

Hawaii Public Housing Authority

Financial Statements

June 30, 2018

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR
STATE OF HAWAII**



A Hawaii Limited Liability Partnership

March 12, 2019

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, 2018. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

OBJECTIVES OF THE AUDIT

The primary purpose of our audit was to form an opinion on the fairness of the presentation of the Authority's basic financial statements as of and for the fiscal year ended June 30, 2018, and to comply with the requirements of the Uniform Guidance. The objectives of the audit were as follows:

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

SCOPE OF THE AUDIT

Our audit was performed in accordance with auditing standards generally accepted in the United States of America as prescribed by the American Institute of Certified Public Accountants; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Uniform Guidance. The scope of our audit included an examination of the transactions and accounting records of the Authority as of and for the fiscal year ended June 30, 2018.

ORGANIZATION OF THE REPORT

This report is presented in four 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, 2018, and our opinion on the basic financial statements.
- Part II – Our report on internal control over financial reporting and compliance.
- Part III – Our report on compliance for each major program; internal control over compliance; and report on schedule of expenditures of federal awards.
- Part IV – The schedule of findings and questioned costs.
- Part V – The summary schedule of prior audit findings.

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

Table of Contents

| | Page |
|---|-------|
| PART I FINANCIAL SECTION | |
| Independent Auditor's Report | 6-8 |
| Management's Discussion and Analysis | 9-22 |
| Basic Financial Statements: | |
| Government-wide Financial Statements: | |
| Statement of Net Position | 23-24 |
| Statement of Activities | 25 |
| Governmental Fund Financial Statements: | |
| Balance Sheet - Governmental Funds | 26 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 27 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 28 |
| Reconciliation of the Change in Fund Balances to the Statement of Activities | 29 |
| Proprietary Funds | |
| Statement of Net Position - Proprietary Funds | 30-31 |
| Reconciliation of the Proprietary Funds Net Position to the Statement of Net Position | 32 |
| Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds | 33-34 |
| Reconciliation of the Change In Net Position of the Proprietary Funds to the Statement of Activities | 35 |
| Statement of Cash Flows - Proprietary Funds | 36-38 |
| Notes to the Basic Financial Statements | 39-83 |

Table of Contents (continued)

| | Page |
|---|---------|
| Required Supplementary Information Other Than Management's Discussion and Analysis | |
| Budgetary Comparison Schedule – Major Governmental Funds | 85-86 |
| Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation | 87 |
| Schedule of the Authority's Proportionate Share of the Net Pension Liability | 88 |
| Schedule of the Authority's Pension Contributions | 89 |
| Notes to the Schedule of the Authority's Pension Contributions | 90 |
| Schedule of the Authority's Proportionate Share of the Changes in Net Other Post Employment Benefits (OPEB) Liability and Related Ratios | 91 |
| Schedule of the Authority's OPEB Contributions | 92 |
| Notes to the Schedule of the Authority's OPEB Contributions | 93 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards | 95-96 |
| Financial Data Schedule | 97-103 |
| 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 | 105-106 |
| PART III INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE | 108-110 |
| PART IV SCHEDULE OF FINDINGS AND QUESTIONED COSTS | 112-114 |
| PART V SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS | 116 |

PART I
FINANCIAL SECTION



A Hawaii Limited Liability Partnership

Independent Auditor's Report

The Auditor
State of Hawaii

Board of Directors
Hawaii Public Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2018, 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.

As discussed in Note 1 to the financial statements of the Authority, in 2018 the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of adopting this standard the net position at July 1, 2017 has been restated. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 22, the Budgetary Comparison schedules, Schedule of the Authority's Proportionate Share of the Net Pension Liability, Schedule of the Authority's Pension Contributions, Schedule of the Authority's Proportionate Share of the Changes in Net Other Post Employment Benefits (OPEB) Liability and Related Ratios and Schedule of the Authority's OPEB Contributions on pages 85 to 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards on pages 95 and 96, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Financial Data Schedule on pages 97 through 103, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Federal Awards and the Financial Data Schedule are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KMH LLP

KMH LLP

Honolulu, Hawaii
March 12, 2019

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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, 2018. The HPHA's MD&A is designed to: focus on significant financial issues; review the HPHA's financial activity; highlight changes in the HPHA's financial position (its ability to address the next and subsequent year challenges); and identify individual fund issues or concerns. Since the MD&A is designed to focus on the financial activities of the HPHA for the fiscal year ended June 30, 2018, readers should review this in conjunction with the financial statements that follow.

INTRODUCTION

The HPHA is a full service agency attached to the State's Department of Human Services for administrative purposes only. The HPHA's Board of Directors consists of eleven members, of whom nine are public members appointed by the Governor. Public members are appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai. One 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, 2017 to June 30, 2018, the HPHA administered the following programs:

- Federal public housing programs
The HPHA administered over 5,300 federal public housing units in Hawaii with funds received from the United States Department of Housing and Urban Development (HUD).
- State public housing programs
The HPHA administered over 860 state public housing family units and elderly housing developed with State funds.
- Federal and State rent subsidy programs
The HPHA administered two federally funded rental assistance programs - Section 8 Housing Choice Voucher Program and Veterans Affairs Supportive Housing Program, and the State funded rental assistance program, subsidizing monthly rental payments to qualified households.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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

FINANCIAL HIGHLIGHTS

- Restatement - During 2018, the HPHA implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement resulted in restatements of beginning net positions as of July 1, 2017 for governmental activities and business type activities of \$1.62 million and \$12.60 million, respectively. For convenience of the readers, the following discussions use fiscal year 2017 data as of June 30, 2017 for year-to-year comparisons.
- At the close of the fiscal year, the assets of the HPHA exceeded its liabilities by \$479.27 million. Of this amount, \$355.37 million was invested in capital assets. (As detailed on *Government-Wide Statement of Net Position*, pages 23 and 24).
- The HPHA's government wide net position decreased by \$8.19 million, primarily due to the \$14.22 million additional Other Post Employment Benefits (OPEB) liability as of July 1, 2017. The decrease is further affected by the following offsetting activities in governmental activities and business-type activities:
 - a. Governmental activities - decrease in net position of \$11.95 million is affected by State allotted appropriations of \$24.24 million (net of lapsed funds of \$0.77 million), capital expenditure/outlay of \$23.14 million and transfers-out of \$7.97 million (as detailed on *Government-Wide Statement of Activities*, page 25).
 - b. Business-type activities - increase in net position of \$3.76 million (as detailed on *Government-Wide Statement of Activities*, page 25) is due to capital contributions of \$23.14 million and net transfers-in of \$7.97 million from Governmental activities, offset by a loss before transfers of \$14.75 million.

The capital contribution is related to the Capital Project fund current year capital outlay of \$23.14 (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 28) expended for the benefit of business-type activities.

The \$7.97 million of net operating transfers-in includes \$9.19 million of transfers-in, offset by \$1.22 million of transfers-out from the Central Office Cost Center fund to cover housing assistance payment shortfalls of the State Rental Supplemental program. The

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

gross transfer-in is distributed as: \$1.97 million for State rental housing programs to cover operating shortfalls, \$3.45 million for federal low rent program's security services and utilities, \$3.60 million for the Central Office Cost Center, and \$0.17 million for other enterprise type of programs (as detailed on *Proprietary Funds, Statement of Revenues, Expenses, and Changes in Net Position*, pages 33 and 34).

The loss before transfers of \$14.75 million is primarily due to higher administrative expenses, security services and repair and maintenance costs (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 33 and 34).

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 of three components:

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

Supplemental information in addition to the basic financial statements is provided. The financial statements summarize, at an aggregate level, over 650,000 financial transactions during fiscal year 2018, or approximately 2,000 transactions per working day.

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

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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

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

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

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

| HAWAII PUBLIC HOUSING AUTHORITY | | | | | | |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| Condensed Statements of Net Position | | | | | | |
| June 30, 2018 and June 30, 2017 | | | | | | |
| (In thousands of dollars) | | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Assets | | | | | | |
| Current & other assets | \$ 102,626 | \$ 111,429 | \$ 92,040 | \$ 86,072 | \$ 194,666 | \$ 197,501 |
| Capital assets | 4,053 | 4,146 | 351,317 | 340,003 | 355,370 | 344,149 |
| Other assets | - | - | 8,717 | 8,717 | 8,717 | 8,717 |
| Total Assets | 106,679 | 115,575 | 452,074 | 434,792 | 558,753 | 550,367 |
| Deferred Outflows of Resources | 763 | 847 | 10,959 | 12,093 | 11,722 | 12,940 |
| Total Assets & Deferred Outflows of Resources | \$ 107,442 | \$ 116,422 | \$ 463,033 | \$ 446,885 | \$ 570,475 | \$ 563,307 |
| Liabilities | | | | | | |
| Current & other liabilities | \$ 6,300 | \$ 5,169 | \$ 5,270 | \$ 7,063 | \$ 11,570 | \$ 12,232 |
| Long-term liabilities | 5,591 | 3,754 | 73,115 | 59,122 | 78,706 | 62,876 |
| Total Liabilities | 11,891 | 8,923 | 78,385 | 66,185 | 90,276 | 75,108 |
| Deferred Inflows of Resources | (1) | (7) | 924 | 737 | 923 | 730 |
| Net Position | | | | | | |
| Investment in capital assets, net of related debt | 4,053 | 4,146 | 351,317 | 340,003 | 355,370 | 344,149 |
| Restricted | 3,729 | 4,657 | - | - | 3,729 | 4,657 |
| Unrestricted | 87,770 | 98,703 | 32,407 | 39,960 | 120,177 | 138,663 |
| Total Net Position | 95,552 | 107,506 | 383,724 | 379,963 | 479,276 | 487,469 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 107,442 | \$ 116,422 | \$ 463,033 | \$ 446,885 | \$ 570,475 | \$ 563,307 |

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

Statement of Net Position

Net position may serve over time as a useful indicator of the HPHA's financial position. At the close of the fiscal year, the HPHA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$479.28 million, \$355.37 million of net assets was invested in capital assets, net of related debt. As discussed in the financial highlights, net position decreased by \$8.19 million during the fiscal period (as detailed on *Government-Wide Statement of Net Position and Statement of Activities*, pages 23 to 25).

Of the HPHA's total assets and deferred outflows of resources, \$355.37 million (or 62.3%) represents capital assets. Cash and Due from the State of Hawaii (as presented in the detailed *Government-Wide Statement of Net Position*, page 23) in the amount of \$193.03 million comprises 33.8% of total assets and deferred outflows of resources, of which \$95.97 million is Due from the State of Hawaii, representing available State allotted appropriations designated for capital improvement projects. Net position for the previous fiscal year had a similar composition with the majority of total assets and deferred outflows of resources represented by capital assets.

Accounts payable and accrued current expenses of \$9.67 million comprise 83.6% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position*, page 24). Long term liabilities increased by \$15.83 million from the previous year. This is primarily due to an increase in the OPEB liability (as detailed in the *Notes to the Financial Statements*, #8, page 73.) Total long-term liabilities and deferred inflows of resources amounts to \$79.63 million, or 87.3% of total liabilities and deferred inflows of resources, as compared to \$63.61 million and 83.9% in prior year. The increases in both amounts and percentages are a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The HPHA's obligations related to pension and OPEB are based on reports provided by the State's Department of Accounting and General Services.

Hawaii Public Housing Authority

Management Discussion and Analysis June 30, 2018

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

HAWAII PUBLIC HOUSING AUTHORITY
Government-Wide Statements of Activities
Years Ended June 30, 2018 and June 30, 2017
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ - | \$ - | \$ 23,781 | \$ 22,226 | \$ 23,781 | \$ 22,226 |
| Operating grants & contributions | 66,961 | 65,449 | 23,821 | 24,054 | 90,782 | 89,503 |
| Capital grants & contributions | - | - | 11,902 | 5,999 | 11,902 | 5,999 |
| Other income | 765 | - | 329 | 270 | 1,094 | 270 |
| General Revenues: | | | | | | |
| State allotted appropriations, net of lapsed funds | 24,243 | 42,498 | - | - | 24,243 | 42,498 |
| Total Revenues | <u>91,969</u> | <u>107,947</u> | <u>59,833</u> | <u>52,549</u> | <u>151,802</u> | <u>160,496</u> |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| Rental housing assistance program | 71,193 | 66,539 | - | - | 71,193 | 66,539 |
| Business-Type Activities | | | | | | |
| Rental assistance program | - | - | 61,293 | 60,362 | 61,293 | 60,362 |
| Housing development program | - | - | 9,781 | 9,896 | 9,781 | 9,896 |
| Other expenses | - | - | 3,511 | 5,131 | 3,511 | 5,131 |
| Total government-wide expenses | <u>71,193</u> | <u>66,539</u> | <u>74,585</u> | <u>75,389</u> | <u>145,778</u> | <u>141,928</u> |
| Excess (deficiency) of revenues over (under) expenses | 20,776 | 41,408 | (14,752) | (22,840) | 6,024 | 18,568 |
| Capital contributions | (23,140) | (30,573) | 23,140 | 30,573 | - | - |
| Transfers | (7,972) | (10,932) | 7,972 | 10,932 | - | - |
| CHANGES IN NET POSITION | <u>(10,336)</u> | <u>(97)</u> | <u>16,360</u> | <u>18,665</u> | <u>6,024</u> | <u>18,568</u> |
| Net position at July 1, 2017 as previously reported | 107,506 | 107,603 | 379,963 | 361,298 | 487,469 | 468,901 |
| Restatement | (1,618) | - | (12,599) | - | (14,217) | - |
| Net Position at July 1, 2017 as restated | <u>105,888</u> | <u>107,603</u> | <u>367,364</u> | <u>361,298</u> | <u>473,252</u> | <u>468,901</u> |
| Net position, end of year | <u>\$ 95,552</u> | <u>\$ 107,506</u> | <u>\$ 383,724</u> | <u>\$ 379,963</u> | <u>\$ 479,276</u> | <u>\$ 487,469</u> |

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

Statement of Activities

Government-wide operating grants and contributions increased by \$1.28 million in the current year from \$89.50 million to \$90.78 million. HUD capital grants increased by \$5.90 million in the current year from \$6.00 million to \$11.90 million. HUD operating subsidies for federal public housing program decreased by \$0.23 million or 1.0%, from \$24.05 million in the prior year to \$23.82 million. Business-type activities operating loss decreased by \$7.18 million for the year to \$14.75 million, from prior year's \$22.84 million (as detailed in the *Government – Wide Statement of Activities*, Page 25).

Governmental activities net position decreased by \$11.96 million from previous year's \$107.51 million to current year's \$95.55 million. This decrease is primarily due to State allotted appropriations of \$25.01 million (net of lapsed capital funds of \$0.77 million), and net transfers out of \$7.97 million (as detailed in *Government-Wide Statement of Activities*, Page 25).

FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

Governmental Funds

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

- At the end of the fiscal year, combined fund balances amounted to \$96.33 million, a decrease of \$9.93 million, in comparison with the previous year's combined fund balance of \$106.26 million. Of the \$96.33 million fund balance, \$87.41 million was reserved for capital projects, (as detailed in *Governmental Funds, Balance Sheet*, page 26 and *Statement of Revenues, Expenditures and Changes in Fund Balances*, page 28).
- Under the General Fund, excess of revenues over expenditures at the end of the fiscal year was \$4.71 million, and \$5.63 million was transferred out of the General Fund to support the HPHA's business type activities (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances*, page 28).
- The Capital Project Fund balance decreased by \$9.59 million, to \$87.41 million from previous year's \$97.00 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 28). The HPHA received allotted appropriations of \$17.11 million net of lapsed fund of \$0.57 million. Capital outlay was \$23.14 million, and net transfer out was \$3.56 million.
- The Housing Choice Voucher Program fund balance decreased by \$0.93 million, to \$3.73 million. This is mainly because of \$0.93 million of excess expenditures over revenues.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

- The Section 8 Contract Administration fund balance increased by \$0.29 million to \$2.61 million. Revenues exceeded expenditures by \$0.29 million.

Proprietary funds

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

- With the implementation of HUD's Asset Management and Project Based Budgeting, the HPHA established the HUD-mandated Central Office Cost Center (COCC) fund to account for costs related to the general oversight of the programs and projects the HPHA administers, and other indirect and administrative costs of the HPHA. The COCC fund charges fees to the HPHA's various housing programs for administrative services and general oversight.
- Combined Proprietary Funds losses before transfers amounted to \$14.75 million. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34) compared with previous year's loss of \$22.84 million. The \$8.09 million less loss is due to a combination of variances in revenues and expenses, including \$1.15 million more rental income, \$5.90 million more HUD capital fund grants, \$.22 million less administrative expenses and \$0.58 million less personnel expenses, offset by \$0.14 million more repairs and maintenance expenses.
- The COCC's loss before transfers was decreased to \$2.98 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34), in comparison to previous year's loss of \$4.93 million. The decrease in loss is mainly because of \$1.19 million more in fee-for-service revenue. The COCC finished the fiscal year with a substantially lower net position, from \$10.35 million in the prior year to \$2.19 million, mainly due to a \$8.62 million increase in the OPEB liability.
- Under the Federal Low Rent Program, loss before transfers decreased by \$6.01 million to \$6.45 million, compared to previous year's net loss of \$12.46 million. The decrease in losses is due to a combination of variances in revenues and expenses, including \$1.18 more rental income, \$5.90 million more HUD capital fund grants and \$1.09 million less administrative expenses, offset by \$0.23 million less federal operating subsidies and \$2.16 million more repairs and maintenance expenses. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 33 and 34).
- The State family housing program's loss before transfers amounted to \$2.34 million from previous year's \$2.18 million. This was mainly because rental income received was not sufficient to support operational expenditures. The program's net position decreased by \$0.18 million to \$24.55 million, mainly due to \$2.00 million less capital contributions and \$1.29 million less operating transfers-in. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34).
- Similarly, the State Elderly Housing fund's rental income received was insufficient to support the fund's operational expenditures, resulting in a loss before transfers amounting to \$2.66 million in

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2018

comparison to previous year's \$2.47 million. The program's net position decreased by \$1.25 million to \$35.97 million due to \$1.11 million less capital contributions and \$0.23 million less operating transfers-in (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, page 34).

- Other Enterprise Funds loss before transfers amounted to \$0.33 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions*, page 34) compared with prior year loss of \$0.81 million.
- Ke Kumu at Waikoloa Project and the Kuhio Park Terrace Resource Center continued to operate at a deficit.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA's investment in capital assets for the fiscal year ended June 30, 2018 is \$344.15 million, net of related debt. This investment in capital assets includes land, buildings and improvements, equipment, furniture, and fixtures, and construction in progress. (Detailed in *Notes to the Financial Statements, #5*, pages 56 and 57.)

HPHA Capital Assets
Years Ended June 30, 2018 and June 30, 2017
(In thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|----------|--------------------------|------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 2,373 | \$ 2,373 | \$ 22,966 | \$ 22,966 | \$ 25,339 | \$ 25,339 |
| Buildings and improvements | 15,325 | 15,325 | 649,813 | 639,206 | 665,138 | 654,531 |
| Equipment | 1,332 | 1,292 | 10,304 | 9,244 | 11,636 | 10,536 |
| Construction in progress | - | - | 77,647 | 58,545 | 77,647 | 58,545 |
| Total | 19,030 | 18,990 | 760,730 | 729,961 | 779,760 | 748,951 |
| Accumulated depreciation | (14,978) | (14,845) | (409,412) | (389,958) | (424,390) | (404,803) |
| Total Capital Assets, net | \$ 4,052 | \$ 4,145 | \$ 351,318 | \$ 340,003 | \$ 355,370 | \$ 344,148 |

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

Major project outstanding balances in construction in progress at the end of FY2018

- AMP 30 Hale Laulima, Site and Dwelling Improvements, \$9.25 million
- AMP 30 Salt Lake Apartment, Modernization, Phase I & II, \$6.66 million
- AMP 31 Kalihi Valley Homes, Site, Dwelling and Accessibility Improvements, \$6.03 million
- AMP 31 Hauiki Homes, Building, Electric system and Accessibility Improvements, \$0.65 million
- AMP 31 Puahala Homes I, Abatement, Modernization, Safety and Energy Conservation, \$6.68 million

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2018

- AMP 32 Mayor Wright Homes, Modernization, \$0.60 million
- AMP 33 Kaahumanu Homes, Modernization, \$0.27 million
- AMP 34 Makua Alii, Site and Building Improvements, \$2.17 million
- AMP 34 Makua Alii, Upgrade Major Systems including Boilers, Water Heater, Pump, etc., \$0.39 million
- AMP 34 Makua Alii, Upgrade Fire Alarm System and Call for Aid System, \$0.89 million
- AMP 34 Paoakalani (E), Upgrade Fire Alarm System and Call for Aid System, \$0.63 million
- AMP 34 Kalakaua Homes, Upgrade Fire Alarm System and Call for Aid System, \$0.93 million
- AMP 35 Punchbowl Homes (E), Roofing, Site, Trash Chutes, and Accessibility Improvements, \$0.89 million
- AMP 35 Punchbowl Homes (E), Exterior Repair, Re-, \$0.50 million
- AMP 35 Kalanihuia (E), Upgrade Fire Alarm System, \$0.78 million
- AMP 35 Makamae (E), Upgrade Fire Alarm System and Call for Aid System, \$0.48 million
- AMP 35 Pumehana (E), Upgrade Fire Alarm System and Call for Aid System, \$0.48 million
- AMP 35 Spencer House, Upgrade Fire Alarm System and Call for Aid System, \$0.78 million
- AMP 35 Spencer House, Masonry Stabilization & Repairs, \$0.75 million
- AMP 37 Lanakila Homes I, Major Utility Systems including Electric, Water, Gas, Cable TV, Telephone, etc, \$0.57 million
- AMP 37 Lanakila Homes, Demolition of 31 Wooden Duplex Structures, \$2.22 million
- AMP 37 Lanakila Homes I, Design Service for PHASE IIIB & IV, \$0.77 million
- AMP 37 Construction of 4 Single-Story, Wood-Framed Townhouse, \$1.00 million
- AMP 37 Lanakila Homes I, Construction Parking Lots, \$0.33 million
- AMP 37 Lanakila Homes II, Construction Parking Lots, \$0.40 million
- AMP 37 Pahala (E), Design Service for Valve Boxes and Building Improvements, \$0.25 million
- AMP 37 Hale Aloha O Puna (E), Design Service for Valve boxes and Building Improvements, \$0.21 million
- AMP 37 Lanakila Homes IV, Construction Parking Lots, \$0.44 million
- AMP 38 Kapaa, Modernization, \$0.26 million
- AMP 38 Eleele Homes, Building, Site and Accessibility Improvement, \$0.25 million
- AMP 38 Home Nani (E), Accessibility Improvement, \$1.33 million
- AMP 39 Kahale Mua - Federal, Site & Dwelling Improvement, \$4.45 million
- AMP 39 Kahale Mua - State, Site & Dwelling Improvement, \$0.29 million
- AMP 40 Kuhio Park Terrace Lowrise, Site & Roadway Improvement, \$3.88 million
- AMP 42 Hale Po'ai, Site & Building Improvements, \$0.28 million
- AMP 44 Kau'iokalani, Site, Building & Accessibility Improvement, \$0.38 million
- AMP 44 Kau'iokalani, Site and Building Improvement, \$2.83 million
- AMP 49 Wahiawa Terrace, Site, Building & Accessibility Improvement, \$0.66 million
- AMP 49 Wahiawa Terrace, Additional Construction due to Unforeseen Situation, \$2.57 million
- AMP 50 Palolo Valley Homes, Modernization, Phase 1 & 2, \$4.73 million
- AMP 50 Palolo Valley Homes, Physical Improvement, Phase III, \$0.38 million
- AMP 50 Palolo Valley Homes, Modernization & Site Improvement, \$2.67 million

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

During the 2009 legislative session, S.B. bill No. 910 was enacted and required 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. The impact of the transfer to the Authority's net assets was approximately \$22,000,000 and was included in intergovernmental transfers under governmental activities in the government-wide statement of activities. The HPHA, however, continues to hold title to the State-owned shelter facilities.

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

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

Plaintiffs allege that an employee of the HPHA driving an HPHA maintenance golf cart struck a four (4) year-old boy who was playing on the sidewalk near his home on or about August 26, 2017. The complaint alleges that the boy suffered a fracture pelvis, broken bones and internal injuries.

The State and the HPHA were served with the Amended Complaint on October 13, 2018. The employee was served with an Amended Complaint on October 27, 2018.

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

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

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

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self insured retention on the insurance it selected. Counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. During mediation, the HPHA was dismissed from the complaint.

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

On July 27, 1995, the Office of Hawaiian Affairs ("OHA") and its Board of Trustees filed a Complaint for declaratory judgment and injunctive relief against the Hawaii Housing Authority ("HHA") (since succeeded by Hawaii Public Housing Authority ("HPHA")), as described below, its Executive Director and Board of Commissioners, as well as the Department of Budget and Finance and its Director, to secure additional compensation and itemized account of sums previously paid to OHA for five specifically identified parcels of Ceded Lands. These Ceded Lands parcels had been transferred to the HHA for its

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2018

use to develop, construct, and manage additional affordable public rental housing units under (now repealed) Hawai'i Revised Statutes Chapter 201G. The HPHA, through its prior entity HHA, currently owns certain parcels of Ceded Lands identified in the lawsuit.

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

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

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

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

During 2018, HPHA continued working with Hunt Development Group and the Vitus Group, the selected developer for redevelopment of Mayor Wright Homes, located within the Transit-Oriented Development (TOD) zone of the Honolulu Rail System, in close proximity to the Iwilei Station. The vision for the redevelopment includes: one-for-one replacement of public housing units, mixed-income and mixed-uses. The HPHA anticipates the execution of a Master Development Agreement in the coming fiscal period.

During 2018, HPHA continued working with Retirement Housing Foundation and its partners to redevelop its administrative offices located at 1002 N. School Street. The project will include affordable housing units, HPHA's administrative offices and limited commercial uses that best serve the surrounding community. The Retirement Housing Foundation is currently conducting community outreach meetings, stakeholder discussions, and environmental reviews.

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2018

CONTACT INFORMATION

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

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION

June 30, 2018

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|-----------------------|
| Current Assets: | | | |
| Cash | \$ 5,752,675 | \$ 87,293,312 | \$ 93,045,987 |
| Restricted cash | 635,747 | 3,377,383 | 4,013,130 |
| Due from State of Hawaii | 95,967,911 | - | 95,967,911 |
| Receivables: | | | |
| Accrued interest | - | 94,681 | 94,681 |
| Tenant receivables, less allowance for doubtful receivables of \$1,667,527 | - | 335,508 | 335,508 |
| Other | 187,213 | 26,616 | 213,829 |
| | <u>187,213</u> | <u>456,805</u> | <u>644,018</u> |
| Internal balances | (171,323) | 171,323 | - |
| Due from HUD | 253,704 | 119,633 | 373,337 |
| Inventories | - | 573,512 | 573,512 |
| Prepaid expenses and other assets | - | 13,020 | 13,020 |
| Deposits held in trust | - | 34,960 | 34,960 |
| Total current assets | <u>102,625,927</u> | <u>92,039,948</u> | <u>194,665,875</u> |
| Notes Receivable | - | 8,716,630 | 8,716,630 |
| Capital Assets, less accumulated depreciation | <u>4,052,846</u> | <u>351,317,393</u> | <u>355,370,239</u> |
| Total assets | 106,678,773 | 452,073,971 | 558,752,744 |
| Deferred Outflows of Resources | <u>762,836</u> | <u>10,958,709</u> | <u>11,721,545</u> |
| Total assets and deferred outflows of resources | <u>\$ 107,441,609</u> | <u>\$ 463,032,680</u> | <u>\$ 570,474,289</u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION (continued)

June 30, 2018

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Current Liabilities: | | | |
| Accounts payable | \$ 5,650,693 | \$ 1,022,919 | \$ 6,673,612 |
| Accrued expenses | 648,916 | 2,349,011 | 2,997,927 |
| Due to State of Hawaii | - | 571,402 | 571,402 |
| Security deposits | - | 1,095,363 | 1,095,363 |
| Deferred income | - | 231,183 | 231,183 |
| Total current liabilities | 6,299,609 | 5,269,878 | 11,569,487 |
| Accrued Expenses | 312,851 | 1,460,019 | 1,772,870 |
| Net Other Post Employment Benefits (OPEB) Liability | 2,704,848 | 37,191,084 | 39,895,932 |
| Net Pension Liability | 2,573,384 | 34,462,665 | 37,036,049 |
| Total liabilities | 11,890,692 | 78,383,646 | 90,274,338 |
| Deferred Inflows of Resources | (847) | 924,451 | 923,604 |
| Commitments and Contingencies | | | |
| Net Position: | | | |
| Invested in capital assets, net of related debt | 4,052,846 | 351,317,393 | 355,370,239 |
| Restricted by legislation and contractual agreements | 3,728,688 | - | 3,728,688 |
| Unrestricted | 87,770,230 | 32,407,190 | 120,177,420 |
| Total net position | 95,551,764 | 383,724,583 | 479,276,347 |
| Total liabilities, deferred inflows of resources, and net position | \$ 107,441,609 | \$ 463,032,680 | \$ 570,474,289 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

| | Expenses | Program Revenues | | | Net (expense) revenue and changes in net position | | |
|---|-----------------------|---|------------------------------------|----------------------------------|---|--------------------------|-----------------------|
| | | Charges for services and other revenues | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | Total |
| Functions/Programs: | | | | | | | |
| Governmental activity -- | | | | | | | |
| Rental Housing and Assistance Program | \$ 71,193,229 | \$ - | \$ 66,960,661 | \$ - | \$ (4,232,568) | \$ - | \$ (4,232,568) |
| Total governmental activities | <u>71,193,229</u> | <u>-</u> | <u>66,960,661</u> | <u>-</u> | <u>(4,232,568)</u> | <u>-</u> | <u>(4,232,568)</u> |
| Business-type activities: | | | | | | | |
| Rental assistance program | 61,293,163 | 19,111,480 | 23,821,475 | 11,902,699 | - | (6,457,509) | (6,457,509) |
| Rental housing program | 9,780,770 | 4,395,899 | - | - | - | (5,384,871) | (5,384,871) |
| Others | 3,511,183 | 273,750 | - | - | - | (3,237,433) | (3,237,433) |
| Total business-type activities | <u>74,585,116</u> | <u>23,781,129</u> | <u>23,821,475</u> | <u>11,902,699</u> | <u>-</u> | <u>(15,079,813)</u> | <u>(15,079,813)</u> |
| Total government-wide | <u>\$ 145,778,345</u> | <u>\$ 23,781,129</u> | <u>\$ 90,782,136</u> | <u>\$ 11,902,699</u> | <u>(4,232,568)</u> | <u>(15,079,813)</u> | <u>(19,312,381)</u> |
| State Allotted Appropriations, net of lapsed funds of \$770,399 | | | | | 24,242,430 | - | 24,242,430 |
| Other Non-Program Revenue | | | | | 765,489 | 329,844 | 1,095,333 |
| Net Transfers | | | | | (31,111,422) | 31,111,422 | - |
| Total general revenues and transfers | | | | | <u>(6,103,503)</u> | <u>31,441,266</u> | <u>25,337,763</u> |
| Change in net position | | | | | <u>(10,336,071)</u> | <u>16,361,453</u> | <u>6,025,382</u> |
| Net Position at July 1, 2017, as previously reported | | | | | 107,506,145 | 379,962,948 | 487,469,093 |
| Restatement | | | | | <u>(1,618,310)</u> | <u>(12,599,818)</u> | <u>(14,218,128)</u> |
| Net Position at July 1, 2017, as restated | | | | | <u>105,887,835</u> | <u>367,363,130</u> | <u>473,250,965</u> |
| Net Position at June 30, 2018 | | | | | <u>\$ 95,551,764</u> | <u>\$ 383,724,583</u> | <u>\$ 479,276,347</u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2018

| ASSETS | General | Capital Projects | Housing Choice Voucher | Section 8 Contract Administration | Total Governmental Funds |
|--|---------------------|----------------------|------------------------------|---|--------------------------------|
| Current Assets: | | | | | |
| Cash | \$ - | \$ - | \$ 3,205,299 | \$ 2,547,376 | \$ 5,752,675 |
| Restricted cash | - | - | 635,747 | - | 635,747 |
| Due from State of Hawaii | 3,232,503 | 92,735,408 | - | - | 95,967,911 |
| Other receivables | - | - | 187,213 | - | 187,213 |
| Due from HUD | - | - | - | 253,704 | 253,704 |
| Total current assets | \$ 3,232,503 | \$ 92,735,408 | \$ 4,028,259 | \$ 2,801,080 | \$ 102,797,250 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | \$ 312,297 | \$ 5,322,041 | \$ 16,355 | \$ - | \$ 5,650,693 |
| Accrued expenses | 340,245 | - | 114,940 | 193,731 | 648,916 |
| Due to other funds | 3,047 | - | 168,276 | - | 171,323 |
| Total current liabilities | 655,589 | 5,322,041 | 299,571 | 193,731 | 6,470,932 |
| Fund Balances: | | | | | |
| Restricted by legislation and contractual agreements | - | - | 3,728,688 | - | 3,728,688 |
| Committed | - | 46,200,265 | - | - | 46,200,265 |
| Assigned | 2,576,914 | 41,213,102 | - | 2,607,349 | 46,397,365 |
| Total fund balances | 2,576,914 | 87,413,367 | 3,728,688 | 2,607,349 | 96,326,318 |
| Total liabilities and fund balances | \$ 3,232,503 | \$ 92,735,408 | \$ 4,028,259 | \$ 2,801,080 | \$ 102,797,250 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

June 30, 2018

| | | | |
|--|-------------|----|-------------------|
| Total fund balance - governmental funds | | \$ | 96,326,318 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the funds | 4,052,846 | | |
| Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | (206,762) | | |
| Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds | (106,089) | | |
| Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds | (2,704,848) | | |
| Pension benefits are not due and payable in the current period and therefore are not reported in the funds | (2,573,384) | | |
| Deferred outflows of resources related to the pension and other post employment benefits liability are not financial resources and therefore not reported in the funds | 762,836 | | |
| Deferred inflows of resources related to the pension and other post employment benefits liability are not due and payable in the current period and therefore are not reported in the funds | 847 | | (774,554) |
| Net position of governmental activities | | \$ | <u>95,551,764</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, 2018

| | General | Capital Projects | Housing Choice Voucher | Section 8 Contract Administration | Total Governmental Funds |
|---|---------------------|----------------------|------------------------------|---|--------------------------------|
| Revenues: | | | | | |
| Intergovernmental – HUD annual contributions and others | \$ - | \$ - | \$ 32,782,655 | \$ 34,178,006 | \$ 66,960,661 |
| State allotted appropriations, net of lapsed funds of \$770,399 | 7,134,740 | 17,107,690 | - | - | 24,242,430 |
| Other | 2,065 | - | 763,173 | 251 | 765,489 |
| Total revenues | 7,136,805 | 17,107,690 | 33,545,828 | 34,178,257 | 91,968,580 |
| Expenditures: | | | | | |
| Housing assistance payments | 2,240,752 | - | 31,908,298 | 32,809,220 | 66,958,270 |
| Administration | 48,329 | - | 846,970 | 1,042,727 | 1,938,026 |
| Personnel services | 104,719 | - | 1,563,645 | - | 1,668,364 |
| Professional services | 32,267 | - | 34,769 | 32,053 | 99,089 |
| Tenant services | - | - | 2,027 | - | 2,027 |
| Utilities | 971 | - | 11,339 | - | 12,310 |
| Repairs and maintenance | 771 | - | 55,561 | - | 56,332 |
| Security | 48 | - | 998 | - | 1,046 |
| Insurance | 787 | - | 10,392 | 4,379 | 15,558 |
| Capital outlays | - | 23,139,503 | 39,791 | - | 23,179,294 |
| Total expenditures | 2,428,644 | 23,139,503 | 34,473,790 | 33,888,379 | 93,930,316 |
| Excess (deficiency) of revenues over (under) expenditures | 4,708,161 | (6,031,813) | (927,962) | 289,878 | (1,961,736) |
| Other Financing Uses - Transfers Out | (4,411,698) | (3,560,221) | - | - | (7,971,919) |
| Net change in fund balances | 296,463 | (9,592,034) | (927,962) | 289,878 | (9,933,655) |
| Fund Balances at July 1, 2017 | 2,280,451 | 97,005,401 | 4,656,650 | 2,317,471 | 106,259,973 |
| Fund Balances at June 30, 2018 | \$ 2,576,914 | \$ 87,413,367 | \$ 3,728,688 | \$ 2,607,349 | \$ 96,326,318 |

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, 2018

| | | |
|--|------------------|------------------------|
| Net change in fund balances - total governmental funds | | \$ (9,933,655) |
| 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 \$133,000. | | |
| Expenditures for capital assets | 23,179,294 | |
| Less current year depreciation expense | <u>(132,944)</u> | 23,046,350 |
| Transfer of capital assets between governmental activities and business-type activities | | (23,139,503) |
| 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 | | (8,569) |
| Family Self-Sufficiency program expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds | | (85,978) |
| Funds report expenditures for other post employment benefit (OPEB) contributions. The government-wide statements report changes in deferred outflows, deferred inflows and net OPEB liability as OPEB expense. | | 3,199 |
| Funds report expenditures for pension contributions. The government-wide statements report changes in deferred outflows, deferred inflows and net position liability as pension expense | | <u>(217,915)</u> |
| Change in net position of governmental activities | | <u>\$ (10,336,071)</u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

June 30, 2018

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|-----------------------------|------------------------------|---|---------------------------------------|------------------------------|------------------------------|------------------------------|
| Current Assets: | | | | | | | |
| Cash | \$ 47,488,988 | \$ 1,404,720 | \$ 3,933,731 | \$ 19,258,826 | \$ 13,971,796 | \$ 86,058,061 | \$ 1,235,251 |
| Restricted cash | 845,353 | - | - | 2,532,030 | - | 3,377,383 | - |
| | <u>48,334,341</u> | <u>1,404,720</u> | <u>3,933,731</u> | <u>21,790,856</u> | <u>13,971,796</u> | <u>89,435,444</u> | <u>1,235,251</u> |
| Receivables: | | | | | | | |
| Accrued interest | - | 11,463 | 22,870 | 52,752 | - | 87,085 | 7,596 |
| Tenant receivables, less allowance for doubtful accounts of \$1,667,527 | 297,813 | 19,119 | 430 | - | 18,146 | 335,508 | - |
| Other | - | 9,807 | 793 | 1,784 | 14,232 | 26,616 | - |
| | <u>297,813</u> | <u>40,389</u> | <u>24,093</u> | <u>54,536</u> | <u>32,378</u> | <u>449,209</u> | <u>7,596</u> |
| Due from other funds | 768,697 | 393,599 | 397,752 | 12,506,156 | 338 | 14,066,542 | 60,744 |
| Due from HUD | 119,633 | - | - | - | - | 119,633 | - |
| Inventories | 454,162 | 34,406 | 63,519 | 21,425 | - | 573,512 | - |
| Prepaid expenses and other assets | - | - | - | 12,987 | 33 | 13,020 | - |
| Deposits held in trust | - | - | - | - | 34,960 | 34,960 | - |
| Total current assets | <u>49,974,646</u> | <u>1,873,114</u> | <u>4,419,095</u> | <u>34,385,960</u> | <u>14,039,505</u> | <u>104,692,320</u> | <u>1,303,591</u> |
| Notes Receivable | 8,716,630 | - | - | - | - | 8,716,630 | - |
| Due from Other Funds | - | - | - | 17,852,647 | - | 17,852,647 | - |
| Capital Assets, less accumulated depreciation | 283,254,990 | 25,514,294 | 31,932,232 | 323,125 | 10,204,580 | 351,229,221 | 88,172 |
| Total assets | <u>341,946,266</u> | <u>27,387,408</u> | <u>36,351,327</u> | <u>52,561,732</u> | <u>24,244,085</u> | <u>482,490,818</u> | <u>1,391,763</u> |
| Deferred Outflows of Resources | 4,849,138 | 387,056 | - | 5,722,515 | - | 10,958,709 | - |
| Total assets and deferred outflows of resources | <u>\$ 346,795,404</u> | <u>\$ 27,774,464</u> | <u>\$ 36,351,327</u> | <u>\$ 58,284,247</u> | <u>\$ 24,244,085</u> | <u>\$ 493,449,527</u> | <u>\$ 1,391,763</u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION (continued)

June 30, 2018

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|-----------------------------|------------------------------|---|---------------------------------------|------------------------------|------------------------------|------------------------------|
| Current Liabilities: | | | | | | | |
| Accounts payable | \$ 651,843 | \$ 20,980 | \$ 21,402 | \$ 171,637 | \$ 157,057 | \$ 1,022,919 | \$ - |
| Accrued expenses | 1,351,504 | 82,300 | - | 887,418 | 27,789 | 2,349,011 | - |
| Due to other funds | 1,226,380 | 245,335 | 181,778 | 60,744 | 12,241,726 | 13,955,963 | - |
| Due to State of Hawaii | - | - | - | - | 571,402 | 571,402 | - |
| Security deposits | 842,718 | 40,676 | 165,900 | - | 46,069 | 1,095,363 | - |
| Deferred income | 201,577 | 10,591 | 7,860 | 9,523 | 1,632 | 231,183 | - |
| Total current liabilities | <u>4,274,022</u> | <u>399,882</u> | <u>376,940</u> | <u>1,129,322</u> | <u>13,045,675</u> | <u>19,225,841</u> | <u>-</u> |
| Accrued Expenses | 672,746 | 49,964 | - | 737,309 | - | 1,460,019 | - |
| Due to Other Funds | 16,509,954 | 1,342,693 | - | - | - | 17,852,647 | - |
| Net OPEB Liability | - | - | - | 37,191,084 | - | 37,191,084 | - |
| Net Pension Liability | 16,492,134 | 1,403,161 | - | 16,567,370 | - | 34,462,665 | - |
| Total liabilities | <u>37,948,856</u> | <u>3,195,700</u> | <u>376,940</u> | <u>55,625,085</u> | <u>13,045,675</u> | <u>110,192,256</u> | <u>-</u> |
| Deferred Inflows of Resources | <u>434,991</u> | <u>28,994</u> | <u>-</u> | <u>460,466</u> | <u>-</u> | <u>924,451</u> | <u>-</u> |
| Commitments and Contingencies | | | | | | | |
| Net Position: | | | | | | | |
| Invested in capital assets, net of related debt | 283,254,990 | 25,514,294 | 31,932,232 | 323,125 | 10,204,580 | 351,229,221 | 88,172 |
| Unrestricted | <u>25,156,567</u> | <u>(964,524)</u> | <u>4,042,155</u> | <u>1,875,571</u> | <u>993,830</u> | <u>31,103,599</u> | <u>1,303,591</u> |
| Total net position | <u>308,411,557</u> | <u>24,549,770</u> | <u>35,974,387</u> | <u>2,198,696</u> | <u>11,198,410</u> | <u>382,332,820</u> | <u>1,391,763</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 346,795,404</u> | <u>\$ 27,774,464</u> | <u>\$ 36,351,327</u> | <u>\$ 58,284,247</u> | <u>\$ 24,244,085</u> | <u>\$ 493,449,527</u> | <u>\$ 1,391,763</u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

June 30, 2018

| | |
|---|------------------------------|
| Total net position of enterprise funds | \$ 382,332,820 |
| Amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities | <u>1,391,763</u> |
| Net position of business-type activities | <u><u>\$ 383,724,583</u></u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2018

| | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Eliminating Entries | Total Enterprise Funds | Internal Service Funds |
|---------------------------------------|-----------------------------|------------------------------|---|---------------------------------------|------------------------------|------------------------|------------------------------|------------------------------|
| Operating Revenues: | | | | | | | | |
| Rental | \$ 18,665,900 | \$ 1,153,632 | \$ 2,096,628 | \$ - | \$ 1,024,151 | \$ - | \$ 22,940,311 | \$ 60,744 |
| Fee-for-service | - | - | - | 9,883,294 | - | (9,883,294) | - | - |
| Other | 445,580 | 16,727 | 78,284 | 213,006 | 26,477 | - | 780,074 | - |
| Total operating revenues | 19,111,480 | 1,170,359 | 2,174,912 | 10,096,300 | 1,050,628 | (9,883,294) | 23,720,385 | 60,744 |
| Operating Expenses: | | | | | | | | |
| Personnel services | 11,174,022 | 925,972 | - | 11,591,171 | - | - | 23,691,165 | - |
| Depreciation | 16,212,586 | 968,053 | 1,558,114 | 97,416 | 560,322 | - | 19,396,491 | 58,917 |
| Administration | 9,042,516 | 285,942 | 775,355 | 448,471 | 314,990 | (7,680,128) | 3,187,146 | - |
| Provision for losses | 333,963 | 34,238 | 897 | - | (339,252) | - | 29,846 | - |
| Professional services | 159,443 | 55,478 | 34,372 | 795,561 | 14,841 | - | 1,059,695 | 4,719 |
| Tenant services | 89,755 | - | - | 16,847 | - | - | 106,602 | - |
| Security | 2,631,817 | 130 | 516 | 9,962 | 117,601 | - | 2,760,026 | - |
| Insurance | 476,093 | 28,022 | 80,156 | 14,065 | 17,459 | - | 615,795 | 957 |
| Repairs and maintenance | 10,671,479 | 559,602 | 1,205,549 | 204,303 | 395,012 | (2,203,166) | 10,832,779 | - |
| Utilities | 10,296,581 | 674,979 | 1,217,325 | 152,088 | 295,097 | - | 12,636,070 | - |
| Payments in lieu of taxes | 204,908 | - | - | - | - | - | 204,908 | - |
| Total operating expenses | 61,293,163 | 3,532,416 | 4,872,284 | 13,329,884 | 1,376,070 | (9,883,294) | 74,520,523 | 64,593 |
| Operating loss carried forward | (42,181,683) | (2,362,057) | (2,697,372) | (3,233,584) | (325,442) | - | (50,800,138) | (3,849) |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2017

| | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Eliminating Entries | Total Enterprise Funds | Internal Service Funds |
|--|-----------------------------|------------------------------|---|---------------------------------------|------------------------------|------------------------|------------------------------|------------------------------|
| Operating loss brought forward | (42,181,683) | (2,362,057) | (2,697,372) | (3,233,584) | (325,442) | - | (50,800,138) | (3,849) |
| Nonoperating Revenues: | | | | | | | | |
| HUD operating subsidies | 23,821,475 | - | - | - | - | - | 23,821,475 | - |
| HUD capital fund subsidies | 11,902,699 | - | - | - | - | - | 11,902,699 | - |
| Other revenues | 5,174 | 19,584 | 39,114 | 253,031 | - | - | 316,903 | 12,941 |
| Net nonoperating revenues | 35,729,348 | 19,584 | 39,114 | 253,031 | - | - | 36,041,077 | 12,941 |
| (Loss) income before transfers | (6,452,335) | (2,342,473) | (2,658,258) | (2,980,553) | (325,442) | - | (14,759,061) | 9,092 |
| Capital Contributions | 21,169,600 | 1,800,391 | 169,512 | - | - | - | 23,139,503 | - |
| Net Transfers | 3,447,964 | 739,106 | 1,237,311 | 2,378,630 | 168,908 | - | 7,971,919 | - |
| Change in net position | 18,165,229 | 197,024 | (1,251,435) | (601,923) | (156,534) | - | 16,352,361 | 9,092 |
| Net Position at July 1, 2017, as previously reported | 294,915,475 | 24,733,557 | 37,225,822 | 10,350,479 | 11,354,944 | - | 378,580,277 | 1,382,671 |
| Restatement | (4,669,147) | (380,811) | - | (7,549,860) | - | - | (12,599,818) | - |
| Net Position at July 1, 2017, as restated | 290,246,328 | 24,352,746 | 37,225,822 | 2,800,619 | 11,354,944 | - | 365,980,459 | 1,382,671 |
| Net Position at June 30, 2018 | \$ 308,411,557 | \$ 24,549,770 | \$ 35,974,387 | \$ 2,198,696 | \$ 11,198,410 | \$ - | \$ 382,332,820 | \$ 1,391,763 |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2018

| | |
|--|----------------------|
| Change in net position - total enterprise funds | \$ 16,352,361 |
| Change in net position - internal service funds | <u>9,092</u> |
| Change in net position of business-type activities | <u>\$ 16,361,453</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, 2018

| | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|---|-----------------------------|------------------------------|---|---------------------------------------|------------------------------|------------------------------|------------------------------|
| Cash Flows from Operating Activities: | | | | | | | |
| Cash received from renters | \$ 18,346,929 | \$ 1,121,515 | \$ 2,098,426 | \$ - | \$ 1,015,153 | \$ 22,582,023 | \$ - |
| Cash payments to employees | (11,174,022) | (926,188) | - | (4,008,149) | - | (16,108,359) | - |
| Cash payments to suppliers | (34,633,122) | (1,588,381) | (3,283,437) | (1,058,316) | (995,743) | (41,558,999) | - |
| Cash receipts from other funds | 3,687,485 | 845,339 | 1,104,314 | 2,457,176 | 4,707,715 | 12,802,029 | 64,000 |
| Other cash receipts (payments) | 36,833 | 67,230 | 269,369 | 4,277,367 | 26,573 | 4,677,372 | (5,676) |
| Net cash (used in) provided by operating activities | (23,735,897) | (480,485) | 188,672 | 1,668,078 | 4,753,698 | (17,605,934) | 58,324 |
| Cash Flows from Noncapital Financing Activity -- | | | | | | | |
| HUD operating subsidy received | 23,821,475 | - | - | 106,439 | - | 23,927,914 | - |
| Net cash provided by noncapital financing activities | 23,821,475 | - | - | 106,439 | - | 23,927,914 | - |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | |
| HUD capital subsidy received | 13,018,890 | - | - | - | - | 13,018,890 | - |
| Payments for acquisition of property and equipment | (7,823,796) | - | - | (81,680) | - | (7,905,476) | - |
| Other | 5,174 | (9,416) | - | - | - | (4,242) | - |
| Net cash provided by (used in) capital and related financing activities | 5,200,268 | (9,416) | - | (81,680) | - | 5,109,172 | - |
| Subtotal carried forward | 5,285,846 | (489,901) | 188,672 | 1,692,837 | 4,753,698 | 11,431,152 | 58,324 |

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, 2018

| | 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 | 5,285,846 | (489,901) | 188,672 | 1,692,837 | 4,753,698 | 11,431,152 | 58,324 |
| Cash Flows from Investing Activity -- | | | | | | | |
| Receipts of Interest | - | 11,487 | 22,517 | 115,519 | - | 149,523 | 7,541 |
| Net cash provided by investing activities | - | 11,487 | 22,517 | 115,519 | - | 149,523 | 7,541 |
| Net increase (decrease) in cash | 5,285,846 | (478,414) | 211,189 | 1,808,356 | 4,753,698 | 11,580,675 | 65,865 |
| Cash at July 1, 2017 | 43,048,495 | 1,883,134 | 3,722,542 | 19,982,500 | 9,218,098 | 77,854,769 | 1,169,386 |
| Cash at June 30, 2018 | <u>\$ 48,334,341</u> | <u>\$ 1,404,720</u> | <u>\$ 3,933,731</u> | <u>\$ 21,790,856</u> | <u>\$ 13,971,796</u> | <u>\$ 89,435,444</u> | <u>\$ 1,235,251</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, 2018

| | Federal Low Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Other Enterprise Funds | Total Enterprise Funds | Internal Service Funds |
|--|-----------------------------|------------------------------|---|---------------------------------------|------------------------------|------------------------------|------------------------------|
| Cash Flows from Operating Activities: | | | | | | | |
| Reconciliation of operating loss to net cash (used in) provided by operating activities: | | | | | | | |
| Operating loss | \$ (42,181,683) | \$ (2,362,057) | \$ (2,697,372) | \$ (3,233,584) | \$ (325,442) | \$ (50,800,138) | \$ (3,849) |
| Adjustments to reconcile operating loss to net cash (used in) provided by operating activities: | | | | | | | |
| Depreciation | 16,212,586 | 968,053 | 1,558,114 | 97,416 | 560,322 | 19,396,491 | 58,917 |
| Provision for (recovery of) losses | 333,963 | 34,238 | 897 | - | (339,252) | 29,846 | - |
| Loss on capital asset write off | - | 93,581 | 191,085 | - | - | 284,666 | - |
| Changes in assets and liabilities: | | | | | | | |
| Tenant receivables | (374,787) | (28,674) | (626) | - | 330,721 | (73,366) | - |
| Other receivables | - | (9,807) | (238) | 4,541,702 | 73,231 | 4,604,888 | - |
| Due from other funds | 2,679,267 | 523,757 | 970,226 | (7,422,562) | (338) | (3,249,650) | 3,256 |
| Inventories | 67,159 | (33,579) | 26,776 | 3,913 | - | 64,269 | - |
| Prepaid expenses and other assets | - | - | - | (2,264) | (33) | (2,297) | - |
| Deposits held in trust | - | - | - | - | 756 | 756 | - |
| Deferred outflows of resources related to pension and OPEB | 509,212 | 41,676 | - | 583,111 | - | 1,133,999 | - |
| Accounts payable | (1,272,298) | (17,786) | 3,298 | (124,843) | (80,391) | (1,492,020) | - |
| Accrued expenses | (364,603) | 25,245 | - | (21,935,138) | (172,707) | (22,447,203) | - |
| Due to other funds | 1,008,218 | 321,582 | 134,088 | (3,556) | 4,708,054 | 6,168,386 | - |
| Security deposits | 112,641 | (320) | 1,748 | - | (760) | 113,309 | - |
| Deferred income | (56,825) | (3,123) | 676 | - | (463) | (59,735) | - |
| Net OPEB liability | - | - | - | 29,641,224 | - | 29,641,224 | - |
| Net pension liability | (461,221) | (36,138) | - | (609,268) | - | (1,106,627) | - |
| Deferred inflows of resources related to pension and OPEB | 52,474 | 2,867 | - | 131,927 | - | 187,268 | - |
| Net cash (used in) provided by operating activities | <u>\$ (23,735,897)</u> | <u>\$ (480,485)</u> | <u>\$ 188,672</u> | <u>\$ 1,668,078</u> | <u>\$ 4,753,698</u> | <u>\$ (17,605,934)</u> | <u>\$ 58,324</u> |

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2018

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, 2018, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Authority's financial activities.

b. Government-Wide and Fund Financial Statements

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

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2018

1. Organization and Significant Accounting Policies (continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Indirect expenses are allocated to a specific function in accordance with the U.S. Department of Housing and Urban Development requirements. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function.

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues.

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

The fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column.

c. Measurement Focus and Basis of Accounting

i. Government-Wide Financial Statements

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

ii. Governmental Fund Financial Statements

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' long-term compensated absences, family self-sufficiency program costs, net other post employment benefits (OPEB) liability, net pension liability, and deferred inflows and outflows of resources, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to long-term compensated absences, family self-sufficiency program costs, net other post employment benefits liability, net pension liability and deferred inflows and outflows of resources at June 30, 2018 has been reported in the government-wide financial statements.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

iii. Proprietary Funds

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

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

d. Fund Accounting

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

i. Governmental Funds

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

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

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

The Authority reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Housing 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, 2018

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

ii. Proprietary Funds

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

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

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

The Authority reports the following as major proprietary funds:

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

e. Department of Housing and Urban Development (HUD) Subsidized Programs

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

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

f. Capital Assets

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

f. Capital Assets (continued)

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

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

g. Cash and Cash Equivalents

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

h. Inventories

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

i. Interfund Receivables and Payables

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

j. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and will not be recognized as an outflow of resources (expenditures) until then. The balances as of June 30, 2018 are as follows:

| | <u>Governmental Funds</u> | <u>Business-Type Funds</u> | <u>Total</u> |
|--------------------------------|-------------------------------|--------------------------------|----------------------|
| Deferred pension related costs | \$ 557,725 | \$ 8,338,590 | \$ 8,896,315 |
| Deferred OPEB related costs | <u>205,111</u> | <u>2,620,119</u> | <u>2,825,230</u> |
| | <u>\$ 762,836</u> | <u>\$ 10,958,709</u> | <u>\$ 11,721,545</u> |

Deferred inflows of resources represent acquisitions of net position that apply to future periods and will not be recognized as an inflow of resources (revenues) until then. The balances as of June 30, 2018 are as follows:

| | <u>Governmental Funds</u> | <u>Business-Type Funds</u> | <u>Total</u> |
|--------------------------------|-------------------------------|--------------------------------|-------------------|
| Deferred pension related costs | \$ (4,845) | \$ 873,377 | \$ 868,532 |
| Deferred OPEB related costs | <u>3,998</u> | <u>51,074</u> | <u>55,072</u> |
| | <u>\$ (847)</u> | <u>\$ 924,451</u> | <u>\$ 923,604</u> |

k. HUD Annual Contributions

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

l. Vacation

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately \$715,000.

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

| <u>Balance at July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at June 30, 2018</u> |
|------------------------------------|--------------------|--------------------|-------------------------------------|
| <u>\$2,311,000</u> | <u>\$1,096,000</u> | <u>\$1,126,000</u> | <u>\$2,281,000</u> |

As of June 30, 2018, approximately \$155,000 and \$2,126,000 of the unpaid vacation balance was for government-wide activities and business-type activities, respectively, and is included in accrued expenses in the accompanying statement of net position.

m. Restrictions of Net Positions and Fund Balances

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

m. Restrictions of Net Positions and Fund Balances

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

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

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

n. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the State of Hawaii (ERS) and additions to/deductions from ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

o. Other Post Employment Benefits (OPEB)

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

p. 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.

q. Management's Use of Estimates

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

r. Recently Issued Accounting Pronouncements

During fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Statement No. 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

r. Recently Issued Accounting Pronouncements (continued)

The adoption of Statement No. 75 has no impact on the Authority's governmental fund financial statements, which continue to report expenditures in the amount of statutorily required payments. However, adoption has resulted in the restatement of the Authority's fiscal year 2017 government-wide and proprietary funds financial statements to reflect the reporting of a net OPEB liability in accordance with the provisions of Statement No. 75. Net OPEB liability for governmental activities and business type activities of \$2,654,719 and \$36,706,282, respectively, and deferred outflows of resources related to OPEB for governmental activities and business type activities of \$147,784 and \$2,043,375, respectively, were reported as of July 1, 2017. The Authority implemented the provisions of GASB 75 as of June 30, 2018, which resulted in the restatement of the Authority's beginning net position as follows. Refer to Note 8 for more information regarding the Authority's net OPEB liability.

| | Governmental Activities | Business-type activities |
|---|----------------------------|-----------------------------|
| Net Position at July 1, 2017 as previously reported | \$ 107,506,145 | \$ 379,962,948 |
| Restatement | (1,618,310) | (12,599,818) |
| Net Position at July 1, 2017 as restated | <u>\$ 105,887,835</u> | <u>\$ 367,363,130</u> |

In March 2017, the GASB issued Statement No. 85 (GASB 85), *Omnibus 2017*. GASB 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). GASB 85 was effective for the Authority's financial statements for the year ending June 30, 2018. This Statement has no impact on the Authority's financial statements.

2. Budgeting and Budgetary Control

The budget of the Authority is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which financial policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

2. Budgeting and Budgetary Control (continued)

and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the accompanying required supplementary information – budgetary comparison schedule are estimates as compiled by the Authority and reviewed by the Department of Budget and Finance. Budgeted expenditures are derived primarily from acts of the State Legislature and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes (HRS) and other specific appropriation acts in various Session Laws of Hawaii.

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

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

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

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

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, 2018 is set forth in the required supplementary information.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

3. Cash

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

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

At June 30, 2018, total cash, including restricted cash and deposits, reported in the statement of net position is \$97,094,077 which consisted of the following:

| | <u>Governmental</u> | <u>Business-Type</u> | <u>Total</u> |
|-----------------------------|---------------------|----------------------|----------------------|
| State pool and petty cash | \$ - | \$ 19,226,668 | \$ 19,226,668 |
| Cash in bank (book balance) | <u>6,388,422</u> | <u>71,444,027</u> | <u>77,832,449</u> |
| | 6,388,422 | 90,670,695 | 97,059,117 |
| Deposits held in trust | <u>-</u> | <u>34,960</u> | <u>34,960</u> |
| Total Cash | <u>\$ 6,388,422</u> | <u>\$ 90,705,655</u> | <u>\$ 97,094,077</u> |

Bank balance of cash in bank was approximately \$80,868,000 of which \$750,000 was covered by federal depository insurance and \$80,118,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2018

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

During 2018, the interest earned on the note receivable amounted to approximately \$2,033,000 and has been recorded in deferred gain. As of June 30, 2018, the net note receivable, inclusive of all principal, accrued interest and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program statement of net position:

| | |
|--------------------------------|---------------------|
| Principal and accrued interest | \$ 61,970,513 |
| Deferred gain | <u>(57,153,883)</u> |
| Net note receivable | <u>\$ 4,816,630</u> |

Additionally, prior to the execution of the ground lease and sale of the Improvements, several planned capital improvements related to the Project had not been completed. As both the Authority and the buyer agreed that the work is necessary, the buyer agreed to complete the work and the Authority agreed to provide the financing. Accordingly, the Authority agreed to loan the buyer up to \$3,900,000 from Public Housing Capital Funds and State of Hawaii Capital Improvement Projects Funds. Payment of principal is deferred until the maturity date, whereupon all principal is due, subject to the availability of surplus cash, as defined in the note agreement. The note does not bear interest unless the borrower defaults upon the maturity date of May 2051. As of June 30, 2018, the Authority loaned the full \$3,900,000 to the buyer, which is included in the accompanying statement of net position under the Federal Low Rent Program.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

5. Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

| | <u>July 1, 2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2018</u> |
|--|----------------------|----------------------|------------------------|-----------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,373,410 | \$ - | \$ - | \$ 2,373,410 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>2,373,410</u> | <u>-</u> | <u>-</u> | <u>2,373,410</u> |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 15,325,444 | - | - | 15,325,444 |
| Equipment | <u>1,291,869</u> | <u>39,791</u> | <u>-</u> | <u>1,331,660</u> |
| Total capital assets being depreciated | <u>16,617,313</u> | <u>39,791</u> | <u>-</u> | <u>16,657,104</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 13,614,500 | 118,797 | - | 13,733,297 |
| Equipment | <u>1,230,224</u> | <u>14,147</u> | <u>-</u> | <u>1,244,371</u> |
| Total accumulated depreciation | <u>14,844,724</u> | <u>132,944</u> | <u>-</u> | <u>14,977,668</u> |
| Governmental activities capital assets, net | <u>\$ 4,145,999</u> | <u>\$ (93,153)</u> | <u>\$ -</u> | <u>\$ 4,052,846</u> |
| | <u>July 1, 2017</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2018</u> |
| Business-Type Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 22,966,200 | \$ - | \$ - | \$ 22,966,200 |
| Construction in progress | <u>58,545,137</u> | <u>30,572,250</u> | <u>(11,469,771)</u> | <u>77,647,616</u> |
| Total capital assets not being depreciated | <u>81,511,337</u> | <u>30,572,250</u> | <u>(11,469,771)</u> | <u>100,613,816</u> |
| Capital assets being depreciated: | | | | |
| Building and improvements | 639,205,608 | 10,613,808 | (6,543) | 649,812,873 |
| Equipment | <u>9,243,628</u> | <u>1,083,022</u> | <u>(23,037)</u> | <u>10,303,613</u> |
| Total capital assets being depreciated | <u>648,449,236</u> | <u>11,696,830</u> | <u>(29,580)</u> | <u>660,116,486</u> |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 382,071,335 | 19,199,723 | - | 401,271,058 |
| Equipment | <u>7,886,166</u> | <u>255,685</u> | <u>-</u> | <u>8,141,851</u> |
| Total accumulated depreciation | <u>389,957,501</u> | <u>19,455,408</u> | <u>-</u> | <u>409,412,909</u> |
| Business-type activities capital assets, net | <u>\$340,003,072</u> | <u>\$ 22,813,672</u> | <u>\$ (11,499,351)</u> | <u>\$ 351,317,393</u> |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

5. Capital Assets (continued)

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

| | |
|---|-----------------------------|
| Governmental Activity - | |
| Rental Housing and Assistance Program | <u>\$ 132,944</u> |
| Business-Type Activities: | |
| Federal Low Rent Program | 16,212,586 |
| Housing Revolving Fund | 968,053 |
| Housing for Elders Revolving Fund | 1,558,114 |
| Central Office Cost Center Fund | 97,416 |
| Internal Services | 58,917 |
| Others | <u>560,322</u> |
| Total depreciation expense – business-type activities | <u>19,455,408</u> |
| Total depreciation expense | <u><u>\$ 19,588,352</u></u> |

At June 30, 2018, 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 | 544,830,897 | 31,319,602 | 58,649,509 | 42,857 | 14,970,008 | 649,812,873 | - | 649,812,873 |
| Equipment, furniture and fixtures | 5,557,978 | 995,117 | 1,036,396 | 602,400 | - | 8,191,891 | 2,111,722 | 10,303,613 |
| Construction in progress | 69,142,449 | 7,951,776 | 553,391 | - | - | 77,647,616 | - | 77,647,616 |
| Less accumulated depreciation | <u>349,369,963</u> | <u>17,005,082</u> | <u>34,411,881</u> | <u>322,132</u> | <u>6,280,301</u> | <u>407,389,359</u> | <u>2,023,550</u> | <u>409,412,909</u> |
| Net property and equipment | <u><u>\$283,254,990</u></u> | <u><u>\$ 25,514,294</u></u> | <u><u>\$ 31,932,232</u></u> | <u><u>\$ 323,125</u></u> | <u><u>\$ 10,204,580</u></u> | <u><u>\$351,229,221</u></u> | <u><u>\$ 88,172</u></u> | <u><u>\$351,317,393</u></u> |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies

a. Lease Commitments

The Authority leases from the City and County of Honolulu the land upon which its former Banyan Street Manor Project building is situated on, and subleases it to the Project's new owner. The lease is for a term of 55 years beginning May 27, 2011. Lease rent in the amount of \$75 was prepaid by the new owner for the entire term of the lease. As part of the sales price of the Project building, reserves and operating funds on May 27, 2011, \$75 was allocated for the ground lease interest and other property, as defined in the agreement.

The Authority leases the land upon which its former Wilikina Apartments Project building is situated on to its new owner. The lease is for a term of 65 years beginning May 22, 2012. Lease rent in the amount of \$1 was prepaid by the new owner for the entire term of the lease.

b. Construction Contracts

At June 30, 2018, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$17,201,000 and \$45,260,000, respectively, for the construction and renovation of housing projects.

c. Consulting Agreement

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

In accordance with the consulting agreement, the amount paid to the Authority shall be held in an interest bearing escrow account by an escrow agent mutually agreed upon by the Authority and the buyer until the state tax credit release date. Approximately \$2,532,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2018 is held in an approved escrow account.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

d. Torts

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

e. Workers' Compensation Policy

The State is self-insured for workers' compensation. Accordingly, the Authority is liable for workers' compensation claims filed by its employees. The basis for estimating the liabilities for unpaid claims include the effects of specific incremental claim adjustment expenses, salvage and subrogation, and other allocated or unallocated claim adjustment expenses. These liabilities include an amount for claims that have been incurred but not reported. As of June 30, 2018, the Authority has determined there is not a significant liability for workers' compensation claims.

f. Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment; accordingly, sick leave is not accrued in the accompanying statement of net position. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii (ERS). Accumulated sick leave at June 30, 2018 amounted to approximately \$4,880,000.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

g. Litigation

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

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

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

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

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

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

In August 2009, Iris Rodrigues-Kaikana was murdered by Corbit Ahn at the Kamehameha Homes in Kalihi. Kamehameha Homes (KH) is operated by the Authority (which is administratively attached to DHS). Neither Iris, who was 18 years old, or Ahn were residents at KH. Both may have visited residents of KH on the evening of the murder, although this has not been confirmed. The Complaint alleges, among other things, that the State: failed to

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

g. Litigation (continued)

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

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

Defendant Ahn was criminally convicted of murder in July 2012. The conviction was upheld on appeal.

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

In September 2018, the court granted the State, the Authority, and Kamehameha Homes' Motion for Summary Judgment as to all claims. At this time, it is not known if Plaintiffs intend to appeal the order granting the motion for summary judgment.

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

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

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

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self-insured retention on the insurance it selected. UPS has not accepted the Authority's tender of defense yet. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the Authority has not been served with the Complaint, a deputy attorney general will attend the mediation, but the Authority will not pay for the cost of the mediation and will not be making any offer (as it understood that UPS is obligated under its contract with the Authority, and the facts), and there would not be any discovery requests aimed at the Authority before mediation. Following the mediation four Plaintiffs dismissed their claims against the Authority pursuant to these Plaintiffs' respective settlement agreement with UPS

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

g. Litigation (continued)

McJerold William et.al. vs. Kiamalu Security Services, et.al., Civil No. 15-1-0388-3 (1st Cir.) (continued)

and Kiamalu. As the remaining Plaintiff is a minor, his settlement is pending with the Probate Court and if accepted, would not involve any payment by the Authority.

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

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

Following service in October 2017, the State, the Authority, and the employee answered the Amended Complaint. The State filed a third-party complain against the minor's grandmother, Cynthia Kaminaga. Discovery is ongoing. Trial is scheduled for September 16, 2019.

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

In August 2016, Complainant Hawaii Disability Rights Center filed an administrative complaint with HUD against the Authority, alleging the Authority failed to have the appropriate percentage of accessible units under HUD policies and regulations, specifically, under Section 504 of the Rehabilitation Act of 1973. Pursuant to federal regulations, HUD is investigating the allegations. In July 2018, the matter was settled with a Voluntary Compliance Agreement and no monetary damages.

7. Retirement Plan

a. Plan Description

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

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

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

Noncontributory Class

Retirement Benefits

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Noncontributory Class (continued)

Disability Benefits

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

Death Benefits

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Contributory Class for Members Hired prior to July 1, 2012

Retirement Benefits

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

Disability Benefits

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

Death Benefits

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits

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

Disability and Death Benefits

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 1.75% of average final compensation for each year of service for police and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits

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

Disability Benefits

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Death Benefits

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

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

Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits

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

Disability and Death Benefits

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

c. Contributions (continued)

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2018 was 18.00% for Authority employees. The Authority's contributions requirements as of June 30, 2018 were approximately \$2,511,000.

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

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

The payroll for all of the Authority's employees and employees covered by the plan was approximately \$14,806,000 for 2018.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

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

At June 30, 2018, the Authority reported a liability of \$37,036,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2017, the Authority's proportion was 0.29%, which was consistent with its proportion measured as of June 30, 2016.

There were no other changes between the measurement date, June 30, 2017, and the reporting date, June 30, 2018, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2018, the Authority recognized pension expense of \$5,512,347. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 614,618 | \$ (424,084) |
| Changes in assumptions | 5,603,807 | - |
| Net difference between projected and actual earnings on pension plan investments | - | (350,540) |
| Changes in proportionate and differences between Authority contributions and proportionate share of contributions | 167,136 | (93,908) |
| Authority contributions subsequent to the measurement date | <u>2,510,754</u> | <u>-</u> |
| Total | <u>\$ 8,896,315</u> | <u>\$ (868,532)</u> |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

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

The \$2,510,754 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-------------------------------|---------------------|
| For the years ending June 30, | |
| 2019 | \$ 1,171,000 |
| 2020 | 1,171,000 |
| 2021 | 1,171,000 |
| 2022 | 1,171,000 |
| 2023 | <u>833,029</u> |
| Total | <u>\$ 5,517,029</u> |

e. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Employees' Retirement System of the State of Hawaii, on December 12, 2016, based on the most recent experience study dated July 5, 2016:

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

e. Actuarial Assumptions (continued)

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

| Strategic Allocation (risk-based classes) | Target Allocation | Long-Term Expected Geometric Rate of Return |
|--|----------------------|---|
| Broad Growth | 63% | 5.8% |
| Principal Protection | 7 | 0.2 |
| Real Return | 10 | 3.6 |
| Crisis Risk Offset | 20 | 3.1 |
| Total | <u>100%</u> | |

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

e. Actuarial Assumptions (continued)

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

| | 1 percent Decrease (6.00%) | Current Discount Rate (7.00%) | 1 percent Increase (8.00%) |
|--|----------------------------------|-------------------------------------|----------------------------------|
| Authority's proportionate share of the net pension liability | \$53,216,709 | \$37,036,049 | \$31,022,613 |

f. Pension Plan Fiduciary Net Pension

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS's complete financial statements are available at <http://www.ers.ehawaii.gov>.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

8. Postemployment Health Care and Life Insurance Benefits

a. Plan Descriptions

The Authority provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the Authority contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at <http://eutf.hawaii.gov>.

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

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

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

b. Employees Covered by Benefit Terms

At July 1, 2017, the following number of plan members were covered by the benefit terms:

| | |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 35,374 |
| Inactive plan members entitled to but not yet receiving benefits | 8,124 |
| Active plan members | 50,101 |
| Total plan members | <u>93,599</u> |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

c. Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority was approximately \$2,825,000 for the fiscal year ended June 30, 2018. The employer is required to make all contributions for members.

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

At June 30, 2018, the Authority reported a net OPEB liability of approximately \$39,895,932. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2017, and the reporting date, June 30, 2018, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2018, the Authority recognized OPEB expense of approximately \$2,781,162. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | (55,072) |
| Authority contributions subsequent to the measurement date | <u>2,825,230</u> | <u>-</u> |
| Total | <u>\$ 2,825,230</u> | <u>\$ (55,072)</u> |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

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

The \$2,825,230 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|-------------------------------|--------------------|
| For the years ending June 30, | |
| 2019 | \$ (13,768) |
| 2020 | (13,768) |
| 2021 | (13,768) |
| 2022 | (13,768) |
| 2023 | - |
| Total | <u>\$ (55,072)</u> |

e. Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions adopted by the Board of Trustees of the Hawaii Employer-Union Health Benefits Trust Fund of the State of Hawaii, on January 8, 2018, based on the experience study covering the five year period ended June 30, 2015:

| | |
|---------------------------|--|
| Inflation | 2.50 percent |
| Salary Increases | 3.50 percent to 7.00 percent including inflation |
| Investment rate of return | 7.00 percent |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

e. Actuarial Assumptions (continued)

Healthcare Cost Trend Rates

| | |
|--|--|
| PPO* | Initial rates of 6.60 percent, 6.60 percent and 9.00 percent; declining to a rate of 4.86 percent after 14 years |
| HMO* | Initial rate or 9.00 percent; declining to a rate of 4.86 percent after 14 years |
| Part B & Base Monthly Contribution (BMC) | Initial rates of 2.00 percent and 5.00 percent; declining to a rate of 4.70 percent after 14 years |
| Dental | 3.50 percent |
| Vision | 2.50 percent |
| Life Insurance | 0.00 percent |

*Blended rates for medical and prescription drug

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

e. Actuarial Assumptions (continued)

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| U.S. Equity | 19% | 5.50% |
| International Equity | 19 | 7.00 |
| U.S. Microcap | 7 | 7.00 |
| Private Equity | 10 | 9.25 |
| REITs | 6 | 5.85 |
| Core Real Estate | 10 | 3.80 |
| Global Options | 7 | 5.50 |
| Core Bonds | 3 | 0.55 |
| Long Treasuries | 7 | 1.90 |
| Trend Following | 7 | 1.75 |
| TIPS | 5 | 0.50 |
| Total | <u>100%</u> | |

f. Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00% and the municipal bond rate of 3.56% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-year Municipal GO AA index”). Beginning with the fiscal year 2019 contribution, the Authority’s funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

f. Single Discount Rate (continued)

benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

g. OPEB Plan Fiduciary Net Position

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

h. Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2017.

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|-------------------------|--------------------------------|-----------------------|
| Beginning Balance | \$ 41,427,703 | \$ 2,066,702 | \$ 39,361,001 |
| Service cost | 733,947 | - | 733,947 |
| Interest on the total OPEB liability | 2,228,580 | - | 2,228,580 |
| Changes of benefit terms | - | - | - |
| Difference between expected and actual experience | - | - | - |
| Changes of assumptions | - | - | - |
| Employer contributions | - | 2,191,159 | (2,191,159) |
| Net investment income | - | 219,382 | (219,382) |
| Benefit payments | (1,101,878) | (1,101,878) | - |
| Administrative expense | - | (561) | 561 |
| Other | - | 17,616 | (17,616) |
| Net changes | 1,860,649 | 1,325,718 | 534,931 |
| Ending balance | \$ 43,288,352 | \$ 3,392,420 | \$ 39,895,932 |

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

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

| | 1 percent Decrease (6.00%) | Current Discount Rate (7.00%) | 1 percent Increase (8.00%) |
|---|----------------------------------|-------------------------------------|----------------------------------|
| Authority's proportionate share of the net OPEB liability | \$46,825,159 | \$39,895,932 | \$34,288,747 |

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

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

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

| | 1 percent Decrease (6.00%) | Healthcare Cost Trend Rate (7.00%) | 1 percent Increase (8.00%) |
|---|----------------------------------|--|----------------------------------|
| Authority's proportionate share of the net OPEB liability | \$33,965,890 | \$39,895,935 | \$47,380,310 |

9. Deferred Compensation Plan

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

10. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2018 is as follows:

| <u>Current Due from</u> | Federal Low-Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Internal Service Funds | Non-major Enterprise |
|-----------------------------------|--------------------------------|------------------------------|--|--|------------------------------|-------------------------|
| General Fund | \$ - | \$ - | \$ - | \$ 2,716 | \$ - | \$ 331 |
| Housing Choice Voucher | - | - | - | 168,269 | - | 7 |
| Central Office Cost Center | - | - | - | - | 60,744 | - |
| Federal Low Rent Program | - | - | - | 1,226,380 | - | - |
| Housing Revolving Fund | 4,015 | - | - | 241,320 | - | - |
| Housing for Elders Revolving Fund | - | - | - | 181,778 | - | - |
| Non-major - Enterprise | 764,682 | 393,599 | 397,752 | 10,685,693 | - | - |
| Total | <u>\$ 768,697</u> | <u>\$ 393,599</u> | <u>\$ 397,752</u> | <u>\$ 12,506,156</u> | <u>\$ 60,744</u> | <u>\$ 338</u> |

| <u>Noncurrent Due to</u> | Federal Low-Rent Program | Housing Revolving Fund |
|------------------------------|--------------------------------|------------------------------|
| Central Office Cost Center | \$ 16,509,954 | \$ 1,342,693 |

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

11. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2018 is as follows:

| Transfer From | General Fund | Capital Projects Fund | Federal Low-Rent Program | Housing Revolving Fund | Housing for Elders Revolving Fund | Central Office Cost Center Fund | Non-major Enterprise |
|-----------------------------------|---------------------|-----------------------|--------------------------|------------------------|-----------------------------------|---------------------------------|----------------------|
| General Fund | \$ - | \$ - | \$ 2,948,460 | \$ 780,398 | \$ 1,736,225 | \$ - | \$ 168,908 |
| Capital Projects | - | - | 499,504 | - | - | 3,293,093 | - |
| Central Office Cost Center | 1,222,293 | - | - | - | - | - | - |
| Housing Revolving Fund | - | 41,292 | - | - | - | - | - |
| Housing for Elders Revolving Fund | - | 191,084 | - | - | - | 307,830 | - |
| Total | \$ 1,222,293 | \$ 232,376 | \$ 3,447,964 | \$ 780,398 | \$ 1,736,225 | \$ 3,600,923 | \$ 168,908 |

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$5,634,000 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 \$3,793,000 from the current year annual State of Hawaii appropriations to primarily pay for capital improvement administrative expenses and rental housing service repairs and maintenance under certain enterprise funds.

Central Office Cost Center: The Central Office Cost Center transferred approximately \$1,222,293 to the General Fund to cover housing assistance payments shortfalls under the State Rental Supplement Program.

Housing Revolving Fund: The Housing Revolving Fund expended approximately \$41,000 to pay for administrative expenses under the Capital Projects fund.

Housing for Elders Revolving Fund: The Housing for Elders Revolving Fund transferred approximately \$308,000 to pay for administrative expenses under the Central Office Cost Center fund and approximately \$191,000 to pay for administrative expenses under the Capital Projects fund.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

12. Capital Contributions

During 2018, the Capital Projects Fund expended approximately \$23,140,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to enterprise funds. The composition of capital contribution balances reflected in the Proprietary Funds financial statements as of June 30, 2018 is as follows:

| <u>Contributed From</u> | <u>Federal Low-Rent Program</u> | <u>Housing Revolving Fund</u> | <u>Housing for Elders Revolving Fund</u> | <u>Total</u> |
|-------------------------|---|---------------------------------------|--|---------------|
| Capital Projects | \$ 21,169,600 | \$ 1,800,391 | \$ 169,512 | \$ 23,139,503 |

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

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

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

| | General Fund | | |
|--|--------------------------------|----------------------|-------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Budgetary Actual</u> |
| Revenues - | | | |
| State allotted appropriations | <u>\$ 7,339,894</u> | <u>\$ 7,339,894</u> | <u>\$ 7,339,894</u> |
| Expenditures - | | | |
| Rental housing and assistance program | <u>7,339,894</u> | <u>7,339,894</u> | <u>7,136,805</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 203,089</u> |
| | | | |
| | Housing Choice Voucher Program | | |
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Budgetary Actual</u> |
| Revenues - | | | |
| HUD contributions | <u>\$ 32,623,803</u> | <u>\$ 32,623,803</u> | <u>\$ 32,623,803</u> |
| Expenditures - | | | |
| Rental housing and assistance program | <u>32,623,803</u> | <u>32,623,803</u> | <u>34,473,612</u> |
| DEFICIENCY OF REVENUES UNDER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (1,849,809)</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, 2018

| | <u>Section 8 Contract Administration</u> | | |
|---|--|----------------------|-------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Budgetary Actual</u> |
| Revenues - | | | |
| HUD contributions | <u>\$ 34,178,006</u> | <u>\$ 34,178,006</u> | <u>\$ 34,178,006</u> |
| Expenditures - | | | |
| Rental housing and assistance program | <u>34,178,006</u> | <u>34,178,006</u> | <u>33,851,947</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 326,059</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, 2018

| | <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 | \$ 203,089 | \$ (1,849,809) | \$ 326,059 |
| Reserve for encumbrance at year end* | 3,232,503 | - | - |
| Expenditures for liquidation of prior year's encumbrances | (2,397,061) | - | - |
| Reversion of prior year's allotments | (203,089) | - | - |
| Accrual adjustments, operating transfers and other | <u>(538,979)</u> | <u>921,847</u> | <u>(36,181)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES - US GAAP BASIS | <u><u>\$ 296,463</u></u> | <u><u>\$ (927,962)</u></u> | <u><u>\$ 289,878</u></u> |

* Amount reflects the encumbrance balance included in continuing appropriation.

See accompanying independent auditor's report.

Hawaii Public Housing Authority

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|---------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|-------------|
| Authority's proportion of the net pension liability | 0.29% | 0.29% | 0.29% | 0.29% | 0.28% | | | | | |
| Authority's proportionate share of the net pension liability | \$ 37,036,049 | \$ 38,216,244 | \$ 25,085,181 | \$ 23,355,937 | \$ 25,740,677 | | | | | |
| Authority's covered-employee payroll | 14,516,008 | 13,576,230 | 13,759,120 | 12,683,355 | 11,885,355 | | | | | |
| Authority's proportionate share of the net pension liability as a percentage of its covered payroll | 255.14% | 281.49% | 182.32% | 184.15% | 216.57% | | | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 54.80% | 51.28% | 62.42% | 63.92% | 57.96% | | | | | |

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------|-------------|
| Contractually required contribution | \$ 2,510,750 | \$ 2,348,866 | \$ 2,172,048 | \$ 2,159,495 | \$ 1,965,345 | \$ 1,788,664 | \$ 1,571,123 | \$ 1,536,848 | | |
| Contributions in relation to the contractually required contribution | <u>(2,510,750)</u> | <u>(2,348,866)</u> | <u>(2,172,048)</u> | <u>(2,159,495)</u> | <u>(1,965,345)</u> | <u>(1,788,664)</u> | <u>(1,571,123)</u> | <u>(1,536,848)</u> | | |
| Contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | |
| Authority's covered-employee payroll | \$ 14,806,198 | \$ 14,516,008 | \$ 13,576,230 | \$ 13,759,120 | \$ 12,683,355 | \$ 11,885,355 | \$ 10,400,580 | \$ 9,850,368 | | |
| Contributions as a percentage of covered-employee payroll | 16.96% | 16.18% | 16.00% | 15.70% | 15.50% | 15.05% | 15.11% | 15.60% | | |

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

Notes to the Schedule of the Authority's Pension Contributions
Year ended June 30, 2018

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

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

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

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

Hawaii Public Housing Authority

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

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|----------------------|------|------|------|------|------|------|------|------|------|
| Total OPEB Liability | | | | | | | | | | |
| Service cost | \$ 733,947 | | | | | | | | | |
| Interest on the total OPEB liability | 2,228,580 | | | | | | | | | |
| Changes of benefit terms | - | | | | | | | | | |
| Difference between expected and actual experience of total OPEB liability | - | | | | | | | | | |
| Changes of assumptions | - | | | | | | | | | |
| Benefit payments | (1,101,878) | | | | | | | | | |
| Net change in total OPEB liability | 1,860,649 | | | | | | | | | |
| Total OPEB liability - beginning | 41,427,703 | | | | | | | | | |
| Total OPEB liability - ending | <u>\$ 43,288,352</u> | | | | | | | | | |
| Plan fiduciary net position | | | | | | | | | | |
| Employer contributions | \$ 2,191,159 | | | | | | | | | |
| Net investment income | 219,382 | | | | | | | | | |
| Benefit payments | (1,101,878) | | | | | | | | | |
| OPEB plan administrative expense | (561) | | | | | | | | | |
| Other | 17,616 | | | | | | | | | |
| Net change in plan fiduciary position | 1,325,718 | | | | | | | | | |
| Plan fiduciary net position - beginning | 2,066,702 | | | | | | | | | |
| Plan fiduciary net position - ending | <u>\$ 3,392,420</u> | | | | | | | | | |
| Net OPEB liability - ending | \$ 39,895,932 | | | | | | | | | |
| Plan fiduciary net position as a percentage of total OPEB liability | 8% | | | | | | | | | |
| Covered-employee payroll | 14,516,008 | | | | | | | | | |
| Net OPEB liability as a percentage of covered-employee payroll | 275% | | | | | | | | | |

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 3,187,682 | | | | | | | | | |
| Contributions in relation to the actuarially determined contribution | <u>2,825,229</u> | | | | | | | | | |
| Contributions deficiency (excess) | <u>\$ 362,453</u> | | | | | | | | | |
| Authority's covered-employee payroll | \$ 14,806,198 | | | | | | | | | |
| Contributions as a percentage of covered-employee payroll | 21.53% | | | | | | | | | |

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

Notes to the Schedule of the Authority's OPEB Contributions
Year ended June 30, 2018

Valuation Date: The actuarially determined contribution for fiscal year ending June 30, 2018 was developed in the July 1, 2015 valuation.

Methods and Assumptions

| | |
|---------------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 7.00 percent |
| Inflation | 3.00 percent |
| Amortization method* | Level percent, closed |
| Equivalent Single Amortization Period | 27.0 as of fiscal year ending June 30, 2018 |
| Payroll Growth | 3.50 percent |
| Salary Increases | 4.00 percent to 19.00 percent; including inflation |
| Demographic Assumptions | Based on the experience study covering the five year period ending June 30, 2015 as conducted for the Hawaii Employees' Retirement System (ERS) |

Healthcare Cost Trend Rates

| | |
|----------------|---|
| PPO** | Initial rate of 9.00 percent, declining to a rate of 5.00 percent after 8 years |
| HMO** | Initial rate of 7.00 percent, declining to a rate of 5.00 percent after 8 years |
| Part B | Initial rate of 3.00 percent for the first two years, 5.00 percent afterwards |
| Dental | 4.00 percent |
| Vision | 3.00 percent |
| Life Insurance | 0.00 percent |

* Closed bases are established at each valuation for new unfunded liabilities.

** Blended rates for medical and prescription drug.

Supplementary Information

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

| 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 | \$ 33,888,379 |
| Public and Indian Housing | 14.850 | 23,821,475 |
| Section 8 Housing Choice Vouchers | 14.871 | 34,371,775 |
| Resident Opportunity & Supporting Services | 14.870 | 102,016 |
| Economic Development Initiative | 14.251 | 779,200 |
| Public Housing Capital Fund | 14.872 | <u>11,123,499</u> |
| Total federal expenditures | | <u><u>\$ 104,086,344</u></u> |

The accompanying notes are an integral part of this schedule.

Hawaii Public Housing Authority

Notes to the Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Hawaii Public Housing Authority (the Authority) under the programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Hawaii Public Housing Authority
Financial Data Schedule
Entity-Wide Balance Sheet
June 30, 2018

| Line Item Number | Description | Federal Low Rent Program | Section 8 Housing Assistance Payments 14.195 | Resident Opportunity & Supportive Services 14.870 | Section 8 Housing Choice Voucher Program 14.871 | State/Local | Business Activities | Internal Service | Central Office Cost Center | Elimination | Total |
|------------------|---|--------------------------|--|---|---|--------------------|---------------------|------------------|----------------------------|---------------------|--------------------|
| 111 | Cash - Unrestricted | 46,646,270 | 2,547,376 | - | 3,205,299 | - | 19,092,562 | 1,235,251 | 19,258,826 | - | 91,985,584 |
| 112 | Cash - Restricted - Modernization and Development | - | - | - | - | - | - | - | - | - | - |
| 113 | Cash - Other Restricted | 845,353 | - | - | 635,747 | - | - | - | 2,532,030 | - | 4,013,130 |
| 114 | Cash - Tenant Security Deposits | 842,718 | - | - | - | - | 252,645 | - | - | - | 1,095,363 |
| 115 | Cash - Restricted for Payment of Current Liabilities | - | - | - | - | - | - | - | - | - | - |
| 100 | Total Cash | 48,334,341 | 2,547,376 | - | 3,841,046 | - | 19,345,207 | 1,235,251 | 21,790,856 | - | 97,094,077 |
| 121 | Accounts Receivable - PHA Projects | - | - | - | 187,213 | - | - | - | - | - | 187,213 |
| 122 | Accounts Receivable - HUD Other Projects | 119,633 | 253,704 | - | - | - | - | - | - | - | 373,337 |
| 124 | Accounts Receivable - Other Government | - | - | - | - | 95,967,911 | - | - | - | - | 95,967,911 |
| 125 | Accounts Receivable - Miscellaneous | 1,475 | - | - | - | - | 569,915 | - | 202,493 | - | 773,883 |
| 126 | Accounts Receivable - Tenants | 788,213 | - | - | - | - | 556,514 | - | - | - | 1,344,727 |
| 126.1 | Allowance for Doubtful Accounts - Tenants | (559,603) | - | - | - | - | (521,981) | - | - | - | (1,081,584) |
| 126.2 | Allowance for Doubtful Accounts - Other | - | - | - | - | - | (545,083) | - | (200,709) | - | (745,792) |
| 127 | Notes, Loans, & Mortgages Receivable - Current | 67,728 | - | - | - | - | 3,162 | - | - | - | 70,890 |
| 129 | Accrued Interest Receivable | - | - | - | - | - | 34,333 | 7,596 | 52,752 | - | 94,681 |
| 120 | Total Receivables, Net of Allowances for Doubtful Accounts | 417,446 | 253,704 | - | 187,213 | 95,967,911 | 96,860 | 7,596 | 54,536 | - | 96,985,266 |
| 142 | Prepaid Expenses and Other Assets | - | - | - | - | - | 33 | - | - | - | 13,020 |
| 143 | Inventories | 504,121 | - | - | - | - | 108,697 | - | 21,425 | - | 634,243 |
| 143.1 | .1 Allowance for Obsolete Inventories | (49,959) | - | - | - | - | (10,772) | - | - | - | (60,731) |
| 144 | Inter Program Due From | 768,697 | - | - | - | - | 791,689 | 60,744 | 12,506,156 | (14,127,286) | - |
| | Total Other Current Assets | 1,222,859 | - | - | - | - | 889,647 | 60,744 | 12,540,568 | (14,127,286) | 586,532 |
| 150 | Total Current Assets | 49,974,646 | 2,801,080 | - | 4,028,259 | 95,967,911 | 20,331,714 | 1,303,591 | 34,385,960 | (14,127,286) | 194,665,875 |
| 161 | Land | 13,093,629 | - | - | - | 2,373,410 | 9,872,571 | - | - | - | 25,339,610 |
| 162 | Buildings | 544,830,897 | - | - | - | 15,325,444 | 104,939,119 | - | 42,857 | - | 665,138,317 |
| 163 | Furniture, Equipment & Machinery - Dwellings | 3,361,884 | - | - | - | - | 920,810 | - | - | - | 4,282,694 |
| 164 | Furniture, Equipment & Machinery - Administration | 2,196,094 | - | - | 39,791 | 1,291,869 | 1,110,703 | 2,111,722 | 602,400 | - | 7,352,579 |
| 165 | Leasehold Improvements | - | - | - | - | - | - | - | - | - | - |
| 166 | Accumulated Depreciation | (349,369,963) | - | - | (4,737) | (14,972,931) | (57,697,264) | (2,023,550) | (322,132) | - | (424,390,577) |
| 167 | Construction in Progress | 69,142,449 | - | - | - | - | 8,505,167 | - | - | - | 77,647,616 |
| 160 | Total Capital Assets, Net of Accumulated Depreciation | 283,254,990 | - | - | 35,054 | 4,017,792 | 67,651,106 | 88,172 | 323,125 | - | 355,370,239 |
| 171 | Notes, Loans and Mortgages Receivable - Non-Current | - | - | - | - | - | - | - | - | - | 8,716,630 |
| | Total Other Non-Current Assets | 8,716,630 | - | - | - | - | - | - | - | - | 8,716,630 |
| 180 | Total Non-Current Assets | 291,971,620 | - | - | 35,054 | 4,017,792 | 67,651,106 | 88,172 | 323,125 | - | 364,086,869 |
| 190 | Total Assets | 341,946,266 | 2,801,080 | - | 4,063,313 | 99,985,703 | 87,982,820 | 1,391,763 | 34,709,085 | (14,127,286) | 558,752,744 |
| 200 | Deferred Outflow of Resources | 4,849,138 | - | - | 710,811 | 53,047 | 387,056 | - | 5,722,515 | - | 11,722,567 |
| 290 | Total Assets and Deferred Outflow of Resources | 346,795,404 | 2,801,080 | - | 4,774,124 | 100,038,750 | 88,369,876 | 1,391,763 | 40,431,600 | (14,127,286) | 570,475,311 |
| 312 | Accounts Payable <= 90 Days | 392,165 | - | - | 9,980 | 312,297 | 199,316 | - | 18,658 | - | 932,416 |
| 321 | Accrued Wage/Payroll Taxes Payable | 447,309 | - | - | 69,250 | 4,372 | 34,392 | - | 446,800 | - | 1,002,123 |
| 322 | Accrued Compensated Absences - Current Portion | 306,934 | - | - | 43,082 | 5,320 | 22,797 | - | 336,390 | - | 714,523 |
| 333 | Accounts Payable - Other Government | 204,908 | - | - | 1,825 | - | 571,402 | - | - | - | 778,135 |
| 341 | Tenant Security Deposits | 842,718 | - | - | - | - | 252,645 | - | - | - | 1,095,363 |
| 342 | Deferred Revenues | 201,577 | - | - | - | - | 20,083 | - | 9,523 | - | 231,183 |
| 345 | Other Current Liabilities | 325,609 | - | - | 4,527 | 4,362,586 | 109 | - | 152,979 | - | 4,845,810 |
| 346 | Accrued Liabilities - Other | 326,422 | 193,731 | - | 2,631 | 1,290,008 | 52,914 | - | 104,228 | - | 1,969,934 |
| 347 | Inter Program - Due To | 1,226,380 | - | - | 168,276 | 3,047 | 12,668,839 | - | 60,744 | (14,127,286) | - |
| 310 | Total Current Liabilities | 4,274,022 | 193,731 | - | 299,571 | 5,977,630 | 13,822,497 | - | 1,129,322 | (14,127,286) | 11,569,487 |
| 353 | Non-Current Liabilities - Other | - | - | - | 206,762 | - | - | - | - | - | 206,762 |
| 354 | Accrued Compensated Absences - Non Current | 672,746 | - | - | 94,428 | 11,661 | 49,964 | - | 737,309 | - | 1,566,108 |
| 357 | Accrued Pension and OPEB Liabilities | 33,002,088 | - | - | 4,940,380 | 337,852 | 2,745,854 | - | 35,905,807 | - | 76,931,981 |
| 350 | Total Non-Current Liabilities | 33,674,834 | - | - | 5,241,570 | 349,513 | 2,795,818 | - | 36,643,116 | - | 78,704,851 |
| 300 | Total Liabilities | 37,948,856 | 193,731 | - | 5,541,141 | 6,327,143 | 16,618,315 | - | 37,772,438 | (14,127,286) | 90,274,338 |
| 400 | Deferred Inflow of Resources | 434,991 | - | - | 175 | - | 28,994 | - | 460,466 | - | 924,626 |
| 508.4 | Invested in capital assets, net of related debt | 283,254,990 | - | - | 35,054 | 4,017,792 | 67,651,106 | 88,172 | 323,125 | - | 355,370,239 |
| 511.4 | Restricted Fund Balance | - | - | - | 430,262 | - | - | - | - | - | 430,262 |
| 512.4 | Unrestricted Net Assets | 25,156,567 | 2,607,349 | - | (1,232,508) | 89,693,815 | 4,071,461 | 1,303,591 | 1,875,571 | - | 123,475,846 |
| 513 | Total Equity/Net Assets | 308,411,557 | 2,607,349 | - | (767,192) | 93,711,607 | 71,722,567 | 1,391,763 | 2,198,696 | - | 479,276,347 |
| 600 | Total Liabilities, Deferred Inflows of Resources and Equity/Net Assets | 346,795,404 | 2,801,080 | - | 4,774,124 | 100,038,750 | 88,369,876 | 1,391,763 | 40,431,600 | (14,127,286) | 570,475,311 |

See accompanying independent auditor's report

Hawaii Public Housing Authority
Financial Data Schedule
Entity-Wide Revenue and Expense Summary
June 30, 2018

| Line Item Number | Description | Federal Low Rent Program | Section 8 Housing Assistance Payments 14.195 | Resident Opportunity & Supportive Services 14.870 | Section 8 Housing Choice Voucher Program 14.871 | State/Local | Business Activities | Internal Service | Central Office Cost Center | Elimination | Total |
|------------------|---|--------------------------|--|---|---|-------------------|---------------------|------------------|----------------------------|--------------------|--------------------|
| 70300 | Net Tenant Rental Revenue | 18,222,641 | - | - | - | - | 4,221,924 | - | - | - | 22,444,565 |
| 70400 | Tenant Revenue - Other | 443,259 | - | - | - | - | 52,487 | - | - | - | 495,746 |
| 70500 | Total Tenant Revenue | 18,665,900 | - | - | - | - | 4,274,411 | - | - | - | 22,940,311 |
| 70600 | HUD PHA Operating Grants | 29,658,939 | 34,178,006 | 102,016 | 32,623,803 | - | - | - | - | - | 96,562,764 |
| 70610 | Capital Grants | 8,191,895 | - | - | - | - | - | - | - | - | 8,191,895 |
| 70710 | Management Fee | - | - | - | - | - | - | - | 5,969,099 | (5,969,099) | - |
| 70720 | Asset Management Fee | - | - | - | - | - | - | - | 565,800 | (565,800) | - |
| 70730 | Bookkeeping Fee | - | - | - | - | - | - | - | 692,369 | (692,369) | - |
| 70740 | Front Line Service Fee | - | - | - | - | - | - | - | 2,656,026 | (2,656,026) | - |
| 70750 | Other Fees | - | - | - | - | - | - | - | 106,439 | - | 106,439 |
| 70700 | Total Fee Revenue | 37,850,834 | 34,178,006 | 102,016 | 32,623,803 | - | - | - | 9,989,733 | (9,883,294) | 104,861,098 |
| 70800 | Other Government Grants | - | - | - | - | 24,242,430 | - | - | - | - | 24,242,430 |
| 71100 | Investment Income - Unrestricted | 5,174 | 251 | - | 179 | - | 58,698 | 12,941 | 146,592 | - | 223,835 |
| 71400 | Fraud Recovery | - | - | - | 58,617 | - | - | - | - | - | 58,617 |
| 71500 | Other Revenue | 445,580 | - | - | 761,213 | 2,065 | 121,488 | 60,744 | 213,006 | - | 1,604,096 |
| 70000 | Total Other Revenue | 450,754 | 251 | - | 820,009 | 24,244,495 | 180,186 | 73,685 | 359,598 | - | 26,128,978 |
| 70000 | Total Revenue | 56,967,488 | 34,178,257 | 102,016 | 33,443,812 | 24,244,495 | 4,454,597 | 73,685 | 10,349,331 | (9,883,294) | 153,930,387 |
| 91100 | Administrative Salaries | 3,673,850 | - | - | 1,109,662 | 118,353 | 302,751 | - | 5,833,990 | - | 11,038,606 |
| 91200 | Auditing Fees | 127,856 | 31,021 | - | 32,477 | 32,267 | 85,168 | 4,719 | 41,496 | - | 355,004 |
| 91300-010 | Management Fee - to COCC | 5,099,983 | - | - | 486,862 | 16,524 | 365,736 | - | - | (5,969,100) | 5 |
| 91300-020 | Management Fee - to 3rd Party | 430,555 | - | - | - | - | 404,005 | - | - | - | 834,560 |
| 91310 | Bookkeeping Fee | 403,456 | - | - | 205,373 | 10,354 | 73,194 | - | - | (692,373) | 4 |
| 91400 | Advertising and Marketing | 6,121 | - | - | 25 | - | - | - | 6,596 | - | 12,742 |
| 91500 | Employee Benefit Contributions - Administration | 1,255,774 | - | - | 562,423 | - | 104,905 | - | 2,378,200 | - | 4,301,302 |
| 91600 | Office Expenses | 457,684 | 1,042,727 | - | 67,609 | 7,234 | 38,782 | - | 475,532 | - | 2,089,568 |
| 91700 | Legal Expense | 31,310 | 1,032 | - | 2,292 | - | 19,523 | - | 529,914 | - | 584,071 |
| 91800 | Travel | 11,330 | - | - | 2,188 | - | 662 | - | 109,617 | - | 123,797 |
| 91900 | Other | 2,129,881 | - | - | 61,090 | 14,217 | 493,908 | - | 72,596 | - | 2,771,692 |
| 91000 | Total Operating - Administrative | 13,627,800 | 1,074,780 | - | 2,530,001 | 198,949 | 1,888,634 | 4,719 | 9,447,941 | (6,661,473) | 22,111,351 |
| 92000 | Asset Management Fee | 565,800 | - | - | - | - | - | - | - | (565,800) | - |
| 92200 | Relocation Costs | 4,668 | - | - | - | - | - | - | - | - | 4,668 |
| 92400 | Tenant Services - Other | 85,087 | - | 102,016 | 2,027 | - | - | - | 16,847 | - | 205,977 |
| 92500 | Total Tenant Services | 89,755 | - | 102,016 | 2,027 | - | - | - | 16,847 | - | 210,645 |
| 93100 | Water | 2,744,934 | - | - | 408 | 23 | 333,680 | - | 2,910 | - | 3,081,955 |
| 93200 | Electricity | 1,921,784 | - | - | 9,693 | 881 | 944,653 | - | 141,175 | - | 3,018,186 |
| 93300 | Gas | 1,390,000 | - | - | - | - | 92,797 | - | - | - | 1,482,797 |
| 93400 | Fuel | - | - | - | - | - | - | - | 47 | - | 47 |
| 93600 | Sewer | 4,239,571 | - | - | 1,238 | 67 | 816,271 | - | 7,956 | - | 5,065,103 |
| 93800 | Other Utilities Expense | 292 | - | - | - | - | - | - | - | - | 292 |
| 93000 | Total Utilities | 10,296,581 | - | - | 11,339 | 971 | 2,187,401 | - | 152,088 | - | 12,648,380 |

See accompanying independent auditor's report

Hawaii Public Housing Authority
Financial Data Schedule
Entity-Wide Revenue and Expense Summary
June 30, 2018

| Line Item Number | Description | Federal Low Rent Program | Section 8 Housing Assistance Payments 14.195 | Resident Opportunity & Supportive Services 14.870 | Section 8 Housing Choice Voucher Program 14.871 | State/Local | Business Activities | Internal Service | Central Office Cost Center | Elimination | Total |
|------------------|---|--------------------------|--|---|---|--------------------|---------------------|------------------|----------------------------|--------------------|--------------------|
| 94100 | Ordinary Maintenance and Operations - Labor | 4,029,778 | - | - | - | - | 337,122 | - | 2,256,194 | - | 6,623,094 |
| 94200 | Ordinary Maintenance and Operations - Materials and Other | 2,429,762 | - | - | 311 | 97 | 726,569 | - | 24,244 | - | 3,180,983 |
| 94300 | Ordinary Maintenance and Operations Contracts | 8,194,107 | - | - | 30,530 | 674 | 1,433,594 | - | 145,259 | (2,656,021) | 7,148,143 |
| 94500 | Employee Benefit Contributions - Ordinary Maintenance | 2,236,138 | - | - | - | - | 178,892 | - | 1,189,945 | - | 3,604,975 |
| 94000 | Total Maintenance | 16,889,785 | - | - | 30,841 | 771 | 2,676,177 | - | 3,615,642 | (2,656,021) | 20,557,195 |
| 95100 | Protective Services - Labor | - | - | - | - | - | - | - | - | - | - |
| 95200 | Protective Services - Other Contract Costs | 2,629,641 | - | - | - | - | 117,601 | - | 1,328 | - | 2,748,570 |
| 95300 | Protective Services - Other | 2,176 | - | - | 998 | 48 | 646 | - | 8,634 | - | 12,502 |
| 95000 | Total Protective Services | 2,631,817 | - | - | 998 | 48 | 118,247 | - | 9,962 | - | 2,761,072 |
| 96110 | Property Insurance | 391,304 | - | - | - | - | 77,164 | - | 254 | - | 468,722 |
| 96120 | Liability Insurance | 37,998 | 4,379 | - | 4,438 | 291 | 6,347 | 957 | 2,183 | - | 56,593 |
| 96130 | Workmen's Compensation | 30,664 | - | - | 4,881 | 444 | 2,613 | - | 26,398 | - | 65,000 |
| 96140 | All Other Insurance | 46,791 | - | - | 1,073 | 52 | 42,126 | - | 11,628 | - | 101,670 |
| 96100 | Total Insurance Premiums | 506,757 | 4,379 | - | 10,392 | 787 | 128,250 | 957 | 40,463 | - | 691,985 |
| 96200 | Other General Expenses | 2,067,814 | - | - | 186,449 | - | - | - | 43,081 | - | 2,297,344 |
| 96210 | Compensated Absences | (52,182) | - | - | (4,143) | 3,325 | (311) | - | (93,556) | - | (146,867) |
| 96300 | Payments in Lieu of Taxes | 204,908 | - | - | - | - | - | - | - | - | 204,908 |
| 96400 | Bad Debt - Tenant Rents | 333,963 | - | - | - | - | (304,117) | - | - | - | 29,846 |
| 96000 | Total Other General Expenses | 2,554,503 | - | - | 182,306 | 3,325 | (304,428) | - | (50,475) | - | 2,385,231 |
| 96900 | Total Operating Expenses | 47,162,798 | 1,079,159 | 102,016 | 2,767,904 | 204,851 | 6,694,281 | 5,676 | 13,232,468 | (9,883,294) | 61,365,859 |
| 97000 | Excess of Operating Revenue Over Operating Expenses | 9,804,690 | 33,099,098 | - | 30,675,908 | 24,039,644 | (2,239,684) | 68,009 | (2,883,137) | - | 92,564,528 |
| 97300 | Housing Assistance Payments | 44,439 | 32,809,220 | - | 31,182,532 | 2,240,752 | - | - | - | - | 66,276,943 |
| 97350 | HAP Portability-In | - | - | - | 673,851 | - | - | - | - | - | 673,851 |
| 97400 | Depreciation Expense | 16,212,586 | - | - | 4,737 | 128,207 | 3,086,489 | 58,917 | 97,416 | - | 19,588,352 |
| 97000 | Subtotal | 16,257,025 | 32,809,220 | - | 31,861,120 | 2,368,959 | 3,086,489 | 58,917 | 97,416 | - | 86,539,146 |
| 90000 | Total Expenses | 63,419,823 | 33,888,379 | 102,016 | 34,629,024 | 2,573,810 | 9,780,770 | 64,593 | 13,329,884 | (9,883,294) | 147,905,005 |
| 10010 | Operating Transfer In | 3,447,964 | - | - | - | 1,222,293 | 2,145,325 | - | 3,600,923 | (10,416,505) | - |
| 10020 | Operating Transfer Out | - | - | - | - | (9,194,212) | - | - | (1,222,293) | 10,416,505 | - |
| 10100 | Total Other Financing Sources (Uses) | 3,447,964 | - | - | - | (7,971,919) | 2,145,325 | - | 2,378,630 | - | - |
| 10000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | (3,004,371) | 289,878 | - | (1,185,212) | 13,698,766 | (3,180,848) | 9,092 | (601,923) | - | 6,025,382 |
| 11030 | Beginning Equity | 294,915,475 | 2,317,471 | - | 2,139,430 | 103,049,244 | 73,314,323 | 1,382,671 | 10,350,479 | - | 487,469,067 |
| 10000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | (3,004,371) | 289,878 | - | (1,185,212) | 13,698,766 | (3,180,848) | 9,092 | (601,923) | - | 6,025,374 |
| 11040-010 | Prior Period Adjustment | (4,669,147) | - | - | (1,721,410) | 103,100 | (380,811) | - | (7,549,860) | - | (14,218,120) |
| 11040-070 | Equity Transfer of Capital Contributions From Capital Projects Fund | 21,169,600 | - | - | - | (23,139,503) | 1,969,903 | - | - | - | - |
| | Ending Equity | 308,411,557 | 2,607,349 | - | (767,192) | 93,711,607 | 71,722,567 | 1,391,763 | 2,198,696 | - | 479,276,321 |

See accompanying independent auditor's report

Hawaii Public Housing Authority
Financial Data Schedule
Project Revenue and Expense Summary
June 30, 2018

| Line Item Number | Description | HI001000030 | HI001000031 | HI001000032 | HI001000033 | HI001000034 | HI001000035 | HI001000037 | HI001000038 | HI001000039 | HI001000040 | HI001000043 | HI001000044 | HI001000045 | HI001000046 | HI001000049 | HI001000050 | HI001000052 | Total Project |
|------------------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|-------------------|
| 70300 | Net Tenant Rental Revenue | 1,514,397 | 1,720,032 | 1,917,228 | 1,354,532 | 1,904,497 | 1,934,675 | 935,111 | 1,308,342 | 928,360 | 825,185 | 634,721 | 990,432 | 910,040 | 408,271 | 509,482 | 427,336 | - | 18,222,641 |
| 70400 | Tenant Revenue - Other | 31,621 | 89,412 | 29,058 | 21,706 | 23,500 | 14,887 | 16,436 | 34,992 | 36,748 | 44,820 | 25,932 | 21,830 | 21,138 | 18,203 | 6,090 | 6,886 | - | 443,259 |
| 70500 | Total Tenant Revenue | 1,546,018 | 1,809,444 | 1,946,286 | 1,376,238 | 1,927,997 | 1,949,562 | 951,547 | 1,343,334 | 965,108 | 870,005 | 660,653 | 1,012,262 | 931,178 | 426,474 | 515,572 | 434,222 | - | 18,665,900 |
| 70600 | HUD PHA Operating Grants | 2,255,668 | 2,595,338 | 3,340,278 | 2,160,623 | 2,977,751 | 3,071,954 | 1,451,724 | 1,497,029 | 937,141 | 1,235,680 | 1,061,325 | 1,526,142 | 1,284,674 | 499,500 | 854,830 | 782,619 | 2,126,663 | 29,658,939 |
| 70610 | Capital Grants | 207,961 | - | - | 28,601 | 1,099,300 | 1,277,814 | 710,031 | - | 232,496 | - | - | - | 8,798 | - | 2,156,894 | 2,470,000 | - | 8,191,895 |
| 70700 | Total Fee Revenue | 2,463,629 | 2,595,338 | 3,340,278 | 2,189,224 | 4,077,051 | 4,349,768 | 2,161,755 | 1,497,029 | 1,169,637 | 1,235,680 | 1,061,325 | 1,526,142 | 1,293,472 | 499,500 | 3,011,724 | 3,252,619 | 2,126,663 | 37,850,834 |
| 71100 | Investment Income - Unrestricted | 434 | 580 | 1,037 | 374 | 495 | 537 | 239 | 226 | 142 | 72 | 121 | 238 | 298 | 67 | 85 | 229 | - | 5,174 |
| 71500 | Other Revenue | 30,705 | 22,338 | 23,194 | 20,412 | 69,046 | 99,439 | 31,572 | 34,679 | 29,964 | 781 | 19,656 | 33,363 | 4,855 | 11,650 | 13,772 | 154 | - | 445,580 |
| | Total Other Revenue | 31,139 | 22,918 | 24,231 | 20,786 | 69,541 | 99,976 | 31,811 | 34,905 | 30,106 | 853 | 19,777 | 33,601 | 5,153 | 11,717 | 13,857 | 383 | - | 450,754 |
| 70000 | Total Revenue | 4,040,786 | 4,427,700 | 5,310,795 | 3,586,248 | 6,074,589 | 6,399,306 | 3,145,113 | 2,875,268 | 2,164,851 | 2,106,538 | 1,741,755 | 2,572,005 | 2,229,803 | 937,691 | 3,541,153 | 3,687,224 | 2,126,663 | 56,967,488 |
| 91100 | Administrative Salaries | 453,445 | 365,718 | 313,459 | 321,209 | 505,314 | 470,293 | 441,805 | 435,791 | 366,816 | - | - | - | - | - | - | - | - | 3,673,850 |
| 91200 | Auditing Fees | 10,633 | 8,906 | 7,173 | 8,996 | 7,921 | 7,409 | 8,307 | 7,376 | 8,206 | 8,678 | 6,867 | 7,385 | 7,344 | 6,854 | 6,993 | 8,808 | - | 127,856 |
| 91300-010 | Management Fee - to COCC | 396,147 | 443,140 | 434,769 | 439,758 | 700,860 | 701,987 | 374,819 | 379,265 | 223,127 | 145,013 | 171,011 | 202,506 | 192,403 | 87,317 | 113,915 | 93,946 | - | 5,099,983 |
| 91300-020 | Management Fee - to 3rd Party | - | - | - | - | - | - | - | - | - | 56,243 | 72,720 | 93,540 | 75,212 | 37,080 | 54,000 | 41,760 | - | 430,555 |
| 91310 | Bookkeeping Fee | 27,840 | 32,528 | 31,995 | 32,160 | 51,735 | 51,690 | 27,240 | 27,765 | 16,035 | 14,580 | 18,023 | 21,278 | 19,613 | 9,203 | 11,963 | 9,808 | - | 403,456 |
| 91400 | Advertising and Marketing | 472 | 483 | 473 | 484 | 757 | 762 | 418 | 416 | 253 | 226 | 263 | 338 | 294 | 134 | 195 | 153 | - | 6,121 |
| 91500 | Employee Benefit Contributions - Administration | 161,897 | 116,534 | 97,361 | 99,768 | 175,551 | 143,308 | 147,213 | 163,799 | 150,343 | - | - | - | - | - | - | - | - | 1,255,774 |
| 91600 | Office Expenses | 32,305 | 37,317 | 36,210 | 24,376 | 42,864 | 34,399 | 37,534 | 32,769 | 43,267 | 13,158 | 47,517 | 19,084 | 23,290 | 10,451 | 13,691 | 9,452 | - | 457,684 |
| 91700 | Legal Expense | 7,157 | 1,764 | 577 | 3,870 | 4,339 | 2,713 | 1,753 | 1,996 | 352 | 950 | 854 | 1,168 | 3,255 | 129 | 218 | 215 | - | 31,310 |
| 91800 | Travel | - | 249 | - | - | - | - | 832 | 2,296 | 7,474 | - | 100 | - | - | 379 | - | - | - | 11,330 |
| 91900 | Other | 61,745 | 68,858 | 63,058 | 58,910 | 95,062 | 101,164 | 28,407 | 35,661 | 24,820 | 202,033 | 228,594 | 257,409 | 225,552 | 173,901 | 213,799 | 184,469 | 106,439 | 2,129,881 |
| 91000 | Total Operating - Administrative | 1,151,641 | 1,075,497 | 985,075 | 989,531 | 1,584,403 | 1,513,725 | 1,068,328 | 1,087,134 | 840,693 | 440,881 | 545,949 | 602,708 | 546,963 | 325,448 | 414,774 | 348,611 | 106,439 | 13,627,800 |
| 92000 | Asset Management Fee | 43,560 | 44,760 | 43,680 | 44,760 | 69,960 | 70,440 | 38,640 | 38,520 | 23,520 | 20,880 | 24,240 | 31,200 | 27,120 | 12,360 | 18,000 | 14,160 | - | 565,800 |
| 92200 | Relocation Costs | 780 | 152 | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,736 | - | 4,668 |
| 92400 | Tenant Services - Other | 7,016 | 5,468 | 1,688 | 1,757 | 56,970 | 3,097 | 1,735 | 46 | 5 | 1,865 | - | 1,901 | 1,264 | 551 | 45 | 1,679 | - | 85,087 |
| 92500 | Total Tenant Services | 7,796 | 5,620 | 1,688 | 1,757 | 56,970 | 3,097 | 1,735 | 46 | 5 | 1,865 | - | 1,901 | 1,264 | 551 | 45 | 5,415 | - | 89,755 |
| 93100 | Water | 162,392 | 249,979 | 248,718 | 210,899 | 199,206 | 186,268 | 123,459 | 343,758 | 136,224 | 234,883 | 105,829 | 205,008 | 146,685 | 38,208 | 81,454 | 71,964 | - | 2,744,934 |
| 93200 | Electricity | 90,771 | 64,400 | 66,887 | 44,229 | 383,375 | 434,495 | 112,281 | 125,297 | 127,848 | 102,557 | 102,808 | 43,247 | 24,190 | 38,546 | 148,995 | 11,858 | - | 1,921,784 |
| 93300 | Gas | 13,329 | - | 305,830 | 2,986 | 114,257 | 189,619 | 24,801 | 200,593 | 118,373 | 145,430 | 116,474 | 22,979 | 4,354 | 38,424 | 59,911 | 32,640 | - | 1,390,000 |
| 93600 | Sewer | 337,416 | 439,439 | 429,381 | 407,878 | 539,656 | 530,557 | 63,641 | 133,868 | 125,694 | 292,220 | 49,959 | 346,325 | 267,567 | 37,899 | 120,246 | 117,825 | - | 4,239,571 |
| 93800 | Other Utilities Expense | - | - | - | - | - | - | - | 292 | - | - | - | - | - | - | - | - | - | 292 |
| 93000 | Total Utilities | 603,908 | 753,818 | 1,050,816 | 665,992 | 1,236,494 | 1,340,939 | 324,182 | 803,516 | 508,431 | 775,090 | 375,070 | 617,559 | 442,796 | 153,077 | 410,606 | 234,287 | - | 10,296,581 |

See accompanying independent auditor's report

Hawaii Public Housing Authority
Financial Data Schedule
Project Revenue and Expense Summary
June 30, 2018

| Line Item Number | Description | HI001000030 | HI001000031 | HI001000032 | HI001000033 | HI001000034 | HI001000035 | HI001000037 | HI001000038 | HI001000039 | HI001000040 | HI001000043 | HI001000044 | HI001000045 | HI001000046 | HI001000049 | HI001000050 | HI001000052 | Total Project |
|------------------|---|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|------------------|-------------------|------------------|--------------------|
| 94100 | Ordinary Maintenance and Operations - Labor | 392,791 | 469,406 | 389,931 | 399,572 | 568,070 | 676,684 | 487,468 | 344,369 | 301,487 | - | - | - | - | - | - | - | - | 4,029,778 |
| 94200 | Ordinary Maintenance and Operations - Materials & Other | 128,357 | 265,410 | 195,731 | 210,960 | 280,239 | 201,093 | 235,164 | 130,992 | 77,950 | 208,982 | 134,017 | 48,424 | 135,925 | 66,378 | 80,880 | 29,260 | - | 2,429,762 |
| 94300 | Ordinary Maintenance and Operations Contracts | 502,056 | 588,748 | 507,970 | 513,751 | 917,275 | 838,448 | 220,102 | 510,256 | 188,183 | 584,497 | 596,248 | 551,289 | 464,329 | 304,098 | 622,489 | 284,368 | - | 8,194,107 |
| 94500 | Employee Benefit Contributions - Ordinary Maintenance | 223,659 | 244,695 | 220,269 | 225,716 | 318,347 | 380,913 | 260,499 | 197,781 | 164,259 | - | - | - | - | - | - | - | - | 2,236,138 |
| 94000 | Total Maintenance | 1,246,863 | 1,568,259 | 1,313,901 | 1,349,999 | 2,083,931 | 2,097,138 | 1,203,233 | 1,183,398 | 731,879 | 793,479 | 730,265 | 599,713 | 600,254 | 370,476 | 703,369 | 313,628 | - | 16,889,785 |
| 95200 | Protective Services - Other Contract Costs | 258,430 | 495,952 | 689,346 | 192,555 | 163,158 | 383,969 | 112 | - | - | 445,495 | - | - | - | - | - | 624 | - | 2,629,641 |
| 95300 | Protective Services - Other | - | 130 | - | - | 958 | 522 | 563 | - | 3 | - | - | - | - | - | - | - | - | 2,176 |
| 95000 | Total Protective Services | 258,430 | 496,082 | 689,346 | 192,555 | 164,116 | 384,491 | 675 | - | 3 | 445,495 | - | - | - | - | - | 624 | - | 2,631,817 |
| 96110 | Property Insurance | 28,379 | 41,120 | 20,208 | 27,962 | 25,166 | 23,189 | 46,410 | 33,656 | 19,207 | 7,816 | 24,068 | 24,656 | 31,907 | 14,439 | 13,326 | 9,795 | - | 391,304 |
| 96120 | Liability Insurance | 1,240 | 1,065 | 902 | 948 | 852 | 968 | 689 | 534 | 580 | 4,788 | - | 7,716 | 6,238 | - | 9,014 | 2,464 | - | 37,998 |
| 96130 | Workmen's Compensation | 3,549 | 3,319 | 2,718 | 2,828 | 4,215 | 3,993 | 3,878 | 3,301 | 2,863 | - | - | - | - | - | - | - | - | 30,664 |
| 96140 | All Other Insurance | 1,438 | 1,059 | 1,044 | 1,051 | 1,177 | 1,609 | 1,858 | 2,397 | 2,253 | 1,625 | 11,922 | 3,600 | 3,450 | 10,876 | 832 | 600 | - | 46,791 |
| 96100 | Total Insurance Premiums | 34,606 | 46,563 | 24,872 | 32,789 | 31,410 | 29,759 | 52,835 | 39,888 | 24,903 | 14,229 | 35,990 | 35,972 | 41,595 | 25,316 | 23,172 | 12,859 | - | 506,757 |
| 96200 | Other General Expenses | 4,500 | 24,960 | 4,950 | - | - | 13,180 | - | - | - | - | - | - | - | - | - | - | 2,020,224 | 2,067,814 |
| 96210 | Compensated Absences | 10,105 | (2,253) | (5,596) | (5,824) | (18,203) | (16,041) | 3,283 | (2,721) | (14,932) | - | - | - | - | - | - | - | - | (52,182) |
| 96300 | Payments in Lieu of Taxes | - | - | - | - | - | - | 61,093 | 50,483 | 42,022 | - | 25,790 | - | - | 25,520 | - | - | - | 204,908 |
| 96400 | Bad debt - Tenant Rents | 12,027 | 17,777 | 49,213 | 19,245 | 33,263 | 15,595 | 24,883 | 36,307 | 42,573 | 36,295 | 5,668 | 24,256 | 4,977 | 19,194 | (5,058) | (2,252) | - | 333,963 |
| 96000 | Total Other General Expenses | 26,632 | 40,484 | 48,567 | 13,421 | 15,060 | 12,734 | 89,259 | 84,069 | 69,663 | 36,295 | 31,458 | 24,256 | 4,977 | 44,714 | (5,058) | (2,252) | 2,020,224 | 2,554,503 |
| 96900 | Total Operating Expenses | 3,373,436 | 4,031,083 | 4,157,945 | 3,290,804 | 5,242,344 | 5,452,323 | 2,778,887 | 3,236,571 | 2,199,097 | 2,528,214 | 1,742,972 | 1,913,309 | 1,664,969 | 931,941 | 1,564,908 | 927,332 | 2,126,663 | 47,162,798 |
| 97000 | Excess of Operating Revenue Over Operating Expenses | 667,350 | 396,617 | 1,152,850 | 295,444 | 832,245 | 946,983 | 366,226 | (361,303) | (34,246) | (421,676) | (1,217) | 658,696 | 564,834 | 5,750 | 1,976,245 | 2,759,892 | - | 9,804,690 |
| 97300 | Housing Assistance Payments | - | 13,283 | 7,983 | 14,263 | 1,822 | - | - | - | - | - | - | 4,601 | 2,487 | - | - | - | - | 44,439 |
| 97400 | Depreciation Expense | 824,163 | 2,316,523 | 565,141 | 1,049,040 | 1,001,306 | 1,032,887 | 2,203,403 | 1,278,683 | 903,439 | 27,344 | 859,291 | 968,471 | 1,396,624 | 798,063 | 482,308 | 505,900 | - | 16,212,586 |
| Subtotal | | 824,163 | 2,329,806 | 573,124 | 1,063,303 | 1,003,128 | 1,032,887 | 2,203,403 | 1,278,683 | 903,439 | 27,344 | 859,291 | 973,072 | 1,399,111 | 798,063 | 482,308 | 505,900 | - | 16,257,025 |
| 90000 | Total Expenses | 4,197,599 | 6,360,889 | 4,731,069 | 4,354,107 | 6,245,472 | 6,485,210 | 4,982,290 | 4,515,254 | 3,102,536 | 2,555,558 | 2,602,263 | 2,886,381 | 3,064,080 | 1,730,004 | 2,047,216 | 1,433,232 | 2,126,663 | 63,419,823 |
| 10010 | Operating Transfer In | 406,316 | 709,388 | 563,346 | 243,824 | 299,494 | 565,299 | 23,429 | 347,901 | 93,036 | 40,489 | 35,819 | 36,383 | 7,444 | 11,304 | 59,013 | 5,479 | - | 3,447,964 |
| 10091 | Inter Project Excess Cash Transfer In | - | - | - | - | - | - | - | - | - | 800,000 | - | - | - | - | - | - | - | 800,000 |
| 10092 | Inter Project Excess Cash Transfer Out | - | - | - | - | - | - | - | - | - | - | - | (500,000) | (300,000) | - | - | - | - | (800,000) |
| 10100 | Total Other Financing Sources (Uses) | 406,316 | 709,388 | 563,346 | 243,824 | 299,494 | 565,299 | 23,429 | 347,901 | 93,036 | 840,489 | 35,819 | (463,617) | (292,556) | 11,304 | 59,013 | 5,479 | - | 3,447,964 |
| 10000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | 249,503 | (1,223,801) | 1,143,072 | (524,035) | 128,611 | 479,395 | (1,813,748) | (1,292,085) | (844,649) | 391,469 | (824,689) | (777,993) | (1,126,833) | (781,009) | 1,552,950 | 2,259,471 | - | (3,004,371) |
| 11030 | Beginning Equity | 19,583,265 | 31,858,167 | 12,826,750 | 21,580,942 | 17,111,353 | 15,518,825 | 37,092,505 | 23,755,413 | 15,081,259 | 14,437,664 | 16,188,631 | 13,061,181 | 20,649,245 | 12,108,722 | 7,558,996 | 16,502,557 | - | 294,915,475 |
| 10000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | 249,503 | (1,223,801) | 1,143,072 | (524,035) | 128,611 | 479,395 | (1,813,748) | (1,292,085) | (844,649) | 391,469 | (824,689) | (777,993) | (1,126,833) | (781,009) | 1,552,950 | 2,259,471 | - | (3,004,371) |
| 11040-010 | Prior Period Adjustment | (515,603) | (483,705) | (310,641) | (308,312) | (638,835) | (652,076) | (630,150) | (768,627) | (495,480) | 1 | 4 | 3 | - | 3 | 3,142 | 131,129 | - | (4,669,147) |
| 11040-070 | Equity Transfer of Capital Contributions | 4,069,510 | 305,131 | 2,829 | 4,444 | 1,578,628 | 3,087,943 | 3,820,577 | 285,294 | 4,019,342 | 293,893 | 65,894 | 2,231,867 | 515,891 | 13,977 | 389,246 | 485,134 | - | 21,169,600 |
| | Ending Equity | 23,386,675 | 30,455,792 | 13,662,010 | 20,753,039 | 18,179,757 | 18,434,087 | 38,469,184 | 21,979,995 | 17,760,472 | 15,123,027 | 15,429,840 | 14,515,058 | 20,038,303 | 11,341,693 | 9,504,334 | 19,378,291 | - | 308,411,557 |

Hawaii Public Housing Authority
Financial Data Schedule
GASB No. 54 Supplemental Reporting Schedule
June 30, 2018

| <u>FDS Line Item</u> | <u>FDS Line Item Name</u> | <u>CFDA No. 14.871 Housing Choice Voucher Program</u> | <u>CFDA No. 14.195 Section 8 Housing Assistance Payments</u> | <u>State/Local</u> | <u>Total</u> |
|----------------------|---------------------------------|---|--|----------------------|----------------------|
| 513 | Total Equity as Reported in FDS | <u>\$ (767,192)</u> | <u>\$ 2,607,349</u> | <u>\$ 93,711,607</u> | <u>\$ 95,551,764</u> |
| 508.3 | Nonspendable Fund Balance | \$ 35,054 | \$ - | \$ 4,017,792 | \$ 4,052,846 |
| 509.3 | Restricted Fund Balance | 430,262 | - | - | 430,262 |
| 510.3 | Committed Fund Balance | - | - | 46,200,265 | 46,200,265 |
| 511.3 | Assigned Fund Balance | (1,232,508) | 2,607,349 | 43,493,550 | 44,868,391 |
| 512.3 | Unassigned Fund Balance | - | - | - | - |
| | Total Equity as Calculated | <u>\$ (767,192)</u> | <u>\$ 2,607,349</u> | <u>\$ 93,711,607</u> | <u>\$ 95,551,764</u> |

See accompanying independent auditor's report.

PART II

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



A Hawaii Limited Liability Partnership

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

Board of Directors
Hawaii Public Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 12, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KMH LLP

KMH LLP

Honolulu, Hawaii
March 12, 2019

PART III

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



A Hawaii Limited Liability Partnership

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

Board of Directors
Hawaii Public Housing Authority

Report on Compliance for Each Major Federal Program

We have audited the Hawaii Public Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of the auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the Summary of Auditor's Results section of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the Authority as of and for the year ended June 30, 2018, and have issued our report thereon dated March 12, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

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

KMH LLP

KMH LLP

Honolulu, Hawaii

March 12, 2019

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? Yes No

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section II – Financial Statement Findings

No matters were reported.

Hawaii Public Housing Authority

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

PART V

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Hawaii Public Housing Authority

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2018

Section I – Summary Schedule of Prior Audit Findings

No matters were reported.