STATE OF HAWAIʻI
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaiʻi 96813-2917

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State Auditor
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DEPT. COMM. NO. 388

January 17, 2020

VIA EMAIL & HAND DELIVERY

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

VIA EMAIL & HAND DELIVERY

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

RE: Financial Audit of the Stadium Authority

Dear President Kouchi and Speaker Saiki:

The financial audit of the Stadium Authority for the fiscal year ended June 30, 2019, was issued on December 10, 2019. The Office of the Auditor retained N&K CPAs, Inc. to perform the financial audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial audit report.

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

http://files.hawaii.gov/auditor/Reports/2019_Audit/Stadium2019.pdf; and

http://files.hawaii.gov/auditor/Reports/2019_Audit/Stadium_Summary_2019.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 Stadium Authority
Financial Statements, Fiscal Year Ended June 30, 2019

PHOTO: ALOHA STADIUM

THE PRIMARY PURPOSE *of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Stadium Authority, as of and for the fiscal year ended June 30, 2019. The audit was conducted by N&K CPAs.*

About the Authority

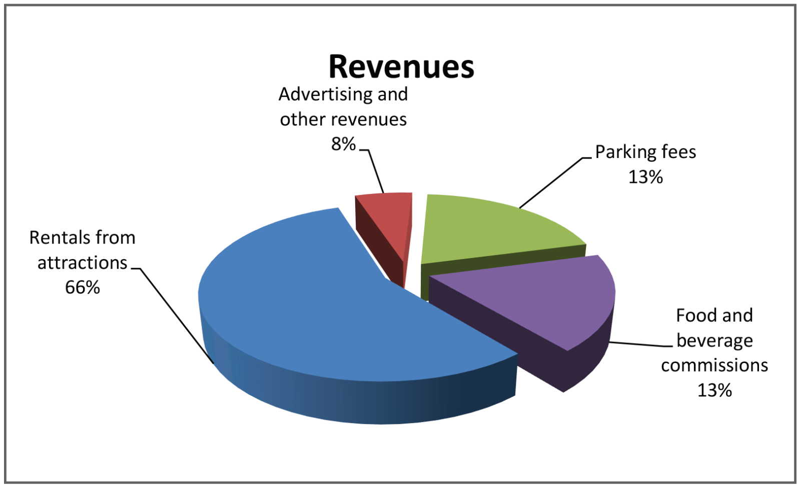
The Stadium Authority (Authority) was established in 1970 and is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawai'i. The Authority functions under the direction of a nine-member board, appointed by the Governor. In addition, the president of the University of Hawai'i and the superintendent of education are nonvoting ex-officio members of the board. For administrative purposes, the Authority is placed within the State of Hawai'i's Department of Accounting and General Services.

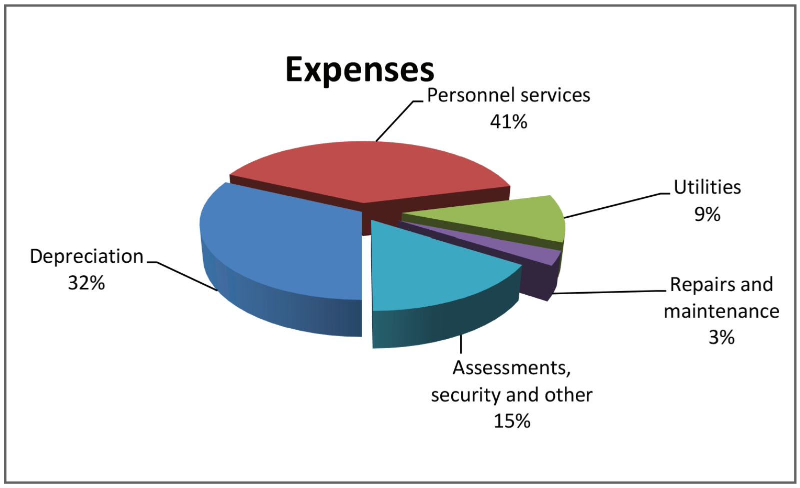
Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2019, the Authority reported total revenues of $11 million and total expenses of $13.5 million, resulting in a net loss of $2.5 million. Revenues consisted of $6.1 million from rentals from attractions, $2.2 million from food and beverage concessionaire commissions, $2 million in parking fees, and $700,000 in advertising and other revenues. The Authority's net loss was partially offset by $7 million in capital contributions, which represents the portion of Aloha Stadium capital improvement costs that were paid by the State of Hawai'i.

Expenses consisted of $4.3 million for depreciation, $5.3 million for personnel services, $1.3 million for utilities, and $400,000 for repairs and maintenance. Additional expenses totaled $2.2 million and included state central services assessments as well as security, professional services, and other costs.

As of June 30, 2019, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources, resulting in a net position of $84.3 million. Of this amount, $89.8 million was invested in capital assets, $100,000 was restricted, and an unrestricted net deficit of $5.6 million. The agency reported total assets and deferred outflows of resources of $99.1 million, comprised of (1) cash of $6.7 million, (2) receivables, other assets, and deferred outflows of resources of $2.7 million, and (3) net capital assets of $89.7 million. The agency reported total liabilities and deferred inflows of resources of $14.8 million, comprised of (1) net pension liability of $6 million, (2) vacation and other retirement payables of $7.1 million, and (3) other liabilities and deferred inflows of resources of $1.7 million.





Auditors' Opinion

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

Findings

THERE WERE NO SIGNIFICANT DEFICIENCIES in internal control over financial reporting that would have required reporting under *Government Auditing Standards*. The auditors identified one material weakness. 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. The material weakness is described on page 46 of the report which found $1.4 million in unrecorded capital additions and related capital contributions for the fiscal year ended June 30, 2019 and an understatement in beginning net position of approximately $246,000 as of June 30, 2018.

There were no instances of noncompliance or other matters required to be reported under *Government Auditing Standards*.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2019_Audit/Stadium2019.pdf

FINANCIAL AUDIT OF THE
STADIUM AUTHORITY
STATE OF HAWAII

Fiscal Year Ended June 30, 2019

Submitted by
The Auditor
State of Hawaii

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

AMERICAN SAVINGS BANK TOWER | 1001 BISHOP STREET, SUITE 1700 | HONOLULU, HAWAII 96813-3696
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STATE OF HAWAII

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STATE OF HAWAII

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PART I

FINANCIAL SECTION

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2019, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2019, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 7 to 10 and the schedules of proportionate share of the net pension liability, pension contributions, proportionate share of net OPEB liability, and OPEB contributions on pages 36 to 41 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 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 the effectiveness of the Authority's 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.

N+K CPAs, INC.

Honolulu, Hawaii
December 10, 2019

Management of the Stadium Authority, State of Hawaii (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Aloha Stadium as of and for the fiscal year ended June 30, 2019. This management's discussion and analysis is designed to assist the reader in focusing on the Authority's financial issues and activities to identify any significant changes in the Authority's financial position. The Authority encourages readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements comprise four components: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; (3) statement of cash flows; and (4) notes to financial statements.

The financial statements are designed to provide the reader with a broad overview of the Authority's finances in a manner similar to private sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the full accrual basis of accounting. The difference between these items are reported as net position. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Thus, assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses are reported in these statements for some items that will result in cash flows in future periods (e.g., uncollected rental receipts, earned but unused vacation leave, etc.). These financial statements present the financial position, the changes in net position, and cash flows that are attributable to the transactions of the Authority.

Statement of Net Position

The statement of net position presents all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to determine whether the financial position of the Authority is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents information showing the Authority's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement.

Statement of Cash Flows

The statement of cash flows presents the increases and decreases in cash from the Authority's operating, investing, and financing activities during the fiscal year.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Financial Information

The following are summaries from the Authority's financial statements as of and for the fiscal years ended June 30, 2019 and 2018 (in thousands):

	2019	2018
NET POSITION:		
Assets:		
Current and other assets	$ 7,506	$ 5,524
Capital assets, net	89,807	87,149
Total assets	97,313	92,673
Deferred outflows of resources	1,813	1,826
Liabilities:		
Current liabilities	1,588	1,842
Noncurrent liabilities	13,005	12,817
Total liabilities	14,593	14,659
Deferred inflows of resources	231	102
Net position:		
Investment in capital assets	89,807	87,149
Restricted	92	92
Unrestricted	(5,597)	(7,503)
Total net position	$ 84,302	$ 79,738
CHANGES IN NET POSITION:		
Operating revenues:		
Rentals from attractions	$ 6,118	$ 5,048
Commissions from food and beverage concessionaire	2,195	999
Parking	1,998	997
Other	614	549
Total operating revenues	10,925	7,593
Operating expenses:		
Personnel services	(5,290)	(4,892)
Depreciation	(4,305)	(3,830)
Other	(3,828)	(3,200)
Total operating expenses	(13,423)	(11,922)
Operating loss	(2,498)	(4,329)
Nonoperating revenues (expenses):		
Interest and investment income, net	106	20
Loss before capital contributions	(2,392)	(4,309)
Capital Contributions	6,956	5,493
Change in net position	4,564	1,184
Net position at beginning of year, as previously reported	79,738	81,402
Restatement	--	(2,848)
Net position at beginning of year, as restated	79,738	78,554
Net position at end of year	$ 84,302	$ 79,738

Financial Analysis

Current and other assets increased by $1,982,000 or 35.9% from the previous fiscal year. The increase is primarily due to the increase in cash and cash equivalents of $1,780,000.

Capital assets, net increased by $2,658,000 or 3.0% from the previous fiscal year. The increase is primarily due to construction in progress additions of $6,952,000, which was offset by the depreciation of capital assets, which amounted to $4,305,000. The Authority's investment in capital assets as of June 30, 2019 amounted to $89,807,000 (net of accumulated depreciation of $124,224,000). This investment in capital assets includes the stadium structure, land and land improvements, construction in progress, and equipment, furniture, and fixtures.

To extend the useful life of Aloha Stadium, a multi-year health and safety capital improvement project (CIP) commenced in 2007. The Stadium Authority along with the Department of Accounting and General Services, Public Works Division, continue to prioritize various health and safety projects for Aloha Stadium.

Act 268, Session Laws of Hawaii, establishes the Stadium Development District and appropriates funding for the construction of a new stadium. Hawaii Community Development Authority (HCDA) is the expending agency for this project. HCDA's website is: http://dbet.hawaii.gov/hcda/.

For more information on the New Aloha Stadium Entertainment District (NASED) please visit the website at: http://nased.hawaii.gov/.

Additional information on the Authority's capital assets can be found in Note E, Capital Assets, to financial statements.

Current liabilities decreased by $254,000 or 13.8% from the previous fiscal year. Fluctuations in the current liabilities is primarily due to recognizing concert revenue.

Noncurrent liabilities increased by $188,000 or 1.5% from the previous fiscal year. The increase is primarily due to an increase in the Authority's allocated share of the State of Hawaii's other postemployment benefits liability of $59,000, as well as an increase in the Authority's allocated share of the State of Hawaii's pension liability of $109,000.

Net position increased by $4,564,000 or 5.7% from the previous fiscal year. The increase is due primarily to current year's operating loss of $2,498,000 offset by current year's capital contributions of $6,956,000.

By far, the largest portion of the Authority's net position reflects its investment in capital assets of $89,807,000. The Authority uses these capital assets to provide services to the customers of Aloha Stadium; consequently, these assets are not available for future spending. An additional portion of the Authority's net position amounting to $92,000 represents restricted resources that are restricted for the maintenance of the field in accordance with an advertising agreement. The remaining portion of the Authority's net position is unrestricted and reflects a deficit balance of $5,597,000, due primarily to the recording of the Authority's allocated share of the State's net pension and net other postemployment benefits liabilities.

Operating revenues increased by $3,332,000 or 43.9% from the previous fiscal year. The increase was mainly due to an increase in rentals from attractions revenues of $1,070,000, commissions from food and beverage concessionaire $1,196,000, and parking income $1,001,000.

The Stadium had a spectacular year with regards to concerts. The first artist was local boy, Bruno Mars, who had three sold-out shows. The other four shows were the Eagles, Guns N' Roses, Eminem, and the trio of Snoop Dogg, CardiB, and Sublime.

After 20 years, monster trucks returned to the Stadium for two shows and one motorcross event. Spectators were able to hear the "thunder" from Big Foot, X-Maxx, Hang Loose, Prime Time, and more.

Operating expenses increased by $1,501,000 or 12.6% from the previous fiscal year. The increase was due primarily to increases in depreciation of $475,000 and other expenses of $628,000.

Capital contributions increased by $1,463,000 or 26.6% from the previous fiscal year. The increase in capital contributions is primarily due to the increase in ongoing CIP projects of Aloha Stadium improvements.

Request for Information

The financial report is designed to provide a general overview of the Authority's finances for all those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Stadium Manager, Stadium Authority, P.O. Box 30666, Honolulu, Hawaii 96820-0666.

General information relating to the Authority and Aloha Stadium can be found at the Authority's website: http://alohastadium.hawaii.gov/.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF NET POSITION
June 30, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 6,681,434
Receivables from concessionaire and other, net	747,162
Interest receivable	78,268
Total current assets	7,506,864
Capital assets, net	89,806,514
Total assets	97,313,378
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	1,200,993
Related to other postemployment benefits	612,017
Total deferred outflows of resources	1,813,010
LIABILITIES	
Current liabilities	
Vouchers payable	340,425
Accrued payroll	375,559
Accrued vacation - due within one year	190,102
Workers compensation	393,148
Due to State General Fund for advances for Imprest Fund	30,000
Other	258,934
Total current liabilities	1,588,168
Net other postemployment benefits liability	6,543,929
Net pension liability	6,018,240
Accrued vacation - due in more than one year	334,419
Licensees' deposits	108,555
Total liabilities	14,593,311
DEFERRED INFLOWS OF RESOURCES	
Related to pension	113,617
Related to other postemployment benefits	117,410
Total deferred inflows of resources	231,027
NET POSITION	
Investment in capital assets	89,806,514
Restricted	92,441
Unrestricted	(5,596,905)
Total net position	$ 84,302,050

See accompanying notes to the basic financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2019

OPERATING REVENUES	
Rentals from attractions	$ 6,118,487
Commissions from food and beverage concessionaire	2,195,433
Parking	1,998,295
Advertising	457,165
Other	156,194
Total operating revenue	10,925,574
OPERATING EXPENSES	
Personnel services	5,290,456
Depreciation	4,304,650
Utilities	1,281,726
Special fund assessments	558,355
Security	447,033
Professional services	423,585
Repairs and maintenance	350,590
Other	766,921
Total operating expenses	13,423,316
Operating loss	(2,497,742)
NONOPERATING REVENUES	
Interest and investment income, net	105,693
Loss before capital contributions	(2,392,049)
CAPITAL CONTRIBUTIONS	6,956,028
Change in net position	4,563,979
NET POSITION AT BEGINNING OF YEAR	79,738,071
NET POSITION AT END OF YEAR	$ 84,302,050

See accompanying notes to the basic financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	10,820,550
Cash paid to suppliers		(4,315,916)
Cash paid to employees		(4,745,977)
Net cash provided by operating activities		1,758,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets		(5,759)
Interest and investment income		27,425
Net cash provided by investing activities		21,666
Net increase in cash and cash equivalents		1,780,323
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,901,111
CASH AND CASH EQUIVALENTS AT END OF YEAR		6,681,434
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss		(2,497,742)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		4,304,650
Recoveries of doubtful receivables		(19,884)
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables from concessionaires and other		(105,022)
Deferred outflows of resources related to pension		198,168
Deferred outflows of resources related to other postemployment benefits		(185,337)
Vouchers payable		126,918
Accrued payroll		30,913
Accrued vacation		20,342
Workers compensation		182,551
Net other postemployment benefits liability		59,295
Net pension liability		109,082
Licensees' deposits		3,441
Other liabilities		(598,183)
Deferred inflows of resources related to pension		19,985
Deferred inflows of resources related to other postemployment benefits		109,480
Net cash provided by operations	$	1,758,657
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITY:		
Capital assets contributed	$	6,956,028

See accompanying notes to the basic financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

The Stadium Authority, State of Hawaii (the Authority) was established by Act 172, Session Laws of Hawaii (SLH) 1970, effective June 30, 1970, and was placed within the Department of Budget and Finance, State of Hawaii (B&F), for administrative purposes. Effective June 1, 1980, Act 302, SLH 1980 and Executive Order No. 80-5 dated June 20, 1980 transferred the administrative responsibility for the Authority from B&F to the State of Hawaii, Department of Accounting and General Services (DAGS).

The Authority, under the direction of a nine-member board, is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawaii. The Governor appoints the nine members. The president of the University of Hawaii and the superintendent of education are nonvoting ex-officio members.

The Authority is a blended component unit of the State of Hawaii (the State). The State Comptroller maintains the central accounts for all the State's funds and publishes financial statements for the State annually, which include the Authority's financial activities. The accompanying financial statements are intended to present the financial position, the changes in financial position, and cash flows that are attributable to the transactions of the Authority.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

(1) ***Basis of Accounting*** - The accounts of the Authority are reported on a flow of economic resource measurements focus using the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

The Authority distinguished operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing operations, management, and maintenance of the Aloha Stadium. The principal operating revenues are from rental charges and commissions from the food and beverage concessionaire, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Revenue from capital contributions are reported separately after nonoperating revenues and expenses.

(2) ***Use of Estimates*** - The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) ***Cash and Cash Equivalents*** - Cash and cash equivalents consists of cash on hand, cash in bank and amounts held in State Treasury as discussed in Note D.

(4) ***Receivables from Concessionaire and Other*** - Receivables are recorded at contracted or invoice amount. The Authority records an allowance on a specific account basis by considering a number of factors, including the length of time receivables are past due and the concessionaire's or other third party's current ability to pay its obligations to the Authority. The valuation allowance was approximately $2,800 as of June 30, 2019.

(5) ***Capital Assets*** - Capital assets acquired by purchased are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date received.

Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Stadium structure and fixtures	15 - 40 years
Furniture and equipment	5 - 15 years

The Authority's capitalization thresholds are $100,000 for the stadium structure and fixtures, and $5,000 for equipment and furniture. Maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statement of revenues, expenses, and changes in net position.

(6) ***Deferred Outflows of Resources and Deferred Inflows of Resources*** - Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that applies to a future period. The deferred outflow of resources related to pensions and OPEB resulted from differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion which will be amortized over five years, and the Authority's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year. The deferred inflow of resources related to pension and OPEB resulted from differences between expected and actual experiences and changes in proportion of the pension and OPEB plans which will be amortized over five years.

(7) ***Compensated Absences*** - The Authority permits employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the accompanying financial statements.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(8) ***Net Position*** - Net position is reported in three categories: investment in capital assets, restricted net position, and unrestricted net position. Investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position consists of funds subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the Authority's ongoing obligations such as future operational expenses, replacement equipment, and personnel costs. The deficit balance in the unrestricted net position is due primarily to recording the net pension liability and the net other postemployment benefits liability for financial statement reporting purposes.

(9) ***Capital Contributions*** - The State of Hawaii pays for portions of construction costs related to various capital projects at the Aloha Stadium. The nonexchange transactions are recorded as nonoperating capital contributions in the accompanying statement of revenues, expenses and changes in net position.

(10) ***Risk Management*** - The Authority is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

(11) ***Pension*** - 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 (the ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. The ERS's investments are reported at fair value.

(12) ***Other Postemployment 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 (the 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.

NOTE C - BUDGETING

The Authority's operations are subject to a comprehensive budget. Estimated revenues and expenses are provided to the State of Hawaii for accumulation with budgeted amounts of the other state departments and offices. Those accumulated estimated revenues and expenses are provided to the State legislature for approval. Once approved by the legislature, the estimates are provided to the Governor of the State for final approval. Budgeted revenues are estimates of rental, commissions, and other revenues to be received during the fiscal year. Budgeted expenses are estimates of expenditures to be made.

NOTE D - CASH AND CASH EQUIVALENTS

The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury Investment Pool System. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

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

The Authority's monies are held in the State cash and investment pool, the Authority does not manage its own investments and the types of investments and related interest rate, credit and custodial risks are not determinable specific to the Authority. The risk disclosures of the State's cash pool are included in the State's Comprehensive Annual Financial Report (CAFR) which may be obtained from the State Department of Accounting and General Services' website: http://ags.hawaii.gov/accounting/annual-financial-reports/.

The Authority also maintains cash in bank which is held separately from cash in the State Treasury. As of June 30, 2019, the carrying amount of total bank balance was approximately $546,200, which is insured by the Federal Deposit Insurance Corporation.

NOTE E - CAPITAL ASSETS

The changes in capital assets were as follows:

	Balance July 1, 2018	Additions	Deductions	Transfers	Balance June 30, 2019
Stadium structure	$ 176,001,692	$ 4,216	$ --	$ 16,194,790	$ 192,200,698
Equipment, furniture and fixtures	3,721,945	5,759	(11,766)	--	3,715,938
	179,723,637	9,975	(11,766)	16,194,790	195,916,636
Less accumulated depreciation for:					
Stadium structure	(116,725,215)	(4,143,173)	--	--	(120,868,388)
Equipment, furniture and fixtures	(3,205,488)	(161,477)	11,766	--	(3,355,199)
Total accumulated depreciation	(119,930,703)	(4,304,650)	11,766	--	(124,223,587)
Total depreciable assets, net	59,792,934	(4,294,675)	--	16,194,790	71,693,049
Land and land improvements	11,518,621	--	--	--	11,518,621
Construction in progress	15,837,822	6,951,812	--	(16,194,790)	6,594,844
	$ 87,149,377	$ 2,657,137	$ --	--	$ 89,806,514

Depreciation expense amounted to $4,304,650 for the fiscal year ended June 30, 2019.

NOTE F - ACCRUED VACATION

Accrued vacation activity during the fiscal year ended June 30, 2019, was as follows:

		Amount
Balance at June 30, 2018	$	504,179
Additions		202,414
Deductions		(182,072)
Balance at June 30, 2019		524,521
Less: current portion		(190,102)
Noncurrent portion	$	334,419

NOTE G - RETIREMENT BENEFITS

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the State Employees' Retirement System (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.

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% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

NOTE G - RETIREMENT BENEFITS (Continued)

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 ten 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.

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/re-entry 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.

NOTE G - RETIREMENT BENEFITS (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 five years of credited service are eligible to retire at age 55.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

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% of average final compensation multiplied by the years of credited service 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.

NOTE G - RETIREMENT BENEFITS (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.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with ten years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

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 officers and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

NOTE G - RETIREMENT BENEFITS (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 five 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 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.

Hybrid 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 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians 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 ten 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.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution

NOTE G - RETIREMENT BENEFITS (Continued)

rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2019 were 31.00% for police officers and firefighters and 19.00% for all other employees. Contributions to the ERS from the Authority was $426,961 for the fiscal year ended June 30, 2019.

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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Measurement of the actuarial valuation is made for the State as a whole and is not separately computed for the individual state departments and agencies such as the Authority. It is the State's policy to recognize the proportionate share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for only component units and proprietary funds that are reported separately in the CAFR. The State's CAFR includes the note disclosures and required supplementary information on the State's pension plans.

At June 30, 2019, the Authority reported a net pension liability of $6,018,240 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

At June 30, 2019, the Authority's proportionate share of the State's net pension liability was .08%, which was equal to its proportionate share as of June 30, 2018.

There was no change in actuarial assumptions from June 30, 2018 to June 30, 2019. There were no changes between the measurement date, June 30, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the proportionate share of the net pension liability.

NOTE G - RETIREMENT BENEFITS (Continued)

For the year ended June 30, 2019, the Authority recognized pension expense of $754,196. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 645,410	$ --
Net difference between projected and actual earnings on pension plan investments	--	(30,983)
Differences between expected and actual experience	110,119	(37,162)
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	18,503	(45,472)
Contributions subsequent to the measurement date	426,961	--
	$ 1,200,993	$ (113,617)

The $426,961 reported as deferred outflows of resources related to pension at June 30, 2019 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension at June 30, 2019 will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2020	$ 311,768
2021	260,541
2022	95,729
2023	(8,285)
2024	662
	$ 660,415

NOTE G - RETIREMENT BENEFITS (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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 the RP-2014 mortality table based on the occupation of the member.

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 a 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 Rate of Return	Long-Term Expected Real Rate of Return*
Broad growth	63.0%	7.10%	4.85%
Principal protection	7.0%	2.50%	0.3%
Real return	10.0%	4.10%	1.85%
Crisis risk offset	20.0%	4.60%	2.35%
Total investments	100.0%		

* Uses an expected inflation rate of 2.25%

NOTE G - RETIREMENT BENEFITS (Continued)

Discount Rate

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the State's net pension liability	$ 7,828,259	$ 6,018,240	$ 4,526,158

Pension Plan Fiduciary Net Position

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' complete financial statements are available at http://www.ers.ehawaii.gov.

NOTE H - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten 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 ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State 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 ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State 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.

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the EUTF from the Authority was $545,791 for the fiscal year ended June 30, 2019. The employer is required to make all contributions for members, which is charged to personnel services expense.

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

Measurement of the actuarial valuation and the annual required contribution are made for the State as a whole and are not separately computed for the individual state departments and agencies such as the Authority. The State allocates other postemployment benefit (OPEB) liability, OPEB expense, and deferred outflows of resources, and deferred inflows of resources related to OPEB to component units and proprietary funds that are reported separately in the State's Comprehensive Annual Financial Report (CAFR). The State's CAFR includes the note disclosures and required supplementary information on the State's OPEB plans.

NOTE H - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

At June 30, 2019, the Authority reported a net OPEB liability of $6,543,929.The net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

At June 30, 2019, the Authority's proportionate share of the State's net OPEB liability was 0.07%.

There were no changes between the measurement date, July 1, 2018, and the reporting date, June 30, 2019, that are expected to have a significant effect on the Authority's proportionate share of the State's net OPEB liability.

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of $529,228. At June 30, 2019, 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
Contributions subsequent to the measurement date	$ 545,791	$ --
Net difference between projected and actual earnings on OPEB plan investments	--	(7,987)
Difference between expected and actual experience	--	(109,423)
Changes in assumptions	66,226	--
	$ 612,017	$ (117,410)

The $545,791 reported as deferred outflows of resources related to OPEB resulting from the Authority's contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Ended June 30:	Amount
2020	$ (11,290)
2021	(11,290)
2022	(11,290)
2023	(8,818)
2024	(8,186)
Thereafter	(310)
	$ (51,184)

NOTE H - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Payroll growth rate	3.50% to 7.00%, including inflation
Investment rate of return	7.00%, net of investment expenses, including inflation

Healthcare Cost Trend Rates:

PPO*	Initial rate of 10.00%; declining to a rate of 4.86% after 13 years
HMO*	Initial rate of 10.00%; declining to a rate of 4.86% after 13 years
Part B & Base Monthly Contribution (BMC)	Initial rates of 4.00% and 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rate of 5.00% for first three years, followed by 4.00%
Vision	Initial rate of 0.00% for first three years, followed by 2.50%
Life Insurance	0.00%

*Blended rates for medical and prescription drug.

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

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

NOTE H - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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
Non-U.S. equity	17.00%	6.50%
U.S. equity	15.00%	5.05%
Private equity	10.00%	8.65%
Core real estate	10.00%	4.10%
Trend following	9.00%	3.00%
U.S. microcap	7.00%	7.00%
Global options	7.00%	4.50%
Private credit	6.00%	5.25%
Long treasuries	6.00%	1.90%
Alternative risk premium	5.00%	2.45%
TIPS	5.00%	0.75%
Core bonds	3.00%	1.30%
	100.00%	

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 3.62% (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 State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. 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.

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.

NOTE H - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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.

Changes in the Authority's Proportionate Share of the State's Net OPEB Liability

The following table represents a schedule of changes in the Authority's proportionate share of the State's net OPEB liability for the fiscal year ended June 30, 2019. The ending balances are as of the measurement date, July 1, 2018.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	$ 7,011,980	$ 527,346	$ 6,484,634
Changes for the fiscal year:			
Service cost	143,240	--	143,240
Interest on the total OPEB liability	443,505	--	443,505
Contributions - employer	--	426,680	(426,680)
Net investment income	--	49,161	(49,161)
Difference between expected and actual experience	(131,142)	--	(131,142)
Changes of assumptions	79,371	--	79,371
Benefit payments	(215,949)	(215,949)	--
Administrative expense	--	(162)	162
Net changes	319,025	259,730	59,295
Balance at June 30, 2019	$ 7,331,005	$ 787,076	$ 6,543,929

Sensitivity of the Authority's Proportionate Share of the State's Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following table represents the Authority's proportionate share of the State's net OPEB liability calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current discount rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	$ 7,736,494	$ 6,543,929	$ 5,606,865

NOTE H - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

The following table represents the Authority's proportionate share of the State'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% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$ 5,555,795	$ 6,543,929	$ 7,826,309

NOTE I - 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 (excluding part-time, temporary, and casual/seasonal), 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 investments of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the State's or the Authority's financial statements.

NOTE J - STADIUM SPECIAL ACCOUNT

Contracts with licensees of the Authority and the related ticket sales are controlled in the Stadium Special Account. This account's cash balance and liabilities to third parties, net of amounts owed to the Authority, are included in the accompanying statement of net position and amounted to $441,061 at June 30, 2019. The activity in the account is included in the accompanying statement of revenues, expenses, and change in net position only as it relates to the Authority's rentals from attractions, expense reimbursements from users, and other miscellaneous transactions (i.e., excludes ticket sales proceeds held on behalf of the licensees).

NOTE K - ADVERTISING AGREEMENT

Under terms of an advertising agreement, the Authority received sponsorship fees subject to external restrictions on how they may be used. The sponsorship fees must be used for the maintenance and replacement of the field and for travel subsidies for the University of Hawaii athletics program, as defined in the advertising agreement. The advertising agreement expired in December 2015. Upon the termination of the agreement, $1,350,000 was transferred to the Public Works Division and $150,000 was disbursed to the University of Hawaii athletics program for travel subsidies. Unspent sponsorship fees aggregated to $92,441 as of June 30, 2019, and are included in cash and cash equivalents, and are considered restricted net position in the accompanying statement of net position.

NOTE L - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately $1,219,500 as of June 30, 2019.

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an Authority employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2019 totaled approximately $1,691,100.

Legal Matters

The Authority is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Authority's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State's General Fund.

NOTE M - RISK MANAGEMENT

Insurance Coverage

Insurance coverage is maintained at the State level. The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance - The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is $200,000,000, except for terrorism, which is $50,000,000 per occurrence and a $10,000 deductible.

Crime Insurance - The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for claims expense coverage, which has a $100,000 limit per occurrence and a $1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

NOTE M - RISK MANAGEMENT (Continued)

General Liability (Including Torts) - Liability claims up to $10,000 and automobile claims up to $15,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a $4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is $9,000,000 and for crime loss, $10,000,000 with no aggregate limit.

Losses under the deductible amount or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance - The State is insured for various types of cyber-related activities with a loss limit of $50 million with a deductible of $500,000 per occurrence. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry - Data Security Standard coverage.

Self-Insured Risks - The State, including the Authority, is generally self-insured for workers' compensation and automobile claims.

A liability for workers' compensation is established if information indicates that a loss has been incurred as of June 30, 2019, and the amount of the loss can be reasonably estimated. The liability includes an estimate for amounts incurred but not reported and loss adjustment expenses.

NOTE N - SPECIAL FUND ASSESSMENTS

In accordance with the HRS, the Authority has been assessed amounts to support the State's central administrative services. The assessments are based upon a percentage of the Authority's estimated revenues and expenses for the fiscal year. Assessments amounted to $558,355 for the fiscal year ended June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Fiscal Years

Measurement Period Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a %age of Covered Payroll	Plan Fiduciary Net Position as a %age of the Total Pension Liability
June 30, 2018	0.08%	$ 6,018,240	$ 2,122,949	283.48%	55.48%
June 30, 2017	0.08%	$ 5,909,158	$ 1,984,731	297.73%	54.80%
June 30, 2016	0.08%	$ 6,080,439	$ 2,012,765	302.09%	51.30%
June 30, 2015	0.08%	$ 4,020,448	$ 1,918,411	209.57%	62.40%
June 30, 2014	0.08%	$ 3,759,853	$ 1,853,903	202.81%	63.90%
June 30, 2013	0.08%	$ 4,118,508	$ 1,820,655	226.21%	58.00%

This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PENSION CONTRIBUTIONS
Last Ten Years

Year Ended	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a %age of Covered Payroll
June 30, 2019	$ 426,961	$ 426,961	$ --	$ 2,277,716	18.75%
June 30, 2018	$ 378,904	$ 378,904	$ --	$ 2,122,949	17.85%
June 30, 2017	$ 338,418	$ 338,418	$ --	$ 1,984,731	17.05%
June 30, 2016	$ 340,386	$ 340,386	$ --	$ 2,012,765	16.91%
June 30, 2015	$ 315,405	$ 315,405	$ --	$ 1,918,411	16.44%
June 30, 2014	$ 295,350	$ 295,350	$ --	$ 1,853,903	15.93%

This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

NOTE A - CHANGES OF ASSUMPTIONS

There were no changes of assumptions or other inputs that significantly affected the measurement of the total pension liability since the measurement period at June 30, 2018.

Amounts reported in the schedule of the proportionate share of net pension liability as of the measurement period ended June 30, 2018 (fiscal year ended June 30, 2019) were significantly impacted by the following changes of actuarial assumptions:

- The investment return assumption decreased from 7.65% to 7.00%

- Mortality assumptions were modified to assume longer life expectancies as well as to reflect continuous mortality improvement

Prior to the measurement period ended June 30, 2018 (fiscal year ended June 30, 2019), there were no other factors, including the use of different assumptions that significantly affect trends reported in these schedules.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
Last Ten Years

	2019	2018
Total OPEB liability		
Service cost	$ 143,240	$ 105,687
Interest on the total OPEB liability	443,505	320,913
Difference between expected and actual experience	(131,142)	--
Changes in assumptions	79,371	--
Benefit payments	(215,949)	(158,665)
Net change in total OPEB liability	319,025	267,935
Total OPEB liability - Beginning	7,011,980	6,744,045
Total OPEB liability - Ending	$ 7,331,005	$ 7,011,980
Plan fiduciary net position		
Contributions - employer	$ 426,680	$ 315,524
Net investment income	49,161	31,591
Benefit payments	(215,949)	(158,665)
Administrative expense	(162)	(81)
Other	--	2,537
Net change in plan fiduciary net position	259,730	190,906
Plan fiduciary net position - Beginning	527,346	336,440
Plan fiduciary net position - Ending	$ 787,076	$ 527,346
Net OPEB liability	$ 6,543,929	$ 6,484,634
Plan fiduciary net position as a percentage of the total OPEB liability	10.74%	7.52%
Covered-employee payroll	$ 2,277,716	$ 2,122,949
Net OPEB Liability as a Percentage of Covered-employee Payroll	287.30%	305.45%

This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF OPEB CONTRIBUTIONS
Last Ten Years

Year Ended	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a %age of Covered Payroll
June 30, 2019	$ 525,976	$ 545,791	$ (19,815)	$ 2,277,716	23.09%
June 30, 2018	$ 426,680	$ 426,680	$ --	$ 2,122,949	20.10%

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
REQUIRED BY GASB STATEMENT NO. 75
Fiscal Year Ended June 30, 2019

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS

The actuarially determined annual required contributions ("ARC") for the fiscal year ending June 30, 2019 was developed in the July 1, 2017 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2019:

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Equivalent single amortization period	18.9 as of June 30, 2019
Asset valuation method	Market
Inflation rate	2.50%
Investment rate of return	7.00%
Payroll growth	3.50%
Salary increases	3.50% to 7.00% 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)
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution. Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the base monthly contribution, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates	
PPO	Initial rate of 6.6%, 6.6%, and 9.0%, declining to a rate of 4.86% after 14 years
HMO	Initial rate of 9.0%, declining to a rate of 4.86% after 14 years
Part B	Initial rate of 2.0% and 5%; declining to a rate of 4.7% after 14 years
Dental	3.50%
Vision	2.50%
Life Insurance	0.00%

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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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*

The Auditor
State of Hawaii

We have audited, 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, the financial statements of the Stadium Authority, State of Hawaii (Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the fiscal year ended, and the related notes to the financial statements, and have issued our report thereon dated December 10, 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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

N+K CPAs, INC.

Honolulu, Hawaii
December 10, 2019

PART III

SCHEDULE OF FINDINGS

Ref. No. **Financial Statement Internal Control Findings**

2019-001 Improve Accounting For Construction-in-Progress

Criteria:

Accounting principles generally accepted in the United States of America require that costs incurred that extends the useful life of an asset, expands the capacity of an asset, or to acquire, including construction of, an asset with a useful life over one year should be capitalized. On an accrual basis of accounting, costs incurred as of balance sheet date but not yet paid such as retainage should be recognized.

Condition:

The Public Works Division of the Hawaii State's Department of Accounting and General Services administers construction projects for the Authority and the Authority relies on cash basis information from the Public Works Division to account for construction-in-progress.

During our audit of capital assets, we noted that the Authority did not account for approximately $1.4 million in unrecorded capital additions of which approximately $580,000 was in retainage as of June 30, 2019.

Cause:

The Authority relied on expenditure reports as of June 30, 2019 from the Public Works Division and did not perform a search for unrecorded additions including retainage for construction projects as of June 30, 2019.

Effect:

The Authority had an understatement in capital assets of approximately $1.4 million, an understatement in capital contributions by approximately $1.4 million for the fiscal year ended June 30, 2019 and an understatement in beginning net position of approximately $246,000 as of June 30, 2018.

The Authority decided to correct the above known errors in the current fiscal year and not restate the beginning net position.

Identification as a Repeat Finding, if applicable:

Not applicable.

Recommendation:

The Authority should improve the coordination with the Public Works Division in identifying all unrecorded additions in preparing capital asset schedules on an accrual basis of accounting.

Views of Responsible Official(s) and Planned Corrective Action:

Due to the limitations of the MCD Report 300 (i.e. unable to add/include service dates of expenses paid), Public Works has agreed to work with the Authority to determine if the expenses noted in the July and August reports relate to the current fiscal year or prior fiscal year.