

# **Hawaii Public Housing Authority**

Financial Statements

June 30, 2023

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR  
STATE OF HAWAII**

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A Hawaii Limited Liability Partnership

## **Independent Auditor's Report**

The Auditor  
State of Hawaii

Board of Directors  
Hawaii Public Housing Authority:

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

#### **Opinions**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

## **Emphasis of Matter**

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2023, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Responsibilities of Management for the Financial Statements**

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 24, 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 90 to 97 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Combining Financial Statements of Nonmajor Other Enterprise and Internal Service Funds and Reconciliation of Cash schedules on pages 99 – 110 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining Financial Statements of Nonmajor Other Enterprise and Internal Service Funds and Reconciliation of Cash schedules are fairly stated, in all material respects in relation to the basic financial statements as a whole.

KMH LLP

KMH LLP

Honolulu, Hawaii

December 13, 2023, except for Note 7 and related pension balances recorded in the government-wide financial statements, as to which the date is March 21, 2024.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

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, 2023. The MD&A is designed to: 1) focus on significant financial issues; 2) review the HPHA's financial activity; 3) highlight changes in the HPHA's financial position (its ability to address the next and subsequent year challenges); and 4) identify individual fund issues or concerns. Since the MD&A is designed to focus on the financial activities of the HPHA for the fiscal year ended June 30, 2023, readers should review this in conjunction with the financial statements that follow.

## INTRODUCTION

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

During the audited period of July 1, 2022 to June 30, 2023, the HPHA administered the following programs:

- **Federal Public Housing Programs**  
The HPHA administered 4,731 federal public housing units in Hawaii with funds received from the United States Department of Housing and Urban Development (HUD). The 4,731 housing units consist of 16 Asset Management Projects (AMPs) under HUD and 72 housing projects under the HPHA's management.
- **State Public Housing Programs**  
The HPHA administered 864 state public housing units developed with State funds, which include 6 family housing and 4 elderly housing projects.
- **Federal and State Rent Subsidy Programs**  
The HPHA administered federally funded rental assistance programs including Section 8 Housing Choice Voucher Program, Veterans Affairs Supportive Housing Program, Non-Elderly Disabled Voucher Program, Foster Youth to Independence Program, Mainstream Voucher Program, and Emergency Housing Voucher Program. The HPHA also administered a State funded rental assistance program. These programs subsidize monthly rental payments to qualified households.



# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

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

## FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, the assets and deferred outflows of resources of the HPHA exceeded its liabilities and deferred inflows of resources by \$472.65 million. Of this amount, \$362.54 million was invested in capital assets (as detailed on *Government-Wide Statement of Net Position*, pages 25 and 26).
- The HPHA's government-wide net position increased by \$9.34 million. The change is a result of the following governmental and business-type activities:
  - a. Governmental activities – an increase of \$3.55 million in net position is affected by State allotted appropriations of \$19.40 million (net of lapsed funds of \$3.59 million) and net transfers of \$18.76 million (capital expenditure/outlay of \$11.67 million and operating transfers of \$7.09 million to business-type activities) (as detailed on *Government-Wide Statement of Activities*, page 27).
  - b. Business-type activities – an increase in net position of \$5.79 million (as detailed on *Government-Wide Statement of Activities*, page 27) is due to capital contributions of \$11.67 million and operating transfers-in of \$7.09 million from Governmental activities, offset by a loss before transfers of \$12.97 million.

\$11.67 million of capital contributions is the Capital Project fund (as detailed on *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 30) expended for the benefit of business-type activities.

\$7.09 million of operating transfers-in consists of: \$1.99 million for operating expenses of the State rental housing programs and Central Office Cost Center, and \$5.10 million for federal low rent program's security services and utilities (as detailed on *Proprietary Funds, Statement of Revenues, Expenses, and Changes in Net Position*, pages 35 and 36).

\$12.97 million of loss before transfers is because the revenues were insufficient to support the operating expenses. It decreased \$5.21 million in comparison to the previous fiscal year's loss before transfers of \$18.18 million. The loss reduction is due to \$2.35 million higher revenues, \$5.24 million higher HUD operating subsidies, and \$2.38 million higher operating expenses (as detailed on *Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 35 and 36).

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

## OVERVIEW OF FINANCIAL STATEMENTS

The HPHA's financial statements comprise of three components:

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

Supplemental information in addition to the financial statements is provided. The financial statements summarize the financial transactions in fiscal year 2023.

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

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

The *Statement of Activities* shows how the HPHA's net position changed as a result of the current year's financial activities. The statement is prepared with an accrual basis of accounting method. All revenues and expenses are recorded and reported when a transaction occurs rather than when payment is received or made.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

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

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

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

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

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

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

## 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, 2023 and June 30, 2022  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Current & other assets	\$ 86,079	\$ 81,351	\$ 108,241	\$ 99,552	\$ 194,320	\$ 180,903
Capital assets	3,786	3,651	358,752	363,636	362,538	367,287
Other assets	-	-	7,178	7,015	7,178	7,015
<b>Total Assets</b>	<b>89,865</b>	<b>85,002</b>	<b>474,171</b>	<b>470,203</b>	<b>564,036</b>	<b>555,205</b>
Deferred Outflows of Resources	467	399	6,533	5,979	7,000	6,378
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$ 90,332</b>	<b>\$ 85,401</b>	<b>\$ 480,704</b>	<b>\$ 476,182</b>	<b>\$ 571,036</b>	<b>\$ 561,583</b>
<b>Liabilities</b>						
Current & other liabilities	\$ 6,217	\$ 4,872	\$ 8,774	\$ 9,763	\$ 14,991	\$ 14,635
Long-term liabilities	5,094	4,960	68,312	67,611	73,406	72,571
<b>Total Liabilities</b>	<b>11,311</b>	<b>9,832</b>	<b>77,086</b>	<b>77,374</b>	<b>88,397</b>	<b>87,206</b>
Deferred Inflows of Resources	708	808	9,276	10,257	9,984	11,065
<b>Net Position</b>						
Investment in capital assets, net of related debt	3,786	3,651	358,752	363,636	362,538	367,287
Restricted	1,537	1,294	-	-	1,537	1,294
Unrestricted	72,990	69,816	35,590	24,915	108,580	94,731
<b>Total Net Position</b>	<b>78,313</b>	<b>74,761</b>	<b>394,342</b>	<b>388,551</b>	<b>472,655</b>	<b>463,312</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 90,332</b>	<b>\$ 85,401</b>	<b>\$ 480,704</b>	<b>\$ 476,182</b>	<b>\$ 571,036</b>	<b>\$ 561,583</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

## 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 \$472.65 million, \$362.54 million of net assets was invested in capital assets. As discussed in the financial highlights, net position increased by \$9.34 million during the fiscal year (as detailed on *Government-Wide Statement of Net Position and Statement of Activities*, pages 25 to 27).

Of the HPHA's total assets and deferred outflows of resources, \$362.54 million (or 64%) represents capital assets. Cash and Due from the State of Hawaii in the amount of \$189.38 million comprise 33% of total assets and deferred outflows of resources. The rest of \$19.12 million, or 3% of total assets and deferred outflows of resources are Receivables and Deferred Outflows of Resources (as presented in the detailed *Government-Wide Statement of Net Position*, page 25). \$72.58 million of Due from the State of Hawaii represents available State allotted appropriations designated for capital improvement projects. Net position at the end of the previous fiscal year had a similar composition of which the majority of total assets and deferred outflows of resources was capital assets.

Accounts payable and accrued current liabilities of \$12.84 million comprise 86% of the HPHA's total current liabilities (as detailed in the *Government-Wide Statement of Net Position*, page 26). Long term liabilities increased by \$0.84 million from the previous year mainly due to higher pension and OPEB liabilities. Total long-term liabilities and deferred inflows of resources were \$83.39 million, or 85% of total liabilities and deferred inflows of resources, as compared to \$83.64 million and 85% in fiscal year 2022.

# Hawaii Public Housing Authority

## Management Discussion and Analysis June 30, 2023

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, 2023 and June 30, 2022  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Elimination		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Revenues</b>								
Program Revenues:								
Charges for services	\$ 154	\$ 669	\$ 28,838	\$ 26,930	\$ (1,545)	\$ (1,304)	\$ 27,447	\$ 26,295
Operating grants & contributions	110,717	99,048	37,556	35,732	-	-	148,273	134,780
Capital grants & contributions	-	-	7,335	3,915	-	-	7,335	3,915
Other income	1	1	492	53	-	-	493	54
General Revenues:								
State allotted appropriations, net of lapsed funds	19,403	22,335	-	-	-	-	19,403	22,335
<b>Total Revenues</b>	<b>130,275</b>	<b>122,053</b>	<b>74,221</b>	<b>66,630</b>	<b>(1,545)</b>	<b>(1,304)</b>	<b>202,951</b>	<b>187,379</b>
<b>Expenses</b>								
Governmental Activities								
Rental housing assistance program	107,960	98,261	-	-	(1,545)	(1,304)	106,415	96,957
Business-Type Activities								
Rental assistance program	-	-	73,310	71,365	-	-	73,310	71,365
Housing development program	-	-	11,504	10,849	-	-	11,504	10,849
Other expenses	-	-	2,380	2,597	-	-	2,380	2,597
<b>Total government-wide expenses</b>	<b>107,960</b>	<b>98,261</b>	<b>87,194</b>	<b>84,811</b>	<b>(1,545)</b>	<b>(1,304)</b>	<b>193,609</b>	<b>181,768</b>
Excess (deficiency) of revenues over (under) expenses	22,315	23,792	(12,973)	(18,181)	-	-	9,342	5,611
Capital contributions	(11,673)	(12,215)	11,673	12,215	-	-	-	-
Transfers	(7,091)	(3,717)	7,091	3,717	-	-	-	-
<b>CHANGES IN NET POSITION</b>	<b>3,551</b>	<b>7,860</b>	<b>5,791</b>	<b>(2,249)</b>	<b>-</b>	<b>-</b>	<b>9,342</b>	<b>5,611</b>
Net position, beginning of year	74,762	66,902	388,551	390,800	-	-	463,313	457,702
<b>Net position, end of year</b>	<b>\$ 78,313</b>	<b>\$ 74,762</b>	<b>\$ 394,342</b>	<b>\$ 388,551</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 472,655</b>	<b>\$ 463,313</b>

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

## Statement of Activities

Government-wide operating grants and contributions increased by \$13.49 million, or 10% in the current year from \$134.78 million to \$148.27 million. HUD capital grants increased by \$3.42 million in the current year from \$3.91 million to \$7.33 million. HUD operating subsidies for federal public housing program increased by \$1.82 million or 5%, from \$35.73 million in fiscal year 2022 to \$37.55 million. Business-type activities operating loss decreased by \$14.77 million for the year to \$13.47 million, from prior year's \$18.24 million (as detailed in the *Government-Wide Statement of Activities*, page 27).

Governmental activities net position increased by \$3.55 million from previous year's \$74.76 million to current year's \$78.31 million. This increase is due to \$2.91 million of excess of revenues over expenditures, and \$0.64 million of State allotted appropriations, net of lapsed funds, greater than the amounts of capital contributions and transferred to other programs (as detailed in *Government-Wide Statement of Activities*, page 27).

## FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

### Governmental Funds

The focus of the HPHA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the HPHA's ability to meet its financing requirements. Unreserved fund balances may serve as a useful measure of the HPHA's net resources available for spending at the end of the fiscal year (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balance*, page 30).

- At the end of the fiscal year, the balance of governmental funds was \$79.86 million, an increase of \$3.38 million from the balance of \$76.48 million at the end of fiscal year 2022. Of the \$79.86 million fund balance, \$62.92 million or 79% was reserved for capital projects, (as detailed in *Governmental Funds, Balance Sheet*, page 28 and *Statement of Revenues, Expenditures and Changes in Fund Balances*, page 30).
- Under the General Fund, excess of revenues over expenditures at the end of the fiscal year was \$9.22 million. During the fiscal year, \$5.47 million of the General Fund was transferred out to support the HPHA's business type activities (as detailed in *Governmental Funds, Statement of Revenues, Expenditures and Changes in Fund Balances*, page 30).

# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2023

- The Capital Project Fund balance decreased by \$2.78 million, to \$62.92 million from the previous year's \$65.70 million (as detailed on *Governmental Funds, Statement of Revenues, Expenditures, and Changes in Fund Balances*, page 30). The HPHA received allotted appropriations of \$9.02 million (net of lapsed fund of \$1.99 million). Capital outlay was \$11.67 million, and operating transfers out was \$0.13 million.
- The fund balance of the Housing Assistance Vouchers MTW Programs increased by \$1.91 million, to \$7.69 million because of an excess of revenues over expenditures.
- The Section 8 Contract Administration fund balance increased by \$0.50 million to \$4.54 million because of an excess of revenues over expenditures.

### Proprietary Funds

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

- With the implementation of HUD's Asset Management and Project Based Budgeting, the HPHA established the HUD-mandated Central Office Cost Center (COCC) fund to account for costs related to the general oversight of the programs and projects the HPHA administers, and other indirect and administrative costs of the HPHA. The COCC fund charges fees to the HPHA's various housing programs for administrative services and general oversight.
- The loss before transfers (fund transfers from Governmental Funds) of Proprietary Funds was \$12.97 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 35 and 36), \$5.21 million lower than the previous year's loss of \$18.18 million. The reduction of loss was a result of \$5.24 million higher HUD subsidy grants and \$0.03 million of deficiency of revenues over expenses.
- The COCC's income before transfers was \$0.12 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 35 and 36), in comparison to the previous year's loss of \$1.10 million. The decline in loss was mainly because of a reduction of \$0.34 million of operating expenses and \$0.33 million higher other revenues. The COCC received \$0.71 million of capital contributions during the year. The net position increased \$0.83 million to \$(5.83) million from prior year's \$(6.66) million.
- The loss before transfers of the Federal Low Rent Program was \$6.34 million, a decrease of \$4.38 million compared to the previous year's loss of \$10.72 million. The reduction in losses was mainly due to higher subsidy grants received from HUD. (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position*, pages 35 and 36).



# Hawaii Public Housing Authority

## Management Discussion and Analysis

June 30, 2023

- The State family housing program’s loss before transfers was \$2.65 million, an increase of \$0.02 million compared to the previous year’s loss of \$2.63 million. The increase in loss was because of higher operational expenses. The program received \$1.68 million of operating transfers from Governmental activities. The program’s net position reduced by \$0.97 million to \$17.77 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, pages 35 and 36*).
- The loss before transfers of the State Elderly Housing program was \$3.47 million in comparison to the previous year’s loss of \$3.25 million. The loss was a result of rental income being insufficient to support the operational expenses. Due to capital contributions and operating funds transferred from Governmental activities, the net position increased by \$1.11 million to \$38.36 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Position, pages 35 and 36*).
- Other Enterprise Funds loss before transfers was \$0.65 million (*Proprietary Funds, Statement of Revenues, Expenses and Changes in Net Positions, pages 35 and 36*) compared to the prior fiscal year loss of \$0.49 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

The HPHA’s investment in capital assets for the fiscal year ended June 30, 2023 is \$362.54 million (net of related debt). This investment in capital assets includes land, buildings and improvements, equipment, furniture, and fixtures, and construction in progress. (Detailed in *Notes to the Financial Statements, #5*)

HPHA Capital Assets  
Years Ended June 30, 2023 and June 30, 2022  
(In thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 2,373	\$ 2,373	\$ 22,966	\$ 22,966	\$ 25,339	\$ 25,339
Buildings and improvements	15,614	15,325	789,871	786,853	805,485	802,178
Equipment	1,492	1,492	12,765	12,765	14,257	14,257
Right of use asset	-	-	178	178	178	178
Construction in progress	-	-	56,711	40,980	56,711	40,980
Total	19,479	19,190	882,491	863,742	901,970	882,932
Accumulated depreciation and amortization	(15,693)	(15,539)	(523,739)	(500,106)	(539,432)	(515,645)
Total Capital Assets, net	\$ 3,786	\$ 3,651	\$ 358,752	\$ 363,636	\$ 362,538	\$ 367,287

# Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2023

## Major project outstanding balances in construction in progress at the end of FY2023

- AMP 30 Puuwai Momi, Waipahu I and Waipahu II, Design for Spall Repair and Security Improvements, \$0.12 million
- AMP 32 Mayor Wright Homes, MWH Redevelopment, \$2.9 million
- AMP 32 Mayor Wright Homes, Design for Redevelopment of Mayor Wrights, \$0.29 million
- AMP 34 Kalakaua Homes, Makua Alii and Paoakalani, Design for Modernization of Elevators, \$0.11 million
- AMP 34 Kalakaua Homes, Makua Alii and Paoakalani, Design for Upgrade of Emergency Generators, \$0.14 million
- AMP 34 Makua Alii and Paoakalani, Construction for Building and ADA Improvements, \$8.14 million
- AMP 34 Makua Alii and Paoakalani, Design for Building and ADA Improvements, \$0.66 million
- AMP 34 Makua Alii, Design for Burnt Unit Repairs and Security Improvements, \$0.10 million
- AMP 35 Kalanihuia, Punchbowl Homes, Pumehana and Makamae, Design for Modernization of Elevators, \$0.15 million
- AMP 35 Kalanihuia, Punchbowl Homes and Pumehana, Design for Upgrade of Emergency Generators, \$0.11 million
- AMP 35 Punchbowl Homes, Design and Engineering for Exterior repair, Re-roofing, Site and ADA Improvements, \$0.79 million
- AMP 35 Kalanihuia and Makamae, Design for Re-roofing and Repairs, \$0.21 million
- AMP 35 Punchbowl Homes, Construction for Exterior repairs, Re-roofing, Site and ADA Improvements, \$12 million
- AMP 35 Kalanihuia and Makamae, Construction for Re-roofing and Repairs, \$3.22 million
- AMP 35 Kalanihuia and Pumehana, Design for Security Upgrades, \$0.23 million
- AMP 35 Kalanihuia and Pumehana, Construction for Security Upgrades, \$1.87 million
- AMP 37 Pomaikai, Hale Aloha O’Puna, Pahala Elderly, Design for Site and Building Improvements, \$0.67 million
- AMP 37 Lanakila Homes, Design for Planning Service for the Hawaii Multi-Model Transportation, \$0.35 million
- AMP 37 Pahala, Construction for Utility Improvements, \$0.19 million
- AMP 38 Kapaa Homes, Design for Lead-Based Paint Abatement, \$0.15 million
- AMP 39 Piilani Homes, Design for Site and Dwelling Improvements, \$0.67 million
- AMP 39 Piilani Homes, Construction for Site and Dwelling Improvements, \$5.74 million
- AMP 39 David Malo Circle, Lead-Based Paint Abatement, \$0.19 million
- AMP 39 Kahale Mua, Construction for Utility Improvements, \$0.22 million
- AMP 42 Hale Po’ai, Lai’ola, Kamalu Hoolulu, Halia Hale, Design for Upgrade of Emergency Generators, \$0.13 million
- AMP 42 Hale Po’ai, Design for Site and Building Improvements, \$0.64 million
- AMP 42 Lai’ola, Design for Roof Replacement and Exterior Concrete Spall Repairs, \$0.25 million
- AMP 42 Hale Po’ai, Construction for Site and Building Improvements, \$8.22 million

## **Hawaii Public Housing Authority**

Management Discussion and Analysis

June 30, 2023

- AMP 43 Kaimaino, Design for Site and Building Improvements, \$0.26 million
- AMP 45 Hookipa Kahaluu, Construction for ADA and Site Improvements, \$1.03 million
- AMP 45 Hookipa Kahaluu, Design for ADA and Site Improvements, \$0.28 million
- AMP 49 Wahiawa Terrace, Design for New Sewage Pump Station, \$0.16 million
- AMP 50 Palolo Valley Homes, Design for Modernization, \$0.57 million
- State low rent housing project (Fund 318) Puahala Homes, Design for Site and Building Improvements, \$0.96 million
- Central Office Cost Center (Fund 181) School Street Redevelopment Project, \$3.03 million

### **CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

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

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

Mc.Jerold William, et al. v. Hawaii Public Housing Authority, et al.  
(Civil No. 15-1-0388-3, First Circuit Court)

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

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

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self-insured retention on the insurance it selected. UPS did not accept the HPHA's tender of defense. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the HPHA had not been served with the Complaint, the deputy attorney general attended the mediation, with the understanding that HPHA would not pay for the cost of the mediation, would not be making any offer (as it understood that UPS is obligated under its contract with the HPHA, and the facts), and there would not be any discovery requests aimed at the HPHA before the mediation. Following the mediation, four (4) Plaintiffs dismissed their claims against the HPHA pursuant to these Plaintiffs' respective settlement agreements with UPS and Kiamalu in early 2018. In July 2019, the remaining Plaintiff dismissed his claims against UPS but the filed stipulation to dismiss did not include or reference HPHA. On August 9, 2022, the Court filed an Order of Dismissal of the case pursuant to Rule 41 of the Hawaii Rules of Civil Procedure.

## **Hawaii Public Housing Authority**

Management Discussion and Analysis  
June 30, 2023

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

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

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

Plaintiffs, who had a Section 8 housing voucher issued by the Hawaii Public Housing Authority, were renting an apartment at the Hibiscus Hill Apartments in Mililani, Hawaii. Plaintiff, Candace Doi, mother of Decedent, A.C.D., a minor, rented the apartment in which she and her three children were living. On February 18, 2019, an 18-month old child was leaning on a window screen in the living room when it gave way. The child fell through the 3<sup>rd</sup> floor living room window of the apartment, and sustained severe injuries resulting in his death. Plaintiffs are alleging that the State was negligent in failing to warn of the danger of falls from windows and in failing to install window guards on the windows.

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

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

The parties have settled the case. The state agreed to pay \$10,000.

## **Hawaii Public Housing Authority**

Management Discussion and Analysis  
June 30, 2023

### Adeline Liftee v. HPHA, et al.

(Civil Case No. ICCV 22-0000756; First Circuit Court)

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

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

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

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

HAPI accepted a tender of the case and is currently defending the HPHA. Trial, which is currently set for January 22, 2024, will be continued to a future date by stipulation of the parties.

### Pregil v. Hawaii Affordable Properties and HPHA

(Civil Case No. 1 CCV 13255; First Circuit Court)

The Plaintiff is a resident at an HPHA property located in Wahiawa. The property is managed by Hawaii Affordable Properties. Plaintiff allegedly made multiple complaints about conditions in her bathroom. After work started in her bathroom but before it was completed, plaintiff fell in her shower. She claims that it was due to the broken bathroom light.

This case is new and an answer has not been filed yet.

## **Hawaii Public Housing Authority**

Management Discussion and Analysis  
June 30, 2023

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

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

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

## HPHA's Redevelopment Efforts

### School Street Elderly Affordable Housing

The HPHA is partnering with Retirement Housing Foundation (RHF), a non-profit affordable housing developer, to redevelop its administrative campus located at 1002 N School Street. The redevelopment will deliver 800 elderly affordable housing units over the course of three phases. The HPHA anticipates all phases will be completed over an 8 to 10-year development horizon.

On October 14, 2021, the HHFDC approved the financing application with the intent to issue \$71,500,000 in Hula Mae Multi-Family (HHMF) Tax-Exempt Revenue Bonds; reserve \$5,257,493 in annual Federal Low Income Housing Tax Credits (LIHTC) over a 10-year period, and \$5,257,493 in annual State LIHTC over a five-year period. The Rental Housing Revolving Fund (RHRF) Loan of \$40,000,000 was also approved by the HHFDC's Board of Directors under a separate For Action. Due to unforeseen delays resulting from the COVID-19 pandemic and other factors, RHF received approval from the HHFDC to extend the deadline to commence construction to August 25, 2023. On August 10, 2023, RHF was granted another financing extension allowing a delay in construction commencement to as late as May 5, 2024.

The redevelopment plans continue to advance through the City & County of Honolulu's Department of Planning and Permitting (DPP). The HPHA and RHF received a site subdivision approval creating a separate lot to accommodate Phase 1A. Applications for a super-structure permit and building permit were submitted to the DPP and have completed several rounds of comments and revisions. RHF anticipate final approval of the building permit in early 2024.

### Kuhio Park Low-Rises and Homes

The HPHA is partnering with the Michaels Development Corporation (MDC), an affordable housing developer, to redevelop Kuhio Park Low-Rise and Homes (KPLR) located between Linapuni and Ahonui Streets in the Kalihi neighborhood of Honolulu. The three-phase redevelopment will provide approximately 650 affordable housing units within eight new buildings. This first phase of development will provide 304 affordable housing units in four mid-rise buildings.

Continuing the community engagement approach taken in 2022, HPHA in coordination with MDC has had extensive communication with various community members throughout the year. In January 2023, the relocation consultant, Nelrod, completed its resident survey, which was a result of listening to existing residents who will be relocated during the initial phase of the KPLR redevelopment.

# Hawaii Public Housing Authority

Management Discussion and Analysis  
June 30, 2023

The HPHA has finalized the environmental assessment needed to comply with historical preservation requirements set forth under Section 106 of the National Historic Preservation Act and related federal environmental review processes. The HPHA is coordinating with the Office of the Governor as they complete and finalize their review and acceptance.

MDC, in coordination with the HPHA, applied for LIHTC, HMMF Bonds, and RHRF financing to the HHFDC in February 2023. At the time of writing this report, the LIHTC and RHRF award is still pending. However, on October 12, 2023, the HHFDC Board of Directors approved an agreement that will provide MDC with a large portion of the City's allocation of private activity bonds specifically for KPLR. This approval is a major milestone toward financing the redevelopment.

While awaiting a financing award, MDC is actively preparing a relocation plan for residents who will be impacted by the first phase of construction. In addition, MDC is drafting a request for HUD's approval for the demolition and disposition of the existing public housing units, under Section 18 of the Housing Act of 1937. In November 2022, the City approved MDC's 201H application for entitlement, zoning and waivers. The permit drawings were submitted to the DPP and are currently going through a third-party approval process to help expedite the permit. The KPLR redevelopment is expected to break ground sometime in mid-to-late 2024, subject to financing, resident relocation, and building permit approval.

## **Ka Lei Momi**

In January 2023, the HPHA issued a request for qualifications for a master developer to play a lead role in transforming a portion of the HPHA's portfolio of public housing properties. This effort includes master planning and redevelopment of several sites across the State, including Mayor Wright Homes. The HPHA selected a master developer, Highridge Costa, to begin evaluating and master planning the redevelopment of the following nine targeted sites: Mayor Wright Homes, Puuwai Momi, Kaahumanu Homes, Kamehameha Homes, Hale Laulima, Nanakuli Homes, Lanakila Homes, Kahekili Terrace, and Kapaa. All nine of these targeted sites, totaling nearly 80 acres of land, have significant potential to become mixed-income, mixed-use, transit-oriented developments. The redevelopment effort is targeting delivery of a minimum of 10,000 additional housing units in addition to the one-for-one replacement of public housing units. The Ka Lei Momi redevelopment is expected to be completed in multiple phases estimated at roughly two (2) years per phase over a total period of at least 10 years; although, this timeline is contingent upon permit approvals, market forces, funding, and the availability of financing. The HPHA will play a secondary role in the redevelopment effort by lending assistance and support, when necessary, and will conduct normal monitoring activities as dictated by applicable regulations.

Mayor Wright Homes and Kapaa are currently planned to be the first Ka Lei Momi sites to move forward with redevelopment. The development team is preparing all the necessary information necessary to submit phase 1 of these two sites to HHFDC for consolidated financing applications in February of 2024.



# **Hawaii Public Housing Authority**

Management Discussion and Analysis

June 30, 2023

## **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, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 11,214,052	\$ 99,557,269	\$ 110,771,321
Restricted cash	2,373,996	3,650,427	6,024,423
Due from State of Hawaii	72,580,579	-	72,580,579
Receivables:			
Accrued interest	-	176,940	176,940
Tenant receivables, less allowance for doubtful receivables of \$3,760,852	-	1,296,886	1,296,886
Other	20,296	40,364	60,660
	<u>20,296</u>	<u>1,514,190</u>	<u>1,534,486</u>
Internal balances	(366,292)	366,292	-
Due from HUD	256,097	2,397,927	2,654,024
Inventories	-	746,694	746,694
Prepaid expenses and other assets	-	8,515	8,515
Total current assets	<u>86,078,728</u>	<u>108,241,314</u>	<u>194,320,042</u>
Notes Receivable	-	7,178,210	7,178,210
Capital Assets, less accumulated depreciation	<u>3,785,763</u>	<u>358,752,381</u>	<u>362,538,144</u>
Total assets	89,864,491	474,171,905	564,036,396
Deferred Outflows of Resources	<u>466,803</u>	<u>6,532,419</u>	<u>6,999,222</u>
Total assets and deferred outflows of resources	<u>\$ 90,331,294</u>	<u>\$ 480,704,324</u>	<u>\$ 571,035,618</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION (continued)

June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Governmental Activities	Business-Type Activities	Total
Current Liabilities:			
Accounts payable	\$ 3,978,985	\$ 4,577,913	\$ 8,556,898
Accrued expenses	2,054,755	2,230,705	4,285,460
Security deposits	-	1,561,349	1,561,349
Deferred income	182,888	403,786	586,674
Total current liabilities	6,216,628	8,773,753	14,990,381
Accrued Expenses	214,312	1,801,658	2,015,970
Net Other Post Employment Benefits (OPEB) Liability	2,207,784	31,216,513	33,424,297
Net Pension Liability	2,671,573	35,294,235	37,965,808
Total liabilities	11,310,297	77,086,159	88,396,456
Deferred Inflows of Resources	708,109	9,276,140	9,984,249
Commitments and Contingencies			
Net Position:			
Invested in capital assets, net of related debt	3,785,763	358,752,381	362,538,144
Restricted by legislation and contractual agreements	1,537,373	-	1,537,373
Unrestricted	72,989,752	35,589,644	108,579,396
Total net position	78,312,888	394,342,025	472,654,913
Total liabilities, deferred inflows of resources, and net position	\$ 90,331,294	\$ 480,704,324	\$ 571,035,618

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

Functions/Programs:	Expenses	Program Revenues			Net revenue (expense) and changes in net position			
		Charges for services and other revenues	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Elimination	Total
Governmental activity --								
Rental Housing and Assistance Program	\$ 107,960,152	\$ 154,346	\$ 110,716,761	\$ -	\$ 2,910,955	\$ -	\$ 1,545,468	\$ 4,456,423
Total governmental activities	<u>107,960,152</u>	<u>154,346</u>	<u>110,716,761</u>	<u>-</u>	<u>2,910,955</u>	<u>-</u>	<u>1,545,468</u>	<u>4,456,423</u>
Business-type activities:								
Rental assistance program	73,309,677	22,070,575	37,556,492	7,334,921	-	(6,347,689)	-	(6,347,689)
Rental housing program	11,504,192	4,720,273	-	-	-	(6,783,919)	-	(6,783,919)
Others	2,380,320	2,047,237	-	-	-	(333,083)	(1,545,468)	(1,878,551)
Total business-type activities	<u>87,194,189</u>	<u>28,838,085</u>	<u>37,556,492</u>	<u>7,334,921</u>	<u>-</u>	<u>(13,464,691)</u>	<u>(1,545,468)</u>	<u>(15,010,159)</u>
Total government-wide	<u>\$ 195,154,341</u>	<u>\$ 28,992,431</u>	<u>\$ 148,273,253</u>	<u>\$ 7,334,921</u>	<u>2,910,955</u>	<u>(13,464,691)</u>	<u>-</u>	<u>(10,553,736)</u>
State Allotted Appropriations, net of lapsed funds of \$3,592,058					19,402,670	-	-	19,402,670
Other Non-Program Revenue					1,287	491,724	-	493,011
Net Transfers and Capital Contributions					<u>(18,763,805)</u>	<u>18,763,805</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>640,152</u>	<u>19,255,529</u>	<u>-</u>	<u>19,895,681</u>
Change in net position					<u>3,551,107</u>	<u>5,790,838</u>	<u>-</u>	<u>9,341,945</u>
Net Position at July 1, 2022					<u>74,761,781</u>	<u>388,551,187</u>	<u>-</u>	<u>463,312,968</u>
Net Position at June 30, 2023					<u>\$ 78,312,888</u>	<u>\$ 394,342,025</u>	<u>\$ -</u>	<u>\$ 472,654,913</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS  
BALANCE SHEET

June 30, 2023

ASSETS	General	Capital Projects	Housing Assistance Vouchers MTW	Section 8 Contract Administration	Total Governmental Funds
<b>Current Assets:</b>					
Cash	\$ -	\$ -	\$ 6,759,907	\$ 4,454,145	\$ 11,214,052
Restricted cash	-	-	2,373,031	965	2,373,996
Due from State of Hawaii	5,808,206	66,772,373	-	-	72,580,579
Due from other funds	74,216	-	-	-	74,216
Other receivables	-	-	20,296	-	20,296
Due from HUD	-	-	-	256,097	256,097
<b>Total current assets</b>	<b>\$ 5,882,422</b>	<b>\$ 66,772,373</b>	<b>\$ 9,153,234</b>	<b>\$ 4,711,207</b>	<b>\$ 86,519,236</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 940,162	\$ 2,079,176	\$ 790,969	\$ 168,678	\$ 3,978,985
Accrued expenses	152,333	1,776,970	125,452	-	2,054,755
Due to other funds	554	-	439,667	287	440,508
Deferred income	74,216	-	108,672	-	182,888
<b>Total current liabilities</b>	<b>1,167,265</b>	<b>3,856,146</b>	<b>1,464,760</b>	<b>168,965</b>	<b>6,657,136</b>
<b>Fund Balances:</b>					
Restricted by legislation and contractual agreements	-	-	1,537,373	-	1,537,373
Committed	-	39,794,668	-	-	39,794,668
Assigned	4,715,157	23,121,559	6,151,101	4,542,242	38,530,059
<b>Total fund balances</b>	<b>4,715,157</b>	<b>62,916,227</b>	<b>7,688,474</b>	<b>4,542,242</b>	<b>79,862,100</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,882,422</b>	<b>\$ 66,772,373</b>	<b>\$ 9,153,234</b>	<b>\$ 4,711,207</b>	<b>\$ 86,519,236</b>

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, 2023

Total fund balance - governmental funds		\$	79,862,100
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds	3,785,763		
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(101,164)		
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	(113,148)		
Other post employment benefits are not due and payable in the current period and therefore are not reported in the funds	(2,207,784)		
Pension benefits are not due and payable in the current period and therefore are not reported in the funds	(2,671,573)		
Deferred outflows of resources related to the pension and other post employment benefits liabilities are not financial resources and therefore not reported in the funds	466,803		
Deferred inflows of resources related to the pension and other post employment benefits liabilities are not due and payable in the current period and therefore are not reported in the funds	(708,109)		(1,549,212)
Net position of governmental activities		\$	<u>78,312,888</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, 2023

	General	Capital Projects	Housing Assistance Vouchers MTW	Section 8 Contract Administration	Total Governmental Funds
<b>Revenues:</b>					
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 64,969,302	\$ 45,747,459	\$ 110,716,761
State allotted appropriations, net of lapsed funds of \$3,592,058	10,385,027	9,017,643	-	-	19,402,670
Other	88	-	155,113	430	155,631
<b>Total revenues</b>	<b>10,385,115</b>	<b>9,017,643</b>	<b>65,124,415</b>	<b>45,747,889</b>	<b>130,275,062</b>
<b>Expenditures:</b>					
Housing assistance payments	1,046,889	-	57,109,283	44,043,171	102,199,343
Administration	22,631	-	1,910,054	1,151,499	3,084,184
Personnel services	68,534	-	1,954,859	-	2,023,393
Professional services	23,105	-	46,411	44,331	113,847
Tenant services	-	-	364,156	-	364,156
Utilities	1,028	-	25,147	-	26,175
Repairs and maintenance	440	-	12,490	-	12,930
Security	145	-	3,503	-	3,648
Recovery of losses	-	-	(11,450)	-	(11,450)
Insurance	495	-	16,088	7,246	23,829
Capital outlays	-	11,672,839	288,205	-	11,961,044
<b>Total expenditures</b>	<b>1,163,267</b>	<b>11,672,839</b>	<b>61,718,746</b>	<b>45,246,247</b>	<b>119,801,099</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>9,221,848</b>	<b>(2,655,196)</b>	<b>3,405,669</b>	<b>501,642</b>	<b>10,473,963</b>
<b>Other Financing Uses - Net Transfers</b>	<b>(5,471,709)</b>	<b>(127,201)</b>	<b>(1,492,056)</b>	<b>-</b>	<b>(7,090,966)</b>
<b>Net change in fund balances</b>	<b>3,750,139</b>	<b>(2,782,397)</b>	<b>1,913,613</b>	<b>501,642</b>	<b>3,382,997</b>
Fund Balances at July 1, 2022	965,018	65,698,624	5,774,861	4,040,600	76,479,103
<b>Fund Balances at June 30, 2023</b>	<b>\$ 4,715,157</b>	<b>\$ 62,916,227</b>	<b>\$ 7,688,474</b>	<b>\$ 4,542,242</b>	<b>\$ 79,862,100</b>

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, 2023

Net change in fund balances - total governmental funds		\$ 3,382,997
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those governmental activities assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense of those governmental activity assets amounted to approximately \$154,000.</p>		
Expenditures for capital assets	11,961,044	
Less current year depreciation expense	<u>(153,636)</u>	11,807,408
Transfer of capital assets between governmental activities and business-type activities		(11,672,839)
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		(17,896)
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		(30,240)
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.		49,420
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>32,257</u>
Change in net position of governmental activities		<u>\$ 3,551,107</u>

The accompanying notes are an integral part of this statement.



Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION

June 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Elimination	Total Enterprise Funds	Internal Service Funds
Current Assets:								
Cash	\$ 73,180,479	\$ 1,273,493	\$ 2,499,500	\$ 15,158,001	\$ 6,398,892	\$ -	\$ 98,510,365	\$ 1,046,904
Restricted cash	1,318,398	-	-	2,297,044	34,985	-	3,650,427	-
	<u>74,498,877</u>	<u>1,273,493</u>	<u>2,499,500</u>	<u>17,455,045</u>	<u>6,433,877</u>	<u>-</u>	<u>102,160,792</u>	<u>1,046,904</u>
Receivables:								
Accrued interest	-	3,992	11,690	153,346	-	-	169,028	7,912
Tenant receivables, less allowance for doubtful accounts of \$3,760,852	1,191,030	71,662	4,752	-	29,442	-	1,296,886	-
Other	11,975	7,658	-	81	20,650	-	40,364	-
	<u>1,203,005</u>	<u>83,312</u>	<u>16,442</u>	<u>153,427</u>	<u>50,092</u>	<u>-</u>	<u>1,506,278</u>	<u>7,912</u>
Due from other funds	31,371	-	-	6,876,631	23,936	(6,574,391)	357,547	8,745
Due from HUD	2,397,927	-	-	-	-	-	2,397,927	-
Inventories	656,796	34,100	41,122	14,676	-	-	746,694	-
Prepaid expenses and other assets	-	-	-	8,515	-	-	8,515	-
Total current assets	<u>78,787,976</u>	<u>1,390,905</u>	<u>2,557,064</u>	<u>24,508,294</u>	<u>6,507,905</u>	<u>(6,574,391)</u>	<u>107,177,753</u>	<u>1,063,561</u>
Notes Receivable	6,585,173	-	-	593,037	-	-	7,178,210	-
Capital Assets, less accumulated depreciation	290,086,487	19,304,850	36,182,204	5,281,283	7,402,976	-	358,257,800	494,581
Total assets	<u>375,459,636</u>	<u>20,695,755</u>	<u>38,739,268</u>	<u>30,382,614</u>	<u>13,910,881</u>	<u>(6,574,391)</u>	<u>472,613,763</u>	<u>1,558,142</u>
Deferred Outflows of Resources	<u>2,789,765</u>	<u>216,495</u>	<u>-</u>	<u>3,526,159</u>	<u>-</u>	<u>-</u>	<u>6,532,419</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 378,249,401</u>	<u>\$ 20,912,250</u>	<u>\$ 38,739,268</u>	<u>\$ 33,908,773</u>	<u>\$ 13,910,881</u>	<u>\$ (6,574,391)</u>	<u>\$ 479,146,182</u>	<u>\$ 1,558,142</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS  
STATEMENT OF NET POSITION (continued)

June 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Elimination	Total Enterprise Funds	Internal Service Funds
<b>Current Liabilities:</b>								
Accounts payable	\$ 3,705,295	\$ 52,119	\$ 188,072	\$ 216,467	\$ 415,960	\$ -	\$ 4,577,913	\$ -
Accrued expenses	1,325,997	69,272	27,092	781,368	26,976	-	2,230,705	-
Due to other funds	1,270,344	22,530	2,074	-	5,279,443	(6,574,391)	-	-
Security deposits	1,299,119	51,970	164,190	-	46,070	-	1,561,349	-
Deferred income	393,409	7,087	1,760	-	1,530	-	403,786	-
<b>Total current liabilities</b>	<b>7,994,164</b>	<b>202,978</b>	<b>383,188</b>	<b>997,835</b>	<b>5,769,979</b>	<b>(6,574,391)</b>	<b>8,773,753</b>	<b>-</b>
Accrued Expenses	945,132	62,215	-	794,311	-	-	1,801,658	-
Net OPEB Liability	13,664,277	1,111,671	-	16,440,565	-	-	31,216,513	-
Net Pension Liability	16,881,459	1,420,894	-	16,991,882	-	-	35,294,235	-
<b>Total liabilities</b>	<b>39,485,032</b>	<b>2,797,758</b>	<b>383,188</b>	<b>35,224,593</b>	<b>5,769,979</b>	<b>(6,574,391)</b>	<b>77,086,159</b>	<b>-</b>
Deferred Inflows of Resources	4,418,580	340,062	-	4,517,498	-	-	9,276,140	-
Commitments and Contingencies								
<b>Net Position:</b>								
Invested in capital assets, net of related debt	290,086,487	19,304,850	36,182,204	5,281,283	7,402,976	-	358,257,800	494,581
Unrestricted	44,259,302	(1,530,420)	2,173,876	(11,114,601)	737,926	-	34,526,083	1,063,561
<b>Total net position</b>	<b>334,345,789</b>	<b>17,774,430</b>	<b>38,356,080</b>	<b>(5,833,318)</b>	<b>8,140,902</b>	<b>-</b>	<b>392,783,883</b>	<b>1,558,142</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 378,249,401</b>	<b>\$ 20,912,250</b>	<b>\$ 38,739,268</b>	<b>\$ 33,908,773</b>	<b>\$ 13,910,881</b>	<b>\$ (6,574,391)</b>	<b>\$ 479,146,182</b>	<b>\$ 1,558,142</b>

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, 2023

Total net position of enterprise funds	\$ 392,783,883
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>1,558,142</u>
Net position of business-type activities	<u><u>\$ 394,342,025</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, 2023

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Eliminating Entries	Total Enterprise Funds	Internal Service Funds
<b>Operating Revenues:</b>								
Rental	\$ 21,736,507	\$ 1,401,272	\$ 2,136,979	\$ -	\$ 1,113,075	\$ -	\$ 26,387,833	\$ -
Fee-for-service	-	-	-	10,779,621	-	(9,234,153)	1,545,468	-
Other	334,068	13,923	35,727	396,828	19,297	-	799,843	104,941
<b>Total operating revenues</b>	<b>22,070,575</b>	<b>1,415,195</b>	<b>2,172,706</b>	<b>11,176,449</b>	<b>1,132,372</b>	<b>(9,234,153)</b>	<b>28,733,144</b>	<b>104,941</b>
<b>Operating Expenses:</b>								
Personnel services	10,863,249	885,652	-	10,044,041	23,278	-	21,816,220	-
Depreciation and amortization	19,718,830	1,276,064	1,817,159	158,001	560,322	-	23,530,376	101,786
Administration	11,317,692	397,003	959,001	342,567	648,580	(7,895,987)	5,768,856	-
Provision for (recovery of) losses	1,327,206	65,745	(6,433)	-	(14,975)	-	1,371,543	-
Professional services	478,136	20,817	32,810	451,090	6,779	-	989,632	3,476
Tenant services	102,490	5,568	5,166	10,801	-	-	124,025	-
Security	3,515,491	37,152	2,725	18,313	-	-	3,573,681	-
Insurance	551,342	31,784	56,856	11,125	10,569	-	661,676	984
Repairs and maintenance	13,293,829	517,082	1,239,000	289,432	222,452	(1,338,166)	14,223,629	-
Utilities	11,802,067	836,452	1,544,457	182,857	323,127	-	14,688,960	-
Payments in lieu of taxes	339,345	-	-	-	-	-	339,345	-
<b>Total operating expenses</b>	<b>73,309,677</b>	<b>4,073,319</b>	<b>5,650,741</b>	<b>11,508,227</b>	<b>1,780,132</b>	<b>(9,234,153)</b>	<b>87,087,943</b>	<b>106,246</b>
<b>Operating loss carried forward</b>	<b>(51,239,102)</b>	<b>(2,658,124)</b>	<b>(3,478,035)</b>	<b>(331,778)</b>	<b>(647,760)</b>	<b>-</b>	<b>(58,354,799)</b>	<b>(1,305)</b>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2023

	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	(51,239,102)	(2,658,124)	(3,478,035)	(331,778)	(647,760)	-	(58,354,799)	(1,305)
Nonoperating Revenues:								
HUD operating subsidies	37,556,492	-	-	-	-	-	37,556,492	-
HUD capital fund subsidies	7,334,921	-	-	-	-	-	7,334,921	-
Other revenues	11,832	7,298	11,690	451,170	77	-	482,067	9,657
Net nonoperating revenues	44,903,245	7,298	11,690	451,170	77	-	45,373,480	9,657
(Loss) income before transfers	(6,335,857)	(2,650,826)	(3,466,345)	119,392	(647,683)	-	(12,981,319)	8,352
Capital Contributions	6,703,053	-	4,264,599	705,187	-	-	11,672,839	-
Net Transfers	5,099,874	1,679,450	306,747	4,895	-	-	7,090,966	-
Change in net position	5,467,070	(971,376)	1,105,001	829,474	(647,683)	-	5,782,486	8,352
Net Position at July 1, 2022	328,878,719	18,745,806	37,251,079	(6,662,792)	8,788,585	-	387,001,397	1,549,790
Net Position at June 30, 2023	<u>\$ 334,345,789</u>	<u>\$ 17,774,430</u>	<u>\$ 38,356,080</u>	<u>\$ (5,833,318)</u>	<u>\$ 8,140,902</u>	<u>\$ -</u>	<u>\$ 392,783,883</u>	<u>\$ 1,558,142</u>

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, 2023

Change in net position - total enterprise funds	\$ 5,782,486
Change in net position - internal service funds	<u>8,352</u>
Change in net position of business-type activities	<u>\$ 5,790,838</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, 2023

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>							
Cash received from renters	\$ 19,997,772	\$ 1,310,398	\$ 2,143,025	\$ -	\$ 1,137,585	\$ 24,588,780	\$ -
Cash payments to employees	(10,863,249)	(885,215)	-	(10,041,746)	(23,278)	(21,813,488)	-
Cash payments to suppliers	(41,792,334)	(1,919,107)	(4,028,002)	(2,088,449)	(1,165,701)	(50,993,593)	-
Cash receipts from other funds	5,099,951	1,661,705	268,404	10,980,152	176,167	18,186,379	104,941
Other cash receipts (payments)	174,094	5,840	35,727	234,038	(18,874)	430,825	(4,460)
Net cash (used in) provided by operating activities	(27,383,766)	173,621	(1,580,846)	(916,005)	105,899	(29,601,097)	100,481
<b>Cash Flows from Noncapital Financing Activity --</b>							
HUD operating subsidy received	30,320,932	-	-	-	-	30,320,932	-
Net cash provided by noncapital financing activities	30,320,932	-	-	-	-	30,320,932	-
<b>Cash Flows from Capital and Related Financing Activities:</b>							
HUD capital subsidy received	13,135,859	-	-	-	-	13,135,859	-
Payments for acquisition of property and equipment	(7,001,768)	-	-	(779,005)	-	(7,780,773)	-
Other	11,832	-	-	-	-	11,832	-
Net cash provided by (used in) capital and related financing activities	6,145,923	-	-	(779,005)	-	5,366,918	-
Subtotal carried forward	9,083,089	173,621	(1,580,846)	(1,695,010)	105,899	6,086,753	100,481

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, 2023

	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	\$ 9,083,089	\$ 173,621	\$ (1,580,846)	\$ (1,695,010)	\$ 105,899	\$ 6,086,753	\$ 100,481
Cash Flows from Investing Activities:							
Receipts of interest	-	10,844	62,004	349,347	77	422,272	15,729
Issuance of note receivable	-	-	-	(163,615)	-	(163,615)	-
Net cash provided by investing activities	-	10,844	62,004	185,732	77	258,657	15,729
Net increase (decrease) in cash	9,083,089	184,465	(1,518,842)	(1,509,278)	105,976	6,345,410	116,210
Cash and Restricted Cash at July 1, 2022	65,415,788	1,089,028	4,018,342	18,964,323	6,327,901	95,815,382	930,694
Cash and Restricted Cash at June 30, 2023	<u>\$ 74,498,877</u>	<u>\$ 1,273,493</u>	<u>\$ 2,499,500</u>	<u>\$ 17,455,045</u>	<u>\$ 6,433,877</u>	<u>\$ 102,160,792</u>	<u>\$ 1,046,904</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, 2023

	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	\$ (51,239,102)	\$ (2,658,124)	\$ (3,478,035)	\$ (331,778)	\$ (647,760)	\$ (58,354,799)	\$ (1,305)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:							
Depreciation	19,718,830	1,276,064	1,817,159	158,001	560,322	23,530,376	101,786
Provision for (recovery of) losses	1,327,206	65,745	(6,433)	-	(14,975)	1,371,543	-
Changes in assets and liabilities:							
Tenant receivables	(1,704,604)	(89,135)	7,495	-	26,890	(1,759,354)	-
Other receivables	(9,217)	1,727	-	360	(8,389)	(15,519)	-
Due from other funds	5,734,309	1,679,450	306,747	223,029	637,215	8,580,750	-
Inventories	30,156	(1,253)	3,826	(1,667)	-	31,062	-
Prepaid expenses and other assets	-	-	-	10,615	-	10,615	-
Deferred outflows of resources related to pension and OPEB	(279,044)	(25,360)	-	(249,120)	-	(553,524)	-
Accounts payable	409,065	(688)	67,601	(480,270)	10,584	6,292	-
Accrued expenses	(552,119)	(45,511)	(259,414)	(59,527)	5,440	(911,131)	-
Due to other funds	(634,358)	(17,745)	(38,343)	(22,498)	(461,048)	(1,173,992)	-
Security deposits	59,662	366	(745)	-	(760)	58,523	-
Deferred income	(93,793)	(2,105)	(704)	-	(1,620)	(98,222)	-
Net OPEB liability	(1,088,301)	(87,888)	-	(1,052,294)	-	(2,228,483)	-
Net pension liability	1,421,833	118,978	-	1,344,676	-	2,885,487	-
Deferred inflows of resources related to pension and OPEB	(484,289)	(40,900)	-	(455,532)	-	(980,721)	-
Net cash (used in) provided by operating activities	<u>\$ (27,383,766)</u>	<u>\$ 173,621</u>	<u>\$ (1,580,846)</u>	<u>\$ (916,005)</u>	<u>\$ 105,899</u>	<u>\$ (29,601,097)</u>	<u>\$ 100,481</u>

The accompanying notes are an integral part of this statement.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 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, 2023, 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, 2023

## 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, 2023

## 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, 2023 has been reported in the government-wide financial statements.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 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, 2023

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

### d. Fund Accounting (continued)

#### i. Governmental Funds

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

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

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

The Authority reports the following major governmental funds:

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### d. Fund Accounting (continued)

#### ii. Proprietary Funds

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

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

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

The Authority reports the following as major proprietary funds:

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2023

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

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

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

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

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



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### 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.

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. Leases

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### g. Leases (continued)

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

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

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

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

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

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

### h. Cash and Cash Equivalents

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### i. Inventories

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

### j. Interfund Receivables and Payables

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

### k. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumptions of net position that apply to future periods and will not be recognized as an outflow of resources (expenditures) until then. The balances as of June 30, 2023 are as follows:

	Governmental Funds	Business-Type Funds	Total
Deferred pension related costs	\$ 216,578	\$ 3,791,080	\$ 4,007,658
Deferred OPEB related costs	250,225	2,741,339	2,991,564
	<u>\$ 466,803</u>	<u>\$ 6,532,419</u>	<u>\$ 6,999,222</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, 2023 are as follows:

	Governmental Funds	Business-Type Funds	Total
Deferred pension related costs	\$ (193,628)	\$ (3,368,839)	\$ (3,562,467)
Deferred OPEB related costs	(514,481)	(5,907,301)	(6,421,782)
	<u>\$ (708,109)</u>	<u>\$ (9,276,140)</u>	<u>\$ (9,984,249)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### l. HUD Annual Contributions

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

### m. Vacation

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately \$798,000.

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

Balance at July 1, 2022	Additions	Reductions	Balance at June 30, 2023
<u>\$ 2,451,000</u>	<u>\$ 1,215,000</u>	<u>\$ 1,117,000</u>	<u>\$ 2,549,000</u>

As of June 30, 2023, approximately \$165,000 and \$2,384,000 of the unpaid vacation balance was for government-wide activities and business-type activities, respectively, and is included in accrued expenses in the accompanying statement of net position.

### n. Restrictions of Net Positions and Fund Balances

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2023

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

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

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

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

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

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

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

### o. Pensions

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2023

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

### p. Other Post Employment Benefits

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

### q. Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

### r. Management's Use of Estimates

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

### s. Recently Issued Accounting Pronouncements

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### s. Recently Issued Accounting Pronouncements (continued)

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement did not have a significant effect on the Authority’s financial statements for the year ended June 30, 2023.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangement. Implementation of this Statement did not have significant effect on the Authority’s financial statements for the year ended June 30, 2023.

## 2. Budgeting and Budgetary Control

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 2. Budgeting and Budgetary Control (continued)

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, 2023 is set forth in the required supplementary information.



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

### 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, 2023, total cash, including restricted cash, reported in the statement of net position is \$116,795,744 which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 9,852,535	\$ 9,852,535
Cash in bank (book balance)	<u>13,588,048</u>	<u>93,355,161</u>	<u>106,943,209</u>
	<u>\$ 13,588,048</u>	<u>\$ 103,207,696</u>	<u>\$ 116,795,744</u>

Restricted cash under the Housing Assistance Vouchers MTW Program of approximately \$2,373,000 consists of amounts restricted by HUD for housing assistance payments and the Family Self Sufficiency Program. Restricted cash under the Federal Low Rent Program and Kekumu at Waikoloa Project of approximately \$1,318,000 and \$35,000, respectively, consists primarily of tenant security deposits. Restricted cash under the Central Office Cost Center of approximately \$2,297,000 consists of amounts held in an approved escrow account (see Note 6).

Bank balance of cash in bank was approximately \$109,214,000 of which \$750,000 was covered by federal depository insurance and 108,464,000 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, 2023

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2023

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

During 2023, the interest earned on the note receivable amounted to approximately \$3,077,000 and has been recorded in deferred gain. The Authority received payment of accrued interest of approximately \$2,131,000 in March 2022. As the total cash received from the buyer has not yet exceeded the cost of the Project, the cash payment received was recorded in deferred gain. As of June 30, 2023, the net note receivable, inclusive of all principal, accrued interest of approximately \$30,007,000 and deferred gain related to the Project, is as follows and reflected under the Federal Low Rent Program statement of net position:

Principal and accrued interest	\$ 76,509,499
Deferred gain	<u>(73,824,326)</u>
Net note receivable	<u>\$ 2,685,173</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 2023, the Authority loaned the full \$3,900,000 to the buyer, which is included in the accompanying statement of net position under the Federal Low Rent Program.

In June 2020, the Authority entered into a Restated and Amended Master Development Agreement (MDA) with a third party developer to redevelop Kuhio Park Terrace and Kuhio Homes. Pursuant to the MDA, the Authority intends to lend up to \$1,750,000 to the developer to cover up to 50 percent of Multiphase Predevelopment Costs, as defined, incurred by the developer. Payment of principal will be repaid on a pro rata basis at the closing of each Development Phase, as defined. The note does not bear interest unless the borrower defaults upon the maturity date of July 8, 2030. As of June 30, 2023, the Authority loaned approximately \$593,000 to the developer, which is included in the accompanying statement of net position under the Central Office Cost Center.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

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

## 5. Capital Assets

Capital assets activity, including lease assets, for the year ended June 30, 2023 was as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023
<b>Governmental Activities</b>				
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	288,205	-	15,613,649
Equipment	1,491,895	-	-	1,491,895
Total capital assets being depreciated	<u>16,817,339</u>	<u>288,205</u>	<u>-</u>	<u>17,105,544</u>
Less accumulated depreciation for:				
Building and improvements	(14,209,453)	(124,006)	-	(14,333,459)
Equipment	<u>(1,330,102)</u>	<u>(29,630)</u>	<u>-</u>	<u>(1,359,732)</u>
Total accumulated depreciation	<u>(15,539,555)</u>	<u>(153,636)</u>	<u>-</u>	<u>(15,693,191)</u>
Governmental activities capital assets, net	<u>\$ 3,651,194</u>	<u>\$ 134,569</u>	<u>\$ -</u>	<u>\$ 3,785,763</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 5. Capital Assets (continued)

	<u>July 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2023</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 22,966,200	\$ -	\$ -	\$ 22,966,200
Construction in progress	40,979,663	19,016,882	(3,286,065)	56,710,480
Total capital assets not being depreciated	<u>63,945,863</u>	<u>19,016,882</u>	<u>(3,286,065)</u>	<u>79,676,680</u>
Capital assets, being depreciated:				
Building and improvements	786,853,167	3,017,605	-	789,870,772
Equipment	12,765,111	-	-	12,765,111
Total capital assets being depreciated	<u>799,618,278</u>	<u>3,017,605</u>	<u>-</u>	<u>802,635,883</u>
Less accumulated depreciation for:				
Building and improvements	(491,136,039)	(23,523,810)	-	(514,659,849)
Equipment	(8,963,959)	(101,786)	-	(9,065,745)
Total accumulated depreciation	<u>(500,099,998)</u>	<u>(23,625,596)</u>	<u>-</u>	<u>(523,725,594)</u>
Right of use asset	178,444	-	-	178,444
Less accumulated amortization	<u>(6,466)</u>	<u>(6,566)</u>	<u>-</u>	<u>(13,032)</u>
Business-type activities capital assets, net	<u>\$ 363,636,121</u>	<u>\$ (1,597,675)</u>	<u>\$ (3,286,065)</u>	<u>\$ 358,752,381</u>

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

Governmental Activity - -	
Rental Housing and Assistance Program	<u>\$ 153,636</u>
Business-Type Activities:	
Federal Low Rent Program	19,718,830
Housing Revolving Fund	1,276,064
Housing for Elders Revolving Fund	1,817,159
Central Office Cost Center Fund	158,001
Internal Services	101,786
Others	560,322
Total depreciation and amortization expense - business type activities	<u>23,632,162</u>
Total depreciation and amortization expense	<u>\$ 23,785,798</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 5. Capital Assets (continued)

At June 30, 2023, 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	671,825,921	38,171,625	62,716,310	2,186,908	14,970,008	789,870,772	-	789,870,772
Equipment, furniture, and fixtures	6,987,832	1,081,029	1,036,396	835,630	-	9,940,887	2,824,224	12,765,111
Construction in progress	43,358,396	982,669	9,339,104	3,030,311	-	56,710,480	-	56,710,480
Less accumulated depreciation	(445,344,703)	(23,183,354)	(43,014,423)	(771,566)	(9,081,905)	(521,395,951)	(2,329,643)	(523,725,594)
Right of use asset	178,444	-	-	-	-	178,444	-	178,444
Less accumulated amortization	(13,032)	-	-	-	-	(13,032)	-	(13,032)
Net property and equipment	<u>\$ 290,086,487</u>	<u>\$ 19,304,850</u>	<u>\$ 36,182,204</u>	<u>\$ 5,281,283</u>	<u>\$ 7,402,976</u>	<u>\$ 358,257,800</u>	<u>\$ 494,581</u>	<u>\$ 358,752,381</u>

## 6. Commitments and Contingencies

### a. Construction Contracts

At June 30, 2023, the Federal Low Rent Program fund and the Capital Projects fund had outstanding construction contract commitments to expend approximately \$17,813,000 and \$39,001,000, respectively, for the construction and renovation of housing projects.

### b. Consulting Agreement

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 6. Commitments and Contingencies (continued)

### b. Consulting Agreement (continued)

In accordance with the consulting agreement, the amount paid to the Authority shall be held in an interest bearing escrow account by an escrow agent mutually agreed upon by the Authority and the buyer until the state tax credit release date. Approximately \$2,297,000 of restricted cash recorded under the Central Office Cost Center as of June 30, 2023 is held in an approved escrow account.

### c. Master Planning and Predevelopment Agreement

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 6. Commitments and Contingencies (continued)

### 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, 2023, 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. Accumulated sick leave at June 30, 2023 amounted to approximately \$5,045,000.

### g. Litigation

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

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

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

Kiamalu's insurer has appointed counsel. UPS retained private counsel because of the large self-insured retention on the insurance it selected. UPS has not accepted the Authority's tender of defense. Instead, counsel for UPS, the Plaintiffs, and Kiamalu agreed to an early mediation. Although the Authority has not been served with the Complaint, the deputy attorney general attended the mediation, with the understanding that the Authority would not pay for the cost of the mediation, would not be making any offer (as it understood that UPS is obligated under its contract with the Authority, and the facts), and there would not be any discovery requests aimed



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

at the Authority before the mediation. Following the mediation, four Plaintiffs dismissed their claims against the Authority pursuant to these Plaintiffs' respective settlement agreements with UPS and Kiamalu in early 2018. In July 2019, the remaining Plaintiff dismissed his claims against UPS but the filed stipulation to dismiss did not include or reference the Authority. On August 9, 2022, the Court filed an Order of Dismissal of the case pursuant to Rule 41 of the Hawaii Rules of Civil Procedure.

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

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

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

In October 2021, the parties placed settlement terms on the record in the U.S. District Court. Plaintiff subsequently repudiated the settlement. The Authority filed a motion to compel the settlement. US District Court Judge denied the Authority's motion to enforce the settlement. Trial has been scheduled for November 14, 2023.

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

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

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

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

The parties have settled the case. The State agreed to pay \$10,000.

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

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

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

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

HAPI accepted a tender of the case and is currently defending the Authority. Trial, which is currently set for January 22, 2024, will be continued to a future date by stipulation of the parties.

#### Pregil v. Hawaii Affordable Properties and HPHA

The Plaintiff is a resident at an Authority property located in Wahiawa. The property is managed by HAPI. Plaintiff allegedly made multiple complaints about conditions in her bathroom. After work started in her bathroom but before it was completed, Plaintiff fell in her shower. She claims that it was due to the broken bathroom light.

This case is new and an answer has not been filed yet.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 6. Commitments and Contingencies (continued)

### g. Litigation (continued)

Laurie Thorson v. HPHA et al. (Civil Case No. 1:23-CV-00412-LEK-WRP, U.S. District Court)

Plaintiff Laurie Thorson is a holder of a Section 8 voucher issued by the Authority, which she uses to rent a two-bedroom dwelling unit. Plaintiff has been approved for a live-in aide and the extra bedroom is intended to be used by her live-in aide. Plaintiff's son was approved by the Authority to be her live-in aide. Plaintiff names three Authority employees in her Complaint and alleges discrimination, intimidation, harassment, defamation, and retaliation against her alleging intentional interference with her housing and interference with her approved reasonable accommodation. Plaintiff alleges that the Authority adopted an illegal policy for rent reasonableness determination in its Section 8 voucher program, which resulted in her receiving an approval of inadequate rent amount and in the Authority accumulating improper surplus grant funds. Plaintiff further alleges that because she complained to the Authority about the improper rent reasonableness policy, the Authority retaliated against her by approving an improper rent amount, by interfering with her live-in aide, and by defaming her. Plaintiff seeks \$350,000 in general damages and \$5,000,000 in punitive 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 the ERS website: <http://www.ers.ehawaii.gov/resources/financials>.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### b. Benefits Provided

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

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

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

#### Noncontributory Class

##### Retirement Benefits

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Noncontributory Class (continued)

##### Disability Benefits

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

##### Death Benefits

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 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 dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

#### Contributory Class for Members Hired After June 30, 2012

##### Retirement Benefits

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

##### Disability and Death Benefits

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

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

#### Hybrid Class for Members Hired Prior to July 1, 2012

##### Retirement Benefits

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

##### Disability Benefits

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



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Death Benefits

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

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

#### Hybrid Class for Employees Hired After June 30, 2012

##### Retirement Benefits

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### b. Benefits Provided (continued)

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

##### Disability and Death Benefits

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

### c. Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rate for fiscal year 2023 was 24.00% for Authority employees. Contributions to the pension plan from the Authority was approximately \$3,618,000 for the fiscal year ended June 30, 2023.

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

The payroll for all of the Authority's employees and employees covered by the plan was approximately \$16,209,000 for 2023.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 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, 2023, the Authority reported a liability of \$37,965,808 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the Authority's proportion was 0.29%, which was consistent with its proportion measured as of June 30, 2021.

The following changes were made to the actuarial assumptions as of June 30, 2021 to June 30, 2022:

- The administrative expenses assumption was increased from 0.35 percent to 0.40 percent.
- The general wage inflation assumption represents the average increase in wages in the general economy and is used to index salaries for each cohort of new entrants in projections. The general productivity component of the general wage inflation assumption for general employees and teachers decreased from 1.00 percent to 0.50 percent, that now yields a nominal assumption of 3.00 percent. There was no change to the assumption for police officers and firefighters.
- The assumed salary increase schedules increased for all employees. These schedules include an ultimate component for general wage inflation that may add on additional increase for individual merit (which would include promotions) and then an additional component for step rates based on service. The schedules of assumed salary increase, that are the same, for general employees and teachers increased to 4.66 percent, from 4.41 percent for general employees and from 4.37 percent for teachers; while police and firefighters employees schedules increased to 5.78 percent from 5.57 percent.
- Pre-retirement mortality rates increased for police and firefighters.
- Retiree mortality was updated to the 2022 Public Retirees of Hawaii mortality tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP from the year 2022 and with multiplier and setbacks based on plan and group experience.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$3,239,418. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 695,063	\$ (640,110)
Changes in assumptions	(706,090)	(540,945)
Net difference between projected and actual earnings on pension plan investments	-	(2,277,507)
Changes in proportion and differences between Authority contributions and proportionate share of contributions	400,520	(103,905)
Authority contributions subsequent to the measurement date	<u>3,618,165</u>	<u>-</u>
Total	<u>\$ 4,007,658</u>	<u>\$ (3,562,467)</u>

At June 30, 2023, the \$3,618,165 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, 2024.

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

For the years ending June 30,	
2024	\$ (790,000)
2025	(790,000)
2026	(790,000)
2027	(790,000)
2028	<u>(12,974)</u>
Total	<u>\$ (3,172,974)</u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021.

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

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### e. Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a "top down approach" of the Client-Constrained Simulation-based Optimization Model (a statistical technique known as "re-sampling with a replacement" that directly keys in on specific plan-level risk factors as stipulated by the ERS Board of Trustees) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return (real returns and inflation) by the target asset allocation percentage. The rate of returns based on ERS's investment consultant as of June 30, 2022 are summarized in the following table:

Strategic Allocation (risk-based classes)	Target Allocation	Long-Term Expected Geometric Rate of Return
Broad Growth		
Private equity	13.5%	11.0%
Global equity	20.0	8.5
Low volatility equity	4.0	7.8
Global options	4.0	6.4
Credit	6.0	7.7
Core real estate	6.0	6.4
Non-core real estate	4.5	9.5
Timber/agriculture/infrastructure	5.0	8.3
Diversifying strategies		
TIPS	2.0	3.3
Global macro	4.0	5.4
Reinsurance	4.0	6.4
Alternative risk premia	8.0	5.4
Long Treasuries	5.0	3.8
Intermediate government	4.0	3.2
Systematic trend following	10.0	6.2
	<u>100%</u>	

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### f. Discount Rate

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

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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.

	<u>1 percent Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1 percent Increase (8.00%)</u>
Authority's proportionate share of the net pension liability	\$ 50,913,360	\$ 37,965,808	\$ 27,247,706

### h. 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.

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 7. Retirement Plan (continued)

### h. Pension Plan Fiduciary Net Pension (continued)

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

## 8. Postemployment Health Care and Life Insurance Benefits

### a. Plan Description

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

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

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

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



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### b. Employees Covered by Benefit Terms

At July 1, 2022, the following number of plan members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	39,326
Inactive plan members entitled to but not yet receiving benefits	7,564
Active plan members	<u>48,678</u>
Total plan members	<u><u>95,568</u></u>

### c. Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the Authority was approximately \$1,685,000 for the fiscal year ended June 30, 2023. 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, 2023, the Authority reported a net OPEB liability of \$33,424,297. The net OPEB liability was measured as of July 1, 2022, 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, 2022, and the reporting date, June 30, 2023, that are expected to have a significant effect on the net OPEB liability.

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$1,104,341. At June 30, 2023 the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (5,520,320)
Changes in assumptions	288,836	(901,462)
Net difference between projected and actual earnings on pension plan investments	1,018,141	-
Authority contributions subsequent to the measurement date	<u>1,684,587</u>	<u>-</u>
Total	<u><u>\$ 2,991,564</u></u>	<u><u>\$ (6,421,782)</u></u>

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

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

At June 30, 2023, the \$1,684,587 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, 2024.

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

For the years ending June 30,	
2024	\$ (983,390)
2025	(983,390)
2026	(983,390)
2027	(983,390)
2028	(1,237,926)
Thereafter	<u>56,681</u>
Total	<u>\$ (5,114,805)</u>

### e. Actuarial Assumptions

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

Inflation	2.50 percent
Salary Increases	3.75 percent to 6.75 percent including inflation
Investment Rate of Return	7.00 percent

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### e. Actuarial Assumptions (continued)

#### Healthcare Cost Trend Rates

PPO*	Initial rate of 6.40 percent, declining to a rate of 4.25 percent after 22 years
HMO*	Initial rate of 6.40 percent, declining to a rate of 4.25 percent after 22 years
Part B and Base Monthly Contribution	Initial rate of 5.00 percent; declining to a rate of 4.25 percent after 22 years
Dental	4.00 percent
Vision	2.50 percent
Life insurance	0.00 percent

\*Blended rates for medical and prescription drug

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### e. Actuarial Assumptions (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private Equity	12.5 %	11.72 %
U.S. Microcap	6.0	8.28
Global Equity	27.5	6.62
Global Options	5.0	4.45
Real Assets	10.0	6.59
Private Credit	8.0	6.38
TIPS	5.0	1.35
Long Treasuries	6.0	2.32
Alternative Risk Premia	5.0	3.74
Trend Following	10.0	4.53
Reinsurance	5.0	4.81
	100 %	

### f. Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

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

### f. Single Discount Rate (continued)

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

### g. OPEB Plan Fiduciary Net Position

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

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

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 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, 2022.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance	\$ 48,486,008	\$ 12,633,306	\$ 35,852,702
Service Cost	753,709	-	753,709
Interest on the total OPEB liability	2,518,084	-	2,518,084
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(3,406,854)	-	(3,406,854)
Changes in assumptions	(868,360)	-	(868,360)
Employer contributions	-	1,663,676	(1,663,676)
Net investment loss	-	(240,865)	240,865
Benefit payments	(1,160,900)	(1,160,900)	-
Administrative expense	-	(996)	996
Other	-	3,169	(3,169)
Net Changes	<u>(2,164,321)</u>	<u>264,084</u>	<u>(2,428,405)</u>
Ending balance	<u>\$ 46,321,687</u>	<u>\$ 12,897,390</u>	<u>\$ 33,424,297</u>

### 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	\$ 41,394,150	\$ 33,424,297	\$ 27,089,753

# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 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%)	Current Discount Rate (7.00%)	1 percent Increase (8.00%)
Authority's proportionate share of the net OPEB liability	\$ 26,745,564	\$ 33,424,297	\$ 41,963,644

## 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, 2023

## 10. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2023 is as follows:

Current Due from	General Fund	Federal Low-Rent Program	Central Office Cost Center Fund	Non-major Enterprise	Internal Service Funds
Federal Low Rent Program	\$ -	\$ -	\$ 1,262,506	\$ -	\$ 7,838
Housing Revolving Fund	-	-	-	21,623	907
Housing for Elders Revolving Fund	-	-	-	2,074	-
Housing Assistance Vouchers MTW Program	-	-	439,667	-	-
Section 8 Contract Administration	-	-	287	-	-
General Fund	-	-	554	-	-
Non-major - Enterprise	74,216	31,371	5,173,617	239	-
Total	<u>\$ 74,216</u>	<u>\$ 31,371</u>	<u>\$ 6,876,631</u>	<u>\$ 23,936</u>	<u>\$ 8,745</u>

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

## 11. Net Transfers

The composition of net transfer balances reflected in the financial statements as of June 30, 2023 is as follows:

Transfer From	Housing Assistance Vouchers MTW Program	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center Fund
General Fund	\$ 7,944	\$ 3,481,237	\$ 1,676,595	\$ 301,038	\$ 4,895
Capital Projects	-	118,637	2,855	5,709	-
Housing Assistance Vouchers MTW Program	-	1,500,000	-	-	-
Total	<u>\$ 7,944</u>	<u>\$ 5,099,874</u>	<u>\$ 1,679,450</u>	<u>\$ 306,747</u>	<u>\$ 4,895</u>



# Hawaii Public Housing Authority

Notes to Financial Statements  
June 30, 2023

## 11. Net Transfers (continued)

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$5,472,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls and administrative expenses under certain governmental and enterprise funds.

Capital Projects: The Capital Projects Fund expended approximately \$127,000 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.

Housing Assistance Vouchers MTW Program: The Housing Assistance Vouchers MTW Program expended \$1,500,000 under the MTW Demonstration Program for housing assistance payments under the Federal Low Rent Program.

## 12. Capital Contributions

During 2023, the Capital Projects Fund expended approximately \$11,673,000 from the current year annual State of Hawaii appropriations to pay for capital outlays that were contributed to other funds. The composition of capital contribution balances reflected in the Proprietary Funds financial statements as of June 30, 2023 is as follows:

Contributed From	Federal Low-Rent Program	Housing Revolving Fund	Central Office Cost Center Fund	Total
Capital Projects	\$ 6,703,053	\$ 4,264,599	\$ 705,187	\$ 11,672,839

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

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -  
MAJOR GOVERNMENTAL FUNDS  
(UNAUDITED)

Year Ended June 30, 2023

	General Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
State allotted appropriations	<u>\$ 11,984,421</u>	<u>\$ 11,984,421</u>	<u>\$ 11,984,421</u>
Expenditures -			
Rental housing and assistance program	<u>11,984,421</u>	<u>11,984,421</u>	<u>10,748,786</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,235,635</u>
	Housing Assistance Voucher MTW Program		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Actual</u>
Revenues -			
HUD contributions	<u>64,969,302</u>	<u>\$ 64,969,302</u>	<u>\$ 64,969,302</u>
Expenditures -			
Rental housing and assistance program	<u>64,969,302</u>	<u>64,969,302</u>	<u>61,717,891</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,251,411</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2023

	Section 8 Contract Administration		
	Original Budget	Final Budget	Budgetary Actual
Revenues -			
HUD contributions	\$ 45,747,459	\$ 45,747,459	\$ 45,747,459
Expenditures -			
Rental housing and assistance program	45,747,459	45,747,459	45,194,670
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 552,789

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2023

	<u>General Fund</u>	<u>Housing Assistance Voucher MTW Program</u>	<u>Section 8 Contract Administration</u>
Excess (deficiency) of revenues over (under) expenditures and other sources and uses - actual on budgetary basis	\$ 1,235,635	\$ 3,251,411	\$ 552,789
Reserve for encumbrance at year end*	5,808,206	-	-
Expenditures for liquidation of prior year's encumbrances	(1,694,396)	-	-
Reversion of prior year's allotments	(1,599,394)	-	-
Accrual adjustments, operating transfers and other	<u>88</u>	<u>(1,337,798)</u>	<u>(51,147)</u>
 EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES - US GAAP BASIS	 <u>\$ 3,750,139</u>	 <u>\$ 1,913,613</u>	 <u>\$ 501,642</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  
(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.29%	0.29%	0.29%	0.29%	0.28%	0.29%	0.29%	0.29%	0.29%	0.29%
Authority's proportionate share of the net pension liability	\$ 37,965,808	\$ 34,794,569	\$ 44,224,997	\$ 40,401,259	\$ 37,880,199	\$ 37,036,049	\$ 38,216,244	\$ 25,085,181	\$ 23,355,937	\$ 25,740,677
Authority's covered-employee payroll	16,635,736	17,185,380	16,033,163	14,709,141	14,806,198	14,516,008	13,576,230	13,759,120	12,683,355	11,885,355
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	228.22%	202.47%	275.83%	274.67%	255.84%	255.14%	281.49%	182.32%	184.15%	216.57%
Plan fiduciary net position as a percentage of the total pension liability	62.76%	64.25%	53.18%	54.87%	55.48%	54.80%	51.28%	62.42%	63.92%	57.96%

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,618,165	\$ 3,768,544	\$ 3,907,049	\$ 3,319,373	\$ 2,816,511	\$ 2,510,750	\$ 2,348,866	\$ 2,172,048	\$ 2,159,495	\$ 1,965,345
Contributions in relation to the contractually required contribution	(3,618,165)	(3,768,544)	(3,907,049)	(3,319,373)	(2,816,511)	(2,510,750)	(2,348,866)	(2,172,048)	(2,159,495)	(1,965,345)
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 16,208,597	\$ 16,635,736	\$ 17,185,380	\$ 16,033,163	\$ 14,709,141	\$ 14,806,198	\$ 14,516,008	\$ 13,576,230	\$ 13,759,120	\$ 12,683,355
Contributions as a percentage of covered-employee payroll	22.32%	22.65%	22.73%	20.70%	19.15%	16.96%	16.18%	16.00%	15.70%	15.50%

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total OPEB Liability</b>										
Service cost	\$ 753,709	\$ 347,571	\$ 1,119,189	\$ 1,080,428	\$ 948,455	\$ 733,947				
Interest on the total OPEB liability	2,518,084	1,153,780	3,593,996	3,405,607	2,936,634	2,228,580				
Changes of benefit terms	-	-	-	-	-	-				
Difference between expected and actual experience of total OPEB liability	(3,406,854)	(489,710)	(3,290,446)	(28,356)	(868,350)	-				
Changes of assumptions	(868,360)	-	(269,412)	273,716	525,552	-				
Benefit payments	(1,160,900)	(527,256)	(1,652,922)	(1,630,932)	(1,429,888)	(1,101,878)				
Net change in total OPEB liability	(2,164,321)	484,385	(499,595)	3,100,463	2,112,403	1,860,649				
Total OPEB liability - beginning	48,486,008	48,001,623	48,501,218	45,400,755	43,288,352	41,427,703				
Total OPEB liability - ending	<u>\$ 46,321,687</u>	<u>\$ 48,486,008</u>	<u>\$ 48,001,623</u>	<u>\$ 48,501,218</u>	<u>\$ 45,400,755</u>	<u>\$ 43,288,352</u>				
<b>Plan fiduciary net position</b>										
Employer contributions	\$ 1,663,676	\$ 1,811,876	\$ 3,693,632	\$ 3,597,601	\$ 2,825,229	\$ 2,191,159				
Net investment (loss) income	(240,865)	949,814	197,212	327,087	325,516	219,382				
Benefit payments	(1,160,900)	(527,256)	(1,652,922)	(1,630,932)	(1,429,888)	(1,101,878)				
OPEB plan administrative expense	(996)	(485)	(1,386)	(2,251)	(1,066)	(561)				
Other	3,169	190	1,238	757,677	-	17,616				
Net change in plan fiduciary position	264,084	2,234,139	2,237,774	3,049,182	1,719,791	1,325,718				
Plan fiduciary net position - beginning	12,633,306	10,399,167	8,161,393	5,112,211	3,392,420	2,066,702				
Plan fiduciary net position - ending	<u>\$ 12,897,390</u>	<u>\$ 12,633,306</u>	<u>\$ 10,399,167</u>	<u>\$ 8,161,393</u>	<u>\$ 5,112,211</u>	<u>\$ 3,392,420</u>				
<b>Net OPEB liability - ending</b>	\$ 33,424,297	\$ 35,852,702	\$ 37,602,456	\$ 40,339,825	\$ 40,288,544	\$ 39,895,932				
Plan fiduciary net position as a percentage of total OPEB liability	28%	26%	22%	17%	11%	8%				
Covered-employee payroll	16,635,736	17,185,380	16,033,163	14,709,141	14,806,198	14,516,008				
Net OPEB liability as a percentage of covered-employee payroll	201%	209%	235%	274%	272%	275%				

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

See accompanying independent auditor's report.



Hawaii Public Housing Authority

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,684,587	\$ 2,735,130	\$ 1,237,587	\$ 3,856,767	\$ 3,466,987	\$ 3,187,682				
Contributions in relation to the actuarially determined contribution	<u>1,684,587</u>	<u>1,663,676</u>	<u>1,811,876</u>	<u>3,693,632</u>	<u>3,597,601</u>	<u>2,825,229</u>				
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ 1,071,454</u>	<u>\$ (574,289)</u>	<u>\$ 163,135</u>	<u>\$ (130,614)</u>	<u>\$ 362,453</u>				
Authority's covered-employee payroll	\$ 16,208,597	\$ 16,635,736	\$ 17,185,380	\$ 16,033,163	\$ 14,709,141	\$ 14,806,198				
Contributions as a percentage of covered-employee payroll	10.39%	16.44%	7.20%	24.05%	23.57%	21.53%				

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

See accompanying independent auditor's report.

## Hawaii Public Housing Authority

Notes to the Schedule of the Authority's OPEB Contributions  
Year ended June 30, 2023

Actuarial Valuation Date	July 1, 2022
Actuarial Cost Method	Entry Age Normal
Amortization method*	Level percent, closed
Remaining amortization period	22 years
Asset valuation method	4-year smoothed market
<b>Actuarial Assumptions</b>	
Investment rate of return	7.00 percent
Projected salary increases	3.50 percent to 7.00 percent
<b>Healthcare Cost Inflation Rates</b>	
PPO**	7.50 percent, declining rate of 4.70 percent after 13 years
HMO**	7.50 percent, declining rate of 4.70 percent after 13 years
Dental	5.00 percent for first year, declining to 4.00 percent for all future years
Vision	0.00 percent initial rate for first year, then 2.50 percent for all future years
Medicare Part B	Initial rates of 5.00 percent declining to a rate of 4.70 percent after 10 years

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

\*\* Blended rates for medical and prescription drug.

## **Supplementary Information**

Hawaii Public Housing Authority

COMBINING STATEMENT OF NET POSITION – NONMAJOR OTHER ENTERPRISE FUNDS

June 30, 2023

ASSETS	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Current Assets:					
Cash	\$ 457,201	\$ 256,693	\$ 5,256,204	\$ 428,794	\$ 6,398,892
Restricted cash	-	34,985	-	-	34,985
Tenant receivables, less allowance for doubtful accounts	-	24,949	-	4,493	29,442
Other receivables	-	4,172	16,478	-	20,650
Due from other funds	-	-	23,936	-	23,936
Total current assets	<u>457,201</u>	<u>320,799</u>	<u>5,296,618</u>	<u>433,287</u>	<u>6,507,905</u>
Capital Assets, less accumulated depreciation	<u>1,514,873</u>	<u>1,918,558</u>	<u>-</u>	<u>3,969,545</u>	<u>7,402,976</u>
Total assets	<u>\$ 1,972,074</u>	<u>\$ 2,239,357</u>	<u>\$ 5,296,618</u>	<u>\$ 4,402,832</u>	<u>\$ 13,910,881</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

June 30, 2023

LIABILITIES AND NET POSITION	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Current Liabilities:					
Accounts payable	\$ -	\$ 106,756	\$ 17,414	\$ 291,790	\$ 415,960
Accrued expenses	-	-	-	26,976	26,976
Due to other funds	-	-	5,279,204	239	5,279,443
Security deposits	-	34,960	-	11,110	46,070
Deferred income	-	1,530	-	-	1,530
Total current liabilities	<u>-</u>	<u>143,246</u>	<u>5,296,618</u>	<u>330,115</u>	<u>5,769,979</u>
Net Position:					
Invested in capital assets, net of related debt	1,514,873	1,918,558	-	3,969,545	7,402,976
Unrestricted	<u>457,201</u>	<u>177,553</u>	<u>-</u>	<u>103,172</u>	<u>737,926</u>
Total net position	<u>1,972,074</u>	<u>2,096,111</u>	<u>-</u>	<u>4,072,717</u>	<u>8,140,902</u>
Total liabilities and net position	<u>\$ 1,972,074</u>	<u>\$ 2,239,357</u>	<u>\$ 5,296,618</u>	<u>\$ 4,402,832</u>	<u>\$ 13,910,881</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR OTHER ENTERPRISE FUNDS

Year Ended June 30, 2023

	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Operating Revenues:					
Rental	\$ -	\$ 426,032	\$ -	\$ 687,043	\$ 1,113,075
Other	-	19,297	-	-	19,297
Total operating revenues	-	445,329	-	687,043	1,132,372
Operating Expenses:					
Personnel services	-	23,278	-	-	23,278
Depreciation	-	64,130	-	496,192	560,322
Administration	-	217,043	-	431,537	648,580
Provision for losses	-	-	-	(14,975)	(14,975)
Professional services	-	-	-	6,779	6,779
Insurance	-	-	-	10,569	10,569
Repairs and maintenance	-	109,663	-	112,789	222,452
Utilities	-	143,933	-	179,194	323,127
Total operating expenses	-	558,047	-	1,222,085	1,780,132
Operating loss	-	(112,718)	-	(535,042)	(647,760)
Nonoperating Revenue --					
Other revenues	-	26	-	51	77
Net nonoperating revenues	-	26	-	51	77
Change in net position	\$ -	\$ (112,692)	\$ -	\$ (534,991)	\$ (647,683)

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

Year Ended June 30, 2023

	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Net Position at July 1, 2022	\$ 1,972,074	\$ 2,208,803	\$ -	\$ 4,607,708	\$ 8,788,585
Change in Net Position	<u>-</u>	<u>(112,692)</u>	<u>-</u>	<u>(534,991)</u>	<u>(647,683)</u>
Net Position at June 30, 2023	<u>\$ 1,972,074</u>	<u>\$ 2,096,111</u>	<u>\$ -</u>	<u>\$ 4,072,717</u>	<u>\$ 8,140,902</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS

Year Ended June 30, 2023

	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Cash Flows from Operating Activities:					
Cash received from renters	\$ -	\$ 435,567	\$ -	\$ 702,018	\$ 1,137,585
Cash payments to employees	-	(23,278)	-	-	(23,278)
Cash payments to suppliers	-	(437,148)	-	(728,553)	(1,165,701)
Cash receipts from other funds	-	-	175,979	188	176,167
Other	-	19,297	(38,171)	-	(18,874)
Net cash (used in) provided by operating activities	-	(5,562)	137,808	(26,347)	105,899
Cash Flows from Investing Activity --					
Receipts of Interest	-	26	-	51	77
Net cash provided by investing activity	-	26	-	51	77
Net (decrease) increase in cash	-	(5,536)	137,808	(26,296)	105,976
Cash and restricted cash at July 1, 2022	457,201	297,214	5,118,396	455,090	6,327,901
Cash and restricted cash at June 30, 2023	<u>\$ 457,201</u>	<u>\$ 291,678</u>	<u>\$ 5,256,204</u>	<u>\$ 428,794</u>	<u>\$ 6,433,877</u>

See accompanying independent auditor's report.



Hawaii Public Housing Authority

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

Year Ended June 30, 2023

	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Cash Flows from Operating Activities:					
Reconciliation of operating loss to net cash (used in) provided by operating activities:					
Operating loss	\$ -	\$ (112,718)	\$ -	\$ (535,042)	\$ (647,760)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:					
Depreciation	-	64,130	-	496,192	560,322
Provision for losses	-	-	-	(14,975)	(14,975)
Changes in assets and liabilities:					
Tenant receivables	-	11,915	-	14,975	26,890
Due from other funds	-	-	613,279	-	613,279
Other receivables	-	-	(8,389)	-	(8,389)
Accounts payable	-	33,491	(29,782)	6,875	10,584
Accrued expenses	-	-	-	5,440	5,440
Due to other funds	-	-	(437,300)	188	(437,112)
Security deposits	-	(760)	-	-	(760)
Deferred income	-	(1,620)	-	-	(1,620)
Net cash (used in) provided by operating activities	<u>\$ -</u>	<u>\$ (5,562)</u>	<u>\$ 137,808</u>	<u>\$ (26,347)</u>	<u>\$ 105,899</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS

June 30, 2023

ASSETS	Equipment Rental	Vehicle Rental	Total
Current Assets:			
Cash	\$ 815,029	\$ 231,875	\$ 1,046,904
Accrued interest receivable	7,009	903	7,912
Due from other funds	-	8,745	8,745
Total current assets	<u>822,038</u>	<u>241,523</u>	<u>1,063,561</u>
Capital Assets, less accumulated depreciation	-	494,581	494,581
Total assets	<u>\$ 822,038</u>	<u>\$ 736,104</u>	<u>\$ 1,558,142</u>
LIABILITIES AND NET POSITION			
Current Liabilities:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total current liabilities	-	-	-
Net Position:			
Invested in capital assets	-	494,581	494,581
Unrestricted	<u>822,038</u>	<u>241,523</u>	<u>1,063,561</u>
Total net position	<u>822,038</u>	<u>736,104</u>	<u>1,558,142</u>
Total liabilities and net position	<u>\$ 822,038</u>	<u>\$ 736,104</u>	<u>\$ 1,558,142</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

Year Ended June 30, 2023

	<u>Equipment Rental</u>	<u>Vehicle Rental</u>	<u>Total</u>
Operating Revenue - Other	<u>\$ -</u>	<u>\$ 104,941</u>	<u>\$ 104,941</u>
Operating Expenses:			
Professional services	1,750	1,726	3,476
Depreciation	-	101,786	101,786
Insurance	<u>984</u>	<u>-</u>	<u>984</u>
Total operating expenses	<u>2,734</u>	<u>103,512</u>	<u>106,246</u>
Operating (loss) income	(2,734)	1,429	(1,305)
Nonoperating Revenues --			
Interest income	<u>8,883</u>	<u>774</u>	<u>9,657</u>
Total nonoperating revenues	<u>8,883</u>	<u>774</u>	<u>9,657</u>
Change in net position	6,149	2,203	8,352
Net Position at July 1, 2022	<u>815,889</u>	<u>733,901</u>	<u>1,549,790</u>
Net Position at June 30, 2023	<u><u>\$ 822,038</u></u>	<u><u>\$ 736,104</u></u>	<u><u>\$ 1,558,142</u></u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year Ended June 30, 2023

	Equipment Rental	Vehicle Rental	Total
Cash Flows from Operating Activities:			
Cash receipts from other funds	\$ -	\$ 104,941	\$ 104,941
Other cash payments	(2,734)	(1,726)	(4,460)
Net cash (used in) provided by operating activities	<u>(2,734)</u>	<u>103,215</u>	<u>100,481</u>
Cash Flows from Investing Activity --			
Receipts of Interest	12,158	3,571	15,729
Net cash provided by investing activity	<u>12,158</u>	<u>3,571</u>	<u>15,729</u>
Net increase in cash	9,424	106,786	116,210
Cash at July 1, 2022	<u>805,605</u>	<u>125,089</u>	<u>930,694</u>
Cash at June 30, 2023	<u><u>\$ 815,029</u></u>	<u><u>\$ 231,875</u></u>	<u><u>\$ 1,046,904</u></u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

Year Ended June 30, 2023

	<u>Equipment Rental</u>	<u>Vehicle Rental</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:			
Operating (loss) income	\$ (2,734)	\$ 1,429	\$ (1,305)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities			
Depreciation	-	101,786	101,786
Net cash (used in) provided by operating activities	<u>\$ (2,734)</u>	<u>\$ 103,215</u>	<u>\$ 100,481</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

RECONCILIATION OF CASH

June 30, 2023

The Authority's cash consists of the following as of June 30, 2023:

Equity in State Treasury investment pool - Gov't Wide	\$ 9,852,535
Cash in banks	<u>106,943,209</u>
	<u>\$ 116,795,744</u>

Total cash is in agreement with the State Comptroller's central accounting records as of June 30, 2023, as reconciled below:

	<u>Appropriation symbol</u>	<u>June 30, 2023</u>
Cash in State Treasury		
Special Funds	S-20-337-K	\$ 73,108
	S-21-337-K	1,600
	S-22-337-K	11,343
	S-23-337-K	2,276,055
	S-22-335-K	25,089
	S-23-335-K	206,786
	S-22-336-K	305,605
	S-23-336-K	509,424
	S-19-308-K	28,265
	S-20-308-K	421
	S-21-308-K	58,043
	S-22-308-K	33,584
	S-23-308-K	1,064,123
	S-22-332-K	<u>5,256,204</u>
Total cash held in State Treasury as reported by State Comptrollers accounting records carried forward		9,849,650

See accompanying independent auditor's report.

Hawaii Public Housing Authority

RECONCILIATION OF CASH (continued)

June 30, 2023

	<u>Appropriation symbol</u>	<u>June 30, 2023</u>
Subtotal brought forward		9,849,650
Reconciling item --		
Deposits in transit not recorded by DAGS		<u>2,885</u>
		9,852,535
Cash held outside State Treasury:		
Cash in bank		<u>106,943,209</u>
Cash and restricted cash on statement of net position		<u><u>\$ 116,795,744</u></u>

See accompanying independent auditor's report.