<u><u>\$ (20,106,315)</u></u>	<u><u>\$ 5,435,291</u></u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 5. Capital Assets (continued)

	July 1, 2010	Increases	Decreases	June 30, 2011
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	27,035,344	29,217,633	(20,262,325)	35,990,652
Total capital assets not being depreciated	50,001,544	29,217,633	(20,262,325)	58,956,852
Capital assets being depreciated:				
Building and improvements	523,171,536	19,513,239	(6,265,428)	536,419,347
Equipment	9,766,704	57,811	(103,465)	9,721,050
Total capital assets being depreciated	532,938,240	19,571,050	(6,368,893)	546,140,397
Less accumulated depreciation for:				
Building and improvements	291,671,720	13,993,869	(3,075,537)	302,590,052
Equipment	9,335,164	88,934	(89,468)	9,334,630
Total accumulated depreciation	301,006,884	14,082,803	(3,165,005)	311,924,682
Business-type activities capital assets, net	<u>\$ 281,932,900</u>	<u>\$ 34,705,880</u>	<u>\$ (23,466,213)</u>	<u>\$ 293,172,567</u>

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

Governmental Activity -	
Rental Housing and Assistance Program	<u>\$ 309,181</u>
Business-Type Activities:	
Federal Low Rent Program	11,158,502
Housing Revolving Fund	490,385
Housing for Elders Revolving Fund	1,399,776
Central Office Cost Center Fund	8,030
Others	<u>1,026,110</u>
Total depreciation expense – business-type activities	<u>14,082,803</u>
Total depreciation expense	<u>\$ 14,391,984</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 5. Capital Assets (continued)

At June 30, 2011, capital assets for the proprietary funds consisted of the following:

	Enterprise Funds						Internal Service Funds	Total
	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center	Other Enterprise Funds	Total Enterprise Funds		
Land	\$ 13,093,629	\$ 2,252,881	\$ 6,104,817	\$ -	\$ 1,514,873	\$ 22,966,200	\$ -	\$ 22,966,200
Buildings and improvements	434,393,714	25,978,405	55,622,256	42,857	20,382,115	536,419,347	-	536,419,347
Equipment, Furniture and fixtures	6,811,537	252,521	208,356	65,557	661,007	7,998,978	1,722,072	9,721,050
Construction in Progress	33,244,475	1,792,622	953,555	-	-	35,990,652	-	35,990,652
Less accumulated depreciation	266,574,699	10,806,644	24,237,144	32,639	8,556,035	310,207,161	1,717,521	311,924,682
Net property and Equipment	<u>\$ 220,968,656</u>	<u>\$ 19,469,785</u>	<u>\$ 38,651,840</u>	<u>\$ 75,775</u>	<u>\$ 14,001,960</u>	<u>\$ 293,168,016</u>	<u>\$ 4,551</u>	<u>\$ 293,172,567</u>

## 6. Sale of Banyan Street Manor Apartments

On May 27, 2011, with the approval of HUD, the Authority consummated the sale of the Project building, reserves and operating funds for \$8,500,000. \$8,499,925 was allocated and paid in consideration for the building and related improvements and \$75 for the ground lease interest and other property, as defined in the agreement. The majority of the purchase price was paid by a combination of investment proceeds from the sale of federal and state low-income housing tax credits, mortgage financing from the State of Hawaii issuance of low-income tax-exempt bonds and such other government-assisted financing as obtained by the buyer. The Authority recognized a gain of approximately \$4,007,000 from the sale which is included under other enterprise funds in the statement of revenues and expenses, and changes in net assets.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 7. Transfer of the Homeless Program to the Department of Human Services.

During the 2009 legislative session, S.B. bill No. 910 was enacted and requires the transfer of the functions and duties of the homeless programs branch of the Authority to the Department of Human Services effective July 1, 2010. Although the legal title of these state-owned shelter facilities are pending transfer to the Department of Land and Natural Resources, the state homeless program which was reported under the General Fund, along with the following special revenue funds: Shelter Plus Care fund; HOPWA Program fund; Emergency Shelter Grant Program fund and the Supportive Housing Program fund, for reporting purposes were considered to be transferred as of July 1, 2010. The impact of the transfer to the Authority's net assets was approximately \$22,000,000 and is included in intergovernmental transfers under governmental activities in the government-wide statement of activities.

## 8. Mortgage and Note Payable

The Banyan Street Manor Project entered into a HUD insured mortgage note agreement in October 1976, in the amount of \$1,727,800 held in First Hawaiian Bank. In June 2003, and then in November 2010, USGI Inc. and Midland Loan Services, Inc. became the new servicing agent and mortgagee, respectively. The mortgage loan bears interest at 7.5% and is collateralized by the rental property. The monthly installments for principal and interest were \$11,370, with an original maturity date of January 1, 2018. The mortgage note was paid in full during 2011.

The Authority entered into 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 (approximately 1.0 percent for the year ended June 30, 2011), is due within 45 days of full payment of the 7.5 percent GSCI mortgage note collateralized by HUD which matures on January 1, 2018. The note payable was paid in full during 2011.

Mortgage and note payables activity during the year was as follows:

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
Mortgage payable	\$ 123,278	\$ -	\$ 123,278	\$ -
Note payable	171,327	-	171,327	-
Total	<u>\$ 294,605</u>	<u>\$ -</u>	<u>\$ 294,605</u>	<u>\$ -</u>



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 9. Commitments and Contingencies

### a. Lease Commitments

In conjunction with the sale of the Banyan Street Manor Project building, reserves and operating funds on May 27, 2011, as described in Note 6, the Project cancelled the original lease agreement that commenced in October 1973 with the City and County of Honolulu and entered into a new lease with the City and County of Honolulu for the lease of the land on which the building is situated and all improvements thereon. The new lease is for a term of 55 years beginning May 27, 2011. Lease rent, for a nominal amount, has been prepaid for the entire term of the lease. As part of the sales price of the Project building, reserves and operating funds on May 27, 2011, \$75 was allocated for the ground lease interest and other property, as defined in the agreement.

### b. Sale Wilikina Apartment Projects

On February 22, 2010, the Authority entered into an agreement to sell the Wilikina Apartment property, including all buildings, and all fixtures and equipment used in connection with the operation or occupancy of the building for \$10,000,000. The prospective buyer intends to finance the acquisition using a combination of four percent (4%) low-income housing tax credits allowable for qualified affordable housing projects under Section 42 of the Internal Revenue Code, as allocated by the State of Hawaii, Hawaii Housing Finance and Development Corporation (HHFDC) and tax-exempt private activity bonds allocated by HHFDC. In accordance with the provision of this agreement, the Closing Date shall take place on a mutually selected date on or before sixty (60) days after all of the following have occurred: (1) HUD has approved the transfer of the Housing Assistance Payment Contract to the buyer; (2) HHFDC has issued the bonds; (3) HUD has approved the New Rent Schedule; and (4) HUD has approved the 221(d)(4) mortgage insurance. As of January 13, 2012, the agreement has not yet been consummated.

### c. Construction Contracts

At June 30, 2011, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$6,142,805 and \$209,821, respectively, for the construction and renovation of housing projects.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 9. Commitments and Contingencies (continued)

### d. Torts

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

### e. Workers' Compensation Policy

The State is self-insured for workers' compensation. Accordingly, the Authority is liable for workers' compensation claims filed by its employees. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. The basis for estimating the liabilities for unpaid claims include the effects of specific incremental claim adjustment expenses, salvage and subrogation, and other allocated or unallocated claim adjustment expenses. These liabilities include an amount for claims that have been incurred but not reported. The workers' compensation reserve amounted to approximately \$313,000 at June 30, 2011.

### f. Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment. 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, 2011 amounted to approximately \$4,406,000.

### g. Deferred Compensation Plan

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 9. Commitments and Contingencies (continued)

### h. 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, 2011

## 9. Commitments and Contingencies (continued)

### h. 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 9. Commitments and Contingencies (continued)

### h. Litigation (continued)

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

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 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 9. Commitments and Contingencies (continued)

### h. Litigation (continued)

#### Fetu Kolio, et al. v. State of Hawaii, et al., Civil No. 11-1-0795-04 GWBC (1st Cir.)

On April 21, 2011, the plaintiffs filed two lawsuits in federal and state courts. The plaintiffs are residents of the Mayor Wright Homes, a 364 public housing project built in 1953 and financed by HUD. In the federal action, the plaintiffs seek declaratory and injunctive relief and damages for alleged violations of the ADA, the Rehabilitation Act, and the Fair Housing Amendments. The plaintiffs' state court complaint alleges causes of action for breach of implied warranty of habitability and breach of lease, and alleges lack of hot water, vermin infestation, and inadequate security. The plaintiffs seek class action status in both actions as well as statutory attorneys' fees.

The parties have been actively engaged in several mediation sessions. The parties have agreed to limited discovery while discussing settlement. The Authority believes it is unlikely that it will obtain a favorable outcome. In addition to injunctive relief and monetary damages, the plaintiffs will likely obtain attorney's fees in excess of \$50,000. Accordingly, an accrual for \$50,000 has been recorded in the accompanying statement of net assets of the Authority.

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

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes in Kalihi. Kamehameha Homes ("KH") is operated by the Hawaii Public Housing Authority (which is administratively attached to DHS). Neither Iris, who was 18 years old, or Ahn were residents at KH. Both may have visited residents of KH on the evening of the murder, although this has not been confirmed. The Complaint alleges, among other things, that the State: failed to secure, to properly monitor and light the premises; "encouraged hoodlums like Defendant Ahn to enter the premises"; removed gates to keep "gangsters" out; "allowed sexual predators onto the premises"; and refused to enforce a curfew for hoodlums. The case is presently in the Court Annexed Arbitration Program. The trial is set for April 23, 2012. The trial is not likely to go forward since the plaintiff is waiting for Corbit Ahn's criminal trial to be completed. The State intends to vigorously defend this case and plans to file a dispositive motion after discovery has been completed. If the State is found liable, the potential loss is estimated at \$150,000. However, as the likelihood of an unfavorable outcome against the State is low, the Authority has not provided for any loss provision.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 9. Commitments and Contingencies (continued)

### i. HUD Examination and Memorandum of Agreement with HUD

In September 2011, as a result of HUD's limited review of the Authority's fiscal year 2010 policies and procedures, and operations, HUD issued a performance evaluation resulting in the Authority as being designated as a "troubled" public housing agency. Subsequently HUD performed a review of the Authority's fiscal year 2011 policies and procedures, and operations. Management expects HUD to issue its performance evaluation results in February 2012 and believes that the Authority has corrected in fiscal year 2011 the deficiencies noted in HUD's fiscal year 2010 review, and anticipates that the Authority will be designated a "standard" public housing agency.

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. As of January 13, 2012, a MOA for the fiscal year 2010 review has not been established.

## 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 10. Retirement Plan (continued)

### a. Plan Description (continued)

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.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited services or age 55 and 30 years of credit service. Members will receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan are eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006 are required to join the new hybrid plan.

### 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. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The Authority's contributions requirements as of June 30, 2011, 2010 and 2009 were approximately \$1,537,000, \$1,603,000, and \$1,728,000, respectively.



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 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.

### Annual OPEB Cost and Net OPEB Obligation

It is the State's policy that measurement of the actuarial valuation and the annual required contribution (ARC) for postretirement healthcare and life are made for the state as a whole and are not separately computed for the individual state departments and agencies such as the Authority. The state allocates the ARC to the various departments and agencies based upon a systematic methodology. The Authority's contribution for the year ended June 30, 2011, was approximately \$737,000, which represented 30% of the Authority's share of the ARC for postretirement healthcare and life insurance benefits of approximately \$2,430,000. The Authority's contribution for the years ended June 30, 2010 and 2009 were approximately \$703,000 and \$1,021,000, respectively.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

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

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2011:

Balance at June 30, 2010	\$ 5,338,318
Additions	2,430,378
Deletions	<u>(737,142)</u>
Balance at June 30, 2011	<u>\$ 7,031,554</u>

As of June 30, 2011, the postretirement liability balance of the approximately \$7,031,000 was included in long-term accrued expenses under the Central Office Cost Center Fund.

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 12. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2011 is as follows:

Due from	General Fund	Housing Choice Voucher	Section 8 Contract Admin	Housing Revolving Fund	Housing For Elders Revolving Fund	Central Office Cost Center Fund	Internal Services Fund	Non-major Enterprise
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,778	\$ -	\$ -
Housing Choice Voucher	-	-	-	-	-	630,179	-	-
Section 8 Contract Admin	-	-	-	-	-	126,601	-	95,082
Federal Low-Rent Program	-	3,899	-	1,483	-	6,440,656	-	341,639
Housing Revolving Fund	-	-	-	-	-	477,402	-	-
Housing for Elders Revolving Fund	-	-	-	-	-	213,578	-	-
Central Office Cost Center	-	-	-	-	-	-	-	602,620
Nonmajor – Enterprise	137,841	297,870	715,689	547,075	618,320	2,101,202	56,307	87,601
Nonmajor – Government	-	-	-	-	-	-	-	9,207
<b>Total</b>	<b>\$137,841</b>	<b>\$ 301,769</b>	<b>\$ 715,689</b>	<b>\$ 548,558</b>	<b>\$ 618,320</b>	<b>\$10,038,396</b>	<b>\$ 56,307</b>	<b>\$ 1,136,149</b>

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 13. Operating Transfers

The composition of net operating transfer balances reflected in the financial statements as of June 30, 2011 is as follows:

Transfer From	Housing Choice Voucher	Federal Low Rent Program	Housing Revolving Fund	Housing For Elders Revolving Fund	Central Office Cost Center Fund	Non-Major Enterprise Funds
General Fund	\$ 32,983	\$ 2,363,339	\$ 627,502	\$ 1,244,458	\$ 291,079	\$ 7,121
Capital Projects	-	257,289	-	-	-	7,608
Housing Elders Revolving Fund	-	-	-	-	228,693	-
Federal Low Rent Program	-	-	-	-	3,446,273	-
Nonmajor – Enterprise	-	-	-	-	7,373,077	-
Nonmajor – Government	65,000	-	-	-	-	-
Total	\$ 97,983	\$ 2,620,628	\$ 627,502	\$ 1,244,460	\$ 11,339,122	\$ 14,729

The following describes the operating transfers noted above:

**General Fund:** The General Fund expended approximately \$4,566,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

**Capital Projects:** The Capital Projects Fund expended approximately \$265,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

**Housing for Elders Revolving Fund:** The Housing for Elders Revolving Fund expended approximately \$229,000 from its administrative fee to pay for administrative shortfalls under the Central Office Cost Center fund.

**Federal Low Rent Program:** The Federal Low Rent Program transferred the net proceeds from the sale of the Kuhio Park Terrace Tower of approximately \$3,446,000 to the Central Office Cost Center Fund. The amount has been restricted by the Authority’s Board of Directors for future housing service and development plans.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2011

## 13. Operating Transfers (continued)

Nonmajor - Enterprise: The Banyan Street Manor transferred the net proceeds from the sale of the Banyan Street Manor Apartments of approximately \$7,373,000 to the Central Office Cost Center Fund. The amount has been restricted by the Authority’s Board of Directors for future housing service and development plans.

Nonmajor – Government: Approximately \$65,000 was transferred from the Resident Opportunities and Self-Sufficiency fund to the Housing Choice Voucher Program to pay for family self-sufficiency program services as permitted by the U.S. Department of Housing and Urban Development.

## 14. Capital Contributions

During the 2011, the Capital Projects Fund expended approximately \$12,716,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. The composition of capital contribution balances reflected in the financial statements as of June 30, 2011 is as follows:

Contributed From	Federal Low Rent Program	Housing Revolving Fund	Housing For Elders Revolving Fund	Total
Capital Projects Fund	\$ 8,376,472	\$3,490,393	\$ 849,389	\$ 12,716,254

**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, 2011

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
State allotted appropriations	<u>\$ 5,464,068</u>	<u>\$ 5,464,068</u>	<u>\$ 5,464,068</u>
Expenditures -			
Rental housing and assistance program	<u>5,464,068</u>	<u>5,464,068</u>	<u>4,143,916</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,320,152</u>
	Housing Choice Voucher Program		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 20,548,689</u>	<u>\$ 22,611,693</u>	<u>\$ 22,743,476</u>
Expenditures -			
Rental housing and assistance program	<u>20,548,689</u>	<u>22,611,693</u>	<u>21,452,751</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,290,725</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
MAJOR GOVERNMENTAL FUNDS (continued)

Year ended June 30, 2011

	<u>Section 8 Contract Administration</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>\$ 25,235,808</u>	<u>\$ 26,876,894</u>	<u>\$ 26,879,928</u>
Expenditures -			
Rental housing and assistance program	<u>25,235,808</u>	<u>26,876,894</u>	<u>26,404,170</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 475,758</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, 2011

	<u>General Fund</u>	<u>Housing Choice Voucher Program</u>	<u>Section 8 Contract Administration</u>
Excess (deficiency) of revenues over (under) expenditures and other sources and uses - actual on budgetary basis	\$ 1,320,152	\$ 1,290,725	\$ 475,758
Reserve for encumbrance at year end*	1,333,900	-	-
Expenditures for liquidation of prior year's encumbrances	(1,210,449)	-	-
Reversion of prior year's allotments	(285,012)	-	-
Accrual adjustments, operating transfers and other	<u>(3,207,834)</u>	<u>(1,260,533)</u>	<u>114</u>
 (DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES AND OTHER USES - US GAAP BASIS	 <u>\$ (2,049,243)</u>	 <u>\$ 30,192</u>	 <u>\$ 475,872</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, 2011

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	\$ 26,404,170
Public and Indian Housing	14.850	21,951,172
Section 8 Housing Choice Vouchers Program		
Annual Grant	14.871	20,587,450
HUD - Veterans Affairs Supportive Housing	14.VSH	767,318
Public Housing Capital Fund		
Annual Grant	14.872	12,000,702
ARRA Grant	14.885	11,519,154
Resident Opportunity & Self Sufficiency	14.870	141,137
Community Development Block Grants/Economic Development Initiative	14.246	2,861
<u>U.S. Environmental Protection Agency</u>		
Congressional Mandated Projects	66.202	722,175
Total federal expenditures		\$ 94,096,139

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, 2011

### NOTE 1 – BASIS OF PRESENTATION

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

Hawaii Public Housing Authority

SCHEDULE OF MODERNIZATION FUNDS AND MODERNIZATION COSTS  
FOR PROJECTS HI-08-S001-501-09 and HI-08-P001-501-07

Year ended June 30, 2011

	Grant No. <u>HI-08-S001-501-09</u>	Grant No. <u>HI-08-P001-501-07</u>
Original modernization funds approved	<u>\$ 16,245,443</u>	<u>\$ 12,892,393</u>
Modernization funds disbursed	<u>\$ 16,245,443</u>	<u>\$ 12,892,393</u>
Modernization funds expended (actual modernization cost)	<u>\$ 16,245,443</u>	<u>\$ 12,892,393</u>
Amounts to be recaptured	<u>\$ -</u>	<u>\$ -</u>
<b>EXCESS OF MODERNIZATION FUNDS DISBURSED</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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
4. The time in which such liens could be filed has expired.

Hawaii Public Housing Authority  
 FINANCIAL DATA SCHEDULE  
 BALANCE SHEET - ENTITY-WIDE  
 JUNE 30, 2011

Line Item No.	Description	Federal	Section 8	CDBG Economic	Resident	Section 8	ARRA Capital	Veterans	Environmental	Business			Central Office		Elimination	Total
		Low Rent	Housing Assistance	Development	Opportunity	Housing Choice	Fund Stimulus	Affairs	Review	State/Local	Activities	Internal Service	Fiduciary	Cost Center		
		Program	14.195	14.246	14.870	14.871	14.885	14.VSH	66.202							
111	Cash - Unrestricted	23,406,461	1,222,657	4	36	1,492,384	-	-	-	-	5,959,486	1,290,110	1,655	15,157,322	-	48,530,115
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	11	-	-	3,887,605	-	-	-	-	5,830,365	-	-	12,634	-	9,730,615
114	Cash - Tenant Security Deposits	585,990	-	-	-	-	-	-	-	-	223,567	-	-	-	-	809,557
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>100</b>	<b>Total Cash</b>	<b>23,992,451</b>	<b>1,222,668</b>	<b>4</b>	<b>36</b>	<b>5,379,989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,013,418</b>	<b>1,290,110</b>	<b>1,655</b>	<b>15,169,956</b>	<b>-</b>	<b>59,070,287</b>
121	Accounts Receivable - PHA Projects	-	-	-	-	139,503	-	-	-	-	-	-	-	-	-	139,503
122	Accounts Receivable - HUD Other Projects	5,063,255	299,920	903	8,304	-	-	-	-	-	226,106	-	-	-	-	5,598,488
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	40,623,041	273,538	-	-	284,704	-	41,181,283
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-	30,339	-	-	-	-	30,339
126	Accounts Receivable - Tenants	3,964,645	-	-	-	-	-	-	-	-	1,461,228	-	-	-	-	5,425,873
126.1	Allowance for Doubtful Accounts - Tenants	(3,592,466)	-	-	-	-	-	-	-	-	(1,381,258)	-	-	-	-	(4,973,724)
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	-	-	-	-	-	-	-	-	-	708,491	33,994	-	-	-	742,485
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>5,435,434</b>	<b>299,920</b>	<b>903</b>	<b>8,304</b>	<b>139,503</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,623,041</b>	<b>1,318,444</b>	<b>33,994</b>	<b>-</b>	<b>284,704</b>	<b>-</b>	<b>48,144,247</b>
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	-	-	-	-	1,666,116	-	-	-	56,769	-	-	-	5,500	-	1,728,385
143	Inventories	841,988	-	-	-	95	-	-	-	-	131,769	-	-	28,987	-	1,002,839
143.1	Allowance for Obsolete Inventories	(76,545)	-	-	-	(9)	-	-	-	-	(11,979)	-	-	(2,635)	-	(91,168)
144	Inter Program Due From	415,132	715,689	-	-	301,769	-	-	-	137,841	2,303,027	116,747	-	10,038,396	(14,028,601)	-
145	Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Other Current Assets</b>	<b>1,180,575</b>	<b>715,689</b>	<b>-</b>	<b>-</b>	<b>1,967,971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,610</b>	<b>2,422,817</b>	<b>116,747</b>	<b>-</b>	<b>10,070,248</b>	<b>(14,028,601)</b>	<b>2,640,056</b>
<b>150</b>	<b>Total Current Assets</b>	<b>30,608,460</b>	<b>2,238,277</b>	<b>907</b>	<b>8,340</b>	<b>7,487,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,817,651</b>	<b>15,754,679</b>	<b>1,440,851</b>	<b>1,655</b>	<b>25,524,908</b>	<b>(14,028,601)</b>	<b>109,854,590</b>
161	Land	13,093,629	-	-	-	-	-	-	-	2,373,410	9,872,572	-	-	-	-	25,339,611
162	Buildings	434,393,714	-	-	-	-	-	-	-	15,040,694	101,982,708	-	-	42,857	-	551,459,973
163	Furniture, Equipment & Machinery - Dwellings	6,811,537	-	-	-	-	-	-	-	1,090,456	639,028	-	-	-	-	8,541,021
164	Furniture, Equipment & Machinery - Administration	-	-	-	-	-	-	-	-	107,313	482,854	1,728,364	-	65,557	-	2,384,088
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(266,574,698)	-	-	-	-	-	-	-	(13,526,931)	(43,599,814)	(1,723,813)	-	(32,639)	-	(325,457,895)
167	Construction in Progress	33,244,474	-	-	-	-	-	-	-	350,349	2,746,237	-	-	-	-	36,341,060
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>220,968,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,435,291</b>	<b>72,123,585</b>	<b>4,551</b>	<b>-</b>	<b>75,775</b>	<b>-</b>	<b>298,607,858</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	46,502,057	-	-	-	-	-	-	-	-	426,100	-	-	-	-	46,928,157
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Other Non-Current Assets</b>	<b>46,502,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,928,157</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>267,470,713</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,435,291</b>	<b>72,549,685</b>	<b>4,551</b>	<b>-</b>	<b>75,775</b>	<b>-</b>	<b>345,536,015</b>
<b>190</b>	<b>Total Assets</b>	<b>298,079,173</b>	<b>2,238,277</b>	<b>907</b>	<b>8,340</b>	<b>7,487,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,252,942</b>	<b>88,304,364</b>	<b>1,445,402</b>	<b>1,655</b>	<b>25,600,683</b>	<b>(14,028,601)</b>	<b>455,390,605</b>

Hawaii Public Housing Authority  
 FINANCIAL DATA SCHEDULE  
 BALANCE SHEET - ENTITY-WIDE  
 JUNE 30, 2011

Line Item No.	Description	Federal	Section 8	CDBG Economic	Resident	Section 8	ARRA Capital	Veterans	Environmental	Business			Central Office		Total	
		Low Rent	Housing Assistance	Development	Opportunity	Housing Choice	Fund Stimulus	Affairs	Review	State/Local	Activities	Internal Service	Fiduciary	Cost Center		Elimination
		Program	14.195	14.246	14.870	14.871	14.885	14.VSH	66.202							
311	Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
312	Accounts Payable <= 90 Days	4,002,747	11	-	-	2	-	-	-	3,203,027	340,081	-	-	46,848	7,592,716	
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
321	Accrued Wage/Payroll Taxes Payable	330,718	-	-	-	-	-	-	-	6,949	27,444	-	-	238,453	603,564	
322	Accrued Compensated Absences - Current Portion	460,593	-	-	-	-	-	-	-	-	25,535	-	-	215,144	701,272	
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
331	Accounts Payable - HUD PHA Programs	-	-	4	36	-	-	-	-	-	-	-	-	-	40	
332	Account Payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
333	Accounts Payable - Other Government	-	-	-	-	-	-	-	-	-	570,103	-	-	-	570,103	
341	Tenant Security Deposits	585,990	-	-	-	-	-	-	-	-	223,567	-	-	-	809,557	
342	Deferred Revenues	45,362,269	-	-	-	1,396,189	-	-	-	-	47,085	-	-	-	46,805,543	
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
345	Other Current Liabilities	-	-	-	-	15,614	-	-	-	-	-	-	-	-	15,614	
346	Accrued Liabilities - Other	522,475	275,696	-	-	144,953	-	-	-	4,861	1,171,441	-	-	178,073	2,297,499	
347	Inter Program - Due To	7,202,811	221,683	903	8,304	630,179	-	-	-	48,778	5,252,883	60,440	-	602,620	(14,028,601)	
348	Loan Liability - Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>310</b>	<b>Total Current Liabilities</b>	<b>58,467,603</b>	<b>497,390</b>	<b>907</b>	<b>8,340</b>	<b>2,186,937</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,263,615</b>	<b>7,658,139</b>	<b>60,440</b>	<b>-</b>	<b>1,281,138</b>	<b>(14,028,601)</b>	<b>59,395,908</b>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
353	Non-current Liabilities - Other	-	-	-	-	87,801	-	-	-	-	-	-	-	-	87,801	
354	Accrued Compensated Absences - Non Current	910,368	-	-	-	-	-	-	-	137,191	65,369	-	-	550,767	1,663,695	
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
357	Accrued Pension and OPEB Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	7,031,555	7,031,555	
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>910,368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,801</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,191</b>	<b>65,369</b>	<b>-</b>	<b>-</b>	<b>7,582,322</b>	<b>8,783,051</b>	
<b>300</b>	<b>Total Liabilities</b>	<b>59,377,971</b>	<b>497,390</b>	<b>907</b>	<b>8,340</b>	<b>2,274,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,400,806</b>	<b>7,723,508</b>	<b>60,440</b>	<b>-</b>	<b>8,863,460</b>	<b>(14,028,601)</b>	<b>68,178,959</b>
508.1	Invested In Capital Assets, Net of Related Debt	220,968,656	-	-	-	-	-	-	-	5,435,291	72,123,585	4,551	-	75,775	298,607,858	
509.2	Fund Balance Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
511.1	Restricted Net Assets	-	-	-	-	3,799,804	-	-	-	-	5,830,365	-	-	-	9,630,169	
511.2	Unreserved, Designated Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
512.1	Unrestricted Net Assets	17,732,546	1,740,887	-	-	1,412,921	-	-	-	37,416,845	2,626,906	1,380,411	1,655	16,661,448	78,973,619	
512.2	Unreserved, Undesignated Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>238,701,202</b>	<b>1,740,887</b>	<b>-</b>	<b>-</b>	<b>5,212,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,852,136</b>	<b>80,580,856</b>	<b>1,384,962</b>	<b>1,655</b>	<b>16,737,223</b>	<b>387,211,646</b>	
<b>600</b>	<b>Total Liabilities and Equity/Net Assets</b>	<b>298,079,173</b>	<b>2,238,277</b>	<b>907</b>	<b>8,340</b>	<b>7,487,463</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,252,942</b>	<b>88,304,364</b>	<b>1,445,402</b>	<b>1,655</b>	<b>25,600,683</b>	<b>(14,028,601)</b>	<b>455,390,605</b>

Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
INCOME STATEMENT - ENTITY-WIDE  
YEAR ENDED JUNE 30, 2011

Line Item No.	Description	Federal	Section 8	CDBG Economic	Resident	Section 8	ARRA Capital	Veterans	Environmental	Business			Central Office		Total	
		Low Rent Program	Housing Assistance Payments	Development Initiative	Opportunity and Supportive Services	Housing Choice Voucher Program	Fund Stimulus Grant	Affairs Supportive Housing	Review	State/Local	Activities	Internal Service	Fiduciary	Cost Center		Elimination
70300	Net Tenant Rental Revenue	15,444,038	-	-	-	-	-	-	-	-	-	4,090,922	-	-	19,534,960	
70400	Tenant Revenue - Other	444,714	-	-	-	-	-	-	-	-	-	68,071	-	-	512,785	
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>15,888,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,158,993</b>	<b>-</b>	<b>-</b>	<b>20,047,745</b>	
70600	HUD PHA Operating Grants	21,951,172	26,879,928	2,861	141,137	20,573,622	-	767,318	-	-	-	461,305	-	-	70,777,343	
70610	Capital Grants	12,000,702	-	-	-	-	11,519,154	-	722,175	-	-	-	-	-	24,242,031	
70710	Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	4,717,094	(4,717,094)	
70720	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
70730	Book Keeping Fee	-	-	-	-	-	-	-	-	-	-	-	-	714,385	(714,385)	
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	-	-	-	-	479,922	(479,922)	
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>70700</b>	<b>Total Fee Revenue</b>	<b>33,951,874</b>	<b>26,879,928</b>	<b>2,861</b>	<b>141,137</b>	<b>20,573,622</b>	<b>11,519,154</b>	<b>767,318</b>	<b>722,175</b>	<b>-</b>	<b>-</b>	<b>461,305</b>	<b>-</b>	<b>5,911,401</b>	<b>(5,911,401)</b>	<b>95,019,374</b>
70800	Other Government Grants	-	-	-	-	-	-	-	-	9,273,576	-	-	-	-	9,273,576	
71100	Investment Income - Unrestricted	44,306	114	-	-	388	-	-	-	-	45,851	20,266	-	68,599	179,524	
71200	Mortgage Interest Income	108	-	-	-	-	-	-	-	-	-	-	-	-	108	
71300	Proceeds from Disposition of Assets Held for	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
71400	Fraud Recovery	-	-	-	-	18,382	-	-	-	-	-	-	-	-	18,382	
71500	Other Revenue	562,446	-	-	-	24,965	-	-	-	-	506,904	32,599	-	23,788	1,150,702	
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
72000	Investment Income - Restricted	-	-	-	-	286	-	-	-	-	-	-	-	-	286	
<b>Total Other Revenue</b>		<b>606,860</b>	<b>114</b>	<b>-</b>	<b>-</b>	<b>44,021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,273,576</b>	<b>552,755</b>	<b>52,865</b>	<b>-</b>	<b>92,387</b>	<b>10,622,578</b>	
<b>70000</b>	<b>Total Revenue</b>	<b>50,447,486</b>	<b>26,880,042</b>	<b>2,861</b>	<b>141,137</b>	<b>20,617,643</b>	<b>11,519,154</b>	<b>767,318</b>	<b>722,175</b>	<b>9,273,576</b>	<b>5,173,053</b>	<b>52,865</b>	<b>-</b>	<b>6,003,788</b>	<b>(5,911,401)</b>	<b>125,689,697</b>
91100	Administrative Salaries	1,760,278	-	-	-	741,658	-	-	-	51,218	313,706	-	-	2,618,572	5,485,432	
91200	Auditing Fees	206,474	38,617	-	-	45,065	-	-	-	24,570	64,050	2,639	-	80,092	461,507	
91300	Management Fee	4,162,358	-	-	-	248,292	-	-	-	10,872	475,527	-	-	-	179,955	
91310	Book-keeping Fee	441,169	-	-	-	155,755	-	-	-	6,813	73,443	-	-	-	(37,205)	
91400	Advertising and Marketing	-	-	-	-	-	-	-	-	-	-	-	-	17,893	17,893	
91500	Employee Benefit contributions - Administration	775,994	-	-	-	387,773	-	-	-	11,204	93,008	-	-	1,114,152	2,382,131	
91600	Office Expenses	665,864	1,209,676	-	-	48,072	-	-	-	-	1,071,510	10,495	-	252,415	3,258,032	
91700	Legal Expense	395,414	146	-	-	274	-	-	-	-	19,392	-	-	107,014	522,240	
91800	Travel	39,322	-	-	-	1,198	-	-	-	-	-	-	-	93,421	133,941	
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
91900	Other	1,398,395	-	-	-	7,298	-	-	-	10,623	204,268	-	-	275,173	1,895,757	
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>9,845,268</b>	<b>1,248,439</b>	<b>-</b>	<b>-</b>	<b>1,635,385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,300</b>	<b>2,314,904</b>	<b>13,134</b>	<b>-</b>	<b>4,558,732</b>	<b>(5,431,479)</b>	<b>14,299,683</b>
92000	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
92200	Relocation Costs	1,040	-	-	-	-	-	-	-	-	-	-	-	-	1,040	
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
92400	Tenant Services - Other	14,139	-	2,861	76,137	-	-	-	-	-	-	-	-	-	93,137	
<b>92500</b>	<b>Total Tenant Services</b>	<b>15,179</b>	<b>-</b>	<b>2,861</b>	<b>76,137</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>94,177</b>	
93100	Water	2,083,164	-	-	-	419	-	-	-	105	340,473	-	-	2,059	2,426,220	
93200	Electricity	3,831,543	-	-	-	25,561	-	-	-	6,396	1,158,219	-	-	103,335	5,125,054	
93300	Gas	2,155,518	-	-	-	-	-	-	-	-	137,416	-	-	-	2,292,934	
93400	Fuel	32	-	-	-	-	-	-	-	-	-	-	-	458	490	
93500	Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
93600	Sewer	3,644,414	-	-	-	1,281	-	-	-	321	713,517	-	-	6,286	4,365,819	
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
93800	Other Utilities Expense	204	-	-	-	-	-	-	-	-	-	-	-	-	204	
<b>93000</b>	<b>Total Utilities</b>	<b>11,714,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,822</b>	<b>2,349,625</b>	<b>-</b>	<b>-</b>	<b>112,138</b>	<b>14,210,721</b>	
94100	Ordinary Maintenance and Operations - Labor	3,592,093	-	-	-	-	-	-	-	-	502,863	-	-	632,353	4,727,309	
94200	Ordinary Maintenance and Operations - Materials and Other	1,656,368	-	-	-	556	-	-	-	-	277,756	-	-	51,093	1,985,773	
94300-010	Ordinary Maintenance and Operations Contracts - Garbage & Trash Removal	1,661,285	-	-	-	-	-	-	-	-	203,260	-	-	1,741	1,866,286	
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling	42,426	-	-	-	-	-	-	-	-	7,462	-	-	10,667	60,555	
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance	215,148	-	-	-	-	-	-	-	-	157,968	-	-	5,486	378,602	
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds	90,631	-	-	-	-	-	-	-	-	115	-	-	-	90,746	
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround	-	-	-	-	-	-	-	-	-	12,350	-	-	-	12,350	
94300-070	Ordinary Maintenance and Operations Contracts - Electrical	90,708	-	-	-	6,609	-	-	-	-	11,189	-	-	360	108,866	
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing	139,419	-	-	-	-	-	-	-	-	28,543	-	-	1,549	169,511	
94300-090	Ordinary Maintenance and Operations Contracts - Extermination	53,317	-	-	-	-	-	-	-	-	14,437	-	-	-	67,754	



Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
INCOME STATEMENT - ENTITY-WIDE  
YEAR ENDED JUNE 30, 2011

Line Item No.	Description	Federal	Section 8	CDBG Economic	Resident	Section 8	ARRA Capital	Veterans	Environmental	Business			Central Office		Total	
		Low Rent	Housing Assistance	Development	Opportunity	Housing Choice	Fund Stimulus	Affairs	Review	State/Local	Activities	Internal Service	Fiduciary	Cost Center		Elimination
		Program	Payments	Initiative	and Supportive	Voucher	Grant	Supportive	66.202							
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial	4,971	-	-	-	-	-	-	-	-	-	-	23,459	-	28,430	
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance	1,115,623	-	-	-	346,497	-	-	-	-	193,929	-	-	-	1,656,049	
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	3,185,342	-	-	-	-	-	-	-	-	-	-	15,663	(479,922)	2,749,624	
94300	Ordinary Maintenance and Operations Contracts	6,598,870	-	-	-	353,106	-	-	-	1,781	656,013	-	-	58,925	7,188,773	
94500	Employee Benefit Contributions - Ordinary Maintenance	1,411,272	-	-	-	-	-	-	-	-	147,493	-	-	261,738	1,820,503	
<b>94000</b>	<b>Total Maintenance</b>	<b>13,258,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>353,662</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,781</b>	<b>1,584,125</b>	<b>-</b>	<b>-</b>	<b>1,004,109</b>	<b>(479,922)</b>	<b>15,722,358</b>
95100	Protective Services - Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
95200	Protective Services - Other Contract Costs	2,267,749	-	-	-	803	-	-	-	240	512	-	-	10,843	2,280,147	
95300	Protective Services - Other	312	-	-	-	-	-	-	-	-	-	-	-	-	312	
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>95000</b>	<b>Total Protective Services</b>	<b>2,268,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>240</b>	<b>512</b>	<b>-</b>	<b>-</b>	<b>10,843</b>	<b>2,280,459</b>	
96110	Property Insurance	510,114	-	-	-	338	-	-	-	124	143,113	-	-	5,346	659,035	
96120	Liability Insurance	25,578	-	-	-	3,599	-	-	-	-	2,246	-	-	16,444	47,867	
96130	Workmen's Compensation	113,216	-	-	-	(53)	-	-	-	(1,007)	16,926	-	-	43,727	172,809	
96140	All Other Insurance	40,896	-	-	-	-	-	-	-	-	43,380	-	-	2,210	86,486	
<b>96100</b>	<b>Total insurance Premiums</b>	<b>689,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(883)</b>	<b>205,665</b>	<b>-</b>	<b>-</b>	<b>67,727</b>	<b>966,197</b>	
96200	Other General Expenses	1,683,183	-	-	-	57,329	-	-	-	494	608,214	-	-	654,564	3,003,784	
96210	Compensated Absences	-	-	-	-	-	-	-	-	(12,124)	-	-	-	-	(12,124)	
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
96400	Bad debt - Tenant Rents	628,302	-	-	-	-	-	-	-	-	60,857	-	-	-	689,159	
96500	Bad debt - Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
96600	Bad debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
96800	Severance Expense	34,128	-	-	-	12,292	-	-	-	-	4,243	-	-	56,574	107,237	
<b>96000</b>	<b>Total Other General Expenses</b>	<b>2,345,613</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,621</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,630)</b>	<b>673,314</b>	<b>-</b>	<b>-</b>	<b>711,138</b>	<b>3,788,056</b>	
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	-	-	4,674	-	-	-	4,674	
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	52,700	-	-	-	52,700	
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>96700</b>	<b>Total Interest Expense and Amortization Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57,374</b>	
<b>96900</b>	<b>Total Operating Expenses</b>	<b>40,137,403</b>	<b>1,248,439</b>	<b>2,861</b>	<b>76,137</b>	<b>2,090,616</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>111,630</b>	<b>7,185,519</b>	<b>13,134</b>	<b>-</b>	<b>6,464,687</b>	<b>(5,911,401)</b>	<b>51,419,025</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>10,310,083</b>	<b>25,631,603</b>	<b>-</b>	<b>65,000</b>	<b>18,527,027</b>	<b>11,519,154</b>	<b>767,318</b>	<b>722,175</b>	<b>9,161,946</b>	<b>(2,012,466)</b>	<b>39,731</b>	<b>-</b>	<b>(460,899)</b>	<b>-</b>	<b>74,270,672</b>
97100	Extraordinary Maintenance	6,238	-	-	-	-	-	-	-	-	-	-	-	18,362	24,600	
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
97300	Housing Assistance Payments	6,572	25,155,731	-	-	18,372,197	-	767,318	-	725,279	-	-	-	-	45,027,097	
97350	HAP Portability-In	-	-	-	-	222,620	-	-	-	-	-	-	-	-	222,620	
97400	Depreciation Expense	11,158,502	-	-	-	-	-	-	-	309,181	2,872,450	10,241	-	8,030	14,358,404	
97500	Fraud Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal</b>		<b>11,171,312</b>	<b>25,155,731</b>	<b>-</b>	<b>-</b>	<b>18,594,817</b>	<b>-</b>	<b>767,318</b>	<b>-</b>	<b>1,034,460</b>	<b>2,872,450</b>	<b>10,241</b>	<b>-</b>	<b>26,392</b>	<b>59,632,721</b>	
<b>90000</b>	<b>Total Expenses</b>	<b>51,308,715</b>	<b>26,404,170</b>	<b>2,861</b>	<b>76,137</b>	<b>20,685,433</b>	<b>-</b>	<b>767,318</b>	<b>-</b>	<b>1,146,090</b>	<b>10,057,969</b>	<b>23,375</b>	<b>-</b>	<b>6,491,079</b>	<b>(5,911,401)</b>	<b>111,051,746</b>
10010	Operating Transfer In	2,661,217	-	-	-	97,983	-	-	-	-	1,886,690	-	-	11,339,122	15,985,012	
10020	Operating transfer Out	(3,486,862)	-	-	(65,000)	-	-	-	-	(4,831,379)	(7,601,771)	-	-	-	(15,985,012)	
10030	Operating Transfers from/to Primary Government	-	-	-	-	-	-	-	-	-	-	-	(421,414)	-	(421,414)	
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10060	Proceeds from Property Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10080	Special Items (Net Gain/Loss)	-	-	-	-	-	-	-	-	(14,587,065)	4,007,463	-	-	-	(10,579,602)	
10091	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10093	Transfers between Program and Project - In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
10094	Transfers between Project and Program - Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>(825,645)</b>	<b>-</b>	<b>-</b>	<b>(65,000)</b>	<b>97,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,418,444)</b>	<b>(1,707,618)</b>	<b>-</b>	<b>(421,414)</b>	<b>11,339,122</b>	<b>(11,001,016)</b>	
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>(1,686,874)</b>	<b>475,872</b>	<b>-</b>	<b>-</b>	<b>30,193</b>	<b>11,519,154</b>	<b>-</b>	<b>722,175</b>	<b>(11,290,958)</b>	<b>(6,592,534)</b>	<b>29,490</b>	<b>(421,414)</b>	<b>10,851,831</b>	<b>-</b>	<b>3,636,935</b>
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11030	Beginning Equity	220,172,500	1,265,015	-	-	4,384,097	-	849,388	-	74,249,409	82,865,325	1,355,472	(423,069)	6,150,482	390,868,619	
11040	Prior Period Adjustments, Equity Transfers and Corrections of Errors	20,215,576	-	-	-	798,435	(11,519,154)	(849,388)	(722,175)	(20,106,315)	4,308,065	-	-	(265,090)	(8,140,046)	

Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
BALANCE SHEET - AMPs  
JUNE 30, 2011

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	Total Projects
111	Cash - Unrestricted	1,512,678	1,760,820	3,357,170	1,910,488	2,508,632	2,874,934	1,024,598	2,091,565	379,068	415,912	346,592	1,133,352	2,035,289	178,290	712,115	1,164,958	23,406,461
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
114	Cash - Tenant Security Deposits	49,945	41,034	51,651	51,534	77,256	78,987	33,400	35,291	19,642	21,686	26,800	28,353	28,433	11,190	16,061	14,727	585,990
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>100</b>	<b>Total Cash</b>	<b>1,562,623</b>	<b>1,801,854</b>	<b>3,408,821</b>	<b>1,962,022</b>	<b>2,585,888</b>	<b>2,953,921</b>	<b>1,057,998</b>	<b>2,126,856</b>	<b>398,710</b>	<b>437,598</b>	<b>373,392</b>	<b>1,161,705</b>	<b>2,063,722</b>	<b>189,480</b>	<b>728,176</b>	<b>1,179,685</b>	<b>23,992,451</b>
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	339,281	397,030	408,863	395,019	516,703	413,302	230,391	234,268	171,484	786,354	211,158	284,090	290,566	94,414	138,861	151,471	5,063,255
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	252,507	311,666	159,168	145,338	36,102	163,353	190,807	310,120	523,212	470,380	142,554	646,994	306,771	173,083	61,884	70,706	3,964,645
126 .1	Allowance for Doubtful Accounts - Tenants	(219,341)	(269,289)	(131,786)	(121,527)	(26,259)	(149,092)	(179,403)	(236,233)	(522,856)	(414,520)	(128,839)	(622,686)	(289,061)	(165,840)	(50,578)	(65,156)	(3,592,466)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>120</b>	<b>Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>372,447</b>	<b>439,407</b>	<b>436,245</b>	<b>418,830</b>	<b>526,546</b>	<b>427,563</b>	<b>241,795</b>	<b>308,155</b>	<b>171,840</b>	<b>842,214</b>	<b>224,873</b>	<b>308,398</b>	<b>308,276</b>	<b>101,657</b>	<b>150,167</b>	<b>157,021</b>	<b>5,435,434</b>
131	Investments - Unrestricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
132	Investments - Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135	Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
143	Inventories	33,360	93,236	77,646	8,859	70,743	39,743	35,329	42,901	9,242	125,445	152,579	49,733	50,618	-	23,195	29,359	841,988
143 .1	Allowance for Obsolete Inventories	(3,033)	(8,476)	(7,059)	(805)	(6,431)	(3,613)	(3,212)	(3,900)	(840)	(11,404)	(13,871)	(4,521)	(4,602)	-	(2,109)	(2,669)	(76,545)
144	Inter Program Due From	216	132,613	-	-	-	-	-	-	-	-	-	-	-	-	282,303	-	415,132
145	Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Other Current Assets</b>	<b>30,543</b>	<b>217,373</b>	<b>70,587</b>	<b>8,054</b>	<b>64,312</b>	<b>36,130</b>	<b>32,117</b>	<b>39,001</b>	<b>8,402</b>	<b>114,041</b>	<b>138,708</b>	<b>45,212</b>	<b>46,016</b>	<b>-</b>	<b>303,389</b>	<b>26,690</b>	<b>1,180,575</b>
<b>150</b>	<b>Total Current Assets</b>	<b>1,965,613</b>	<b>2,458,634</b>	<b>3,915,653</b>	<b>2,388,906</b>	<b>3,176,746</b>	<b>3,417,614</b>	<b>1,331,910</b>	<b>2,474,012</b>	<b>578,952</b>	<b>1,393,853</b>	<b>736,973</b>	<b>1,515,315</b>	<b>2,418,014</b>	<b>291,137</b>	<b>1,181,732</b>	<b>1,363,396</b>	<b>30,608,460</b>
161	Land	2,534,474	550,848	207,679	319,507	297,702	1,953,866	1,707,058	548,446	512,658	419,374	955,313	815,673	125,890	192,885	1,639,118	313,138	13,093,629
162	Buildings	34,465,424	48,085,357	19,499,919	35,495,920	23,724,319	28,286,654	56,070,468	22,336,436	17,616,279	25,071,023	32,599,728	31,984,188	29,244,511	11,779,082	14,280,086	3,854,320	434,393,714
163	Furniture, Equipment & Machinery - Dwellings	117,905	467,186	1,286,637	338,439	356,831	343,509	276,575	255,828	169,726	415,744	165,927	244,290	216,169	150,153	101,489	71,522	4,977,930
164	Furniture, Equipment & Machinery - Administration	261,874	161,928	179,298	99,677	108,964	142,601	243,728	194,382	87,875	122,578	39,593	42,939	25,615	26,077	15,423	81,055	1,833,607
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(26,735,183)	(20,632,303)	(16,223,771)	(19,602,578)	(17,904,004)	(15,136,693)	(20,770,778)	(19,434,664)	(12,184,982)	(25,602,334)	(13,847,102)	(18,362,968)	(20,954,161)	(5,047,143)	(10,568,850)	(3,567,184)	(266,574,698)
167	Construction in Progress	2,546,504	4,896,418	933,972	1,018,519	3,952,147	231,439	1,645,919	3,006,567	7,045,862	3,659,331	131,563	241,955	115,034	1,103,659	774,229	1,941,356	33,244,474
168	Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>160</b>	<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>13,190,998</b>	<b>33,529,434</b>	<b>5,883,734</b>	<b>17,669,484</b>	<b>10,535,959</b>	<b>15,821,376</b>	<b>39,172,970</b>	<b>6,906,995</b>	<b>13,247,418</b>	<b>4,085,716</b>	<b>20,045,022</b>	<b>14,966,077</b>	<b>8,773,058</b>	<b>8,204,713</b>	<b>6,241,495</b>	<b>2,694,207</b>	<b>220,968,656</b>
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	46,502,057	-	-	-	-	-	-	-	46,502,057
172	Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
176	Investments in Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Other Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,502,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,502,057</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>13,190,998</b>	<b>33,529,434</b>	<b>5,883,734</b>	<b>17,669,484</b>	<b>10,535,959</b>	<b>15,821,376</b>	<b>39,172,970</b>	<b>6,906,995</b>	<b>13,247,418</b>	<b>50,587,773</b>	<b>20,045,022</b>	<b>14,966,077</b>	<b>8,773,058</b>	<b>8,204,713</b>	<b>6,241,495</b>	<b>2,694,207</b>	<b>267,470,713</b>
<b>190</b>	<b>Total Assets</b>	<b>15,156,611</b>	<b>35,988,068</b>	<b>9,799,387</b>	<b>20,058,390</b>	<b>13,712,705</b>	<b>19,238,990</b>	<b>40,504,880</b>	<b>9,381,007</b>	<b>13,826,370</b>	<b>51,981,626</b>	<b>20,781,995</b>	<b>16,481,392</b>	<b>11,191,072</b>	<b>8,495,850</b>	<b>7,423,227</b>	<b>4,057,603</b>	<b>298,079,173</b>

Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
BALANCE SHEET - AMPs  
JUNE 30, 2011

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	Total Projects
311	Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	320,490	448,053	200,923	209,823	349,780	383,204	214,127	229,384	144,670	587,453	252,463	193,897	202,409	92,528	97,643	75,900	4,002,747
313	Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued Wage/Payroll Taxes Payable	45,865	35,708	28,993	30,176	56,703	43,802	32,095	20,230	22,949	-	-	-	-	-	2,583	11,614	330,718
322	Accrued Compensated Absences - Current Portion	56,300	57,313	32,459	33,784	74,233	71,259	41,737	37,293	41,017	-	-	-	-	-	-	15,198	460,593
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
332	Account Payable - PHA Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
341	Tenant Security Deposits	49,945	41,034	51,651	51,534	77,256	78,987	33,400	35,291	19,642	21,686	26,800	28,353	28,433	11,190	16,061	14,727	585,990
342	Deferred Revenues	17,686	72,545	9,288	26,279	11,544	14,749	9,203	11,808	36,461	45,087,142	10,271	14,505	21,364	2,889	6,364	10,171	45,362,269
343	Current Portion of Long-term Debt - Capital Projects/Mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
344	Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
345	Other Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	10,580	9,784	9,699	9,831	8,466	12,967	80,504	62,603	14,676	247,267	8,624	8,327	7,888	18,417	6,626	6,216	522,475
347	Inter Program - Due To	800,165	578,829	719,997	567,130	768,879	864,940	545,565	492,730	436,177	884,494	33,945	84,409	74,212	23,712	67,819	259,808	7,202,811
348	Loan Liability - Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>310</b>	<b>Total Current Liabilities</b>	<b>1,301,031</b>	<b>1,243,266</b>	<b>1,053,010</b>	<b>928,557</b>	<b>1,346,861</b>	<b>1,469,908</b>	<b>956,631</b>	<b>889,339</b>	<b>715,592</b>	<b>46,828,042</b>	<b>332,103</b>	<b>329,491</b>	<b>334,306</b>	<b>148,736</b>	<b>197,096</b>	<b>393,634</b>	<b>58,467,603</b>
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current Liabilities - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
354	Accrued Compensated Absences - Non Current	144,129	101,655	83,095	86,487	136,671	122,909	66,722	65,670	75,037	-	-	-	-	-	-	27,993	910,368
355	Loan Liability - Non Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>350</b>	<b>Total Non-Current Liabilities</b>	<b>144,129</b>	<b>101,655</b>	<b>83,095</b>	<b>86,487</b>	<b>136,671</b>	<b>122,909</b>	<b>66,722</b>	<b>65,670</b>	<b>75,037</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,993</b>	<b>910,368</b>
<b>300</b>	<b>Total Liabilities</b>	<b>1,445,160</b>	<b>1,344,921</b>	<b>1,136,105</b>	<b>1,015,044</b>	<b>1,483,532</b>	<b>1,592,817</b>	<b>1,023,353</b>	<b>955,009</b>	<b>790,629</b>	<b>46,828,042</b>	<b>332,103</b>	<b>329,491</b>	<b>334,306</b>	<b>148,736</b>	<b>197,096</b>	<b>421,627</b>	<b>59,377,971</b>
508.1	Invested In Capital Assets, Net of Related Debt	13,190,998	33,529,434	5,883,734	17,669,484	10,535,959	15,821,376	39,172,970	6,906,995	13,247,418	4,085,716	20,045,022	14,966,077	8,773,058	8,204,713	6,241,495	2,694,207	220,968,656
509.2	Fund Balance Reserved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
511.1	Restricted Net Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
511.2	Unreserved, Designated Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	520,453	1,113,713	2,779,548	1,373,862	1,693,214	1,824,797	308,557	1,519,003	(211,677)	1,067,868	404,870	1,185,824	2,083,708	142,401	984,636	941,769	17,732,546
512.2	Unreserved, Undesignated Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>13,711,451</b>	<b>34,643,147</b>	<b>8,663,282</b>	<b>19,043,346</b>	<b>12,229,173</b>	<b>17,646,173</b>	<b>39,481,527</b>	<b>8,425,998</b>	<b>13,035,741</b>	<b>5,153,584</b>	<b>20,449,892</b>	<b>16,151,901</b>	<b>10,856,766</b>	<b>8,347,114</b>	<b>7,226,131</b>	<b>3,635,976</b>	<b>238,701,202</b>
<b>600</b>	<b>Total Liabilities and Equity/Net Assets</b>	<b>15,156,611</b>	<b>35,988,068</b>	<b>9,799,387</b>	<b>20,058,390</b>	<b>13,712,705</b>	<b>19,238,990</b>	<b>40,504,880</b>	<b>9,381,007</b>	<b>13,826,370</b>	<b>51,981,626</b>	<b>20,781,995</b>	<b>16,481,392</b>	<b>11,191,072</b>	<b>8,495,850</b>	<b>7,423,227</b>	<b>4,057,603</b>	<b>298,079,173</b>

Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
INCOME STATEMENT - AMPs  
YEAR ENDED JUNE 30, 2011

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	Total Projects
70300	Net Tenant Rental Revenue	1,598,811	1,025,135	1,273,831	1,073,154	1,571,111	1,653,833	769,984	979,266	476,183	2,440,221	453,873	537,552	744,100	184,507	414,237	248,240	15,444,038
70400	Tenant Revenue - Other	42,659	24,122	23,667	22,156	21,360	13,795	18,115	9,007	2,543	18,182	12,880	215,068	4,233	2,730	1,615	12,582	444,714
<b>70500</b>	<b>Total Tenant Revenue</b>	<b>1,641,470</b>	<b>1,049,257</b>	<b>1,297,498</b>	<b>1,095,310</b>	<b>1,592,471</b>	<b>1,667,628</b>	<b>788,099</b>	<b>988,273</b>	<b>478,726</b>	<b>2,458,403</b>	<b>466,753</b>	<b>752,620</b>	<b>748,333</b>	<b>187,237</b>	<b>415,852</b>	<b>260,822</b>	<b>15,888,752</b>
70600	HUD PHA Operating Grants	1,449,556	1,599,810	1,895,621	1,422,245	2,138,975	2,226,633	1,034,400	1,367,875	723,971	3,561,468	841,978	1,261,530	734,662	406,230	579,416	706,802	21,951,172
70610	Capital Grants	2,269,362	1,175,898	-	476,481	-	143,368	2,661,396	204,836	-	1,775,239	1,614,579	16,582	748	-	1,074	1,661,139	12,000,702
70710	Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70730	Book Keeping Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>70700</b>	<b>Total Fee Revenue</b>	<b>3,718,918</b>	<b>2,775,708</b>	<b>1,895,621</b>	<b>1,898,726</b>	<b>2,138,975</b>	<b>2,370,001</b>	<b>3,695,796</b>	<b>1,572,711</b>	<b>723,971</b>	<b>5,336,707</b>	<b>2,456,557</b>	<b>1,278,112</b>	<b>735,410</b>	<b>406,230</b>	<b>580,490</b>	<b>2,367,941</b>	<b>33,951,874</b>
70800	Other Government Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	4,612	4,037	10,407	4,008	4,563	2,232	133	3,216	1,050	67	6	1,739	3,534	14	644	4,044	44,306
71200	Mortgage Interest Income	-	-	-	-	47	-	37	-	13	-	11	-	-	-	-	-	108
71300	Proceeds from Disposition of Assets Held for	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71400	Fraud Recovery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
71500	Other Revenue	5,729	3,999	12,705	160	54,474	43,977	36,960	13,650	2,819	289,521	33,367	15,101	7,622	25,163	17,147	52	562,446
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total Other Revenue</b>	<b>10,341</b>	<b>8,036</b>	<b>23,112</b>	<b>4,168</b>	<b>59,084</b>	<b>46,209</b>	<b>37,130</b>	<b>16,866</b>	<b>3,882</b>	<b>289,588</b>	<b>33,384</b>	<b>16,840</b>	<b>11,156</b>	<b>25,177</b>	<b>17,791</b>	<b>4,096</b>	<b>606,860</b>
<b>70000</b>	<b>Total Revenue</b>	<b>5,370,729</b>	<b>3,833,001</b>	<b>3,216,231</b>	<b>2,998,204</b>	<b>3,790,530</b>	<b>4,083,838</b>	<b>4,521,025</b>	<b>2,577,850</b>	<b>1,206,579</b>	<b>8,084,698</b>	<b>2,956,694</b>	<b>2,047,572</b>	<b>1,494,899</b>	<b>618,644</b>	<b>1,014,133</b>	<b>2,632,859</b>	<b>50,447,486</b>
91100	Administrative Salaries	204,582	165,872	115,473	120,186	245,167	202,679	258,740	169,717	186,380	-	-	-	-	-	38,568	52,914	1,760,278
91200	Auditing Fees	14,436	14,567	14,449	14,567	12,761	17,374	9,887	13,884	7,687	19,486	7,764	13,084	12,638	11,025	11,643	11,222	206,474
91300	Management Fee	345,751	328,726	345,738	361,403	554,223	557,899	284,189	294,730	150,018	313,783	67,329	138,735	157,413	29,823	123,179	109,419	4,162,358
91310	Book-keeping Fee	31,902	29,274	31,750	30,865	50,770	51,066	23,832	26,604	12,450	67,378	17,363	20,497	19,477	7,582	10,492	9,867	441,169
91400	Advertising and Marketing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91500	Employee Benefit contributions - Administration	131,195	72,631	55,729	58,005	75,652	73,222	117,849	73,529	89,999	-	-	-	-	-	11,594	16,589	775,994
91600	Office Expenses	42,493	55,413	50,635	38,916	72,439	63,513	62,392	46,674	37,328	45,042	43,660	29,376	27,805	21,714	15,706	12,758	665,864
91700	Legal Expense	120	1,234	-	1,257	217	9,931	49	60	383,744	-	-	-	-	-	28	-	395,414
91800	Travel	-	-	-	-	-	-	24,397	6,621	3,612	-	2,484	-	-	2,208	-	-	39,322
91810	Allocated Overhead	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91900	Other	29,631	30,394	29,395	32,105	52,047	52,341	7,214	8,788	(2,605)	438,606	179,794	187,037	170,692	121,862	33,769	27,325	1,398,395
<b>91000</b>	<b>Total Operating - Administrative</b>	<b>800,110</b>	<b>698,111</b>	<b>643,169</b>	<b>657,304</b>	<b>1,063,276</b>	<b>1,028,025</b>	<b>787,274</b>	<b>640,596</b>	<b>484,929</b>	<b>1,268,039</b>	<b>318,394</b>	<b>388,729</b>	<b>388,025</b>	<b>194,214</b>	<b>244,979</b>	<b>240,094</b>	<b>9,845,268</b>
92000	Asset Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	30	-	727	-	283	-	-	-	-	-	1,040
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92400	Tenant Services - Other	-	-	1,400	1,700	5,263	2,838	1,870	-	850	-	-	-	-	-	-	218	14,139
<b>92500</b>	<b>Total Tenant Services</b>	<b>-</b>	<b>-</b>	<b>1,400</b>	<b>1,700</b>	<b>5,263</b>	<b>2,838</b>	<b>1,900</b>	<b>-</b>	<b>1,577</b>	<b>-</b>	<b>283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218</b>	<b>15,179</b>
93100	Water	108,851	183,890	212,293	134,281	96,225	106,766	87,554	177,819	69,260	456,365	96,951	123,834	88,312	37,162	37,187	66,414	2,083,164
93200	Electricity	822,330	87,869	92,678	36,693	476,644	492,621	149,717	173,751	235,845	796,296	154,414	54,366	39,099	56,688	138,808	23,724	3,831,543
93300	Gas	30,589	-	164,546	136,847	103,630	251,128	45,162	135,306	49,215	978,866	105,597	36,600	20,454	28,622	41,276	27,680	2,155,518
93400	Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-	32	-	-	32
93500	Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93600	Sewer	284,142	270,445	335,734	285,339	396,673	429,456	58,129	114,215	102,078	691,985	25,284	259,046	190,016	16,230	76,397	109,245	3,644,414
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	-	-	-	-	-	-	-	-	204	-	-	-	-	-	-	-	204
<b>93000</b>	<b>Total Utilities</b>	<b>1,245,912</b>	<b>542,204</b>	<b>805,251</b>	<b>593,160</b>	<b>1,073,172</b>	<b>1,279,971</b>	<b>340,562</b>	<b>601,091</b>	<b>456,602</b>	<b>2,923,512</b>	<b>382,246</b>	<b>473,846</b>	<b>337,881</b>	<b>138,734</b>	<b>293,668</b>	<b>227,063</b>	<b>11,714,875</b>
94100	Ordinary Maintenance and Operations - Labor	579,483	419,963	401,286	417,665	500,890	530,674	255,339	225,052	159,766	-	-	-	-	-	-	101,975	3,592,093
94200	Ordinary Maintenance and Operations - Materials and Other	103,741	116,040	133,551	139,916	109,574	159,852	124,297	79,754	76,468	307,705	9,909	57,788	99,302	54,916	42,164	41,391	1,656,368
94300-010	Ordinary Maintenance and Operations Contracts - Garbage & Trash Removal	110,572	172,348	90,084	131,712	66,959	29,382	96,343	10,997	67,387	418,555	84,173	94,539	97,442	95,166	38,783	56,843	1,661,285
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling	-	100	12,130	7,529	6,217	3,241	858	-	855	1,561	2,267	205	-	3,767	3,696	-	42,426
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance	16,128	-	-	-	17,816	18,801	-	-	-	162,403	-	-	-	-	-	-	215,148
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds	18,825	-	14,513	4,461	9,376	-	11,567	8,224	-	-	-	-	7,708	-	10,209	5,748	90,631
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
94300-070	Ordinary Maintenance and Operations Contracts - Electrical	17,299	8,990	-	-	28,598	-	3,052	-	966	21,673	1,233	2,828	3,801	867	1,401	-	90,708
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing	4,537	3,690	5,639	4,658	7,763	375	1,365	9,437	6,309	19,399	7,793	5,987	2,016	8,647	50,248	1,556	139,419
94300-090	Ordinary Maintenance and Operations Contracts - Extermination	1,307	1,461	7,958	8,283	2,213	6,271	-	676	-	10,616	8,827	3,193	1,960	-	12	540	53,317
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial	-	-	-	-	-	-	-	1,979	-	-	-	2,992	-	-	-	-	4,971

Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
INCOME STATEMENT - AMPs  
YEAR ENDED JUNE 30, 2011

Line Item No.	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	Total Projects
95100	Protective Services - Labor																	
95200	Protective Services - Other Contract Costs	200,299	408,097	345,488	116,675	104,853	236,251	293	-	-	854,853	-	-	-	-	-	940	2,267,749
95300	Protective Services - Other	-	40	-	-	-	77	195	-	-	-	-	-	-	-	-	-	312
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>95000</b>	<b>Total Protective Services</b>	<b>200,299</b>	<b>408,137</b>	<b>345,488</b>	<b>116,675</b>	<b>104,853</b>	<b>236,328</b>	<b>488</b>	<b>-</b>	<b>-</b>	<b>854,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>940</b>	<b>2,268,061</b>
96110	Property Insurance	32,891	35,490	34,659	35,564	55,591	55,929	37,689	30,523	18,521	71,717	11,299	33,003	21,672	9,866	14,385	11,315	510,114
96120	Liability Insurance	3,749	2,751	2,570	2,675	3,451	3,749	2,371	2,680	1,582	-	-	-	-	-	-	-	25,578
96130	Workmen's Compensation	(22,873)	2,259	(17,295)	(21,139)	10,021	(712)	8,119	5,239	5,005	115,539	-	-	25,684	-	3,204	165	113,216
96140	All Other Insurance	1,757	802	578	601	589	885	1,337	617	885	24,078	1,167	-	7,155	445	-	-	40,896
<b>96100</b>	<b>Total Insurance Premiums</b>	<b>15,524</b>	<b>41,302</b>	<b>20,512</b>	<b>17,701</b>	<b>69,652</b>	<b>59,851</b>	<b>49,516</b>	<b>39,059</b>	<b>25,993</b>	<b>211,334</b>	<b>12,466</b>	<b>33,003</b>	<b>54,511</b>	<b>10,311</b>	<b>17,589</b>	<b>11,480</b>	<b>689,804</b>
96200	Other General Expenses	206,491	88,861	552,651	128,490	130,144	238,405	103,272	103,391	62,441	(13,742)	7,617	22,424	19,008	1,370	6,360	26,000	1,683,183
96210	Compensated Absences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - Tenant Rents	34,849	11,729	19,772	38,568	18,775	23,490	45,396	88,945	5,847	41,625	25,122	236,977	3,710	7,357	8,145	17,995	628,302
96500	Bad debt - Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96600	Bad debt - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96800	Severance Expense	(6,271)	9,014	1,105	1,150	3,146	14,273	-	(9,967)	18,341	-	-	-	-	-	-	3,337	34,128
<b>96000</b>	<b>Total Other General Expenses</b>	<b>235,069</b>	<b>109,604</b>	<b>573,528</b>	<b>168,208</b>	<b>152,065</b>	<b>276,168</b>	<b>148,668</b>	<b>182,369</b>	<b>86,629</b>	<b>27,883</b>	<b>32,739</b>	<b>259,401</b>	<b>22,718</b>	<b>8,727</b>	<b>14,505</b>	<b>47,332</b>	<b>2,345,613</b>
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>96700</b>	<b>Total Interest Expense and Amortization Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>96900</b>	<b>Total Operating Expenses</b>	<b>3,614,250</b>	<b>2,755,949</b>	<b>3,336,214</b>	<b>2,487,812</b>	<b>3,786,493</b>	<b>3,887,556</b>	<b>1,986,131</b>	<b>1,897,484</b>	<b>1,544,246</b>	<b>7,972,490</b>	<b>1,392,704</b>	<b>1,742,643</b>	<b>1,358,777</b>	<b>785,344</b>	<b>801,269</b>	<b>788,041</b>	<b>40,137,403</b>
<b>97000</b>	<b>Excess of Operating Revenue over Operating Expenses</b>	<b>1,756,479</b>	<b>1,077,052</b>	<b>(119,983)</b>	<b>510,392</b>	<b>4,037</b>	<b>196,282</b>	<b>2,534,894</b>	<b>680,366</b>	<b>(337,667)</b>	<b>112,208</b>	<b>1,563,990</b>	<b>304,929</b>	<b>136,122</b>	<b>(166,700)</b>	<b>212,864</b>	<b>1,844,818</b>	<b>10,310,083</b>
97100	Extraordinary Maintenance	-	990	-	-	-	650	-	-	4,598	-	-	-	-	-	-	-	6,238
97200	Casualty Losses - Non-capitalized	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	(1,367)	-	-	-	864	-	-	-	-	-	-	-	2,044	-	-	5,031	6,572
97350	HAP Portability-In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97400	Depreciation Expense	1,193,088	1,935,805	191,924	627,288	463,243	914,399	1,719,163	285,244	185,070	42,395	893,896	1,022,607	696,451	491,631	482,411	13,887	11,158,502
97500	Fraud Losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Subtotal</b>	<b>1,191,721</b>	<b>1,936,795</b>	<b>191,924</b>	<b>627,288</b>	<b>464,107</b>	<b>915,049</b>	<b>1,719,163</b>	<b>285,244</b>	<b>189,668</b>	<b>42,395</b>	<b>893,896</b>	<b>1,022,607</b>	<b>698,495</b>	<b>491,631</b>	<b>482,411</b>	<b>18,918</b>	<b>11,171,312</b>
<b>90000</b>	<b>Total Expenses</b>	<b>4,805,971</b>	<b>4,692,744</b>	<b>3,528,138</b>	<b>3,115,100</b>	<b>4,250,600</b>	<b>4,802,605</b>	<b>3,705,294</b>	<b>2,182,728</b>	<b>1,733,914</b>	<b>8,014,885</b>	<b>2,286,600</b>	<b>2,765,250</b>	<b>2,057,272</b>	<b>1,276,975</b>	<b>1,283,680</b>	<b>806,959</b>	<b>51,308,715</b>
10010	Operating Transfer In	212,863	399,532	349,048	118,533	316,873	306,476	46,644	-	247,951	492,121	66	7,454	11,090	84,418	49,848	18,300	2,661,217
10020	Operating transfer Out	(6,079)	(4,518)	(3,933)	(4,093)	(5,528)	(5,578)	(3,960)	(2,927)	(2,749)	(3,446,273)	-	-	-	-	(63)	(1,161)	(3,486,862)
10030	Operating Transfers from/to Primary Governmen	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10040	Operating Transfers from/to Component Unit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 Program and Project - In	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10094	Transfers between Project and Program - Out	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>10100</b>	<b>Total Other financing Sources (Uses)</b>	<b>206,784</b>	<b>395,014</b>	<b>345,115</b>	<b>114,440</b>	<b>311,345</b>	<b>300,898</b>	<b>42,684</b>	<b>(2,927)</b>	<b>245,202</b>	<b>(2,954,152)</b>	<b>66</b>	<b>7,454</b>	<b>11,090</b>	<b>84,418</b>	<b>49,785</b>	<b>17,139</b>	<b>(825,645)</b>
<b>10000</b>	<b>Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>771,542</b>	<b>(464,729)</b>	<b>33,208</b>	<b>(2,456)</b>	<b>(148,725)</b>	<b>(417,869)</b>	<b>858,415</b>	<b>392,195</b>	<b>(282,133)</b>	<b>(2,884,339)</b>	<b>670,160</b>	<b>(710,224)</b>	<b>(551,283)</b>	<b>(573,913)</b>	<b>(219,762)</b>	<b>1,843,039</b>	<b>(1,686,874)</b>
11020	Required Annual Debt Principal Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11030	Beginning Equity	14,462,071	34,750,125	8,169,528	18,311,380	8,496,449	17,338,498	38,722,946	5,184,942	6,275,655	6,339,237	19,241,153	16,260,844	11,031,810	7,669,347	6,371,734	1,546,781	220,172,500
11040	Prior Period Adjustments, Equity Transfers and Corrections of Errors	(1,522,162)	357,751	460,546	734,422	3,881,449	725,544	(99,834)	2,848,861	7,042,219	1,698,686	538,579	601,281	376,239	1,251,680	1,074,159	246,156	20,215,576

Hawaii Public Housing Authority

FINANCIAL DATA SCHEDULE  
 GASBS NO. 54 SUPPLEMENTAL REPORTING SCHEDULE  
 JUNE 30, 2011

FDS Line Item	FDS Line Item Name	CFDA No. 14.195	CFDA No. 14.871	State/Local	Total
		Section 8 Contract Administration	Housing Choice Voucher Program		
513	Total Equity as Reported in FDS	\$ 1,740,887	\$ 5,212,725	\$ 42,852,136	\$ 49,805,748
508.3	Nonspendable Fund Balance	\$ -	\$ -	\$ 5,435,291	\$ 5,435,291
509.3	Restricted Fund Balance	-	3,983,800	-	3,983,800
510.3	Committed Fund Balance	-	-	-	-
511.3	Assigned Fund Balance	1,740,887	1,228,925	37,416,845	40,386,657
512.3	Unassigned Fund Balance	-	-	-	-
	Total Equity as Calculated	\$ 1,740,887	\$ 5,212,725	\$ 42,852,136	\$ 49,805,748

**PART II**

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



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A Hawaii Limited Liability Partnership

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

Board of Directors  
Hawaii Public Housing Authority

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (the HPHA) as of and for the year ended June 30, 2011, and have issued our report thereon dated January 13, 2012. 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

Management of the Hawaii Public Housing Authority is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, items 2011-01 through 2011-03, to be material weaknesses.



### 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 2011-04, 2011-05, 2011-08, 2011-10 and 2011-11.

We subsequently noted certain matters that we reported to management of the Hawaii Public Housing Authority in a separate letter.

Hawaii Public Housing 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 the Hawaii Public Housing 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  
January 13, 2012

**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**



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A Hawaii Limited Liability Partnership

**Independent Auditor's Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
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 HPHA) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 2011-04 and 2011-05 in the accompanying *Schedule of Findings and Questioned Costs*, the Hawaii Public Housing Authority did not comply with requirements regarding special tests and provisions and housing quality standards inspections that are applicable to its Section 8 Housing Choice Voucher 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 item 2011-08 in the accompanying *Schedule of Findings and Questioned Costs*, the Hawaii Public Housing Authority did not comply with requirements regarding equipment and real property that are 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 2011-10 and 2011-11 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 paragraphs, 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, 2011.

### **Internal Control Over Compliance**

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 and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal

program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-04, 2011-05, 2011-08 through 2011-12 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-06 and 2011-07 to be significant deficiencies.

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.

This report is intended solely for the information and use of management, others within the entity 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 27, 2012

**PART IV**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

# Hawaii Public Housing Authority

Schedule of Findings and Questioned  
Year Ended June 30, 2011

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## Section I – Summary of Auditor’s Results:

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### *Financial Statements*

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  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: \$2,822,884 (3% of federal award expended)

Auditee qualified as low-risk auditee?  Yes  No

# Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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## Section II – Financial Statement Findings

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### **Finding No.: 2011-01 Financial Management Competencies – Material Weakness**

**Criteria:** Effective internal control over financial reporting requires sufficient accounting and financial reporting expertise to ensure development of reliable financial statements. Additionally, effective communication between operational and financial management ensures that transactions are recorded and reported appropriately. Internal control is affected by people and is not merely policy manuals, procedures and forms.

**Condition & cause:** The lack of appropriate management leadership in the Fiscal Management Office (FMO), understanding of accounting principles and financial reporting standards at the senior level and ineffective communication between operations and financial management have significantly impacted HPHA's ability to perform its core accounting functions and compliance with both internal and external policies and procedures. Many of the issues and conditions noted in the current year have originated from prior years.

The turnover and vacancies in key operational and financial positions, including the vacancy of the Chief Financial Management Advisor position, have compromised the HPHA's ability to provide timely and reliable financial reporting. Consequently, numerous routine accounting functions and control activities were not being performed on a timely basis. This lack of dedicated oversight responsibilities and overall management of its accounting and financial reporting function during the 2011 fiscal year have limited the effectiveness of the HPHA's ability to record and report accurate and timely financial information. Some of these conditions noted include the following:

- Lack of appropriate review and approvals, resulting in numerous correcting journal entries
- Reconciled monthly general ledgers not prepared on a timely basis
- Monthly reconciliations of certain 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
- Depreciation expense not recorded on a timely basis
- Transfer of assets not properly accounted for between funds



## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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### Section II – Financial Statement Findings (continued)

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#### **Finding No.: 2011-01 Financial Management Competencies – Material Weakness (continued)**

**Context:** The Fiscal Management Office continues to be challenged by the understanding and use of the “Emphasys” accounting 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 Housing Urban Development’s (HUD) reporting requirements. Without proper supervision and oversight, these shortcomings are magnified.

The lack of proper training and clearly documented policies and procedure, in combination with staffing vacancies and turnovers, 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 (REAC) electronic submission filing requirements and asset-management accounting further accentuates the need for proper training and supervision.

**Questioned costs:** None

**Effect:** The internal control over financial reporting, which is designed to provide reasonable assurance to the HPHA’s management and board of directors regarding the preparation of timely and reliable financial reporting, will be compromised.

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 noncompliance.

**Recommendation:** Management needs to identify the knowledge, skills and abilities for key operational and financial positions necessary to effectively carry out the associated responsibilities. An assessment should be done to determine its competencies “shortfalls”.

The HPHA will need to provide training to its employees involved in financial reporting processes, including both operational and financial employees as deemed necessary. Additionally, the HPHA may also want to consider supplementing its in-house financial reporting competencies by establishing arrangements with outside specialists.

# Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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## Section II – Financial Statement Findings (continued)

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### **Finding No.: 2011-01 Financial Management Competencies – Material Weakness (continued)**

1. HPHA should perform an assessment to identify its critical accounting and financial reporting, federal compliance and budgeting processes. This will allow the HPHA to focus its resources in addressing higher-priority risks. Upon identifying its key processes, evaluate current policies and procedures supporting these processes and effectuate any required corrective actions to ensure that key control activities are being performed timely.

If it is determined that the HPHA does not have the required skills and ability to perform such an assessment and evaluation, the HPHA should consider hiring an outside specialist to assist with this process.

In addition, the HPHA 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.

2. The Fiscal Officer should perform the following.
  - Gain an understanding of each program’s objectives and types of major transactions. He 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 construction-in-progress (CIP) transfers, month end accruals.

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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### Section II – Financial Statement Findings (continued)

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#### **Finding No.: 2011-01 Financial Management Competencies – Material Weakness (continued)**

- 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 Program – the checklist would include procedures specific to capital improvements.
- Monitor control systems to ensure effectiveness, including the timely review and approvals by appropriate personnel.
- As a majority of the HPHA’s funding is HUD subsidies, consider establishing and maintaining controls over operating and capital improvement budgets.

***PHA Reply (Corrective Action Plan):*** During the first two quarters of the audit period, staffing and training issues delayed the proper implementation of the corrective actions as proposed. With the hiring of a Fiscal Officer in November 2010 there has been much improvement in the reporting function and reconciliation process. Additionally, with the proposed implementation of a financial reporting software upgrade for fiscal activities, the HPHA will see improved productivity and ease of use in providing necessary reports to management and the housing units. The Fiscal Officer will continue to monitor internal controls to ensure timely reviews and approvals are adhered to and generally accepted accounting principles are followed.

HPHA is currently in the process of actively developing a detailed plan which will include a comprehensive review and evaluation of all fiscal staff; determination of how program staff impact HPHA’s ability to complete monthly reconciliations and the ability to produce timely and accurate reports; review of Branch responsibilities; identification of training needs; training; and post training follow-up.

***Contact Person:*** Clarence Allen

***Target Date:*** Effective Immediately

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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### Section II – Financial Statement Findings (continued)

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#### **Finding No.: 2011-02 Lack of Monitoring – Material Weakness**

**Criteria:** Monitoring is a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations or a combination of the two. Ongoing monitoring occurs in the course of the operations and ensures that internal control continues to operate effectively. This process involves assessment by appropriate personnel of the design and operations of controls on a suitably timely basis, and the taking of necessary actions.

**Condition, Cause and Context:** Activities that serve to monitor the effectiveness of internal control in the ordinary course of operations are manifold. They include regular management and supervisory activities, comparisons, reconciliations and other routine actions. However, such functions were not currently being performed and deficiencies are not being communicated to senior management. Consequently, management is not able to take timely corrective actions to mitigate those risks.

**Effect:** Monitoring ensures that internal control continues to operate effectively. Without proper monitoring, circumstances for which the internal control system originally was designed may change, causing it to be less able to warn of the risks brought by new conditions. Accordingly, management needs to determine whether the internal control system continues to be relevant and able to address new risks.

**Recommendation:** We recommend that an evaluation of controls that addresses the higher priority risks and those most critical to reducing a given risk should be evaluated more often. All internal control deficiencies that can affect HPHA's attaining its financial reporting objectives should be reported to those who can take necessary corrective actions and to communicate with others in the organization whose activities may be affected.

**PHA Reply (Corrective Action Plan):** With the production of timely monthly reports, management is able to review the units' performance and take corrective action as needed. There are regular staff meetings with staff and senior management to meet reliable reporting. Month-end closing procedures are continually being enhanced to meet the required level of control.

With the issuance of the single audit findings, the HPHA management team has begun a comprehensive program of monitoring, including identification of major issues, meetings with affected staff and auditors, evaluation of internal controls, and identification of policy and/or procedural revisions. The Office of the Executive Director is taking the lead on monitoring of internal controls to ensure accuracy and timely

# Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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## Section II – Financial Statement Findings (continued)

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### **Finding No.: 2011-02 Lack of Monitoring – Material Weakness (continued)**

financial reporting, and that a risk assessment is performed by appropriate personnel on a regular basis. The Office of the Executive Director and the Fiscal Officer will meet with each Branch/Office individually to monitor and review/report compliance with internal fiscal procedures and deadlines.

Contact Person: Clarence Allen

Target Date: Effective Immediately

### **Finding No.: 2011-03 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. Such records should be reconciled to supporting documents to ensure accurate and reliable reporting.

*Condition, cause & context:* Although the general ledger was in full use and financial transactions (checks, deposits, journal vouchers) were being recorded in the “Emphasys” system and monthly financial statements were produced for the 2011 Board meetings, it was determined that certain key internal control activities, such as reconciliations of the general ledger accounts balances to the corresponding transaction or activity details, was not performed. Without these key month-end “closing” processes, the development of reliable financial statements is compromised. Financial statement preparation must involve processes to ensure that the information presented is accurate, complete and properly recorded.

The lack of a functioning general ledger system and related account reconciliations is a fundamental deficiency in the organization’s internal control environment. 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 reliable monthly financial statements
- The sales of Kuhio Park Terrace Towers and the Banyan Apartments were not properly recorded.

# Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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## Section II – Financial Statement Findings (continued)

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### **Finding No.: 2011-03 No General Ledger and Non-reconciliations of General Ledger Accounts – Material Weakness (continued)**

- 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. Consequently, projects listed within the CIP schedule that were completed was not appropriately transferred to the Capital Assets account and depreciated.
- Reconciliation of the interfund balances was not performed during the year.
- 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

**Questioned costs:** None

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

**Recommendation:** Month-end “closing” procedures should be developed and adhered to. A month-end checklist should be developed detailing the required account reconciliations and the process to resolve reconciliation exceptions noted during this process.

**PHA Reply (Corrective Action Plan):** Currently financial statements are being provided to management and housing development for monthly performance review with actual to budget and prior year comparisons. The HPHA’s planned upgrade in the software package will significantly improve the reporting processes. The software upgrade, combined with the regular monitoring of compliance with internal controls will improve the accuracy of financial reporting. The goal is for all Branches to be able to view general ledger activity on a regular basis via the HPHA’s electronic financial system.

Budget comparisons are being done and the reconciliation of fixed assets and construction in progress to the general ledger will be implemented with the acquisition of a computerized fixed asset system. Until such time, the HPHA will continue to track and reconcile construction in progress to the fixed asset accounts on a manual basis. The implementation of the software upgrade began in mid-2011 and the estimated completion is the end of July 2012.

## **Hawaii Public Housing Authority**

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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### **Section II – Financial Statement Findings (continued)**

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#### **Finding No.: 2011-03 No General Ledger and Non-reconciliations of General Ledger Accounts – Material Weakness (continued)**

The Office of the Executive Director, the Fiscal Officer, and the affected senior staff will be heavily involved in ensuring that financial activities are processed, managed, and reported accurately and timely. The same management team will produce a detailed corrective action plan, including but not limited to, corrective actions, timelines, and responsible parties.

**Contact Person:** Clarence Allen

**Target Date:** Effective Immediately

# Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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## Section III – Federal Award Findings and Questioned Costs

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

#### Finding No.: 2011-04 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 the acceptance or rejection of an applicant. In addition, 24 CFR section 982.204 requires the HPHA to select participants from the waiting list in accordance with admission policies in the PHA administrative plan.

**Condition, cause, and context:** The HPHA continues to have challenges with its controls over the waiting list policy; specifically no quality review was performed over the input of initial application information into the waiting list system. Also, we were informed by management that changes to the waiting list are not monitored.

Due to the limited number of housing vouchers, the HPHA's policy for placing applicants onto the voucher-based program waiting list is based upon preference criteria. Applicants on the waiting list who met these preference criteria, with the proper documentation and verification, were admitted into the voucher-based program. However, during our audit, we noted that applicants were placed incorrectly on the waiting list due to incorrect preferences entered into the waiting list or there were missing applications for individuals listed on the waiting list. Also for applicants who were selected from the waiting list and placed into the voucher-based program during the year, we noted no documentation supporting whether or not the applicants were selected from the waitlist in the order mandated by the PHA administrative plan.

**Effect:** Noncompliance. Additionally, failure to adequately review and monitor the waiting list may result in future noncompliance with program requirements.

**Questioned costs:** None

**Recommendation:** We recommend that HPHA maintain the appropriate documentation that would indicate compliance with its policy. Additionally, HPHA should implement a quality review over input into the waiting list system and implement monitoring procedures to ensure compliance.



## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

#### Finding No.: 2011-04 Special Tests and Provisions – Waiting List – Material Weakness (continued)

**PHA Reply (Corrective Action Plan):** As part of its compliance and monitoring reviews, the Branch Chief and/or appropriate supervisor will be required to verify that any placements meet the preference criteria prior to placement. Subsequently, the Branch will submit a report on its supervisors review on a monthly basis to the Office of the Executive Director. The HPHA is also considering ways to increase monitoring of internal controls through a combination of internal and contracted audits.

**Contact Person:** Stephanie Fo

**Target Date:** Effective Immediately

#### Finding No.: 2011-05 Housing Quality Standards Inspections – Material Weakness

**Criteria:** 24 CFR 982.405(b), requires the HPHA to conduct supervisory quality control HQS inspections. 24 CFR 985.2(b) defines a quality control sample as an annual sample of files or records drawn in an unbiased manner and reviewed by an PHA supervisor (or by another qualified person other than the person who performed the original work) to determine if the work documented in the files or records conforms to program requirements. The minimum size of the PHA's quality control sample for a PHA with 601-2000 annual re-exams is 16 plus 1 for every 100 (or part of 100) annual re-exams over 600.

**Condition, cause and context:** Due to management oversight, we noted that only 22 out of 27 required quality control HQS inspections samples were performed.

**Effect:** Noncompliance. Failure to meet inspection requirements may lead to noncompliance with program requirements.

**Questioned costs:** None

**Recommendation:** We recommend that HPHA maintain and monitor a log of quality control HQS inspections to facilitate its compliance with HUD's minimum quality control requirement.

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

#### Finding No.: 2011-05 Housing Quality Standards Inspections – Material Weakness (continued)

**PHA Reply (Corrective Action Plan):** HPHA will maintain and monitor a log of quality control HQS inspections to facilitate its compliance with HUD’s minimum quality control requirement that will be reported to the Office of the Executive Director and the Compliance Office on a quarterly basis. When necessary and appropriate, the HPHA will contract for quality control inspections to ensure compliance with program requirements.

To monitor compliance with 24 CFR 982.405(b), the Housing Inspections unit is required to submit a month end progress report on all activities effective immediately, including but not limited to, new annual inspections completed, renewal inspections completed, re-inspections for failing units, inspections outstanding, number of quality control inspections completed and number of quality control inspections required. The report will be submitted monthly to the Office of the Executive Director via the Branch Chief.

**Contact Person:** Stephanie Fo

**Target Date:** Effective Immediately

#### Finding No.: 2011-06 Reporting – Significant Deficiency

**Criteria:** HUD 52681-B, *Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169)* requires the HPHA to submit this form electronically to HUD. HUD relies on the audit of key line items of the form to determine the reasonableness of the data submitted for the purposes of calculating funding under the program.

**Condition, cause and context:** During our audit, we noted that the amount of “units leased” and the amount of housing assistance payments (HAP) reported on the monthly HUD 52681-B reports received by HUD did not agree with the HAP registers, which represent voucher amounts actually paid to the landlords. We also noted that there is no independent review of the report before submission.

**Effect:** Failure to meet reporting requirements may lead to noncompliance with program requirements.

**Questioned costs:** None

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

##### Finding No.: 2011-06 Reporting – Significant Deficiency (continued)

**Recommendation:** We recommend that documentation supporting the preparation of the monthly HUD 52681-B reports be reconciled to the monthly HAP registers and retained by management. To ensure that amounts are reported correctly, we also recommend that an independent review be performed to ensure that amounts being reported agree with supporting documents.

**PHA Reply (Corrective Action Plan):** HPHA is currently in the process of actively developing a detailed plan which will include a comprehensive review and evaluation of all fiscal staff; determination of how program staff impact HPHA's ability to complete monthly reconciliations and the ability to produce timely and accurate reports; review of Branch responsibilities; identification of training needs; training; and post training follow-up. The HPHA is also considering ways to increase monitoring of internal controls through a combination of internal and contracted audits.

**Contact Person:** Stephanie Fo, Clarence Allen

**Target Date:** July 1, 2012

##### Finding No.: 2011-07 Special Tests and Provisions – Rolling Forward Equity Balances – Significant Deficiency

**Criteria:** PHAs are required to maintain complete and accurate accounts. The Annual Contributions Contract (ACC) requires PHAs to properly account for program activity. Proper accounting requires that (1) account balances are properly maintained (2) records and accounting transactions support a proper roll-forward of equity and (3) errors are corrected as detected.

**Condition, cause and context:** During our audit, we noted that funds received for Housing Assistance Payments and administrative fees were not properly accounted for. The funds received for each respective purpose was not properly allocated into their respective cash accounts. Monies were subsequently transferred to the proper account.

**Effect:** Failure to adequately reconcile account balances may result in noncompliance with program requirements.

**Questioned costs:** None

## **Hawaii Public Housing Authority**

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

#### **Finding No.: 2011-07 Special Tests and Provisions – Rolling Forward Equity Balances – Significant Deficiency (continued)**

***Recommendation:*** We recommend HPHA perform a reconciliation of federal financial assistance received from HUD for Housing Assistance Payments and administrative fees on a regular basis to ensure proper equity balances.

***PHA Reply (Corrective Action Plan):*** Beginning in November 2010 (after the audit period) equity balances were reconciled and rolled forward on a monthly basis. HPHA is reconciling federal financial assistance received from HUD for Housing Assistance Payments and administrative fees on a regular basis to ensure proper equity balances. Under its program of monitoring, HPHA management will monitor activities to ensure that this activity is performed timely and correctly.

***Contact Person:*** Clarence Allen, Stephanie Fo

***Target Completion Date:*** March 2012

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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#### Public Housing Capital Fund CFDA No. 14.872

##### Finding No.: 2011-08 Equipment and Real Property - 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:** HPHA continues to have challenges in maintaining appropriate accounting records of its equipment and construction in progress (CIP) balances. Amounts 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. 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.

Additionally, the HPHA does not maintain an automated detail capital asset register, instead manual excel worksheets and previous detail general ledger printouts are used.

**Effect:** Noncompliance. Additionally, the lack of appropriate monitoring and reporting may lead to misstatement of the CIP and equipment and real property balances and future noncompliance with program requirements.

**Questioned costs:** None

**Recommendation:** We recommend that the HPHA maintain monthly detailed fixed assets and CIP records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for these assets. Complete information on all assets provides excellent control for the safeguarding of these assets.

We also recommend that the status of CIP are monitored monthly to ensure that projects that are completed are properly transferred from CIP to fixed assets and depreciated accordingly.

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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#### Public Housing Capital Fund CFDA No. 14.872 (continued)

#### Finding No.: 2011-08 Equipment and Real Property - Material Weakness (continued)

**PHA Reply (Corrective Action Plan):** The various departments that are a source of CIP activity will provide the Fiscal Office monthly with updates of projects completed so that those assets are properly accounted for in the fixed asset sub ledger. HPHA is implementing a new accounting software that will include a fixed asset module that will relieve the process of manual reconciliation and depreciation calculation.

On March 5, 2012, the HPHA launched a Project Acceptance Form incorporating the elements required to capitalize a project. When a construction project is substantially complete and has been accepted and returned to the AMP for use, the Project Engineer will complete the Project Acceptance Form required to close the construction project. The Project Acceptance Form will be collected twice monthly at the CMB Planning Meeting, reviewed by the Branch Administrator, logged and submitted to FMO the following week to the Chief Accountant copying the Fiscal Officer.

As the management staff continues its monitoring, any outstanding issues related to the accurate reporting of financial statements will be addressed in the corrective action plan.

**Contact Person:** Clarence Allen, Becky Choi

**Target Completion Date:** June 2012

#### Finding No.: 2011-09 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, for each public and Indian housing grant that involves development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90).

**Condition, cause, and context:** HPHA continues to have challenges in identifying an individual who has been properly trained to complete and submit the FDS and other HUD reporting requirements. Although

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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#### Public Housing Capital Fund CFDA No. 14.872 (continued)

##### Finding No.: 2011-09 Reporting – Material Weakness (continued)

the HPHA hires a consultant to assist in filing, the information provided to the consultant needs to be complete and accurate. For example, the various audit adjustments to the trial balances resulted in the unaudited submission being significantly different from the audited submission.

Also, during our audit, we noted that the same individual completes, reviews and approves Form HUD 60002 prior to submission to HUD.

**Effect:** The lack of required knowledge of program requirements, compounded by the lack of clearly documented policies and procedures related to HUD reporting requirements and independent reviews, limits the effectiveness of the HPHA internal control environment over HUD's reporting requirements and may result in future 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 creation and implementation of a detail accounting checklist for all funds will eliminate most of the audit adjustments between the unaudited and audited FDS submission. The plan for the Fiscal office is to fill most of the vacant accounting positions which will alleviate the workload on the current staff.

Regarding the FDS submission, HPHA contracted with an outside firm to file and review the FDS submission since training for staff could not be implemented prior to the required filing date of the FDS. The Fiscal Office is in the process of developing a HUD reporting schedule that list all HUD's reporting requirements and the designation of individuals to review the reports. Additionally, the management staff is evaluating and assessing training needs and is currently in the process of securing training services.

**Contact Person:** Clarence Allen

**Target Completion Date:** July 2012

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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#### Public and Indian Housing Program CFDA No. 14.850

##### Finding No.: 2011-10 Special Tests and Provisions – Waiting List – Material Weakness

**Criteria:** 24 CFR sections 960.202 through 960.206 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:** In our discussions with management, the HPHA continues to have a "backlog" of applications that were not entered into the system on a timely basis. As such, several applicants were not included in quarterly re-sequencing. Presently, the "backlog" of applications noted during the fiscal year has yet to be resolved. Management also stated that applicants pulled from the waiting list and placed in a project are not monitored. There is no quality review to reassure that applicants are properly being placed or pulled from the waiting list.

**Effect:** Noncompliance. Additionally, failure to adequately review and monitor the waiting list may result in future noncompliance with program requirements.

**Questioned costs:** None

**Recommendation:** We recommend that HPHA complies with the reporting requirements of the program and implement a quality control review over input into the waiting list system and placement of applicants into the various federal projects.

**PHA Reply (Corrective Action Plan):** This situation arose in part by a shortage of clerical staff at HPHA; however, the HPHA has instituted a quality review program in which the unit supervisor reviews checks applicant entries following clerical input in the Emphasys software system. As a short term solution, the HPHA will deploy its clerical resources at the Central Office to address the backlog of applications that are currently not entered into the electronic system.

To address future application processing, the HPHA is evaluating possible solutions, including the installation of data entry terminals which will allow for "real time" entry by applicants, revisions to existing procedures regarding the handling of applications, and staffing reconfiguration.



## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

#### Finding No.: 2011-10 Special Tests and Provisions – Waiting List – Material Weakness (continued)

*Contact Person:* Stephanie Fo

*Target Completion Date:* June 2012

#### Finding No.: 2011-11 Special Tests and Provisions – Recording Declarations of Trust Against Housing Property – Material Weakness

*Criteria:* 24 CFR part 941 subpart F requires HPHA to record a current Declaration of Trust (DOT) against all public housing property owned by PHAs that has been acquired, developed, maintained, or assisted with funds from the U.S. Housing Act of 1937. A DOT is a legal instrument that grants HUD an interest in public housing property. It provides public notice that the property must be operated in accordance with all Federal public housing requirements, including the requirement not to convey or otherwise encumber the property unless expressly authorized by federal law and or HUD.

*Condition, cause, and context:* During our review of HPHA's DOTs, we noted that several DOTs expired and there were no DOTs on file for 12 out of the 70 properties. Also, in our discussions with management, we noted that HPHA did not have any monitoring controls over the recording of the DOTs in accordance with the program requirements.

*Effect:* Noncompliance. Additionally, failure to adequately review and monitor the DOTs may result in future noncompliance with program requirements.

*Questioned costs:* None

*Recommendation:* We recommend that HPHA complies with the DOT requirements of the program and establish and implement the necessary policies and procedures over the maintenance of the DOTs to assure compliance with the program requirements.

*PHA Reply (Corrective Action Plan):* HPHA is preparing a solicitation for a title company to procure updated title search documents for its state and federal public housing inventory. Once completed, the Planning Office will file the declaration of trust (DOT) with HUD. The DOTs are effective for a 20 year period. The DOT will be added to the HPHA calendar so that an annual review will be conducted to determine whether updated DOT are need to be filed.

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

#### Finding No.: 2011-11 Special Tests and Provisions – Recording Declarations of Trust Against Housing Property – Material Weakness (continued)

*Contact Person:* Stephanie Fo, Nicholas Birck

*Target Completion Date:* June 2012

#### Finding No.: 2011-12 Eligibility – Material Weakness

*Criteria:* 24 CFR section 5.601 and 24 CFR sections 960.253, 960.255 and 960.259 require 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.

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

*Condition, cause, and context:* During our review of HPHA's controls over eligibility, we were informed by program management that not all of the quality reviews of tenant files were performed due to the lack of available personnel resource at the each of the projects.

During our testing of participant files, we noted the following:

- 1) For 11 out of 60 tenant files tested, we noted that certain forms to facilitate the internal control process over tenant files were not signed by housing specialists.
- 2) For 12 out of 60 tenant files tested, we noted that required forms were missing or were not properly executed.

*Effect:* Failure to properly monitor eligibility determination and failure to adequately determine eligibility can lead to noncompliance with program requirements and potential disallowed costs.

## Hawaii Public Housing Authority

Schedule of Findings and Questioned (continued)  
Year Ended June 30, 2011

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

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

#### **Finding No.: 2011-12 Eligibility – Material Weakness (continued)**

*Questioned costs:* None

***Recommendation:*** We recommend that 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):*** PMMSB is responsible for conducting quality control monitoring. The Branch Chief will implement quarterly meetings to discuss the findings, and schedule additional staff training. Additionally, the PMMSB staff will continue to have the monitors review 3 files per AMP each month. The reorganization plan for PMMSB includes 1.0 FTE to conduct file reviews, including an audit of 10% of every AMPs tenant files on a monthly basis.

Implementation of this action plan will be monitored by the Office of the Executive Director through monthly reports.

***Contact Person:*** Stephanie Fo

***Target Completion Date:*** June 2012

**PART V**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

# Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

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

### **Finding No.: 2010-04 Special Tests and Provisions – Waiting List – Material Weakness**

**Condition, cause, and context:** HPHA continues to have challenges with its controls over the waiting list policy; specifically no quality review was performed over the input of initial application information into the waiting list system. Also, we were informed by management that changes to the waiting list are not monitored.

Due to the limited number of housing vouchers, HPHA's policy for placing applicants into the project-based 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. However, during our audit, we noted no documentation for those applicants who were placed into the project-based program during the current year.

In addition, 24 CFR 982.01, requires that not less than 75% of families admitted to Public Housing Authority's (PHA) tenant-based voucher program during the PHA fiscal year from the PHA waiting list shall be extremely low-income families. Although management is mindful of such a requirement, there is currently no documentation monitoring such a requirement.

**Recommendation:** We recommend that HPHA prepared the appropriate documentation that would indicate compliance with its policy. Additionally, HPHA should implement a quality review over input into the waiting list system and implement monitoring procedures to ensure that the "not less than 75%" requirement is met.

**Status:** A portion of the comment is still applicable. See finding 2011- 04.

### **Finding No.: 2010-05 Reporting – Significant Deficiency**

**Condition, cause and context:** During our audit, we noted that the amount of "units leased" reported on the monthly VMS reports received by HUD either did not agree with the supporting documentation or the supporting documentation was not available.

Additionally, although the Executive Director signs the document, a review of the information prepared and submitted is not independently performed. Based on our testing, immaterial differences were noted from the actual amount of "units leased" and amount reported.

## **Hawaii Public Housing Authority**

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

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

#### **Finding No.: 2010-05 Reporting – Significant Deficiency (continued)**

***Recommendation:*** We recommend that documentation supporting the preparation of the monthly VMS reports should be retained by management. To ensure that amounts are reported correctly, we also recommend that an independent review be performed to ensure that amounts being reported agree with supporting documents.

***Status:*** The comment is still applicable. See finding 2011- 06.

#### **Finding No.: 2010-06 Special Tests and Provisions – Roll Forward of Equity Balances – Significant Deficiency**

***Condition, cause and context:*** During our audit, we noted that funds received for Housing Assistance Payments and administrative fees were not properly accounted for. The funds received for each respective purpose was not properly allocated into their respective cash accounts. Monies were subsequently transferred to the proper account.

***Recommendation:*** We recommend HPHA perform a reconciliation of federal financial assistance received from HUD for Housing Assistance Payments and administrative fees on a regular basis to ensure proper equity balances.

***Status:*** The comment is still applicable. See finding 2011- 07.

## **Hawaii Public Housing Authority**

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

### **Public Housing Capital Fund CFDA No. 14.872**

#### **Finding No.: 2010-07 Davis Bacon Act – Material Weakness**

**Condition, cause and context:** During the current year HPHA had procured 8 contracts. In our discussions with management, we noted that certified weekly payroll summary reports, which validates compliance with Davis Bacon Act requirements, were either not received or misfiled for most contracts during the year.

**Recommendation:** We recommend that HPHA complies with the requirements of Davis Bacon Act by requiring its contractors and subcontractors to submit the required certified payroll reports and the reports are retained to document such compliance.

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

#### **Finding No.: 2010-08 Reporting**

**Condition, cause and context:** During our audit, we noted that Form HUD 60002 was not completed and submitted to HUD. Management indicated that the noncompliance was due to oversight.

**Recommendation:** We recommend that HPHA complies with the reporting requirements of the program.

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

#### **Finding No.: 2010-09 Equipment and Real Property - Material Weakness**

**Condition, cause and context:** HPHA continues to have challenges in maintaining appropriate accounting records of its equipment and construction in progress (CIP) balances. Amounts 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. 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.

**Recommendation:** We recommend that the HPHA maintain monthly detailed fixed assets and CIP records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting

## **Hawaii Public Housing Authority**

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

### **Public Housing Capital Fund CFDA No. 14.872 (continued)**

#### **Finding No.: 2010-09 Equipment and Real Property - Material Weakness (continued)**

for these assets. Complete information on all assets provides excellent control for the safeguarding of these assets.

We also recommend that the status of CIP are monitored monthly to ensure that projects that are completed are properly transferred from CIP to fixed assets and depreciated accordingly.

*Status:* The comment is still applicable. See finding 2011-08.

#### **Finding No.: 2010-10 Activities Allowed and Unallowed-Material Weakness**

*Condition, cause and context:* At the option of the PHAs, they are allowed to recover their indirect costs related to the Public Housing Capital Fund (PHCF) through the use of a fee-for-service model in lieu of a cost allocation plan. HPHA adopted a fee-for-service model to charge the program during the prior fiscal year. However, we noted that the incorrect fee was being charged and that management was not fully knowledgeable with HUD's requirements related to indirect costing. The fees charged were subsequently corrected.

*Recommendation:* We recommend that management review and familiarize themselves with the requirements of the Code of Federal Regulations, including HUD's project based accounting and asset management requirements.

*Status:* The comment is no longer applicable.

#### **Finding No.: 2010-11 Reporting – Material Weakness**

*Condition, cause, and context:* HPHA continues to have challenges in identifying an individual who has been properly trained to complete and submit the FDS and other HUD reporting requirements. Although HPHA hires a consultant to assist in filing, the information provided to the consultant need to complete and accurate. For example, during the current year the FDS submission included incorrect allocations which required the schedules to be corrected and filing re-submitted.



## **Hawaii Public Housing Authority**

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

### **Public Housing Capital Fund CFDA No. 14.872 (continued)**

#### **Finding No.: 2010-11 Reporting – Material Weakness (continued)**

***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.

***Status:*** The comment is still applicable. See finding 2011-09.

# Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

## Public and Indian Housing Program CFDA No. 14.850

### Finding No.: 2010-12 Special Tests and Provisions – Waiting List

**Condition, cause, and context:** In our discussions with management, HPHA continues to have a “backlog” of applications that were not entered into the system on a timely basis. As such, several applicants were not included in quarterly re-sequencing. Presently, the “backlog” 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.

**Recommendation:** We recommend that HPHA complies with the reporting requirements of the program.

**Status:** The comment is still applicable. See finding 2011-10.

### Finding No.: 2010-13 Activities Allowed or Unallowed and Special Test and Provisions-Fees Charged for Centralized Cost - Material Weakness

**Conditions, cause, and context:** In 2009, HPHA adopted the fee-for-service model in accordance with asset management. As a result of control weaknesses, several of the fee-for-service charges to the AMPs were incorrectly calculated during the year. Fees calculated and charged incorrectly during the year included the following:

1. Asset Management Fee – Occupied units were incorrectly used instead of total ACC units in calculation.
2. Management Fee – Total ACC units were incorrectly used instead of occupied units in the calculation and the incorrect phase in rate was applied in the current year.

The incorrect charges were applied to all AMPs throughout the current year; however the fees charged were subsequently corrected.

**Recommendation:** We recommend that management review and familiarize themselves and their staff with HUD’s project based accounting and asset management requirements, and comply with the respective requirements.

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

## Hawaii Public Housing Authority

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

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

#### **Finding No.: 2010-14 Special Tests and Provisions – Waiting List – Material Weakness**

**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.

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

**Status:** The comment is still applicable. See finding 2011-10.

#### **Finding No.: 2010-15 Reporting – Material Weakness**

**Condition, cause, and context:** Although form HUD-52723 was prepared and submitted by the Low Income Public Housing (LIPH) Manager prior to his departure in accordance with the program requirements, we noted that there was no independent review or approval of the information being provided. Control activities such as review and approval allow management to prevent and detect deficiencies that may impact its reporting and operational objectives. We also ascertained that no other personnel have the required knowledge of the program requirements to effectively perform such a review and approval.

**Recommendation:** With the departure of the LIPH Manager, HPHA should train 2 individuals in the preparation of form HUD-52723. This will allow for the performance of an independent review and approval of form HUD-52723. We would also recommend that such processes are documented in a policy and procedures manual to ensure appropriate knowledge transfer.

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

## **Hawaii Public Housing Authority**

Summary Schedule of Prior-Year Audit Findings  
Year Ended June 30, 2011

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

#### **Finding No.: 2010-16 Eligibility – Tenant File Testing – Material Weakness**

***Condition, cause, and context:*** During our review of HPHA's controls over eligibility, we were informed by program management that they did not perform the quality review of tenant files due to the lack of available personnel resource at the program management level.

During our testing of participant files, we noted the following:

- 1) For 8 out of 60 tenant files tested, we noted that certain forms to facilitate the internal control process over tenant files were not signed by housing specialists.
- 2) For 2 out of 60 tenant files tested, we noted that required forms were missing or were not properly executed.

***Recommendation:*** We recommend that 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.

***Status:*** The comment is still applicable. See finding 2011-12.