

April 03, 2019

VIA EMAIL & HAND DELIVERY

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

VIA EMAIL & HAND DELIVERY

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial and Compliance Audit of the Hawai'i Public Housing Authority

Dear President Kouchi and Speaker Saiki:

The financial and compliance audit of the Hawai'i Public Housing Authority for the fiscal year ended June 30, 2018, was issued on March 12, 2019. The Office of the Auditor retained KMH LLP to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

http://files.hawaii.gov/auditor/Reports/2018_Audit/HPHA2018.pdf; and

http://files.hawaii.gov/auditor/Reports/2018_Audit/HPHA_Summary_2018.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:RTS:emo

Enclosures

ec/attach (Auditor's Summary only): Senators

Representatives

Brian Takeshita, House Chief Clerk

Carol Taniguchi, Senate Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the Hawai'i Public Housing Authority

Financial Statements, Fiscal Year Ended June 30, 2018



PHOTO: HAWAII PUBLIC HOUSING AUTHORITY

THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Hawai'i Public Housing Authority (HPHA) as of and for the fiscal year ended June 30, 2018, and to comply with the requirements of Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KMH LLP.

About the Authority

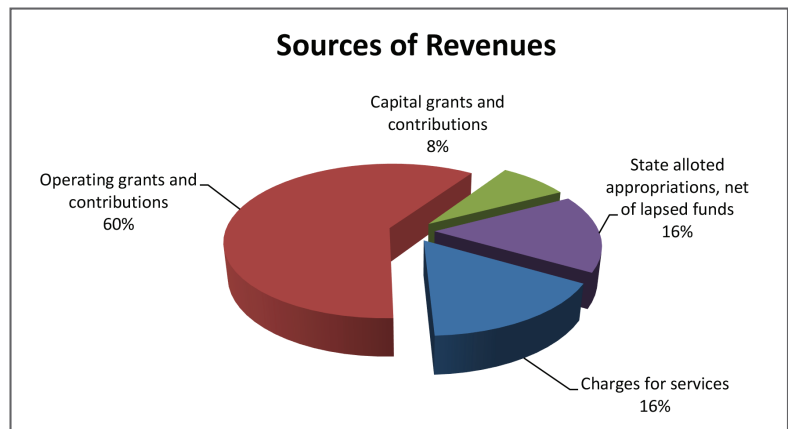
THE MISSION of HPHA is to provide safe, decent, and sanitary dwelling for low and moderate-income residents of Hawai'i and to operate its housing programs in accordance with federal and State laws and regulations. Some of HPHA's housing assistance programs are funded by the U.S. Department of Housing and Urban Development (HUD).

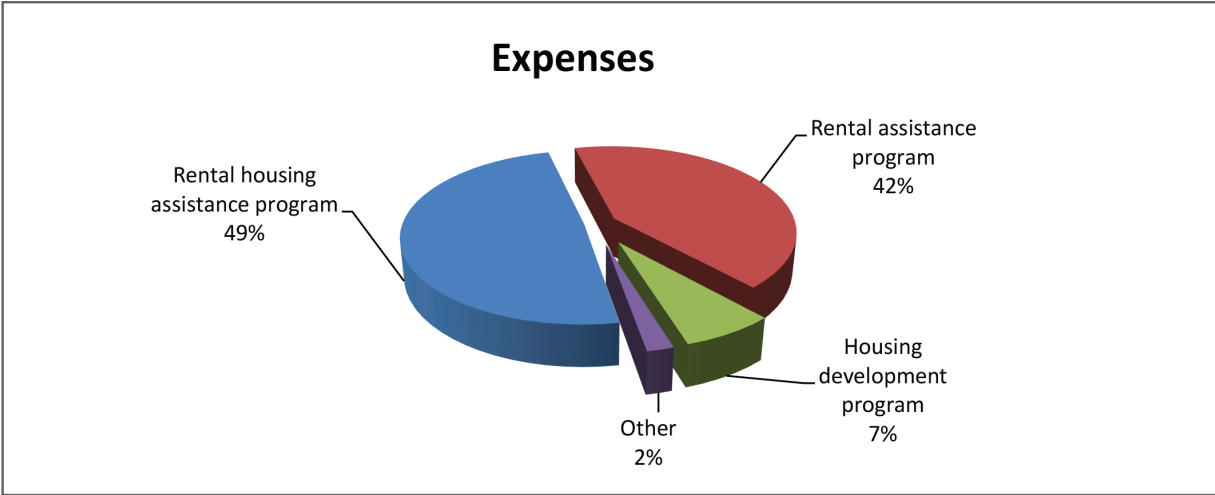
HPHA is administratively attached to the State Department of Human Services (DHS). HPHA operates under the direction of its Executive Director and Board of Directors, which consists of eleven members, of which nine are appointed by the Governor. The Director of DHS and the Governor's designee are ex-officio members.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2018, HPHA reported total revenues of \$152 million and total expenses of \$146 million, resulting in an increase in net position of \$6 million.

Total revenues of \$152 million consisted of \$25 million in charges for services and other revenues, \$91 million in operating grants and contributions, \$12 million in capital grants and contributions, and \$24 million in State allotted appropriations, net of lapsed funds.





Total expenses of \$146 million consisted of \$71 million for the rental housing assistance program, \$61 million for the rental assistance program, \$10 million for the housing development program, and \$4 million for other costs.

As of June 30, 2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$480 million. Total assets and deferred outflows of resources of \$571 million were comprised of cash of \$97 million, amounts due from State of \$96 million, notes and other receivables of \$10 million, net capital assets of \$355 million, and other assets and deferred outflows of resources of \$13 million. Total liabilities and deferred inflows of resources of \$91 million were comprised of net pension liability of \$37 million, net other post-employment benefits other than pensions of \$40 million, accounts payable and accrued expenses of \$11 million, and other liabilities and deferred inflows of resources of \$3 million.

Auditor's Opinions

HPHA RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. HPHA also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were considered to be material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance that are required to be reported under the *Uniform Guidance*.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2018_Audit/HPHA2018.pdf

Hawaii Public Housing Authority

Financial Statements

June 30, 2018

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR
STATE OF HAWAII**



A Hawaii Limited Liability Partnership

March 12, 2019

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

Dear Mr. Ouansafi:

This is our report on the financial audit of the Hawaii Public Housing Authority (Authority) as of and for the fiscal year ended June 30, 2018. Our audit was performed in accordance with the terms of our contract with the State of Hawaii and with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

OBJECTIVES OF THE AUDIT

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

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

SCOPE OF THE AUDIT

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

ORGANIZATION OF THE REPORT

This report is presented in four parts as follows:

- Part I – The basic financial statements and related notes of the Authority as of and for the fiscal year ended June 30, 2018, and our opinion on the basic financial statements.
- Part II – Our report on internal control over financial reporting and compliance.
- Part III – Our report on compliance for each major program; internal control over compliance; and report on schedule of expenditures of federal awards.
- Part IV – The schedule of findings and questioned costs.
- Part V – The summary schedule of prior audit findings.

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

Sincerely,



Wilcox Choy
Partner

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PART I
FINANCIAL SECTION



A Hawaii Limited Liability Partnership

Independent Auditor's Report

The Auditor
State of Hawaii

Board of Directors
Hawaii Public Housing Authority:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matters

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2018, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

KMH LLP

KMH LLP

Honolulu, Hawaii
March 12, 2019

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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

INTRODUCTION

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

During the audited period of July 1, 2017 to June 30, 2018, the HPHA administered the following programs:

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

Hawaii Public Housing Authority

Management Discussion and Analysis

June 30, 2018

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

FINANCIAL HIGHLIGHTS

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

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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

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

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

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

Statement of Net Position

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

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

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

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2018

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

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

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

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Statement of Activities

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

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

FINANCIAL ANALYSIS OF THE HPHA'S FUNDS

Governmental Funds

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

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

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

Proprietary funds

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

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

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

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

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

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

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CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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CONTACT INFORMATION

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

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET POSITION (continued)

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET POSITION (continued)

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2017

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

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

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (continued)
 Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year Ended June 30, 2018

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

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies

a. General

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

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

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

The financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2018, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Authority's financial activities.

b. Government-Wide and Fund Financial Statements

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

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

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

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

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

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

c. Measurement Focus and Basis of Accounting

i. Government-Wide Financial Statements

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

ii. Governmental Fund Financial Statements

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

iii. Proprietary Funds

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

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

d. Fund Accounting

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

i. Governmental Funds

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

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

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

The Authority reports the following major governmental funds:

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

ii. Proprietary Funds

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

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

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

The Authority reports the following as major proprietary funds:

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

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

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

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

f. Capital Assets

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

f. Capital Assets (continued)

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

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

g. Cash and Cash Equivalents

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

h. Inventories

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

i. Interfund Receivables and Payables

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

j. Deferred Outflows/Inflows of Resources

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

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

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

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

k. HUD Annual Contributions

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

l. Vacation

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

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

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

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

m. Restrictions of Net Positions and Fund Balances

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

m. Restrictions of Net Positions and Fund Balances

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

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

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

n. Pensions

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

o. Other Post Employment Benefits (OPEB)

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

p. Risk Management

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

q. Management's Use of Estimates

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

r. Recently Issued Accounting Pronouncements

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

1. Organization and Significant Accounting Policies (continued)

r. Recently Issued Accounting Pronouncements (continued)

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

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

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

2. Budgeting and Budgetary Control

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

2. Budgeting and Budgetary Control (continued)

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

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

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

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

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

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

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2018 is set forth in the required supplementary information.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

3. Cash

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

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2018

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

5. Capital Assets

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

5. Capital Assets (continued)

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

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

At June 30, 2018, capital assets for the proprietary funds consisted of the following:

	Enterprise Funds						Internal Service Funds	Total
	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Central Office Cost Center	Other Enterprise Funds	Total Enterprise Funds		
Land	\$ 13,093,629	\$ 2,252,881	\$ 6,104,817	\$ -	\$ 1,514,873	\$ 22,966,200	\$ -	\$ 22,966,200
Buildings and improvements	544,830,897	31,319,602	58,649,509	42,857	14,970,008	649,812,873	-	649,812,873
Equipment, furniture and fixtures	5,557,978	995,117	1,036,396	602,400	-	8,191,891	2,111,722	10,303,613
Construction in progress	69,142,449	7,951,776	553,391	-	-	77,647,616	-	77,647,616
Less accumulated depreciation	<u>349,369,963</u>	<u>17,005,082</u>	<u>34,411,881</u>	<u>322,132</u>	<u>6,280,301</u>	<u>407,389,359</u>	<u>2,023,550</u>	<u>409,412,909</u>
Net property and equipment	<u><u>\$283,254,990</u></u>	<u><u>\$ 25,514,294</u></u>	<u><u>\$ 31,932,232</u></u>	<u><u>\$ 323,125</u></u>	<u><u>\$ 10,204,580</u></u>	<u><u>\$351,229,221</u></u>	<u><u>\$ 88,172</u></u>	<u><u>\$351,317,393</u></u>

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies

a. Lease Commitments

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

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

b. Construction Contracts

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

c. Consulting Agreement

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

d. Torts

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

e. Workers' Compensation Policy

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

f. Accumulated Sick Leave Pay

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

g. Litigation

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

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

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

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

g. Litigation (continued)

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

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

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

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

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

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

6. Commitments and Contingencies (continued)

g. Litigation (continued)

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

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

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

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

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

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

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

7. Retirement Plan

a. Plan Description

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided

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

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

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

Noncontributory Class

Retirement Benefits

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Noncontributory Class (continued)

Disability Benefits

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

Death Benefits

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Contributory Class for Members Hired prior to July 1, 2012

Retirement Benefits

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

Disability Benefits

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

Death Benefits

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits

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

Disability and Death Benefits

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

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

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits

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

Disability Benefits

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

b. Benefits Provided (continued)

Death Benefits

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

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

Hybrid Class for Employees Hired After June 30, 2012

Retirement Benefits

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

Disability and Death Benefits

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

c. Contributions (continued)

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

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

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

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

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

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

e. Actuarial Assumptions

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2018

7. Retirement Plan (continued)

e. Actuarial Assumptions (continued)

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

7. Retirement Plan (continued)

e. Actuarial Assumptions (continued)

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

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

f. Pension Plan Fiduciary Net Pension

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

8. Postemployment Health Care and Life Insurance Benefits

a. Plan Descriptions

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

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

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

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

b. Employees Covered by Benefit Terms

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

c. Contributions

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

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

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

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

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

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

e. Actuarial Assumptions

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

e. Actuarial Assumptions (continued)

Healthcare Cost Trend Rates

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

*Blended rates for medical and prescription drug

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

e. Actuarial Assumptions (continued)

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

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

f. Single Discount Rate

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

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2018

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

f. Single Discount Rate (continued)

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

g. OPEB Plan Fiduciary Net Position

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

h. Changes in Net OPEB Liability

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

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

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

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

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

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

9. Deferred Compensation Plan

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

10. Interfund Receivables and Payables

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

11. Net Transfers

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

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

The following describes the transfers noted above:

General Fund: The General Fund expended approximately \$5,634,000 from the current year annual State of Hawaii appropriations to pay for rental housing service shortfalls under certain enterprise funds.

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

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

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

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

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2018

12. Capital Contributions

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

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

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

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

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2018

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS (continued)

Year Ended June 30, 2018

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
BUDGET-TO-GAAP RECONCILIATION

Year Ended June 30, 2018

	<u>General Fund</u>	<u>Housing Choice Voucher Program</u>	<u>Section 8 Contract Administration</u>
Excess (deficiency) of revenues over (under) expenditures and other sources and uses - actual on budgetary basis	\$ 203,089	\$ (1,849,809)	\$ 326,059
Reserve for encumbrance at year end*	3,232,503	-	-
Expenditures for liquidation of prior year's encumbrances	(2,397,061)	-	-
Reversion of prior year's allotments	(203,089)	-	-
Accrual adjustments, operating transfers and other	<u>(538,979)</u>	<u>921,847</u>	<u>(36,181)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES - US GAAP BASIS	<u><u>\$ 296,463</u></u>	<u><u>\$ (927,962)</u></u>	<u><u>\$ 289,878</u></u>

* Amount reflects the encumbrance balance included in continuing appropriation.

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

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

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

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

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

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

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

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

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

Hawaii Public Housing Authority

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

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

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

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

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

See accompanying independent auditor's report.

Hawaii Public Housing Authority

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

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

Methods and Assumptions

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

Healthcare Cost Trend Rates

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

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

** Blended rates for medical and prescription drug.

Supplementary Information

Hawaii Public Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development:</u>		
Section 8 Project-Based Cluster --		
Section 8 Housing Assistance Payments - Special Allocations	14.195	\$ 33,888,379
Public and Indian Housing	14.850	23,821,475
Section 8 Housing Choice Vouchers	14.871	34,371,775
Resident Opportunity & Supporting Services	14.870	102,016
Economic Development Initiative	14.251	779,200
Public Housing Capital Fund	14.872	<u>11,123,499</u>
Total federal expenditures		<u><u>\$ 104,086,344</u></u>

The accompanying notes are an integral part of this schedule.

Hawaii Public Housing Authority

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

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

See accompanying independent auditor's report

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

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

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

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

See accompanying independent auditor's report

Hawaii Public Housing Authority
 Financial Data Schedule
 Project Balance Sheet
 June 30, 2018

Line Item Number	Description	HI001000030	HI001000031	HI001000032	HI001000033	HI001000034	HI001000035	HI001000037	HI001000038	HI001000039	HI001000040	HI001000043	HI001000044	HI001000045	HI001000046	HI001000049	HI001000050	HI001000052	Total Project
111	Cash - Unrestricted	4,666,286	6,212,502	6,162,745	3,944,432	4,797,788	5,218,898	2,057,279	2,116,882	1,282,885	1,140,068	1,096,873	2,139,764	2,090,285	606,588	716,568	2,396,427	-	46,646,270
112	Cash - Restricted - Modernization and Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	10,776	7,096	31,307	6,275	-	-	-	-	-	-	3,930	785,929	-	-	40	-	845,353
114	Cash - Tenant Security Deposits	65,237	71,196	68,624	68,991	91,629	95,764	56,481	58,582	45,077	33,912	37,547	34,554	44,547	24,887	23,637	22,053	-	842,718
100	Total Cash	4,731,523	6,294,474	6,238,465	4,044,730	4,895,692	5,314,662	2,113,760	2,175,464	1,327,962	1,173,980	1,134,420	2,178,248	2,920,761	631,475	740,205	2,418,520	-	48,334,341
122	Accounts Receivable - HUD Other Projects	-	-	-	-	89,402	4,597	-	-	-	-	-	-	-	-	-	25,634	-	119,633
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	1,475	-	-	-	-	-	-	-	-	-	-	-	1,475
126	Accounts Receivable - Tenants	27,956	45,554	90,668	42,997	55,479	41,013	38,002	73,982	72,372	132,430	17,870	26,965	18,705	65,063	15,021	24,136	-	788,213
126.1	.1 Allowance for Doubtful Accounts -Tenants	(14,176)	(29,466)	(63,499)	(25,241)	(43,635)	(32,862)	(28,890)	(58,289)	(50,651)	(99,412)	(6,890)	(14,016)	(6,690)	(56,160)	(11,838)	(17,888)	-	(559,603)
127	Notes, Loans, & Mortgages Receivable - Current	2,561	8,953	6,577	2,229	476	7,524	2,275	5,318	8,446	-	-	2,805	2,881	8,729	-	8,954	-	67,728
120	Total Receivables, Net of Allowances for Doubtful Accounts	16,341	25,041	33,746	19,985	101,722	21,747	11,387	15,693	27,039	41,464	10,980	15,754	14,896	17,632	3,183	40,836	-	417,446
143	Inventories	40,323	81,432	25,402	-	74,865	43,035	9,000	39,628	21,783	44,283	30,447	21,332	25,296	18,109	11,330	17,856	-	504,121
143.1	.1 Allowance for Obsolete Inventories	(3,996)	(8,070)	(2,517)	-	(7,419)	(4,265)	(892)	(3,927)	(2,159)	(4,388)	(3,017)	(2,114)	(2,507)	(1,795)	(1,123)	(3,017)	-	(49,959)
144	Inter Program Due From	100,759	68,968	65,697	84,876	170,318	164,862	8,869	18,630	10,580	22,537	9,715	13,185	12,423	4,338	7,625	5,315	-	768,697
	Total Other Current Assets	137,086	142,330	88,582	84,876	237,764	203,632	16,977	54,331	30,204	62,432	37,145	32,403	35,212	20,652	17,832	21,401	-	1,222,859
150	Total Current Assets	4,884,950	6,461,845	6,360,793	4,149,591	5,235,178	5,540,041	2,142,124	2,245,488	1,385,205	1,277,876	1,182,545	2,226,405	2,970,869	669,759	761,220	2,480,757	-	49,974,646
161	Land	2,534,474	550,848	207,679	319,507	297,702	1,953,866	1,707,058	548,446	512,658	419,374	955,313	815,673	125,890	192,885	1,639,118	313,138	-	13,093,629
162	Buildings	38,908,745	56,395,387	26,235,677	43,919,670	34,486,771	31,828,623	63,500,480	46,125,213	30,498,363	10,670,400	33,163,097	33,755,317	43,875,966	19,754,974	18,296,505	13,415,709	-	544,830,897
163	Furniture, Equipment & Machinery - Dwellings	72,608	105,792	1,211,821	370,981	234,607	262,283	276,575	154,490	116,727	42,624	55,005	159,476	103,545	89,639	34,187	71,524	-	3,361,884
164	Furniture, Equipment & Machinery - Administration	397,847	167,773	437,717	98,483	91,492	131,119	390,840	164,450	79,008	69,064	19,048	40,821	13,654	7,734	5,989	81,055	-	2,196,094
165	Leasehold Improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated Depreciation	(34,886,870)	(36,024,934)	(18,605,768)	(25,111,273)	(23,311,653)	(21,540,925)	(35,212,175)	(25,094,095)	(17,066,309)	(10,401,813)	(19,746,921)	(25,835,277)	(27,352,117)	(9,310,758)	(14,497,284)	(5,371,791)	-	(349,369,963)
167	Construction in Progress	15,921,694	6,282,687	651,026	51,553	5,841,592	5,078,797	9,215,043	1,004,995	4,766,223	4,451,996	8,201	3,493,891	450,632	51,190	3,381,820	8,491,109	-	69,142,449
160	Total Capital Assets, Net of Accumulated Depreciation	22,948,498	27,477,553	10,138,152	19,648,921	17,640,511	17,713,763	39,877,821	22,903,499	18,906,670	13,968,275	14,453,743	12,429,901	17,217,570	10,785,664	8,860,335	17,000,744	-	283,254,990
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-	-	-	-	8,716,630	-	-	-	-	-	-	-	-	8,716,630
	Total Other Non-Current Assets	-	-	-	-	-	-	-	-	8,716,630	-	-	-	-	-	-	-	-	8,716,630
180	Total Non-Current Assets	22,948,498	27,477,553	10,138,152	19,648,921	17,640,511	17,713,763	39,877,821	22,903,499	18,906,670	13,968,275	14,453,743	12,429,901	17,217,570	10,785,664	8,860,335	17,000,744	-	291,971,620
190	Total Assets	27,833,448	33,939,398	16,498,945	23,798,512	22,875,689	23,253,804	42,019,945	25,148,987	20,291,875	15,246,151	15,636,288	14,656,306	20,188,439	11,455,423	9,621,555	19,481,501	-	341,946,266
200	Deferred Outflow of Resources	655,354	498,663	414,801	425,267	689,520	698,634	540,588	523,790	402,521	-	-	-	-	-	-	-	-	4,849,138
290	Total Assets and Deferred Outflow of Resources	28,488,802	34,438,061	16,913,746	24,223,779	23,565,209	23,952,438	42,560,533	25,672,777	20,694,396	15,246,151	15,636,288	14,656,306	20,188,439	11,455,423	9,621,555	19,481,501	-	346,795,404
312	Accounts Payable <= 90 Days	22,581	5,680	14,134	6,368	9,769	24,552	36,928	49,719	18,041	10,179	63,750	13,342	18,718	33,308	56,863	8,233	-	392,165
321	Accrued Wage/Payroll Taxes Payable	55,651	43,018	45,524	46,650	59,610	64,597	48,529	47,001	36,729	-	-	-	-	-	-	-	-	447,309
322	Accrued Compensated Absences - Current Portion	52,954	31,843	24,281	25,272	39,370	42,215	35,139	27,125	28,735	-	-	-	-	-	-	-	-	306,934
333	Accounts Payable - Other Government	-	-	-	-	-	61,093	50,483	42,022	-	25,790	-	-	25,520	-	-	-	-	204,908
341	Tenant Security Deposits	65,237	71,196	68,624	68,991	91,629	95,764	56,481	58,582	45,077	33,912	37,547	34,554	44,547	24,887	23,637	22,053	-	842,718
342	Deferred Revenues	7,130	14,779	14,792	17,718	21,229	18,141	8,050	13,761	10,765	24,271	12,885	16,820	2,819	3,369	7,072	7,976	-	201,577
345	Other Current Liabilities	2,052	58,587	17,960	37,969	101,273	6,922	7,161	8,213	9,265	6,915	11,656	10,375	11,173	4,965	3,226	27,897	-	325,609
346	Accrued Liabilities - Other	15,461	18,840	14,820	28,748	29,612	19,764	28,580	27,205	39,168	14,701	21,603	18,040	24,459	3,623	6,023	15,775	-	326,422
347	Inter Program - Due To	128,169	91,237	69,925	166,213	176,413	200,711	67,159	70,120	33,799	33,146	33,217	48,117	48,420	18,058	20,400	21,276	-	1,226,380
310	Total Current Liabilities	349,235	335,180	270,060	397,929	528,905	472,666	349,120	352,209	263,601	123,124	206,448	141,248	150,136	113,730	117,221	103,210	-	4,274,022
354	Accrued Compensated Absences - Non Current	116,066	69,796	53,219	55,392	86,291	92,529	77,018	59,453	62,982	-	-	-	-	-	-	-	-	672,746
357	Accrued Pension and OPEB Liabilities	4,554,583	3,552,348	2,889,644	2,975,950	4,686,092	4,896,373	3,618,858	3,242,824	2,585,416	-	-	-	-	-	-	-	-	33,002,088
350	Total Non-Current Liabilities	4,670,649	3,622,144	2,942,863	3,031,342	4,772,383	4,988,902	3,695,876	3,302,277	2,648,398	-	-	-	-	-	-	-	-	33,674,834
300	Total Liabilities	5,019,884	3,957,324	3,212,923	3,429,271	5,301,288	5,461,568	4,044,996	3,654,486	2,911,999	123,124	206,448	141,248	150,136	113,730	117,221	103,210	-	37,948,856
400	Deferred Inflow of Resources	82,243	24,945	38,813	41,469	84,164	56,783	46,353	38,296	21,925	-	-	-	-	-	-	-	-	434,991
508.4	Invested in Capital Assets, Net of Related Debt	22,948,498	27,477,553	10,138,152	19,648,921	17,640,511	17,713,763	39,877,821	22,903,499	18,906,670	5,251,645	14,453,743	12,429,901	17,217,570	10,785,664	8,860,335	17,000,744	-	283,254,990
511.4	Restricted Fund Balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
512.4	Unrestricted Net Assets	438,177	2,978,239	3,523,858	1,104,118	539,246	720,324	(1,408,637)	(923,504)	(1,1									

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

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

See accompanying independent auditor's report

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

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

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

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

See accompanying independent auditor's report.

PART II

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



A Hawaii Limited Liability Partnership

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

Board of Directors
Hawaii Public Housing Authority

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

KMH LLP

KMH LLP

Honolulu, Hawaii
March 12, 2019

PART III

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



A Hawaii Limited Liability Partnership

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

Board of Directors
Hawaii Public Housing Authority

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

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

KMH LLP

KMH LLP

Honolulu, Hawaii

March 12, 2019

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hawaii Public Housing Authority

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

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? __ Yes No

Hawaii Public Housing Authority

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

Section II – Financial Statement Findings

No matters were reported.

Hawaii Public Housing Authority

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

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

PART V

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Hawaii Public Housing Authority

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

Section I – Summary Schedule of Prior Audit Findings

No matters were reported.