

January 16, 2019

VIA EMAIL & HAND DELIVERY

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

VIA EMAIL & HAND DELIVERY

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

RE: Financial Audit of the State Comprehensive Annual Financial Report (CAFR)

Dear President Kouchi and Speaker Saiki:

The financial audit of the State of Hawaii Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018, was issued on December 14, 2018. The Office of the Auditor retained Accuity LLP to perform the financial audit. For your information, we are enclosing a copy of the two-page Auditor's Summary of the financial audit report.

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

http://files.hawaii.gov/auditor/Reports/2018_Audit/CAFR2018.pdf; and

http://files.hawaii.gov/auditor/Reports/2018_Audit/CAFR_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 Audit of the Comprehensive Annual Financial Report of the State of Hawai'i

Financial Statements, Fiscal Year Ended June 30, 2018



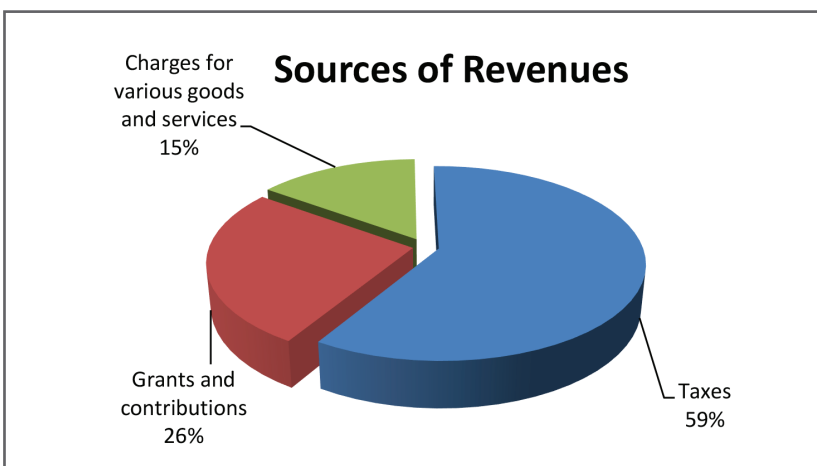
***THE PRIMARY PURPOSE** of our audit was to form an opinion on the fairness of the presentation of the State of Hawai'i's financial statements, as presented in the Comprehensive Annual Financial Report (CAFR) for the State of Hawai'i as of and for the fiscal year ended June 30, 2018. The audit was conducted by Accuity LLP. The CAFR was issued on December 14, 2018.*

About the State

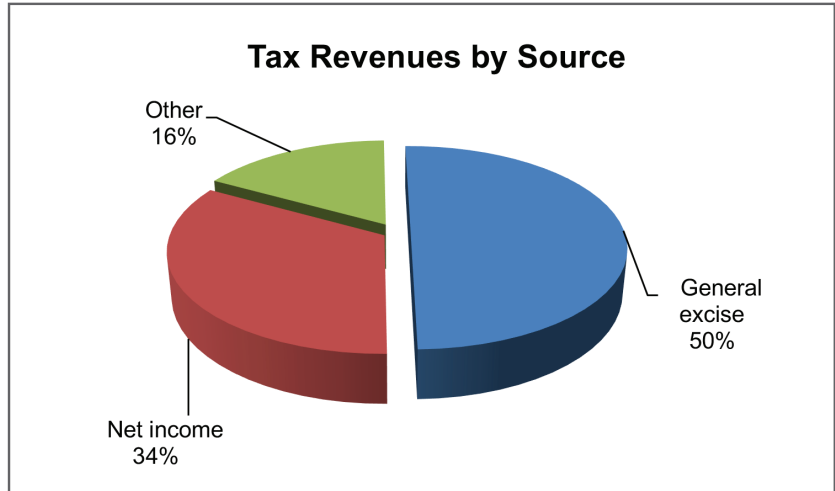
THE STATE OF HAWAI'I provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

Financial Highlights

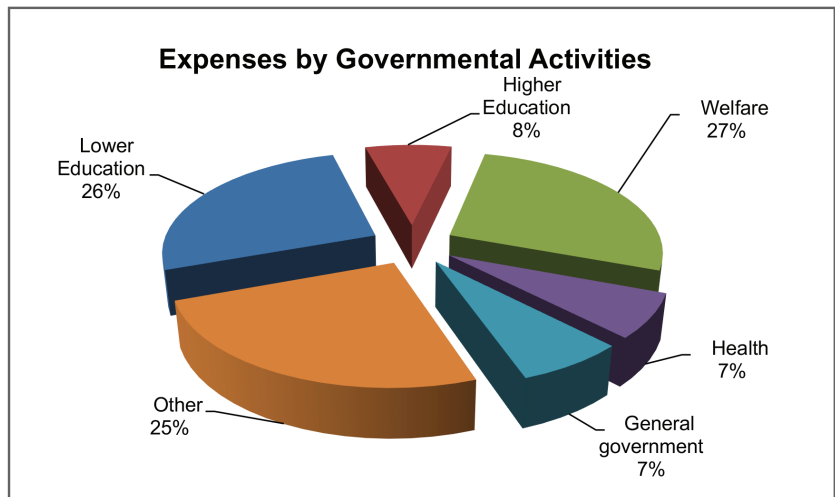
FOR THE FISCAL YEAR ended June 30, 2018, total revenues were \$12.2 billion and total expenses were \$12.9 billion, resulting in a decrease in net position of \$700 million. Approximately 59 percent of the State of Hawai'i's total revenues came from taxes of \$7.2 billion, 26 percent from grants and contributions of \$3.2 billion, and 15 percent from charges for various goods and services of \$1.8 billion.



Total tax revenues of \$7.2 billion consisted of general excise taxes of \$3.6 billion, net income taxes of \$2.4 billion, and other taxes of \$1.2 billion.



The largest expenses were for welfare at \$3.5 billion, lower education at \$3.4 billion, higher education at \$1 billion, health at \$900 million, and general government at \$900 million.



As of June 30, 2018, total liabilities and deferred inflows of resources of \$26.6 billion exceeded total assets and deferred outflows of resources of \$24.6 billion, resulting in a net position of \$2 billion. Of this amount, \$4.8 billion was for the State’s net investment in capital assets, \$3.5 billion was restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), and a negative \$10.3 billion in unrestricted assets.

As of June 30, 2018, total assets and deferred outflows of resources of \$24.6 billion were comprised of net capital assets of \$13.8 billion, investments of \$3.8 billion, cash of \$2.1 billion, receivables of \$1.3 billion, restricted assets of \$1 billion, and other assets of \$2.6 billion. Total liabilities and deferred inflows of resources of \$26.6 billion were comprised of general obligation and revenue bonds payable of \$10.1 billion, vacation and retirement benefits of \$13.9 billion, and other liabilities of \$2.6 billion.

Auditors’ Opinion

THE STATE OF HAWAI’I RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles.

For the complete report and financial statements visit our website at

http://files.hawaii.gov/auditor/Reports/2018_Audit/CAFR2018.pdf