

February 26, 2020

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, 2019, was issued on December 19, 2019. The Office of the Auditor retained Accuity LLP 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/CAFR2019.pdf; and

http://files.hawaii.gov/auditor/Reports/2019_Audit/CAFR_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

cc/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, 2019



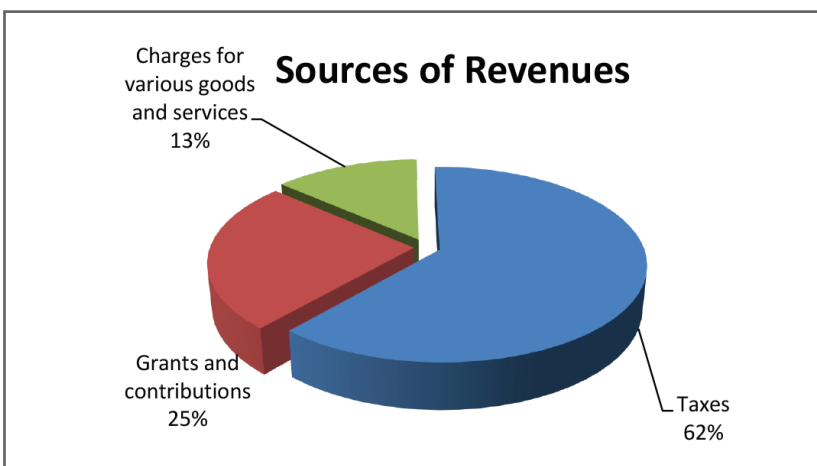
***THE PRIMARY PURPOSE** of the audit was to form an opinion on the fairness of the presentation of the State of Hawai'i's financial statements, as presented in the Comprehensive Annual Financial Report (CAFR) for the State of Hawai'i as of and for the fiscal year ended June 30, 2019. The audit was conducted by Accuity LLP. The CAFR was issued on December 19, 2019.*

About the State

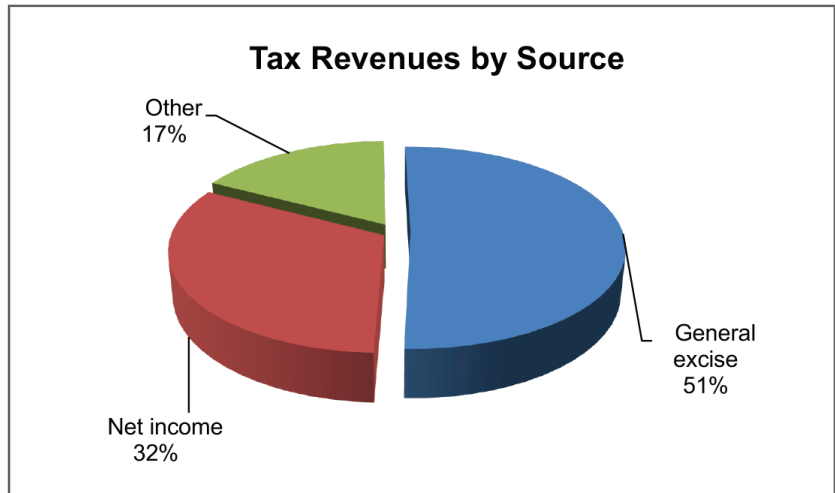
THE STATE OF HAWAI'I is mandated by statute to provide a range of services in the areas of education (both lower and higher), welfare, transportation (including highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

Financial Highlights

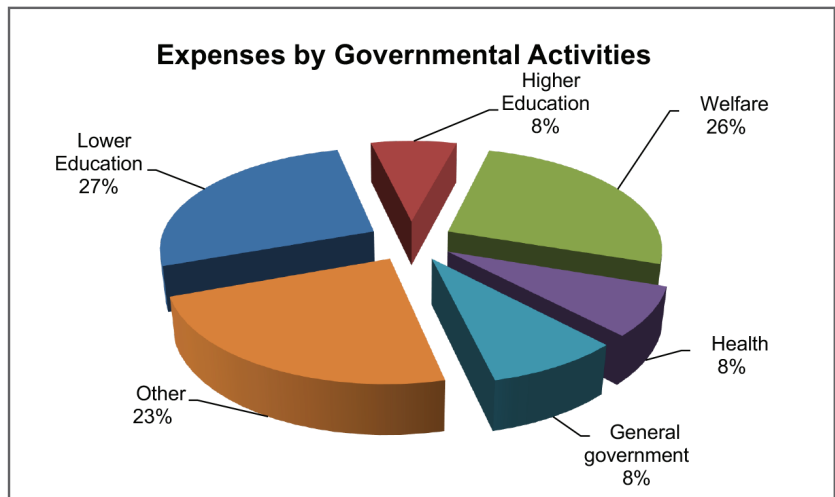
FOR THE FISCAL YEAR ended June 30, 2019, total revenues were \$12.7 billion and total expenses were \$12.9 billion, resulting in a decrease in net position of \$200 million. Approximately 61 percent of the State of Hawai'i's total revenues came from taxes of \$7.8 billion, 25 percent from grants and contributions of \$3.2 billion, and 13 percent from charges for various goods and services of \$1.7 billion.



Total tax revenues of \$7.8 billion consisted of general excise taxes of \$3.8 billion, net income taxes of \$2.4 billion, and other taxes of \$1.3 billion.



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



As of June 30, 2019, total liabilities and deferred inflows of resources of \$27.2 billion exceeded total assets and deferred outflows of resources of \$24.8 billion, resulting in a net position of \$2.4 billion. Of this amount, \$4.9 billion was for the State’s net investment in capital assets, \$3.7 billion was restricted for specific programs, and a negative \$10.8 billion in unrestricted assets.

As of June 30, 2019, total assets and deferred outflows of resources of \$24.8 billion were comprised of (1) net capital assets of \$14.2 billion, (2) investments of \$3.8 billion, (3) cash of \$2 billion, (4) receivables of \$1.4 billion, (5) restricted assets of \$1.2 billion, and (6) other assets and deferred outflows of resources of \$2.2 billion. Total liabilities and deferred inflows of resources of \$27.2 billion were comprised of general obligation and revenue bonds payable of \$10.5 billion, vacation and retirement benefits of \$14.1 billion, and other liabilities and deferred inflows of resources of \$2.6 billion.

Auditors’ Opinion

THE STATE OF HAWAI’I RECEIVED AN UNMODIFIED OPINION that its 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/2019_Audit/CAFR2019.pdf

STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



CURT T. OTAGURO
COMPTROLLER

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FINAL COVER PAGE WILL BE PROVIDED BY D

STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2019



CURT T. OTAGURO
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2019



Curt T. Otaguro
Comptroller



Audrey Hidano
Deputy Comptroller

Governor
Director of Finance
Director of Taxation
Comptroller
Deputy Comptroller

David Y. Ige
Craig Hirai
Rona Suzuki
Curt T. Otaguro
Audrey Hidano

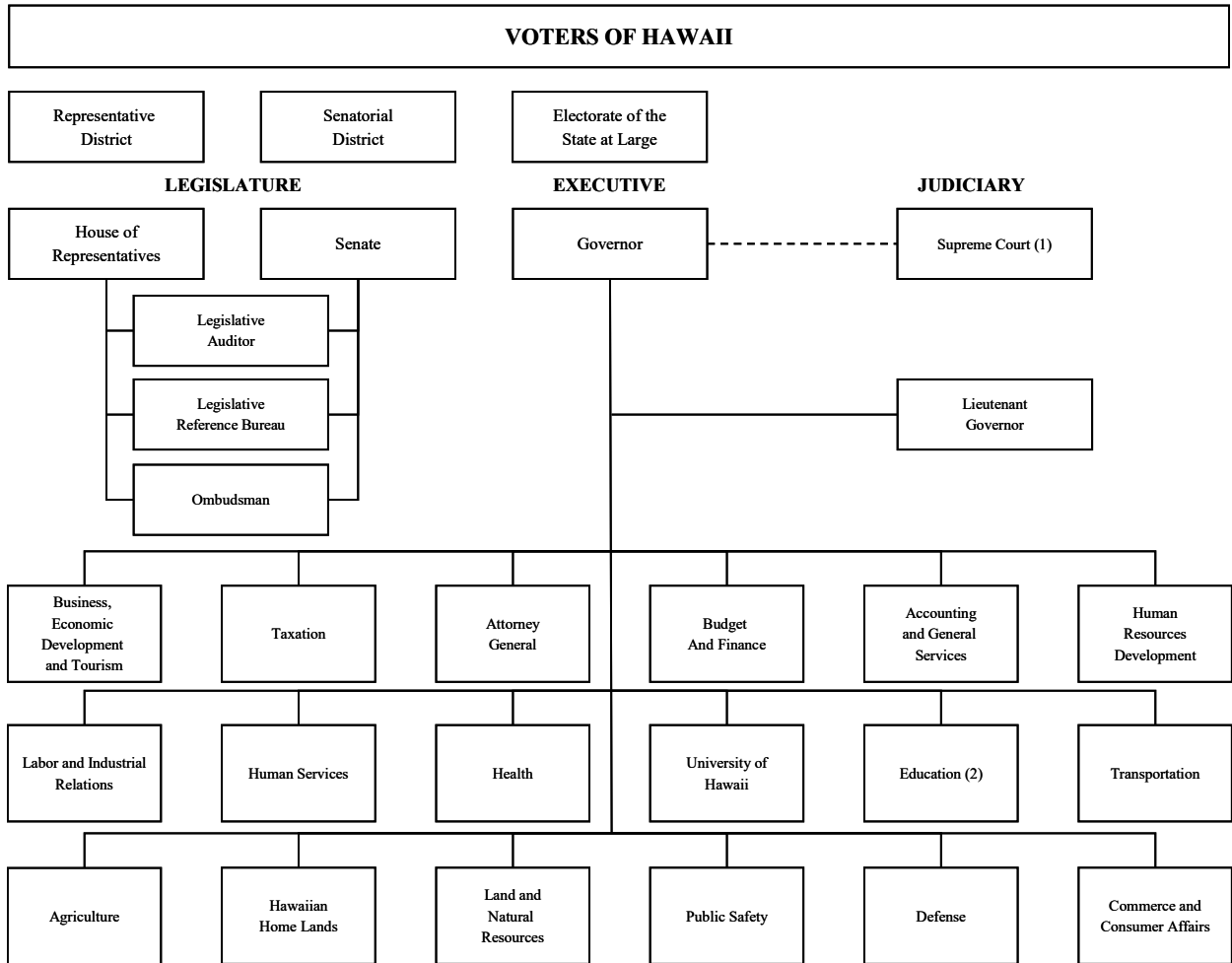
Notes:

The Director of Finance is also department head of the Department of Budget and Finance.

The Comptroller is also department head of the Department of Accounting and General Services.

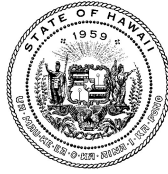
An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

**State of Hawaii
Organizational Chart
June 30, 2019**



- (1) The Governor’s appointment of justices of the Supreme Court confirmed by the Senate.
- (2) The Board of Education is appointed by the Governor.

DAVID Y. IGE
GOVERNOR



CURT T. OTAGURO
COMPTROLLER
AUDREY HIDANO
DEPUTY COMPTROLLER

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 19, 2019

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Thirty-First State
Legislature of the State of Hawaii

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2019. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A is included in Part II of this report.

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State 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.

This report includes the various funds comprising the State, including all entities that are accountable to the State. The Employees' Retirement System of the State of Hawaii, which is administered on behalf of public employees for both the state and county governments, and the Office of Hawaiian Affairs, which exists for the betterment of the conditions of native Hawaiians, are not included in the State's basic financial statements because those agencies, based on their fiscal independence and/or separate legal entity status, are not accountable to the State.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the State operates.

State of the Economy

Overview

During the third quarter of 2019, Hawaii's economic indicators were mostly positive. Visitor arrivals and expenditures, wage and salary jobs, personal income (through the first quarter of 2019), private building authorizations and State general fund tax revenues all increased compared to third quarter 2018. Only government contracts awarded decreased in the quarter.

Labor

Since the fourth quarter of 2010, Hawaii's jobs increased for the 36th consecutive quarter. During the first nine months of 2019, Hawaii's total civilian employment averaged 645,250 persons, a decrease of 18,000 persons or 2.7% over the same period in 2018. The number of wage and salary jobs was up 1,600 to 662,100 for an increase of 0.2%. Job increases were most notable in food services and drinking places (1,600), state government (1,000), and natural resources, mining and construction (800). A few sectors experienced declines including retail (2,000), manufacturing (300), and arts, entertainment and recreation (300). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 2.8% for the first nine months of 2019, compared to 2.4% for the same period in 2018.

Taxes

The State General Fund tax revenues increased \$372.3 million, or 7.1%, during the first nine months of 2019 compared to the same period in 2018. Among its components, net individual income tax collections increased \$112.7 million or 5.8%, general excise and use tax (GET) collections increased \$157.0 million or 6.1%, and transient accommodations tax (TAT) collections were up \$28.0 million or 6.0%. Net corporate income tax revenues increased \$52.9 million or 75.1%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased \$5.8 billion, or 3.7% in the first half of 2019 compared to the same period in 2018. Among its components, the fastest growth was seen in wages and salaries which increased \$2.9 billion or 3.8%, dividends, interest and rent which increased \$1.1 billion or 3.2%, and personal current transfer receipts which increased \$1.0 billion or 4.1%. Contributions for government social insurance, which are subtracted from personal income, increased by 4.3%.

Prices

Honolulu's consumer price index (CPI) increased 2.0% for the first half of 2019 compared to the same period in 2018, above the 1.7% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in recreation (4.2%), housing (3.0%), food and beverages (2.4%), education and communication (1.8%) and other goods and services (0.8%). Prices decreased for apparel (2.8%) and transportation (1.3%).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2019, total visitor arrivals by air increased 394,000 or 5.4% compared to the same period of 2018. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 7.9% while international arrivals decreased 0.3%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 2.7% in the first nine months of 2019 compared to the same period of 2018 and total visitor spending increased \$17.0 million or .01% over the same period. Statewide hotel occupancy rate averaged 81.3% in the first nine months of 2019, 0.3% lower than the average rate during the same period of 2018.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. In the first nine months of 2019, the construction sector added 800 jobs or 2.3% from the same period of 2018. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the current construction job market is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth for the rest of 2019 and into 2020. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2019 Blue Chip Economic Consensus Forecasts expects real GDP growth in 2020 to increase 1.8% for the U.S. and 0.3% for Japan.

For 2020, the growth rate of visitor arrivals, visitor days and visitor expenditures are expected to be 2.5%, 2.0% and 2.5%, respectively.

DBEDT projects total non-agricultural wage and salary jobs to increase 0.3% in 2020. Real Personal Income is expected to increase 1.7% in 2020 with real GDP projected to increase 1.2% in 2020.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.3% in 2020. The State GDP deflator is forecast to grow 2.5% in 2020.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and maintaining the State's accounting system, consideration is given to the effectiveness of internal control, which is designed to accomplish certain objectives of management, including:

1. Transactions are executed in accordance with management's general and specific authorization.
2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.

Internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives were accomplished. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the State's internal controls are effective in accomplishing management's objectives.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2017 (Act 49, SLH 2017), as amended by the Supplemental Appropriations Act of 2018 (Act 053, SLH 2018), and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Of the 14 collective bargaining units, 13 include State employees. Units 1, 5, 6, 7, 10, and 11 have collective bargaining agreements in effect through June 30, 2021. Units 2, 3, 4, 8, 9, 13, and 14 contracts expired on June 30, 2019. Units 2, 8, 9, and 13 have reached agreements for new contracts that are subject to funding by the 2020 Legislature. Units 3, 4, and 14 are pending arbitrated settlements.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2019. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We extend our appreciation to the staff of the various State agencies whose dedicated time and effort made the preparation of this report possible. Their combined efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,



CURT T. OTAGURO
Comptroller, State of Hawaii

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Hawaii

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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PART II: FINANCIAL SECTION

Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 28–115) as listed in the accompanying 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.

Auditors' Responsibility

Our responsibility is to express opinions on these respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund, and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; and the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Business-Type Activities	92%	82%
Aggregate Discretely Presented Component Units	20%	24%
Fiduciary Funds	87%	100%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors. 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 of 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–26), budgetary comparison information (pages 118–121 and 132–138), Schedule of the Proportionate Share of the Net Pension Liability (page 122), Schedule of Pension Contributions (page 123), Schedule of the Proportionate Share of the Net OPEB Liability (page 124), Schedule of OPEB Contributions (page 125) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual fund statements (pages 128–131 and 139–143), introductory section (pages 1–8) and statistical section (pages 146–179) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of the State of Hawaii's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 State of Hawaii's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
December 19, 2019

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2019

As management of the State of Hawaii (the State), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–6 of this report.

Financial Highlights

Government-Wide Highlights

The liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at June 30, 2019 by \$2.2 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$10.8 billion, a decrease of \$505.8 million from the previous year. Net position of governmental activities and business-type activities decreased by \$590.5 million and increased by \$355.9 million, respectively, due to current year activity. The total deferred outflows of resources decreased to \$2.2 billion, a \$113.1 million decrease. This was due to the decrease in deferred loss on refunding and deferred outflows on net pension liability in the amounts of \$26.9 million and \$271.6 million, respectively. The deferred inflows of resources increased to \$255.0 million, with the increase of both deferred inflows of resources from net pension liability and net other postemployment benefits liability in the amounts of \$20.8 million and \$133.1 million, respectively.

Fund Highlights

At June 30, 2019, the State's Governmental Funds reported combined ending fund balances of \$3.5 billion, an increase of \$57.9 million from the prior fiscal year. Of this amount, \$1.6 billion, or 46.0%, of total fund balances was in the General Fund, and the remaining \$1.9 billion represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position of \$5.1 billion at June 30, 2019, an increase of \$355.9 million during the fiscal year.

Liabilities

The State's liabilities increased during the current year to \$26.9 billion, an increase of \$436.4 million. During fiscal 2019, the State issued General Obligation bonds and Taxable General Obligation bonds in the amounts of \$431.7 million and \$143.3 million, respectively.

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions*, the State's liability for postemployment benefits other than pension increased to \$7.0 billion, an increase of \$72.1 million for the fiscal year ended June 30, 2019.

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting For Pensions*, the State's liability pensions increased to \$6.8 billion, an increase of \$125.7 million for the fiscal year ended June 30, 2019.

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2019

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) Fund financial statements, and (3) notes to basic financial statements. This report also contains supplementary information required by GASB and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the State'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 of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include general government, public safety, conservation of natural resources, highways, health, welfare, education, culture and recreation, urban redevelopment and housing, economic development and assistance, and interest on long-term debt. The business-type activities of the State include the Department of Transportation – Airports Division (Airports), Department of Transportation – Harbors Division (Harbors), and the Unemployment Compensation Fund, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The Government-Wide financial statements include not only the State itself (known as the Primary Government), but also the activities of seven legally separate Component Units: the Hawaii Community Development Authority, the Hawaii Health Systems Corporation, the Hawaii Housing Finance and Development Corporation, the Hawaii Hurricane Relief Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, and the University of Hawaii, comprised of the State's public institutions of higher education, for which the State is financially accountable. Financial information for these Component Units is reported separately from the financial information presented for the Primary Government itself. The Component Units issue separate financial statements containing management's discussion and analysis.

The Government-Wide financial statements can be found on pages 28–30 of this report.

State of Hawaii

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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide financial statements, Governmental Funds financial statements focus on near term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities in the Government-Wide financial statements.

Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, and Med-Quest Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

The State adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and each Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedules for the General Fund and Med-Quest Special Revenue Fund are located in the required supplementary information and the budgetary comparison statements for each of the other Special Revenue Funds are located in the supplementary information section of this report.

The basic Governmental Funds financial statements can be found on pages 32–35 of this report.

Proprietary Funds

Proprietary Funds are used to show activities that operate more like those of commercial enterprises. They are known as Enterprise Funds because they charge fees for services provided to outsiders. They are used to report the same functions presented as business-type activities in the Government-Wide financial statements. The State uses Enterprise Funds to account for the operations of Airports, Harbors, the Unemployment Compensation Fund, and its other business-type activities.

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Proprietary Funds provide the same type of information as the Government-Wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for Airports, Harbors, and the Unemployment Compensation Fund, each of which are considered to be major funds of the State. Conversely, the other business-type activities are combined into a single, aggregate presentation in the Proprietary Funds financial statements.

The basic Proprietary Funds financial statements can be found on pages 36–40 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the Government-Wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Funds financial statements can be found on pages 41–42 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes to basic financial statements can be found on pages 50–115 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information (RSI) other than management's discussion and analysis, which contains budget-to-actual schedules for the State's General and Med-Quest Special Revenue Funds as well as accompanying notes. This section also includes a Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, Schedule of the Proportionate Share of the Net OPEB Liability, and Schedule of OPEB Contributions.

Other Supplementary Information

The combining financial statements referred to earlier are presented in the supplementary information immediately following the RSI other than management's discussion and analysis. These combining statements provide details about the nonmajor Governmental, Proprietary and Fiduciary Funds. The total columns of these combining financial statements carry to the applicable Fund financial statements.

The statistical section containing information regarding financial trends, revenue capacity and debt capacity, as well as demographic, economic and operating information follows immediately after the supplementary information.

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Government-Wide Financial Analysis

The following financial analysis focuses on the Primary Government (governmental and business-type activities of the State). Separate financial statements for each of the State's Component Units, including their respective management's discussion and analysis, can be obtained from the Department of Accounting and General Services.

Net position is a useful indicator of a government's financial position. For the State, total liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$2.2 billion as of June 30, 2019, and net position decreased \$234.6 million, or 11.8% from June 30, 2018 balances. The net position of the governmental activities decreased by \$590.5 million, or 8.8%, and business-type activities had an increase of \$355.9 million, or 7.6% due to the fiscal year 2019 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2019 and 2018
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 4,845,579	\$ 5,094,004	\$ 3,657,842	\$ 3,374,748	\$ 8,503,421	\$ 8,468,752
Capital assets, net	9,807,124	9,824,732	4,424,224	3,972,570	14,231,348	13,797,302
Total assets	\$ 14,652,703	\$ 14,918,736	\$ 8,082,066	\$ 7,347,318	\$ 22,734,769	\$ 22,266,054
Deferred outflows of resources						
Deferred loss on refunding	\$ 134,575	\$ 160,332	\$ 2,976	\$ 4,069	\$ 137,551	\$ 164,401
Deferred outflows on net pension liability	1,327,625	1,591,159	45,092	53,194	1,372,717	1,644,353
Deferred outflows on net other postemployment benefits liability	681,561	502,442	22,568	16,278	704,129	518,720
Total deferred outflows of resources	\$ 2,143,761	\$ 2,253,933	\$ 70,636	\$ 73,541	\$ 2,214,397	\$ 2,327,474
Liabilities						
Long-term liabilities	\$ 22,474,255	\$ 22,322,613	\$ 2,771,220	\$ 2,394,343	\$ 25,245,475	\$ 24,716,956
Other liabilities	1,358,692	1,444,960	314,084	319,984	1,672,776	1,764,944
Total liabilities	\$ 23,832,947	\$ 23,767,573	\$ 3,085,304	\$ 2,714,327	\$ 26,918,251	\$ 26,481,900
Deferred inflows of resources						
Deferred inflows on net pension liability	\$ 104,223	\$ 84,148	\$ 4,729	\$ 3,966	\$ 108,952	\$ 88,114
Deferred inflows on net other postemployment benefits liability	141,576	12,684	4,483	310	146,059	12,994
Total deferred inflows of resources	\$ 245,799	\$ 96,832	\$ 9,212	\$ 4,276	\$ 255,011	\$ 101,108
Net position						
Net investment in capital assets	\$ 2,459,159	\$ 2,661,730	\$ 2,459,973	\$ 2,183,188	\$ 4,919,132	\$ 4,844,918
Restricted	2,089,246	2,028,259	1,580,020	1,444,009	3,669,266	3,472,268
Unrestricted	(11,830,687)	(11,381,725)	1,018,193	1,075,059	(10,812,494)	(10,306,666)
Total net position	\$ (7,282,282)	\$ (6,691,736)	\$ 5,058,186	\$ 4,702,256	\$ (2,224,096)	\$ (1,989,480)

Analysis of Net Position

By far, the largest portion of the State's net position (\$4.9 billion or negative 221.1%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position (\$3.7 billion or negative 165.0%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$10.8 billion or 486.2% represents unrestricted net position.

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At June 30, 2019, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's net other postemployment benefit liability of \$6.9 billion and net pension liability of \$6.8 billion.

Changes in Net Position

The State's net position decreased by \$234.6 million, or 11.8%, during the year fiscal ended June 30, 2019. Approximately 61.4% of the State's total revenues came from taxes, while 24.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 13.7% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, general government, public safety, and highways.

The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

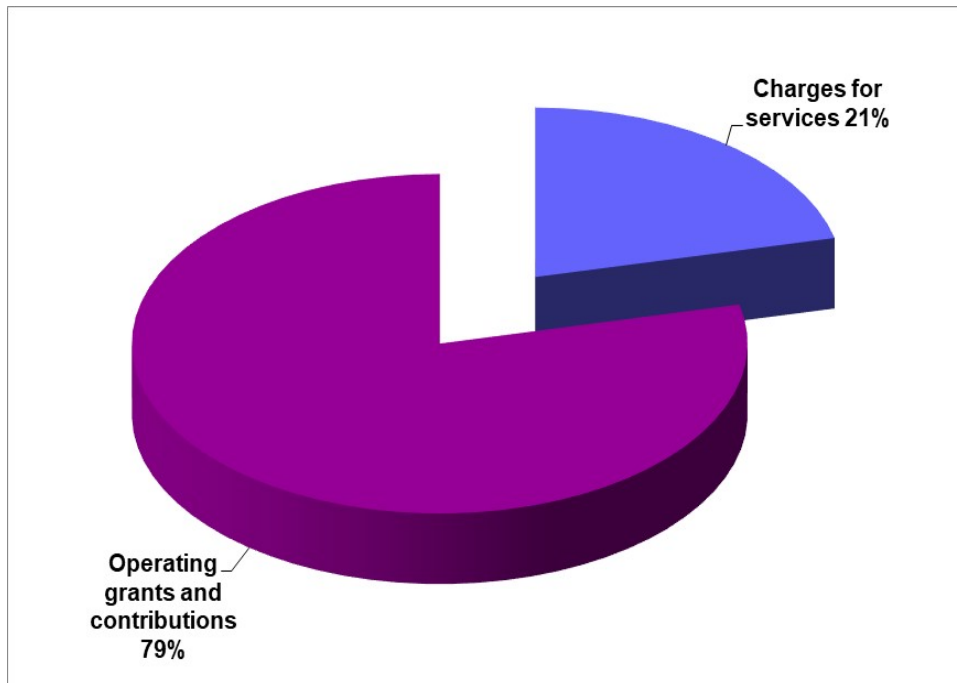
Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2019 and 2018
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 834,246	\$ 924,936	\$ 1,052,449	\$ 1,057,427	\$ 1,886,695	\$ 1,982,363
Operating grants and contributions	3,082,678	3,154,479	-	-	3,082,678	3,154,479
Capital grants and contributions	-	-	78,010	37,956	78,010	37,956
General revenues						
Taxes	7,797,519	7,140,491	-	-	7,797,519	7,140,491
Investment income and other	(186,766)	(209,632)	48,887	27,352	(137,879)	(182,280)
Total revenues	<u>11,527,677</u>	<u>11,010,274</u>	<u>1,179,346</u>	<u>1,122,735</u>	<u>12,707,023</u>	<u>12,133,009</u>
Expenses						
General government	1,054,935	920,547	-	-	1,054,935	920,547
Public safety	675,663	639,888	-	-	675,663	639,888
Highways	552,741	614,847	-	-	552,741	614,847
Conservation of natural resources	224,266	118,637	-	-	224,266	118,637
Health	1,019,160	874,898	-	-	1,019,160	874,898
Welfare	3,379,304	3,542,771	-	-	3,379,304	3,542,771
Lower education	3,527,097	3,404,645	-	-	3,527,097	3,404,645
Higher education	950,253	950,843	-	-	950,253	950,843
Other education	18,376	23,827	-	-	18,376	23,827
Culture and recreation	110,711	89,647	-	-	110,711	89,647
Urban redevelopment and housing	179,794	392,921	-	-	179,794	392,921
Economic development and assistance	174,629	170,200	-	-	174,629	170,200
Interest expense	251,294	311,340	-	-	251,294	311,340
Airports	-	-	469,321	429,884	469,321	429,884
Harbors	-	-	85,007	92,978	85,007	92,978
Unemployment compensation	-	-	165,134	177,009	165,134	177,009
Nonmajor proprietary fund	-	-	103,954	96,548	103,954	96,548
Total expenses	<u>12,118,223</u>	<u>12,055,011</u>	<u>823,416</u>	<u>796,419</u>	<u>12,941,639</u>	<u>12,851,430</u>
Change in net position	<u>(590,546)</u>	<u>(1,044,737)</u>	<u>355,930</u>	<u>326,316</u>	<u>(234,616)</u>	<u>(718,421)</u>
Net position						
Beginning of year	(6,691,736)	(5,646,999)	4,702,256	4,375,940	(1,989,480)	(1,271,059)
End of year	<u>\$ (7,282,282)</u>	<u>\$ (6,691,736)</u>	<u>\$ 5,058,186</u>	<u>\$ 4,702,256</u>	<u>\$ (2,224,096)</u>	<u>\$ (1,989,480)</u>

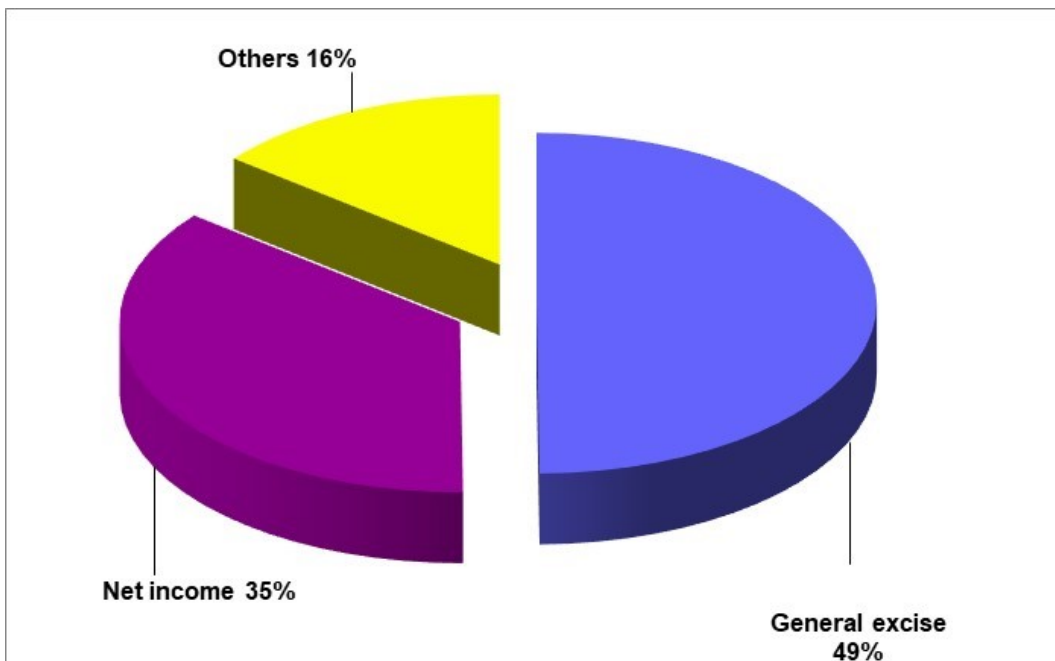
**State of Hawaii
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The following charts depict revenues of the governmental activities for the fiscal year:

**Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2019**



**Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2019**



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Analysis of Changes in Net Position

The State's net position decreased by \$234.6 million during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to decrease in net position of governmental activities of \$590.5 million and increase in Airports of \$172.1 million, Harbors of \$105.7 million, Unemployment Compensation Fund of \$42.0 million, and Nonmajor Proprietary Funds of \$36.1 million.

Governmental Activities

Governmental activities decreased the State's net position by \$590.5 million. The elements of this decrease are reflected below:

	Governmental Activities	
	(Amounts in thousands)	
	2019	2018
General revenues		
Taxes	\$ 7,797,519	\$ 7,140,491
Interest and investment income and other	(186,766)	(209,632)
Total general revenues	<u>7,610,753</u>	<u>6,930,859</u>
Expenses, net of program revenues		
General government	711,458	569,220
Public safety	551,340	510,970
Highways	303,914	423,411
Conservation of natural resources	111,119	(8,017)
Health	747,421	616,966
Welfare	1,077,234	1,041,241
Lower education	3,166,635	3,086,271
Higher education	950,253	950,843
Other education	18,376	23,827
Culture and recreation	92,353	71,335
Urban redevelopment and housing	135,497	280,613
Economic development and assistance	84,405	97,576
Interest expense	<u>251,294</u>	<u>311,340</u>
Total governmental activities expenses, net of program revenues	<u>8,201,299</u>	<u>7,975,596</u>
Decrease in governmental activities net position	<u>\$ (590,546)</u>	<u>\$ (1,044,737)</u>

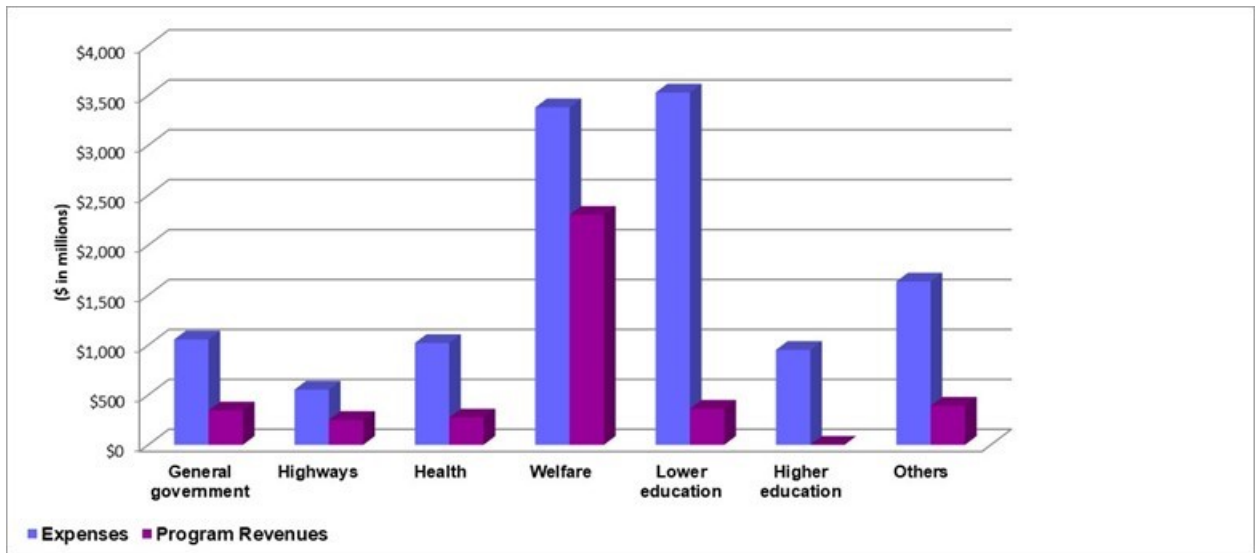
Tax revenues increased by \$657.0 million, or 9.2%, from the previous fiscal year. The increase was primarily due to an increase in general excise tax of \$240.6 million and corporations and individuals net income taxes of \$321.7 million due to growth in the State economy.

Expenses, net of program revenues increased by \$225.7 million mainly due to the decrease in charges for services and operating grants and contributions. The largest variance was in the Welfare program with a decrease in revenues of \$199.5 million.

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A comparison of the cost of services by function of the State’s governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State:

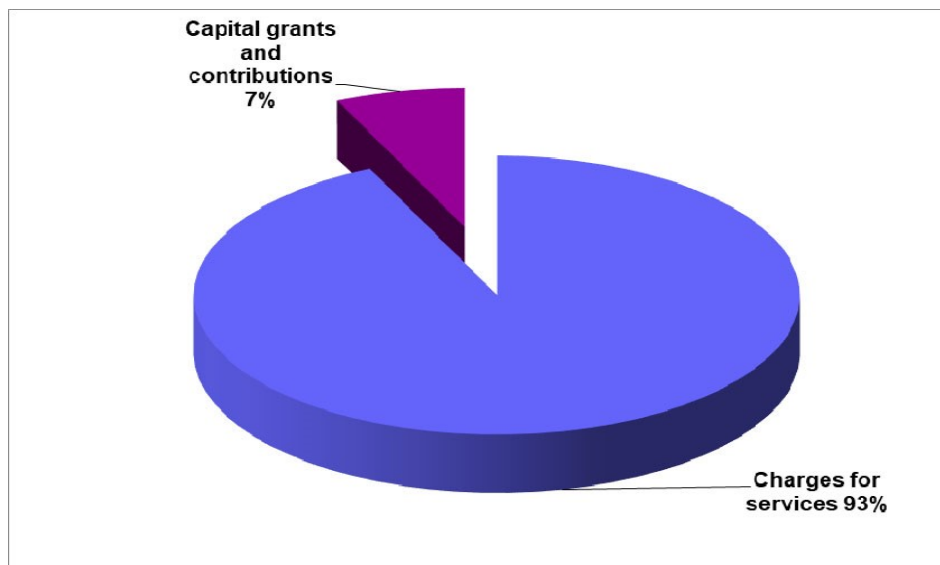
**Expenses and Program Revenues – Governmental Activities
 Fiscal Year Ended June 30, 2019**



Business-Type Activities

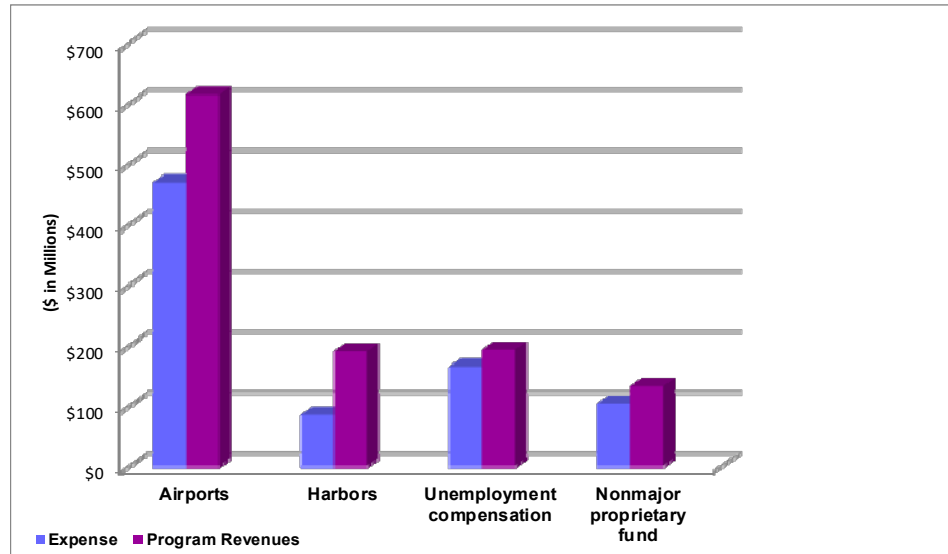
The following charts depict revenues and expenses of the business-type activities for the fiscal year:

**Program Revenues by Source – Business-Type Activities
 Fiscal Year Ended June 30, 2019**



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Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2019



Business-type activities increased the State's net position by \$355.9 million in fiscal 2019, compared to an increase of \$326.3 million in fiscal 2018. Key elements of this increase are as follows:

- Airports' net position increased \$172.2 million compared to an increase of \$198.6 million in the prior fiscal year. Charges for current services decreased by \$25.2 million primarily due to a decrease in landing fees from lower passenger traffic. Operating and capital grants and contributions increased \$22.6 million due to an increase in federal capital grants and state capital contributions. Airport's expenditures increased \$39.4 million due to increases in personnel costs and interest expense on revenue bonds.
- Harbors' net position increased \$105.7 million in fiscal 2019 compared to an increase of \$72.3 million in fiscal 2018. Charges for current services increased by \$25.6 million due to Wharfage revenues and an increase in tariff rates, while expenses decreased \$8.0 million.
- The Unemployment Compensation Fund's net position increased \$42.0 million compared to an increase of \$21.8 million in the prior fiscal year. The change was primarily due to an increase in unemployment tax revenues of \$6.9 million and decrease in unemployment benefits paid of \$11.9 million.
- The Nonmajor Proprietary Fund's net position increased \$36.1 million in fiscal 2019 compared to an increase of \$33.6 million in fiscal 2018.
- Key elements of the State's business-type activities for the fiscal years ended June 30, 2019 and 2018 are as follows:

	Business-Type Activities									
	(Amounts in thousands)									
	Program Revenues						Expenses		Program Revenues Net of Expenses	
	Charges for Services		Operating and Capital Grants and Contributions		Total		2019	2018	2019	2018
2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
Airports	\$ 562,436	\$ 587,602	\$ 51,743	\$ 29,140	\$ 614,179	\$ 616,742	\$ 469,321	\$ 429,884	\$ 144,858	\$ 186,858
Harbors	190,717	165,111	-	153	190,717	165,264	85,007	92,978	105,710	72,286
Unemployment compensation	193,093	186,239	-	-	193,093	186,239	165,134	177,009	27,959	9,230
Nonmajor proprietary funds	106,203	118,475	26,267	8,663	132,470	127,138	103,954	96,548	28,516	30,590
Total	\$ 1,052,449	\$ 1,057,427	\$ 78,010	\$ 37,956	\$ 1,130,459	\$ 1,095,383	\$ 823,416	\$ 796,419	\$ 307,043	\$ 298,964

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Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the State's financing requirements. The fund balance classifications comprise a hierarchy based primarily on the extent the State is bound to honor constraints on the specific purpose for which amounts can be spent.

At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of \$3.5 billion. Of this amount, \$22.0 million is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional \$824.0 million has been committed to specific purposes. An additional \$1.7 billion has been assigned to specific purposes by management. The unassigned fund balance was \$936.1 million at fiscal year end.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was \$1.6 billion compared to \$1.5 billion in fiscal 2018. The fund balance of the State's Capital Projects Fund decreased \$147.5 million during the fiscal year. The Capital Projects Fund decrease is a result of the State's policy of recording expenditures upon the allotment of general obligation bond appropriations expended by component units and incurring general obligation bond expenditures in excess of cash available. The deficit caused by the recording of expenditures when funds are allotted is \$570.5 million and is reflected on the balance sheet as Due to Component Units. The fund balance of the Med-Quest Special Fund increased \$11.8 million and other Nonmajor Governmental Funds increased \$49.2 million.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of \$172.2 million, Harbors had an increase in net position of \$105.7 million, the Unemployment Compensation Fund had an increase in net position of \$42.0 million, and the Nonmajor Proprietary Funds had an increase in net position of \$36.1 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues were \$213.3 million, or 2.8%, more than the final budget. The positive variance was attributed to favorable tax revenues of \$168.2 million and favorable non-tax revenues of \$45.1 million. General excise tax, corporate income tax, and individual income tax all collected more than what was projected by \$64.1 million, \$55.8 million, and \$56.3 million, respectively. The favorable variance in non-tax revenues is mainly comprised of charges for current services and pension and social security reimbursements.

The difference between the final budget and actual expenditures on a budgetary basis was \$164.9 million. This difference is mostly due to the general government variance of \$44.6 million and lower education variance of \$48.9 million. The general government variance is mostly due to \$22.8 million of appropriations made to the State Legislature that can be carried over to the next fiscal year. As in previous years, the positive variance in lower education resulted when the Department of Education carried over \$43.7 million of unencumbered appropriations into

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the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations. Spending restrictions imposed on all executive branch departments resulted in positive variances across most all functions of government except Public Safety and this was due to emergency spending from flooding.

Capital Assets

The State's capital assets for its governmental and business-type activities as of June 30, 2019, amounted to \$14.2 billion (net of accumulated depreciation of \$13.2 billion), an increase of \$434.0 million from fiscal 2018. The increase is due to an increase in governmental activities assets of \$436.6 million and in business-type assets of \$602.0 million offset by increases in governmental activities and business-type activities accumulated depreciation of \$454.2 million and \$150.4 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2019, included the following:

- \$386.1 million for various capital improvements at airports statewide.
- \$214.5 million for various capital improvement projects and repair and maintenance of public school facilities throughout the State.
- \$156.8 million for various capital improvement projects at harbors statewide.
- \$48.1 million for various highway improvement projects throughout the State.

Additional information on the State's capital assets can be found in Note 3 to the basic financial statements.

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$10.5 billion. Of this amount, \$7.9 billion comprises debt backed by the full faith and credit of the State and \$2.5 billion (i.e., revenue bonds) is revenue-bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt
June 30, 2019 and 2018
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 7,914,382	\$ 7,912,206	\$ 21,026	\$ 23,255	\$ 7,935,408	\$ 7,935,461
Revenue bonds	571,306	633,073	1,968,315	1,567,305	2,539,621	2,200,378
Total	\$ 8,485,688	\$ 8,545,279	\$ 1,989,341	\$ 1,590,560	\$ 10,475,029	\$ 10,135,839

The State's total long-term debt increased by \$339.2 million, or 3.4%, during the current fiscal year. The increase resulted from issuances of GO bonds and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2019, the State's underlying general obligation bond ratings were Moody's Investors Service (Aa1), Standard and Poor's Corporation (AA+) and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2019 was \$576.8 million.

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2019

Additional information on the State's long-term debt can be found in Notes 4, 5 and 6 to the basic financial statements.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for October 2019 was 2.7%, while the seasonally adjusted national unemployment rate was 3.6%. One year ago, the State's seasonally adjusted unemployment rate stood at 2.3%, while the seasonally adjusted national unemployment rate was 3.7%.

The Council of Revenues in September 2019 revised the State's General Fund tax revenue growth rate for fiscal year 2020 from 4.0% to 4.1%.

Cumulative general fund tax revenues for the first five months of fiscal 2020 was \$3.0 billion, an increase of \$163.2 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 3.7%.

In December 2019, Fitch Ratings upgraded the State's general obligation bond rating from AA to AA+. The upgrade reflects Fitch's expectations for the State's resilient economy and continued strong operating performance.

The State is optimistic about the recovery of Hawaii's economy but remains cautious about its sustainability in the face of numerous uncertainties. Therefore, the Governor has imposed a 5% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2020.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Department of Accounting and General Services, P.O. Box 119, Honolulu, Hawaii 96810-0119. General information about the State can be found at the State's website: <http://www.hawaii.gov>.

BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 493,489	\$ 1,535,710	\$ 2,029,199	\$ 1,033,180
Receivables				
Taxes	338,661	52,122	390,783	-
Accounts and accrued interest, net	-	82,709	82,709	192,771
Notes, loans, mortgages and contributions, net	119,276	550,516	669,792	600,339
Federal government	25,504	13,086	38,590	1,041
Premiums	-	43,894	43,894	-
Drug rebate	114,914	-	114,914	-
Other, net	28,636	63,772	92,408	13,844
Total receivables	626,991	806,099	1,433,090	807,995
Internal balances	1,617	(1,617)	-	-
Due from component units	6,000	-	6,000	-
Due from primary government	-	-	-	577,167
Investments	3,708,594	61,278	3,769,872	1,102,349
Inventories				
Materials and supplies	-	209	209	19,289
Developments in progress and dwelling units	-	-	-	33,872
Total inventories	-	209	209	53,161
Restricted assets	-	1,248,837	1,248,837	106,152
Other assets				
Prepaid expenses	5,002	7,326	12,328	22,982
Other	3,886	-	3,886	38,324
Total other assets	8,888	7,326	16,214	61,306
Capital assets				
Land and land improvements	2,357,661	2,583,968	4,941,629	563,324
Infrastructure	10,163,803	-	10,163,803	305,213
Construction in progress	1,251,417	1,496,806	2,748,223	380,032
Buildings, improvements and equipment	6,230,948	3,229,167	9,460,115	4,986,591
Intangible assets – software	153,687	-	153,687	-
Accumulated depreciation and amortization	(10,350,392)	(2,885,717)	(13,236,109)	(2,945,603)
Total capital assets, net	9,807,124	4,424,224	14,231,348	3,289,557
Total assets	14,652,703	8,082,066	22,734,769	7,030,867
Deferred outflows of resources				
Deferred loss on refunding	134,575	2,976	137,551	13,097
Deferred outflows on net pension liability	1,327,625	45,092	1,372,717	444,776
Deferred outflows on net other postemployment benefits liability	681,561	22,568	704,129	257,539
Total deferred outflows of resources	\$ 2,143,761	\$ 70,636	\$ 2,214,397	\$ 715,412

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Vouchers and contracts payable	\$ 354,391	\$ 61,459	\$ 415,850	\$ 135,365
Other accrued liabilities	316,609	208,997	525,606	99,138
Due to component units	577,167	-	577,167	-
Due to primary government	-	-	-	6,000
Due to federal government	4,091	-	4,091	-
Unearned revenue	-	-	-	44,156
Premiums payable	-	43,628	43,628	-
Other	106,434	-	106,434	15,126
Long-term liabilities				
Due within one year				
Payable from restricted assets – revenue bonds payable, net	-	59,965	59,965	-
General obligation (GO) bonds payable	620,402	2,336	622,738	-
Notes, mortgages and installment contracts payable	-	-	-	1,729
Accrued vacation and retirement benefits payable	87,238	4,948	92,186	48,586
Revenue bonds payable, net	48,682	-	48,682	20,871
Reserve for losses and loss adjustment costs	44,282	1,840	46,122	9,635
Capital lease obligations	7,772	915	8,687	3,382
Lease revenue certificates of participation	-	10,301	10,301	-
Customer facility charge revenue bonds	-	5,120	5,120	-
Payable from restricted assets – loan payable	-	76,000	76,000	-
Due more than one year				
Prepaid airport use charge fund	-	312	312	-
GO bonds payable	7,293,980	18,690	7,312,670	-
Notes, mortgages and installment contracts payable	-	-	-	42,238
Accrued vacation and retirement benefits payable	142,941	11,067	154,008	58,900
Revenue bonds payable, net	522,624	1,903,230	2,425,854	526,702
Reserve for losses and loss adjustment costs	232,211	3,496	235,707	19,701
Capital lease obligations	115,150	24,549	139,699	5,969
Lease revenue certificates of participation	-	200,382	200,382	-
Unearned revenue	-	-	-	21,456
Estimated future costs of land sold	-	-	-	38,982
Net pension liability	6,622,548	214,902	6,837,450	2,296,241
Net other postemployment benefits liability	6,736,090	233,167	6,969,257	2,406,686
Other	335	-	335	97,718
Total liabilities	<u>23,832,947</u>	<u>3,085,304</u>	<u>26,918,251</u>	<u>5,898,581</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	104,223	4,729	108,952	69,444
Deferred inflows on net other postemployment benefits liability	<u>141,576</u>	<u>4,483</u>	<u>146,059</u>	<u>45,638</u>
Total deferred inflows of resources	<u>245,799</u>	<u>9,212</u>	<u>255,011</u>	<u>115,082</u>
Net position				
Net investment in capital assets	2,459,159	2,459,973	4,919,132	2,715,255
Restricted for				
Capital maintenance projects	187,428	-	187,428	-
Health and welfare	279,219	-	279,219	-
Natural resources	163,295	-	163,295	-
Native Hawaiian programs	381,029	-	381,029	-
Education	198,732	-	198,732	-
Regulatory and economic development	283,218	-	283,218	-
Administrative support	562,517	-	562,517	-
Other purposes	33,808	-	33,808	-
Bond requirements and other	-	1,580,020	1,580,020	1,155,666
Unrestricted	<u>(11,830,687)</u>	<u>1,018,193</u>	<u>(10,812,494)</u>	<u>(2,138,305)</u>
Total net position	<u>\$ (7,282,282)</u>	<u>\$ 5,058,186</u>	<u>\$ (2,224,096)</u>	<u>\$ 1,732,616</u>

State of Hawaii
Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government								
Governmental activities								
General government	\$ 1,054,935	\$ 302,275	\$ 41,202	\$ -	\$ (711,458)	\$ -	\$ (711,458)	
Public safety	675,663	85,361	38,962	-	(551,340)	-	(551,340)	
Highways	552,741	11,857	236,970	-	(303,914)	-	(303,914)	
Conservation of natural resources	224,266	78,916	34,231	-	(111,119)	-	(111,119)	
Health	1,019,160	138,013	133,726	-	(747,421)	-	(747,421)	
Welfare	3,379,304	98,405	2,203,665	-	(1,077,234)	-	(1,077,234)	
Lower education	3,527,097	43,014	317,448	-	(3,166,635)	-	(3,166,635)	
Higher education	950,253	-	-	-	(950,253)	-	(950,253)	
Other education	18,376	-	-	-	(18,376)	-	(18,376)	
Culture and recreation	110,711	12,495	5,863	-	(92,353)	-	(92,353)	
Urban redevelopment and housing	179,794	25,190	19,107	-	(135,497)	-	(135,497)	
Economic development and assistance	174,629	38,720	51,504	-	(84,405)	-	(84,405)	
Interest expense	251,294	-	-	-	(251,294)	-	(251,294)	
Total governmental activities	12,118,223	834,246	3,082,678	-	(8,201,299)	-	(8,201,299)	
Business-type activities								
Airports	469,321	562,436	-	51,743	-	144,858	144,858	
Harbors	85,007	190,717	-	-	-	105,710	105,710	
Unemployment compensation	165,134	193,093	-	-	-	27,959	27,959	
Nonmajor proprietary funds	103,954	106,203	-	26,267	-	28,516	28,516	
Total business-type activities	823,416	1,052,449	-	78,010	-	307,043	307,043	
Total primary government	\$ 12,941,639	\$ 1,886,695	\$ 3,082,678	\$ 78,010	(8,201,299)	307,043	(7,894,256)	
Component units								
University of Hawaii	\$ 1,864,750	\$ 395,300	\$ 443,786	\$ -				\$ (1,025,664)
Hawaii Housing Finance and Development Corporation	43,802	69,012	23,046	-				48,256
Hawaii Public Housing Authority	152,247	24,814	96,053	6,799				(24,581)
Hawaii Health Systems Corporation	624,123	447,884	1,026	10,267				(164,946)
Hawaii Tourism Authority	108,350	9,325	-	-				(99,025)
Hawaii Community Development Authority	8,466	2,419	-	-				(6,047)
Hawaii Hurricane Relief Fund	3	-	-	-				(3)
Total component units	\$ 2,801,741	\$ 948,754	\$ 563,911	\$ 17,066				(1,272,010)
General revenues								
Taxes								
General excise tax					3,794,587	-	3,794,587	-
Net income tax – corporations and individuals					2,728,991	-	2,728,991	-
Public service companies tax					126,691	-	126,691	-
Transient accommodations tax					356,670	-	356,670	95,500
Tobacco and liquor tax					151,438	-	151,438	-
Liquid fuel tax					85,146	-	85,146	-
Tax on premiums of insurance companies					176,420	-	176,420	-
Vehicle weight and registration tax					136,142	-	136,142	-
Rental motor/tour vehicle surcharge tax					57,994	-	57,994	-
Franchise tax					26,808	-	26,808	-
Other tax					156,632	-	156,632	-
Interest and investment income					40,141	48,887	89,028	68,103
Payments from the primary government, net					-	-	-	1,128,122
Gifts and subsidies					-	-	-	37,956
Other					(2,797)	-	(2,797)	(1,123)
Debt cancellation with State					(224,110)	-	(224,110)	224,110
Total general revenues					7,610,753	48,887	7,659,640	1,552,668
Change in net position					(590,546)	355,930	(234,616)	280,658
Net position								
Beginning of year					(6,691,736)	4,702,256	(1,989,480)	1,451,958
End of year					\$ (7,282,282)	\$ 5,058,186	\$ (2,224,096)	\$ 1,732,616

The accompanying notes are an integral part of the basic financial statements.

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**State of Hawaii
Governmental Funds
Balance Sheet
June 30, 2019
(Amounts in thousands)**

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 120,121	\$ 5,408	\$ 8,716	\$ 359,244	\$ 493,489
Receivables					
Taxes	291,052	-	-	-	291,052
Notes and loans, net of allowance for doubtful accounts of \$46,848	1,411	-	-	143,368	144,779
Drug rebate	-	-	114,914	-	114,914
Medical assistance	-	-	636	-	636
Other	8,000	-	-	-	8,000
Due from other funds	216,066	-	-	-	216,066
Due from proprietary funds	20	1,597	-	-	1,617
Due from component units	6,000	-	-	-	6,000
Investments	1,364,567	468,273	100,239	1,775,515	3,708,594
Other assets	3,886	-	-	-	3,886
Total assets	<u>\$ 2,011,123</u>	<u>\$ 475,278</u>	<u>\$ 224,505</u>	<u>\$ 2,278,127</u>	<u>\$ 4,989,033</u>
Liabilities and Fund Balances					
Liabilities					
Vouchers and contracts payable	\$ 140,056	\$ 91,049	\$ 4,270	\$ 117,013	\$ 352,388
Other accrued liabilities	244,998	-	28,831	42,780	316,609
Due to federal government	-	-	4,091	-	4,091
Due to other funds	-	-	152,077	63,989	216,066
Due to component units	3,754	570,484	-	-	574,238
Payable from restricted assets					
Matured bonds and interest payable	-	-	-	335	335
Total liabilities	<u>388,808</u>	<u>661,533</u>	<u>189,269</u>	<u>224,117</u>	<u>1,463,727</u>
Fund balances					
Restricted	-	15,340	-	6,666	22,006
Committed	-	6,013	-	817,945	823,958
Assigned	475,242	-	35,236	1,232,763	1,743,241
Unassigned	1,147,073	(207,608)	-	(3,364)	936,101
Total fund balances	<u>1,622,315</u>	<u>(186,255)</u>	<u>35,236</u>	<u>2,054,010</u>	<u>3,525,306</u>
Total liabilities and fund balances	<u>\$ 2,011,123</u>	<u>\$ 475,278</u>	<u>\$ 224,505</u>	<u>\$ 2,278,127</u>	<u>\$ 4,989,033</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019
(Amounts in thousands)

Total fund balance – Governmental funds	\$ 3,525,306
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of	
Land and land improvements	2,357,661
Infrastructure	10,163,803
Construction in progress	1,251,417
Buildings, improvements and equipment	6,230,948
Intangible assets – software	153,687
Accumulated depreciation and amortization	<u>(10,350,392)</u>
	<u>9,807,124</u>
Accrued interest and other payables are not recognized in governmental funds.	<u>(108,444)</u>
Other assets and liabilities are not available to pay or be used for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables.	<u>72,619</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(7,914,382)
Accrued vacation payable	(230,179)
Revenue bonds payable	(571,306)
Reserve for losses and loss adjustment costs	(276,493)
Other postemployment benefits liability	(6,736,090)
Net pension liability	(6,622,548)
Long-term transactions with component units	(2,929)
Capital lease obligations	<u>(122,922)</u>
	<u>(22,476,849)</u>
Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred loss on refunding	134,575
Deferred outflows on net pension liability	1,327,625
Deferred outflows on other postemployment benefits liability	<u>681,561</u>
	<u>2,143,761</u>
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of	
Deferred inflows on net pension liability	(104,223)
Deferred inflows on other postemployment benefits liability	<u>(141,576)</u>
	<u>(245,799)</u>
Net position of governmental activities	<u>\$ (7,282,282)</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
General excise tax	\$ 3,527,256	\$ -	\$ -	\$ 267,329	\$ 3,794,585
Net income tax – corporations and individuals	2,718,654	-	-	-	2,718,654
Public service companies tax	126,691	-	-	-	126,691
Transient accommodations tax	356,670	-	-	-	356,670
Tobacco and liquor tax	126,439	-	-	24,999	151,438
Liquid fuel tax	-	-	-	85,146	85,146
Tax on premiums of insurance companies	173,844	-	-	2,576	176,420
Vehicle weight and registration tax	-	-	-	136,142	136,142
Rental motor/vehicle surcharge tax	3	-	-	57,991	57,994
Franchise tax	24,808	-	-	2,000	26,808
Other	75,629	-	-	81,003	156,632
Total taxes	<u>7,129,994</u>	<u>-</u>	<u>-</u>	<u>657,186</u>	<u>7,787,180</u>
Interest and investment income	18,950	-	-	21,191	40,141
Charges for current services	224,570	-	-	293,961	518,531
Intergovernmental	14,075	-	1,488,969	1,280,494	2,783,538
Rentals	339	-	-	37,692	38,031
Fines, forfeitures and penalties	22,815	-	-	14,698	37,513
Licenses and fees	1,784	-	-	46,181	47,965
Revenues from private sources	4,620	-	67,392	50,005	122,017
Other	70,293	-	68,107	231,025	369,425
Total revenues	<u>7,487,440</u>	<u>-</u>	<u>1,624,468</u>	<u>2,632,433</u>	<u>11,744,341</u>
Expenditures					
Current					
General government	506,453	83,562	-	417,539	1,007,554
Public safety	465,608	32,154	-	136,358	634,120
Highways	13,031	187,742	-	325,375	526,148
Conservation of natural resources	72,056	20,354	-	52,973	145,383
Health	750,450	58,583	-	200,512	1,009,545
Welfare	1,116,455	4,321	1,594,302	617,391	3,332,469
Lower education	2,606,362	276,102	-	451,646	3,334,110
Higher education	821,327	128,926	-	-	950,253
Other education	8,082	-	-	10,294	18,376
Culture and recreation	57,220	15,798	-	43,363	116,381
Urban redevelopment and housing	32,882	9,487	-	36,867	79,236
Economic development and assistance	52,908	20,125	-	79,559	152,592
Housing	34,090	50,942	-	-	85,032
Other	3,745	-	-	9,946	13,691
Debt service	-	-	-	855,374	855,374
Total expenditures	<u>6,540,669</u>	<u>888,096</u>	<u>1,594,302</u>	<u>3,237,197</u>	<u>12,260,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>946,771</u>	<u>(888,096)</u>	<u>30,166</u>	<u>(604,764)</u>	<u>(515,923)</u>
Other financing sources (uses)					
Issuance of GO bonds – par	-	575,000	-	-	575,000
Issuance of GO bonds – premium	232	-	-	69,730	69,962
Other financing uses – other	-	(1,402)	-	-	(1,402)
Payment to refunded bond escrow agent	-	-	-	(69,730)	(69,730)
Transfers in	84,441	168,586	3,847	957,899	1,214,773
Transfers out	(887,049)	(1,563)	(22,213)	(303,948)	(1,214,773)
Total other financing sources (uses)	<u>(802,376)</u>	<u>740,621</u>	<u>(18,366)</u>	<u>653,951</u>	<u>573,830</u>
Net change in fund balances	144,395	(147,475)	11,800	49,187	57,907
Fund balances					
Beginning of year	<u>1,477,920</u>	<u>(38,780)</u>	<u>23,436</u>	<u>2,004,823</u>	<u>3,467,399</u>
End of year	<u>\$ 1,622,315</u>	<u>\$ (186,255)</u>	<u>\$ 35,236</u>	<u>\$ 2,054,010</u>	<u>\$ 3,525,306</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

Total net change in fund balances – Governmental funds	\$ 57,907
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are	
Capital asset additions	1,831,534
Capital asset disposals	(1,394,950)
Accumulated depreciation on disposals	8,945
Depreciation expense	<u>(463,137)</u>
Excess of capital outlay over depreciation expense	<u>(17,608)</u>
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, this is the amount of proceeds received from general obligation and revenue bonds issued.	<u>(644,962)</u>
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of	
Bond principal retirement	590,882
Capital lease additions, net	<u>6,975</u>
Total long-term debt repayment	<u>597,857</u>
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.	<u>10,337</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in accrued vacation payable	3,568
Change in reserve for losses and loss adjustment costs	(29,239)
Change in accrued interest on bonds payable	(8,592)
Change in accrued interest on capital leases	(1,924)
Amortization of bond premium and deferred amount on refunding	(132,077)
Net pension activity	(406,338)
Net other postemployment benefits activity	<u>(19,475)</u>
Total	<u>(594,077)</u>
Change in net position of governmental activities	<u>\$ (590,546)</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2019
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Assets					
Current assets					
Cash and cash equivalents	\$ 503,263	\$ 226,979	\$ 575,650	\$ 229,818	\$ 1,535,710
Investments	-	-	-	61,278	61,278
Restricted assets – cash and short-term investments	230,682	34,728	-	-	265,410
Receivables					
Taxes	239	-	51,883	-	52,122
Accounts and accrued interest, net of allowance for doubtful accounts of \$13,291	57,339	24,954	-	416	82,709
Promissory note receivable, net of allowance for doubtful accounts of \$2,589	-	388	-	42,232	42,620
Federal government	12,968	-	-	118	13,086
Premiums	-	-	-	43,894	43,894
Other	30,934	-	-	32,838	63,772
Materials and supplies inventory	209	-	-	-	209
Prepaid expenses and other assets	-	1,997	-	5,329	7,326
Total current assets	835,634	289,046	627,533	415,923	2,168,136
Noncurrent assets					
Capital assets					
Land and land improvements	1,957,915	626,053	-	-	2,583,968
Construction in progress	1,303,766	193,040	-	-	1,496,806
Buildings and improvements	2,283,304	580,362	-	-	2,863,666
Equipment	322,344	28,686	-	14,471	365,501
	5,867,329	1,428,141	-	14,471	7,309,941
Less: Accumulated depreciation	(2,432,597)	(440,440)	-	(12,680)	(2,885,717)
Net capital assets	3,434,732	987,701	-	1,791	4,424,224
Promissory note receivable	-	-	-	507,896	507,896
Restricted assets – net direct financing leases	21,878	-	-	-	21,878
Restricted assets – cash and cash equivalents	521,902	157,855	-	-	679,757
Restricted assets – investments	281,792	-	-	-	281,792
Total noncurrent assets	4,260,304	1,145,556	-	509,687	5,915,547
Total assets	5,095,938	1,434,602	627,533	925,610	8,083,683
Deferred outflows of resources					
Deferred loss on refunding	845	2,131	-	-	2,976
Deferred outflows on net pension liability	35,252	6,969	-	2,871	45,092
Deferred outflows on net other postemployment benefits liability	17,721	3,473	-	1,374	22,568
Total deferred outflows of resources	\$ 53,818	\$ 12,573	\$ -	\$ 4,245	\$ 70,636

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2019
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Liabilities					
Current liabilities					
Vouchers and contracts payable	\$ 45,318	\$ 9,507	\$ 5,756	\$ 878	\$ 61,459
Payable from restricted assets – contracts payable, accrued interest, and other	143,344	38,342	-	-	181,686
Other accrued liabilities	21,116	-	-	1,696	22,812
Due to governmental funds	20	1,597	-	-	1,617
Benefit claims payable	-	-	-	4,499	4,499
General obligation bonds payable, current portion	-	2,336	-	-	2,336
Reserve for losses and loss adjustment costs	1,656	184	-	-	1,840
Capital lease obligations	-	915	-	-	915
Lease revenue certificates of participation	10,301	-	-	-	10,301
Customer facility charge revenue bonds	5,120	-	-	-	5,120
Accrued vacation, current portion	3,925	774	-	249	4,948
Payable from restricted assets – revenue bond payable	42,585	17,380	-	-	59,965
Payable from restricted assets – loan payable	76,000	-	-	-	76,000
Premiums payable	-	-	-	43,628	43,628
Total current liabilities	<u>349,385</u>	<u>71,035</u>	<u>5,756</u>	<u>50,950</u>	<u>477,126</u>
Noncurrent liabilities					
General obligation bonds payable	-	18,690	-	-	18,690
Accrued vacation	8,642	1,888	-	537	11,067
Revenue bonds payable, net of unamortized bond premium and bond discount	1,643,793	259,437	-	-	1,903,230
Reserve for losses and loss adjustment cost	2,605	891	-	-	3,496
Capital lease obligations	-	24,549	-	-	24,549
Lease revenue certificates of participation	200,382	-	-	-	200,382
Net pension liability	167,609	35,114	-	12,179	214,902
Net other postemployment benefits liability	180,774	38,353	-	14,040	233,167
Prepaid airport use charge fund	312	-	-	-	312
Total noncurrent liabilities	<u>2,204,117</u>	<u>378,922</u>	<u>-</u>	<u>26,756</u>	<u>2,609,795</u>
Total liabilities	<u>2,553,502</u>	<u>449,957</u>	<u>5,756</u>	<u>77,706</u>	<u>3,086,921</u>
Deferred inflows of resources					
Deferred inflows on net pension liability	3,411	682	-	636	4,729
Deferred inflows on net other postemployment benefits liability	3,523	692	-	268	4,483
Total deferred inflows of resources	<u>6,934</u>	<u>1,374</u>	<u>-</u>	<u>904</u>	<u>9,212</u>
Net position					
Net investment in capital assets	1,791,656	666,526	-	1,791	2,459,973
Restricted for bond requirements and other	658,049	177,801	-	744,170	1,580,020
Unrestricted	139,615	151,517	621,777	105,284	1,018,193
Net position	<u>\$ 2,589,320</u>	<u>\$ 995,844</u>	<u>\$ 621,777</u>	<u>\$ 851,245</u>	<u>\$ 5,058,186</u>

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Operating revenues					
Concession fees	\$ 183,275	\$ -	\$ -	\$ -	\$ 183,275
Unemployment compensation	-	-	193,093	-	193,093
Aviation fuel tax	2,608	-	-	-	2,608
Airport use charges	82,988	-	-	-	82,988
Rentals	162,519	29,866	-	-	192,385
Services and others	-	159,189	-	-	159,189
Administrative fees	-	-	-	4,054	4,054
Premium revenue – self insurance	-	-	-	90,427	90,427
Experience refunds, net	-	-	-	6,467	6,467
Other	9,411	1,662	-	5,255	16,328
Total operating revenues	<u>440,801</u>	<u>190,717</u>	<u>193,093</u>	<u>106,203</u>	<u>930,814</u>
Operating expenses					
Personnel services	199,609	22,302	-	8,518	230,429
Depreciation and amortization	121,992	28,994	-	413	151,399
Repairs and maintenance	46,989	1,925	-	173	49,087
Airports operations	45,946	-	-	-	45,946
Harbors operations	-	17,098	-	-	17,098
General administration	23,101	13,336	-	4,743	41,180
Unemployment compensation	-	-	165,134	-	165,134
Claims	-	-	-	86,463	86,463
Other	1,261	-	-	3,644	4,905
Total operating expenses	<u>438,898</u>	<u>83,655</u>	<u>165,134</u>	<u>103,954</u>	<u>791,641</u>
Operating income	<u>1,903</u>	<u>107,062</u>	<u>27,959</u>	<u>2,249</u>	<u>139,173</u>
Nonoperating revenues (expenses)					
Interest and investment income	27,338	-	14,000	7,549	48,887
Interest expense	(30,423)	(1,077)	-	-	(31,500)
Federal grants	1,616	-	-	-	1,616
Loss on disposal of capital assets	(1,666)	(275)	-	-	(1,941)
Rental car customer and passenger facility charges	125,650	-	-	-	125,650
Other	(2,349)	-	-	-	(2,349)
Total nonoperating revenues (expenses)	<u>120,166</u>	<u>(1,352)</u>	<u>14,000</u>	<u>7,549</u>	<u>140,363</u>
Income before capital contributions	<u>122,069</u>	<u>105,710</u>	<u>41,959</u>	<u>9,798</u>	<u>279,536</u>
Capital contributions	<u>50,127</u>	<u>-</u>	<u>-</u>	<u>26,267</u>	<u>76,394</u>
Change in net position	<u>172,196</u>	<u>105,710</u>	<u>41,959</u>	<u>36,065</u>	<u>355,930</u>
Net position					
Beginning of year	<u>2,417,124</u>	<u>890,134</u>	<u>579,818</u>	<u>815,180</u>	<u>4,702,256</u>
End of year	<u>\$ 2,589,320</u>	<u>\$ 995,844</u>	<u>\$ 621,777</u>	<u>\$ 851,245</u>	<u>\$ 5,058,186</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities					
Cash received from customers	\$ 420,876	\$ 164,651	\$ -	\$ -	\$ 585,527
Cash received from taxes	-	-	188,059	-	188,059
Cash received from employers and employees for premiums and benefits	-	-	-	625,821	625,821
Cash paid to suppliers	(173,986)	(31,862)	-	(4,220)	(210,068)
Cash paid to employees	(106,259)	(19,915)	-	(8,395)	(134,569)
Cash paid for unemployment compensation	-	-	(164,192)	-	(164,192)
Cash paid for premiums and benefits payable	-	-	-	(614,000)	(614,000)
Other cash receipts	-	-	4,420	-	4,420
Net cash provided by (used in) operating activities	<u>140,631</u>	<u>112,874</u>	<u>28,287</u>	<u>(794)</u>	<u>280,998</u>
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	5,361	-	-	20,915	26,276
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(493,665)	(69,337)	-	(40)	(563,042)
Proceeds from federal, state and capital grants and contributions	43,503	-	-	3,702	47,205
Proceeds from customer facility charge revenue bonds	467,362	-	-	-	467,362
Principal paid on airports system revenue bonds	(40,755)	-	-	-	(40,755)
Repayment of general obligation and revenue bonds principal	-	(18,983)	-	-	(18,983)
Bond issue costs paid	(2,313)	-	-	-	(2,313)
Payments for lease revenue certificates of participation	(7,331)	-	-	-	(7,331)
Interest paid on outstanding debt	(74,770)	-	-	-	(74,770)
Proceeds from passenger facility charges program	45,490	-	-	-	45,490
Proceeds from rental car customer facility charges program	76,392	-	-	-	76,392
Principal paid on rental car customer facility charges program	(5,030)	-	-	-	(5,030)
Interest paid on bonds	-	(14,023)	-	-	(14,023)
Principal paid on capital lease obligation	-	(812)	-	-	(812)
Receipts – other	(36)	-	-	-	(36)
Net cash provided by (used in) capital and related financing activities	<u>8,847</u>	<u>(103,155)</u>	<u>-</u>	<u>3,662</u>	<u>(90,646)</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	212,675	-	-	-	212,675
Interest received from investments	7,993	3,257	13,998	4,908	30,156
Purchase of investments	(204,941)	-	-	(5,470)	(210,411)
Principal repayments on notes receivable	-	-	-	44,983	44,983
Disbursement of note receivable proceeds	-	-	-	(67,558)	(67,558)
Interest income from notes receivable	-	-	-	1,655	1,655
Administrative loan fees	-	-	-	4,025	4,025
Net cash provided by (used in) investing activities	<u>15,727</u>	<u>3,257</u>	<u>13,998</u>	<u>(17,457)</u>	<u>15,525</u>
Net increase in cash and cash equivalents	170,566	12,976	42,285	6,326	232,153
Cash and cash equivalents, including restricted amounts					
Beginning of year	1,085,281	406,586	533,365	223,492	2,248,724
End of year	<u>\$ 1,255,847</u>	<u>\$ 419,562</u>	<u>\$ 575,650</u>	<u>\$ 229,818</u>	<u>\$ 2,480,877</u>

(continued)

The accompanying notes are an integral part of the basic financial statements.

**State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2019
(Amounts in thousands)**

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating income to net cash provided by (used in) operating activities					
Operating income	\$ 1,903	\$ 107,062	\$ 27,959	\$ 2,249	\$ 139,173
Adjustments to reconcile operating income to net cash provided by (used in) operating activities					
Depreciation and amortization	121,992	28,994	-	413	151,399
Provision for uncollectible accounts	4,015	998	-	-	5,013
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	118	-	-	-	118
Premium reserves held by insurance companies	-	-	-	13,835	13,835
Principal forgiveness of loans	-	-	-	3,308	3,308
Interest income from loans	-	-	-	(1,639)	(1,639)
Administrative loan fees	-	-	-	(4,054)	(4,054)
Non-imposed fringe benefits	-	-	-	11	11
Transfer out of prepaid airport use charge fund	(19,000)	-	-	-	(19,000)
Changes in assets, deferred outflows, liabilities and deferred inflows					
Receivables	19,655	(2,891)	(614)	(15,954)	196
Prepaid and other expenses	-	-	-	10	10
Other current assets	(6)	-	-	-	(6)
Net deferred outflows/inflows of resources	5,271	1,087	-	389	6,747
Vouchers and contracts payable	(229)	590	942	51	1,354
Net pension liability	1,949	701	-	295	2,945
Other postemployment benefits liability	1,778	348	-	135	2,261
Other accrued liabilities	3,185	(24,015)	-	767	(20,063)
Benefit claims payable	-	-	-	(610)	(610)
Net cash provided by (used in) operating activities	<u>\$ 140,631</u>	<u>\$ 112,874</u>	<u>\$ 28,287</u>	<u>\$ (794)</u>	<u>\$ 280,998</u>
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	\$ (2,138)	\$ (507)	\$ -	\$ -	\$ (2,645)
Interest payments relating to special facility revenue bonds	1,222	-	-	-	1,222
Amortization of certificates of participation premium	(764)	-	-	-	(764)
Amounts included in contracts payable for the acquisition of capital assets	142,353	26,368	-	-	168,721
Interest capitalized in capital assets	51,011	5,218	-	-	56,229
Other assets utilized for the acquisition of capital assets	-	7,178	-	-	7,178
In-kind contribution from the Environmental Protection Agency	-	-	-	600	600

(concluded)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2019
(Amounts in thousands)

	<u>Agency Funds</u>	<u>OPEB Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 129,810	\$ 263,806
Receivables		
Taxes	14,557	-
Rebates and other receivables from insurance companies	-	41,559
Experience refunds due from insurance companies	-	790
Other	-	71
Investments		
Certificates of deposit	91,806	-
U.S. government securities	261,292	240,827
Equity securities	-	458,650
Mutual funds	-	96,493
Commingled funds	-	1,625,932
Alternative investments	-	297,517
Real estate	-	313,905
Derivatives	-	(298)
Invested securities lending collateral	-	25,872
Other assets, primarily due from individuals, businesses and counties	2,061	8,165
Total assets	<u>499,526</u>	<u>3,373,289</u>
Liabilities and Net Position		
Liabilities		
Vouchers payable	19,226	-
Due to individuals, businesses and counties	480,300	-
Premium payable	-	24,907
Benefit claims payable	-	18,065
Securities lending collateral	-	25,872
Other accrued liabilities	-	2,165
Total liabilities	<u>499,526</u>	<u>71,009</u>
Net position restricted for OPEB	<u>\$ -</u>	<u>\$ 3,302,280</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Changes in Fiduciary Net Position – OPEB Trust Fund
Year Ended June 30, 2019
(Amounts in thousands)

Additions	
Employer contributions	\$ 1,077,342
Investment income	
Investing activities	
Interest	70,146
Net appreciation in the fair value of investments	<u>67,658</u>
	137,804
Less: Investment expenses	<u>6,545</u>
Net investment income from investing activities	131,259
Securities lending activities	
Securities lending income	631
Less: Securities lending expenses	<u>155</u>
Net investment income from securities lending activities	<u>476</u>
Total net investment income	<u>131,735</u>
Experience refunds due from insurance companies	3,839
Other revenues, net	<u>21,675</u>
Total additions	1,234,591
Deductions	
Benefits claims expense and carrier payments	510,821
Other expenses	<u>916</u>
Total deductions	<u>511,737</u>
Net increase in fiduciary net position	722,854
Net position	
Beginning of year, as previously reported	2,370,482
Adjustment for change in reporting entity	<u>208,944</u>
Beginning of year, as restated	<u>2,579,426</u>
End of year	<u>\$ 3,302,280</u>

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Component Units
Statement of Net Position
June 30, 2019
(Amounts in thousands)

	<u>University of Hawaii</u>	<u>Hawaii Housing Finance and Development Corporation</u>	<u>Hawaii Public Housing Authority</u>	<u>Hawaii Health Systems Corporation</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 131,839	\$ 559,607	\$ 101,341	\$ 118,030
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of \$63,866	89,596	42,983	773	55,519
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$471	18,895	3,442	-	-
Federal government	-	-	1,041	-
Other, net of allowance for doubtful accounts of \$136	-	2,215	277	11,352
Due from primary government	944	33,109	86,669	39,634
Investments	361,376	-	-	7,608
Inventories – materials and supplies	7,281	-	692	11,316
Prepaid expenses and other assets	19,970	1,863	16	-
Total current assets	<u>629,901</u>	<u>643,219</u>	<u>190,809</u>	<u>243,459</u>
Restricted assets				
Cash and cash equivalents	-	11,801	-	22,276
Investments	-	45,933	-	-
Deposits, funded reserves and other	-	1,259	-	-
Total restricted assets	<u>-</u>	<u>58,993</u>	<u>-</u>	<u>22,276</u>
Capital assets				
Land and land improvements	210,068	49,895	25,340	10,613
Infrastructure	260,899	-	-	-
Construction in progress	240,255	-	89,379	29,951
Buildings, improvements and equipment	3,181,781	52,702	701,171	807,069
Less: Accumulated depreciation	<u>(1,729,678)</u>	<u>(38,579)</u>	<u>(444,809)</u>	<u>(501,998)</u>
Total capital assets, net	<u>2,163,325</u>	<u>64,018</u>	<u>371,081</u>	<u>345,635</u>
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$4,244	20,607	533,079	8,717	-
Due from primary government	408,524	1,306	-	-
Inventories – developments in progress and dwelling units	-	33,872	-	-
Investments	542,497	851	-	-
Other assets	34,021	-	-	3,981
Total other assets	<u>1,005,649</u>	<u>569,108</u>	<u>8,717</u>	<u>3,981</u>
Total assets	<u>3,798,875</u>	<u>1,335,338</u>	<u>570,607</u>	<u>615,351</u>
Deferred outflows of resources				
Deferred loss on refunding	13,097	-	-	-
Deferred outflows on net pension liability	332,235	2,257	7,509	101,367
Deferred outflows on net other postemployment benefits liability	161,135	1,095	4,036	89,985
Total deferred outflows of resources	<u>\$ 506,467</u>	<u>\$ 3,352</u>	<u>\$ 11,545</u>	<u>\$ 191,352</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Hawaii Tourism Authority</u>	<u>Hawaii Community Development Authority</u>	<u>Hawaii Hurricane Relief Fund</u>	<u>Total Component Units</u>
\$ 95,979	\$ 26,063	\$ 321	\$ 1,033,180
2,377	440	1,083	192,771
-	-	-	22,337
-	-	-	1,041
-	-	-	13,844
-	6,981	-	167,337
-	-	186,522	555,506
-	-	-	19,289
528	605	-	22,982
<u>98,884</u>	<u>34,089</u>	<u>187,926</u>	<u>2,028,287</u>
24,883	-	-	58,960
-	-	-	45,933
-	-	-	1,259
<u>24,883</u>	<u>-</u>	<u>-</u>	<u>106,152</u>
131,497	135,911	-	563,324
-	44,314	-	305,213
9,924	10,523	-	380,032
217,292	26,576	-	4,986,591
<u>(161,931)</u>	<u>(68,608)</u>	<u>-</u>	<u>(2,945,603)</u>
<u>196,782</u>	<u>148,716</u>	<u>-</u>	<u>3,289,557</u>
-	15,599	-	578,002
-	-	-	409,830
-	-	-	33,872
3,495	-	-	546,843
-	322	-	38,324
<u>3,495</u>	<u>15,921</u>	<u>-</u>	<u>1,606,871</u>
<u>324,044</u>	<u>198,726</u>	<u>187,926</u>	<u>7,030,867</u>
-	-	-	13,097
996	412	-	444,776
<u>458</u>	<u>830</u>	<u>-</u>	<u>257,539</u>
<u>\$ 1,454</u>	<u>\$ 1,242</u>	<u>\$ -</u>	<u>\$ 715,412</u>

(continued)

**State of Hawaii
Component Units
Statement of Net Position
June 30, 2019
(Amounts in thousands)**

	<u>University of Hawaii</u>	<u>Hawaii Housing Finance and Development Corporation</u>	<u>Hawaii Public Housing Authority</u>	<u>Hawaii Health Systems Corporation</u>
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 66,398	\$ 568	\$ 8,199	\$ 55,360
Other accrued liabilities	90,835	4,162	3,803	-
Due to primary government	6,000	-	-	-
Unearned revenue	43,416	385	205	-
Notes, mortgages and installation contracts payable	16	14	-	1,699
Accrued vacation and retirement benefits payable	32,404	-	-	15,945
Revenue bonds payable, net	19,165	1,706	-	-
Reserve for losses and loss adjustment costs	5,972	-	-	3,663
Capital lease obligations	1,425	-	-	1,957
Other liabilities	6,753	-	1,175	844
Total current liabilities	<u>272,384</u>	<u>6,835</u>	<u>13,382</u>	<u>79,468</u>
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	8,184	100	-	33,954
Accrued vacation and retirement benefits payable	44,803	-	-	13,611
Revenue bonds payable, net	507,762	18,940	-	-
Reserve for losses and loss adjustment costs	11,666	-	-	8,035
Capital lease obligations	-	-	-	5,969
Unearned revenue	-	21,456	-	-
Estimated future cost of land sold	-	38,982	-	-
Net pension liability	1,695,800	10,139	37,880	542,374
Net other postemployment benefits liability	1,800,496	10,316	40,289	547,179
Other liabilities	64,246	1,777	1,661	19,205
Total noncurrent liabilities	<u>4,132,957</u>	<u>101,710</u>	<u>79,830</u>	<u>1,170,327</u>
Total liabilities	<u>4,405,341</u>	<u>108,545</u>	<u>93,212</u>	<u>1,249,795</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	36,227	691	1,006	31,216
Deferred inflows on net other postemployment benefits liability	33,553	215	780	10,974
Total deferred inflows of resources	<u>69,780</u>	<u>906</u>	<u>1,786</u>	<u>42,190</u>
Net position				
Net investment in capital assets	1,625,457	63,904	371,080	309,318
Restricted	935,283	89,749	3,231	8,658
Unrestricted	(2,730,519)	1,075,586	112,843	(803,258)
Total net position	<u>\$ (169,779)</u>	<u>\$ 1,229,239</u>	<u>\$ 487,154</u>	<u>\$ (485,282)</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Hawaii Tourism Authority</u>	<u>Hawaii Community Development Authority</u>	<u>Hawaii Hurricane Relief Fund</u>	<u>Total Component Units</u>
\$ 3,854	\$ 986	\$ -	\$ 135,365
150	188	-	99,138
-	-	-	6,000
-	150	-	44,156
-	-	-	1,729
114	123	-	48,586
-	-	-	20,871
-	-	-	9,635
-	-	-	3,382
-	2,268	4,086	15,126
<u>4,118</u>	<u>3,715</u>	<u>4,086</u>	<u>383,988</u>
-	-	-	42,238
213	273	-	58,900
-	-	-	526,702
-	-	-	19,701
-	-	-	5,969
-	-	-	21,456
-	-	-	38,982
6,277	3,771	-	2,296,241
5,612	2,794	-	2,406,686
-	10,829	-	97,718
<u>12,102</u>	<u>17,667</u>	<u>-</u>	<u>5,514,593</u>
<u>16,220</u>	<u>21,382</u>	<u>4,086</u>	<u>5,898,581</u>
212	92	-	69,444
96	20	-	45,638
<u>308</u>	<u>112</u>	<u>-</u>	<u>115,082</u>
196,781	148,715	-	2,715,255
112,189	6,556	-	1,155,666
-	23,203	183,840	(2,138,305)
<u>\$ 308,970</u>	<u>\$ 178,474</u>	<u>\$ 183,840</u>	<u>\$ 1,732,616</u>

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2019
(Amounts in thousands)

	<u>University of Hawaii</u>	<u>Hawaii Housing Finance and Development Corporation</u>	<u>Hawaii Public Housing Authority</u>	<u>Hawaii Health Systems Corporation</u>
Expenses	\$ 1,864,750	\$ 43,802	\$ 152,247	\$ 624,123
Program revenues				
Charges for services	395,300	69,012	24,814	447,884
Operating grants and contributions	443,786	23,046	96,053	1,026
Capital grants and contributions	-	-	6,799	10,267
Total program revenues	<u>839,086</u>	<u>92,058</u>	<u>127,666</u>	<u>459,177</u>
Net program revenues (expenses)	<u>(1,025,664)</u>	<u>48,256</u>	<u>(24,581)</u>	<u>(164,946)</u>
General revenues (expenses)				
Interest and investment income	(31,513)	84,779	-	1,685
Transient accommodations tax	-	-	-	-
Payments from State, net	953,037	27,798	31,611	120,232
Gifts and subsidies	37,956	-	-	-
Debt cancellation with State	-	-	-	-
Other	(4,477)	-	846	146
Net general revenues	<u>955,003</u>	<u>112,577</u>	<u>32,457</u>	<u>122,063</u>
Change in net position	<u>(70,661)</u>	<u>160,833</u>	<u>7,876</u>	<u>(42,883)</u>
Net position				
Beginning of year	<u>(99,118)</u>	<u>1,068,406</u>	<u>479,278</u>	<u>(442,399)</u>
End of year	<u>\$ (169,779)</u>	<u>\$ 1,229,239</u>	<u>\$ 487,154</u>	<u>\$ (485,282)</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Hawaii Tourism Authority</u>	<u>Hawaii Community Development Authority</u>	<u>Hawaii Hurricane Relief Fund</u>	<u>Total Component Units</u>
\$ 108,350	\$ 8,466	\$ 3	\$ 2,801,741
9,325	2,419	-	948,754
-	-	-	563,911
-	-	-	17,066
9,325	2,419	-	1,529,731
(99,025)	(6,047)	(3)	(1,272,010)
2,280	800	10,072	68,103
95,500	-	-	95,500
-	(470)	(4,086)	1,128,122
-	-	-	37,956
224,110	-	-	224,110
1,240	1,122	-	(1,123)
323,130	1,452	5,986	1,552,668
224,105	(4,595)	5,983	280,658
84,865	183,069	177,857	1,451,958
\$ 308,970	\$ 178,474	\$ 183,840	\$ 1,732,616

State of Hawaii

Notes to Basic Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies

The basic financial statements of the State of Hawaii (the State) have been prepared in conformity 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 State's significant accounting policies are described below.

Reporting Entity

The accompanying basic financial statements present the financial activity of the State (Primary Government) and its Component Units, entities for which the Primary Government is considered to be financially accountable. Discretely presented Component Units are legally separate organizations for which the Primary Government is financially accountable or for which the nature and significance of their relationship to the Primary Government are such that exclusion would cause the State's reporting entity to be misleading or incomplete.

Primary Government

The following branches and departments are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Executive:

- Accounting and General Services
- Agriculture
- Attorney General
- Budget and Finance
- Business, Economic Development and Tourism
- Commerce and Consumer Affairs
- Defense
- Education
- Hawaiian Home Lands
- Health
- Human Resource Development
- Human Services
- Labor and Industrial Relations
- Land and Natural Resources
- Public Safety
- Taxation
- Transportation

Judicial

Legislative

State of Hawaii

Notes to Basic Financial Statements

June 30, 2019

Discretely Presented Component Units

The Component Units column in the basic financial statements includes the financial data for the State's discretely presented Component Units. They are reported in a separate column to emphasize their legal separation from the State. The discretely presented Component Units are:

- ***University of Hawaii*** – The University of Hawaii (UH) is Hawaii's sole public higher education system. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH.

The UH is comprised of ten campuses and provides a broad range of degree (baccalaureate to post-doctoral level) programs, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui and Kauai, the UH offers certificate and associate degree programs and in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the UH houses more than a hundred centers with a research, instruction or public service purpose. The UH is also engaged in instructional research and service activities at hundreds of Hawaii schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries.

The UH Board of Regents is appointed by the Governor of the State of Hawaii. The UH is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The UH's complete financial statements are available online at: <https://www.hawaii.edu/offices/budget-finance/>.

- ***Hawaii Housing Finance and Development Corporation*** – The Hawaii Housing Finance and Development Corporation (HHFDC) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HHFDC is a corporate body placed within the Department of Business Economic Development and Tourism (DBEDT) for administrative purposes. The HHFDC's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land, and expedited land use approvals.

The HHFDC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHFDC is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HHFDC's complete financial statements are available online at: <http://dbedt.hawaii.gov/hhfdc/resources/Reports/>.

- ***Hawaii Public Housing Authority*** – The Hawaii Public Housing Authority (HPHA) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HPHA is administratively attached to the Department of Human Services. Its mission is to provide safe, decent and sanitary dwellings for low and moderate income residents of the State of Hawaii and to operate its housing program in accordance with federal and State of Hawaii laws and regulations.

The HPHA's Board of Directors is appointed by the Governor of the State of Hawaii. The HPHA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HPHA's complete financial statements are available online at: <http://www.hpha.hawaii.gov/reportsstudies/index.htm>

State of Hawaii
Notes to Basic Financial Statements
June 30, 2019

- **Hawaii Health Systems Corporation** – Act 262, SLH 1996, transferred all facilities previously under the Department of Health – Division of Community Hospitals to the Hawaii Health Systems Corporation (HHSC). The HHSC is administratively attached to the Department of Health. Its mission is to provide and enhance accessible and comprehensive healthcare services that are quality-driven, customer-focused, and cost-effective. It operates the following facilities:

East Hawaii Region:

Hilo Medical Center
Hale Ho'ola Hamakua
Ka'u Hospital
Yukio Okutsu Veterans Care Home

Kauai Region:

Kauai Veterans Memorial Hospital
Samuel Mahelona Memorial Hospital

West Hawaii Region:

Kona Community Hospital
Kohala Hospital

Oahu Region:

Leahi Hospital
Maluhia

Kahuku Medical Center

The HHSC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHSC is a public body corporate and politic and an instrumentality and agency of the State of Hawaii that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. The HHSC's complete financial statements are available online at: <https://www.hhsc.org/about-us/hhsc-reports/>.

- **Hawaii Tourism Authority** – The Hawaii Tourism Authority (HTA) was established by Act 156, SLH 1998. The HTA is administratively attached to DBEDT. The HTA is responsible for developing and implementing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment taxes, and lesser-known and underutilized destinations.

Effective July 2002, in accordance with Executive Order No. 3817, the HTA assumed control and management of the Hawaii Convention Center (Center). Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA's Board of Directors is appointed by the Governor of the State of Hawaii. The HTA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HTA's complete financial statements may be obtained from the Hawaii Tourism Authority, 1801 Kalakaua Avenue, Honolulu, Hawaii 96815.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2019

- ***Hawaii Community Development Authority*** – The Hawaii Community Development Authority (HCDA) was established by HRS Chapter 206E to join the strengths of private enterprise, public development, and regulation into a form capable of long-term planning and implementation of improved community development in the urban areas of the State of Hawaii. The HCDA was established as a body corporate and a public instrumentality of the State and is administratively attached to DBEDT. The HCDA has three Community Development Districts: Kaka'ako, Kalaeloa and He'eia.

The HCDA's Board of Directors is appointed by the Governor of the State of Hawaii. The HCDA is a separate legal entity that is financially accountable to and fiscally dependent (potential to impose a financial burden) on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HCDA's complete financial statements may be obtained from the Hawaii Community Development Authority, 547 Queen Street, Honolulu, Hawaii 96813.

- ***Hawaii Hurricane Relief Fund*** – The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to and operates in accordance with HRS Chapter 431P. The HHRF was established as a public body and a body corporate and politic and is administratively attached to the Department of Commerce and Consumer Affairs.

The HHRF was primarily organized to provide residential and commercial hurricane property insurance coverage to Hawaii consumers in situations where insurance companies will not underwrite such business in the State. Due to the increase in availability of hurricane insurance coverage from the private sector, the HHRF ceased writing policies effective December 1, 2000. However, it was determined that the HHRF should not be dissolved as it may need to reenter the insurance market in the future.

In the event of dissolution of the HHRF, the net monies within the hurricane reserve trust fund shall revert to the State General Fund after any payments on behalf of licensed property and casualty insurers or the State that are required to be made pursuant to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks.

The HHRF's Board of Directors is appointed by the Governor of the State of Hawaii. The HHRF is financially accountable, poses a financial burden or benefit to the State, and is therefore included as a discretely presented Component Unit. Information for obtaining the HHRF's complete financial statements may be obtained from the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, and the Office of Hawaiian Affairs (OHA), which exists for the betterment of the conditions of native Hawaiians, are excluded from the State's reporting entity because those agencies, based on the fiscal independence and/or separate legal entity status, are not accountable to the State.

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these Government-Wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not included in program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, Fiduciary Funds, and discretely presented Component Units. However, the Fiduciary Funds are not included in the Government-Wide financial statements. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the Fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Governmental Funds Financial Statements

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2019

Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues which are not considered susceptible to accrual and, therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchise taxes.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred as of fiscal year-end and funds are available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements

The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above. The financial statements of the Other Postemployment Benefits (OPEB) Trust Fund are reported as a fiduciary fund using the economic resource measurement focus and the accrual basis of accounting. Agency Funds do not have a measurement focus and report only assets and liabilities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting

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

The financial activities of the State that are reported in the accompanying Fund financial statements have been classified into the following major and nonmajor Governmental and Proprietary Funds. In addition, a description of the Fiduciary Funds and Component Units are as follows:

Governmental Fund Types – The State reports the following major Governmental Funds:

- ***General Fund*** – This fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- ***Capital Projects Fund*** – This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State's capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.
- ***Med-Quest Special Revenue Fund*** – This fund accounts for the State's Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2019

The nonmajor Governmental Funds are comprised of the following:

- **Special Revenue Funds** – These funds account for the financial resources obtained from specific revenue sources and used for restricted purposes.
- **Debt Service Fund** – This fund accounts for the financial resources obtained and used for the payment of principal and interest on long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

Proprietary Fund Type – Enterprise Funds – The major Enterprise Funds are comprised of the following:

- **Department of Transportation – Airports Division (Airports)** – Airports operates the State's airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.
- **Department of Transportation – Harbors Division (Harbors)** – Harbors maintains and operates the State's commercial harbors system.
- **Unemployment Compensation Fund** – This fund accounts for the unemployment compensation benefits to qualified recipients.

The nonmajor Enterprise Funds are comprised of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Water Pollution Control Revolving Fund (WPCF), and the Drinking Water Treatment Revolving Loan Fund (DWTLF). The EUTF accounts for the benefits relating to active employees and beneficiaries, which includes medical, dental and life insurance coverage. The WPCF accounts for loans to county agencies for the construction of wastewater treatment facilities. The DWTLF accounts for loans to county agencies for construction of drinking water treatment facilities.

Fiduciary Fund Types –

- **Agency Funds** – Agency Funds account for various taxes, deposits and property held by the State, pending distribution to other governments and individuals.
- **OPEB Trust Fund** – This fund accounts for retiree healthcare benefits, which includes medical, dental and life insurance coverage as well as for plan assets and related expenses from the pre-funding contributions made by the State and counties. The OPEB Trust Fund meets the criteria for plans that are administered as trusts or equivalent arrangements.

Component Units – Component Units are comprised of the following:

- **UH** – Comprises the State's public institutions of higher education.
- **HHFDC** – Finances housing programs for residents of the State.
- **HPHA** – Manages federal and state housing programs.
- **HHSC** – Provides quality health care for the people of the State.
- **HTA** – Manages the State's convention center and markets the State's visitor industry.
- **HCDA** – Coordinates private and public community development for residents of the State.
- **HHRF** – Funds, assesses and provides, when necessary, hurricane property insurance to residents of the State.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2019

Cash and Cash Equivalents

Cash and cash equivalents include all cash, repurchase agreements, U.S. government securities with original maturities of three months or less, and time certificates of deposit. For purposes of the statement of cash flows, the State has defined cash equivalents to be all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide financial statements as internal balances.

All tax and other receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Investments

The State's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles.

Inventories

Inventories of developments in progress and units available for sale are stated at the lower of cost or estimated net realizable value, with cost being determined by the specific-identification method. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Units available for sale include constructed units, developed lots, and repurchased units available for sale. Developments in progress include construction in progress and land held for future development.

Materials and supplies inventories are stated at cost, with cost being determined principally using the first-in, first-out method.

Restricted Assets

Revenue bond indentures authorize the State's trustees to invest monies in time certificates of deposit, money market funds, and investment securities, including U.S. government or agency obligations, certain municipal bonds, and repurchase agreements. Uninsured time certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value held by the State's agent in the State's name.

Capital Assets

Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks and similar items), buildings and improvements, equipment, and computer software, are reported in the applicable governmental and business-type activities columns, as well as the Component Units column, in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Major outlays for capital assets and improvements capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2019

The State's capitalization thresholds are \$5,000 for equipment, and \$100,000 for land and land improvements, infrastructure, and buildings and improvements. The Primary Government's capitalization threshold is \$1,000,000 for purchased and internally generated software and \$100,000 for other intangible assets. Component units and major enterprise funds establish separate capitalization thresholds and estimated useful lives, as appropriate. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets of the Primary Government, as well as the Component Units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years
Computer software	5–15 years
Other intangible assets	30 years

Works of art and historical treasures held for public exhibition, education or research in furtherance of public service, rather than financial gain, are capitalized. These items are protected, kept encumbered, conserved, and preserved by the State. It is the State's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

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 State defers recognition of the loss on debt refunding related to issuance of its revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method.

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 State'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, the net difference between projected and actual earnings and changes in proportion of the pension plan which will be amortized over five years.

Compensated Absences

It is the State's policy to permit 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 Government-Wide, Proprietary Funds, and Component Units financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred. Amortization of bond premiums or discounts, prepaid insurance costs, and deferred amounts on refunding is included in interest expense.

In the Fund financial statements, Governmental Funds recognize bond premiums, discounts and prepaid insurance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance

In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and includes unspent proceeds of bonds issued to acquire or construct capital assets.

In the Fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The State classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other governments.
- **Committed** – Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State’s Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.
- **Assigned** – Balances that are constrained by management to be used for specific purposes, as authorized by the Hawaii Revised Statutes, but are not restricted or committed. For general fund only, encumbrance balances at fiscal year-end are classified as assigned.
- **Unassigned** – Residual balances that are not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance.

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The State spends restricted amounts first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the State would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The following table presents the State's fund balance by major function at June 30, 2019 (amounts expressed in thousands):

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Med-Quest Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for					
Welfare	\$ -	\$ -	\$ -	\$ 6,666	\$ 6,666
Highways	-	15,340	-	-	15,340
	<u>-</u>	<u>15,340</u>	<u>-</u>	<u>6,666</u>	<u>22,006</u>
Committed to					
General government	-	-	-	435,107	435,107
Public safety	-	-	-	78,852	78,852
Highways	-	6,013	-	-	6,013
Conservation of natural resources	-	-	-	35,655	35,655
Health	-	-	-	233,217	233,217
Welfare	-	-	-	3,710	3,710
Culture and recreation	-	-	-	31,404	31,404
	<u>-</u>	<u>6,013</u>	<u>-</u>	<u>817,945</u>	<u>823,958</u>
Assigned to					
General government	70,838	-	-	92,744	163,582
Public safety	19,561	-	-	53,807	73,368
Highways	3,615	-	-	187,428	191,043
Conservation of natural resources	19,651	-	-	130,797	150,448
Health	78,396	-	-	3,754	82,150
Welfare	160,397	-	35,236	-	195,633
Education	101,167	-	-	198,402	299,569
Culture and recreation	5,146	-	-	6,793	11,939
Urban development and housing	5,208	-	-	381,029	386,237
Economic development	11,263	-	-	178,009	189,272
	<u>475,242</u>	<u>-</u>	<u>35,236</u>	<u>1,232,763</u>	<u>1,743,241</u>
Unassigned	<u>1,147,073</u>	<u>(207,608)</u>	<u>-</u>	<u>(3,364)</u>	<u>936,101</u>
Total	<u>\$ 1,622,315</u>	<u>\$ (186,255)</u>	<u>\$ 35,236</u>	<u>\$ 2,054,010</u>	<u>\$ 3,525,306</u>

The following describes the purposes, by function, for the most significant fund balances:

- **Urban development and housing** – To develop and deliver Hawaiian home lands to native Hawaiians by identifying and assessing the needs of beneficiaries of the Hawaiian Homes Commission Act; to develop, market and manage lands not immediately needed; to develop lands for homesteading and income-producing purposes; and to develop waiting lists of applicants for homestead leases.
- **Highways** – To provide a safe, efficient, accessible and sustainable inter-modal transportation system that ensures the mobility of people and enhances and/or preserves economic prosperity and the quality of life. This is accomplished through planning, designing and supervising the construction and maintenance of the State Highway System.

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- **Education** – For the public education system, to serve the community by developing the academic achievement, character and social-emotional well-being of the State’s students to the fullest potential and to work with partners, families and communities to ensure that all students reach their aspirations from early-learning through college, career and citizenship. For the public charter commission, to authorize high-quality public charter schools throughout the State.
- **Health** – To administer programs designed to protect, preserve, care for, and improve the physical and mental health of the people of the State.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS 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. Investments are reported at their fair value.

Postemployment Benefits Other Than Pensions

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, 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.

Nonexchange Transactions

The Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Medicare and Medicaid Reimbursements

Revenues from services reimbursed under Medicare and Medicaid programs are recorded at the estimated reimbursable amounts. Final determination of the amounts earned is subject to review by the fiscal intermediary or a peer review organization. The State administration’s opinion is that adequate provision has been made for any adjustments that may result from such reviews.

Fair Value Measurements

The State measures the fair value of assets and liabilities as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value, as follows:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted market prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the reporting entity’s own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

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Risk Management

The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first \$1,000,000 per occurrence of property losses such as fires and 3% of a property's replacement cost value for catastrophic losses such as hurricanes, earthquakes and floods; the first \$4,000,000 with respect to general liability claims; and the first \$500,000 of losses due to crime and cyber liability. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is \$200,000,000, except for terrorism, which is \$100,000,000 per occurrence. The annual aggregate limit for general liability losses is \$9,000,000 per occurrence, \$50,000,000 for cyber liability losses and, for crime losses, the limit per occurrence is \$10,000,000 with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in the amount of \$35,000,000 per occurrence and \$39,000,000 in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, nonincremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed and, as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim 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.

Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan but does have 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 accompanying basic financial statements.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Newly Issued Accounting Pronouncements

GASB Statement No. 83

During fiscal year 2019, the State implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations related to tangible capital assets. This statement requires recognition of a liability for legal obligations to perform asset retirement activities related to tangible capital assets. This Statement did not have any effect on the State's financial statements.

GASB Statement No. 84

The GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Other than the OPEB Trust Fund, which implemented the Statement early in fiscal year 2019, the State has not yet determined the effect this Statement will have on its financial statements. Net position restricted for postemployment benefits other than pensions was \$2,579,426,000 as of July 1, 2018, as restated.

GASB Statement No. 87

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 88

During fiscal year 2019, the State implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The applicable disclosures related to this Statement are included in the respective notes for debt.

GASB Statement No. 89

The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement replaces paragraph 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The State has not yet determined the effect this Statement will have on its financial statements.

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GASB Statement No. 90

The GASB issued Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 91

The GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Other than HHFDC, which implemented the Statement early in fiscal year 2019, the State has not yet determined the effect this Statement will have on its financial statements. At June 30, 2019, the HHFDC conduit debt amounted to approximately \$276,946,000.

2. Cash and Investments

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. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions.

Cash

The State maintains bank accounts for various purposes at locations throughout the State and the nation. Bank deposits for the State Treasury are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) for the Primary Government as of June 30, 2019 was \$2,029,199,000 and \$945,167,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2019 was \$393,616,000.

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Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately \$2,136,808,000 at June 30, 2019. Of that amount, approximately \$2,104,675,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of \$575,554,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments

The State holds investments both for its own benefit and as an agent for other parties.

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance (Budget and Finance). The pool's investment options are limited to investments listed in the HRS.

At the end of each quarter, Budget and Finance allocates the investment pool amount to each of the participants including those participants who are part of the Proprietary Funds and Fiduciary Funds. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The EUTF maintains a separate investment pool. The EUTF board is responsible for safekeeping these monies and has appointed an Investment Committee responsible for investing EUTF assets in compliance with HRS Sections 87A-24(2) and 88-119. Money is invested in accordance with EUTF's investment policy.

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The following table presents the fair value of the State's investments by level of input at June 30, 2019 (amounts expressed in thousands):

	Reported Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments – Primary government				
Investments by fair value level				
U.S. government securities	\$ 2,749,621	\$ 1,112,238	\$ 1,637,383	\$ -
Mutual funds	33,472	33,472	-	-
Commingled funds				
Domestic equity	8,845	8,845	-	-
International equity	7,102	7,102	-	-
Total investments by fair value level	2,799,040	\$ 1,161,657	\$ 1,637,383	\$ -
Investments measured at amortized cost				
Certificates of deposit	964,234			
Investments at net asset value (NAV)				
Alternative investments	6,598			
Total investments	\$ 3,769,872			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	\$ 458,650	\$ 458,650	\$ -	\$ -
U.S. government securities	502,119	105,896	396,223	-
Mutual funds	96,493	96,493	-	-
Derivatives	(298)	-	(298)	-
Total investments at fair value	1,056,964	\$ 661,039	\$ 395,925	\$ -
Investments at net asset value (NAV)				
Commingled funds				
Domestic equity	688,146			
International equity	606,617			
Domestic core fixed income	90,368			
Domestic inflation-linked fixed income	240,801			
Real estate	313,905			
Alternative investments	297,517			
Total investments at fair value	3,294,318			
Investments measured at amortized cost				
Certificates of deposit	91,806			
Total investments	\$ 3,386,124			
Invested securities lending collateral at NAV				
Money market fund	\$ 25,872			

Cash and Cash Equivalents, Certificates of Deposit, and Repurchase Agreements

The State considers all cash and investments with original maturities of three months or less to be cash equivalents. The carrying amounts reported in the Statement of Net Position for cash equivalents, certificates of deposit, and repurchase agreements are measured at amortized cost.

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The following methods and assumptions were used by the State in estimating the fair value of its financial instruments:

- **Debt securities** – Debt securities held by the State consist of U.S. government obligations including U.S. Treasury bills and U.S. Treasury notes and bonds. The fair value of these investments are based on quoted prices in active markets or other observable inputs, including pricing matrices. These investments are categorized in either Level 1 or 2 of the fair value hierarchy.
- **Mutual funds** – The mutual funds held by the State are open-ended mutual funds that are registered with the Securities Exchange Commission (SEC). The fair value of these mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. These investments are categorized in Level 1 of the fair value hierarchy.
- **Commingled funds** – Investments in commingled funds are valued at the NAV of units of a bank commingled investment vehicle. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.
- **Money market funds** – Investments in money market funds are valued at the NAV of the custodian bank liquid asset portfolio. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.

The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that the State's investments have fluctuated since June 30, 2019.

(amounts expressed in thousands)	Fair Value	Unfunded Commitments	Redemption Frequency	Required Redemption Notice
Investments measured at NAV				
Commingled funds				
Domestic equity	\$ 688,146	None	Daily/Quarterly	Same as trade date
International equity	606,617	None	Daily	Trade date – 1 month
Domestic core fixed income	90,368	None	Daily	Trade date – 2
Domestic inflation-linked fixed income	240,801	None	Daily	Trade date – 2
Real estate	313,905	None	Quarterly	Trade date – 30
Alternative investments	297,517	\$ 387,018	Monthly/Quarterly/ Annually	Various up to trade date – 90
Total investments measured at NAV	<u>\$ 2,237,354</u>			
Invested securities lending collateral				
Money market fund	<u>\$ 25,872</u>			Same as trade date

- **Domestic equity** – Northern Trust Russell 3000 Index Fund – Lending – primary objective is to approximate the risk and return characteristics of the Russell 3000 Index. This Index is commonly used to represent the broad U.S. equity market.
- **International equity** – Northern Trust Common All Country World Index (ACWI) EX-US Fund – Lending – primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World ex-US Index.
- **Domestic core fixed income** – BlackRock U.S. Debt Index Fund B – primary objective is to provide investment results that correspond generally to the price and yield performance of Barclays U.S. Aggregate Bond Index.

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- **Domestic inflation-linked fixed income** – BlackRock U.S. Inflation-Linked Bond Fund B – primary objective is to maximize real return by investing in inflation-linked fixed income securities issued by the U.S. government.
- **Money market fund** – The Northern Trust Corporation Liquid Asset Portfolio is a money market fund that seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market investments.

The following table presents the State's investments by maturity period at June 30, 2019 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1-5	>5
Investments – Primary government				
Certificates of deposit	\$ 964,234	\$ 926,936	\$ 37,298	\$ -
U.S. government securities	2,749,621	1,494,928	1,254,693	-
	3,713,855	\$ 2,421,864	\$ 1,291,991	\$ -
Mutual funds	33,472			
Commingled funds	15,947			
Alternative investments	6,598			
Total investments	\$ 3,769,872			
Investments – Fiduciary funds				
Certificates of deposit	\$ 91,806	\$ 88,255	\$ 3,551	\$ -
U.S. government securities	502,119	142,332	359,787	-
Derivatives	(298)	-	(298)	-
	593,627	\$ 230,587	\$ 363,040	\$ -
Equity securities	458,650			
Mutual funds	96,493			
Commingled funds	1,625,932			
Real estate	313,905			
Alternative investments	297,517			
Total investments	\$ 3,386,124			

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk

The State's general investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. Excess SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The EUTF's asset allocation and investment policy allows for active and passive investments in international securities. The foreign currency risk exposure to the State arises from the international equity investment holdings, including commingled funds, common stocks, and exchange traded funds.

Securities Lending

The EUTF participates in a securities lending program administered by its custodian bank, Northern Trust. Under this program, which is permissible by State statutes and EUTF's investment policy, certain equity securities are lent to participating broker-dealers and banks (borrowers). In return, the EUTF receives cash, securities and/or letters of credit as collateral at 102% to 105% of the principal plus accrued interest for reinvestment. The collateral is marked to market daily. If the market value of the collateral falls below the minimum collateral requirements, additional collateral is provided. Accordingly, management believes that the EUTF has no credit risk exposure to borrowers because the amounts the EUTF owed the borrowers equaled or exceeded the amounts the borrowers owed the EUTF. The contract with the EUTF requires the custodian bank to indemnify the EUTF. In the event a borrower goes into default, the custodian bank will liquidate the collateral to purchase replacement securities. Any shortfall between the replacement securities cost and the collateral value is covered by the custodian bank. All securities loans can be terminated on demand within a period specified in each agreement by either the EUTF or the borrowers.

Cash collateral is invested in a separate account by the custodian bank using approved lender's investment guidelines. As such, maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. The EUTF does not impose any restrictions on the amount of loans the bank custodian makes on behalf of the EUTF. The securities lending program in which the EUTF participates only allows pledging or selling securities in the case of borrower default.

At June 30, 2019, the total securities lent for collateral amounted to \$127,639,000. The total cash and noncash collateral received amounted to \$25,872,000 and \$104,385,000, respectively.

Each of the four commingled funds held in the EUTF investment pool participates in securities lending.

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3. Capital Assets

For the fiscal year ended June 30, 2019, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			Balance at June 30, 2019
	Balance at July 1, 2018	Additions	Deductions	
Capital assets not being depreciated				
Land and land improvements	\$ 2,345,569	\$ 831,491	\$ (819,399)	\$ 2,357,661
Construction in progress	1,366,622	449,793	(564,998)	1,251,417
Total capital assets not being depreciated	3,712,191	1,281,284	(1,384,397)	3,609,078
Capital assets being depreciated				
Infrastructure	9,945,196	218,607	-	10,163,803
Buildings and improvements	5,092,805	312,213	(200)	5,404,818
Equipment	817,053	19,430	(10,353)	826,130
Intangible assets – software	153,687	-	-	153,687
Total capital assets being depreciated	16,008,741	550,250	(10,553)	16,548,438
Less: Accumulated depreciation and amortization				
Infrastructure	(6,329,452)	(219,547)	-	(6,548,999)
Buildings and improvements	(2,923,320)	(156,316)	400	(3,079,236)
Equipment	(545,132)	(62,655)	8,545	(599,242)
Intangible assets – software	(98,296)	(24,619)	-	(122,915)
Total accumulated depreciation and amortization	(9,896,200)	(463,137)	8,945	(10,350,392)
Total capital assets, net	\$ 9,824,732	\$ 1,368,397	\$ (1,386,005)	\$ 9,807,124
Business-type Activities				
	Balance at July 1, 2018	Additions	Deductions	Balance at June 30, 2019
Capital assets not being depreciated				
Land and land improvements	\$ 676,155	\$ 13,902	\$ -	\$ 690,057
Construction in progress	1,452,919	588,196	(544,309)	1,496,806
Total capital assets not being depreciated	2,129,074	602,098	(544,309)	2,186,863
Capital assets being depreciated				
Land and improvements	1,461,618	432,293	-	1,893,911
Buildings and improvements	2,765,740	97,926	-	2,863,666
Equipment	351,492	15,251	(1,242)	365,501
Total capital assets being depreciated	4,578,850	545,470	(1,242)	5,123,078
Less: Accumulated depreciation				
Land and improvements	(964,420)	(51,096)	-	(1,015,516)
Buildings and improvements	(1,486,833)	(84,508)	-	(1,571,341)
Equipment	(284,101)	(15,795)	1,036	(298,860)
Total accumulated depreciation	(2,735,354)	(151,399)	1,036	(2,885,717)
Total capital assets, net	\$ 3,972,570	\$ 996,169	\$ (544,515)	\$ 4,424,224

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Depreciation expense for the fiscal year ended June 30, 2019, was charged to functions/ programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities

Highways	\$	204,980
Lower education		120,027
General government		29,784
Welfare		27,505
Urban redevelopment and housing		23,795
Conservation of natural resources		19,794
Public safety		19,328
Health		7,927
Culture and recreation		5,224
Economic development and assistance		4,773
		<hr/>
Total depreciation expense – governmental activities	\$	<u>463,137</u>

Business-type activities

Airports	\$	121,992
Harbors		28,994
EUTF		84
DWTLF		90
WPCF		239
		<hr/>
Total depreciation expense – business-type activities	\$	<u>151,399</u>

State of Hawaii
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June 30, 2019

4. General Obligation Bonds Payable

The State issues general obligation bonds primarily to provide for the acquisition and construction of major capital facilities. Although certain general obligation debt is being retired from the resources of the Proprietary Funds – Airports and Harbors and is recorded in those funds, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues contain call provisions except Series DT, issued November 24, 2009; Series DY, issued February 18, 2010; Series EL, issued November 21, 2013; Series EX, issued October 29, 2015; Series FJ, issued October 13, 2016; and Series FR, issued December 12, 2017. Stated interest rates range from 0.80% to 5.53%.

On February 21, 2019, the State issued \$431,665,000 of general obligation bonds of 2019 Series FW and \$143,335,000 of taxable general obligation bonds of 2019 Series FX and FY. New issues Series FW and FX were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bonds within Series FX are subject to optional redemption. The bonds within Series FW that mature on or after January 1, 2029 are subject to optional redemption with restrictions.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2019, \$1,712,465,000 of bonds outstanding is considered defeased. At June 30, 2019, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	\$ 7,056,193
Noncallable	<u>173,640</u>
Total general obligation bonds outstanding	7,229,833
Add: unamortized bond premium	705,575
Less: Amount recorded as a liability of proprietary funds – Harbors	<u>(21,026)</u>
Amount recorded in the governmental activities of the primary government	<u>\$ 7,914,382</u>

State of Hawaii
Notes to Basic Financial Statements
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A summary of general obligation bonds outstanding by series as of June 30, 2019, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
DN	December 16, 2008	5.000%	August 1, 2019	\$ 100,000	\$ 1,825
DQ	June 23, 2009	3.600%–5.000%	June 1, 2020–2026	500,000	17,860
DS	November 5, 2009	0.800%–1.450%	September 15, 2019–2024	32,000	17,760
DT	November 24, 2009	3.500%–5.000%	November 1, 2019	204,140	38,090
DX	February 18, 2010	4.450%–5.530%	February 1, 2020–2030	500,000	380,150
DY	February 18, 2010	4.000%–5.000%	February 1, 2020	221,625	41,225
DZ	December 7, 2011	3.500%–5.000%	December 1, 2019–2031	800,000	74,835
EA	December 7, 2011	3.000%–5.000%	December 1, 2019–2023	403,455	269,610
EE	December 4, 2012	1.000%–5.000%	November 1, 2019–2032	444,000	200,360
EF	December 4, 2012	5.000%	November 1, 2019–2024	396,990	312,100
EG	December 4, 2012	1.600%–3.625%	November 1, 2019–2032	26,000	23,245
EH	November 21, 2013	4.000%–5.000%	August 1, 2019–2033	635,000	374,455
EL	November 21, 2013	1.500%–5.000%	August 1, 2019–2023	50,860	37,730
EM	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	25,000	23,810
EN	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	29,795	27,930
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	546,130
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	209,015
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	25,000
ET	October 29, 2015	2.000%–5.000%	October 1, 2019–2035	190,000	182,640
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	33,465
EX	October 29, 2015	2.000%–4.000%	October 1, 2019–2025	25,035	25,035
EY	October 29, 2015	5.000%	October 1, 2020–2027	212,120	212,120
EZ	October 29, 2015	5.000%	October 1, 2019–2028	215,590	215,590
FA	October 29, 2015	1.950%–4.400%	October 1, 2019–2035	25,000	23,935
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	481,535
FC	April 14, 2016	1.660%–1.750%	April 1, 2020–2021	25,000	10,195
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	219,690
FF	April 14, 2016	1.309%–2.902%	October 1, 2019–2028	119,730	119,730
FG	October 13, 2016	3.000%–5.000%	October 1, 2019–2036	375,000	375,000
FH	October 13, 2016	3.000%–5.000%	October 1, 2021–2031	379,295	379,295
FI	October 13, 2016	2.000%–5.000%	October 1, 2021–2033	2,710	2,710
FJ	October 13, 2016	1.151%–1.921%	October 1, 2019–2022	25,000	20,130
FK	May 24, 2017	2.000%–5.000%	May 1, 2020–2037	575,000	575,000
FN	May 24, 2017	5.000%	October 1, 2021–2031	229,355	229,355
FO	May 24, 2017	1.850%–2.250%	May 1, 2020–2021	37,500	37,500
FP	May 24, 2017	1.850%–3.940%	May 1, 2020–2037	7,500	7,500
FR	December 12, 2017	2.000%–2.180%	October 1, 2019–2021	15,090	11,430
FS	December 12, 2017	2.220%–2.950%	October 1, 2022–2033	275,363	275,363
FT	February 14, 2018	3.000%–5.000%	January 1, 2022–2038	631,215	631,215
FU	February 14, 2018	2.200%–2.750%	January 1, 2020–2021	50,000	33,605
FW	February 21, 2019	2.000% - 5.000%	January 1, 2023-2039	431,665	431,665
FX	February 21, 2019	2.650% - 3.250%	January 1, 2020-2022	75,000	75,000
				\$	7,229,833

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement and the acquisition, construction, extension or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and for other public purposes.

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A summary of the general obligation bond premium activity for fiscal year 2019 is as follows (amounts expressed in thousands):

Balance – July 1, 2018	\$ 741,508
GO bond series FW – FY	69,962
Current-year amortization	<u>(105,895)</u>
Balance – June 30, 2019	<u>\$ 705,575</u>

A summary of debt service requirements to maturity on the governmental activities' general obligation bonds is as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 519,259	\$ 302,563	\$ 821,822
2021	476,449	283,844	760,293
2022	481,937	263,143	745,080
2023	459,674	241,917	701,591
2024	467,385	220,334	687,719
2025–2029	2,132,020	786,632	2,918,652
2030–2034	1,645,925	338,767	1,984,692
2035–2039	<u>739,365</u>	<u>68,591</u>	<u>807,956</u>
	<u>\$ 6,922,014</u>	<u>\$ 2,505,791</u>	<u>\$ 9,427,805</u>

A summary of debt service requirements to maturity on the governmental activities' direct placements is as follows:

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,730	\$ 7,329	\$ 11,059
2021	3,810	7,252	11,062
2022	3,890	7,169	11,059
2023	19,971	6,905	26,876
2024	20,424	6,451	26,875
2025–2029	109,766	24,612	134,378
2030–2034	<u>125,202</u>	<u>9,176</u>	<u>134,378</u>
	<u>\$ 286,793</u>	<u>\$ 68,894</u>	<u>\$ 355,687</u>

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Notes to Basic Financial Statements
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A summary of debt service requirements to maturity on the business-type activities' general obligation bonds are as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,336	\$ 1,044	\$ 3,380
2021	2,450	930	3,380
2022	2,573	808	3,381
2023	2,701	680	3,381
2024	2,835	546	3,381
2025–2028	<u>8,131</u>	<u>804</u>	<u>8,935</u>
	<u>\$ 21,026</u>	<u>\$ 4,812</u>	<u>\$ 25,838</u>

The State Constitution limits the amount of general obligation bonds which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2019 was \$576,777,000.

At June 30, 2019, general obligation bonds authorized but unissued were approximately \$2,305,793,000.

5. Revenue Bonds Payable

Governmental Activities

Revenue bonds are payable from and collateralized by each Department's revenues generated from certain capital improvement projects. On August 25, 2017, the Department of Hawaiian Home Lands (DHHL) issued \$30,940,000 in State of Hawaii Revenue Bonds, Series 2017, with interest rates ranging from 3.00% to 5.00% to refund State of Hawaii Revenue Bonds, Series 2009 previously issued by DHHL. The bonds are payable on April 1 and October 1, annually through 2032.

On September 8, 2016, the Department of Transportation – Highways Division (Highways) issued \$103,395,000 in State of Hawaii Highway Revenue Bonds of 2016, Series A, with interest rates ranging from 1.25% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2036.

On September 8, 2016, Highways issued \$101,090,000 in State of Hawaii Highway Revenue Bonds of 2016, Series B, with interest rates ranging from 2.0% to 5.0% to refund certain outstanding Highway Revenue Bonds. The bonds are payable annually on January 1, commencing 2021 through 2030.

On November 13, 2014, the DBEDT issued \$150,000,000 in State of Hawaii Green Energy Market Securitization Bonds of 2014, Series A, to provide funds for environmentally beneficial projects. The Series A is comprised of Tranche A-1 for \$50,000,000 and Tranche A-2 for \$100,000,000. The interest rate for Tranche A-1 is 1.467%, with bonds payable semi-annually on January 1 and July 1 through 2020. The interest rate for Tranche A-2 is 3.242%, with bonds payable semi-annually beginning July 1, 2020 through January 1, 2029. Both tranches have a final maturity date which is two years later than the scheduled final payment date to allow for any final true-ups for balances owed.

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On August 14, 2014, Highways issued \$103,375,000 in State of Hawaii Highway Revenue Bonds of 2014, Series A, with interest rates ranging from 2.0% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2034.

On August 14, 2014, Highways issued \$32,285,000 in State of Hawaii Highway Revenue Bonds of 2014, Series B, with interest rates ranging from 3.0% to 5.0% to advance refund \$36,195,000 of certain highway revenue bonds previously issued. The bonds are payable annually on January 1 through 2026.

On December 15, 2011, Highways issued \$112,270,000 in State of Hawaii Highway Revenue Bonds of 2011, Series A, with interest rates ranging from 0.75% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2032.

On December 15, 2011, Highways issued \$5,095,000 in State of Hawaii Highway Revenue Bonds of 2011, Series B, with an interest rate of 4.0% to advance refund \$5,400,000 of certain outstanding highway revenue bonds previously issued. The bond is payable on January 1, 2023.

On December 17, 2008, Highways issued \$125,175,000 in State of Hawaii Highway Revenue Bonds, Series 2008, with interest rates ranging from 4.0% to 6.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2029.

On March 15, 2005, Highways issued \$123,915,000 of State of Hawaii Highway Revenue Bonds of 2005, Series B, with interest rates ranging from 3.0% to 5.25% to advance refund \$128,705,000 of certain outstanding highway revenue bonds previously issued. The bonds are payable annually on July 1 through 2021.

On July 1, 1998, Highways issued State of Hawaii Highway Revenue Bonds, Series of 1998, in the principal amount of \$94,920,000. Bond proceeds related to this issue amounted to \$97,542,000, of which \$71,921,000 was used to finance certain highway improvements and other related projects for the state highways system, and \$25,621,000 was used to advance refund certain outstanding highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest ranging from 4.5% to 5.5% and matured on July 1, 2018.

The bonds are payable solely from and collateralized by the revenues, consisting primarily of highway fuel taxes, vehicle registration fees, vehicle weight taxes, and rental motor vehicle and tour vehicle surcharge taxes.

In addition to the proceeds from the State of Hawaii Highway Revenue Bonds of 2005, Series B, the proceeds of the State of Hawaii Highway Revenue Bond of 2011, and a portion of the proceeds of the State of Hawaii Highway Revenue Bonds, Series of 1998 (see above) were placed in irrevocable trusts and used to purchase securities of the U.S. government to meet the debt service requirements of the refunded bonds.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions.

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Notes to Basic Financial Statements
June 30, 2019

The following is a summary of the State's revenue bonds issued and outstanding at June 30, 2019 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
2005 B	March 15, 2005	5.25%	July 1, 2019–2021	\$ 123,915	\$ 20,285
2008	December 17, 2008	5.00%	January 1, 2020	125,175	6,115
2011A	December 15, 2011	2.50%–5.00%	January 1, 2020–2032	112,270	42,650
2011B	December 15, 2011	4.00%	January 1, 2023	5,095	5,095
2014A	August 14, 2014	5.00%	January 1, 2020–2034	103,375	86,435
2014B	August 14, 2014	5.00%	January 1, 2020–2026	32,285	24,060
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	94,585
2016B	September 8, 2016	4.00%–5.00%	January 1, 2021–2030	101,090	100,270
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	28,265
DBEDT					
2014A-A1	November 13, 2014	1.467%	July 1, 2022	50,000	12,244
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	100,000
					520,004
Add: Unamortized bond premium					51,302
					<u>\$ 571,306</u>

A summary of the revenue bond premium activity for fiscal year 2019 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance – July 1, 2018	\$ 59,078
Current-year amortization	(7,776)
Balance – June 30, 2019	<u>\$ 51,302</u>

Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	\$ 41,324	\$ 22,388	\$ 63,712
2021	42,381	20,718	63,099
2022	40,066	19,014	59,080
2023	37,107	17,425	54,532
2024	38,515	16,024	54,539
2025–2029	204,676	53,789	258,465
2030–2034	101,045	15,845	116,890
2035–2036	14,890	899	15,789
	<u>\$ 520,004</u>	<u>\$ 166,102</u>	<u>\$ 686,106</u>

State of Hawaii
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Business-Type Activities

Revenue bonds are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

Airports System Revenue Bonds

The Airports system revenue bonds are payable solely from and collateralized by airport revenues, which include all aviation fuel taxes levied. The Airports system revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2019 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2010A, refunding	2.00%–5.25%	2039	\$ 478,980	\$ 476,430
2010B, refunding	3.00%–5.00%	2020	166,000	43,815
2011, refunding	2.00%–5.00%	2024	300,885	170,565
2015A, non-refunding	4.125%–5.00%	2045	235,135	235,135
2015B, non-refunding	4.00%	2045	9,125	9,125
2018A, non-refunding	5.00%	2048	388,560	388,560
2018B, non-refunding	3.00%–5.00%	2027	26,125	26,125
			<u>\$ 1,604,810</u>	<u>1,349,755</u>
Add: Unamortized premium				75,292
Less: Unamortized discount				(49)
				<u>1,424,998</u>
Less: Current portion				(42,585)
Noncurrent portion				<u>\$ 1,382,413</u>

In August 2018, Airports executed two forward delivery bond purchase contracts relating to its \$93,175,000 Airports System Revenue Bonds, Refunding Series 2018C and \$142,150,000 Airports System Revenue Bonds, Refunding Series 2018D. Subject to the terms of such contracts, Airports expects to issue and deliver the Series 2018C Bonds and the Series 2018D Bonds in April 2020 to refund \$245,385,000 of outstanding Series 2010A Bonds on July 1, 2020.

Airports entered into these agreements with the respective purchasers for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

On August 9, 2018, the purchaser agreed to purchase the Series 2018C Bonds in the principal amount of \$93,175,000 for the amount of \$93,175,000. The Series 2018C Bonds will bear an interest rate of 3.58% and maturity dates ranging from 2021–2028.

On August 9, 2018, the purchaser agreed to purchase the Series 2018D Bonds in the principal amount of \$142,150,000 at a price of \$154,466,536. The Series 2018D Bonds will bear an interest rate of 5.00% with maturity dates ranging from 2029–2034.

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Airports Special Facility Leases and Revenue Bonds

Airports entered into two special facility lease agreements with Continental Airlines, Inc. (Continental) in November 1997 and July 2000. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of \$25,255,000 and \$16,600,000, respectively. The \$16,600,000 special facility revenue bond was called in full on May 18, 2015. The remaining bond is payable solely from and collateralized solely by certain rentals and other monies derived from the special facility.

\$25,255,000 Issue

The bonds bear interest at 5.625% per annum, and are subject to redemption on or after November 15, 2007 at the option of Airports upon the request of Continental at prices ranging from 101% to 100%, depending on the dates of redemption, or at 100% plus interest, if the facilities are destroyed or damaged extensively.

Interest-only payments of \$611,000 are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due.

Special facility revenue bonds payable at June 30, 2019 consisted of \$21,725,000, and is classified as noncurrent.

The special facility lease is accounted for and recorded as a direct financing lease. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as a restricted asset, and the special facility revenue bonds outstanding are recorded as a liability in the accompanying basic financial statements.

In July 2017, Airports issued \$249,805,000 of Airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70% to 4.14%. The Series 2017 Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2017 Bonds and to pay certain costs of issuance relating to the Series 2017 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports system.

Harbors Revenue Bonds

The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices ranging from 102% to 100% of face value.

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The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2019 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current		Total	Noncurrent
				Principal Due July 1, 2019	Due January 1, 2020		
2010	July 1, 2040	3.00%–5.75%	\$ 201,390	\$ 5,755	\$ -	\$ 5,755	\$ 154,520
2013	July 1, 2029	3.25%	23,615	3,210	-	3,210	13,405
2016	January 1, 2031	1.99%–3.09%	113,660	3,550	4,850	8,400	91,565
			<u>\$ 338,665</u>	<u>\$ 12,515</u>	<u>\$ 4,850</u>	17,365	259,490
Add: Unamortized premium (discount)						15	(53)
						<u>\$ 17,380</u>	<u>\$ 259,437</u>

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	\$ 65,070	\$ 85,330	\$ 150,400
2021	67,205	85,430	152,635
2022	70,100	82,418	152,518
2023	73,245	79,242	152,487
2024	72,225	76,041	148,266
2025–2029	298,285	338,604	636,889
2030–2034	269,405	273,751	543,156
2035–2039	315,140	203,212	518,352
2040–2044	362,040	119,008	481,048
2045–2049	300,395	35,125	335,520
	<u>\$ 1,893,110</u>	<u>\$ 1,378,161</u>	<u>\$ 3,271,271</u>

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the twelve-month and six-month periods, respectively, preceding the date on which the payments are due.

Revenue Bonds Authorized, but Unissued

At June 30, 2019, revenue bonds authorized, but unissued, were approximately \$5,542,247,000.

Special Purpose Revenue Bonds

HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2019 amounted to approximately \$1,322,112,000. At June 30, 2019, special purpose revenue bonds of \$1,402,599,000 were authorized, but unissued.

State of Hawaii
Notes to Basic Financial Statements
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6. Changes in Long-Term Liabilities

Changes in the long-term liabilities for the Primary Government (governmental activities and business-type activities) were as follows (amounts expressed in thousands):

	Governmental Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General obligation bonds payable	\$ 6,880,245	\$ 575,000	\$ (533,231)	\$ 6,922,014	\$ 519,259
Add: Unamortized premium	741,508	69,962	(105,895)	705,575	97,413
Direct placements	290,453	-	(3,660)	286,793	3,730
Total general obligation bonds payable	7,912,206	644,962	(642,786)	7,914,382	620,402
Revenue bonds payable	573,995	-	(53,991)	520,004	41,324
Add: Unamortized premium	59,078	-	(7,776)	51,302	7,358
Total revenue bonds payable	633,073	-	(61,767)	571,306	48,682
Accrued vacation payable	233,747	116,342	(119,910)	230,179	87,238
Reserve for losses and loss adjustment costs	247,254	75,059	(45,820)	276,493	44,282
Net pension liability	6,499,819	380,677	(257,948)	6,622,548	-
Net other postemployment benefits liability	6,666,282	701,036	(631,228)	6,736,090	-
Capital lease obligations	129,897	-	(6,975)	122,922	7,772
Total	<u>\$ 22,322,278</u>	<u>\$ 1,918,076</u>	<u>\$ (1,766,434)</u>	<u>\$ 22,473,920</u>	<u>\$ 808,376</u>

	Business-type Activities				
	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General obligation bonds payable, net	\$ 23,255	\$ -	\$ (2,229)	\$ 21,026	\$ 2,336
Revenue bonds payable	1,540,965	414,685	(62,540)	1,893,110	65,070
Add: Unamortized premium, net	26,340	52,677	(3,812)	75,205	15
Total revenue bonds payable	1,567,305	467,362	(66,352)	1,968,315	65,085
Accrued vacation and retirement benefits payable	15,570	7,690	(7,245)	16,015	4,948
Reserve for losses and loss adjustment costs	5,178	1,982	(1,824)	5,336	1,840
Net pension liability	211,957	20,130	(17,185)	214,902	-
Net other postemployment benefits liability	230,905	18,789	(16,527)	233,167	-
Capital lease obligations	244,979	-	(8,832)	236,147	11,216
Prepaid airport use charge fund	19,194	118	(19,000)	312	-
Loan payable	76,000	-	-	76,000	76,000
Total	<u>\$ 2,394,343</u>	<u>\$ 516,071</u>	<u>\$ (139,194)</u>	<u>\$ 2,771,220</u>	<u>\$ 161,425</u>

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 82%, 17%, and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds, and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2019.

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7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2019 (amounts expressed in thousands):

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund		
Special Revenue Funds	\$ 63,989	\$ -
Med-Quest Special Revenue Fund	152,077	-
Proprietary Fund	20	-
	<u>216,086</u>	<u>-</u>
Capital Projects Fund		
Proprietary Fund	1,597	-
	<u>1,597</u>	<u>-</u>
Med-Quest Special Revenue Fund		
General Fund	-	152,077
	<u>-</u>	<u>152,077</u>
Nonmajor Governmental Funds		
General Fund	-	63,989
	<u>-</u>	<u>63,989</u>
Proprietary Funds		
Airports	-	20
Harbors	-	1,597
	<u>-</u>	<u>1,617</u>
	<u>\$ 217,683</u>	<u>\$ 217,683</u>

The interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occurred, transactions are recorded, and payment between funds are made.

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8. Transfers

Transfers between funds occur when a fund receiving revenues transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2019, transfers by fund were as follows (amounts expressed in thousands):

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund		
Med-Quest Special Revenue Fund	\$ 21,728	\$ 3,764
Capital Projects Fund	-	13,209
Nonmajor Governmental Funds	<u>62,713</u>	<u>870,076</u>
	<u>84,441</u>	<u>887,049</u>
Capital Projects Fund		
General Fund	13,209	-
Nonmajor Governmental Funds	<u>155,377</u>	<u>1,563</u>
	<u>168,586</u>	<u>1,563</u>
Med-Quest Special Revenue Fund		
General Fund	3,764	21,728
Nonmajor Governmental Funds	<u>83</u>	<u>485</u>
	<u>3,847</u>	<u>22,213</u>
Nonmajor Governmental Funds		
General Fund	870,076	62,713
Capital Projects Fund	1,563	155,377
Med-Quest Special Revenue Fund	485	83
Other Nonmajor Governmental Funds	<u>85,775</u>	<u>85,775</u>
	<u>957,899</u>	<u>303,948</u>
	<u>\$ 1,214,773</u>	<u>\$ 1,214,773</u>

The General Fund transferred approximately \$774,990,000 to the Nonmajor Governmental Funds for debt service payments and approximately \$98,850,000 to subsidize various Special Revenue Funds' programs, and approximately \$13,209,000 to the Capital Projects Fund to finance capital projects. Approximately \$155,377,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

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9. Leases

Lease Commitments

Governmental Activities

The State leases office facilities and equipment under various operating leases expiring through fiscal 2029. Future minimum lease commitments for noncancelable operating leases as of June 30, 2019, were as follows (amounts expressed in thousands):

Fiscal Year	
2020	\$ 19,642
2021	14,700
2022	11,320
2023	5,814
2024	2,584
2025–2029	<u>600</u>
Total future minimum lease payments	<u>\$ 54,660</u>

Rent expenditures for operating leases for the fiscal year ended June 30, 2019 amounted to approximately \$35,464,000.

On July 25, 2017, the State issued \$15,125,000 in Certificates of Participation (COPS) 2017 Series A to fully refund \$24,500,000 of the 2009 Series A Certificate which proceeds were used to purchase the Kapolei State Office Building and Capitol District Building. Wells Fargo Bank, NA was paid \$18,739,000 by the Bank of New York Mellon Trust Company, NA on August 25, 2017 from the net proceeds of \$20,292,000 which include original issue premium of \$2,614,000 and funds on hand of \$2,553,000. The remaining amounts of \$152,000 was used as cost of issuance and \$1,401,000 was deposited to Certificate Reserve Fund. Payments of principal and interest commenced on November 1, 2017 and will be payable every May 1 and November 1 until 2031, with interest rates ranging from 2% to 4% until 2022 and fixed at 5% starting in 2023.

An equipment lease purchase agreement between the Department of Transportation Highways Division and Johnson Controls, Inc. was entered into on July 8, 2015 to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of \$60,286,091 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the Highways Division. Payments commenced on August 1, 2017 and continue through August 1, 2031 at an interest rate of 2.63%.

An equipment lease purchase agreement between DAGS and Banc of America Public Capital Corp. was entered into on August 1, 2013, to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of \$18,835,000 were deposited in an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the State. Payments commenced on March 20, 2014 and continue through September 20, 2033 at an interest rate of 3.63%.

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On April 14, 2011, an equipment lease purchase agreement between the Department of Public Safety and Capital One Public Funding, LLC was entered into, to fund the acquisition and installation of energy conservation equipment at the Halawa Correctional Facility and Oahu Community Correctional Center. An escrow agent to provide for future vendor payments as requested by the State deposited the proceeds of \$25,512,000 in an escrow fund. Payments commenced on May 1, 2012 and continue through November 1, 2030 at an interest rate of 5.021%.

An equipment lease purchase agreement between the DAGS and Capital One Public Funding, LLC was entered into on September 3, 2009, to fund the acquisition and installation of energy conservation equipment at various State buildings in the downtown Honolulu district. The proceeds of \$12,377,000 were deposited in an escrow fund by an escrow agent to provide for future vendor payments as requested by the State. Payments commenced on June 1, 2010 and continue through June 1, 2026 at an interest rate of 5.389%.

On November 5, 2009, the State issued \$41,120,000 in COPS 2009 Series A to fully refund \$47,185,000 of the 1998 Series A Certificates and the 2000 Series A Certificates, which proceeds were used to purchase the Kapolei State Office Building and the Capitol District Building. The net proceeds of \$43,490,000 (including a premium of \$2,876,000 and after-payment of \$503,000 in underwriting fees) were deposited to the Depository Trust Company in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding COPS. As a result, these certificates are considered to be defeased, and the liability for these certificates has been removed from the Government-Wide financial statements. Due to the advance refunding, the State reduced its total debt service payments over the next ten years by \$7,487,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7,061,000. Payments commenced on May 1, 2010 and continue through May 1, 2020 with interest rates ranging from 2.0% to 5.0%. The 2009 Series A Certificates are subject to prepayment prior to their maturity dates in the event of a casualty loss or governmental taking of all or a portion of the premises subject to the leases but are not otherwise subject to prepayment prior to maturity.

Future minimum lease payments for these capital leases are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	\$ 7,772	\$ 4,460	\$ 12,232
2021	6,481	4,154	10,635
2022	7,037	3,898	10,935
2023	7,761	3,620	11,381
2024	8,457	3,312	11,769
2025–2029	48,712	11,298	60,010
2030–2034	36,702	2,398	39,100
Total future minimum lease payments	<u>\$ 122,922</u>	<u>\$ 33,140</u>	<u>\$ 156,062</u>

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Capital assets acquired under these capital leases are as follows (amounts expressed in thousands):

Asset type	
Buildings and improvements	\$ 56,245
Equipment	117,010
Total assets	\$ 173,255

Business-Type Activities

Airports – Lease Revenue Certificates of Participation

Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the energy performance contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of \$167,740,000 at interest rates ranging from 3.00% to 5.25%.

On April 13, 2016, Airports entered into a lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to Daniel K. Inouye International Airport's cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to the Energy Performance Contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of \$8,056,521 at an interest rate of 1.74%.

On March 31, 2017, Airports entered into a lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to the lighting infrastructure at multiple airports. The costs relating to the purchase and installation of certain equipment to implement the fourth amendment to the Energy Performance Contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of \$51,473,427 at an interest rate of 2.87%.

The lease revenue COPS are payable from revenue derived by Airports from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State. The COPS represent participation in equipment lease rent payments made by the Department of Transportation. Lease rent payments to holders of the COPS are payable from revenues and aviation fuel taxes, subordinate in right of payments of debt service on bonds.

The outstanding lease revenue certificates of participation contain a provision that if the Airports Division is unable to make payment, outstanding amounts are due immediately. The lease revenue certificates of participation contains a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determine that a material adverse change occurs.

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At June 30, 2019, the outstanding balance of the lease revenue COPS and the unamortized premium were approximately \$208,848,000 and \$1,835,000, respectively. Future lease rent payments for the lease revenue COPS as of June 30, 2019 are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2020	\$ 10,301	\$ 9,040	\$ 19,341
2021	12,115	8,551	20,666
2022	13,753	7,982	21,735
2023	15,204	7,343	22,547
2024	17,224	6,633	23,857
2025–2029	117,154	18,370	135,524
2030–2034	23,097	1,730	24,827
	\$ 208,848	\$ 59,649	\$ 268,497

Lease Rentals

Airports – Airport-Airline Lease Agreement

The DOT and the airline companies serving the Airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992. Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements and services of the Airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter the lease agreement and the five subsequent agreements are collectively referred to as the “lease extension agreement”). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement effective January 1, 2008.

Under the first amended lease extension agreement, the Airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airport system facilities from the signatory airlines that directly use them. The Airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Airports – Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2018 have been transferred to the PAUCF.

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Airports – Aviation Fuel Tax

In May 1996, the Department of Taxation issued a tax information release which stated that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to approximately \$2,608,000 for fiscal year 2019.

Airports – System Rates and Charges

Signatory and non-signatory airlines were assessed the following rates and charges:

- Landing fees amounted to approximately \$85,492,000 for fiscal year 2019. Airport landing fees are shown, net of aviation fuel tax credits of approximately \$2,503,000, for fiscal year 2019 on the statement of revenues, expenses and changes in net position, which resulted in net airport landing fees of approximately \$82,988,000 for fiscal year 2019. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. Airport interisland landing fees for signatory airlines were set at 46% of the airport landing fees for overseas flights for fiscal year 2019, and are scheduled to increase 1% annually until it reaches 100%.
- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately \$79,560,000 for fiscal year 2019. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per enplaning or deplaning passenger.
- Exclusive use premise charges amounted to approximately \$60,790,000 for fiscal year 2019, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately \$28,805,000 for fiscal year 2019.

Airports – Other Operating Leases

Airports leases certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2019 was approximately \$87,677,000.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kahului retail concession, accounted for approximately 22% of total concession fees revenues for the fiscal year ended June 30, 2019.

DFS was awarded a ten-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007, and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883.

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Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides (1) for the period from June 1, 2017 through May 31, 2019, \$40 million, (2) for the period of June 1, 2019 through May 31, 2020, \$47.5 million, (3) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee (MAG) rent or percentage rent) for the previous year, (4) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (5) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, and (6) for the period from June 1, 2023 through May 31, 2027, the same as the MAG rent for the period of June 1, 2022 through May 31, 2023. The percentage fee for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales. Percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and the concession fee for items that are "High Price/Low Margin Merchandise" shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay \$27.9 million for improvements to the Central Waiting Lobby Building at Daniel K. Inouye International Airport.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Daniel K. Inouye International Airport, with the term commencing on April 1, 2009, and scheduled to terminate on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts, and (2) MAG rent (85% of the actual annual fee paid for the preceding year). The lease agreement was extended for a holdover period through March 31, 2015. During the holdover period, the MAG rent was \$12 million. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the MAG rent be \$12 million for the period April 1, 2015 through March 31, 2016 and, for each subsequent year thereafter, the MAG rent will be 85% of the actual annual fee paid for the preceding year.

Harbors – Leasing Operations

Harbors leases land, wharf and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through August 2072. Those leases generally call for rental increases every five to ten years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2019 amounted to \$29,866,000 and have been included in rental revenues.

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The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2019 (amounts expressed in thousands):

Fiscal Year	Proprietary Funds		
	Airports	Harbors	Total
2020	\$ 157,047	\$ 5,653	\$ 162,700
2021	116,716	5,916	122,632
2022	108,703	5,932	114,635
2023	105,636	6,056	111,692
2024	103,455	5,900	109,355
2025–2029	346,244	28,793	375,037
2030–2034	17,691	25,942	43,633
2035–2039	5,152	18,322	23,474
2040–2044	5,147	15,292	20,439
2045–2049	5,937	9,798	15,735
2050–2054	-	7,884	7,884
2055–2059	-	7,094	7,094
2060–2064	-	5,272	5,272
2065–2069	-	5,137	5,137
2070–2073	-	3,217	3,217
	<u>\$ 971,728</u>	<u>\$ 156,208</u>	<u>\$ 1,127,936</u>

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2019, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	\$ 30,503
Less: Amount representing interest	(10,235)
	<u>20,268</u>
Cash with trustee and other	<u>1,610</u>
	<u>\$ 21,878</u>

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2019, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2020	\$ 1,222
2021	1,222
2022	1,222
2023	1,222
2024	1,222
2025–2029	<u>26,002</u>
	<u>\$ 32,112</u>

10. Significant Transactions with Component Units

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC represent amounts due from DHHL related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual \$1,700,000 payments to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights at the net present value of the estimated future cash flows from the State using an imputed interest rate. As of June 30, 2019, the principal amount due to the HHFDC is approximately \$2,929,000.

Hawaii Health Systems Corporation

The amount due to the State of \$19,008,000 at June 30, 2019 is comprised of cash advances that was assumed by the HHSC.

Hawaii Tourism Authority

During the period from October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is to be primarily funded by an allocated portion of the State's transient accommodations tax (TAT) revenue and revenue generated from the operation of the Center. Through June 30, 2000 and from July 1, 2000 to June 30, 2002, these funds were collected and accounted for by the Convention Center Authority (CCA) and Budget and Finance, respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253, SLH 2002. In accordance with Act 253, the Convention Center Fund was placed within the HTA and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's TAT. Act 253 further states that all funds collected by the Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

The creation of the Convention Center Fund provided the HTA the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to the HTA by the CCA. The terms of the payment plan required the HTA to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6% through January 1, 2027. The payment plan was not directly related to the actual debt service on the general obligation bonds issued to finance the Hawaii Convention Center.

On July 1, 2018, Act 086, SLH 2018, cancelled the HTA's remaining outstanding amount on the debt service payments. Approximately \$224,110,000 of principal was cancelled.

Hawaii Hurricane Relief Fund

In 2002, Act 179, SLH 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2019, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$4,086,000.

11. Retirement Benefits

Pension Plan

Plan Description

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

<http://ers.ehawaii.gov/resources/financials>.

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 plans. 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.

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.

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- *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 surviving dependent children, no benefit is payable.

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

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

Ordinary death benefits are available to employees who were active at time of death with at least 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.

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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.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service 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.
- **Death Benefits** – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least 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,

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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 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% for police officers and firefighters and 19% for all other employees. Contributions to the pension plan from the State was approximately \$481,656,000 for the fiscal year ended June 30, 2019.

Pursuant to Act 17, SLH 2017, employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for police and firefighters increased to 31% on July 1, 2018; and increases to 36% on July 1, 2019 and 41% on July 1, 2020. The rate for all other employees increased to 19% on July 1, 2018; and increases to 22% on July 1, 2019 and 24% on July 1, 2020.

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

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

At June 30, 2019, the State reported a liability of approximately \$6.8 billion for its proportionate share of the 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. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2018, the State's

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proportion was 56.0898% which was a decrease of 0.5175% from its proportion measured as of June 30, 2017.

There was no change in actuarial assumptions as of June 30, 2017 to June 30, 2018. 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.

For the year ended June 30, 2019, the State recognized pension expense of approximately \$860,066,000. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 126,127	\$ (42,311)
Changes in assumptions	743,455	-
Net difference between projected and actual earnings on pension plan investments	-	(14,577)
Changes in proportion and differences between State contributions and proportionate share of contributions	21,479	(52,064)
State contributions subsequent to the measurement date	<u>481,656</u>	<u>-</u>
Total	<u>\$ 1,372,717</u>	<u>\$ (108,952)</u>

At June 30, 2019, the approximate \$481,656,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020.

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

Year ending June 30,	
2020	\$ 369,269
2021	308,593
2022	113,276
2023	(9,814)
2024	<u>785</u>
	<u>\$ 782,109</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on December 12, 2016, based on the 2015 Experience Study for the five-year period from July 1, 2010 through June 30, 2015:

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

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

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

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Strategic allocation (risk-based classes)		
Broad growth	63.0%	7.1%
Principal protection	7.0%	2.5%
Real return	10.0%	4.1%
Crisis risk offset	<u>20.0%</u>	4.6%
Total investments	<u>100.0%</u>	

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 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.

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

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the State's proportionate share of the 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 (amounts expressed in thousands):

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net pension liability	<u>\$ 8,893,950</u>	<u>\$ 6,837,450</u>	<u>\$ 5,142,264</u>

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. The ERS complete financial statements are available at <http://ers.ehawaii.gov/resources/financials>.

Payables to the Pension Plan

The State's employer contributions payable to the ERS by fiscal year end was paid by June 30, 2019. Excess payments of \$7,709,000 are being applied to amounts due in fiscal year 2020.

Postemployment Health Care and Life Insurance Benefits

Plan Description

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 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 ten 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%

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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 ten 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.

Employees Covered by Benefit Terms

At July 1, 2018, the following number of plan members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	36,340
Inactive plan members entitled to but not yet receiving benefits	7,588
Active plan members	<u>50,519</u>
Total plan members	<u>94,447</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$518,614,000 for the fiscal year ended June 30, 2019. The employer is required to make all contributions for members.

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

At June 30, 2019, the State reported a net OPEB liability of approximately \$7.0 billion. 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.

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 net OPEB liability.

For the year ended June 30, 2019, the State recognized OPEB expense of approximately \$643,257,000. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (133,000)
Changes in assumptions	80,495	-
Net difference between projected and actual earnings on OPEB plan investments	-	(13,059)
State contributions subsequent to the measurement date	<u>623,634</u>	<u>-</u>
Total	<u>\$ 704,129</u>	<u>\$ (146,059)</u>

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At June 30, 2019, the approximate \$623,634,000 reported as deferred outflows of resources related to OPEB resulting from State contributions 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 (amounts expressed in thousands):

Year ending June 30,	
2020	\$ (14,462)
2021	(14,462)
2022	(14,462)
2023	(11,295)
2024	(10,883)
	<u>\$ (65,564)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 8, 2018, based on the experience study covering the five-year period ended June 30, 2015 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.50% to 7.00% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rates of 10.00%; declining to a rate of 4.86% after 13 years
HMO*	Initial rates of 10.00%; declining to a rate of 4.86% after 13 years
Contribution	Initial rates of 4.00% and 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rates of 5.00% for the first three years; followed by 4.00%
Vision	Initial rates of 0.00% for the first three years; followed by 2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

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

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

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private equity	10.0%	8.65%
U.S. microcap	7.0%	7.00%
U.S. equity	15.0%	5.05%
Non-U.S. equity	17.0%	6.50%
Global options	7.0%	4.50%
Core real estate	10.0%	4.10%
Private credit	6.0%	5.25%
Core bonds	3.0%	1.30%
TIPS	5.0%	0.75%
Long treasuries	6.0%	1.90%
Alternative risk premia	5.0%	2.45%
Trend following	<u>9.0%</u>	3.00%
Total investments	<u>100.0%</u>	

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.

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. The EUTF’s complete financial statements are available at <https://eutf.hawaii.gov/reports/>.

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Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2018.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 7,565,424	\$ 668,237	\$ 6,897,187
Service cost	174,103	-	174,103
Interest on the total OPEB liability	539,064	-	539,064
Difference between expected and actual experience	(159,399)	-	(159,399)
Changes of assumptions	96,473	-	96,473
Employer contributions	-	518,614	(518,614)
Net investment income	-	59,753	(59,753)
Benefit payments	(262,478)	(262,478)	-
Administrative expense	-	(196)	196
Net changes	<u>387,763</u>	<u>315,693</u>	<u>72,070</u>
Ending balance	<u>\$ 7,953,187</u>	<u>\$ 983,930</u>	<u>\$ 6,969,257</u>

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

The following table presents the State's net OPEB liability calculated using the discount rate of 7.00%, as well as what the State'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 (amounts expressed in thousands):

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net OPEB liability	<u>\$ 8,239,334</u>	<u>\$ 6,969,257</u>	<u>\$ 5,971,288</u>

The following table presents the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the State'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 (amounts expressed in thousands):

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
State's proportionate share of the net OPEB liability	<u>\$ 5,916,899</u>	<u>\$ 6,969,257</u>	<u>\$ 8,334,987</u>

Payables to the OPEB Plan

The State's employer contributions payable to the EUTF by fiscal year end was paid by June 30, 2019.

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12. Commitments and Contingencies

Commitments

General Obligation Bonds

The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2019, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds

Agriculture	\$ 5,166
Natural Resources	34,568
	<u>\$ 39,734</u>

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2019, accumulated sick leave was approximately \$1,219,128,000.

Intergovernmental Expenditures

In accordance with HRS Section 237D-6.5, as amended by Act 1, SLH Special Session 2017, \$103,000,000 in transient accommodation tax revenues collected are to be distributed annually to the counties.

Pursuant to HRS Section 248-2.7, the State has established a mass transit Special Fund. For the period beginning on January 1, 2018 to December 31, 2030, transient accommodations tax and surcharge on state tax revenues allocated to the mass transit special fund pursuant to HRS Sections 237D-2(e), and 248-2.6 shall be deposited into the special fund. As of June 30, 2019, the City and County of Honolulu, Hawaii County and Kauai County had adopted ordinances for a surcharge.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. These amounts generally will become liabilities in future periods.

Significant encumbrances at June 30, 2019 include (amounts expressed in thousands):

Fund Type

General	\$ 587,577
Capital Projects	2,067,244
Med-Quest Special Revenue	35,966
Other Governmental	1,444,133
	<u>\$ 4,134,920</u>

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Guarantees of Indebtedness

The State is authorized to guarantee indebtedness of others at a maximum amount of approximately \$233,500,000 for aquaculture/agriculture loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units – HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2019.

Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2019, the Enterprise Funds had commitments of approximately \$807,244,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the years ended June 30, 2019, 2018 and 2017 approximated \$10,553,000, \$5,948,000 and \$6,368,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement (MSA) will pay the State approximately \$1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State received approximately \$34,802,000 during the fiscal year ended June 30, 2019. As of June 30, 2019, the State expects to receive \$20,000,000 for the first six months of fiscal 2020.

The MSA requires the State to diligently enforce certain requirements enacted in the Tobacco Liability Act. Failure may result in a state losing a significant portion of its MSA payments. Participating tobacco manufacturers who have joined in the MSA are challenging whether the State of Hawaii diligently enforced the provisions of the Tobacco Liability Act for the entirety of 2004. Preliminary phases of the 2004 Diligent Enforcement Arbitration commenced, and in March 2018, the State agreed to a multi-million dollar arbitration settlement with the Tobacco Industry to avoid the expense and uncertainty of arbitrating each calendar year from 2004 through and including 2017. During the fiscal year ended June 30, 2018, the State received a lump sum arbitration settlement of approximately \$58,711,000. The settlement was reduced by approximately \$15,875,000 in a “one time” arbitration credit and other arbitration adjustments. The arbitration settlement also resulted in credits over a five-year period, beginning in 2018. The State expects reductions of approximately \$6 million through fiscal year 2022.

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the Ceded Lands) to the State of Hawaii to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended

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expressly to provide that the Ceded Lands, excluding any “available lands” as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law to better the conditions of native Hawaiians. In 1979, the Legislature adopted HRS Chapter 10 (Chapter 10), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State’s management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the *OHA v. HHA* case discussed below, the Legislature, the state and federal courts, and the State’s governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

In OHA v. HHA, OHA filed suit on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95-2682-07 (1st Cir.)) against the Hawaii Housing Authority (the HHA, since succeeded by the Hawaii Public Housing Authority, as described below), the executive director of the HHA, the board members of the HHA, and the Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court’s decision in *OHA, et al. v. State of Hawaii, et al.*, Civil No. 94-0205-01 (1st Cir.). The September 12, 2001 decision of the Hawaii Supreme Court (*OHA v. State of Hawaii*, 96 Haw. 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA’s claims in *OHA v. HHA*. On November 20, 2018, State Defendants and the Plaintiffs executed and filed with the First Circuit Court a stipulation for dismissal with prejudice of all claims and parties to this case.

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

In OHA v. State of Hawaii, UH, DLNR, Board of Land and Natural Resources (BLNR), Civil No. 17-1-1823-11 JPC (1st Cir.) letter dated May 31, 2016, addressed to the State’s Attorney General and the vice president for Legal Affairs and General Counsel of the University of Hawaii, OHA gave notice, pursuant to HRS Section 673-3, of its intent to sue the State, the Department of Land and Natural Resources, and the University of Hawaii for the State’s breach of its fiduciary duties as trustee of the public land trust, in connection with their management of Mauna Kea. OHA filed its Complaint for Declaratory Judgment and Injunctive Relief, Accounting, Restitution, and Damages on November 7, 2017. The complaint was served on the Attorney General for the State of Hawaii, DLNR and BLNR on December 20, 2017, and the Attorney General filed an answer to the complaint on January 9, 2018. The University filed a motion to dismiss the complaint on January 10, 2018, to which the State filed a substantive joinder on January 22, 2018. The hearing on the motion has been continued.

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The State intends to defend vigorously against OHA's claim in *OHA v. HHA* and in *OHA v. State of Hawaii, UH, DLNR, BLNR*. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. The State is not aware of any other claims OHA may have or assert against the State. Resolution of all claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

Department of Hawaiian Home Lands

In 1991, the Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (HHCA) to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

The process was a three step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the Panel) to provide the Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661.

Kalima et al. v. State of Hawaii et al., Civil No. 99-4771 12VSM (1st Cir.) (*Kalima I*). Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in *Kalima I* that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, *Aguiar v. State of Hawaii, et al.*, Civil No. 99-612 (3rd Cir.) (*Aguiar*), is pending and stayed.

On March 30, 2000, the three named plaintiffs in *Kalima I* filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674.

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Kalima et al. v. State of Hawaii, et al., Civil No. 00-1-1041-03 (1st Cir.) (*Kalima II*). All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in *Kalima I* that are common to both *Kalima I* and *Kalima II*. *Kalima I*, *Kalima II* and *Aguiar* are collectively referred to under this caption as the “Individual Claims Cases.”

The plaintiffs in *Kalima I* filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in *Kalima I* for lack of subject matter jurisdiction. The circuit court granted the plaintiffs’ motion and denied the State’s motion. The State was permitted to make an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court’s determination that the plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings.

The plaintiffs in *Kalima I* have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent’s or spouse’s homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered, and (9) other allegedly wrongful conduct. The court granted the plaintiffs’ motion to try the waiting list subclass’ claims separately and first, and after a six-week bifurcated trial to determine liability only, the circuit judge for *Kalima II* ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State’s objection), and again as the Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL Website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012, and February 14, 2013. After a three-day trial completed on October 3, 2013, the court ruled in a minute order that (1) the annual fair market rental values used to calculate damages for claimants who applied for Oahu residential leases be based on 4% of the fee simple value of a 5,000 square foot lot in Maili, obtained from a “best fit” curve derived from actual fee simple Maili valuations from 1959 through July 8, 2013, (2) for damage calculations the rents adjust annually, and (3) that there are no increases for the consumer price index or other present value adjustments. However, to date, no proceeding or procedure has been scheduled or devised to apply the damages model to determine whether and how much each claimant would be awarded in damages. The parties have participated in a private mediation on the matters in controversy in the case, pursuant to the circuit court’s order approving the parties’ Stipulation to Participate in Private Mediation, etc., filed on September 13, 2013.

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On January 20, 2015, Plaintiffs filed a motion for summary judgment to compute the damages of members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu. The motion was heard on June 30, 2015. An order granting and denying the motion in part was entered on July 26, 2017. The court concluded the Plaintiffs' motion was premature, and entered an order which makes certain findings of facts about twelve members of the Waiting List Subclass, and rules on procedural issues raised in the motion.

The parties have agreed to make every effort to facilitate the entry of a final judgment in the case as expeditiously as possible. In furtherance of that effort, Plaintiffs filed seven motions in June and July of 2016. The State filed cross motions to three of Plaintiffs' motions, and opposed all Plaintiffs' motions. The circuit court heard all motions on September 2, 2016, and took them under advisement. Plaintiffs filed four additional motions and the State filed three additional motions, which were heard on November 4, 2016, December 12, 2016, and January 30, 2017, respectively.

The circuit court has entered orders granting (in whole or in part) eleven of Plaintiffs' motions and denying (in whole or in part) two of Plaintiffs' motions. The circuit court entered orders granting (in whole or in part) three of the State's motions and cross motions and denying (in whole or in part) three of the State's motions and cross motions and denying (in whole or in part) four of the State's motions and cross motions.

An HRCP Rule 54(b) Final Judgment was entered on January 9, 2018 in favor of the Waiting List Subclass and against the State, DHHL, the DHHL Trust Individual Claims Review Panel, and the Governor of the State of Hawaii. State Defendants and the Plaintiffs, respectively, filed an appeal and a cross-appeal from the HRCP Rule 54(b) Final Judgment in favor of the Waiting List Subclass and against the State Defendants, in the Intermediate Court of Appeals. The opening briefs in the appeal and cross-appeal were filed through October 4, 2018. The reply briefs were filed on December 28, 2018. Oral arguments and the answering briefs have not yet been scheduled.

Plaintiffs filed an Application for Transfer to the Supreme Court of Hawaii on December 31, 2018 and State Defendants informed the Supreme Court that they did not oppose the application in a response to the application on January 7, 2019.

Nelson – In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) (*Nelson*), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (HHC Act) by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

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As beneficiaries of the Hawaiian Home Lands trust and the HHC Act, the *Nelson* plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

On May 9, 2012, the Hawaii Supreme Court concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Hawaii Supreme Court thus held plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. However, the Hawaii Supreme Court did uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case was remanded to the circuit court for further proceedings.

On November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law, and Order, which declared and ordered (1) the State has failed to provide sufficient funds to DHHL for its administrative and operating budget (budget) in violation of the State's constitutional duty, (2) the State must fulfill its constitutional duty by appropriating sufficient general funds to DHHL for its budget so that DHHL does not need to use or rely on revenue from general leases, and (3) although what is "sufficient" will change over the years, the sufficient sums that the legislature is constitutionally obligated to appropriate in general funds for DHHL's budget (not including significant repairs) is more than \$28 million for fiscal year 2015–2016. The circuit court also ruled that prior to 2012, DHHL breached its trust duties by failing to take all reasonable efforts, including filing suit, to obtain all the funding it needs for its budget, and shall prospectively fulfill its constitutional duties and trust responsibilities and are enjoined from violating these obligations.

On December 21, 2015, after judgment was entered, the State filed a motion for reconsideration or to alter or amend the judgment and order, which the court granted in part and denied in part. The court rejected the State's position that (1) the legislature, not the courts, has the exclusive prerogative to decide what is a "sufficient sum" for DHHL's budget under Article XII, Section 1, and (2) there was insufficient evidence to support the court's conclusion that the "sufficient sum" for DHHL's budget is more than \$28 million for fiscal year 2015–2016. The court granted

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reconsideration with the State's position that the judicial courts lack the authority, under the separation of powers doctrine, to order the legislative branch to appropriate any particular amount of funds to DHHL. The court amended its original Order to state that \$9,632,000 is not sufficient and that the State is required to fund DHHL's expenses by making sufficient general funds available to DHHL for fiscal year 2015–2016.

Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiff filed a notice of cross-appeal, both filed in the Intermediate Court of Appeals. Briefing in both appeals is completed, and on February 23, 2017, the Legislature was allowed, and filed an amicus curiae brief in support of the State's positions. On March 8, 2017, in response to the DHHL's application for transfer, the Hawaii Supreme Court transferred the appeal and cross-appeal from the Intermediate Court of Appeals to the Hawaii Supreme Court. The Hawaii Supreme Court heard oral arguments in the appeal and cross-appeal on July 6, 2017. By its decision filed on February 9, 2018, the Hawaii Supreme Court vacated and remanded the case to the circuit court after holding that the circuit court is to use a baseline of \$1.3 to \$1.6 million, adjusted for inflation, to determine whether the State provided sufficient sums for DHHL's administrative and operating budget. The case has been assigned to the circuit court, and the court set a status conference for December 16, 2019.

The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in Nelson, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

Hawaii Employer-Union Health Benefits Trust Fund

In June 2006, certain retired public employees (Plaintiffs) filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the EUTF, and the EUTF's Board of Trustees (collectively, the Defendants). See *Marion Everson, et al. v. State of Hawaii, et al.*, Civil No. 06-1-1141-06, First Circuit Court, State of Hawaii (Civil No. 06-1-1141-06). In relevant part, Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute "accrued benefits" pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A-23) did not require that retiree health benefits reasonably approximate those provided to active employees. See *Everson v. State*, 122 Hawai'i 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits "accrued" so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (nka *James Dannenberg, et al. v. State of Hawaii, et al.*) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) health care benefits that are equivalent to those provided to State and county active employees; and/or (b) health care benefits that are equivalent to benefits provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the

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contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for health care because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for health care that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. In January 2011, the Defendants filed an answer denying the substantive allegations of the Second Amended Complaint.

On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs' Motion for Class Action Certification. The class certified is all employees (and their dependent-beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post-retirement health benefits as a retiree or dependent-beneficiary of such a retiree. This includes: (a) those who have not yet received any post-retirement health benefits from Defendants as a retiree or dependent-beneficiary of such a retiree; and (b) those who have received any post-retirement health benefits from Defendants since July 1, 2003 as a retiree or dependent-beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent-beneficiary of a retiree who is or was a member of the class.

On December 10, 2012, Plaintiffs filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against Plaintiffs on all of Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of Plaintiffs by not providing health care benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of Plaintiffs by not providing health care benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit Court on October 30, 2013, and taken under advisement. On October 16, 2014, the Court issued an Order Denying Plaintiffs' Motion for Partial Summary Judgment and Order Granting State Defendants' Motion for Partial Summary Judgment (Order). The Court ruled that Plaintiffs' accrued health benefits have not been reduced, diminished or impaired inasmuch as the health benefits that retirees received under the Hawaii Public Employees Health Fund. Plaintiffs filed a motion for reconsideration of the Order or alternatively for an interlocutory appeal. On November 13, 2014, the Court issued a minute order denying the motion. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing was completed in October 2015. In October 2016, the Hawaii Supreme Court issued an opinion affirming the circuit court's decision in the State's favor, but also ruled that the State was not entitled to judgment as a matter of law, and remanded the case to the trial court. Plaintiffs filed their Third Amended Complaint on December 28, 2017. Since that time, the parties have conducted discovery and have filed several motions, including motions related to the purported class of plaintiffs. The State's motion to decertify the class was granted; therefore, later in the litigation, Plaintiffs will need to file a new motion to certify the class in this case. On December 3, 2018, Plaintiffs consequently filed a Motion for Recertification of the Class and for Certification of a Damages

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Subclass. On February 6, 2019, the Court granted Plaintiffs' Motion for Recertification and an Order granting Plaintiffs' Motion for Recertification was filed on June 21, 2019. The parties are continuing their efforts to conduct and complete discovery in preparation for trial.

The State intends to vigorously contest all claims in this case. Resolution of the plaintiffs' claims in their favor could have a material adverse effect on the State's financial condition.

Tax Foundation of Hawaii

On October 21, 2015, the Tax Foundation of Hawaii filed a declaratory action challenging the State's 10% deduction, pursuant to HRS Section 248-2.6(a), from the surcharge on Honolulu's general excise tax that funds the Honolulu rail project. The Tax Foundation argued that only administrative costs of the surcharge could be retained by the State and the rest of the funds should be paid to the City and County of Honolulu.

The State's Motion to Dismiss was granted during the circuit court proceedings, based on the exclusion for tax controversies in the declaratory judgment act. However, the Tax Foundation appealed and the case was transferred to the Hawaii Supreme Court. Oral arguments were held on July 6, 2017. Following the 2017 Special Session of the Legislature, the State submitted an HRAP Rule 28(j) letter to the Court reporting the enactment of Act 1 (S.B. 4), 29th Leg., 1st Spec. Sess. (2017). The appeal is pending.

Although the case involves injunctive relief, the Tax Foundation also requested reimbursement to the City and County of Honolulu of prior deductions from the surcharge. Therefore, it is unclear how much potential liability the State is facing. The 10% deduction totals \$184.2 million from January 2007 to January 2016. Consequently, an adverse ruling from the Supreme Court could be significant. The State intends to vigorously contest all claims in this case.

13. Risk Management

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 various insurers for property coverage. The limit of loss per occurrence is \$200,000,000, except for terrorism losses, which has a \$100,000,000 per occurrence limit. There are two different types of deductibles for the property coverage. The deductible for losses such as hurricanes, floods and earthquakes are 3% of the replacement costs to the property subject to a \$1,000,000 per occurrence minimum. The deductible for all other perils such as a fire is \$1,000,000. The deductible for terrorism coverage is \$1,000,000.

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 the State's General Fund.

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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, employment liability, and employee benefits liability insurance policy in force with a \$4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is \$9,000,000.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of \$50,000,000 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.

Medical Insurance

The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy covers losses from personal injury, professional liability, patient property damage, and employee benefits. This policy covers losses up to a limit of \$35,000,000 per occurrence and \$39,000,000 in aggregate.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$15,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims 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 also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses are generally paid from legislative appropriations of the State's General Fund.

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The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities at June 30, 2019 and 2018, respectively (amounts expressed in thousands):

	<u>2019</u>	<u>2018</u>
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	\$ 247,254	\$ 198,319
Incurring losses and loss adjustment costs		
Provision for insured events of current fiscal year	71,490	82,875
Change in provision for insured events of prior fiscal years	<u>3,569</u>	<u>4,258</u>
Total incurred losses and loss adjustment costs	<u>75,059</u>	<u>87,133</u>
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(11,432)	(9,443)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	<u>(34,388)</u>	<u>(28,755)</u>
Total payments	<u>(45,820)</u>	<u>(38,198)</u>
Unpaid losses and loss adjustment costs		
End of the fiscal year	<u>\$ 276,493</u>	<u>\$ 247,254</u>

14. Subsequent Events

Department of Transportation – Airports Division

In August 2019, Airports issued \$194,710,000 of airports system customer facility charge revenue bonds. The Series 2019A bonds have interest rates ranging from 1.82% to 2.73%. The Series 2019A bonds were issued for the purposes of funding the costs of design, development and construction of consolidated rental car facility projects at certain airports of the airport system of the State, the costs associated with the refunding of certain outstanding indebtedness of the State, the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2019A bonds, and certain costs of issuance related to the Series 2019A bonds. The bonds are special limited obligations of the State, payable solely from and secured solely by the receipts from the collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airport System.

Loans Payable – Airports

In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC, acting as the agent of the Lenders. The Lenders were established to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) provided through legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is \$76,000,000. The EB-5 loan is the first series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from the Trust Estate, with customer facility charges being the primary component.

The EB-5 loan is not payable from revenue and aviation fuel taxes, which the DOT has pledged for the repayment of airports system revenue bonds issued under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

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The loan bears interest at a rate of 1.50% with interest payments due semiannually on July 1 and January 1. For the year ended June 30, 2019, the Airports Division incurred interest of \$1,140,000. At June 30, 2019, the outstanding balance on the loan facility amounted to \$76,000,000. The loan was paid in full on August 27, 2019.

Department of Transportation – Highways Division

In December 2019, Highways issued \$81,835,000 in Series 2019A Highway revenue bonds. The Series 2019A bonds have interest rates ranging from 3.00% to 5.00%. The Series 2019A bonds were issued to provide funds for certain highway capital improvement projects, to pay the costs of issuance of the Series 2019A bonds, and to purchase an insurance policy as a Support Facility for deposit to the Highway Senior Debt Reserve Subaccount to satisfy the Reserve Requirements. The bonds are special limited obligations of the State, payable solely from and secured solely by the Pledged Funds under the Certificate of the Director of Transportation, consisting principally of highway fuel license taxes, vehicle registration fees, vehicle weight taxes, and various vehicle surcharge taxes.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

State of Hawaii
Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)

General Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2019

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2019

Notes to Required Supplementary Information – Budgetary Control – Year Ended June 30, 2019

General Fund and Med-Quest Special Revenue Fund – Reconciliation of the Budgetary to GAAP Basis – Year Ended June 30, 2019

Schedule of the Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years

Schedule of Pension Contributions – Last Ten Fiscal Years

Schedule of the Proportionate Share of the Net OPEB Liability – Last Ten Fiscal Years

Schedule of OPEB Contributions – Last Ten Fiscal Years

State of Hawaii
General Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues				
Taxes				
General excise tax	\$ 3,491,007	\$ 3,477,250	\$ 3,541,389	\$ 64,139
Net income tax				
Corporations	91,428	107,867	163,676	55,809
Individuals	2,410,225	2,511,805	2,568,114	56,309
Inheritance and estate tax	19,657	29,967	18,921	(11,046)
Liquor permits and tax	52,527	52,332	51,913	(419)
Public service companies tax	130,221	122,217	126,691	4,474
Tobacco tax	85,184	81,316	74,526	(6,790)
Tax on premiums of insurance companies	169,000	164,000	173,844	9,844
Franchise tax (banks and other financial institutions)	6,018	11,269	24,808	13,539
Transient accommodations tax	349,558	368,444	339,956	(28,488)
Other taxes, primarily conveyances tax	52,265	46,580	57,454	10,874
Total taxes	<u>6,857,090</u>	<u>6,973,047</u>	<u>7,141,292</u>	<u>168,245</u>
Non-taxes				
Interest and investment income	10,012	18,945	18,950	5
Charges for current services	333,920	349,527	363,041	13,514
Intergovernmental	12,244	12,245	14,075	1,830
Rentals	698	624	339	(285)
Fines, forfeitures and penalties	21,739	23,645	22,815	(830)
Licenses and fees	1,010	1,293	1,784	491
Revenues from private sources	3,001	3,001	4,620	1,619
Debt service requirements	32,949	6,522	6,512	(10)
Other	307,130	256,136	284,889	28,753
Total non-taxes	<u>722,703</u>	<u>671,938</u>	<u>717,025</u>	<u>45,087</u>
Total revenues	<u>7,579,793</u>	<u>7,644,985</u>	<u>7,858,317</u>	<u>213,332</u>
Expenditures				
General government	3,355,985	3,280,092	3,235,471	44,621
Public safety	294,940	312,129	316,124	(3,995)
Highways	11,500	38,500	16,125	22,375
Conservation of natural resources	60,781	61,664	55,029	6,635
Health	524,295	532,162	519,966	12,196
Hospitals	118,432	118,432	118,432	-
Welfare	1,244,592	1,267,091	1,245,041	22,050
Lower education	1,725,641	1,805,577	1,756,668	48,909
Higher education	483,058	509,202	506,149	3,053
Other education	6,516	6,610	6,098	512
Culture and recreation	53,401	55,589	52,483	3,106
Economic development and assistance	44,919	45,973	43,253	2,720
Housing	39,437	43,683	42,990	693
Other	25,321	28,943	26,895	2,048
Total expenditures	<u>7,988,818</u>	<u>8,105,647</u>	<u>7,940,724</u>	<u>164,923</u>
Excess of expenditures over revenues	(409,025)	(460,662)	(82,407)	378,255
Other financing sources – Transfers in	46,269	72,861	58,249	(14,612)
Excess of expenditures and other sources over revenues	<u>\$ (362,756)</u>	<u>\$ (387,801)</u>	<u>\$ (24,158)</u>	<u>\$ 363,643</u>

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues – non-taxes				
Intergovernmental	\$ -	\$ -	\$ 910	\$ 910
Revenues from private sources	-	-	65,882	65,882
Other	-	-	3,847	3,847
Total revenues – non-taxes	<u>-</u>	<u>-</u>	<u>70,639</u>	<u>70,639</u>
Total revenues	<u>-</u>	<u>-</u>	<u>70,639</u>	<u>70,639</u>
Expenditures				
Welfare	<u>93,698</u>	<u>93,700</u>	<u>60,469</u>	<u>33,231</u>
Total expenditures	<u>93,698</u>	<u>93,700</u>	<u>60,469</u>	<u>33,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (93,698)</u>	<u>\$ (93,700)</u>	<u>\$ 10,170</u>	<u>\$ 103,870</u>

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control

Year Ended June 30, 2019

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2017 (Act 049, SLH 2017) and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2017–2019 biennial budget and executive supplemental budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budgets in the accompanying General Fund and Special Revenue Fund Schedules of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represent the original appropriations, transfers and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2019, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund and Special Revenue Fund are presented in the General Fund and Special Revenue Fund schedules of revenues and expenditures – budget and actual (budgetary basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

State of Hawaii
General Fund and Med-Quest Special Revenue Fund
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2019
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2019 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
	<u> </u>	<u> </u>
Excess (deficiency) of revenues and other sources over (under) expenditures – actual (budgetary basis)	\$ (82,407)	\$ 10,170
Transfers	860,625	18,227
Reserve for encumbrances at fiscal year end*	523,421	-
Expenditures for liquidation of prior fiscal year encumbrances	(506,317)	(429,677)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(13,215)	485,205
Tax refunds payable	42,661	-
Accrued liabilities	175,959	(53,434)
Accrued revenues	(53,956)	(325)
	<u> </u>	<u> </u>
Excess of revenues over expenditures – GAAP basis	<u>\$ 946,771</u>	<u>\$ 30,166</u>

* Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*
(Amounts in millions)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State of Hawaii, excluding UH**						
State's proportion of the net pension liability	56.090%	56.607%	56.600%	57.238%	58.483%	57.638%
State's proportionate share of the net pension liability	\$ 7,438	\$ 7,331	\$ 7,567	\$ 4,999	\$ 4,689	\$ 5,148
State's covered payroll	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424	\$ 2,341	\$ 2,177
State's proportionate share of the net pension liability as a percentage of its covered payroll	292.8%	286.5%	303.2%	206.2%	200.3%	236.5%
Plan fiduciary net position as a percentage of total net pension liability	55.5%	54.8%	51.3%	62.4%	63.9%	58.0%
UH						
Proportion of the net pension liability	12.732%	12.730%	12.750%	13.110%	13.600%	13.750%
Proportionate share of the net pension liability	\$ 1,696	\$ 1,649	\$ 1,704	\$ 1,145	\$ 1,090	\$ 1,228
Covered payroll	\$ 592	\$ 587	\$ 569	\$ 565	\$ 551	\$ 518
Proportionate share of the net pension liability as a percentage of its covered payroll	286.5%	280.9%	299.5%	202.7%	197.8%	237.1%
Plan fiduciary net position as a percentage of total net pension liability	55.5%	54.8%	51.3%	62.4%	63.9%	58.0%

* Information for 2010–2013 is unavailable.

** Amounts consist of the primary government and discretely presented component units other than UH.

State of Hawaii
Schedule of Pension Contributions
Last Ten Fiscal Years*
(Amounts in millions)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
State of Hawaii, excluding UH**						
Statutorily required contribution	\$ 508	\$ 470	\$ 445	\$ 432	\$ 410	\$ 380
Contributions in relation to the contractually required contribution	<u>508</u>	<u>470</u>	<u>445</u>	<u>432</u>	<u>410</u>	<u>380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's covered payroll	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424	\$ 2,341
Contributions as a percentage of covered payroll	19.4%	18.5%	17.4%	17.3%	16.9%	16.2%
UH						
Statutorily required contribution	\$ 115	\$ 111	\$ 99	\$ 97	\$ 94	\$ 88
Contributions in relation to the contractually required contribution	<u>115</u>	<u>111</u>	<u>99</u>	<u>97</u>	<u>94</u>	<u>88</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565	\$ 551
Contributions as a percentage of covered payroll	19.1%	18.8%	16.9%	17.0%	16.6%	16.0%

* Information for 2010–2013 is unavailable.

** Amounts consist of the primary government and discretely presented component units other than UH.

State of Hawaii
Schedule of the Proportionate Share of the Net OPEB Liability
Last Ten Fiscal Years*
(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 229,157	\$ 220,828
Interest	709,522	670,530
Differences between expected and actual experience	(209,802)	-
Changes of assumptions or other inputs	126,979	-
Benefit payments	<u>(345,476)</u>	<u>(331,522)</u>
Net change in total OPEB liability	510,380	559,836
Total OPEB liability – beginning	<u>10,194,186</u>	<u>9,634,350</u>
Total OPEB liability – ending	<u>\$ 10,704,566</u>	<u>\$ 10,194,186</u>
Plan fiduciary net position		
Employer contributions	\$ 682,605	\$ 659,271
Net investment income	78,648	66,007
Benefit payments	(345,476)	(331,522)
Administrative expense	(258)	(169)
Other	<u>-</u>	<u>5,300</u>
Net change in plan fiduciary net position	415,519	398,887
Plan fiduciary net position – beginning	<u>879,516</u>	<u>480,629</u>
Plan fiduciary net position – ending	<u>\$ 1,295,035</u>	<u>\$ 879,516</u>
Net OPEB liability – ending	<u>\$ 9,409,531</u>	<u>\$ 9,314,670</u>
Plan fiduciary net position as a percentage of total OPEB liability	13.76%	9.44%
Covered payroll	\$ 2,539,755	\$ 2,559,162
Net OPEB liability as a percentage of covered payroll	370.49%	363.97%

Note: Amounts include Office of Hawaiian Affairs.

* Information for 2010–2017 is unavailable.

State of Hawaii
Schedule of OPEB Contributions
Last Ten Fiscal Years*
(Amounts in thousands)

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 787,110	\$ 770,297
Contributions in relation to the actuarially determined contribution	<u>816,763</u>	<u>682,605</u>
Contribution deficiency	<u>\$ (29,653)</u>	<u>\$ 87,692</u>
Covered payroll	\$ 2,615,866	\$ 2,539,755
Contributions as a percentage of covered payroll	31%	27%

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	26 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increases	3.5%
Healthcare inflation rates	
PPO***	6.6% and 9.0% initial, 4.86% after 14 years
HMO***	9.0% initial, 4.86% after 14 years
Dental	3.5%
Vision	2.5%
Medicare Part B	2.0% and 5.0% initial, 4.7% after 14 years

* Information for 2010–2017 is unavailable.

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

*** Blended rates for medical and prescription drugs.

SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2019

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Certain Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The Special Revenue Funds are as follows:

Highways – Accounts for programs related to maintaining and operating land transportation facilities.

Natural Resources – Accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.

Health – Accounts for programs related to mental health, nutrition services, communicable disease and for other public health services.

Human Services – Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.

Education – Accounts for programs related to instructional education, school food services and student driver education.

Economic Development – Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.

Employment – Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.

Regulatory – Accounts for programs related to consumer protection, business registration and cable television regulation.

Hawaiian Programs – Accounts for programs related to the betterment of the conditions of native Hawaiians.

Administrative Support – Accounts for programs of certain administrative agencies.

All Other – Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds.

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Assets						
Cash and cash equivalents	\$ 20,287	\$ 11,836	\$ 20,967	\$ 4,144	\$ 70,996	\$ 119,263
Notes and loans receivable, net	-	22,162	-	25,504	-	31,204
Investments	233,308	136,109	241,117	47,664	154,562	14,596
Total assets	<u>\$ 253,595</u>	<u>\$ 170,107</u>	<u>\$ 262,084</u>	<u>\$ 77,312</u>	<u>\$ 225,558</u>	<u>\$ 165,063</u>
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	\$ 59,298	\$ 3,498	\$ 18,456	\$ 8,184	\$ 12,681	\$ 1,608
Other accrued liabilities	6,870	2,564	6,657	481	14,145	576
Due to other funds	-	750	-	61,635	-	-
Payable from restricted assets –						
Matured bonds and interest payable	-	-	-	-	-	-
Total liabilities	<u>66,168</u>	<u>6,812</u>	<u>25,113</u>	<u>70,300</u>	<u>26,826</u>	<u>2,184</u>
Fund balances						
Restricted	-	-	-	6,666	-	-
Committed	-	35,655	233,217	3,710	-	-
Assigned	187,427	127,640	3,754	-	198,732	162,879
Unassigned	-	-	-	(3,364)	-	-
Total fund balances	<u>187,427</u>	<u>163,295</u>	<u>236,971</u>	<u>7,012</u>	<u>198,732</u>	<u>162,879</u>
Total liabilities and fund balances	<u>\$ 253,595</u>	<u>\$ 170,107</u>	<u>\$ 262,084</u>	<u>\$ 77,312</u>	<u>\$ 225,558</u>	<u>\$ 165,063</u>

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,519	\$ 8,728	\$ 27,065	\$ 70,576	\$ 3,528	\$ 358,909	\$ 335	\$ 359,244
-	-	64,498	-	-	143,368	-	143,368
17,467	100,376	290,756	498,988	40,572	1,775,515	-	1,775,515
\$ 18,986	\$ 109,104	\$ 382,319	\$ 569,564	\$ 44,100	\$ 2,277,792	\$ 335	\$ 2,278,127
\$ 2,263	\$ 393	\$ 1,290	\$ 3,530	\$ 5,812	\$ 117,013	\$ -	\$ 117,013
1,593	3,501	-	3,472	2,921	42,780	-	42,780
-	-	-	45	1,559	63,989	-	63,989
-	-	-	-	-	-	335	335
3,856	3,894	1,290	7,047	10,292	223,782	335	224,117
-	-	-	-	-	6,666	-	6,666
-	78,852	-	466,511	-	817,945	-	817,945
15,130	26,358	381,029	96,006	33,808	1,232,763	-	1,232,763
-	-	-	-	-	(3,364)	-	(3,364)
15,130	105,210	381,029	562,517	33,808	2,054,010	-	2,054,010
\$ 18,986	\$ 109,104	\$ 382,319	\$ 569,564	\$ 44,100	\$ 2,277,792	\$ 335	\$ 2,278,127

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2019
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Revenues						
Taxes						
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco and liquor taxes	-	-	23,233	-	-	-
Liquid fuel tax	83,138	250	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Vehicle weight and registration tax	130,313	-	5,829	-	-	-
Rental motor/tour vehicle surcharge tax	57,991	-	-	-	-	-
General excise tax	-	-	-	-	-	-
Other	-	17,120	1,339	-	-	4,016
Total taxes	<u>271,442</u>	<u>17,370</u>	<u>30,401</u>	<u>-</u>	<u>-</u>	<u>4,016</u>
Interest and investment income	2,933	1,874	1,500	14	418	2,398
Charges for current services	4,013	35,707	45,428	280	42,599	19,526
Intergovernmental	61,774	26,681	125,948	644,944	302,574	8,503
Rentals	1,000	10,522	-	-	436	1,206
Fines, forfeitures and penalties	4,686	130	964	15	-	-
Licenses and fees	2,158	836	3,281	107	970	10
Revenues from private sources	-	25	34,488	36	10,178	156
Other	175,197	6,298	1,779	1,641	16,266	3,818
Total revenues	<u>523,203</u>	<u>99,443</u>	<u>243,789</u>	<u>647,037</u>	<u>373,441</u>	<u>39,633</u>
Expenditures						
Current						
General government	-	6,520	247	-	-	-
Public safety	-	1,982	-	-	-	-
Highways	325,375	-	-	-	-	-
Conservation of natural resources	-	52,811	-	-	-	-
Health	-	-	200,512	-	-	-
Welfare	-	-	-	602,435	-	-
Lower education	-	-	-	-	446,406	-
Other education	-	-	-	10,294	-	-
Culture and recreation	-	11,963	-	-	2,027	-
Urban redevelopment and housing	-	-	-	1,270	-	-
Economic development and assistance	-	8,733	-	-	-	34,510
Other	617	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	<u>325,992</u>	<u>82,009</u>	<u>200,759</u>	<u>613,999</u>	<u>448,433</u>	<u>34,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>197,211</u>	<u>17,434</u>	<u>43,030</u>	<u>33,038</u>	<u>(74,992)</u>	<u>5,123</u>
Other financing sources (uses)						
Issuance of GO bonds – premium	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	160	958	264	412	93,628	1,905
Transfers out	(217,411)	(17,626)	(2,841)	(31,578)	-	(13,376)
Total other financing sources (uses)	<u>(217,251)</u>	<u>(16,668)</u>	<u>(2,577)</u>	<u>(31,166)</u>	<u>93,628</u>	<u>(11,471)</u>
Net change in fund balances	<u>(20,040)</u>	<u>766</u>	<u>40,453</u>	<u>1,872</u>	<u>18,636</u>	<u>(6,348)</u>
Fund balances						
Beginning of year	<u>207,467</u>	<u>162,529</u>	<u>196,518</u>	<u>5,140</u>	<u>180,096</u>	<u>169,227</u>
End of year	<u>\$ 187,427</u>	<u>\$ 163,295</u>	<u>\$ 236,971</u>	<u>\$ 7,012</u>	<u>\$ 198,732</u>	<u>\$ 162,879</u>

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ 2,000
-	-	-	1,766	-	24,999	-	24,999
-	-	-	-	1,758	85,146	-	85,146
-	2,576	-	-	-	2,576	-	2,576
-	-	-	-	-	136,142	-	136,142
-	-	-	-	-	57,991	-	57,991
-	-	-	267,329	-	267,329	-	267,329
1,175	-	-	57,353	-	81,003	-	81,003
1,175	4,576	-	326,448	1,758	657,186	-	657,186
186	687	7,442	3,521	218	21,191	-	21,191
2,293	27,197	3,945	84,440	28,533	293,961	-	293,961
38,431	554	1,798	33,712	35,575	1,280,494	-	1,280,494
-	-	18,202	1,000	5,326	37,692	-	37,692
1,063	5,739	-	141	1,960	14,698	-	14,698
-	37,573	-	269	977	46,181	-	46,181
-	-	3,000	2,086	36	50,005	-	50,005
752	445	17,308	3,379	4,142	231,025	-	231,025
43,900	76,771	51,695	454,996	78,525	2,632,433	-	2,632,433
-	17,315	-	376,763	16,694	417,539	-	417,539
4,306	47,029	-	25,855	57,186	136,358	-	136,358
-	-	-	-	-	325,375	-	325,375
-	-	-	27	135	52,973	-	52,973
-	-	-	-	-	200,512	-	200,512
-	-	-	13,202	1,754	617,391	-	617,391
-	-	-	4,940	300	451,646	-	451,646
-	-	-	-	-	10,294	-	10,294
-	-	-	13,195	16,178	43,363	-	43,363
-	-	35,597	-	-	36,867	-	36,867
36,316	-	-	-	-	79,559	-	79,559
3,001	-	-	6,328	-	9,946	-	9,946
-	-	-	-	-	-	855,374	855,374
43,623	64,344	35,597	440,310	92,247	2,381,823	855,374	3,237,197
277	12,427	16,098	14,686	(13,722)	250,610	(855,374)	(604,764)
-	-	-	-	-	-	69,730	69,730
-	-	-	-	-	-	(69,730)	(69,730)
-	35	-	670	4,493	102,525	855,374	957,899
-	(3,600)	(3,010)	(13,635)	(871)	(303,948)	-	(303,948)
-	(3,565)	(3,010)	(12,965)	3,622	(201,423)	855,374	653,951
277	8,862	13,088	1,721	(10,100)	49,187	-	49,187
14,853	96,348	367,941	560,796	43,908	2,004,823	-	2,004,823
\$ 15,130	\$ 105,210	\$ 381,029	\$ 562,517	\$ 33,808	\$ 2,054,010	\$ -	\$ 2,054,010

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Highways			Natural Resources		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ 83,853	\$ 83,138	\$ (715)	\$ 250	\$ 250	\$ -
Vehicle registration fee tax	46,193	46,249	56	-	-	-
State vehicle weight tax	82,339	84,065	1,726	-	-	-
Rental/tour vehicle surcharge tax	53,720	57,991	4,271	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	6,800	8,604	1,804
Environmental response tax	-	-	-	3,800	4,016	216
Transient accommodations tax	-	-	-	3,000	4,500	1,500
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u>266,105</u>	<u>271,443</u>	<u>5,338</u>	<u>13,850</u>	<u>17,370</u>	<u>3,520</u>
Non-taxes						
Interest and investment income	2,703	2,771	68	1,043	904	(139)
Charges for current services	45,007	4,013	(40,994)	35,013	35,556	543
Intergovernmental	32,444	890	(31,554)	-	119	119
Rentals	1,000	1,000	-	8,717	10,496	1,779
Fines, forfeitures and penalties	5,256	4,686	(570)	178	130	(48)
Licenses and fees	2,168	2,158	(10)	779	836	57
Revenues from private sources	-	-	-	336	25	(311)
Other	64	7,690	7,626	3,349	7,940	4,591
Total non-taxes	<u>88,642</u>	<u>23,208</u>	<u>(65,434)</u>	<u>49,415</u>	<u>56,006</u>	<u>6,591</u>
Total revenues	<u>354,747</u>	<u>294,651</u>	<u>(60,096)</u>	<u>63,265</u>	<u>73,376</u>	<u>10,111</u>
Expenditures						
General government	-	-	-	7,053	7,053	-
Public safety	-	-	-	1,518	1,109	409
Highways	316,523	248,841	67,682	-	-	-
Conservation of natural resources	-	-	-	71,187	51,877	19,310
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	10,374	6,354	4,020
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	1,842	617	1,225	-	-	-
Total expenditures	<u>318,365</u>	<u>249,458</u>	<u>68,907</u>	<u>90,132</u>	<u>66,393</u>	<u>23,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 36,382</u>	<u>\$ 45,193</u>	<u>\$ 8,811</u>	<u>\$ (26,867)</u>	<u>\$ 6,983</u>	<u>\$ 33,850</u>

Health			Human Services		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,718	5,829	111	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,000	23,233	(1,767)	-	-	-
-	-	-	-	-	-
1,007	1,339	332	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>31,725</u>	<u>30,401</u>	<u>(1,324)</u>	<u>-</u>	<u>-</u>	<u>-</u>
552	4	(548)	-	14	14
88,126	86,436	(1,690)	305	287	(18)
1,550	2,738	1,188	240	1,085	845
-	-	-	-	-	-
1,076	964	(112)	-	15	15
3,862	3,281	(581)	128	107	(21)
36,620	34,488	(2,132)	35	36	1
680	1,416	736	-	1,159	1,159
<u>132,466</u>	<u>129,327</u>	<u>(3,139)</u>	<u>708</u>	<u>2,703</u>	<u>1,995</u>
<u>164,191</u>	<u>159,728</u>	<u>(4,463)</u>	<u>708</u>	<u>2,703</u>	<u>1,995</u>
292	249	43	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
210,299	147,240	63,059	-	-	-
-	-	-	5,735	794	4,941
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>210,591</u>	<u>147,489</u>	<u>63,102</u>	<u>5,735</u>	<u>794</u>	<u>4,941</u>
<u>\$ (46,400)</u>	<u>\$ 12,239</u>	<u>\$ 58,639</u>	<u>\$ (5,027)</u>	<u>\$ 1,909</u>	<u>\$ 6,936</u>

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Education			Economic Development		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	3,800	4,016	216
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	3,800	4,016	216
Non-taxes						
Interest and investment income	61	-	(61)	874	1,018	144
Charges for current services	43,489	36,706	(6,783)	16,887	15,876	(1,011)
Intergovernmental	5	4,206	4,201	-	608	608
Rentals	75	436	361	2,056	1,200	(856)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	783	970	187	-	10	10
Revenues from private sources	226	139	(87)	2,750	156	(2,594)
Other	2,018	15,546	13,528	3,202	5,550	2,348
Total non-taxes	46,657	58,003	11,346	25,769	24,418	(1,351)
Total revenues	46,657	58,003	11,346	29,569	28,434	(1,135)
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	1,000	950	50
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	96,895	54,317	42,578	-	-	-
Culture and recreation	4,000	899	3,101	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	147,378	40,321	107,057
Other	-	-	-	-	-	-
Total expenditures	100,895	55,216	45,679	149,478	41,271	108,207
Excess (deficiency) of revenues over (under) expenditures	\$ (54,238)	\$ 2,787	\$ 57,025	\$ (119,909)	\$ (12,837)	\$ 107,072

Employment			Regulatory		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,349	1,175	(174)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	2,150	2,574	424
<u>1,349</u>	<u>1,175</u>	<u>(174)</u>	<u>4,150</u>	<u>4,574</u>	<u>424</u>
11,500	77	(11,423)	294	687	393
1,734	2,205	471	26,407	27,197	790
-	820	820	-	-	-
-	-	-	-	-	-
1	1,063	1,062	2,862	5,739	2,877
-	-	-	39,444	37,573	(1,871)
-	-	-	-	-	-
-	125	125	4,241	4,830	589
<u>13,235</u>	<u>4,290</u>	<u>(8,945)</u>	<u>73,248</u>	<u>76,026</u>	<u>2,778</u>
<u>14,584</u>	<u>5,465</u>	<u>(9,119)</u>	<u>77,398</u>	<u>80,600</u>	<u>3,202</u>
-	-	-	15,451	14,523	928
3,043	2,290	753	61,378	51,138	10,240
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
11,203	1,948	9,255	-	-	-
3,191	3,001	190	-	-	-
<u>17,437</u>	<u>7,239</u>	<u>10,198</u>	<u>76,829</u>	<u>65,661</u>	<u>11,168</u>
<u>\$ (2,853)</u>	<u>\$ (1,774)</u>	<u>\$ 1,079</u>	<u>\$ 569</u>	<u>\$ 14,939</u>	<u>\$ 14,370</u>

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2019
(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	1,652	1,766	114
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	57,354	57,354
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	1,652	59,120	57,468
Non-taxes						
Interest and investment income	80	25	(55)	3,312	708	(2,604)
Charges for current services	-	36	36	44,315	86,590	42,275
Intergovernmental	-	-	-	-	4,064	4,064
Rentals	17,111	17,045	(66)	4,135	4,300	165
Fines, forfeitures and penalties	-	-	-	225	141	(84)
Licenses and fees	-	-	-	100	243	143
Revenues from private sources	-	3,000	3,000	1,660	2,086	426
Other	4,130	12,451	8,321	16,095	3,548	(12,547)
Total non-taxes	21,321	32,557	11,236	69,842	101,680	31,838
Total revenues	21,321	32,557	11,236	71,494	160,800	89,306
Expenditures						
General government	-	-	-	91,150	51,048	40,102
Public safety	-	-	-	12,617	10,686	1,931
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	285	-	285
Health	-	-	-	-	-	-
Welfare	-	-	-	651	583	68
Lower education	-	-	-	7,290	4,940	2,350
Culture and recreation	-	-	-	13,737	13,339	398
Urban redevelopment and housing	11,925	6,814	5,111	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	-	-	-	25,273	6,065	19,208
Total expenditures	11,925	6,814	5,111	151,003	86,661	64,342
Excess (deficiency) of revenues over (under) expenditures	\$ 9,396	\$ 25,743	\$ 16,347	\$ (79,509)	\$ 74,139	\$ 153,648

All Other			Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ 84,103	\$ 83,388	\$ (715)
-	-	-	51,911	52,078	167
-	-	-	82,339	84,065	1,726
-	-	-	53,720	57,991	4,271
-	-	-	1,349	1,175	(174)
-	-	-	26,652	24,999	(1,653)
-	-	-	6,800	8,604	1,804
-	-	-	8,607	9,371	764
-	-	-	3,000	61,854	58,854
-	-	-	2,000	2,000	-
-	-	-	2,150	2,574	424
-	-	-	322,631	388,099	65,468
54	42	(12)	20,473	6,250	(14,223)
8,607	17,868	9,261	309,890	312,770	2,880
1,117	1,484	367	35,356	16,014	(19,342)
-	-	-	33,094	34,477	1,383
2,281	1,925	(356)	11,879	14,663	2,784
675	977	302	47,939	46,155	(1,784)
34	36	2	41,661	39,966	(1,695)
7,533	8,030	497	41,312	68,285	26,973
20,301	30,362	10,061	541,604	538,580	(3,024)
20,301	30,362	10,061	864,235	926,679	62,444
20,211	16,083	4,128	134,157	88,956	45,201
21,586	13,925	7,661	101,242	79,148	22,094
-	-	-	316,523	248,841	67,682
-	-	-	72,472	52,827	19,645
-	-	-	210,299	147,240	63,059
1,550	1,114	436	7,936	2,491	5,445
-	-	-	104,185	59,257	44,928
20,493	17,142	3,351	48,604	37,734	10,870
-	-	-	11,925	6,814	5,111
-	-	-	158,581	42,269	116,312
-	-	-	30,306	9,683	20,623
63,840	48,264	15,576	1,196,230	775,260	420,970
\$ (43,539)	\$ (17,902)	\$ 25,637	\$ (331,995)	\$ 151,419	\$ 483,414

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2019
(Amounts in thousands)

Excess of revenues over expenditures – actual (budgetary basis)	\$ 151,419
Reserve for encumbrance at year end*	157,111
Expenditures for liquidation of prior fiscal year encumbrances	(482,450)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds	299,600
Transfers	137,450
Accrued liabilities	(463,243)
Accrued revenues	<u>450,723</u>
Excess of revenues over expenditures – GAAP basis	<u>\$ 250,610</u>

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2019
(Amounts in thousands)

	<u>Employer- Union Trust Fund</u>	<u>Water Pollution Control Revolving Fund</u>	<u>Drinking Water Treatment Revolving Loan Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 28,961	\$ 177,833	\$ 23,024	\$ 229,818
Investments	61,278	-	-	61,278
Receivables				
Accounts and accrued interest	-	314	102	416
Promissory note receivable	-	30,913	11,319	42,232
Federal government	-	-	118	118
Premiums	43,894	-	-	43,894
Other	27,845	3,792	1,201	32,838
Prepaid expenses and other assets	5,329	-	-	5,329
Total current assets	<u>167,307</u>	<u>212,852</u>	<u>35,764</u>	<u>415,923</u>
Capital assets – equipment	10,583	726	3,162	14,471
Less: Accumulated depreciation	(10,221)	(142)	(2,317)	(12,680)
Net capital assets	<u>362</u>	<u>584</u>	<u>845</u>	<u>1,791</u>
Promissory note receivable	-	329,883	178,013	507,896
Total noncurrent assets	<u>362</u>	<u>330,467</u>	<u>178,858</u>	<u>509,687</u>
Total assets	<u>167,669</u>	<u>543,319</u>	<u>214,622</u>	<u>925,610</u>
Deferred outflows of resources				
Deferred outflows on net pension liability	1,333	918	620	2,871
Deferred outflows on net other postemployment benefits liability	784	328	262	1,374
Total deferred outflows of resources	<u>\$ 2,117</u>	<u>\$ 1,246</u>	<u>\$ 882</u>	<u>\$ 4,245</u>
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 348	\$ 143	\$ 387	\$ 878
Other accrued liabilities	1,696	-	-	1,696
Benefits claims payable	4,499	-	-	4,499
Accrued vacation, current portion	110	77	62	249
Premiums payable	43,628	-	-	43,628
Total current liabilities	<u>50,281</u>	<u>220</u>	<u>449</u>	<u>50,950</u>
Noncurrent liabilities				
Accrued vacation	244	151	142	537
Net pension liability	5,886	3,807	2,486	12,179
Net other postemployment benefits liability	7,489	3,737	2,814	14,040
Total noncurrent liabilities	<u>13,619</u>	<u>7,695</u>	<u>5,442</u>	<u>26,756</u>
Total liabilities	<u>63,900</u>	<u>7,915</u>	<u>5,891</u>	<u>77,706</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	91	50	495	636
Deferred inflows on net other postemployment benefits liability	149	61	58	268
Total deferred inflows of resources	<u>240</u>	<u>111</u>	<u>553</u>	<u>904</u>
Net position				
Net investment in capital assets	362	584	845	1,791
Restricted for bond requirements and other	-	535,955	208,215	744,170
Unrestricted	105,284	-	-	105,284
Total net position	<u>\$ 105,646</u>	<u>\$ 536,539</u>	<u>\$ 209,060</u>	<u>\$ 851,245</u>

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2019
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Operating revenues				
Administrative fees	\$ -	\$ 1,747	\$ 2,307	\$ 4,054
Premium revenue – self insurance	90,427	-	-	90,427
Experience refunds, net	6,467	-	-	6,467
Other	3,616	1,198	441	5,255
Total operating revenues	<u>100,510</u>	<u>2,945</u>	<u>2,748</u>	<u>106,203</u>
Operating expenses				
Personnel services	5,213	2,088	1,217	8,518
Depreciation	84	90	239	413
Repairs and maintenance	67	-	106	173
General administration	3,008	760	975	4,743
Claims	86,463	-	-	86,463
Other	249	1,056	2,339	3,644
Total operating expenses	<u>95,084</u>	<u>3,994</u>	<u>4,876</u>	<u>103,954</u>
Operating income (loss)	5,426	(1,049)	(2,128)	2,249
Nonoperating revenues				
Interest and investment income	3,306	3,557	686	7,549
Income (loss) before capital contributions	8,732	2,508	(1,442)	9,798
Capital contributions	-	16,283	9,984	26,267
Change in net position	<u>8,732</u>	<u>18,791</u>	<u>8,542</u>	<u>36,065</u>
Net position				
Beginning of year	96,914	517,748	200,518	815,180
End of year	<u>\$ 105,646</u>	<u>\$ 536,539</u>	<u>\$ 209,060</u>	<u>\$ 851,245</u>

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Employer- Union Trust Fund</u>	<u>Water Pollution Control Revolving Fund</u>	<u>Drinking Water Treatment Revolving Loan Fund</u>	<u>Total Nonmajor Proprietary Funds</u>
Cash flows from operating activities				
Cash received from employers and employees for premiums and benefits	\$ 625,821	\$ -	\$ -	\$ 625,821
Cash paid to suppliers	(3,190)	(149)	(881)	(4,220)
Cash paid to employees	(4,738)	(2,033)	(1,624)	(8,395)
Cash paid for premiums and benefits payable	(614,000)	-	-	(614,000)
Net cash provided by (used in) operating activities	<u>3,893</u>	<u>(2,182)</u>	<u>(2,505)</u>	<u>(794)</u>
Cash flows from noncapital financing activities				
Proceeds from federal operating grants	-	12,980	7,935	20,915
Cash flows from capital financing activities				
Purchase of equipment	(24)	(16)	-	(40)
State capital contributions	-	2,054	1,648	3,702
Net cash provided by (used in) capital financing activities	<u>(24)</u>	<u>2,038</u>	<u>1,648</u>	<u>3,662</u>
Cash flows from investing activities				
Purchase of investments	(5,470)	-	-	(5,470)
Principal repayments on notes receivable	-	31,189	13,794	44,983
Disbursement of notes receivable proceeds	-	(40,786)	(26,772)	(67,558)
Interest income from notes receivable	-	1,209	446	1,655
Administrative loan fees	-	1,705	2,320	4,025
Interest received from investments	3,306	1,286	316	4,908
Net cash used in investing activities	<u>(2,164)</u>	<u>(5,397)</u>	<u>(9,896)</u>	<u>(17,457)</u>
Net increase (decrease) in cash and cash equivalents	<u>1,705</u>	<u>7,439</u>	<u>(2,818)</u>	<u>6,326</u>
Cash and cash equivalents, including restricted amounts				
Beginning of year	27,256	170,394	25,842	223,492
End of year	<u>\$ 28,961</u>	<u>\$ 177,833</u>	<u>\$ 23,024</u>	<u>\$ 229,818</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 5,426	\$ (1,049)	\$ (2,128)	\$ 2,249
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	84	90	239	413
Principal forgiveness of loan	-	1,627	1,681	3,308
Interest income from loans	-	(1,198)	(441)	(1,639)
Administrative loan fees	-	(1,747)	(2,307)	(4,054)
Non-imposed fringe benefits	-	6	5	11
Premium reserves held by insurance companies	13,835	-	-	13,835
Change in assets, deferred outflows, liabilities and deferred inflows				
Receivables	(15,957)	3	-	(15,954)
Prepaid and other expenses	10	-	-	10
Net deferred outflows/inflows of resources	198	46	145	389
Vouchers and contracts payable	(125)	(40)	216	51
Net pension liability	190	49	56	295
Other postemployment benefits liability	75	31	29	135
Other accrued liabilities	767	-	-	767
Benefits claim payable	(610)	-	-	(610)
Net cash provided by (used in) operating activities	<u>\$ 3,893</u>	<u>\$ (2,182)</u>	<u>\$ (2,505)</u>	<u>\$ (794)</u>
Supplemental information				
Noncash investing, capital and financing activities				
In-kind contribution from the Environmental Protection Agency	\$ -	\$ 600	\$ -	\$ 600

State of Hawaii
Fiduciary Funds
Combining Statement of Fiduciary Net Position – Agency Funds
June 30, 2019
(Amounts in thousands)

	Agency Funds			Total Agency Funds
	Tax Collections	Custodial	Other	
Assets				
Cash and cash equivalents	\$ 977	\$ 119,394	\$ 9,439	\$ 129,810
Receivables – taxes	-	-	14,557	14,557
Investments	11,238	239,114	102,746	353,098
Other assets, primarily due from individuals, businesses and counties	2,061	-	-	2,061
Total assets	\$ 14,276	\$ 358,508	\$ 126,742	\$ 499,526
Liabilities				
Vouchers payable	\$ 14,276	\$ 90	\$ 4,860	\$ 19,226
Due to individuals, businesses and counties	-	358,418	121,882	480,300
Total liabilities	\$ 14,276	\$ 358,508	\$ 126,742	\$ 499,526

State of Hawaii
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2019
(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Tax collections				
Assets				
Cash and cash equivalents	\$ 229	\$ 9,837,837	\$ (9,837,089)	\$ 977
Due from individuals, businesses and counties	7,808	9,832,090	(9,837,837)	2,061
Investments	2,312	11,238	(2,312)	11,238
Total assets	<u>\$ 10,349</u>	<u>\$ 19,681,165</u>	<u>\$ (19,677,238)</u>	<u>\$ 14,276</u>
Liabilities				
Vouchers payable	\$ 10,349	\$ 14,276	\$ (10,349)	\$ 14,276
Total liabilities	<u>\$ 10,349</u>	<u>\$ 14,276</u>	<u>\$ (10,349)</u>	<u>\$ 14,276</u>
Custodial				
Assets				
Cash and cash equivalents	\$ 101,212	\$ 4,385,664	\$ (4,367,482)	\$ 119,394
Due from individuals, businesses and counties	80,697	-	(80,697)	-
Investments	327,327	239,114	(327,327)	239,114
Total assets	<u>\$ 509,236</u>	<u>\$ 4,624,778</u>	<u>\$ (4,775,506)</u>	<u>\$ 358,508</u>
Liabilities				
Vouchers payable	\$ 14	\$ 90	\$ (14)	\$ 90
Due to individuals, businesses and counties	509,222	4,385,664	(4,536,468)	358,418
Total liabilities	<u>\$ 509,236</u>	<u>\$ 4,385,754</u>	<u>\$ (4,536,482)</u>	<u>\$ 358,508</u>
Other				
Assets				
Cash and cash equivalents	\$ 10,550	\$ 53,484	\$ (54,595)	\$ 9,439
Receivables	12,875	14,557	(12,875)	14,557
Investments	95,115	102,746	(95,115)	102,746
Total assets	<u>\$ 118,540</u>	<u>\$ 170,787</u>	<u>\$ (162,585)</u>	<u>\$ 126,742</u>
Liabilities				
Vouchers payable	\$ 177	\$ 4,860	\$ (177)	\$ 4,860
Due to individuals, businesses and counties	118,363	55,165	(51,646)	121,882
Total liabilities	<u>\$ 118,540</u>	<u>\$ 60,025</u>	<u>\$ (51,823)</u>	<u>\$ 126,742</u>
Total – All agency funds				
Assets				
Cash and cash equivalents	\$ 111,991	\$ 14,276,985	\$ (14,259,166)	\$ 129,810
Receivables	12,875	14,557	(12,875)	14,557
Due from individuals, businesses and counties	88,505	9,832,090	(9,918,534)	2,061
Investments	424,754	353,098	(424,754)	353,098
Total assets	<u>\$ 638,125</u>	<u>\$ 24,476,730</u>	<u>\$ (24,615,329)</u>	<u>\$ 499,526</u>
Liabilities				
Vouchers payable	\$ 10,540	\$ 19,226	\$ (10,540)	\$ 19,226
Due to individuals, businesses and counties	627,585	4,440,829	(4,588,114)	480,300
Total liabilities	<u>\$ 638,125</u>	<u>\$ 4,460,055</u>	<u>\$ (4,598,654)</u>	<u>\$ 499,526</u>

PART III: STATISTICAL SECTION

State of Hawaii
Statistical Section (Unaudited)
June 30, 2019

This Part of the State's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information on the State's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends Information: These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	146–155
Revenue Capacity Information: These schedules contain information to help the reader assess the State's most significant local revenue sources, the general excise tax and net income tax.	156–163
Debt Capacity Information: These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	164–170
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	171–173
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services provided and the activities performed by the State.	174–179

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Governmental activities					
Net investment in capital assets	\$ 2,459,159	\$ 2,661,730	\$ 2,787,289	\$ 2,727,055	\$ 2,826,649
Restricted	2,089,246	2,028,259	1,799,903	1,591,701	1,445,824
Unrestricted	<u>(11,830,687)</u>	<u>(11,381,725)</u>	<u>(7,996,567)</u>	<u>(7,190,837)</u>	<u>(7,379,890)</u>
Total governmental activities net position	<u>\$ (7,282,282)</u>	<u>\$ (6,691,736)</u>	<u>\$ (3,409,375)</u>	<u>\$ (2,872,081)</u>	<u>\$ (3,107,417)</u>
Business-type activities					
Net investment in capital assets	\$ 2,459,973	\$ 2,183,188	\$ 2,022,844	\$ 1,871,554	\$ 1,773,613
Restricted	1,580,020	1,444,009	1,309,392	1,305,799	1,227,441
Unrestricted	<u>1,018,193</u>	<u>1,075,059</u>	<u>1,141,536</u>	<u>1,058,108</u>	<u>995,207</u>
Total business-type activities net position	<u>\$ 5,058,186</u>	<u>\$ 4,702,256</u>	<u>\$ 4,473,772</u>	<u>\$ 4,235,461</u>	<u>\$ 3,996,261</u>
Primary government					
Net investment in capital assets	\$ 4,919,132	\$ 4,844,918	\$ 4,810,133	\$ 4,598,609	\$ 4,600,262
Restricted	3,669,266	3,472,268	3,109,295	2,897,500	2,673,265
Unrestricted	<u>(10,812,494)</u>	<u>(10,306,666)</u>	<u>(6,855,031)</u>	<u>(6,132,729)</u>	<u>(6,384,683)</u>
Total primary government net position	<u>\$ (2,224,096)</u>	<u>\$ (1,989,480)</u>	<u>\$ 1,064,397</u>	<u>\$ 1,363,380</u>	<u>\$ 888,844</u>

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.

Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 2,772,220	\$ 2,863,379	\$ 2,794,481	\$ 3,326,245	\$ 3,118,606
1,128,678	1,051,548	930,294	917,730	655,238
<u>(3,096,065)</u>	<u>(2,669,391)</u>	<u>(2,394,874)</u>	<u>(2,384,187)</u>	<u>(1,306,716)</u>
<u>\$ 804,833</u>	<u>\$ 1,245,536</u>	<u>\$ 1,329,901</u>	<u>\$ 1,859,788</u>	<u>\$ 2,467,128</u>
\$ 1,653,902	\$ 1,599,483	\$ 1,560,267	\$ 1,476,136	\$ 1,469,676
1,160,551	1,068,146	966,042	956,894	922,846
<u>1,050,981</u>	<u>899,740</u>	<u>649,583</u>	<u>579,383</u>	<u>493,163</u>
<u>\$ 3,865,434</u>	<u>\$ 3,567,369</u>	<u>\$ 3,175,892</u>	<u>\$ 3,012,413</u>	<u>\$ 2,885,685</u>
\$ 4,426,122	\$ 4,462,862	\$ 4,354,748	\$ 4,802,381	\$ 4,588,282
2,289,229	2,119,694	1,896,336	1,874,624	1,578,084
<u>(2,045,084)</u>	<u>(1,769,651)</u>	<u>(1,745,291)</u>	<u>(1,804,804)</u>	<u>(813,553)</u>
<u>\$ 4,670,267</u>	<u>\$ 4,812,905</u>	<u>\$ 4,505,793</u>	<u>\$ 4,872,201</u>	<u>\$ 5,352,813</u>

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Expenses					
Governmental activities					
General government	\$ 1,054,935	\$ 920,547	\$ 631,052	\$ 688,394	\$ 595,278
Public safety	675,663	639,888	552,671	485,985	504,343
Highways	552,741	614,847	457,374	399,997	426,142
Conservation of natural resources	224,266	118,637	161,924	107,740	89,176
Health	1,019,160	874,898	889,216	878,610	871,563
Welfare	3,379,304	3,542,771	3,481,679	3,343,392	3,196,602
Lower education	3,527,097	3,404,645	3,157,517	2,840,782	2,729,789
Higher education	950,253	950,843	899,199	673,217	761,837
Other education	18,376	23,827	27,248	23,379	21,664
Culture and recreation	110,711	89,647	106,875	106,511	84,265
Urban redevelopment and housing	179,794	392,921	245,819	122,981	115,653
Economic development and assistance	174,629	170,200	161,077	163,935	179,485
Interest expense	251,294	311,340	212,042	210,204	247,059
Total governmental activities expenses	<u>12,118,223</u>	<u>12,055,011</u>	<u>10,983,693</u>	<u>10,045,127</u>	<u>9,822,856</u>
Business-type activities					
Airports	469,321	429,884	408,517	377,393	350,041
Harbors	85,007	92,978	101,180	93,088	87,031
Unemployment compensation	165,134	177,009	173,735	144,481	186,893
Nonmajor proprietary funds	103,954	96,548	110,907	112,323	112,209
Total business-type activities expenses	<u>823,416</u>	<u>796,419</u>	<u>794,339</u>	<u>727,285</u>	<u>736,174</u>
Total primary government expenses	<u>\$ 12,941,639</u>	<u>\$ 12,851,430</u>	<u>\$ 11,778,032</u>	<u>\$ 10,772,412</u>	<u>\$ 10,559,030</u>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 302,275	\$ 319,043	\$ 289,116	\$ 209,598	\$ 248,915
Health	138,013	126,046	143,363	136,429	136,547
Other	393,958	479,847	357,034	371,823	314,099
Operating grants and contributions	3,082,678	3,154,479	3,068,752	2,986,842	2,809,460
Capital grants and contributions	-	-	-	113,006	139,977
Total governmental activities program revenues	<u>3,916,924</u>	<u>4,079,415</u>	<u>3,858,265</u>	<u>3,817,698</u>	<u>3,648,998</u>
Business-type activities					
Charges for services					
Airports	562,436	587,602	511,018	459,269	434,489
Unemployment compensation	193,093	186,239	176,212	187,215	239,375
Others	296,920	283,586	269,694	218,552	238,852
Capital grants and contributions	78,010	37,956	51,091	80,173	72,140
Total business-type activities program revenues	<u>1,130,459</u>	<u>1,095,383</u>	<u>1,008,015</u>	<u>945,209</u>	<u>984,856</u>
Total primary government program revenues	<u>\$ 5,047,383</u>	<u>\$ 5,174,798</u>	<u>\$ 4,866,280</u>	<u>\$ 4,762,907</u>	<u>\$ 4,633,854</u>
Net (expense) revenue					
Governmental activities	\$ (8,201,299)	\$ (7,975,596)	\$ (7,125,428)	\$ (6,227,429)	\$ (6,173,858)
Business-type activities	307,043	298,964	213,676	217,924	248,682
Total primary government net expenses	<u>\$ (7,894,256)</u>	<u>\$ (7,676,632)</u>	<u>\$ (6,911,752)</u>	<u>\$ (6,009,505)</u>	<u>\$ (5,925,176)</u>

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.

Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$	567,941	\$ 531,839	\$ 552,788	\$ 535,434	\$ 421,327
	533,727	451,946	502,002	471,459	538,110
	554,039	490,091	516,924	450,548	466,322
	101,587	52,208	96,349	89,021	81,561
	849,493	813,190	773,288	816,525	858,476
	2,879,813	2,798,053	2,464,582	2,553,829	2,348,190
	2,685,037	2,592,125	2,598,444	2,545,980	2,616,768
	693,292	654,611	672,716	707,381	700,335
	21,766	20,086	16,753	14,018	14,034
	104,303	94,679	111,628	108,697	108,247
	137,160	173,677	23,888	66,144	101,505
	166,455	172,602	209,460	238,315	209,611
	239,760	241,677	243,938	239,836	210,243
	<u>9,534,373</u>	<u>9,086,784</u>	<u>8,782,760</u>	<u>8,837,187</u>	<u>8,674,729</u>
	346,699	366,918	353,541	354,368	336,127
	89,327	90,548	84,826	80,355	68,291
	244,947	336,931	468,610	561,548	686,141
	87,031	66,119	169,166	250,346	256,205
	<u>768,004</u>	<u>860,516</u>	<u>1,076,143</u>	<u>1,246,617</u>	<u>1,346,764</u>
\$	<u>10,302,377</u>	<u>\$ 9,947,300</u>	<u>\$ 9,858,903</u>	<u>\$ 10,083,804</u>	<u>\$ 10,021,493</u>
\$	223,066	\$ 267,081	\$ 266,878	\$ 270,078	\$ 231,629
	130,338	56,963	32,339	46,215	98,547
	287,937	170,603	121,928	112,479	111,295
	2,660,770	2,589,537	2,370,437	2,837,464	2,598,141
	97,290	96,184	97,322	132,825	144,445
	<u>3,399,401</u>	<u>3,180,368</u>	<u>2,888,904</u>	<u>3,399,061</u>	<u>3,184,057</u>
	404,442	431,708	343,279	387,484	324,577
	353,546	507,096	533,963	535,243	486,476
	203,979	215,243	272,317	341,707	344,889
	98,628	64,313	85,899	75,324	98,099
	<u>1,060,595</u>	<u>1,218,360</u>	<u>1,235,458</u>	<u>1,339,758</u>	<u>1,254,041</u>
\$	<u>4,459,996</u>	<u>\$ 4,398,728</u>	<u>\$ 4,124,362</u>	<u>\$ 4,738,819</u>	<u>\$ 4,438,098</u>
\$	(6,134,972)	\$ (5,906,416)	\$ (5,893,856)	\$ (5,438,126)	\$ (5,490,672)
	292,591	357,844	159,315	93,141	(92,723)
\$	<u>(5,842,381)</u>	<u>\$ (5,548,572)</u>	<u>\$ (5,734,541)</u>	<u>\$ (5,344,985)</u>	<u>\$ (5,583,395)</u>

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	\$ 3,794,587	\$ 3,553,975	\$ 3,189,599	\$ 3,192,469	\$ 3,021,418
Net income tax – corporations and individuals	2,728,991	2,407,338	2,330,408	2,160,872	2,073,015
Public service companies tax	126,691	117,641	122,159	152,760	163,481
Transient accommodations tax	356,670	304,521	299,712	233,082	202,345
Tobacco and liquor tax	151,438	157,988	160,906	161,239	165,137
Liquid fuel tax	85,146	85,211	84,933	89,702	88,449
Tax on premiums of insurance companies	176,420	162,318	166,836	154,690	147,767
Vehicle weight and registration tax	136,142	135,080	132,974	130,051	125,113
Rental motor/tour vehicle surcharge tax	57,994	54,846	53,189	54,873	51,941
Franchise tax	26,808	15,712	11,174	14,691	19,930
Other tax	156,632	145,861	103,204	109,072	76,222
Interest and investment income	40,141	36,527	30,676	22,564	16,024
Other	(2,797)	4,538	-	(13,300)	-
Assumption agreement with State, net	-	(250,697)	-	-	-
Debt cancellation with State	(224,110)	-	-	-	-
Total governmental activities	<u>7,610,753</u>	<u>6,930,859</u>	<u>6,685,770</u>	<u>6,462,765</u>	<u>6,150,842</u>
Business-type activities					
Interest and investment income	48,887	27,352	25,324	21,276	17,567
Other	-	-	-	-	-
Total business-type activities	<u>48,887</u>	<u>27,352</u>	<u>25,324</u>	<u>21,276</u>	<u>17,567</u>
Total primary government	<u>\$ 7,659,640</u>	<u>\$ 6,958,211</u>	<u>\$ 6,711,094</u>	<u>\$ 6,484,041</u>	<u>\$ 6,168,409</u>
Changes in net position					
Governmental activities	\$ (590,546)	\$ (1,044,737)	\$ (439,658)	\$ 235,336	\$ (23,016)
Business-type activities	355,930	326,316	239,000	239,200	266,249
Total primary government	<u>\$ (234,616)</u>	<u>\$ (718,421)</u>	<u>\$ (200,658)</u>	<u>\$ 474,536</u>	<u>\$ 243,233</u>

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.

Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.

Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$	2,816,346	\$ 2,991,792	\$ 2,774,636	\$ 2,507,980	\$ 2,279,310
	1,840,890	1,795,683	1,633,085	1,477,624	1,408,965
	166,179	163,930	150,528	117,940	157,661
	188,721	186,377	138,529	60,839	32,635
	155,990	161,066	170,824	173,851	149,596
	88,707	87,645	88,842	91,265	82,780
	139,074	133,585	119,472	140,586	105,848
	124,686	121,605	98,187	59,476	58,659
	42,853	52,112	106,417	43,892	40,401
	38,983	22,673	7,229	33,682	20,666
	96,131	80,081	70,873	67,799	32,165
	13,163	25,502	5,347	55,852	124,516
	-	-	-	-	(3,034)
	-	-	-	-	-
	-	-	-	-	-
	<u>5,711,723</u>	<u>5,822,051</u>	<u>5,363,969</u>	<u>4,830,786</u>	<u>4,490,168</u>
	12,805	14,633	4,164	33,587	68,950
	-	19,000	-	-	-
	<u>12,805</u>	<u>33,633</u>	<u>4,164</u>	<u>33,587</u>	<u>68,950</u>
\$	<u>5,724,528</u>	<u>5,855,684</u>	<u>5,368,133</u>	<u>4,864,373</u>	<u>4,559,118</u>
\$	(423,249)	\$ (84,365)	\$ (529,887)	\$ (607,340)	\$ (1,000,504)
	305,396	391,477	163,479	126,728	(23,773)
\$	<u>(117,853)</u>	<u>307,112</u>	<u>(366,408)</u>	<u>(480,612)</u>	<u>(1,024,277)</u>

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
General Fund					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A	N/A
Total General Fund	N/A	N/A	N/A	N/A	N/A
All other governmental funds					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, reported in					
Capital projects fund	N/A	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	N/A	N/A	N/A	N/A	N/A
General Fund (under GASB 54)					
Assigned fund balance	\$ 475,242	\$ 503,201	\$ 400,529	\$ 394,581	\$ 205,242
Unassigned fund balance	1,147,073	974,719	1,305,542	1,400,783	1,384,053
Total General Fund	<u>\$ 1,622,315</u>	<u>\$ 1,477,920</u>	<u>\$ 1,706,071</u>	<u>\$ 1,795,364</u>	<u>\$ 1,589,295</u>
All other governmental funds (under GASB 54)					
Restricted fund balance	\$ 22,006	\$ 25,653	\$ 110,750	\$ 15,557	\$ 25,370
Committed fund balance	823,958	805,502	688,980	401,313	449,290
Assigned fund balance	1,267,999	1,226,984	1,117,520	1,199,080	1,009,503
Unassigned fund balance	(210,972)	(68,660)	(116,880)	(340,671)	(576,980)
Total all other governmental funds	<u>\$ 1,902,991</u>	<u>\$ 1,989,479</u>	<u>\$ 1,800,370</u>	<u>\$ 1,275,279</u>	<u>\$ 907,183</u>

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance has not been restated for prior years.

N/A Not applicable.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
N/A	N/A	N/A	N/A	\$ 243,485
N/A	N/A	N/A	N/A	(210,551)
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 32,934</u>
N/A	N/A	N/A	N/A	\$ 2,275,968
N/A	N/A	N/A	N/A	(1,651,855)
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>293,625</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 917,738</u>
\$ 256,483	\$ 271,020	\$ 236,779	\$ 210,164	N/A
<u>1,079,180</u>	<u>1,154,253</u>	<u>570,659</u>	<u>346,882</u>	<u>N/A</u>
<u>\$ 1,335,663</u>	<u>\$ 1,425,273</u>	<u>\$ 807,438</u>	<u>\$ 557,046</u>	<u>N/A</u>
\$ 27,145	\$ 21,854	\$ 109	\$ 21,582	N/A
497,932	486,240	518,374	600,125	N/A
739,279	612,762	532,466	339,337	N/A
<u>(588,405)</u>	<u>(611,097)</u>	<u>(408,575)</u>	<u>(766,665)</u>	<u>N/A</u>
<u>\$ 675,951</u>	<u>\$ 509,759</u>	<u>\$ 642,374</u>	<u>\$ 194,379</u>	<u>N/A</u>

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Revenues					
Taxes					
General excise tax	\$ 3,794,585	\$ 3,553,975	\$ 3,189,599	\$ 3,192,469	\$ 3,021,418
Net income tax – corporations and individuals	2,718,654	2,456,674	2,286,017	2,157,879	2,047,327
Public service companies tax	126,691	117,641	122,159	152,760	163,481
Transient accommodations tax	356,670	304,521	299,712	233,082	202,345
Tobacco and liquor tax	151,438	157,988	160,906	161,239	165,137
Liquid fuel tax	85,146	85,211	84,933	89,702	88,449
Tax on premiums of insurance companies	176,420	162,318	166,836	154,690	147,767
Vehicle weight and registration tax	136,142	135,080	132,974	130,051	125,113
Rental motor/tour vehicle surcharge tax	57,994	54,846	53,189	54,873	51,941
Franchise tax	26,808	15,712	11,174	14,691	19,930
Other	156,632	145,861	103,204	109,072	76,222
Total taxes	<u>7,787,180</u>	<u>7,189,827</u>	<u>6,610,703</u>	<u>6,450,508</u>	<u>6,109,130</u>
Interest and investment income (loss)	40,141	36,527	30,676	22,564	16,024
Charges for current services	518,531	477,717	460,211	431,181	384,380
Intergovernmental	2,783,538	2,878,717	2,938,557	2,995,768	2,803,989
Rentals	38,031	35,466	35,530	32,371	31,127
Fines, forfeitures and penalties	37,513	38,767	39,203	35,738	37,201
Licenses and fees	47,965	47,066	46,893	45,738	42,463
Revenues from private sources	122,017	184,661	105,857	126,450	121,366
Other	369,425	428,066	248,389	169,533	191,472
Total revenues	<u>11,744,341</u>	<u>11,316,814</u>	<u>10,516,019</u>	<u>10,309,851</u>	<u>9,737,152</u>
Expenditures					
Current					
General government	1,007,554	807,032	701,083	673,236	573,820
Public safety	634,120	579,980	531,545	479,047	484,960
Highways	526,148	609,538	461,523	389,744	455,563
Conservation of natural resources	145,383	157,639	180,697	181,563	145,516
Health	1,009,545	827,592	873,703	876,820	855,797
Welfare	3,332,469	3,495,974	3,442,279	3,349,414	3,192,807
Lower education	3,334,110	3,226,275	2,973,583	2,828,013	2,619,156
Higher education	950,253	950,843	899,199	673,217	761,837
Other education	18,376	23,827	27,248	23,379	21,664
Culture and recreation	116,381	104,964	104,655	101,351	96,676
Urban redevelopment and housing	79,236	124,292	63,807	54,446	71,384
Economic development and assistance	152,592	167,614	179,127	159,483	176,919
Housing	85,032	256,386	133,010	58,381	48,565
Other	13,691	12,388	10,613	20,193	15,179
Debt service					
Principal	464,518	464,518	484,274	444,791	444,791
Interest and others	390,856	321,150	296,482	315,321	289,524
Total expenditures	<u>12,260,264</u>	<u>12,130,012</u>	<u>11,362,828</u>	<u>10,628,399</u>	<u>10,254,158</u>
Excess of expenditures over revenues	<u>(515,923)</u>	<u>(813,198)</u>	<u>(846,809)</u>	<u>(318,548)</u>	<u>(517,006)</u>
Other financing sources (uses)					
Proceeds from borrowing and refunding	644,962	1,200,004	2,161,677	1,835,677	1,518,709
Payments to escrow agent	(69,730)	(424,887)	(879,070)	(989,950)	(516,839)
Transfers in	1,214,773	1,291,815	1,444,931	1,276,279	1,171,272
Transfers out	(1,214,773)	(1,291,815)	(1,444,931)	(1,276,279)	(1,171,272)
Other	(1,402)	(961)	-	46,986	-
Total other financing sources	<u>573,830</u>	<u>774,156</u>	<u>1,282,607</u>	<u>892,713</u>	<u>1,001,870</u>
Net change in fund balances	<u>\$ 57,907</u>	<u>\$ (39,042)</u>	<u>\$ 435,798</u>	<u>\$ 574,165</u>	<u>\$ 484,864</u>
Total debt service as a percent of noncapital expenditures	7.5%	7.0%	7.3%	7.6%	7.7%

	2014	2013	2012	2011	2010
\$	2,816,346	\$ 2,991,792	\$ 2,774,636	\$ 2,507,980	\$ 2,279,310
	1,840,963	1,804,409	1,633,412	1,473,188	1,408,965
	166,179	163,930	150,528	117,940	157,661
	188,721	186,377	138,529	60,839	32,635
	155,990	161,066	170,824	173,851	149,596
	88,707	87,645	88,842	91,265	82,780
	139,074	133,585	119,472	140,586	105,848
	124,686	121,605	98,187	59,476	58,659
	42,853	52,112	106,417	43,892	40,401
	38,983	22,673	7,229	33,682	20,666
	96,131	80,079	70,873	67,799	32,165
	<u>5,698,633</u>	<u>5,805,273</u>	<u>5,358,949</u>	<u>4,770,498</u>	<u>4,368,686</u>
	13,163	25,502	5,347	55,854	124,518
	363,791	369,269	337,765	348,108	364,893
	2,650,876	2,372,480	2,238,639	2,567,266	2,432,369
	31,846	28,633	25,421	23,319	19,712
	33,087	36,802	35,083	34,712	35,982
	47,209	46,839	46,390	41,557	36,641
	112,916	104,670	65,085	54,857	57,850
	173,483	235,516	152,091	343,318	182,367
	<u>9,125,004</u>	<u>9,024,984</u>	<u>8,264,770</u>	<u>8,239,489</u>	<u>7,623,018</u>
	543,129	408,538	487,596	487,848	436,290
	519,954	432,024	454,957	423,716	457,058
	403,559	418,991	414,629	376,780	442,971
	108,703	92,601	98,428	93,600	88,873
	828,088	779,755	729,841	757,482	801,923
	2,945,370	2,773,241	2,443,936	2,526,743	2,315,726
	2,603,774	2,358,763	2,330,130	2,208,303	2,325,066
	693,292	654,611	672,716	707,380	700,335
	21,766	20,086	16,753	14,018	14,033
	107,846	107,940	109,974	117,306	108,536
	65,228	66,243	48,484	73,789	115,796
	158,379	157,468	147,445	158,104	166,320
	63,683	112,614	46,133	61,352	24,153
	29,818	32,716	12,108	12,223	4,460
	458,983	399,382	313,721	191,244	179,624
	278,315	288,267	274,039	266,737	248,551
	<u>9,829,887</u>	<u>9,103,240</u>	<u>8,600,890</u>	<u>8,476,625</u>	<u>8,429,715</u>
	<u>(704,883)</u>	<u>(78,256)</u>	<u>(336,120)</u>	<u>(237,136)</u>	<u>(806,697)</u>
	948,190	1,066,848	1,600,308	-	1,150,482
	(185,560)	(503,372)	(565,801)	-	(619,708)
	1,066,780	1,033,917	950,717	921,433	721,810
	(1,066,780)	(1,033,917)	(950,717)	(921,433)	(721,810)
	18,835	-	-	37,889	4,415
	<u>781,465</u>	<u>563,476</u>	<u>1,034,507</u>	<u>37,889</u>	<u>535,189</u>
\$	<u>76,582</u>	<u>\$ 485,220</u>	<u>\$ 698,387</u>	<u>\$ (199,247)</u>	<u>\$ (271,508)</u>
	7.9%	8.0%	7.2%	5.7%	5.4%

State of Hawaii
Revenue Capacity Information
Personal Income by Industry
Ten Years Ended June 30, 2019
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Farm earnings	\$ 271	\$ 284	\$ 274	\$ 284	\$ 318
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	97	94	87	76	76
Mining	31	35	35	39	41
Construction	4,538	4,372	4,391	4,038	3,542
Manufacturing – durable and nondurable goods	975	959	921	918	878
Subtotal goods – producing industries	<u>5,641</u>	<u>5,460</u>	<u>5,434</u>	<u>5,071</u>	<u>4,537</u>
Service-producing industries					
Transportation, communication and utilities	3,064	2,965	2,714	2,639	2,424
Trade	4,841	4,659	4,574	4,419	4,130
Information	893	766	711	742	718
Finance, insurance and real estate	3,626	3,373	3,192	3,051	3,110
Service	21,964	21,051	19,595	19,087	17,608
State and local government	7,235	6,907	6,970	6,949	6,426
Federal government	8,990	8,505	8,491	8,614	8,400
Subtotal service-producing industries	<u>50,613</u>	<u>48,226</u>	<u>46,247</u>	<u>45,501</u>	<u>42,816</u>
Total nonfarm wage and salary worker	<u>56,254</u>	<u>53,686</u>	<u>51,681</u>	<u>50,572</u>	<u>47,353</u>
Other (1)	<u>23,638</u>	<u>22,506</u>	<u>21,042</u>	<u>19,814</u>	<u>19,092</u>
Total personal income	<u>\$ 80,163</u>	<u>\$ 76,476</u>	<u>\$ 72,997</u>	<u>\$ 70,670</u>	<u>\$ 66,763</u>
Total direct income tax rate (2)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(2) The total direct rate for personal income is not available.

Source: State of Hawaii Department of Business, Economic Development and Tourism – Data Book and Quarterly Statistical and Economic Report (QSER)
 Bureau of Economic Analysis – SQ5N Personal Income by major source and earnings by major NAICS industry.

2014	2013	2012	2011	2010
\$ 349	\$ 243	\$ 288	\$ 288	\$ 250
66	60	60	42	45
37	39	35	33	51
3,328	3,236	3,046	2,843	2,598
833	804	767	768	766
4,264	4,139	3,908	3,686	3,460
2,316	2,178	1,889	1,783	1,718
4,089	3,929	3,768	3,666	3,651
711	692	645	711	732
3,267	2,752	2,329	2,081	2,014
17,126	16,423	15,438	15,075	14,901
6,089	5,873	5,425	5,327	5,609
8,139	8,507	10,094	9,531	9,252
41,737	40,354	39,588	38,174	37,877
46,001	44,493	43,496	41,860	41,337
18,270	18,473	16,144	15,981	14,661
\$ 64,620	\$ 63,209	\$ 59,928	\$ 58,129	\$ 56,248
N/A	N/A	N/A	N/A	N/A

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates
Ten Years Ending December 31, 2019

Top Income Tax Rate is Applied to Taxable Income in Excess of

Year	Top Rate	Single	Top Rate	Married Filing Jointly	Top Rate	Head of Household
2019	11.00% + \$16,379	\$ 200,000	11.00% + \$32,757	\$ 400,000	11.00% + \$24,568	\$ 300,000
2018	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000
2017	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000
2016	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2015	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2014	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2013	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2012	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2011	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2010	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000

Source: State of Hawaii, Department of Taxation.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry
Ten Years Ended June 30, 2019
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Taxable sales by activities					
Retailing	\$ 36,801	\$ 35,454	\$ 30,747	\$ 29,498	\$ 29,987
Services	16,927	16,375	14,162	13,667	13,361
Contracting	9,706	8,914	8,418	8,185	7,322
Hotel rentals	5,669	5,527	4,898	4,442	4,328
All other rentals	8,564	8,171	6,669	6,474	6,544
All other (4%)	6,543	6,545	5,918	5,407	5,486
Subtotal	<u>84,210</u>	<u>80,986</u>	<u>70,812</u>	<u>67,673</u>	<u>67,028</u>
Producing	296	359	324	295	321
Manufacturing	596	640	731	734	716
Wholesaling	18,062	17,590	14,462	13,864	14,294
Use (0.5%)	7,280	7,640	6,799	7,354	7,127
Services (intermediary)	1,005	903	870	708	716
Insurance solicitors	754	650	495	485	489
Subtotal	<u>27,993</u>	<u>27,782</u>	<u>23,681</u>	<u>23,440</u>	<u>23,663</u>
Total all activities	<u>\$ 112,203</u>	<u>\$ 108,768</u>	<u>\$ 94,493</u>	<u>\$ 91,113</u>	<u>\$ 90,691</u>

General excise and use tax is imposed on the gross income received by the business, as follows:

- 4% of sales of tangible personal property, services, contracting, theater amusement and broadcasting, commissions, transient accommodation rentals, other rentals, interest, and other business activities;
- 0.5% of sales from wholesaling, manufacturing, producing, wholesale services, and imports for resale;
- 0.15% on insurance producer commissions.

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

	2014	2013	2012	2011	2010
\$	31,152	\$ 29,636	\$ 29,095	\$ 25,887	\$ 23,919
	13,795	12,985	12,696	11,944	11,154
	7,046	7,547	6,253	5,687	5,864
	4,279	3,871	3,431	3,024	2,606
	6,472	6,377	6,154	5,999	5,778
	5,683	5,337	5,160	4,825	4,360
	<u>68,427</u>	<u>65,753</u>	<u>62,789</u>	<u>57,366</u>	<u>53,681</u>
	436	399	401	370	340
	1,876	639	681	698	704
	14,675	14,430	14,442	13,121	12,207
	6,489	8,867	8,005	6,669	6,430
	1,096	628	653	577	572
	485	464	477	480	502
	<u>25,057</u>	<u>25,427</u>	<u>24,659</u>	<u>21,915</u>	<u>20,755</u>
\$	<u>93,484</u>	<u>\$ 91,180</u>	<u>\$ 87,448</u>	<u>\$ 79,281</u>	<u>\$ 74,436</u>

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2019		2018		2017		2016		2015	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
Retailing	\$ 1,472,039	41.5%	\$ 1,418,176	41.8%	\$ 1,229,860	38.0%	\$ 1,179,911	36.8%	\$ 1,199,488	39.4%
Services	677,082	19.1%	655,007	19.3%	566,466	17.5%	546,684	17.1%	534,442	17.5%
Contracting	388,249	11.0%	356,576	10.5%	336,717	10.4%	327,394	10.2%	292,874	9.6%
Theater, amusement, etc.	19,978	0.6%	19,182	0.6%	17,248	0.5%	15,931	0.5%	15,955	0.5%
Interest	141,903	4.0%	142,359	4.2%	134,441	4.2%	1	0.0%	1	0.0%
Commissions	54,981	1.6%	55,832	1.6%	49,209	1.5%	44,777	1.4%	45,619	1.5%
Hotel rentals	226,764	6.4%	221,084	6.5%	195,919	6.0%	177,671	5.5%	173,100	5.7%
All other rentals	342,572	9.7%	326,823	9.6%	266,758	8.2%	258,977	8.1%	261,743	8.6%
Use (4%)	44,847	1.3%	44,390	1.3%	35,845	1.1%	35,620	1.1%	39,884	1.3%
All other (4%)	-	0.0%	-	0.0%	-	0.0%	119,948	3.7%	118,014	3.9%
Producing	1,480	0.0%	1,794	0.1%	1,619	0.1%	1,473	0.0%	1,605	0.1%
Manufacturing	2,981	0.1%	3,201	0.1%	3,657	0.1%	3,670	0.1%	3,581	0.1%
Wholesaling	90,308	2.6%	87,952	2.6%	72,309	2.2%	69,322	2.2%	71,471	2.3%
Use (0.5%)	36,398	1.0%	38,201	1.1%	33,996	1.0%	36,872	1.2%	35,634	1.2%
Services (Intermediary)	5,026	0.1%	4,514	0.1%	4,352	0.1%	3,539	0.1%	3,578	0.1%
Insurance solicitors	1,131	0.0%	975	0.0%	743	0.1%	728	0.0%	733	0.0%
Unallocated collections	35,650	1.0%	19,500	0.6%	290,086	9.0%	383,736	12.0%	250,484	8.2%
Total	\$ 3,541,389	100.0%	\$ 3,395,566	100.0%	\$ 3,239,225	100.0%	\$ 3,206,254	100.0%	\$ 3,048,206	100.0%

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

Note: Information for number of filers is not available

2014		2013		2012		2011		2010	
Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
\$ 1,246,061	43.3%	\$ 1,185,446	40.3%	\$ 1,163,805	43.1%	\$ 1,035,465	41.5%	\$ 956,761	41.3%
551,784	19.2%	519,419	17.6%	507,864	18.9%	477,753	19.3%	446,142	19.3%
281,839	9.8%	301,875	10.3%	250,122	9.3%	227,497	9.1%	234,562	10.1%
15,619	0.5%	15,986	0.5%	15,776	0.6%	14,945	0.6%	13,378	0.6%
3	0.0%	3	0.0%	4	0.0%	74	0.0%	191	0.0%
45,125	1.6%	42,064	1.4%	38,848	1.4%	36,574	1.5%	33,024	1.4%
171,162	5.9%	154,837	5.3%	137,222	5.1%	120,954	4.8%	104,260	4.5%
258,886	9.0%	255,074	8.7%	246,151	9.1%	239,944	9.6%	231,123	10.0%
40,277	1.4%	41,015	1.4%	41,797	1.5%	37,316	1.5%	34,484	1.5%
126,306	4.4%	114,396	3.9%	109,989	4.1%	104,073	4.2%	93,327	4.0%
2,181	0.1%	1,997	0.1%	2,004	0.1%	1,850	0.1%	1,697	0.1%
9,380	0.3%	3,194	0.1%	3,402	0.1%	3,488	0.1%	3,517	0.2%
73,373	2.5%	72,149	2.4%	72,210	2.7%	65,608	2.6%	61,036	2.6%
32,446	1.1%	44,337	1.5%	40,026	1.5%	33,347	1.3%	32,152	1.4%
5,480	0.2%	3,139	0.1%	3,265	0.1%	2,886	0.1%	2,862	0.1%
728	0.0%	697	0.0%	716	0.0%	721	0.0%	753	0.0%
19,893	0.7%	188,859	6.4%	64,750	2.4%	93,312	3.7%	67,165	2.9%
<u>\$ 2,880,543</u>	<u>100.0%</u>	<u>\$ 2,944,487</u>	<u>100.0%</u>	<u>\$ 2,697,951</u>	<u>100.0%</u>	<u>\$ 2,495,807</u>	<u>100.0%</u>	<u>\$ 2,316,434</u>	<u>100.0%</u>

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type
Ten Years Ended June 30, 2019
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Governmental activities					
General obligation bonds	\$ 7,914,382	\$ 7,912,206	\$ 7,635,827	\$ 6,953,431	\$ 6,503,281
Revenue bonds	571,306	633,073	692,742	615,120	666,202
Capital leases	122,922	129,897	143,622	149,477	96,175
Total governmental activities	<u>8,608,610</u>	<u>8,675,176</u>	<u>8,472,191</u>	<u>7,718,028</u>	<u>7,265,658</u>
Business-type activities					
General obligation bonds	21,026	23,255	25,377	27,400	29,332
Revenue bonds	1,968,315	1,567,305	1,375,442	1,429,980	1,218,943
Lease revenue certificates of participation	236,147	244,979	252,806	179,985	172,864
Loan payable	76,000	76,000	76,000	34,910	34,910
Total business-type activities	<u>2,301,488</u>	<u>1,911,539</u>	<u>1,729,625</u>	<u>1,672,275</u>	<u>1,456,049</u>
Total primary government	<u>\$ 10,910,098</u>	<u>\$ 10,586,715</u>	<u>\$ 10,201,816</u>	<u>\$ 9,390,303</u>	<u>\$ 8,721,707</u>
Hawaii total personal income	\$ 80,163,000	\$ 76,476,000	\$ 72,997,000	\$ 71,767,000	\$ 66,763,000
Debt as a percentage of personal income	13.6%	13.8%	14.0%	13.1%	13.1%
Hawaii population	1,422	1,435	1,428	1,429	1,432
Amount of debt per capita	\$ 7,672	\$ 7,378	\$ 7,144	\$ 6,571	\$ 6,091

Source: State of Hawaii, Comprehensive Annual Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism – QSER.

Note: Details regarding the State's outstanding debt can be found in the notes to basic financial statements.

2014	2013	2012	2011	2010
\$ 5,784,139	\$ 5,534,921	\$ 5,475,348	\$ 4,987,544	\$ 5,157,198
412,725	441,150	468,180	378,625	400,215
102,622	89,879	95,340	100,520	64,385
<u>6,299,486</u>	<u>6,065,950</u>	<u>6,038,868</u>	<u>5,466,689</u>	<u>5,621,798</u>
31,176	32,934	34,611	36,221	37,362
1,278,137	1,326,112	1,370,314	1,410,624	1,248,680
173,771	-	-	-	-
-	-	-	-	-
<u>1,483,084</u>	<u>1,359,046</u>	<u>1,404,925</u>	<u>1,446,845</u>	<u>1,286,042</u>
<u>\$ 7,782,570</u>	<u>\$ 7,424,996</u>	<u>\$ 7,443,793</u>	<u>\$ 6,913,534</u>	<u>\$ 6,907,840</u>
\$ 64,620,000	\$ 63,209,000	\$ 59,928,000	\$ 58,129,000	\$ 56,248,000
12.0%	11.7%	12.4%	11.9%	12.3%
1,420	1,404	1,392	1,375	1,300
\$ 5,481	\$ 5,288	\$ 5,348	\$ 5,028	\$ 5,314

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding
Ten Years Ended June 30, 2019
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less: Debt Services Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2019	\$ 112,203,000	1,422	\$ 7,914,382	\$ -	\$ 7,914,382	7.1%	\$ 5,566
2018	108,768,000	1,435	7,912,206	-	7,912,206	7.3%	5,514
2017	94,493,000	1,428	7,635,827	35	7,635,792	8.1%	5,347
2016	91,113,000	1,429	6,953,431	35	6,953,396	7.6%	4,866
2015	90,691,000	1,432	6,503,281	35	6,503,246	7.2%	4,541
2014	93,484,000	1,420	5,784,139	35	5,784,104	6.2%	4,073
2013	91,181,000	1,404	5,534,921	63	5,534,858	6.1%	3,942
2012	87,448,000	1,392	5,475,348	64	5,475,284	6.3%	3,933
2011	79,281,000	1,375	4,987,544	109	4,987,435	6.3%	3,627
2010	74,436,000	1,300	5,157,198	118	5,157,080	6.9%	3,967

- (1) **Source:** State of Hawaii, Department of Taxation.
- (2) **Source:** State of Hawaii, Department of Business, Economic Development and Tourism – Census Data.
- (3) **Source:** State of Hawaii, Department of Accounting and General Services, Accounting Division.
- (4) Excludes Enterprise Funds and Component Unit – UH general obligation bonds.

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Average general fund revenues of the three preceding fiscal years	\$ 7,637,553	\$ 7,359,330	\$ 6,997,106	\$ 6,577,966	\$ 6,294,642
Constitutional debt limit percentage	<u>18.5%</u>	<u>18.5%</u>	<u>18.5%</u>	<u>18.5%</u>	<u>18.5%</u>
Constitutional debt limit for total principal and interest payable in a current or future year	1,412,947	1,361,476	1,294,465	1,216,924	1,164,509
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	<u>(836,170)</u>	<u>(792,143)</u>	<u>(739,852)</u>	<u>(712,592)</u>	<u>(693,934)</u>
Legal debt margin	<u>\$ 576,777</u>	<u>\$ 569,333</u>	<u>\$ 554,613</u>	<u>\$ 504,332</u>	<u>\$ 470,575</u>
Legal debt margin as a percentage of the debt limit	<u>40.8%</u>	<u>41.8%</u>	<u>42.8%</u>	<u>41.4%</u>	<u>40.4%</u>

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 5,987,800	\$ 5,659,152	\$ 5,197,547	\$ 4,992,943	\$ 5,032,973
<u>18.5%</u>	<u>18.5%</u>	<u>18.5%</u>	<u>18.5%</u>	<u>18.5%</u>
1,107,743	1,046,943	961,546	923,694	931,100
<u>(693,677)</u>	<u>(693,592)</u>	<u>(667,041)</u>	<u>(618,711)</u>	<u>(610,255)</u>
<u>\$ 414,066</u>	<u>\$ 353,351</u>	<u>\$ 294,505</u>	<u>\$ 304,983</u>	<u>\$ 320,845</u>
<u>37.4%</u>	<u>33.8%</u>	<u>30.6%</u>	<u>33.0%</u>	<u>34.5%</u>

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage
Ten Years Ended June 30, 2019
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenue bonds – Airports										
Gross revenue (1)	\$ 495,315	\$ 466,317	\$ 431,726	\$ 381,404	\$ 355,948	\$ 341,155	\$ 385,841	\$ 319,542	\$ 322,639	\$ 295,087
Less: Operating expenses (2)	316,905	299,799	288,644	259,223	253,581	246,982	244,328	230,224	218,290	214,208
Net available revenue	178,410	166,518	143,082	122,181	102,367	94,173	141,513	89,318	104,349	80,879
Debt services										
Principal	42,585	40,755	38,935	37,290	35,725	34,210	40,305	30,579	25,370	23,615
Interest (3)	47,423	46,454	45,182	42,532	41,671	23,414	40,705	34,440	35,319	21,300
Total debt services	90,008	87,209	84,117	79,822	77,396	57,624	81,010	65,019	60,689	44,915
Coverage (4)	198%	191%	170%	153%	132%	163%	175%	137%	172%	180%
Revenue bonds – Harbors										
Gross revenue (5)	\$ 198,605	\$ 170,560	\$ 140,052	\$ 131,858	\$ 124,663	\$ 122,379	\$ 114,640	\$ 104,678	\$ 88,018	\$ 74,155
Less: Operating expenses (6)	47,461	53,543	53,396	47,133	43,132	43,837	44,048	41,202	37,650	36,930
Net available revenue	151,144	117,017	86,656	84,725	81,531	78,542	70,592	63,476	50,368	37,225
Debt services										
Principal	28,936	29,114	31,176	31,187	31,176	31,528	31,531	27,770	27,965	23,226
Coverage (4)	522%	402%	278%	272%	262%	249%	224%	229%	180%	160%
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	\$ 255,431	\$ 256,102	\$ 232,543	\$ 197,142	\$ 184,852
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	205,872	184,696	173,811	165,857	179,400
Net available revenue	N/A	N/A	N/A	N/A	N/A	49,559	71,406	58,732	31,285	5,452
Debt services										
Principal	42,735	40,765	37,790	34,920	31,890	28,825	27,170	22,465	21,570	20,535
Interest	19,299	21,186	19,320	20,571	19,402	19,036	20,245	18,906	17,195	18,028
Total debt services	62,034	61,951	57,110	55,491	51,292	47,861	47,415	41,371	38,765	38,563
Coverage (7)	N/A	N/A	N/A	N/A	N/A	104%	151%	142%	81%	14%
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	\$ 17,361	\$ 17,564	\$ 15,867	\$ 14,730	\$ 15,230	\$ 15,763	\$ 12,585	\$ 12,078	\$ 12,036	\$ 11,939
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	17,361	17,564	15,867	14,730	15,230	15,763	12,585	12,078	12,036	11,939
Debt services										
Principal	1,575	1,100	850	810	775	740	710	680	655	640
Interest	1,435	887	2,163	2,201	2,237	2,270	2,301	2,328	2,254	2,370
Total debt services	3,010	1,987	3,013	3,011	3,012	3,010	3,011	3,008	2,909	3,010
Coverage (4)	577%	884%	527%	489%	506%	524%	418%	402%	414%	397%

- (1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.
- (2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.
- (3) For purposes of calculating the debt service requirement, interest payment for Airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.
 For fiscal years 2016, 2015 and 2014, Airports transferred \$4,000,000, \$18,500,000 and \$19,000,000, respectively, of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."
- (4) Revenue bond indentures require a minimum debt service coverage percentage of 125%.
- (5) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.
- (6) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.
- (7) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).

N/A Not available

Coverage equals net available revenue divided by debt services.

Source: Airports Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Airports Division.
 Harbors Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Harbors Division.
 Highways Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Highways Division.
 DHHL Audited Financial Statements and Schedules of the State of Hawaii, Department of Hawaiian Home Lands.

State of Hawaii

Demographic and Economic Information

Demographic and Economic Statistics

Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Population (in thousands)										
State	1,422	1,435	1,428	1,429	1,432	1,420	1,404	1,392	1,375	1,300
Percentage change	-0.91%	0.49%	-0.07%	-0.21%	0.85%	1.14%	0.86%	1.24%	5.77%	0.15%
National	331,884	327,734	325,719	323,128	321,419	318,857	316,129	313,914	311,592	308,746
Percentage change	1.27%	0.62%	0.80%	0.53%	0.80%	0.86%	0.71%	0.75%	0.92%	0.57%
Total personal income (in millions)										
State	\$ 80,163	\$ 76,476	\$ 72,997	\$ 70,670	\$ 66,763	\$ 64,620	\$ 63,209	\$ 59,928	\$ 58,129	\$ 56,248
Percentage change	4.82%	4.77%	3.29%	5.85%	3.32%	2.23%	5.47%	3.09%	3.34%	3.37%
National	\$ 17,855,326	\$ 17,189,635	\$ 16,152,011	\$ 15,725,128	\$ 14,991,944	\$ 14,420,041	\$ 13,904,502	\$ 13,150,560	\$ 12,691,347	\$ 12,530,101
Percentage change	3.87%	6.42%	2.71%	4.89%	3.97%	3.71%	5.73%	3.62%	1.29%	4.28%
Per capita personal income (in thousands)										
State	\$ 56,373	\$ 53,293	\$ 51,118	\$ 49,454	\$ 46,622	\$ 45,507	\$ 45,021	\$ 43,052	\$ 42,276	\$ 43,268
Percentage change	5.78%	4.25%	3.36%	6.07%	2.45%	1.08%	4.57%	1.84%	(2.29%)	3.21%
National	\$ 53,890	\$ 52,450	\$ 49,589	\$ 48,665	\$ 46,643	\$ 45,224	\$ 43,984	\$ 41,892	\$ 40,731	\$ 40,584
Percentage change	2.75%	5.77%	1.90%	4.34%	3.14%	2.82%	4.99%	2.85%	0.36%	3.69%
Resident civilian labor force and employment										
Civilian labor force employed	656,546	669,642	672,675	660,942	645,092	624,638	615,546	615,333	591,329	587,304
Unemployed	18,013	14,508	19,800	22,563	27,729	30,142	33,913	43,321	39,941	41,600
Unemployment rate	2.70%	2.10%	2.90%	3.30%	4.10%	4.60%	5.20%	6.60%	6.30%	6.60%

Source: State of Hawaii, Department of Business, Economic Development and Tourism – QSER. Bureau of Economic Analysis – Regional Economic Accounts. State of Hawaii, Department of Labor and Industrial Relations – Hawaii Workforce Infonet (HWI).

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

**State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers
June 30, 2019 and June 30, 2010**

2019			2010		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total State Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total State Employment</u>
First Hawaiian Bank	2,202	0.3%	Alexander & Baldwin, Inc.	2,215	0.3%
Hawaii Pacific Health	6,984	1.0%	Bank of Hawaii Corp	2,418	0.4%
Hawaiian Airlines	5,727	0.9%	Hawaii Pacific Health	5,344	0.8%
Hawaiian Electric Industries, Inc.	3,895	0.6%	Hawaiian Airlines	3,844	0.6%
Kaiser Permanente Hawaii	2,968	0.4%	Hawaiian Electric Industries, Inc.	3,400	0.5%
Kamehameha Schools	3,870	0.6%	Hilton Waikoloa Village	3,200	0.5%
Kokusai Kogyo Kanri Kabushiki Kaisha – U.S. Operations	2,884	0.4%	Kaiser Permanente Hawaii	4,400	0.7%
Outrigger Hospitality Group	3,900	0.6%	Kyo-ya Co., Ltd	3,535	0.6%
Servco Pacific Inc.	2,360	0.4%	Outrigger Enterprise Group	3,554	0.6%
The Queen's Health Systems	7,038	1.0%	The Queen's Health Systems	5,148	0.8%

Source: Hawaii Business, Annual August Issue.
State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor
(Total State Employees).

Note: Total Annual Average Employment for Hawaii for fiscal year 2019 – 672,000 and for
fiscal year 2010 – 636,000.

Listed alphabetically.

State of Hawaii
Demographic and Economic Information
State Employees by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government	4,533	4,517	4,538	4,537	4,571	4,572	4,419	4,394	4,381	4,381
Public safety	3,207	3,265	3,336	3,316	3,197	3,175	2,981	2,903	2,864	2,880
Transportation	2,210	2,229	2,234	2,263	2,295	2,254	2,275	2,202	2,160	2,158
Conservation of natural resources	1,079	1,051	1,008	1,015	1,007	1,007	972	929	941	983
Health	5,246	5,325	5,127	6,544	6,731	6,813	7,136	6,919	6,876	6,863
Welfare	1,948	1,957	1,940	1,913	1,927	1,941	1,940	1,800	1,788	1,848
Lower education	22,122	22,016	21,531	21,841	21,707	21,797	21,976	21,909	21,917	22,090
Higher education	8,660	8,647	8,620	8,746	8,802	9,080	8,978	8,795	8,687	8,732
Other education	493	508	486	496	488	492	-	454	473	482
Urban redevelopment and housing	138	132	130	118	123	127	116	127	130	146
Economic development and assistance	702	814	730	749	761	759	781	815	816	835
Total	50,338	50,461	49,680	51,538	51,609	52,017	51,574	51,247	51,033	51,398

Source: State of Hawaii, Department of Human Resources Development.

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
General government					
Tax Commission					
Total individual net income returns	838,441	808,183	704,250	768,261	715,706
Number of individual net income returns filed electronically	579,720	552,464	536,273	529,527	509,409
Percentage of individual net income returns transmitted electronically	69.14%	68.36%	76.15%	68.93%	71.18%
Public safety					
Inmate population					
In-state facilities	3,991	4,017	4,052	4,584	4,683
Out-of-state facilities	1,507	1,460	1,617	1,386	1,341
Total	<u>5,498</u>	<u>5,477</u>	<u>5,669</u>	<u>5,970</u>	<u>6,024</u>
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	51	52	54	54	52
Health					
Environmental health					
Air quality sites monitored	20	20	14	14	14
Water quality stations	197	187	169	160	161
Revolving loan funds	200	192	186	176	159
Mental health					
Adult consumers served	7,124	8,328	9,295	7,828	8,282
Individuals with developmental disabilities served	3,251	2,956	2,863	2,738	2,705
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	4,362	4,813	5,750	6,918	8,102
Average time on assistance	19.7	18.1	18.1	18.1	17.5
Monthly benefits paid for the month of July (in millions)	\$ 2.48	\$ 2.26	\$ 2.98	\$ 3.90	\$ 3.60
General assistance					
Individuals per month	5,396	5,575	5,651	5,676	5,699
Food stamp program					
Number of persons participating	154,161	164,788	170,850	173,780	191,918
Number of households participating	79,702	84,297	85,491	87,636	96,502
Benefits issued (in millions)	\$ 36.89	\$ 39.78	\$ 40.26	\$ 40.23	\$ 49.90
Medicaid programs					
Med-Quest enrollment	336,202	353,058	352,991	350,358	332,197

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
737,205	612,373	703,262	747,237	665,057
483,817	397,178	430,421	388,463	322,515
65.63%	64.86%	61.20%	51.99%	48.49%
4,456	4,438	4,396	4,423	4,047
1,363	1,415	1,677	1,667	1,940
<u>5,819</u>	<u>5,853</u>	<u>6,073</u>	<u>6,090</u>	<u>5,987</u>
51	53	53	53	53
13	14	12	14	13
173	173	193	201	290
149	133	120	109	107
10,408	10,728	11,062	11,194	14,633
2,615	2,599	2,558	2,438	2,661
8,927	10,075	10,300	10,014	9,448
N/A	14.6	13.5	13.0	15.0
\$ 4.10	\$ 5.47	\$ 6.42	\$ 6.17	\$ 5.29
5,598	5,687	5,633	5,298	5,068
193,565	187,062	172,676	154,496	133,043
98,440	94,649	86,418	77,133	66,885
\$ 43.39	\$ 40.33	\$ 37.18	\$ 33.42	\$ 28.74
325,510	292,423	287,902	272,218	259,307

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,				
	2019	2018	2017	2016	2015
Lower education					
Number of schools	292	292	290	290	289
Number of students	181,278	180,837	181,550	181,995	182,384
Staff					
Classroom teachers	12,132	12,033	11,782	11,747	11,663
Librarians	135	143	149	160	173
Counselors	660	653	634	634	623
Administrators	1,056	1,036	995	943	914
Other support staff	9,194	9,277	9,039	9,113	9,052
Total	<u>23,177</u>	<u>23,142</u>	<u>22,599</u>	<u>22,597</u>	<u>22,425</u>
Higher education					
Enrollment					
Number of credit students	<u>49,977</u>	<u>51,063</u>	<u>51,674</u>	<u>53,418</u>	<u>55,756</u>
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	5,191	4,912	5,102	5,192	4,830
Bachelor's degrees	4,681	4,693	4,735	4,841	4,599
Master's degrees/Professional diploma	868	1,035	1,040	1,126	1,035
Doctor's degrees/First Professional	479	513	482	472	579
Other	80	62	49	49	61
Total	<u>11,299</u>	<u>11,215</u>	<u>11,408</u>	<u>11,680</u>	<u>11,104</u>
Degrees by campus/college					
University of Hawaii at Manoa	4,551	4,726	4,712	5,104	4,923
University of Hawaii at Hilo	895	942	955	893	905
University of Hawaii at West Oahu	643	613	623	474	439
Hawaii Community College	587	586	576	693	569
Honolulu Community College	906	778	900	886	725
Kapiolani Community College	1,212	1,276	1,356	1,383	1,335
Kauai Community College	343	211	258	248	264
Leeward Community College	1,135	1,102	1,019	1,057	1,000
Maui Community College	701	638	668	594	575
Windward Community College	326	343	341	348	369
Total	<u>11,299</u>	<u>11,215</u>	<u>11,408</u>	<u>11,680</u>	<u>11,104</u>

N/A Not available.

Source: General Government – State of Hawaii, Department of Taxation.
Public Safety – State of Hawaii, Department of Public Safety.
Conservation of Natural Resources – State of Hawaii, Department of Land and Natural Resources.
Health – State of Hawaii, Department of Health.
Welfare – State of Hawaii, Department of Human Services.
Lower Education – State of Hawaii, Department of Education.
Higher Education – University of Hawaii.

2014	2013	2012	2011	2010
288	286	286	287	286
185,273	183,251	181,213	178,208	178,649
11,781	11,632	11,458	11,046	11,262
185	192	199	204	225
625	629	627	618	646
833	823	806	734	728
9,014	8,987	8,975	8,408	8,607
22,438	22,263	22,065	21,010	21,468
57,052	58,941	60,295	60,330	60,090
5,158	4,097	3,638	3,324	3,025
4,408	4,236	4,055	3,796	3,593
1,179	1,095	1,287	1,269	1,216
467	508	494	496	351
66	65	154	103	106
11,278	10,001	9,628	8,988	8,291
4,949	4,737	4,767	4,675	4,414
806	809	915	731	601
352	349	301	255	242
669	552	452	405	426
683	551	565	559	486
1,513	1,193	987	851	783
203	216	196	208	162
1,090	770	721	657	608
660	601	560	482	416
353	223	164	165	153
11,278	10,001	9,628	8,988	8,291

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function
Ten Years Ended June 30, 2019

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General government										
Department of Accounting and General Services										
Buildings	79	79	79	81	79	78	74	74	74	74
Vehicles	675	644	644	673	650	650	608	600	592	582
Department of the Attorney General										
Buildings	6	6	6	6	6	6	5	5	5	5
Vehicles	3	3	3	4	3	3	3	3	3	3
The Judiciary										
Buildings	19	19	19	19	19	19	19	18	18	18
Vehicles	-	-	18	18	18	18	18	18	17	16
Other departments										
Buildings	21	21	21	21	23	23	22	24	24	24
Vehicles	3	3	3	3	3	4	4	4	4	4
Public safety										
Department of Public Safety										
Buildings and correction facilities	76	76	76	76	77	75	74	74	74	73
Vehicles	354	353	290	302	306	279	274	277	278	277
Department of Defense										
Buildings	99	99	99	99	99	98	98	97	97	96
Vehicles	128	121	108	104	96	128	118	112	81	79
Department of Commerce and Consumer Affairs										
Buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	-	-	-	-	-	-	-	-	-	1
Highways										
Department of Transportation										
Highway lane miles	2,497	2,489	2,489	2,487	2,477	2,488	N/A	N/A	N/A	2,497
Highway bridges	752	752	752	752	752	752	N/A	N/A	N/A	752
Buildings	40	40	40	40	39	37	36	36	34	34
Vehicles	1,077	1,101	1,043	989	971	982	984	951	958	968

(continued)

N/A Not available

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles – State of Hawaii, Department of Transportation.
Land Area and Highway Bridges – State of Hawaii, Data Book 2019.

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Conservation of natural resources										
Department of Land and Natural Resources										
Land area (in square miles)	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423
Buildings	97	97	97	97	97	96	94	93	95	95
Vehicles	969	927	886	855	824	785	788	756	758	732
Department of Agriculture										
Buildings	33	33	33	33	33	32	32	32	32	32
Vehicles	165	163	159	161	164	166	167	170	176	186
Health										
Department of Health										
Buildings	73	73	73	74	74	74	74	74	74	74
Vehicles	278	269	258	241	230	227	238	252	259	280
Welfare										
Department of Human Services										
Buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	94	95	99	99	104	116	110	107	111	111
Lower education										
Department of Education										
Buildings	8	8	8	8	8	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	39	38	38	39	38	38	38	34	34	34
Vehicles	33	33	29	29	29	25	27	28	27	28
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	19	19	19	19	18	18	18	18	18	18
Vehicles	46	47	42	39	36	33	37	33	34	34
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	33	32	32	32	32	32	32	33	33	33
Vehicles	32	32	30	32	32	28	30	32	33	34
Department of Labor and Industrial Relations										
Buildings	8	8	8	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	2

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