



January 31, 2023

VIA EMAIL

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

VIA EMAIL

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

RE: Financial Audit of the State of Hawai'i Annual Comprehensive Financial Report

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements of the State of Hawai'i Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022, was issued on December 30, 2022. 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:

https://files.hawaii.gov/auditor/Reports/2022_Audit/ACFR2022.pdf; and

https://files.hawaii.gov/auditor/Reports/2022_Audit/ACFR_Summary_2022.pdf.

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

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:LYK:emo
Attachment

ec/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor's Summary

Financial Audit of the Annual Comprehensive Financial Report of the State of Hawai'i

Financial Statements, Fiscal Year Ended June 30, 2022



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 Annual Comprehensive Financial Report (ACFR) for the State of Hawai'i, as of and for the fiscal year ended June 30, 2022. The audit was conducted by Accuity LLP. The ACFR was issued on December 30, 2022.

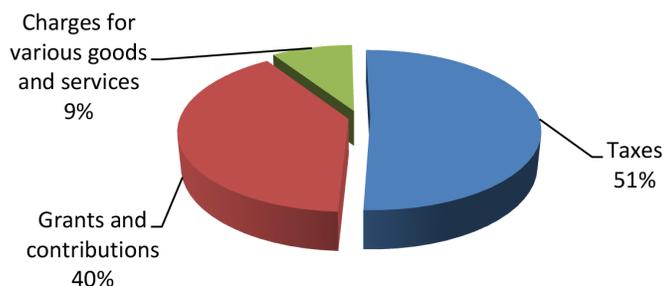
About the State

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.

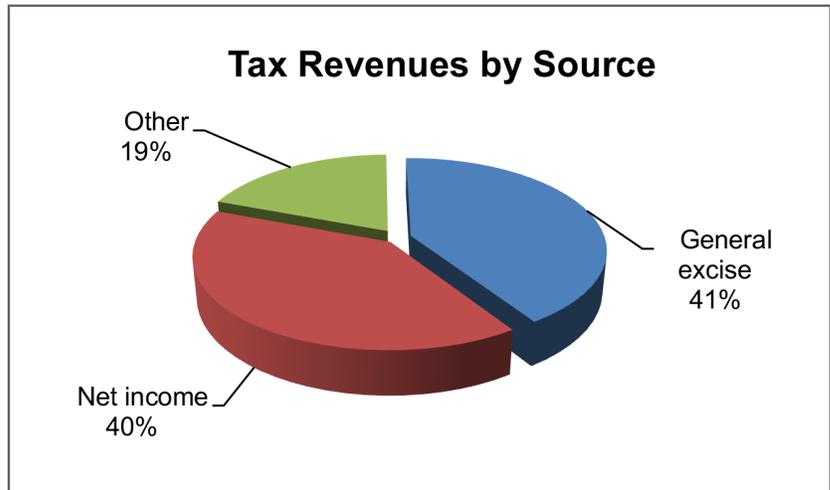
Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2022, total revenues were \$18.7 billion and total expenses were \$16.3 billion, resulting in an increase in net position of \$2.4 billion. Approximately 51 percent of the State of Hawai'i's total revenues came from taxes of \$9.5 billion, 40 percent from grants and contributions of \$7.5 billion, and 9 percent from charges for various goods and services of \$1.7 billion.

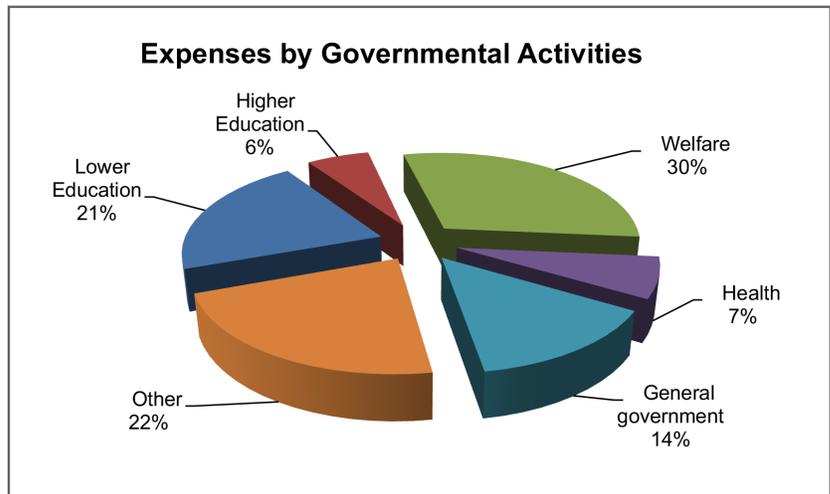
Sources of Revenues



Total tax revenues of \$9.5 billion consisted of general excise taxes of \$3.9 billion, net income taxes of \$3.8 billion, and other taxes of \$1.8 billion.



The largest expenses were for welfare at \$4.9 billion, lower education at \$3.4 billion, higher education at \$900 million, health at \$1.1 billion, and general government at \$2.3 billion. Other expenses totaled \$3.7 billion.



As of June 30, 2022, total liabilities and deferred inflows of resources of \$31.7 billion exceeded total assets and deferred outflows of resources of \$29.6 billion, resulting in a negative net position of \$2.1 billion. Of this amount, \$3.6 billion was for the State’s net investment in capital assets, \$4.2 billion was restricted for specific programs, and a negative \$9.9 billion was unrestricted assets.

As of June 30, 2022, total assets and deferred outflows of resources of \$29.6 billion were comprised of (1) net capital assets of \$15.5 billion, (2) investments of \$6 billion, (3) cash of \$2 billion, (4) receivables of \$1.7 billion, (5) restricted assets of \$1.4 billion, and (6) other assets and deferred outflows of resources of \$3 billion. Total liabilities and deferred inflows of resources of \$31.7 billion were comprised of (1) general obligation and revenue bonds payable of \$12.5 billion, (2) vacation and retirement benefits of \$12 billion, and (3) other liabilities and deferred inflows of resources of \$7.2 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 https://files.hawaii.gov/auditor/Reports/2022_Audit/ACFR2022.pdf

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

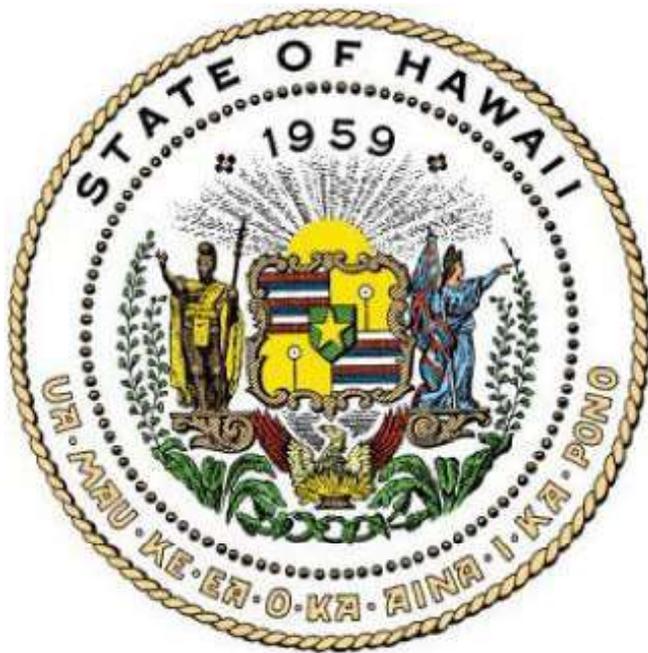


KEITH A. REGAN
COMPTROLLER

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2022



KEITH A. REGAN
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

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Annual Comprehensive Financial Report
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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2022



Keith A. Regan
Comptroller



Meoh-Leng Silliman
Deputy Comptroller

Governor
Director of Finance
Director of Taxation
Comptroller
Deputy Comptroller

Josh Green, M.D.
Luis P. Salaveria
Gary Suganuma
Keith A. Regan
Meoh-Leng Silliman

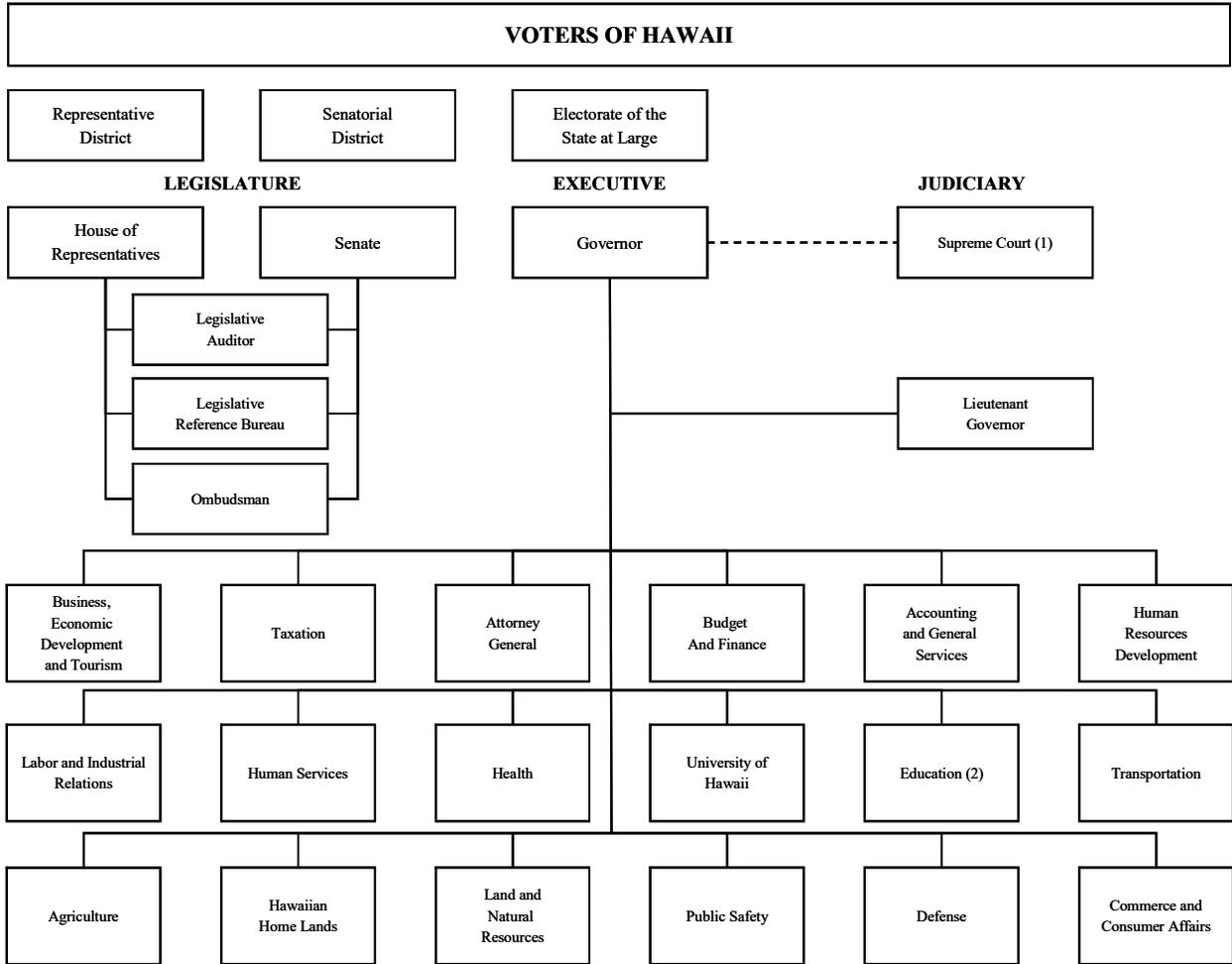
Notes:

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, 2022



- (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.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII'
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

December 30, 2022

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Thirty-Second 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 Annual Comprehensive Financial Report (ACFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2022. 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 2022, Hawaii's economic indicators were mixed. Visitor arrivals, wage and salary jobs, State general fund tax revenues and government contracts awarded all increased compared to third quarter 2021. However, private building authorizations decreased.

Labor

Labor market conditions in Hawaii were mostly positive in 2022. During the first nine months of 2022, Hawaii's total civilian employment averaged 648,300 persons, an increase of 22,850 persons or 3.7% over the same period in 2021. The number of wage and salary jobs averaged at 609,800. Job increases were most notable in accommodation services 9,900, food services & drinking places 8,200, transportation, warehousing & utilities 2,500, professional & business services 1,900 and retail trade 1,600. A few sectors experienced declines including financial activities (1,000), natural resources, mining & construction (800) and healthcare & social assistance (300). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 3.7% for the first nine months of 2022, compared to 6.1% for the same period in 2021.

Taxes

The State General Fund tax revenues increased \$1.2 billion, or 20.1%, during the first nine months of 2022 compared to the same period in 2021. Among its components, net individual income tax collections increased \$242.6 million or 9.1%, general excise and use tax (GET) collections increased \$532.6 million or 19.8%, and transient accommodations tax (TAT) collections were up \$271.5 million or 72.7%. Net corporate income tax revenues increased \$33.4 million or 18.5%.

Personal Income

Total nominal personal income, not adjusted for inflation, decreased \$4.3 million, or -2.4% in the first half of 2022 compared to the same period in 2021. Among its components, the significant decline was seen in personal current transfer receipts which decreased \$14.5 million, or -31.0% while wages and salaries increased \$7.0 million or 9.2%. The remaining categories had declines that ranged from -1.6% to -206.3%. Contributions for government social insurance, which are subtracted from personal income, increased by 5.3%.

Prices

Honolulu's consumer price index (CPI) increased 6.7% for the first half of 2022 compared to the same period in 2021, which is 1.6% below United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in transportation (16.9%), food and beverages (8.6%), recreation (5.4%), other goods and services (4.7%), housing (4.5%), education and communication (1.3%), and apparel (1.0%) compared to the first half of 2021.

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2022, total visitor arrivals by air increased 1,982,680 or 40.8% compared to the same period of 2021. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 30.0% while international arrivals increased 1,480.6%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 35.2% in the first nine months of 2022 compared to the same period of 2021 and total visitor spending increased \$5.2 billion or 57.5% over the same period. Statewide hotel occupancy rate averaged 74.4% in the first nine months of 2022, 18.6% higher than the average rate during the same period of 2021.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. However, the indicators of Hawaii's construction industry were mixed in 2022. Construction jobs and private building authorizations decreased but government contracts awarded, and state government CIP expenditures increased. In the first nine months of 2022, the construction sector decreased 600 jobs or -1.6% from the same period of 2021. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the construction job market from third quarter of 2011 to 2021 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

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. However, during the first nine months of 2022, Hawaii welcomed a total of 6.8 million visitors, representing 88.0% recovery from the same period in 2019. Though September 2022 and measured in current prices, total visitor spending was \$14.3 billion or 7.9% higher than the spending during the same period of 2019.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2022 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2022 to increase 1.8% and projects a positive 0.2% U.S. economic growth rate for 2023. The Department of Business, Economic Development and Tourism (DBEDT) projects that Hawaii's economic growth rate, as measured by the real gross domestic product (GDP), will increase by 2.6% in 2022, 1.7% in 2023, 2.1% in 2024, and 2.0% in 2025.

The visitor arrivals are expected to increase gradually in the next three years to 9.8 million in 2023, 10.2 million in 2024 and 10.5 million in 2025. Visitor spending is also expected to increase gradually over the next three years by 7.5% in 2023, 4.0% in 2024 and 5.1% in 2025.

DBEDT projects total non-agricultural wage and salary jobs to increase 4.3% in 2022, then will increase by 3.0% in 2023, 2.3% in 2024, and 1.9% in 2025. Nominal Personal Income is expected to increase 2.6% in 2023 with real GDP projected to increase 2.6% in 2022, then will increase 1.7% in 2023, 2.1% in 2024, and 2.0% in 2025.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase at rates between 2.1% and 6.5% in the next few years. The State GDP deflator is forecast to grow 2.7% in 2023.

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 2021 (Act 88, SLH 2021), as amended by the Supplemental Appropriations Act of 2022 (Act 248 SLH 2022) 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 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 15 collective bargaining units, 13 include State employees. Units 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, and 14 have collective bargaining agreements in effect through June 30, 2023.

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, 2022. 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive 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 Annual Comprehensive 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,



KEITH A. REGAN
Comptroller, State of Hawaii



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Hawaii

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

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PART II: FINANCIAL SECTION



Report of Independent Auditors

The Auditor
State of Hawaii

Opinions

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, 2022, and the related notes to the basic financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 32–133) as listed in the accompanying table of contents.

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, 2022, 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.

We did not audit the financial statements of the Department of Transportation – Airports Division, which is a major enterprise fund; 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 as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended 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	78 %	32 %
Aggregate Discretely Presented Component Units	19 %	32 %
Fiduciary Funds	86 %	29 %

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Department of Transportation – Airports Division, 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,

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and the Hawaii Health Systems Corporation, are based solely on the reports of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (pages 14–30), budgetary comparison information (pages 136–142 and 154–160), Schedule of the Proportionate Share of the Net Pension Liability (page 143), Schedule of Pension Contributions (page 144), Schedule of the Proportionate Share of the Net OPEB Liability (page 145), and Schedule of OPEB Contributions (page 146) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We 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.

Supplementary 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 150–153 and 161–165) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the



basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory (pages 1–7) and statistical sections (pages 168–201) but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Emphasis of Matters

As discussed in Note 1 to the financial statements, effective July 1, 2021, the State of Hawaii adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the beginning net position and fund balance of the governmental activities, governmental funds, and custodial funds have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2022, 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 30, 2022



State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2022

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, 2022. 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

Implementation of GASB Statement No. 87

During fiscal year 2022, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The Statement established criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The adoption of Statement No. 87 resulted in an increase in capital assets and liabilities of approximately \$62,750,000 and receivables and deferred inflows of resources of approximately \$1,224,070,000 as of July 1, 2021.

Restatement

The beginning net position and fund balances for the State's governmental activities and the governmental and custodial funds were adjusted to reflect the correction of an accounting error due to the State's implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year. After adjustments, beginning governmental activity net position and governmental fund balance decreased by approximately \$290,258,000, while beginning net position of custodial funds increased by approximately \$290,258,000.

The fiscal 2021 information has not been updated for this restatement.

Government-Wide Highlights

The liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at June 30, 2022 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 \$9.9 billion, an increase of \$2.7 billion from the previous year. Net position of governmental activities and business-type activities increased by \$1.3 billion and \$1.1 billion, respectively, due to current year activity. The total deferred outflows of resources was \$1.5 billion, a \$1.2 billion decrease. This was due to the decrease in deferred outflows on net pension liability and net other postemployment benefits (OPEB) liability in the amounts of \$429.0 million and \$801.1 million, respectively. The deferred inflows of resources increased to \$3.5 billion, with the increase of deferred inflows of resources from leases, net pension liability, and OPEB in the amounts of \$1.4 billion, \$1.1 billion, and \$375.7 million, respectively.

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Fund Highlights

At June 30, 2022, the State's Governmental Funds reported combined ending fund balances of \$5.1 billion, an increase of \$1.0 billion from the prior fiscal year. Of this amount, \$3.1 billion, or 61.3%, of total fund balances was in the General Fund, and the remaining \$2.0 billion represents amounts in other funds designated for specific purposes. The Proprietary Funds reported net position of \$5.1 billion at June 30, 2022, an increase of \$1.1 billion during the fiscal year.

Liabilities

The State's liabilities decreased during the current year to \$28.2 billion, a decrease of \$4.1 billion. During fiscal 2022, the State issued General Obligation Refunding bonds in the amount of \$1.2 billion to advance refund \$1.1 billion of previously issued outstanding bond anticipation notes. In addition, the State issued \$700.0 million in taxable General Obligation bonds.

The State's liability for postemployment benefits other than pension decreased to \$5.4 billion, a decrease of \$1.1 billion for the fiscal year ended June 30, 2022.

The State's liability for pensions decreased to \$6.3 billion, a decrease of \$1.5 billion for the fiscal year ended June 30, 2022.

Overview of the Basic Financial Statements

This discussion and analysis are 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,

State of Hawaii
Management's Discussion and Analysis (Unaudited)
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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 32–34 of this report.

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, Med-Quest Special Revenue Fund, Administrative

Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs 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, Med-Quest Special Revenue Fund, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs 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 36–39 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.

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 40–44 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 46–47 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 54–133 of this report.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2022

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 Fund, Med-Quest Special Revenue Fund, Administrative Support Special Revenue Fund, Natural Resources Special Revenue Fund, and Hawaiian Programs Special Revenue Fund 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, nonmajor Proprietary, and Custodial 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.

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.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
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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, 2022, and net position increased \$2.1 billion, or 49.2%, from June 30, 2021 balances. The net position of the governmental activities increased by \$1.0 billion, or 12.2%, and business-type activities had an increase of \$1.1 billion, or 27.4%, due to the fiscal year 2022 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2022 and 2021
(Amounts in thousands)

	Governmental Activities		Primary Government Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 8,466,719	\$ 7,760,370	\$ 4,134,626	\$ 3,216,765	\$ 12,601,345	\$ 10,977,135
Capital assets, net	10,316,257	9,933,813	5,163,400	5,061,053	15,479,657	14,994,866
Total assets	\$ 18,782,976	\$ 17,694,183	\$ 9,298,026	\$ 8,277,818	\$ 28,081,002	\$ 25,972,001
Deferred outflows of resources						
Deferred loss on refunding	\$ 98,645	\$ 103,797	\$ 7,007	\$ 8,499	\$ 105,652	\$ 112,296
Deferred outflows on net pension liability	830,429	1,249,170	33,220	43,477	863,649	1,292,647
Deferred outflows on net other postemployment benefits liability	484,031	1,281,528	11,664	15,281	495,695	1,296,809
Total deferred outflows of resources	\$ 1,413,105	\$ 2,634,495	\$ 51,891	\$ 67,257	\$ 1,464,996	\$ 2,701,752
Liabilities						
Long-term liabilities	\$ 22,158,365	\$ 24,364,821	\$ 3,348,140	\$ 3,959,667	\$ 25,506,505	\$ 28,324,488
Other liabilities	2,467,095	3,609,875	272,874	387,730	2,739,969	3,997,605
Total liabilities	\$ 24,625,460	\$ 27,974,696	\$ 3,621,014	\$ 4,347,397	\$ 28,246,474	\$ 32,322,093
Deferred inflows of resources						
Deferred inflows on leases	\$ 832,753	\$ -	\$ 571,171	\$ -	\$ 1,403,924	\$ -
Deferred inflows on net pension liability	1,029,046	24,066	68,277	1,105	1,097,323	25,171
Deferred inflows on net other postemployment benefits liability	937,969	563,529	20,636	19,403	958,605	582,932
Total deferred inflows of resources	\$ 2,799,768	\$ 587,595	\$ 660,084	\$ 20,508	\$ 3,459,852	\$ 608,103
Net position						
Net investment in capital assets	\$ 1,012,903	\$ 1,147,118	\$ 2,568,292	\$ 2,637,031	\$ 3,581,195	\$ 3,784,149
Restricted	2,373,911	2,755,923	1,814,854	1,721,912	4,188,765	4,477,835
Unrestricted	(10,615,961)	(12,136,654)	685,673	(381,773)	(9,930,288)	(12,518,427)
Total net position	\$ (7,229,147)	\$ (8,233,613)	\$ 5,068,819	\$ 3,977,170	\$ (2,160,328)	\$ (4,256,443)

Analysis of Net Position

By far, the largest portion of the State's net position (\$3.6 billion or negative 165.8%) 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 (\$4.2 billion or negative 193.9%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$9.9 billion or 459.7% represents unrestricted net position.

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At June 30, 2022, 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 \$5.2 billion and net pension liability of \$6.1 billion.

Changes in Net Position

The State's net position increased by \$2.4 billion, or 56.1%, during the fiscal year ended June 30, 2022. Approximately 50.0% of the State's total revenues came from taxes, while 39.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 10.1% of the total revenues. The State's expenses cover a range of services. The largest expenses were for welfare, higher and lower education, general government, health, public safety, and highways.

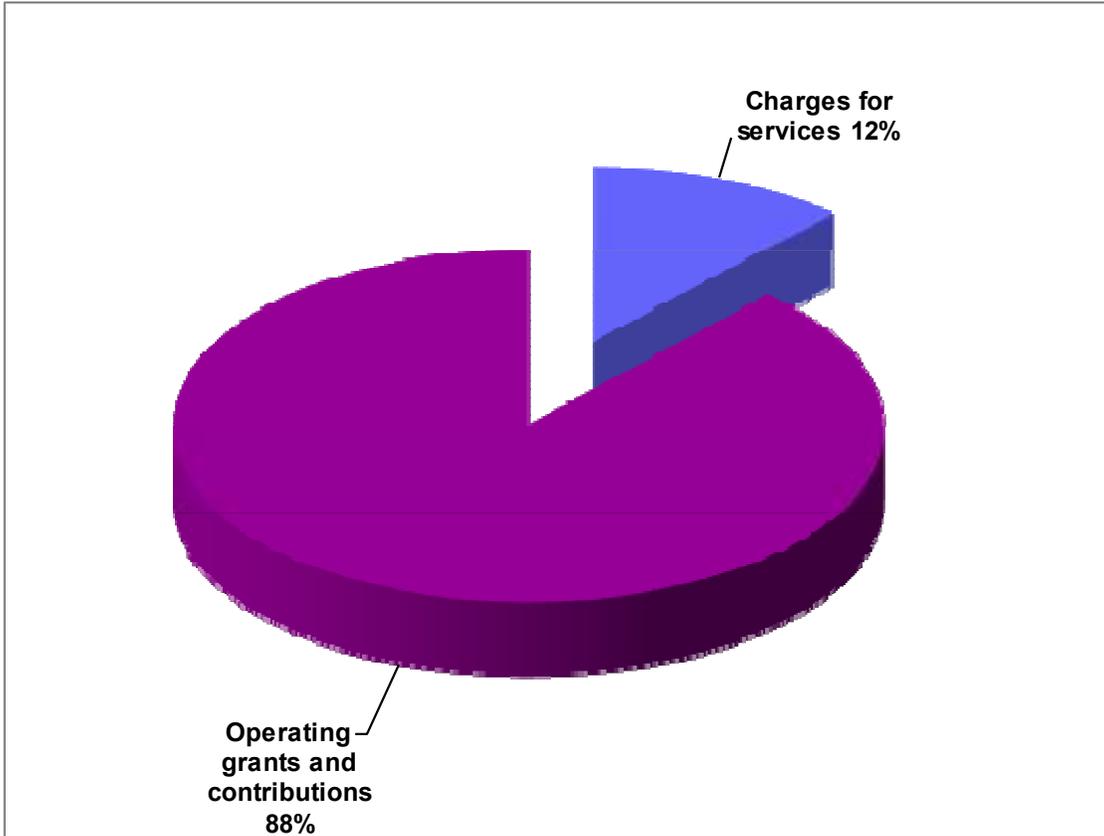
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2022 and 2021
(Amounts in thousands)

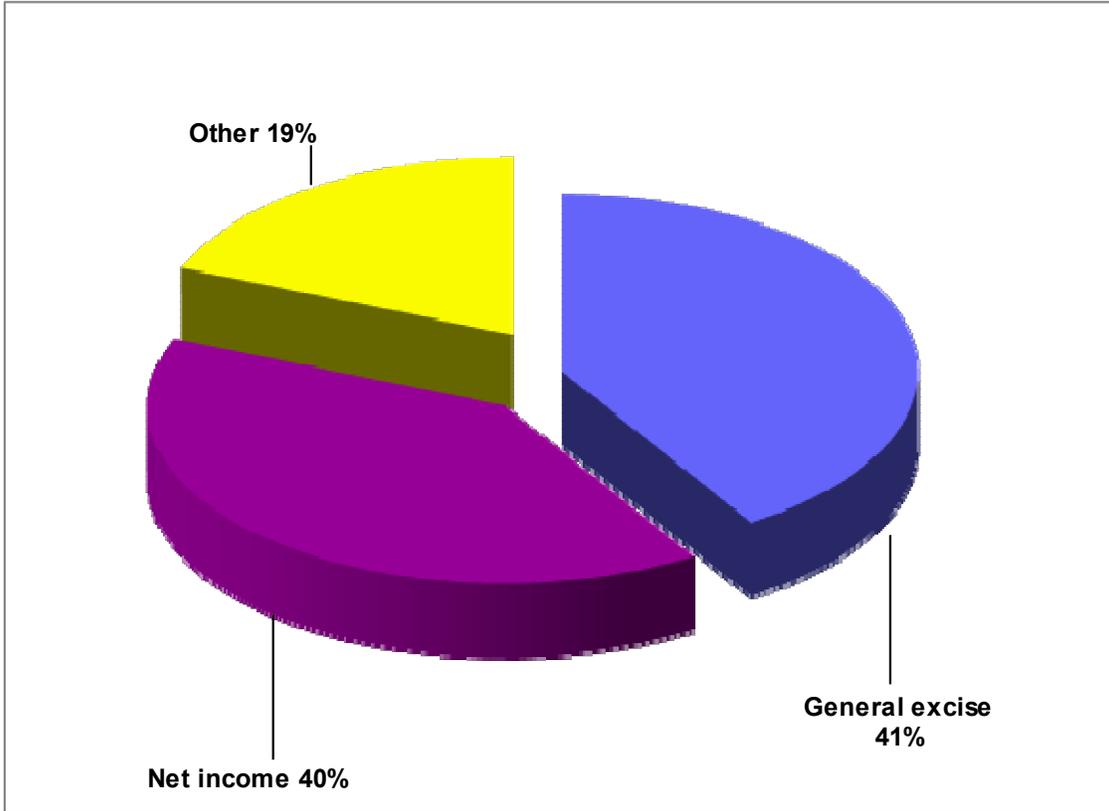
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 816,335	\$ 703,910	\$ 1,108,486	\$ 890,955	\$ 1,924,821	\$ 1,594,865
Operating grants and contributions	6,121,649	5,030,769	1,387,833	3,206,169	7,509,482	8,236,938
Capital grants and contributions	-	-	45,611	83,411	45,611	83,411
General revenues						
Taxes	9,459,441	7,699,115	-	-	9,459,441	7,699,115
Investment income and other	(251,345)	30,759	3,001	88,509	(248,344)	119,268
Total revenues	<u>16,146,080</u>	<u>13,464,553</u>	<u>2,544,931</u>	<u>4,269,044</u>	<u>18,691,011</u>	<u>17,733,597</u>
Expenses						
General government	2,309,934	1,867,701	-	-	2,309,934	1,867,701
Public safety	740,183	772,470	-	-	740,183	772,470
Highways	565,191	531,130	-	-	565,191	531,130
Conservation of natural resources	118,553	115,658	-	-	118,553	115,658
Health	1,103,928	891,325	-	-	1,103,928	891,325
Welfare	4,882,816	4,579,544	-	-	4,882,816	4,579,544
Lower education	3,389,834	3,299,413	-	-	3,389,834	3,299,413
Higher education	919,350	984,734	-	-	919,350	984,734
Other education	16,933	20,593	-	-	16,933	20,593
Culture and recreation	117,785	374,727	-	-	117,785	374,727
Urban redevelopment and housing	201,311	449,870	-	-	201,311	449,870
Economic development and assistance	265,549	403,426	-	-	265,549	403,426
Interest expense	219,989	257,218	-	-	219,989	257,218
Airports	-	-	616,382	600,867	616,382	600,867
Harbors	-	-	107,980	107,371	107,980	107,371
Unemployment compensation	-	-	608,094	4,005,272	608,094	4,005,272
Nonmajor proprietary funds	-	-	120,826	98,462	120,826	98,462
Total expenses	<u>14,851,356</u>	<u>14,547,809</u>	<u>1,453,282</u>	<u>4,811,972</u>	<u>16,304,638</u>	<u>19,359,781</u>
Change in net position	<u>1,294,724</u>	<u>(1,083,256)</u>	<u>1,091,649</u>	<u>(542,928)</u>	<u>2,386,373</u>	<u>(1,626,184)</u>
Net position						
Beginning of year, as previously reported	(8,233,613)	(7,150,357)	3,977,170	4,520,098	(4,256,443)	(2,630,259)
Adjustment for correction of misstatement	(290,258)	-	-	-	(290,258)	-
Beginning of year, as restated	<u>(8,523,871)</u>	<u>(7,150,357)</u>	<u>3,977,170</u>	<u>4,520,098</u>	<u>(4,546,701)</u>	<u>(2,630,259)</u>
End of year	<u>\$ (7,229,147)</u>	<u>\$ (8,233,613)</u>	<u>\$ 5,068,819</u>	<u>\$ 3,977,170</u>	<u>\$ (2,160,328)</u>	<u>\$ (4,256,443)</u>

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

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2022



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2022



Analysis of Changes in Net Position

The State's net position increased by \$2.4 billion during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to increases in net position of governmental activities of \$1.3 billion, Unemployment Compensation Fund of \$930.9 million, Airports of \$43.9 million, Harbors of \$93.9 million, and Nonmajor Proprietary Funds of \$23.0 million.

State of Hawaii
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June 30, 2022

Governmental Activities

Governmental activities increased the State's net position by \$1.3 billion. The elements of this increase are reflected below:

	Governmental Activities	
	(Amounts in thousands)	
	2022	2021
General revenues		
Taxes	\$ 9,459,441	\$ 7,699,115
Interest and investment income and other	(251,345)	30,759
Total general revenues	<u>9,208,096</u>	<u>7,729,874</u>
Expenses, net of program revenues		
General government	894,830	928,094
Public safety	480,121	603,175
Highways	270,017	243,649
Conservation of natural resources	(31,306)	4,226
Health	751,251	605,097
Welfare	1,197,030	1,145,362
Lower education	2,823,233	2,935,058
Higher education	918,934	984,690
Other education	16,933	20,593
Culture and recreation	102,423	369,012
Urban redevelopment and housing	126,932	408,033
Economic development and assistance	142,985	308,923
Interest expense	<u>219,989</u>	<u>257,218</u>
Total governmental activities expenses, net of program revenues	<u>7,913,372</u>	<u>8,813,130</u>
Increase (decrease) in governmental activities net position	<u>\$ 1,294,724</u>	<u>\$ (1,083,256)</u>

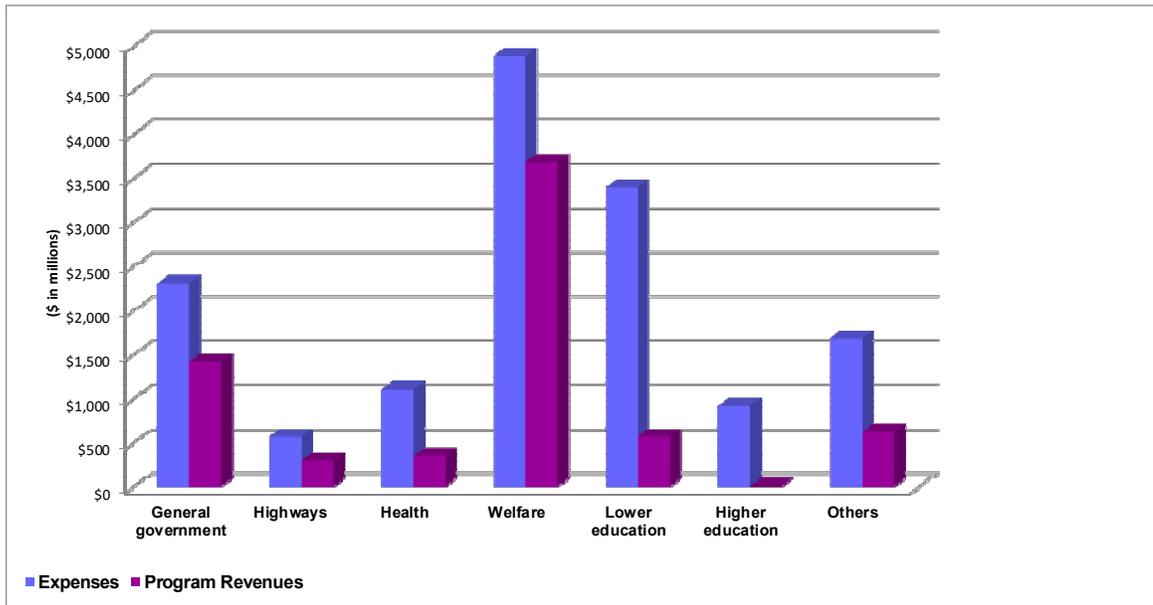
Tax revenues increased by \$1.8 billion, or 22.9%, from the previous fiscal year. The increase was primarily due to an increase in individuals' net income taxes of \$530.6 million, general excise tax of \$452.0 million, and transient accommodation taxes of \$464.2 million. These tax increases are attributed to the rebound of the economy after the COVID-19 pandemic.

Expenses, net of program revenues decreased by \$899.8 million mainly due to the increase in program expenses of \$303.5 million, which was netted against an increase of charges for services and operating grants and contributions of \$1.2 billion. Largest variances were urban redevelopment and housing, culture and recreation, economic development and assistance, and public safety.

State of Hawaii
Management’s Discussion and Analysis (Unaudited)
June 30, 2022

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:

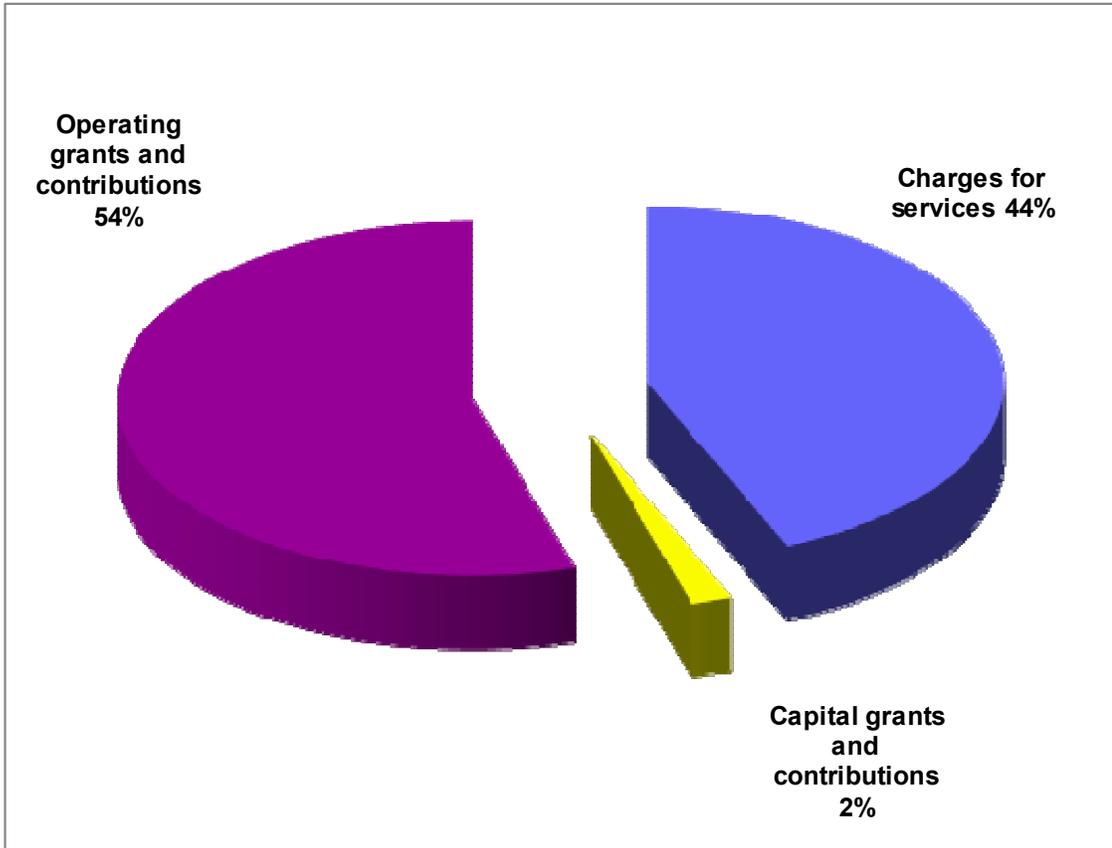
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2022



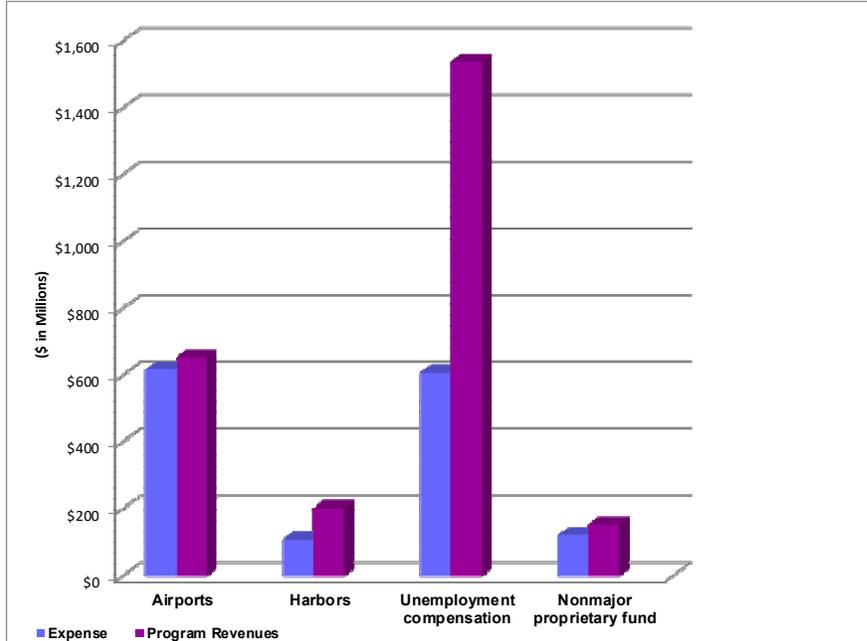
Business-Type Activities

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, 2022



Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2022



Business-type activities increased the State’s net position by \$1.1 billion in fiscal 2022, compared to a decrease of \$542.9 million in fiscal 2021. Key elements of this increase are as follows:

- Airports’ net position increased \$43.9 million compared to a decrease of \$64.5 million in the prior fiscal year. Charges for current services increased by \$210.9 million primarily due to an increase in landing fees from higher passenger traffic. Airport’s expenses increased \$15.5 million due to increases in airport operations and general administration.
- Harbors’ net position increased \$93.9 million in fiscal 2022 compared to an increase of \$80.9 million in fiscal 2021. Charges for current services increased by \$19.6 million due to increased Wharfage revenues and tariff rates.
- The Unemployment Compensation Fund’s net position increased \$930.9 million compared to a decrease of \$633.6 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of \$3.4 billion.
- The Nonmajor Proprietary Fund’s net position increased \$23.0 million in fiscal 2022 compared to an increase of \$74.3 million in fiscal 2021.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2022

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2022 and 2021 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							
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Airports	\$ 539,502	\$ 328,629	\$ 111,491	\$ 200,827	\$ 650,993	\$ 529,456	\$ 616,382	\$ 600,867	\$ 34,611	\$ (71,411)		
Harbors	201,640	182,061	243	6,165	201,883	188,226	107,980	107,371	93,903	80,855		
Unemployment compensation	243,660	239,096	1,294,070	3,053,978	1,537,730	3,293,074	608,094	4,005,272	929,636	(712,198)		
Nonmajor proprietary funds	123,684	141,169	27,640	28,610	151,324	169,779	120,826	98,462	30,498	71,317		
Total	\$ 1,108,486	\$ 890,955	\$ 1,433,444	\$ 3,289,580	\$ 2,541,930	\$ 4,180,535	\$ 1,453,282	\$ 4,811,972	\$ 1,088,648	\$ (631,437)		

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 \$5.1 billion. Of this amount, \$272 thousand is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$89.9 million has been committed to specific purposes and \$2.7 billion has been assigned to specific purposes by management. The unassigned fund balance was \$2.3 billion 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 \$3.1 billion compared to \$1.6 billion previously reported at June 30, 2022. This increase is due to the increase in tax revenues and decrease in expenses attributed to the recovery from the COVID-19 pandemic. The fund balance of the State's Capital Projects Fund decreased \$216.1 million during the fiscal year. The Capital Projects Fund decrease is a result of expenditures in excess of proceeds from general obligation bond issuances. The fund balance of the Med-Quest Special Fund decreased \$8.1 million compared to the previous year due to an increase in welfare expenditures because of lingering effects of the COVID-19 pandemic. The fund balance of the Administrative Support Special Revenue Fund decreased by \$114.8 million due to an increase in spending for COVID-19 expenses. The fund balance of the Natural Resources Special Revenue Fund increased by \$19.9 million mainly due to increased revenues from charges for services with COVID-19 restrictions being released and state parks opening to the public. The fund balance of the Hawaiian Programs Special Revenue Fund decreased by \$20.9 million due to an increase in expenditures compared to the previous year. The fund balance of the other Nonmajor Governmental Funds increased \$34.7 million mainly due to the proceeds of refunding bonds.

State of Hawaii
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June 30, 2022

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 \$43.9 million, Harbors had an increase in net position of \$93.9 million, the Unemployment Compensation Fund had an increase in net position of \$930.9 million, and the Nonmajor Proprietary Funds had an increase in net position of \$23.0 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 \$705.2 million or 7.5% more than the final budget. The positive variance was attributed to favorable tax revenues of \$600.7 million and favorable non-tax revenues of \$104.5 million. Corporate income tax, individual tax, and transient accommodation tax all collected more than what was projected by \$87.9 million, \$401.0 million, and \$198.7 million, respectively. The favorable variance in non-tax revenues is mainly comprised of charges for current services and pension and social security reimbursements. Both favorable increases are a result of the economy leveling out after the drastic decreases in fiscal years 2020 and 2021 due to the COVID-19 pandemic.

The difference between the final budget and actual expenditures on a budgetary basis was \$233.9 million. The difference is mostly due to the Budget and Finance variance of \$53.2 million and education variance of \$68.3 million. The Budget and Finance variance is mostly due to \$46.9 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans. As in previous years, the positive variance in education resulted when the Department of Education carried over \$60.3 million of unencumbered appropriations into 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 departments.

Capital Assets

The State's capital assets for its governmental and business-type activities as of June 30, 2022 amounted to \$15.5 billion (net of accumulated depreciation of \$15.3 billion), an increase of \$484.8 million from fiscal 2021. The increase is due to an increase in governmental activities capital assets of \$893.0 million and in business-type capital assets of \$307.4 million offset by increases in governmental activities and business-type activities accumulated depreciation and amortization of \$510.5 million and \$205.0 million, respectively. Major capital improvement projects, which resulted in additions to capital assets in the fiscal year ended June 30, 2022, included the following:

- \$494.5 million for various capital improvement projects and repair and maintenance of public school facilities throughout the State.
- \$383.1 million for various highway improvement projects throughout the State.
- \$244.6 million for various building improvement projects throughout the State.

State of Hawaii
Management’s Discussion and Analysis (Unaudited)
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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 \$12.5 billion. Of this amount, \$9.1 billion comprises debt backed by the full faith and credit of the State and \$3.4 billion 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, 2022 and 2021
(Amounts in thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
General obligation bonds	\$ 9,041,510	\$ 8,870,454	\$ 13,667	\$ 16,239	\$ 9,055,177	\$ 8,886,693
Bond anticipation note	-	200,000	-	-	-	200,000
Revenue bonds	700,427	753,505	2,716,839	2,519,961	3,417,266	3,273,466
Total	<u>\$ 9,741,937</u>	<u>\$ 9,823,959</u>	<u>\$ 2,730,506</u>	<u>\$ 2,536,200</u>	<u>\$ 12,472,443</u>	<u>\$ 12,360,159</u>

The State’s total long-term debt increased by \$112.3 million, or 0.9%, during the current fiscal year. The increase is primarily due to bond maturities, refunding of debt, and issuances of GO bond and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2022, the State’s underlying general obligation bond ratings were Moody’s Investors Service (Aa2), 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, 2022 was \$635.0 million.

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 2021 was 3.3%, while the seasonally adjusted national unemployment rate was 3.7%. One year ago, the State’s seasonally adjusted unemployment rate stood at 6.3%, while the seasonally adjusted national unemployment rate was 4.6%.

The Council of Revenues in September 2022 revised the State’s General Fund tax revenue growth rate for fiscal year 2023 from 5.0% to 6.5%. The Council also revised the General Fund tax revenue growth rate for fiscal year 2024 to 4.0% and maintained its forecast for fiscal years 2025 through 2028 at 3.5%.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2022

Cumulative general fund tax revenues for the first five months of fiscal 2023 was \$3.5 billion, an increase of \$17.9 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 13.6%.

A return to pre-pandemic activity is still ongoing, although Hawaii's economy has rebounded well. This optimism is tempered by concerns regarding inflation, international conflicts, interest rates, and looming recession. In response to these uncertainties, the Governor has imposed a 10% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2023.

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, 2022
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 917,597	\$ 1,041,334	\$ 1,958,931	\$ 1,207,830
Receivables				
Taxes	256,544	67,206	323,750	-
Accounts and accrued interest, net	38,185	78,462	116,647	247,021
Notes, loans, mortgages and contributions, net	152,739	728,766	881,505	904,730
Federal government	58,127	11,132	69,259	1,218
Premiums	-	54,574	54,574	-
Drug rebate	113,003	-	113,003	-
Other, net	93,832	22,063	115,895	35,906
Total receivables	<u>712,430</u>	<u>962,203</u>	<u>1,674,633</u>	<u>1,188,875</u>
Internal balances	1,895	(1,895)	-	-
Due from component units	98,160	-	98,160	-
Due from primary government	-	-	-	663,734
Due from agency fund	2,363	-	2,363	-
Investments	5,883,083	158,109	6,041,192	1,505,046
Inventories				
Materials and supplies	-	249	249	23,300
Developments in progress and dwelling units	-	-	-	52,225
Total inventories	<u>-</u>	<u>249</u>	<u>249</u>	<u>75,525</u>
Restricted assets	-	1,395,179	1,395,179	137,101
Other assets				
Prepaid expenses	8,756	5,415	14,171	38,564
Lease receivable	838,551	572,794	1,411,345	32,445
Other	3,884	1,238	5,122	38,449
Total other assets	<u>851,191</u>	<u>579,447</u>	<u>1,430,638</u>	<u>109,458</u>
Capital assets				
Land and land improvements	2,423,579	2,979,598	5,403,177	583,878
Infrastructure	10,737,224	-	10,737,224	355,885
Construction in progress	1,260,285	1,051,923	2,312,208	249,299
Buildings, improvements and equipment	7,553,589	4,582,582	12,136,171	5,500,606
Intangible assets – software	159,941	-	159,941	-
Accumulated depreciation and amortization	(11,818,361)	(3,450,703)	(15,269,064)	(3,412,775)
Total capital assets, net	<u>10,316,257</u>	<u>5,163,400</u>	<u>15,479,657</u>	<u>3,276,893</u>
Total assets	<u>18,782,976</u>	<u>9,298,026</u>	<u>28,081,002</u>	<u>8,164,462</u>
Deferred outflows of resources				
Deferred asset retirement obligations	-	-	-	3,087
Deferred loss on refunding	98,645	7,007	105,652	9,612
Deferred outflows on net pension liability	830,429	33,220	863,649	262,496
Deferred outflows on net other postemployment benefits liability	484,031	11,664	495,695	106,458
Total deferred outflows of resources	<u>\$ 1,413,105</u>	<u>\$ 51,891</u>	<u>\$ 1,464,996</u>	<u>\$ 381,653</u>

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

State of Hawaii
Statement of Net Position
June 30, 2022
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Vouchers and contracts payable	\$ 518,223	\$ 72,552	\$ 590,775	\$ 141,811
Other accrued liabilities	456,867	154,071	610,938	111,975
Advance from federal government	717,168	-	717,168	-
Due to component units	663,734	-	663,734	-
Due to primary government	-	-	-	98,160
Unearned revenue	-	-	-	36,654
Premiums payable	-	46,251	46,251	-
Other	111,103	-	111,103	18,549
Long-term liabilities				
Due within one year				
Payable from restricted assets – revenue bonds payable, net	-	24,633	24,633	-
General obligation (GO) bonds payable	760,730	2,701	763,431	-
Notes, mortgages and installment contracts payable	-	-	-	10,355
Accrued vacation and retirement benefits payable	91,820	7,425	99,245	54,842
Revenue bonds payable, net	49,891	-	49,891	21,201
Reserve for losses and loss adjustment costs	369,416	2,317	371,733	6,428
Lease payable	12,311	159	12,470	103
Financed purchases	7,761	1,264	9,025	5,403
Lease revenue certificates of participation	-	15,204	15,204	-
Customer facility charge revenue bonds	-	10,575	10,575	-
Due more than one year				
Prepaid airport use charge fund	-	2,856	2,856	-
GO bonds payable	8,280,780	10,966	8,291,746	-
Notes, mortgages and installment contracts payable	-	-	-	116,585
Accrued vacation and retirement benefits payable	181,521	11,510	193,031	68,013
Revenue bonds payable, net	650,536	2,681,631	3,332,167	455,202
Reserve for losses and loss adjustment costs	257,885	5,835	263,720	19,724
Lease payable	48,487	83	48,570	613
Financed purchases	93,870	21,122	114,992	13,563
Lease revenue certificates of participation	-	158,002	158,002	-
Unearned revenue	-	-	-	14,118
Estimated future costs of land sold	-	-	-	29,573
Net pension liability	6,145,230	178,053	6,323,283	2,039,721
Net other postemployment benefits liability	5,207,792	208,196	5,415,988	2,179,664
Security deposits	-	3,805	3,805	-
Other	335	1,803	2,138	86,421
Total liabilities	<u>24,625,460</u>	<u>3,621,014</u>	<u>28,246,474</u>	<u>5,528,678</u>
Deferred inflows of resources				
Deferred inflows on leases	832,753	571,171	1,403,924	39,402
Deferred inflows on net pension liability	1,029,046	68,277	1,097,323	447,994
Deferred inflows on net other postemployment benefits liability	937,969	20,636	958,605	187,385
Total deferred inflows of resources	<u>2,799,768</u>	<u>660,084</u>	<u>3,459,852</u>	<u>674,781</u>
Net position				
Net investment in capital assets	1,012,903	2,568,292	3,581,195	2,660,180
Restricted for				
Capital maintenance projects	284,935	-	284,935	-
Health and welfare	177,879	-	177,879	-
Natural resources	204,298	-	204,298	-
Native Hawaiian programs	363,935	-	363,935	-
Education	284,458	-	284,458	-
Regulatory and economic development	359,181	-	359,181	-
Administrative support	613,626	-	613,626	-
Other purposes	85,327	-	85,327	-
Bond requirements and other	272	1,814,854	1,815,126	1,334,877
Unrestricted	<u>(10,615,961)</u>	<u>685,673</u>	<u>(9,930,288)</u>	<u>(1,652,401)</u>
Total net position	<u>\$ (7,229,147)</u>	<u>\$ 5,068,819</u>	<u>\$ (2,160,328)</u>	<u>\$ 2,342,656</u>

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

State of Hawaii
Statement of Activities
Year Ended June 30, 2022
(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	\$ 2,309,934	\$ 237,404	\$ 1,177,700	\$ -	\$ (894,830)	\$ -	\$ (894,830)	
Public safety	740,183	92,613	167,449	-	(480,121)	-	(480,121)	
Highways	565,191	48,599	246,575	-	(270,017)	-	(270,017)	
Conservation of natural resources	118,553	111,640	38,219	-	31,306	-	31,306	
Health	1,103,928	142,621	210,056	-	(751,251)	-	(751,251)	
Welfare	4,882,816	93,325	3,592,461	-	(1,197,030)	-	(1,197,030)	
Lower education	3,389,834	18,207	548,394	-	(2,823,233)	-	(2,823,233)	
Higher education	919,350	416	-	-	(918,934)	-	(918,934)	
Other education	16,933	-	-	-	(16,933)	-	(16,933)	
Culture and recreation	117,785	5,726	9,636	-	(102,423)	-	(102,423)	
Urban redevelopment and housing	201,311	33,841	40,538	-	(126,932)	-	(126,932)	
Economic development and assistance	265,549	31,943	90,621	-	(142,985)	-	(142,985)	
Interest expense	219,989	-	-	-	(219,989)	-	(219,989)	
Total governmental activities	<u>14,851,356</u>	<u>816,335</u>	<u>6,121,649</u>	<u>-</u>	<u>(7,913,372)</u>	<u>-</u>	<u>(7,913,372)</u>	
Business-type activities								
Airports	616,382	539,502	93,763	17,728	-	34,611	34,611	
Harbors	107,980	201,640	-	243	-	93,903	93,903	
Unemployment compensation	608,094	243,660	1,294,070	-	-	929,636	929,636	
Nonmajor proprietary funds	120,826	123,684	-	27,640	-	30,498	30,498	
Total business-type activities	<u>1,453,282</u>	<u>1,108,486</u>	<u>1,387,833</u>	<u>45,611</u>	<u>-</u>	<u>1,088,648</u>	<u>1,088,648</u>	
Total primary government	<u>\$ 16,304,638</u>	<u>\$ 1,924,821</u>	<u>\$ 7,509,482</u>	<u>\$ 45,611</u>	<u>(7,913,372)</u>	<u>1,088,648</u>	<u>(6,824,724)</u>	
Component units								
University of Hawaii	\$ 1,701,126	\$ 363,625	\$ 453,689	\$ -				\$ (883,812)
Hawaii Housing Finance and Development Corporation	25,670	49,956	22,398	-				46,684
Hawaii Public Housing Authority	183,073	27,599	134,780	3,915				(16,779)
Hawaii Health Systems Corporation	694,065	570,225	2,035	30,145				(91,660)
Hawaii Tourism Authority	93,364	5,341	18,642	-				(69,381)
Hawaii Community Development Authority	7,754	7,431	-	-				(323)
Hawaii Hurricane Relief Fund	2	-	-	-				(2)
Total component units	<u>\$ 2,705,054</u>	<u>\$ 1,024,177</u>	<u>\$ 631,544</u>	<u>\$ 34,060</u>				<u>(1,015,273)</u>
General revenues								
Taxes								
General excise tax					3,890,136	-	3,890,136	-
Net income tax – corporations and individuals					3,784,904	-	3,784,904	-
Public service companies tax					122,068	-	122,068	-
Transient accommodations tax					659,646	-	659,646	11,000
Tobacco and liquor tax					140,263	-	140,263	-
Liquid fuel tax					78,674	-	78,674	-
Tax on premiums of insurance companies					198,479	-	198,479	-
Vehicle weight and registration tax					138,579	-	138,579	-
Rental motor/tour vehicle surcharge tax					79,575	-	79,575	-
Franchise tax					59,252	-	59,252	-
Other tax					307,865	-	307,865	-
Interest and dividend income					54,743	7,550	62,293	(93,910)
Net decrease in fair value of investments					(298,277)	-	(298,277)	-
Payments from the primary government, net					-	-	-	1,069,740
Gifts and subsidies					-	-	-	114,650
Other					(7,811)	(4,549)	(12,360)	262,729
Total general revenues					<u>9,208,096</u>	<u>3,001</u>	<u>9,211,097</u>	<u>1,364,209</u>
Change in net position					<u>1,294,724</u>	<u>1,091,649</u>	<u>2,386,373</u>	<u>348,936</u>
Net position								
Beginning of year, as previously reported					(8,233,613)	3,977,170	(4,256,443)	1,993,720
Adjustment for correction of misstatement					(290,258)	-	(290,258)	-
Beginning of year, as restated					<u>(8,523,871)</u>	<u>3,977,170</u>	<u>(4,546,701)</u>	<u>1,993,720</u>
End of year					<u>\$ (7,229,147)</u>	<u>\$ 5,068,819</u>	<u>\$ (2,160,328)</u>	<u>\$ 2,342,656</u>

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, 2022
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 335,778	\$ 4,394	\$ 6,394	\$ 152,893	\$ 21,538	\$ 34,038	\$ 362,561	\$ 917,596
Receivables								
Taxes	123,267	-	-	-	-	-	-	123,267
Notes and loans, net of allowance for doubtful accounts of \$48,505	1,307	-	-	-	21,292	59,061	71,079	152,739
Federal government	-	-	39,907	-	-	-	18,221	58,128
Drug rebate	-	-	113,003	-	-	-	-	113,003
Lease	-	-	-	1,318	422,837	385,088	29,308	838,551
Other	22,824	1,250	-	77,849	5,516	4,511	-	111,950
Due from other funds	165,657	-	-	174,956	-	-	272	340,885
Due from proprietary funds	20	1,597	-	278	-	-	-	1,895
Due from agency funds	-	-	-	-	-	-	2,363	2,363
Due from component units	6,000	-	-	92,160	-	-	-	98,160
Investments	3,033,221	389,274	51,696	838,932	174,130	266,309	1,129,521	5,883,083
Other assets	3,884	-	-	-	-	-	67	3,951
Total assets	<u>\$ 3,691,958</u>	<u>\$ 396,515</u>	<u>\$ 211,000</u>	<u>\$ 1,338,386</u>	<u>\$ 645,313</u>	<u>\$ 749,007</u>	<u>\$ 1,613,392</u>	<u>\$ 8,645,571</u>
Liabilities								
Liabilities								
Vouchers and contracts payable	\$ 211,108	\$ 132,301	\$ 11,702	\$ 3,154	\$ 2,554	\$ 4,749	\$ 149,750	\$ 515,318
Other accrued liabilities	319,465	-	76,400	3,155	1,969	-	55,878	456,867
Advance from federal government	-	-	-	717,168	-	-	-	717,168
Due to other funds	17,264	-	112,003	-	14,425	-	197,193	340,885
Due to component units	4,464	659,270	-	-	-	-	-	663,734
Payable from restricted assets	-	-	-	-	-	-	-	-
Matured bonds and interest payable	-	-	-	-	-	-	335	335
Total liabilities	<u>552,301</u>	<u>791,571</u>	<u>200,105</u>	<u>723,477</u>	<u>18,948</u>	<u>4,749</u>	<u>403,156</u>	<u>2,694,307</u>
Deferred inflows of resources								
Deferred inflows on leases	-	-	-	1,283	422,067	380,323	29,079	832,752
Fund balances								
Restricted	-	-	-	-	-	-	272	272
Committed	-	-	-	-	-	-	89,889	89,889
Assigned	407,353	-	10,895	613,626	204,298	363,935	1,092,217	2,692,324
Unassigned	2,732,304	(395,056)	-	-	-	-	(1,221)	2,336,027
Total fund balances	<u>3,139,657</u>	<u>(395,056)</u>	<u>10,895</u>	<u>613,626</u>	<u>204,298</u>	<u>363,935</u>	<u>1,181,157</u>	<u>5,118,512</u>
Total liabilities, deferred inflows on resources, and fund balances	<u>\$ 3,691,958</u>	<u>\$ 396,515</u>	<u>\$ 211,000</u>	<u>\$ 1,338,386</u>	<u>\$ 645,313</u>	<u>\$ 749,007</u>	<u>\$ 1,613,392</u>	<u>\$ 8,645,571</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, 2022
(Amounts in thousands)

Total fund balance – Governmental funds	\$ 5,118,512
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	2,423,579
Infrastructure	10,737,224
Construction in progress	1,260,285
Buildings, improvements and equipment	7,553,589
Intangible assets – software	159,941
Accumulated depreciation and amortization	<u>(11,818,361)</u>
	<u>10,316,257</u>
Accrued interest and other payables are not recognized in governmental funds.	<u>(114,006)</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>162,030</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	(9,041,510)
Accrued vacation payable	(273,341)
Revenue bonds payable	(700,427)
Reserve for losses and loss adjustment costs	(627,301)
Lease payable	(60,798)
Net other postemployment benefits liability	(5,207,792)
Net pension liability	(6,145,230)
Financed purchases	<u>(101,631)</u>
	<u>(22,158,030)</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	98,645
Deferred outflows on net pension liability	830,429
Deferred outflows on other postemployment benefits liability	<u>484,031</u>
	<u>1,413,105</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	(1,029,046)
Deferred inflows on other postemployment benefits liability	<u>(937,969)</u>
	<u>(1,967,015)</u>
Net position of governmental activities	<u>\$ (7,229,147)</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, 2022
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes								
General excise tax	\$ 3,603,931	\$ -	\$ -	\$ 289,075	\$ -	\$ -	\$ -	\$ 3,893,006
Net income tax – corporations and individuals	3,758,447	-	-	-	-	-	-	3,758,447
Public service companies tax	122,068	-	-	-	-	-	-	122,068
Transient accommodations tax	661,330	-	-	-	-	-	-	661,330
Tobacco and liquor tax	119,641	-	-	1,439	-	-	19,182	140,262
Liquid fuel tax	-	-	-	-	231	-	78,443	78,674
Tax on premiums of insurance companies	195,607	-	-	-	-	-	2,871	198,478
Vehicle weight and registration tax	-	-	-	-	-	-	138,579	138,579
Rental motor/vehicle surcharge tax	14	-	-	-	-	-	79,560	79,574
Franchise tax	57,252	-	-	-	-	-	2,000	59,252
Other	223,601	-	-	69,992	9,600	-	4,675	307,868
Total taxes	8,741,891	-	-	360,506	9,831	-	325,310	9,437,538
Interest and dividend income	26,009	1,250	-	16,658	645	6,056	4,121	54,739
Net decrease in fair value of investments	-	(19,794)	(5,851)	(94,948)	(19,708)	(30,140)	(127,836)	(298,277)
Charges for current services	134,132	-	-	104,797	56,850	3,128	188,366	487,273
Intergovernmental	15,041	-	2,213,356	1,185,016	20,216	9,565	2,358,497	5,801,691
Rentals	325	-	-	522	10,731	19,157	9,418	40,153
Fines, forfeitures and penalties	17,789	-	-	85	405	-	10,603	28,882
Licenses and fees	2,437	-	-	344	959	-	46,928	50,668
Revenues from private sources	5,878	-	72,531	1,817	66	2,250	45,218	127,760
Other	66,019	-	81,836	38	22,142	40,250	204,709	414,994
Total revenues	9,009,521	(18,544)	2,361,872	1,574,835	102,137	50,266	3,065,334	16,145,421
Expenditures								
Current								
General government	578,495	41,091	-	1,359,438	5,735	-	38,329	2,023,088
Public safety	399,449	55,788	-	21,005	-	-	267,072	744,838
Highways	4,039	231,515	-	-	-	-	325,662	561,216
Conservation of natural resources	60,932	9,551	-	-	64,000	-	22	134,505
Health	665,233	47,665	-	-	100	-	377,853	1,090,851
Welfare	1,350,186	1,434	2,259,099	12,042	-	-	1,247,220	4,869,981
Lower education	2,512,402	368,929	-	4,675	-	-	621,284	3,507,290
Higher education	768,478	150,873	-	-	-	-	-	919,351
Other education	6,439	-	-	-	-	-	-	16,933
Culture and recreation	60,801	10,277	-	13,204	15,211	-	17,105	116,598
Urban redevelopment and housing	18,975	3,487	-	-	-	70,927	4,772	98,161
Economic development and assistance	49,779	37,702	-	-	4,184	-	176,180	267,845
Housing	31,057	82,038	-	-	-	-	-	113,095
Other	72,782	1,107	-	5,041	-	2,246	18,485	99,661
Debt service	-	-	-	-	-	-	1,022,967	1,022,967
Total expenditures	6,579,047	1,041,457	2,259,099	1,415,405	90,754	73,173	4,127,445	15,586,380
Excess (deficiency) of revenues over (under) expenditures	2,430,474	(1,060,001)	102,773	159,430	11,383	(22,907)	(1,062,111)	559,041
Other financing sources (uses)								
Issuance of GO bonds – par	-	700,000	-	-	-	-	-	700,000
Issuance of GO bonds – premium	2,018	-	-	-	-	-	-	2,018
Issuance of refunding GO bonds – par	-	-	-	-	-	-	1,182,955	1,182,955
Issuance of refunding revenue bonds – par	-	-	-	-	-	-	23,130	23,130
Issuance of refunding revenue bonds – premium	-	-	-	-	-	-	4,051	4,051
Issuance of leases	10,180	-	-	-	-	-	-	10,180
Payment to refunded bond escrow agent	-	-	-	-	-	-	(1,210,136)	(1,210,136)
Transfers in	191,545	149,017	5,154	12,119	11,327	5,000	1,386,696	1,760,858
Transfers out	(1,057,626)	(5,141)	(116,033)	(286,367)	(2,808)	(3,011)	(289,872)	(1,760,858)
Total other financing sources (uses)	(853,883)	843,876	(110,879)	(274,248)	8,519	1,989	1,096,824	712,198
Net change in fund balances	1,576,591	(216,125)	(8,106)	(114,818)	19,902	(20,918)	34,713	1,271,239
Fund balances								
Beginning of year, as previously reported	1,560,539	(178,931)	19,001	876,500	213,864	385,370	1,261,188	4,137,531
Adjustment for correction of misstatement	2,527	-	-	(148,056)	(29,468)	(517)	(114,744)	(290,258)
Beginning of year, as restated	1,563,066	(178,931)	19,001	728,444	184,396	384,853	1,146,444	3,847,273
End of year	\$ 3,139,657	\$ (395,056)	\$ 10,895	\$ 613,626	\$ 204,298	\$ 363,935	\$ 1,181,157	\$ 5,118,512

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, 2022
(Amounts in thousands)

Total net change in fund balances – Governmental funds	<u>\$ 1,271,239</u>
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	1,353,032
Lease asset additions	10,180
Capital asset disposals	(532,973)
Accumulated depreciation on disposals	106,834
Depreciation and amortization expense	<u>(605,495)</u>
Excess of capital outlay over depreciation expense	<u>331,578</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>(1,912,154)</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 and BAN principal retirement	1,830,903
Financed purchase payments	<u>7,034</u>
Total long-term debt repayment	<u>1,837,937</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>21,907</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	1,459
Change in reserve for losses and loss adjustment costs	(336,738)
Change in accrued interest on bonds payable	14,591
Change in lease payable	(1,952)
Change in accrued interest on financed purchases	(9,010)
Amortization of bond premium and deferred amount on refunding	158,049
Net pension activity	(1,473)
Net other postemployment benefits activity	<u>(80,709)</u>
Total	<u>(255,783)</u>
Change in net position of governmental activities	<u>\$ 1,294,724</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, 2022
(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	\$ 551,754	\$ 196,703	\$ 156,609	\$ 136,268	\$ 1,041,334
Investments	-	-	-	158,109	158,109
Restricted assets – cash and short-term investments	206,114	40,687	-	-	246,801
Receivables					
Taxes	271	-	66,935	-	67,206
Accounts and accrued interest, net of allowance for doubtful accounts of \$14,975	59,243	18,637	-	582	78,462
Promissory note receivable, net of allowance for doubtful accounts of \$1,925	-	169	-	57,827	57,996
Federal government	10,968	-	-	164	11,132
Premiums	-	-	-	54,574	54,574
Lease	71,376	4,198	-	-	75,574
Other	3,965	-	-	18,098	22,063
Materials and supplies inventory	249	-	-	-	249
Prepaid expenses and other assets	-	329	-	5,086	5,415
Total current assets	<u>903,940</u>	<u>260,723</u>	<u>223,544</u>	<u>430,708</u>	<u>1,818,915</u>
Noncurrent assets					
Capital assets					
Land and land improvements	2,329,646	649,952	-	-	2,979,598
Construction in progress	689,556	362,367	-	-	1,051,923
Buildings and improvements	3,485,769	655,174	-	340	4,141,283
Equipment	385,027	33,526	-	22,746	441,299
	6,889,998	1,701,019	-	23,086	8,614,103
Less: Accumulated depreciation	<u>(2,890,600)</u>	<u>(546,161)</u>	<u>-</u>	<u>(13,942)</u>	<u>(3,450,703)</u>
Net capital assets	3,999,398	1,154,858	-	9,144	5,163,400
Promissory note receivable	-	-	-	670,770	670,770
Lease receivable	435,040	62,180	-	-	497,220
Restricted assets – net direct financing leases	17,524	-	-	-	17,524
Restricted assets – cash and cash equivalents	524,050	384,522	-	-	908,572
Restricted assets – investments	211,019	-	-	-	211,019
Restricted assets – other	11,263	-	-	-	11,263
Other	1,238	-	-	-	1,238
Total noncurrent assets	<u>5,199,532</u>	<u>1,601,560</u>	<u>-</u>	<u>679,914</u>	<u>7,481,006</u>
Total assets	<u>6,103,472</u>	<u>1,862,283</u>	<u>223,544</u>	<u>1,110,622</u>	<u>9,299,921</u>
Deferred outflows of resources					
Deferred loss on refunding	5,988	1,019	-	-	7,007
Deferred outflows on net pension liability	25,515	5,736	-	1,969	33,220
Deferred outflows on net other postemployment benefits liability	9,031	1,867	-	766	11,664
Total deferred outflows of resources	<u>\$ 40,534</u>	<u>\$ 8,622</u>	<u>\$ -</u>	<u>\$ 2,735</u>	<u>\$ 51,891</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, 2022
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	\$ 53,146	\$ 8,975	\$ 8,493	\$ 1,938	\$ 72,552
Payable from restricted assets – contracts payable, accrued interest, and other	99,141	18,459	-	-	117,600
Other accrued liabilities	29,444	-	-	1,113	30,557
Due to governmental funds	298	1,597	-	-	1,895
Benefit claims payable	-	-	-	5,914	5,914
General obligation bonds payable, current portion	-	2,701	-	-	2,701
Reserve for losses and loss adjustment costs	2,209	108	-	-	2,317
Lease payable, current portion	-	-	-	159	159
Financed purchases	-	1,264	-	-	1,264
Lease revenue certificates of participation	15,204	-	-	-	15,204
Customer facility charge revenue bonds	10,575	-	-	-	10,575
Accrued vacation, current portion	6,332	796	-	297	7,425
Payable from restricted assets – revenue bond payable	445	24,188	-	-	24,633
Premiums payable	-	-	-	46,251	46,251
Total current liabilities	<u>216,794</u>	<u>58,088</u>	<u>8,493</u>	<u>55,672</u>	<u>339,047</u>
Noncurrent liabilities					
General obligation bonds payable	-	10,966	-	-	10,966
Accrued vacation	8,564	2,053	-	893	11,510
Revenue bonds payable, net of unamortized bond premium and bond discount	2,310,715	370,916	-	-	2,681,631
Reserve for losses and loss adjustment cost	4,726	1,109	-	-	5,835
Lease payable	45	-	-	38	83
Financed purchases	-	21,122	-	-	21,122
Lease revenue certificates of participation	158,002	-	-	-	158,002
Net pension liability	147,602	19,196	-	11,255	178,053
Net other postemployment benefits liability	160,998	34,658	-	12,540	208,196
Prepaid airport use charge fund	2,856	-	-	-	2,856
Security deposits	-	3,805	-	-	3,805
Other	-	1,803	-	-	1,803
Total noncurrent liabilities	<u>2,793,508</u>	<u>465,628</u>	<u>-</u>	<u>24,726</u>	<u>3,283,862</u>
Total liabilities	<u>3,010,302</u>	<u>523,716</u>	<u>8,493</u>	<u>80,398</u>	<u>3,622,909</u>
Deferred inflows of resources					
Deferred inflows on leases	505,985	65,186	-	-	571,171
Deferred inflows on net pension liability	34,509	31,072	-	2,696	68,277
Deferred inflows on net other postemployment benefits liability	16,372	3,032	-	1,232	20,636
Total deferred inflows of resources	<u>556,866</u>	<u>99,290</u>	<u>-</u>	<u>3,928</u>	<u>660,084</u>
Net position					
Net investment in capital assets	1,832,263	727,082	-	8,947	2,568,292
Restricted for bond requirements and other	585,110	398,638	-	831,106	1,814,854
Unrestricted	159,465	122,179	215,051	188,978	685,673
Net position	<u>\$ 2,576,838</u>	<u>\$ 1,247,899</u>	<u>\$ 215,051</u>	<u>\$ 1,029,031</u>	<u>\$ 5,068,819</u>

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2022
(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	\$ 168,702	\$ -	\$ -	\$ -	\$ 168,702
Unemployment compensation	-	-	243,660	-	243,660
Aviation fuel tax	3,119	-	-	-	3,119
Airport use charges	81,184	-	-	-	81,184
Rentals	179,201	32,179	-	-	211,380
Services and others	-	168,723	-	-	168,723
Administrative fees	-	-	-	6,111	6,111
Premium revenue – self insurance	-	-	-	97,067	97,067
Experience refunds, net	-	-	-	16,132	16,132
Other	9,850	738	-	4,359	14,947
Total operating revenues	<u>442,056</u>	<u>201,640</u>	<u>243,660</u>	<u>123,669</u>	<u>1,011,025</u>
Operating expenses					
Personnel services	212,835	18,094	-	8,408	239,337
Depreciation and amortization	167,316	38,399	-	852	206,567
Repairs and maintenance	69,777	-	-	529	70,306
Airports operations	49,182	-	-	-	49,182
Harbors operations	-	30,628	-	-	30,628
General administration	28,523	14,299	-	5,466	48,288
Unemployment compensation	-	-	608,094	-	608,094
Claims	-	-	-	102,363	102,363
Other	2,957	-	-	3,208	6,165
Total operating expenses	<u>530,590</u>	<u>101,420</u>	<u>608,094</u>	<u>120,826</u>	<u>1,360,930</u>
Operating income (loss)	<u>(88,534)</u>	<u>100,220</u>	<u>(364,434)</u>	<u>2,843</u>	<u>(349,905)</u>
Nonoperating revenues (expenses)					
Interest and investment income	13,789	-	1,282	(7,521)	7,550
Interest expense	(85,792)	(8,462)	-	-	(94,254)
Federal grants	93,763	-	473,657	-	567,420
Contributions	-	-	820,413	-	820,413
Loss on disposal of capital assets	(4,549)	(47)	-	-	(4,596)
Rental car customer and passenger facility charges	99,182	-	-	-	99,182
Other	(1,736)	1,949	-	15	228
Total nonoperating revenues (expenses)	<u>114,657</u>	<u>(6,560)</u>	<u>1,295,352</u>	<u>(7,506)</u>	<u>1,395,943</u>
Income (loss) before capital contributions	<u>26,123</u>	<u>93,660</u>	<u>930,918</u>	<u>(4,663)</u>	<u>1,046,038</u>
Capital contributions	<u>17,728</u>	<u>243</u>	<u>-</u>	<u>27,640</u>	<u>45,611</u>
Change in net position	<u>43,851</u>	<u>93,903</u>	<u>930,918</u>	<u>22,977</u>	<u>1,091,649</u>
Net position					
Beginning of year	<u>2,532,987</u>	<u>1,153,996</u>	<u>(715,867)</u>	<u>1,006,054</u>	<u>3,977,170</u>
End of year	<u>\$ 2,576,838</u>	<u>\$ 1,247,899</u>	<u>\$ 215,051</u>	<u>\$ 1,029,031</u>	<u>\$ 5,068,819</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, 2022
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 472,618	\$ 205,654	\$ -	\$ -	\$ 678,272
Cash received from taxes	-	-	244,806	-	244,806
Cash received from employers and employees for premiums and benefits	-	-	-	711,496	711,496
Cash paid to suppliers	(263,333)	(32,507)	-	(4,897)	(300,737)
Cash paid to employees	(110,621)	(21,056)	-	(9,350)	(141,027)
Cash paid for unemployment compensation	-	-	(671,884)	-	(671,884)
Cash paid for premiums and benefits payable	-	-	-	(675,426)	(675,426)
Net cash provided by (used in) operating activities	<u>98,664</u>	<u>152,091</u>	<u>(427,078)</u>	<u>21,823</u>	<u>(154,500)</u>
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	112,491	-	473,657	-	586,148
Proceeds from other contributions	-	-	820,413	-	820,413
Proceeds from federal loan	-	-	(717,016)	-	(717,016)
Net cash provided by noncapital financing activities	<u>112,491</u>	<u>-</u>	<u>577,054</u>	<u>-</u>	<u>689,545</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(236,640)	(118,228)	-	(3,602)	(358,470)
Proceeds from federal, state and capital grants and contributions	15,953	-	-	27,697	43,650
Principal paid on airports system revenue bonds	(430)	-	-	-	(430)
Repayment of general obligation and revenue bonds principal	-	(16,693)	-	-	(16,693)
Bond issue costs paid	(1,744)	-	-	-	(1,744)
Proceeds from airports system revenue bonds	256,437	-	-	-	256,437
Payments for lease revenue certificates of participation	(13,753)	-	-	-	(13,753)
Interest paid on outstanding debt	(89,601)	-	-	-	(89,601)
Proceeds from passenger facility charges program	38,593	-	-	-	38,593
Proceeds from rental car customer facility charges program	59,023	-	-	-	59,023
Principal paid on rental car customer facility charges program	(10,350)	-	-	-	(10,350)
Interest paid on bonds	-	(15,682)	-	-	(15,682)
Principal paid on financed purchases	-	(1,139)	-	-	(1,139)
Principal paid on leases	-	-	-	(195)	(195)
Reimbursement received for capital assets	-	243	-	-	243
Net cash provided by (used in) capital and related financing activities	<u>17,488</u>	<u>(151,499)</u>	<u>-</u>	<u>23,900</u>	<u>(110,111)</u>
Cash flows from investing activities					
Proceeds from sales and maturities of investments	124,535	-	-	-	124,535
Interest received from investments	7,247	2,210	1,282	3,103	13,842
Purchase of investments	(117,617)	-	-	(27,951)	(145,568)
Principal repayments on notes receivable	-	-	-	53,678	53,678
Disbursement of note receivable proceeds	-	-	-	(80,226)	(80,226)
Interest income from notes receivable	-	-	-	2,116	2,116
Administrative loan fees	-	-	-	5,942	5,942
Net cash provided by (used in) investing activities	<u>14,165</u>	<u>2,210</u>	<u>1,282</u>	<u>(43,338)</u>	<u>(25,681)</u>
Net increase in cash and cash equivalents	242,808	2,802	151,258	2,385	399,253
Cash and cash equivalents, including restricted amounts					
Beginning of year	1,039,110	619,110	5,351	133,883	1,797,454
End of year	<u>\$ 1,281,918</u>	<u>\$ 621,912</u>	<u>\$ 156,609</u>	<u>\$ 136,268</u>	<u>\$ 2,196,707</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, 2022
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (88,534)	\$ 100,220	\$ (364,434)	\$ 2,843	\$ (349,905)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	167,316	38,399	-	852	206,567
Provision for uncollectible accounts	2	(39)	-	-	(37)
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	38,397	-	-	-	38,397
Premium reserves held by insurance companies	-	-	-	17,741	17,741
Principal forgiveness of loans	-	-	-	2,935	2,935
Interest income from loans	-	-	-	(2,136)	(2,136)
Administrative loan fees	-	-	-	(6,111)	(6,111)
Non-imposed fringe benefits	-	-	-	40	40
Loss on disposal of capital assets	4,549	-	-	-	4,549
Changes in assets, deferred outflows, liabilities and deferred inflows					
Receivables	12,859	(61,263)	1,226	5,362	(41,816)
Prepaid and other expenses	-	-	-	233	233
Other current assets	(45)	-	-	-	(45)
Net deferred outflows/inflows of resources	25,070	97,812	-	3,233	126,115
Vouchers and contracts payable	(8,215)	4,626	(63,870)	575	(66,884)
Net pension liability	(44,491)	(21,668)	-	(3,097)	(69,256)
Other postemployment benefits liability	(7,550)	(1,521)	-	(591)	(9,662)
Other accrued liabilities	(694)	(4,475)	-	51	(5,118)
Benefit claims payable	-	-	-	(107)	(107)
Net cash provided by (used in) operating activities	<u>\$ 98,664</u>	<u>\$ 152,091</u>	<u>\$ (427,078)</u>	<u>\$ 21,823</u>	<u>\$ (154,500)</u>
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	\$ 9,597	\$ (3,590)	\$ -	\$ -	\$ 6,007
Interest payments relating to special facility revenue bonds	22,794	-	-	-	22,794
Amortization of certificates of participation premium	319	-	-	-	319
Amounts included in contracts payable for the acquisition of capital assets	50,439	9,962	-	-	60,401
Payments to refund airports system revenue bonds	(57,392)	-	-	-	(57,392)
Proceeds from issuance of refunding airports system revenue bonds	57,011	-	-	-	57,011
Right-to-use lease asset and related payable	-	-	-	392	392

(concluded)

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

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State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2022
(Amounts in thousands)

	<u>Custodial Funds</u>	<u>OPEB Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 937,431	\$ 881,399
Receivables		
Taxes	10,007	-
Employer contributions	-	112,111
Premium receivable	-	37,160
Rebates and other receivables from insurance companies	-	32,862
Experience refunds due from insurance companies	-	31,313
Other	6,258	11
Investments		
Certificates of deposit	3,152	-
U.S. government securities	49,381	299,200
Equity securities	-	392,584
Mutual funds	-	95,771
Commingled funds	-	2,151,335
Alternative investments	-	1,762,128
Real estate	-	543,165
Derivatives	-	(10,172)
Invested securities lending collateral	-	11,023
Other assets, primarily due from individuals, businesses and counties	-	8,165
Total assets	<u>1,006,229</u>	<u>6,348,055</u>
Liabilities		
Liabilities		
Vouchers payable	27,600	-
Due to other funds	2,363	-
Premium payable	-	27,611
Benefit claims payable	-	20,880
Securities lending collateral	-	11,023
Other accrued liabilities	-	2,671
Total liabilities	<u>29,963</u>	<u>62,185</u>
Net position		
Restricted for OPEB	-	6,285,870
Restricted for other purposes	976,266	-
Net position	<u>\$ 976,266</u>	<u>\$ 6,285,870</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
Year Ended June 30, 2022
(Amounts in thousands)

	<u>Custodial Funds</u>	<u>OPEB Trust Fund</u>
Additions		
Employer contributions	\$ -	\$ 845,555
Tax collections	541,264	-
Custodial collections	306,137	-
Other collections	923,094	-
Investment income		
Investing activities		
Interest	-	85,542
Net depreciation in the fair value of investments	(20,393)	(195,029)
	<u>(20,393)</u>	<u>(109,487)</u>
Less: Investment expenses	-	11,162
Net investment loss from investing activities	<u>(20,393)</u>	<u>(120,649)</u>
Securities lending activities		
Securities lending income	-	308
Less: Securities lending expenses	-	68
Net investment income from securities lending activities	<u>-</u>	<u>240</u>
Total net investment loss	<u>(20,393)</u>	<u>(120,409)</u>
Other revenues, net	-	830
Total additions	<u>1,750,102</u>	<u>725,976</u>
Deductions		
Benefits claims expense and carrier payments	-	517,012
Tax disbursements	541,194	-
Custodial disbursements	272,175	-
Other disbursements	777,457	-
Total deductions	<u>1,590,826</u>	<u>517,012</u>
Net increase in fiduciary net position	<u>159,276</u>	<u>208,964</u>
Net position		
Beginning of year, as previously reported	526,732	6,076,906
Adjustment for correction of misstatement	290,258	-
Beginning of year, as restated	<u>816,990</u>	<u>6,076,906</u>
End of year	<u>\$ 976,266</u>	<u>\$ 6,285,870</u>

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

State of Hawaii
Component Units
Statement of Net Position
June 30, 2022
(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	\$ 152,958	\$ 630,695	\$ 101,896	\$ 174,826
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of \$63,858	103,760	50,468	1,044	88,220
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$1,462	19,488	537	-	-
Lease	-	-	-	1,410
Federal government	-	-	1,218	-
Other, net of allowance for doubtful accounts of \$136	21,941	2,393	40	11,532
Due from primary government	2,847	42,796	70,553	46,726
Investments	557,993	-	-	23,756
Inventories – materials and supplies	5,515	-	778	17,007
Prepaid expenses and other assets	35,171	636	-	-
Total current assets	<u>899,673</u>	<u>727,525</u>	<u>175,529</u>	<u>363,477</u>
Restricted assets				
Cash and cash equivalents	20,069	18,990	5,654	52,237
Investments	-	22,663	-	-
Deposits, funded reserves and other	-	1,013	-	-
Total restricted assets	<u>20,069</u>	<u>42,666</u>	<u>5,654</u>	<u>52,237</u>
Capital assets				
Land and land improvements	262,175	82,705	25,518	14,259
Infrastructure	304,421	-	-	-
Construction in progress	155,302	-	40,980	49,601
Buildings, improvements and equipment	3,529,593	15,648	816,436	881,569
Less: Accumulated depreciation and amortization	<u>(2,074,202)</u>	<u>(4,049)</u>	<u>(515,646)</u>	<u>(588,846)</u>
Total capital assets, net	<u>2,177,289</u>	<u>94,304</u>	<u>367,288</u>	<u>356,583</u>
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$4,892	61,501	799,875	7,015	-
Lease receivable	-	-	-	19,359
Due from primary government	500,505	-	-	-
Inventories – developments in progress and dwelling units	-	52,225	-	-
Investments	732,725	-	-	11,580
Other assets	36,019	-	-	2,135
Total other assets	<u>1,330,750</u>	<u>852,100</u>	<u>7,015</u>	<u>33,074</u>
Total assets	<u>4,427,781</u>	<u>1,716,595</u>	<u>555,486</u>	<u>805,371</u>
Deferred outflows of resources				
Deferred asset retirement obligations	3,087	-	-	-
Deferred loss on refunding	9,612	-	-	-
Deferred outflows on net pension liability	195,565	1,444	4,329	60,438
Deferred outflows on net other postemployment benefits liability	72,116	670	2,049	31,028
Total deferred outflows of resources	<u>\$ 280,380</u>	<u>\$ 2,114</u>	<u>\$ 6,378</u>	<u>\$ 91,466</u>

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

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 116,704	\$ 30,569	\$ 182	\$ 1,207,830
1,759	866	904	247,021
-	-	-	20,025
-	910	-	2,320
-	-	-	1,218
-	-	-	35,906
-	307	-	163,229
999	-	175,507	758,255
-	-	-	23,300
2,757	-	-	38,564
<u>122,219</u>	<u>32,652</u>	<u>176,593</u>	<u>2,497,668</u>
-	-	-	96,950
16,475	-	-	39,138
-	-	-	1,013
<u>16,475</u>	<u>-</u>	<u>-</u>	<u>137,101</u>
131,497	67,724	-	583,878
-	51,464	-	355,885
1,767	1,649	-	249,299
240,041	17,319	-	5,500,606
(185,258)	(44,774)	-	(3,412,775)
<u>188,047</u>	<u>93,382</u>	<u>-</u>	<u>3,276,893</u>
-	16,314	-	884,705
-	10,766	-	30,125
-	-	-	500,505
-	-	-	52,225
2,486	-	-	746,791
-	295	-	38,449
<u>2,486</u>	<u>27,375</u>	<u>-</u>	<u>2,252,800</u>
<u>329,227</u>	<u>153,409</u>	<u>176,593</u>	<u>8,164,462</u>
-	-	-	3,087
-	-	-	9,612
590	130	-	262,496
212	383	-	106,458
<u>\$ 802</u>	<u>\$ 513</u>	<u>\$ -</u>	<u>\$ 381,653</u>

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2022
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 48,778	\$ 3,382	\$ 6,902	\$ 69,799
Other accrued liabilities	101,711	4,616	5,348	-
Due to primary government	14,187	29,121	-	-
Unearned revenue	33,980	385	880	1,248
Notes, mortgages and installation contracts payable	-	15	-	10,340
Accrued vacation and retirement benefits payable	38,311	-	-	16,293
Revenue bonds payable, net	20,200	1,001	-	-
Reserve for losses and loss adjustment costs	3,930	-	-	2,498
Lease payable	-	-	-	-
Financed purchases	1,847	-	-	3,556
Other liabilities	7,078	-	1,784	4,674
Total current liabilities	<u>270,022</u>	<u>38,520</u>	<u>14,914</u>	<u>108,408</u>
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	92,876	57	-	23,652
Accrued vacation and retirement benefits payable	47,268	-	-	20,221
Revenue bonds payable, net	451,875	3,327	-	-
Reserve for losses and loss adjustment costs	10,255	-	-	9,469
Lease payable	-	-	-	-
Financed purchases	-	-	-	13,563
Unearned revenue	-	14,118	-	-
Estimated future cost of land sold	-	29,573	-	-
Net pension liability	1,476,618	9,217	34,795	509,460
Net other postemployment benefits liability	1,635,611	9,120	35,853	491,489
Other liabilities	52,670	1,743	1,924	19,255
Total noncurrent liabilities	<u>3,767,173</u>	<u>67,155</u>	<u>72,572</u>	<u>1,087,109</u>
Total liabilities	<u>4,037,195</u>	<u>105,675</u>	<u>87,486</u>	<u>1,195,517</u>
Deferred inflows of resources				
Deferred inflows on net leases	7,156	-	-	20,516
Deferred inflows on net pension liability	324,414	2,417	7,434	112,608
Deferred inflows on net other postemployment benefits liability	131,088	1,068	3,631	50,955
Total deferred inflows of resources	<u>462,658</u>	<u>3,485</u>	<u>11,065</u>	<u>184,079</u>
Net position				
Net investment in capital assets	1,604,871	94,233	367,287	313,075
Restricted				
Nonexpendable	1,170,886	-	-	-
Expendable	10,493	-	-	-
Legislation and contractual agreements	-	85,127	1,294	-
Lender covenants and other	-	-	-	5,148
Capital projects	-	-	-	-
Other	-	-	-	-
Unrestricted	<u>(2,577,942)</u>	<u>1,430,189</u>	<u>94,732</u>	<u>(800,982)</u>
Total net position	<u>\$ 208,308</u>	<u>\$ 1,609,549</u>	<u>\$ 463,313</u>	<u>\$ (482,759)</u>

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

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 12,584	\$ 366	\$ -	\$ 141,811
117	183	-	111,975
54,852	-	-	98,160
-	161	-	36,654
-	-	-	10,355
129	109	-	54,842
-	-	-	21,201
-	-	-	6,428
-	103	-	103
-	-	-	5,403
-	1,389	3,624	18,549
<u>67,682</u>	<u>2,311</u>	<u>3,624</u>	<u>505,481</u>
-	-	-	116,585
284	240	-	68,013
-	-	-	455,202
-	-	-	19,724
-	613	-	613
-	-	-	13,563
-	-	-	14,118
-	-	-	29,573
5,733	3,898	-	2,039,721
4,989	2,602	-	2,179,664
-	10,829	-	86,421
<u>11,006</u>	<u>18,182</u>	<u>-</u>	<u>5,023,197</u>
<u>78,688</u>	<u>20,493</u>	<u>3,624</u>	<u>5,528,678</u>
-	11,730	-	39,402
972	149	-	447,994
503	140	-	187,385
<u>1,475</u>	<u>12,019</u>	<u>-</u>	<u>674,781</u>
188,047	92,667	-	2,660,180
-	-	-	1,170,886
-	-	-	10,493
-	-	-	86,421
-	-	-	5,148
-	110	-	110
61,819	-	-	61,819
-	28,633	172,969	(1,652,401)
<u>\$ 249,866</u>	<u>\$ 121,410</u>	<u>\$ 172,969</u>	<u>\$ 2,342,656</u>

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2022
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	\$ 1,701,126	\$ 25,670	\$ 183,073	\$ 694,065
Program revenues				
Charges for services	363,625	49,956	27,599	570,225
Operating grants and contributions	453,689	22,398	134,780	2,035
Capital grants and contributions	-	-	3,915	30,145
Total program revenues	<u>817,314</u>	<u>72,354</u>	<u>166,294</u>	<u>602,405</u>
Net program revenues (expenses)	<u>(883,812)</u>	<u>46,684</u>	<u>(16,779)</u>	<u>(91,660)</u>
General revenues (expenses)				
Interest and investment income (loss)	(85,734)	-	-	1,049
Transient accommodations tax	-	-	-	-
Payments from State, net	902,160	65,000	22,335	83,186
Gifts and subsidies	114,650	-	-	-
Other	<u>182,530</u>	<u>(6,421)</u>	<u>55</u>	<u>85,414</u>
Net general revenues (expenses)	<u>1,113,606</u>	<u>58,579</u>	<u>22,390</u>	<u>169,649</u>
Change in net position	<u>229,794</u>	<u>105,263</u>	<u>5,611</u>	<u>77,989</u>
Net position				
Beginning of year	<u>(21,486)</u>	<u>1,504,286</u>	<u>457,702</u>	<u>(560,748)</u>
End of year	<u>\$ 208,308</u>	<u>\$ 1,609,549</u>	<u>\$ 463,313</u>	<u>\$ (482,759)</u>

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

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 93,364	\$ 7,754	\$ 2	\$ 2,705,054
5,341	7,431	-	1,024,177
18,642	-	-	631,544
-	-	-	34,060
<u>23,983</u>	<u>7,431</u>	<u>-</u>	<u>1,689,781</u>
<u>(69,381)</u>	<u>(323)</u>	<u>(2)</u>	<u>(1,015,273)</u>
1,089	281	(10,595)	(93,910)
11,000	-	-	11,000
-	683	(3,624)	1,069,740
-	-	-	114,650
<u>371</u>	<u>780</u>	<u>-</u>	<u>262,729</u>
<u>12,460</u>	<u>1,744</u>	<u>(14,219)</u>	<u>1,364,209</u>
<u>(56,921)</u>	<u>1,421</u>	<u>(14,221)</u>	<u>348,936</u>
<u>306,787</u>	<u>119,989</u>	<u>187,190</u>	<u>1,993,720</u>
\$ 249,866	\$ 121,410	\$ 172,969	\$ 2,342,656

State of Hawaii
Notes to Basic Financial Statements
June 30, 2022

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

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, Session Laws of Hawaii (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.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2022

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>.

- **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.

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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.

- **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.

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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. 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.

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.
- **Administrative Support Special Revenue Fund** – This fund accounts for the proceeds of specific revenue sources that are for specific purposes of certain administrative agencies.
- **Natural Resources Special Revenue Fund** – This fund accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.
- **Hawaiian Programs Special Revenue Fund** – This fund accounts for programs related to the betterment of the conditions of native Hawaiians.

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.

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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 –

- **Custodial Funds** – Custodial 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 healthcare 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.

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Cash and Cash Equivalents

Cash and cash equivalents include all cash, repurchase agreements, and 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.

On June 22, 2022, former Governor David Ige signed Act 115, SLH 2022 into law which provided a one-time constitutional refund to each qualifying resident of Hawaii who filed an income tax return for tax year 2021. The refund amounted to approximately \$305,409,000 and was recorded as a reduction to tax receivable.

Investments

The State's investments are reported at fair value within the fair value hierarchy established by GAAP.

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.

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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.

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.

Leases

Lessee

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

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

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

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

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

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

Lease assets are reported in capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Lessor

The State is a lessor for leases of special purpose facilities, office and commercial space, and land. The State recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the State initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the lease term in a systematic and rational method.

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

- The State uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows (inflows) of resources represent a consumption of (acquisition of) net assets that applies to a future period. The State defers recognition of the loss on debt refunding related to issuance of its general obligation and revenue bonds and amortizes these costs over the life of the bonds using the effective interest rate method.

The deferred outflow of resources and deferred inflow of resources related to pensions resulted from differences between expected and actual experiences on pension plan investments, changes in assumptions and changes in proportion on pension plan investments, which will be amortized over the estimated average remaining service life of the plan members. The deferred outflow of resources and deferred inflow of resources related to OPEB resulted from differences between expected and actual experiences and changes in assumptions which will be amortized over the estimated remaining service life of the plan members. The net difference between projected and actual earnings on plan investments for both pension and OPEB resulted in a deferred outflow of resources which is amortized over five years. 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 State defers recognition of lease income for lease receivables and recognizes revenue over the lease term.

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 are 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.

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 balances when expenditures are made.

The following table presents the State’s fund balances by major function at June 30, 2022 (amounts expressed in thousands):

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	National Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 272	\$ 272
	-	-	-	-	-	-	272	272
Committed to								
Public safety	-	-	-	-	-	-	81,152	81,152
Culture and recreation	-	-	-	-	-	-	8,737	8,737
	-	-	-	-	-	-	89,889	89,889
Assigned to								
General government	35,772	-	-	570,497	-	-	85,331	691,600
Public safety	31,775	-	-	-	-	-	45,376	77,151
Highways	1,847	-	-	-	-	-	282,936	284,783
Conservation of natural resources	18,194	-	-	-	204,298	-	-	222,492
Health	95,199	-	-	-	-	-	168,202	263,401
Welfare	84,258	-	10,895	-	-	-	-	95,153
Education	124,401	-	-	-	-	-	284,458	408,859
Culture and recreation	5,497	-	-	43,129	-	-	1,999	50,625
Urban development and housing	3,674	-	-	-	-	363,935	-	367,609
Economic development	6,736	-	-	-	-	-	223,915	230,651
	407,353	-	10,895	613,626	204,298	363,935	1,092,217	2,692,324
Unassigned	2,732,304	(395,056)	-	-	-	-	(1,221)	2,336,027
Total	\$ 3,139,657	\$ (395,056)	\$ 10,895	\$ 613,626	\$ 204,298	\$ 363,935	\$ 1,181,157	\$ 5,118,512

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

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 Level 2 inputs are not available.

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 \$7,500,000 with respect to general liability claims, and the first \$500,000 of losses due to crime and \$5,000,000 for cyber liability losses. 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 \$7,500,000 per occurrence, \$5,000,000 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 professional malpractice risk in the amount of \$35,000,000 per claim 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, non-incremental estimates (based on projections of historical developments) of claims incurred but not reported, and non-incremental 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. 87

In June 2017, GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring 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 payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement had a significant effect on the State's financial statements for the fiscal year ended June 30, 2022. Upon implementation on July 1, 2021, the State recognized lease liabilities and right-to-use assets as the lessee. The State recognized lease receivables and deferred inflows of resources as the lessor. There was no effect on net position previously reported as of June 30, 2021. The adoption of Statement No. 87 resulted in an increase in capital assets and liabilities of approximately \$62,750,000 and receivable and deferred inflows of resources of approximately \$1,224,070,000 as of July 1, 2021.

GASB Statement No. 92

During fiscal year 2022, the State implemented GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement did not have a material effect on State's financial statements.

GASB Statement No. 93

During fiscal year 2022, the State implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. This Statement did not have a material effect on State's financial statements.

GASB Statement No. 94

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 96

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 97

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The main objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. This Statement did not have a material effect on State’s financial statements, upon implementation in fiscal year 2022.

GASB Statement No. 99

The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately while other requirements are effective for fiscal years beginning after June 15, 2022 and June 15, 2023, respectively. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 100

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 101

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

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. Such reclassifications have no impact on the 2021 change in net position or fund balances as previously reported.

State of Hawaii
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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, 2022 was \$1,958,931,000 and \$1,395,179,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2022 was \$1,818,830,000.

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 \$1,561,795,000 at June 30, 2022 and is 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 \$157,843,000 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.

State of Hawaii
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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, 2022 (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	\$ 5,530,098	\$ 1,828,892	\$ 3,701,206	\$ -
Mutual funds	158,109	158,109	-	-
Total investments by fair value level	<u>5,688,207</u>	<u>\$ 1,987,001</u>	<u>\$ 3,701,206</u>	<u>\$ -</u>
Investments measured at amortized cost				
Certificates of deposit	352,985			
Total investments	<u>\$ 6,041,192</u>			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	\$ 392,584	\$ 392,584	\$ -	\$ -
U.S. government securities	348,581	16,330	332,251	-
Mutual funds	95,771	95,771	-	-
Derivatives	(10,172)	-	(10,172)	-
Total investments	<u>826,764</u>	<u>\$ 504,685</u>	<u>\$ 322,079</u>	<u>\$ -</u>
Investments at net asset value (NAV)				
Commingled funds				
Domestic equity	1,139,856			
International equity	716,325			
Domestic inflation-linked fixed income	295,154			
Real estate	543,165			
Alternative investments	<u>1,762,128</u>			
Total investments at fair value	5,283,392			
Investments measured at amortized cost				
Certificates of deposit	3,152			
Total investments	<u>\$ 5,286,544</u>			
Invested securities lending collateral at NAV				
Money market fund	<u>\$ 11,023</u>			

State of Hawaii
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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 accompanying statement of net position for cash equivalents, certificates of deposit, and repurchase agreements are measured at amortized cost.

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 is based on quoted prices in active markets or other observable inputs, including pricing matrices. These investments are categorized in either Level 1 or Level 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. 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 net asset value (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, 2022.

(amounts expressed in thousands)	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Required Redemption Notice</u>
Investments measured at NAV				
Commingled funds				
Domestic equity	\$ 1,139,856	None	Daily/Monthly	Same as trade date/ Trade date – 2
International equity	716,325	None	Daily	Same as trade date
Domestic inflation-linked fixed income	295,154	None	Daily	Trade date – 2
Real estate	543,165	142,863	Quarterly	Various up to trade date – 90
Alternative investments	<u>1,762,128</u>	905,277	Monthly/Quarterly/ Annually	Various up to trade date – 90
Total investments measured at NAV	<u>\$ 4,456,628</u>			
Invested securities lending collateral				
Money market fund	<u>\$ 11,023</u>			Same as trade date

State of Hawaii
Notes to Basic Financial Statements
June 30, 2022

- **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 Collective All Country World Index EX-US Fund – Lending – primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World Index ex-US Index.
- **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, 2022 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1-5	>5
Investments – Primary government				
Certificates of deposit	\$ 352,985	\$ 352,985	\$ -	\$ -
U.S. government securities	5,530,098	1,659,029	3,815,767	55,302
	<u>5,883,083</u>	<u>\$ 2,012,014</u>	<u>\$ 3,815,767</u>	<u>\$ 55,302</u>
Mutual funds	158,109			
Total investments	<u>\$ 6,041,192</u>			
Investments – Fiduciary funds				
Certificates of deposit	\$ 3,152	\$ 3,152	\$ -	\$ -
U.S. government securities	348,581	314,014	34,073	494
Derivatives	(10,172)	-	(10,172)	-
	<u>341,561</u>	<u>\$ 317,166</u>	<u>\$ 23,901</u>	<u>\$ 494</u>
Equity securities	392,584			
Mutual funds	95,771			
Commingled funds	2,151,335			
Real estate	543,165			
Alternative investments	1,762,128			
Total investments	<u>\$ 5,286,544</u>			

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.

State of Hawaii
Notes to Basic Financial Statements
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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, 2022, the total securities lent for collateral amounted to \$123,746,000. The total cash and noncash collateral received amounted to \$11,023,000 and \$116,370,000, respectively.

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

3. Capital Assets

For the fiscal year ended June 30, 2022, 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, 2022
	Balance at July 1, 2021 As Restated	Additions	Deductions	
Capital assets not being depreciated				
Land and land improvements	\$ 2,407,812	\$ 19,064	\$ (9,246)	\$ 2,417,630
Construction in progress	949,412	585,999	(275,126)	1,260,285
Total capital assets not being depreciated	<u>3,357,224</u>	<u>605,063</u>	<u>(284,372)</u>	<u>3,677,915</u>
Capital assets being depreciated				
Infrastructure	10,597,856	139,368	-	10,737,224
Buildings and improvements	6,302,121	578,583	(239,267)	6,641,437
Equipment	827,001	27,503	(9,334)	845,170
Intangible assets – software	157,426	2,515	-	159,941
Total capital assets being depreciated	<u>17,884,404</u>	<u>747,969</u>	<u>(248,601)</u>	<u>18,383,772</u>
Less: Accumulated depreciation and amortization				
Infrastructure	(6,992,302)	(228,382)	-	(7,220,684)
Buildings and improvements	(3,497,428)	(310,052)	89,866	(3,717,614)
Equipment	(679,486)	(59,611)	16,968	(722,129)
Intangible assets – software	(138,599)	(6,524)	-	(145,123)
Total accumulated depreciation and amortization	<u>(11,307,815)</u>	<u>(604,569)</u>	<u>106,834</u>	<u>(11,805,550)</u>
Lease assets				
Land and land improvements	5,521	428	-	5,949
Buildings and improvements	9,942	1,788	-	11,730
Equipment	47,288	7,964	-	55,252
Total lease assets	<u>62,751</u>	<u>10,180</u>	<u>-</u>	<u>72,931</u>
Less: Accumulated depreciation and amortization				
Land and land improvements	(398)	(6)	-	(404)
Buildings and improvements	(3,531)	(128)	-	(3,659)
Equipment	(7,956)	(792)	-	(8,748)
Total accumulated depreciation and amortization	<u>(11,885)</u>	<u>(926)</u>	<u>-</u>	<u>(12,811)</u>
Total capital assets, net	<u>\$ 9,984,679</u>	<u>\$ 757,717</u>	<u>\$ (426,139)</u>	<u>\$ 10,316,257</u>

State of Hawaii
Notes to Basic Financial Statements
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	Business-type Activities			
	Balance at July 1, 2021	Additions	Deductions	Balance at June 30, 2022
Capital assets not being depreciated				
Land and land improvements	\$ 697,771	\$ 9,090	\$ -	\$ 706,861
Construction in progress	1,812,241	307,822	(1,068,140)	1,051,923
Total capital assets not being depreciated	<u>2,510,012</u>	<u>316,912</u>	<u>(1,068,140)</u>	<u>1,758,784</u>
Capital assets being depreciated				
Land and improvements	2,124,345	148,392	-	2,272,737
Buildings and improvements	3,249,398	891,545	-	4,140,943
Equipment	422,991	19,808	(1,620)	441,179
Total capital assets being depreciated	<u>5,796,734</u>	<u>1,059,745</u>	<u>(1,620)</u>	<u>6,854,859</u>
Less: Accumulated depreciation				
Land and improvements	(1,166,176)	(73,876)	-	(1,240,052)
Buildings and improvements	(1,770,001)	(115,067)	-	(1,885,068)
Equipment	(309,516)	(17,419)	1,557	(325,378)
Total accumulated depreciation	<u>(3,245,693)</u>	<u>(206,362)</u>	<u>1,557</u>	<u>(3,450,498)</u>
Lease assets				
Buildings and improvements	-	340	-	340
Equipment	-	120	-	120
Total lease assets	<u>-</u>	<u>460</u>	<u>-</u>	<u>460</u>
Less: Accumulated depreciation and amortization				
Buildings and improvements	-	(194)	-	(194)
Equipment	-	(11)	-	(11)
Total accumulated depreciation and amortization	<u>-</u>	<u>(205)</u>	<u>-</u>	<u>(205)</u>
Total capital assets, net	<u>\$ 5,061,053</u>	<u>\$ 1,170,550</u>	<u>\$ (1,068,203)</u>	<u>\$ 5,163,400</u>

Depreciation and amortization expense for the fiscal year ended June 30, 2022 was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities

Highways	\$ 211,874
Lower education	121,752
General government	154,181
Welfare	9,629
Urban redevelopment and housing	23,235
Conservation of natural resources	47,999
Public safety	16,239
Health	12,555
Culture and recreation	3,721
Economic development and assistance	4,310
Total depreciation and amortization expense – governmental activities	<u>\$ 605,495</u>

Business-type activities

Airports	\$ 167,316
Harbors	38,399
EUTF	494
DWTLF	217
WPCF	141
Total depreciation and amortization expense – business-type activities	<u>\$ 206,567</u>

State of Hawaii
Notes to Basic Financial Statements
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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 EL, issued November 21, 2013; Series EX, issued October 29, 2015; and Series FJ, issued October 13, 2016. Stated interest rates range from 0.25% to 5.53%.

On September 29, 2021, the State issued \$700,000,000 of taxable general obligation bonds of 2021 Series GD, \$200,000,000 general obligation refunding bonds of 2021 Series GE, \$25,800,000 general obligation taxable general refunding bonds of 2021 Series GF, \$83,750,000 general obligation taxable general obligation refunding bonds of 2021 Series GG, \$138,700,000 taxable general obligation refunding bonds of 2021 Series GF, \$105,000,000 taxable general obligation refunding bonds of 2021 Series GI, and \$629,705,000 taxable general obligation refunding bonds of 2021 Series GJ.

New issue Series GD was issued at a premium, which will be amortized over the life of the bond using the effective rate method. The bonds within Series GD and GE that mature on or after October 1, 2031 are subject to optional redemption with restrictions. The bonds within Series GF, GG, GH, GI and GJ are subject to optional redemption.

Refunding Series GE, GF, GG, GH, GI, and GJ (collectively, the “Refunding Bonds”) have interest rates ranging from 0.25% to 2.87% and were used to advance refund \$1,104,830,000 of certain outstanding general obligation bond anticipation notes (“BAN”) and general obligations bonds previously issued. The net proceeds of \$1,182,955,000 related to the Refunding Bonds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the previously issued BAN and general obligation bonds series DQ, DZ, EA, EE, EF, EH, EO, EP, ET and EZ. As a result, these series or a portion of these series are considered to be defeased and the related liabilities have been removed from the Government-Wide financial statements. Due to the advance refunding, the State decreased its total debt service payments over the next 20 years by \$38,077,000 and obtained an economic gain (difference between present values of the debt service payments on the old and new debt) of \$117,742,000.

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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, 2022, \$2,357,445,000 of bonds outstanding is considered defeased. At June 30, 2022, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	\$ 8,644,658
Noncallable	<u>36,156</u>
Total general obligation bonds outstanding	8,680,814
Add: Unamortized bond premium	374,363
Less: Amount recorded as a liability of proprietary funds – Harbors	<u>(13,667)</u>
Amount recorded in the governmental activities of the primary government	<u>\$ 9,041,510</u>

State of Hawaii
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June 30, 2022

A summary of general obligation bonds outstanding by series as of June 30, 2022 is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
DS	November 5, 2009	0.800%–1.450%	September 15, 2019–2024	\$ 32,000	\$ 9,000
DX	February 18, 2010	4.450%–5.530%	February 1, 2020–2030	500,000	295,875
EE	December 4, 2012	1.000%–5.000%	November 1, 2019–2032	444,000	1,080
EF	December 4, 2012	5.000%	November 1, 2019–2024	396,990	53,140
EG	December 4, 2012	1.600%–3.625%	November 1, 2019–2032	26,000	18,950
EH	November 21, 2013	4.000%–5.000%	August 1, 2019–2033	635,000	23,125
EL	November 21, 2013	1.500%–5.000%	August 1, 2019–2023	50,860	16,065
EM	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	25,000	20,060
EN	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	29,795	22,335
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	413,905
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	79,910
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	21,220
ET	October 29, 2015	2.000%–5.000%	October 1, 2019–2035	190,000	107,995
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	28,635
EX	October 29, 2015	2.000%–4.000%	October 1, 2019–2025	25,035	14,935
EY	October 29, 2015	5.000%	October 1, 2020–2027	212,120	166,765
EZ	October 29, 2015	5.000%	October 1, 2019–2028	215,590	109,665
FA	October 29, 2015	1.950%–4.400%	October 1, 2019–2035	25,000	20,590
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	420,420
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	164,790
FF	April 14, 2016	1.309%–2.902%	October 1, 2019–2028	119,730	86,510
FG	October 13, 2016	3.000%–5.000%	October 1, 2019–2036	375,000	332,580
FH	October 13, 2016	3.000%–5.000%	October 1, 2021–2031	379,295	352,580
FI	October 13, 2016	2.000%–5.000%	October 1, 2021–2033	2,710	2,545
FJ	October 13, 2016	1.151%–1.921%	October 1, 2019–2022	25,000	5,155
FK	May 24, 2017	2.000%–5.000%	May 1, 2020–2037	575,000	507,445
FN	May 24, 2017	5.000%	October 1, 2021–2031	229,355	213,320
FP	May 24, 2017	1.850%–3.940%	May 1, 2020–2037	7,500	6,510
FS	December 12, 2017	2.220%–2.950%	October 1, 2022–2033	275,363	275,364
FT	February 14, 2018	3.000%–5.000%	January 1, 2022–2038	631,215	606,525
FW	February 21, 2019	2.000%–5.000%	January 1, 2023–2039	431,665	431,665
FZ	August 5, 2020	0.670%–2.293%	August 1, 2025–2040	995,000	995,000
GB	October 21, 2020	0.429%–0.852%	October 1, 2022–2025	600,000	600,000
GC	October 21, 2020	0.852%–2.782%	October 1, 2025–2040	400,000	400,000
GD	September 29, 2021	0.247%–2.870%	October 1, 2022–2041	700,000	700,000
GE	September 29, 2021	0.247%–2.870%	October 1, 2022–2041	200,000	200,000
GG	September 29, 2021	0.247%	August 1, 2022	83,750	83,750
GH	September 29, 2021	0.422%	August 1, 2023	138,700	138,700
GI	September 29, 2021	0.713%	August 1, 2024	105,000	105,000
GJ	September 29, 2021	1.033%–2.222%	August 1, 2025–2033	629,705	629,705
					<u>\$ 8,680,814</u>

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement reported in Note 12 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 other public purposes.

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A summary of the general obligation bond premium activity for fiscal year 2022 is as follows (amounts expressed in thousands):

Balance – July 1, 2021	\$ 522,250
Additions	2,018
Deductions	(67,636)
Current-year amortization	(82,269)
Balance – June 30, 2022	<u>\$ 374,363</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>
2023	\$ 675,170	\$ 262,296	\$ 937,466
2024	679,305	243,627	922,932
2025	657,397	225,039	882,436
2026	680,775	205,231	886,006
2027	544,803	185,713	730,516
2028–2032	2,515,422	646,136	3,161,558
2033–2037	1,859,300	273,184	2,132,484
2038–2042	779,612	45,901	825,513
	<u>\$ 8,391,784</u>	<u>\$ 2,087,127</u>	<u>\$ 10,478,911</u>

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 19,971	\$ 6,905	\$ 26,876
2024	20,424	6,451	26,875
2025	20,900	5,975	26,875
2026	21,401	5,475	26,876
2027	21,926	4,949	26,875
2028–2032	118,532	15,847	134,379
2033–2037	52,209	1,542	53,751
	<u>\$ 275,363</u>	<u>\$ 47,144</u>	<u>\$ 322,507</u>

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

Fiscal Year	Principal	Interest	Total
2023	\$ 2,701	\$ 680	\$ 3,381
2024	2,835	546	3,381
2025	2,977	404	3,381
2026	3,125	256	3,381
2027	1,136	100	1,236
2028	893	44	937
	\$ 13,667	\$ 2,030	\$ 15,697

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, 2022 was \$635,023,000.

At June 30, 2022, general obligation bonds authorized but unissued were approximately \$3,079,686,000.

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 October 7, 2021, the Department of Transportation – Highways Division (Highways) issued \$23,130,000 of State of Hawaii Revenue Bonds Series 2019B (the 2019B Bonds) at 5% per annum payable semiannually each January 1 and July 1 commencing on January 1, 2022. The 2019B bonds mature in installments beginning in 2024 through 2032. These bonds were issued at a premium of \$4,051,000, and were used to advance refund \$26,825,000 of a portion of certain Highway revenue bonds previously outstanding.

On June 9, 2021, Highways issued \$137,205,000 of State of Hawaii Revenue Bonds Series 2021 ("2021 Bonds"). The 2021 Bonds bear interest at 5.00% and mature in annual installments beginning in 2027 through 2041. These bonds were issued at a premium of approximately \$43,909,000. The 2021 Bonds maturing on and before January 1, 2030, are not subject to redemption prior to their respective maturity dates. The 2021 Bonds maturing on or after January 1, 2033, are subject to redemption prior to their respective maturity dates at the option of the State at 100% plus accrued interest.

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On December 11, 2019, Highways issued \$81,835,000 of State of Hawaii Revenue Bonds Series 2019A (the 2019A Bonds). The 2019A Bonds bear interest at rates ranging from 3.0% to 5.0% and mature in annual installments through 2040. These bonds were issued at a premium of \$18,660,847. The 2019A Bonds maturing on and before January 1, 2029 are not subject to redemption prior to their respective maturity dates. The 2019A Bonds maturing on or after January 1, 2030 are subject to redemption prior to their respective maturity dates at the option of the State at 100% plus accrued interest.

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, Highways issued \$103,395,000 in State of Hawaii Highway Revenue Bonds of 2016 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 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 1.3% to 5.0% to advance refund \$111,590,000 of certain highway revenue bonds previously issued. 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 final payment for Tranche A-1 was made on July 1, 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.

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.

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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.

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

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.

The following is a summary of the State's revenue bonds issued and outstanding at June 30, 2022 (amounts expressed in thousands):

<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Outstanding Amount</u>
Highways					
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	73,810
2014B	August 14, 2014	5.00%	January 1, 2020–2026	32,285	14,745
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	82,175
2016B	September 8, 2016	4.00%–5.00%	January 1, 2021–2030	101,090	88,325
2019A	December 11, 2019	3.00%–5.00%	January 1, 2023–2040	81,835	81,835
2021	June 9, 2021	5.00%	January 1, 2027–2041	137,205	137,205
2019B	October 7, 2021	5.00%	January 1, 2024–2032	23,130	23,130
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	23,125
DBEDT					
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	82,133
					611,578
					88,849
					<u>\$ 700,427</u>

A summary of the revenue bond premium activity for fiscal year 2022 is as follows (amounts expressed in thousands):

Balance – July 1, 2021	\$ 98,166
Current-year additions	4,051
Defeased bonds	(3,034)
Current-year amortization	<u>(10,334)</u>
Balance – June 30, 2022	<u>\$ 88,849</u>

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

Fiscal Year	Principal	Interest	Total
2023	\$ 39,463	\$ 26,831	\$ 66,294
2024	41,040	28,253	69,293
2025	42,529	26,762	69,291
2026	44,379	24,917	69,296
2027	46,517	23,052	69,569
2028–2032	183,012	84,472	267,484
2033–2037	115,625	45,691	161,316
2038–2041	99,013	15,335	114,348
	\$ 611,578	\$ 275,313	\$ 886,891

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.

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The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2022 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
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
2018C, refunding	3.58%	2028	93,175	92,745
2018D, refunding	5.00%	2034	142,150	142,150
2020A, nonrefunding	4.00%–5.00%	2045	113,140	113,140
2020B, nonrefunding	3.48%	2050	165,885	165,885
2020C, nonrefunding	5.00%	2050	20,295	20,295
2020D, refunding	4.00%–5.00%	2039	184,855	184,855
2020E, refunding	1.39%–2.33%	2030	98,315	98,315
2022A, nonrefunding	4.00%–5.00%	2015	209,280	209,280
2022B, refunding	5.000%	2024	53,035	53,035
			<u>\$ 1,739,075</u>	<u>1,738,645</u>
Add: Unamortized premium				169,260
Less: Unamortized discount				(46)
				<u>1,907,859</u>
Less: Current portion				(445)
Noncurrent portion				<u>\$ 1,907,414</u>

On February 3, 2022, the Airports Division issued \$209,280,000 and \$53,035,000 of Airports System Revenue Bonds (Series 2022A and Series 2022B, respectively) at interest rates ranging from 4.00% to 5.00%. The Series 2022A Bonds were issued to pay costs of capital improvement projects at certain facilities of the State’s airports system, to pay capitalized interest on the Series 2022A bonds, to fund a deposit into the Debt Service Reserve Account, and to pay certain costs of issuance relating to the Series 2022A Bonds. The Series 2022B Bonds were issued to refund the remaining outstanding Series 2011 Refunded Bonds and to pay certain costs of issuance relating to the Series 2022B Bonds. Of the net proceeds of \$57,010,906 (after payment of \$235,745 in underwriting fees, insurance, and other costs), along with an additional \$228,801 from the debt service reserve account, \$57,003,963 was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2011 bonds on February 3, 2022. As a result, the refunded portion of the Refunding Series 2011 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statement.

Airports Special Facility Revenue Bonds

The Airports Division entered into special facility lease agreements with Continental Airlines, Inc. in November 1997. The construction of the related facilities was financed by special facility revenue bonds issued by the Airports Division in the amount of \$25,255,000. The bonds were called in full on June 25, 2022. The bonds were subject to redemption on or after November 15, 2007 at the option of the Airports Division, upon the request of Continental Airlines, Inc., at prices ranging from 101% to 100% of principal, depending on the dates of redemption or, if the facilities are destroyed or damaged extensively, at 100% plus interest.

Customer Facility Charge Revenue Bonds

In July 2017, the Airports Division 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 facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements 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. At June 30, 2022, the outstanding balance of the Series 2017A Bonds is \$229,085,000, with a maturity of July 1, 2047.

In August 2019, the Airports Division issued \$194,710,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819% to 2.733%. The Series 2019A Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2019 Bonds and to pay certain costs of issuance relating to the Series 2019 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 the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System. At June 30, 2022, the outstanding balance of the Series 2019A Bonds is \$184,790,000, with a maturity of July 1, 2047.

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.

On December 2, 2020, the Harbors Division issued \$147,520,000 Series A of 2020 Revenue Bonds (AMT), \$15,685,000 Series B of 2020 Revenue Bonds (Taxable), and \$103,345,000 Series C of 2020 Revenue Bonds (Non-AMT); all these Series are the 2020 Revenue Bonds. Proceeds of approximately \$165,800,000 from the Series A of 2020 Revenue Bonds (AMT) and \$9,200,000 from the Series B of 2020 Revenue Bonds (Taxable) were used to provide funding for the

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Harbors Division Capital Improvement Program, primarily for the Kapalama Container Terminal Phase 1 and Phase 2 projects.

The remaining proceeds obtained from the 2020 Revenue Bonds were used to refund, on a current basis, \$140,395,000 in existing Series A of 2010 and \$4,785,000 in Series B of 2010 Revenue Bonds. The refunding of Series A of 2010 and Series B of 2010 Revenue Bonds provided net present value savings of approximately \$46,700,000.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2022 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current Due		Total	Noncurrent
				Principal Due July 1, 2022	January 1, 2023		
2013	July 1, 2029	3.25%	\$ 23,615	\$ 5,290	\$ -	\$ 5,290	\$ 7,995
2016	January 1, 2031	1.99%–3.09%	105,525	2,725	5,570	8,295	67,280
2020	July 1, 2040	0.60%–5.00%	266,550	6,685	-	6,685	253,905
			<u>\$ 395,690</u>	<u>\$ 14,700</u>	<u>\$ 5,570</u>	<u>20,270</u>	<u>329,180</u>
Add: Unamortized premium (discount)						<u>3,918</u>	<u>41,736</u>
						<u>\$ 24,188</u>	<u>\$ 370,916</u>

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30, 2022 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 31,290	\$ 103,032	\$ 134,322
2024	59,555	102,710	162,265
2025	64,255	100,370	164,625
2026	70,825	98,107	168,932
2027	72,960	95,898	168,858
2028–2032	404,860	437,940	842,800
2033–2037	487,510	340,605	828,115
2038–2042	464,700	239,487	704,187
2043–2047	487,065	132,574	619,639
2048–2052	358,950	34,250	393,200
	<u>\$ 2,501,970</u>	<u>\$ 1,684,973</u>	<u>\$ 4,186,943</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, 2022, revenue bonds authorized, but unissued, were approximately \$9,640,900,000.

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The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 86%, 13%, 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, 2022.

The net pension and net OPEB liabilities will be liquidated by the General Fund.

7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2022 (amounts expressed in thousands):

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund		
Med-Quest Special Revenue Fund	\$ 112,003	\$ -
Administrative Support Special Revenue Fund	-	16,992
Natural Resources Special Revenue Fund	4,891	-
Nonmajor Governmental Funds	48,763	272
Airports	20	-
	<u>165,677</u>	<u>17,264</u>
Capital Projects Fund		
Proprietary Fund	<u>1,597</u>	<u>-</u>
Med-Quest Special Revenue Fund		
General Fund	<u>-</u>	<u>112,003</u>
Administrative Support Special Revenue Fund		
General Fund	16,992	-
National Resources Special Revenue Fund	9,534	-
Nonmajor Governmental Funds	148,430	-
Airports	278	-
	<u>175,234</u>	<u>-</u>
Natural Resources Special Revenue Fund		
General Fund	-	4,891
Administrative Support Special Revenue Fund	-	9,534
	<u>-</u>	<u>14,425</u>
Nonmajor Governmental Funds		
General Fund	272	48,763
Administrative Support Special Revenue Fund	-	148,430
	<u>272</u>	<u>197,193</u>
Proprietary Funds		
Airports	-	298
Harbors	-	1,597
	<u>-</u>	<u>1,895</u>
	<u>\$ 342,780</u>	<u>\$ 342,780</u>

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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.

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, 2022, 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	\$ 115,480	\$ 3,418
Capital Projects Fund	-	118
Administrative Support Special Revenue Fund	16,863	1,615
Natural Resources Special Revenue Fund	551	-
Nonmajor Governmental Funds	58,651	1,052,475
	<u>191,545</u>	<u>1,057,626</u>
Capital Projects Fund		
General Fund	118	-
Administrative Support Special Revenue Fund	-	5,141
Nonmajor Governmental Funds	148,899	-
	<u>149,017</u>	<u>5,141</u>
Med-Quest Special Revenue Fund		
General Fund	3,418	115,480
Nonmajor Governmental Funds	1,736	553
	<u>5,154</u>	<u>116,033</u>
Administrative Support Special Revenue Fund		
General Fund	1,615	16,863
Capital Projects Fund	5,141	-
Natural Resources Special Revenue Fund	-	11,327
Hawaiian Programs Special Revenue Fund	-	5,000
Nonmajor Governmental Funds	5,363	253,177
	<u>12,119</u>	<u>286,367</u>
Natural Resources Special Revenue Fund		
General Fund	-	551
Administrative Support Special Revenue Fund	11,327	-
Nonmajor Governmental Funds	-	2,257
	<u>11,327</u>	<u>2,808</u>

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	<u>Transfers In</u>	<u>Transfers Out</u>
Hawaiian Programs Special Revenue Fund		
Administrative Support Special Revenue Fund	5,000	-
Nonmajor Governmental Funds	-	3,011
	<u>5,000</u>	<u>3,011</u>
Nonmajor Governmental Funds		
General Fund	1,052,475	58,651
Capital Projects Fund	-	148,899
Med-Quest Special Revenue Fund	553	1,736
Administrative Support Special Revenue Fund	253,177	5,363
Natural Resources Special Revenue Fund	2,257	-
Hawaiian Programs Special Revenue Fund	3,011	-
Other Nonmajor Governmental Funds	75,223	75,223
	<u>1,386,696</u>	<u>289,872</u>
	<u>\$ 1,760,858</u>	<u>\$ 1,760,858</u>

The General Fund transferred approximately \$953,568,000 to the Nonmajor Governmental Funds for debt service payments and approximately \$98,907,000 to subsidize various Special Revenue Funds' programs, and approximately \$118,000 to the Capital Projects Fund to finance capital projects. Approximately \$148,899,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. Leases and Financed Purchases

Lease Receivable

Governmental Activities

The major portion of the State's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with others for the right to use the underlying assets at various locations owned by the State. The terms of the arrangements range from 1 to 65 years. The calculated interest rate used was 2.87%. For the fiscal year ended June 30, 2022, the State recognized approximately \$19,550,000 in lease revenue and \$24,092,000 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows (amounts expressed in thousands):

<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
\$ 840,801	\$ 27,397	\$ (29,647)	\$ 838,551	\$ 20,148

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Lease receivable is due in the upcoming years as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 20,148	\$ (2,438)	\$ 17,710
2024	18,801	(2,447)	16,354
2025	18,304	(12)	18,292
2026	17,931	1,632	19,563
2027	16,941	1,601	18,542
2028–2032	94,617	4,968	99,585
2033–2037	107,977	1,426	109,403
2038–2042	119,647	1,789	121,436
2043–2047	148,027	2,433	150,460
2048–2052	46,788	338	47,126
2053–2057	49,476	337	49,813
2058–2062	42,393	131	42,524
2063–2067	44,723	100	44,823
2068–2072	38,798	94	38,892
2073–2077	33,363	91	33,454
2078–2082	19,371	52	19,423
2083–2087	1,246	2	1,248
	\$ 838,551	\$ 10,097	\$ 848,648

Business-Type Activities

Airports leases certain building spaces and improvements to concessionaires, airline carriers and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 35 years for other airport users. Lease receivable consists of agreements with others for the right-to-use of the underlying assets and as measured at the present value of payments expected to be received during the lease term. The discount rates used vary depending on the length of the lease. For fiscal year ended June 30, 2022, the Airports Division recognized approximately \$21,347,000 in lease revenue and \$3,951,000 in interest revenue.

Major portions of the Harbor's property are leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with others for the right-to-use of the underlying assets at various locations owned by the Harbors. The terms of the arrangements range from 10 to 70 years. For the fiscal year ended June 30, 2022, the Harbors Division recognized approximately \$2,684,000 in lease revenue and \$1,382,000 in interest revenue. In addition, the Harbors Division recognized approximately \$4,437,000 in lease revenue for variable payments not previously included in measurement of lease receivable.

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A summary of changes in lease receivable for the fiscal year ended June 30, 2022 is as follows (amounts expressed in thousands):

Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
\$ 383,269	\$ 214,819	\$ (25,294)	\$ 572,794	\$ 75,574

Lease receivable is due in the upcoming years as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 75,574	\$ 15,273	\$ 90,847
2024	76,526	13,121	89,647
2025	75,878	10,885	86,763
2026	70,908	8,788	79,696
2027	57,590	6,962	64,552
2028–2032	181,083	14,843	195,926
2033–2037	11,656	4,058	15,714
2038-2042	6,304	2,925	9,229
2043-2047	6,889	1,992	8,881
2048-2052	7,813	942	8,755
2053-2057	2,069	217	2,286
2058-2059	504	7	511
	<u>\$ 572,794</u>	<u>\$ 80,013</u>	<u>\$ 652,807</u>

Regulated Leases – Airports

Airports does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings between airports, air carriers and other aeronautical users.

Airport-Airline 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).

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 2022 have been transferred to the PAUCF.

Airports System Rates and Charges

Signatory and nonsignatory airlines were assessed the following airports system rates and charges:

- Landing fees amounted to approximately \$83,293,000 for fiscal year 2022. Airport landing fees are shown, net of aviation fuel tax credits of approximately \$2,109,000, for fiscal year 2022 on the statement of revenues, expenses, and changes in net position, which resulted in net airport landing fees of approximately \$81,184,000 for fiscal year 2022. 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 50% of the airport landing fees for overseas flights for fiscal year 2022, and are scheduled to increase 1% annually until it reaches 100%.
- 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. Nonexclusive joint-use premise charges for terminal rentals amounted to approximately \$76,819,000 for fiscal year 2022.
- Exclusive-use premise charges amounted to approximately \$75,205,000 for fiscal year 2022, and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounting to approximately \$37,152,000.

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Expected future minimum payments from the agreements with signatory airlines and other users related to land and buildings for aeronautical purposes at June 30, 2022 are as follows (amounts expressed in thousands):

Fiscal Year		
2023		\$ 24,163
2024		29,417
2025		26,091
2026		23,631
2027		21,137
2028–2032		83,236
2033–2037		18,065
2038–2042		9,443
2043–2047		10,036
2048–2052		10,916
		<u>\$ 256,135</u>

Lease Payable

Governmental Activities

The State has entered into leases for building space and equipment use. The terms of the agreements range from 1 to 40 years. The calculated interest rates used was 2.87%.

Principal and interest payments to maturity are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 12,311	\$ 42	\$ 12,353
2024	9,647	36	9,683
2025	7,185	31	7,216
2026	5,111	13	5,124
2027	2,640	7	2,647
2028–2032	9,406	28	9,434
2033–2037	3,539	11	3,550
2038–2042	2,623	9	2,632
2043–2047	2,920	10	2,930
2048–2052	2,709	10	2,719
2053–2057	1,912	9	1,921
2058–2062	795	3	798
	<u>\$ 60,798</u>	<u>\$ 209</u>	<u>\$ 61,007</u>

Financed Purchases

Governmental Activities

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 the Certificate Reserve Fund. Payments of principal and interest commenced on November 1, 2017 and is 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 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 approximately \$60,286,000 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%.

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%.

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Future minimum payments for these financed agreements are as follows (amounts expressed in thousands):

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 7,761	\$ 3,620	\$ 11,381
2024	8,456	3,312	11,768
2025	9,221	2,972	12,193
2026	10,029	2,604	12,633
2027	8,954	2,243	11,197
2028–2032	54,305	5,770	60,075
2033–2034	2,905	107	3,012
	<u>\$ 101,631</u>	<u>\$ 20,628</u>	<u>\$ 122,259</u>

Capital assets acquired under these financed agreements are as follows (amounts expressed in thousands):

Asset type	
Buildings and improvements	\$ 15,125
Equipment	<u>117,010</u>
Total assets	<u>\$ 132,135</u>

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%, payable annually with a final maturity date of 2029.

On April 13, 2016, the Airports Division entered into another 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 Division and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports Division in the amount of approximately \$8,057,000 at an interest rate of 1.74%, payable annually with a final maturity date of 2026.

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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 Division and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports Division in the amount of approximately \$51,473,000 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 contain 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.

At June 30, 2022, the outstanding balance of the lease revenue certificates of participation and the unamortized premium are approximately \$172,679,000 and \$527,000, respectively. The schedule of payments for the lease revenue certificates of participation is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 15,204	\$ 7,343	\$ 22,547
2024	17,224	6,633	23,857
2025	19,760	5,797	25,557
2026	20,755	4,827	25,582
2027	22,770	3,767	26,537
2028–2032	68,697	5,460	74,157
2033–2034	8,269	249	8,518
	\$ 172,679	\$ 34,076	\$ 206,755

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Harbors – Equipment Lease Agreement

The Harbors Division entered into a financed purchase agreement to fund the installation and acquisition of energy conservation measures at selected Harbors Division locations. Proceeds of approximately \$26,246,000 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the Harbors Division. The agreement also provided for the financing of interest expense through October 1, 2016 approximating \$747,000, which was applied toward the principal of the financed purchase obligation. The financed purchase obligation amounted to approximately \$22,386,000 at June 30, 2022. Annual payments commenced on October 1, 2017 and will continue through October 1, 2032 at an interest rate of 2.74%. Costs incurred for the installation and acquisition of energy conservation measures were capitalized to other improvements and approximated \$28,952,000, net of related expense of \$23,000, which includes additional capitalized interest of \$1,983,000 for the period October 2, 2016 through June 30, 2019. Amortization of equipment acquired under the agreement is included with depreciation expense. There were no unused proceeds in the acquisition fund at June 30, 2022. Future payments as of June 30, 2022 are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2023	\$ 1,264	\$ 613	\$ 1,877
2024	1,396	579	1,975
2025	1,537	540	2,077
2026	1,687	498	2,185
2027	1,846	452	2,298
2028–2032	11,996	1,405	13,401
2033	2,660	73	2,733
	<u>\$ 22,386</u>	<u>\$ 4,160</u>	<u>\$ 26,546</u>

10. Significant Transactions with Component Units

Through June 30, 2022, the State received approximately \$1.89 billion in funding from the American Rescue Plan Act (ARPA) and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). The State appropriated amounts to various departments for eligible expenses for fiscal years 2022 and 2023. These funds will expire in December 2024.

Hawaii Health Systems Corporation

The amount due to the State of approximately \$19,008,000 at June 30, 2022 is comprised of cash advances that was assumed by the HHSC.

At June 30, 2022, approximately \$48,861,000 was due from the State for allotments made to HHSC.

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 fiscal year ended June 30, 2022, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$3,624,000.

Hawaii Tourism Authority

Act 001, SLH 2021 amended specific provisions of law. Included were Sections 237D-6.5(b), HRS, *distribution of the TAT*, and 201B-11, HRS, *tourism special fund*.

Effective January 1, 2022, the Tourism Fund could no longer expend any new funds. In its place, the State has appropriated \$60,000,000 in fiscal year 2022 funds from ARPA for eligible expenses incurred by the Authority. Those funds will expire in December 2024.

Effective July 1, 2021, the maximum amount of funding of TAT revenues that may be deposited into the Convention Center Fund is \$11,000,000. Pursuant to Act 088, SLH 2021, \$11,000,000 in ARPA funds were appropriated to the Convention Center Fund for fiscal years 2022 and 2023.

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.

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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 are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or 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/re-entry 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.

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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 are 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.

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.

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- *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 are 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 are 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, 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 2022 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the State was approximately \$623,489,000 for the fiscal year ended June 30, 2022.

Per 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 41% on July 1, 2020. The rate for all other employees increased to 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, 2022, the State reported a liability of approximately \$6.3 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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

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projected contributions of all participants, actuarially determined. At June 30, 2021, the State's proportion was 56.6916%, which was a decrease of 0.8531% from its proportion measured as of June 30, 2020.

There was no change in actuarial assumptions as of June 30, 2020 to June 30, 2021. There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the fiscal year ended June 30, 2022, the State recognized pension expense of approximately \$637,194,000. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 178,807	\$ (879)
Changes in assumptions	23,714	(66)
Net difference between projected and actual earnings on pension plan investments	-	(1,056,227)
Changes in proportion and differences between State contributions and proportionate share of contributions	37,639	(40,151)
State contributions subsequent to the measurement date	623,489	-
Total	<u>\$ 863,649</u>	<u>\$ (1,097,323)</u>

At June 30, 2022, the approximate \$623,489,000 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 fiscal year ended June 30, 2022.

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):

Fiscal Year	
2023	\$ (182,004)
2024	(172,102)
2025	(206,545)
2026	(300,451)
2027	3,939
	<u>\$ (857,163)</u>

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Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

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

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

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table with adjustments based on generational projections of the BB projection table for 2019 and full generational projections in future years. Pre-retirement mortality rates are based on multiples of Pub-2010 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 %	8.0 %
Diversifying strategies	37.0 %	5.1 %
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

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investments was applied to all periods of projected benefit payments to determine the total pension liability.

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	\$ 8,630,799	\$ 6,323,283	\$ 4,420,867

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, 2022. Excess payments of \$25,816,000 are being applied to amounts due in fiscal year 2023.

Postemployment Healthcare and Life Insurance Benefits

Plan Description

The State provides certain healthcare 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 at <https://eutf.hawaii.gov/reports/>. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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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% 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, 2021, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	38,534
Inactive plan members entitled to but not yet receiving benefits	7,539
Active plan members	<u>49,700</u>
Total plan members	<u>95,773</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$445,543,000 for the fiscal year ended June 30, 2022. 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, 2022, the State reported a net OPEB liability of approximately \$5.4 billion. The net OPEB liability was measured as of July 1, 2021, 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, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

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For the fiscal year ended June 30, 2022, the State recognized OPEB expense of approximately \$520,509,000. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (657,076)
Changes in assumptions	50,152	(28,657)
Net difference between projected and actual earnings on OPEB plan investments	-	(272,872)
State contributions subsequent to the measurement date	445,543	-
Total	<u>\$ 495,695</u>	<u>\$ (958,605)</u>

At June 30, 2022, the approximate \$445,543,000 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 fiscal year ended June 30, 2022.

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):

Fiscal Year	
2023	\$ (212,265)
2024	(211,374)
2025	(206,011)
2026	(231,087)
2027	(47,716)
	<u>\$ (908,453)</u>

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Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018 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 rate of 7.25%; declining to a rate of 4.70% after 12 years
HMO*	Initial rate of 7.25%; declining to a rate of 4.70% after 12 years
Contribution	Initial rate of 5.00% ; declining to a rate of 4.70% after 9 years
Dental	4.00%
Vision	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	12.5 %	10.19 %
U.S. microcap	6.0 %	7.62 %
U.S. equity	16.0 %	6.09 %
Non-U.S. equity	11.5 %	7.12 %
Global options	5.0 %	4.33 %
Real assets	10.0 %	6.16 %
Private credit	8.0 %	5.83 %
TIPS	5.0 %	(0.07)%
Long Treasuries	6.0 %	1.06 %
Alternative risk premia	5.0 %	1.46 %
Trend following	10.0 %	2.01 %
Reinsurance	5.0 %	4.44 %
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%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for fiscal year ended June 30, 2021, and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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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/>.

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, 2021.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 8,380,980	\$ 1,864,104	\$ 6,516,876
Service cost	218,681	-	218,681
Interest on the total OPEB liability	725,918	-	725,918
Difference between expected and actual experience	(308,109)	-	(308,109)
Employer contributions	-	1,139,969	(1,139,969)
Net investment income	-	597,590	(597,590)
Benefit payments	(331,733)	(331,731)	(2)
Administrative expense	-	(305)	305
Other	-	122	(122)
Net changes	<u>304,757</u>	<u>1,405,645</u>	<u>(1,100,888)</u>
Ending balance	<u>\$ 8,685,737</u>	<u>\$ 3,269,749</u>	<u>\$ 5,415,988</u>

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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	\$ 6,699,289	\$ 5,415,988	\$ 4,403,449

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	\$ 4,348,789	\$ 5,415,988	\$ 6,794,495

Payables to the OPEB Plan

The State's employer contributions payable to the EUTF was approximately \$181,125,000 as of June 30, 2022.

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, 2022, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds	
Agriculture	\$ 4,340
Natural Resources	29,329
	<u>\$ 33,669</u>

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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, 2022, accumulated sick leave was approximately \$1,320,149,000.

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 were distributed annually to the counties. On April 25, 2020, the Governor issued the Sixth Supplementary Proclamation amending and restating prior proclamations and executive orders related to the COVID-19 emergency that suspended the distribution of transient accommodation tax revenues to the counties. In June 2021, the Governor temporarily restarted the distribution of TAT revenues to the counties. Effective July 1, 2021, the State discontinued TAT distributions 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, 2022, 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, 2022 include (amounts expressed in thousands):

Fund Type	
General	\$ 481,362
Capital Projects	2,445,490
Med-Quest Special Revenue	42,309
Administrative Support Special Revenue	23,570
Other Governmental	1,887,024
	<u>\$ 4,879,755</u>

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, 2022.

Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2022, the Enterprise Funds had commitments of approximately \$1,012,032,000 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, 2022, 2021 and 2020 approximated \$12,534,000, \$1,580,000 and \$466,000, 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 \$38,443,000 during the fiscal year ended June 30, 2022. As of June 30, 2022, the State expects to receive \$20,000,000 for the first six months of fiscal 2023.

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. The State is

now settled through 2022, and further settlement discussions are expected to start soon to address additional years.

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 expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920 (HHCA), 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.

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On March 2, 2020, OHA filed a motion for summary judgment regarding the claim for fiduciary duty. On April 20, 2020, the State filed a motion for partial summary judgment with respect to all claims for breach of fiduciary duty brought under Chapter 673, HRS, and with respect to the public-land trust and/or the native Hawaiian public trust. On May 20, 2020, the circuit court orally denied both motions.

On May 22, 2020, the State filed its First Amended Answer to the Complaint. Discovery is ongoing, and there is currently no trial date set.

On March 23, 2021, OHA and the defendants entered into a stipulation dismissing, with prejudice, all claims asserted by OHA for monetary damages. Such stipulation does not affect OHA's pending claims for declaratory and prospective injunctive relief.

The State is not aware of any other claims that OHA may have or assert against the State. Resolution of any 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 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 2,721 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.

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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.

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.

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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.

On January 20, 2015, the 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, the Plaintiffs filed seven motions in June and July of 2016. The State filed cross motions to three of the Plaintiffs' motions, and opposed all the Plaintiffs' motions. The circuit court heard all motions on September 2, 2016, and took them under advisement. The 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 the Plaintiffs' motions and denying (in whole or in part) two of the 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.

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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.

The 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. The case was fully briefed and oral argument was presented in the Supreme Court on August 21, 2019. The case was taken under advisement by the court.

In an opinion issued on June 30, 2020, the Supreme Court of Hawaii ruled as follows:

- The circuit court did not err in adopting a fair market rental value model to determine damages for each Waiting List Subclass member as opposed to requiring each member to prove their out-of-pocket loss individually.
- The circuit court did not err in adopting State Defendant’s “best fit curve” for use in their fair market value model.
- The circuit court did not err in applying the fair market value rental value model, which was created using a sample lot on Oahu, to all Waiting List Subclass members, regardless of whether they lived on another island.
- All Waiting List Subclass members are entitled to damages under the fair market rental value model, and State Defendants have the burden of establishing any applicable defenses that would reduce those damages.
- Damages for Waiting List Subclass members cannot be adjusted to present value to account for inflation.
- The circuit court erred in ruling that damages for Waiting List Subclass members only begins to accrue six years after DHHL received their homestead applications.
- The circuit court did not err in finding that the State of Hawaii breached its trust duties by failing to recover lands that were withdrawn from the trust corpus by the federal government before Statehood.
- The circuit court did not err in establishing a list of Waiting List Subclass members; each member will go through the claims administration process to determine if they have a viable claim for damages. The court held that inclusion of a claimant is automatically entitled to damages.

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The Supreme Court directed that the case be remanded to the Circuit Court for further proceedings consistent with its opinion, and judgment on appeal was entered on July 21, 2020. On July 24, 2020, the Plaintiffs' counsel filed motions for attorneys' fees and costs, seeking over a million dollars in lodestar and enhanced fees for their work on the appeal and interim fees. The State opposed the amount requested. The motions were granted in part and denied in part by the Supreme Court of Hawaii, which reduced the total amount to approximately \$370,000.

The parties to Kalima I entered into settlement negotiations in March and April 2022. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement, the State agreed to pay the Plaintiffs \$328,000,000 for a full and final release of all class claims, including claims for attorneys' fees and costs. The settlement was conditioned on the Legislature appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCF Rule 23.

On May 3, 2022, the Legislature passed Senate Bill No. 3041, which appropriated \$328,000,000 in general funds to fund the State's payment under the settlement agreement, among other appropriations. The appropriation became effective when the Governor signed the bill into law on July 11, 2022.

On August 8, 2022, the State deposited the settlement amount of \$328,000,000 with the Clerk of the Court, First Circuit, State of Hawaii. Under the settlement agreement, the funds are to be held until the Court grants final approval of the settlement. Up to \$1,000,000 of the settlement amount may be spent on claims administration costs prior to final approval.

The Court has appointed a Claims Administrator to implement the class notice plan and claims administration process. The Court has also appointed a Settlement Special Master to supervise the claims administration process and the Claims Administrator, and to provide an accounting of all settlement funds to the Court.

The Court will hold a fairness hearing on April 14, 2023 to determine whether to grant final approval of the settlement. If the Court grants final approval, and no appeal is taken, the defendants shall be released from all claims. The remaining settlement funds on deposit with the Court will be disbursed to individual class members, as well as to class counsel for payment of attorney's fees. Any remaining settlement funds that cannot be distributed in accordance with the settlement will be paid to the Department of Hawaiian Home Lands, State of Hawaii, to be used for the purposes set forth in section 214(a) of the Hawaiian Homes Commission Act (HHC Act).

If final approval of the settlement is not granted, the settlement funds on deposit with the Court will be returned to the State, and the settlement agreement shall be deemed null and void.

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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 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.

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. On May 4, 2011, 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. 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 the 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 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 2016. The court granted 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 2016.

The Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiffs 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 \$1,300,000 to \$1,600,000, 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. On remand, the circuit court directed, and the parties filed motions that set out their positions on how the court should proceed in response to the *Nelson II* decision. The motions were heard on June 1, 2020, and denied in a Minute Order filed on June 23, 2020, which provides that the circuit court will hold

an evidentiary hearing, applying the Hawaii Rules of Evidence, to complete the task the court was given on remand: to determine the administrative and operating budget for the fiscal year 2016 budget by using the 1978 baseline of \$1,300,000 to \$1,600,000 adjusted for inflation.

A two-day evidentiary hearing was held on September 9 and 10, 2020, at which each of the parties presented differing expert testimony for adjusting the 1978 baseline of \$1,300,000 to \$1,600,000 for inflation, and determining whether the Legislature had provided sufficient sums for DHHL's fiscal year 2016 administrative and operating budget. On December 18, 2020, the circuit court entered its Findings of Fact, Conclusions of Law, and Order in favor of the State Defendants. The court found that, by appropriating over \$17,000,000 for fiscal year 2016, the State Defendants provided "sufficient sums" for DHHL's administrative and operating budget for fiscal year 2016. Final judgment was entered on May 25, 2021. DHHL filed a notice of appeal on June 23, 2021, and the Plaintiffs filed a notice of cross-appeal on June 24, 2021. The appeal is currently pending in the Hawaii Intermediate Court of Appeals.

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.

Land Use Commission

DW Aina Le'a ("DW") filed a complaint in State Circuit Court alleging a takings claim in violation of the Hawaii and U.S. Constitutions resulting from the Hawaii Land Use Commission's reversion to agricultural classification of land the Plaintiff had contracted to purchase from a third party for development purposes. The Hawaii Supreme Court ruled in a separate case that the Land Use Commission's reversion was improper. In its complaint, the Plaintiff alleged damages of not less than \$200,000,000 resulting from the taking.

The State removed the case to federal district court and then filed a motion to dismiss based on the statute of limitations. The State successfully argued that Plaintiffs takings claim was time barred, and the district court granted the State's motion to dismiss the case on June 13, 2017. Plaintiff appealed to the Ninth Circuit on June 20, 2017. Oral arguments were heard in February 2019, and Circuit Court of Appeals thereafter certified a question to the Hawaii Supreme Court, asking "[w]hat the applicable statute of limitations for a claim against the State[...] alleging an unlawful taking of [p]rivate property... for public use without compensation," Haw. Const. art. I, §20. The parties submitted briefing to the Hawaii Supreme Court on this question (the State's answering brief was filed on September 13, 2019). The Hawaii Supreme Court set oral argument for April 15, 2020, but in light of the COVID-19 pandemic, subsequently cancelled the oral argument and decided the question without oral argument. The Court's decision was issued on December 17, 2020. It responded to the certified question by holding that "the statute of limitations for a takings claim under the Hawaii Constitution is six years pursuant to HRS §657-1(4)."

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Following the Hawaii Supreme Court's decision on the certified question, the Ninth Circuit Court of Appeals, on January 25, 2021, issued a memorandum disposition holding that DW's state and federal takings claims were timely, reversing the District Court's decision, and remanding for further proceedings. Following remand, the District Court reopened the case on January 22, 2021. On April 12, 2021, DW disclosed that it is seeking \$360 million in damages.

On January 7, 2022, the State moved for summary judgment on the grounds that, among other things, DW lacked standing to pursue its taking claims. On February 4, 2022, DW moved for leave to amend its complaint to add a third party, Aina Le'a, Inc., as a plaintiff. On May 25, 2022, the District Court filed its Order Granting defendants' Motion for Summary Judgment and Denying Plaintiff's Motion for Leave to Amend, holding that DW lacked standing and denying DW's motion to amend. On May 25, 2022, judgment was entered in favor of the State and against DW. On June 6, 2022, DW filed a Notice of Appeal to the Ninth Circuit. The State intends to vigorously defend the District Court's judgment on appeal.

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, the 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 healthcare 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, the 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) healthcare benefits that are equivalent to those provided to State and county active employees; and/or (b) healthcare 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 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 healthcare because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for healthcare 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, the 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 the 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 the Plaintiffs on all of the Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of the Plaintiffs by not providing healthcare 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 the Plaintiffs by not providing healthcare 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 the 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. The 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. The 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. On December 3, 2018, the Plaintiffs consequently filed a Motion for Recertification of the Class and for Certification of a Damages Subclass. On February 6, 2019, the Court granted the Plaintiffs' Motion for Recertification and an Order granting the Plaintiffs' Motion for Recertification was filed on June 21, 2019.

The State has been vigorously defending this case, having conducted extensive discovery and filed and defended numerous motions in court, and continues to do so. Trial commenced on November 3, 2021, and phase one of the trial was completed on November 30, 2021. Proposed Findings of Fact and Conclusions of Law were submitted by the parties, and the Court has taken its ruling under advisement. The next phase of the trial will commence sometime after the Court issues its ruling. 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 their favor in this case could have a material adverse effect on the State's financial condition.

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 \$500,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Liability (tort and auto) claims up to \$25,000 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 \$5,000,000 self-insured retention per occurrence, including a \$2,500,000 corridor. The annual aggregate limit for general liability occurrence is \$7,500,000 per occurrence. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are typically paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of \$5,000,000 with a deductible of \$5,000,000 per claim. This policy includes (with sub-limits) system failure business interruption, dependent business interruption system failure, bricking of hardware, and consequential reputation loss.

Medical Insurance

The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy provides coverage for professional and general liability claims. This primary policy covers losses up to a limit of \$1,000,000 per claim and \$5,000,000 in annual aggregate. HHSC also purchased additional excess insurance with a \$34,000,000 per claim and aggregate limit.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$25,000 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, 2022, 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, 2022 and 2021, respectively (amounts expressed in thousands):

	<u>2022</u>	<u>2021</u>
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	\$ 290,563	\$ 270,641
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	396,015	62,608
Change in provision for insured events of prior fiscal years	<u>(268)</u>	<u>(854)</u>
Total incurred losses and loss adjustment costs	<u>395,747</u>	<u>61,754</u>
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(7,173)	(5,715)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	<u>(51,836)</u>	<u>(36,117)</u>
Total payments	<u>(59,009)</u>	<u>(41,832)</u>
Unpaid losses and loss adjustment costs		
End of the fiscal year	<u>\$ 627,301</u>	<u>\$ 290,563</u>

14. Subsequent Events

On November 2, 2022, the State issued general obligation bonds as follows:

- \$740,000,000 of taxable general obligation bonds Series GK.
- \$60,000,000 of taxable general obligation bonds Series GL.

The bonds within Series GK that mature on or after October 1, 2032 are subject to optional redemption with restrictions.

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15. Restatement

The beginning net position and fund balances for the State's governmental activities and the governmental and custodial funds were adjusted to reflect the correction of an accounting error. The following tables summarize the impact to net position and fund balance amounts as previously reported (amounts expressed in thousands):

	Governmental Activities					
	General Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Custodial Funds
Net position/fund balance, as previously reported	\$ 1,560,539	\$ 876,500	\$ 213,864	\$ 385,370	\$ 1,261,188	\$ 526,732
Correction of misstatement	2,527	(148,056)	(29,468)	(517)	(114,744)	290,258
Net position/fund balance, as restated	<u>\$ 1,563,066</u>	<u>\$ 728,444</u>	<u>\$ 184,396</u>	<u>\$ 384,853</u>	<u>\$ 1,146,444</u>	<u>\$ 816,990</u>
Effect of adjustments on the change in net position/fund balance previously reported	\$ 8,501	\$ (174,758)	\$ (3,478)	\$ (1,727)	\$ 10,490	\$ 160,972

**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, 2022

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Administrative Support Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Natural Resources Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

Hawaiian Programs Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2022

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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) (Unaudited)
Year Ended June 30, 2022
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	\$ 3,415,749	\$ 4,258,407	\$ 3,978,993	\$ (279,414)
Net income tax				
Corporations	90,897	167,705	255,621	87,916
Individuals	2,415,978	3,358,739	3,759,753	401,014
Inheritance and estate tax	48,286	24,945	57,405	32,460
Liquor permits and tax	47,811	60,385	53,983	(6,402)
Public service companies tax	139,105	138,032	122,068	(15,964)
Tobacco tax	74,714	74,979	65,658	(9,321)
Tax on premiums of insurance companies	170,000	188,000	195,607	7,607
Franchise tax (banks and other financial institutions)	39,138	-	57,252	57,252
Transient accommodations tax	157,294	446,691	645,429	198,738
Other taxes, primarily conveyances tax	35,977	40,187	166,993	126,806
Total taxes	<u>6,634,949</u>	<u>8,758,070</u>	<u>9,358,762</u>	<u>600,692</u>
Non-taxes				
Interest and investment income	10,012	11,132	11,385	253
Charges for current services	277,511	297,951	297,838	(113)
Intergovernmental	11,422	14,077	15,041	964
Rentals	827	766	325	(441)
Fines, forfeitures and penalties	17,222	20,032	17,789	(2,243)
Licenses and fees	1,034	656	2,437	1,781
Revenues from private sources	3,000	3,001	5,878	2,877
Debt service requirements	6,520	6,520	6,519	(1)
Other	320,410	333,637	435,081	101,444
Total non-taxes	<u>647,958</u>	<u>687,772</u>	<u>792,293</u>	<u>104,521</u>
Total revenues	<u>7,282,907</u>	<u>9,445,842</u>	<u>10,151,055</u>	<u>705,213</u>
Expenditures				
Department				
Accounting and General Services	102,694	102,694	96,823	5,871
Agriculture	13,647	13,647	10,101	3,546
Attorney General	33,307	37,307	32,069	5,238
Budget and Finance	2,952,882	2,952,755	2,899,549	53,206
Business, Economic Development and Tourism	13,527	13,527	12,533	994
Defense	19,442	19,442	17,847	1,595
Education	1,820,132	1,821,982	1,753,666	68,316
Governor	3,551	3,551	2,999	552
Hawaiian Home Lands	14,752	14,752	13,844	908
Health	524,250	625,184	604,799	20,385
House of Representative	3,200	18,075	3,189	14,886
Human Resources Development	19,584	19,584	16,816	2,768
Human Services	1,281,960	1,281,960	1,253,706	28,254
Judiciary	164,891	165,018	164,582	436
Labor and Industrial Relations	15,987	15,987	15,132	855
Land and Natural Resources	66,209	66,209	60,630	5,579
Legislative Auditor	5,891	5,959	4,916	1,043
Legislative Reference Bureau	3,440	3,467	3,185	282
Lieutenant Governor	956	956	895	61
Office of Hawaiian Affairs	-	69,292	64,000	5,292
Office of the Ombudsman	1,328	1,342	1,224	118
Public Safety	269,412	269,412	269,157	255
Senate	1,573	12,412	1,927	10,485
State Ethics Commission	1,152	1,169	1,119	50
Taxation	25,063	25,063	22,153	2,910
University of Hawaii	498,155	498,155	498,155	-
Total expenditures	<u>7,856,985</u>	<u>8,058,901</u>	<u>7,825,016</u>	<u>233,885</u>
Excess (deficiency) of revenues over (under) expenditures	(574,078)	1,386,941	2,326,039	939,098
Other financing sources				
	48,920	77,620	60,474	(17,146)
Excess (deficiency) of revenues and other sources over (under) expenditures	<u>\$ (525,158)</u>	<u>\$ 1,464,561</u>	<u>\$ 2,386,513</u>	<u>\$ 921,952</u>

State of Hawaii**Med-Quest Special Revenue Fund****Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)****Year Ended June 30, 2022****(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	\$ -	\$ -	\$ 90	\$ 90
Revenues from private sources	-	76,186	72,531	(3,655)
Other	-	-	3,418	3,418
Total revenues – non-taxes	<u>-</u>	<u>76,186</u>	<u>76,039</u>	<u>(147)</u>
Total revenues	<u>-</u>	<u>76,186</u>	<u>76,039</u>	<u>(147)</u>
Expenditures				
Department				
Human Services	<u>129,705</u>	<u>129,705</u>	<u>77,026</u>	<u>52,679</u>
Total expenditures	<u>129,705</u>	<u>129,705</u>	<u>77,026</u>	<u>52,679</u>
Excess of expenditures over revenues	<u>\$ (129,705)</u>	<u>\$ (53,519)</u>	<u>\$ (987)</u>	<u>\$ 52,532</u>

State of Hawaii

Administrative Support Special Revenue Fund

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)

Year Ended June 30, 2022

(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenues				
Taxes				
General excise tax	\$ 266,096	\$ 266,096	\$ 289,075	\$ 22,979
Tobacco tax	1,752	1,552	1,439	(113)
Transient accommodations tax	36,919	49,967	69,992	20,025
Total taxes	<u>304,767</u>	<u>317,615</u>	<u>360,506</u>	<u>42,891</u>
Non-taxes				
Interest and dividend income	3,397	3,355	1,147	(2,208)
Charges for current services	54,134	74,248	106,575	32,327
Rentals	3,787	3,765	3,837	72
Fines, forfeitures and penalties	74	74	85	11
Licenses and fees	200	300	344	44
Revenues from private sources	1,681	1,681	1,817	136
Other	11,012	12,549	12,680	131
Total non-taxes	<u>74,285</u>	<u>95,972</u>	<u>126,485</u>	<u>30,513</u>
Total revenues	<u>379,052</u>	<u>413,587</u>	<u>486,991</u>	<u>73,404</u>
Expenditures				
Department				
Accounting and General Services	80,855	80,855	58,163	22,692
Attorney General	29,893	29,893	20,812	9,081
Budget and Finance	400,530	400,530	341,209	59,321
Human Resources Development	5,866	5,866	360	5,506
Governor	-	-	-	-
Taxation	3,567	3,567	1,014	2,553
Total expenditures	<u>520,711</u>	<u>520,711</u>	<u>421,558</u>	<u>99,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (141,659)</u>	<u>\$ (107,124)</u>	<u>\$ 65,433</u>	<u>\$ 172,557</u>

State of Hawaii
Natural Resources Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2022
(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				
Liquid fuel tax				
Highways	\$ 250	\$ 250	\$ 231	\$ (19)
Conveyances tax	5,100	5,100	5,100	-
Environmental response tax	3,800	3,800	-	(3,800)
Transient accommodations tax	1,500	1,500	4,500	3,000
Total taxes	<u>10,650</u>	<u>10,650</u>	<u>9,831</u>	<u>(819)</u>
Revenues – non-taxes				
Interest and investment income	1,344	1,344	505	(839)
Charges for current services	35,529	35,574	56,800	21,226
Intergovernmental	-	-	44	44
Rentals	5,650	5,650	10,731	5,081
Fines, forfeitures and penalties	72	72	405	333
Licenses and fees	879	879	959	80
Revenues from private sources	-	-	66	66
Other	3,381	3,382	6,808	3,426
Total revenues – non-taxes	<u>46,855</u>	<u>46,901</u>	<u>76,318</u>	<u>29,417</u>
Total revenues	<u>57,505</u>	<u>57,551</u>	<u>86,149</u>	<u>28,598</u>
Expenditures				
Department				
Agriculture	38,819	38,819	10,829	27,990
Land and Natural Resources	70,463	70,463	48,849	21,614
Total expenditures	<u>109,282</u>	<u>109,282</u>	<u>59,678</u>	<u>49,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (51,777)</u>	<u>\$ (51,731)</u>	<u>\$ 26,471</u>	<u>\$ 78,202</u>

State of Hawaii

Hawaiian Programs Special Revenue Fund

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)

Year Ended June 30, 2022

(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				
Interest and investment income	\$ 80	\$ 80	\$ 163	\$ 83
Charges for current services	-	-	5	5
Intergovernmental	-	-	545	545
Rentals	16,938	16,938	17,863	925
Revenues from private sources	-	-	2,250	2,250
Other	3,576	3,576	13,783	10,207
Total revenues – non-taxes	<u>20,594</u>	<u>20,594</u>	<u>34,609</u>	<u>14,015</u>
Total revenues	<u>20,594</u>	<u>20,594</u>	<u>34,609</u>	<u>14,015</u>
Expenditures				
Department				
Hawaiian Home Lands	19,125	19,125	7,482	11,643
Total expenditures	<u>19,125</u>	<u>19,125</u>	<u>7,482</u>	<u>11,643</u>
Excess of revenues over expenditures	<u>\$ 1,469</u>	<u>\$ 1,469</u>	<u>\$ 27,127</u>	<u>\$ 25,658</u>

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control (Unaudited) Year Ended June 30, 2022

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 2021 (Act 088, SLH 2021), amended by the Supplemental Appropriations Act (Act 248, SLH 2022), 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 2021–2023 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 Funds 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 for expenditures 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, 2022, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, General Fund and Special Revenue Funds 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 Funds are presented in the General Fund and Special Revenue Funds 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
Major Governmental Funds
Reconciliation of the Budgetary to GAAP Basis (Unaudited)
Year Ended June 30, 2022
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2022 follows (amounts expressed in thousands):

	<u>General Fund</u>	<u>Med-Quest Special Revenue Fund</u>	<u>Administrative Support Special Revenue Fund</u>	<u>Natural Resources Special Revenue Fund</u>	<u>Hawaiian Programs Special Revenue Fund</u>
Excess (deficiency) of revenues and other sources over (under) expenditures – actual (budgetary basis)	\$ 2,386,513	\$ (987)	\$ 65,433	\$ 26,471	\$ 27,127
Transfers	868,099	112,615	1,977,319	10,714	(2,038)
Reserve for encumbrances at fiscal year end*	412,463	3,600	6,775	10,840	1,570
Expenditures for liquidation of prior fiscal year encumbrances	(515,686)	(712,475)	(990,442)	(35,688)	(10,808)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(118)	721,587	(75,219)	25,499	(16,637)
Tax refunds payable	(657,121)	-	-	-	-
Accrued liabilities	(118,514)	(11,482)	(1,935)	(40)	(1,776)
Accrued revenues	54,838	(10,085)	(822,501)	(26,413)	(20,345)
Excess (deficiency) of revenues over (under) expenditures – GAAP basis	<u>\$ 2,430,474</u>	<u>\$ 102,773</u>	<u>\$ 159,430</u>	<u>\$ 11,383</u>	<u>\$ (22,907)</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 (Unaudited)
Last Ten Fiscal Years*
(Amounts in millions)

	2022	2022	2021	2020	2019	2018	2017	2016	2015
State of Hawaii, excluding UH**									
State's proportion of the net pension liability	56.692 %	55.839 %	55.749 %	56.090 %	56.607 %	56.600 %	57.238 %	58.483 %	57.638 %
State's proportionate share of the net pension liability	\$ 6,886	\$ 8,510	\$ 7,865	\$ 7,438	\$ 7,331	\$ 7,567	\$ 4,999	\$ 4,689	\$ 5,148
State's covered payroll	\$ 2,813	\$ 2,689	\$ 2,616	\$ 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	244.8 %	316.5 %	300.6 %	292.8 %	286.5 %	303.2 %	206.2 %	200.3 %	236.5 %
Plan fiduciary net position as a percentage of total pension liability	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %	58.0 %
UH									
Proportion of the net pension liability	12.100 %	12.344 %	12.641 %	12.732 %	12.730 %	12.750 %	13.110 %	13.600 %	13.750 %
Proportionate share of the net pension liability	\$ 1,477	\$ 1,889	\$ 1,791	\$ 1,696	\$ 1,649	\$ 1,704	\$ 1,145	\$ 1,090	\$ 1,228
Covered payroll	\$ 575	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565	\$ 551	\$ 518
Proportionate share of the net pension liability as a percentage of its covered payroll	256.9 %	311.7 %	297.0 %	286.5 %	280.9 %	299.5 %	202.7 %	197.8 %	237.1 %
Plan fiduciary net position as a percentage of total pension liability	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %	58.0 %

* Information for 2013 is unavailable.

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

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

	2022	2022	2021	2020	2019	2018	2017	2016	2014
State of Hawaii, excluding UH**									
Statutorily required contribution	\$ 677	\$ 692	\$ 606	\$ 508	\$ 470	\$ 445	\$ 432	\$ 410	\$ 380
Contributions in relation to the contractually required contribution	677	692	606	508	470	445	432	410	380
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's covered payroll	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424	\$ 2,341
Contributions as a percentage of covered payroll	24.8 %	24.6 %	22.5 %	19.4 %	18.5 %	17.4 %	17.3 %	16.9 %	16.2 %
UH									
Statutorily required contribution	\$ 139	\$ 147	\$ 134	\$ 115	\$ 111	\$ 99	\$ 97	\$ 94	\$ 88
Contributions in relation to the contractually required contribution	139	147	134	115	111	99	97	94	88
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 575	\$ 606	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565	\$ 551
Contributions as a percentage of covered payroll	24.2 %	24.3 %	22.1 %	19.1 %	18.8 %	16.9 %	17.0 %	16.6 %	16.0 %

* Information for 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 (Unaudited)
Last Ten Fiscal Years*
(Amounts in thousands)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 236,421	\$ 246,846	\$ 236,384	\$ 229,157	\$ 220,828
Interest	784,812	792,683	745,104	709,522	670,530
Differences between expected and actual experience	(333,106)	(725,733)	(6,204)	(209,802)	-
Changes of assumptions or other inputs	-	(59,421)	59,886	126,979	-
Benefit payments	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Net change in total OPEB liability	329,482	(110,190)	678,343	510,380	559,836
Total OPEB liability – beginning	11,272,719	11,382,909	10,704,566	10,194,186	9,634,350
Total OPEB liability – ending	<u>\$ 11,602,201</u>	<u>\$ 11,272,719</u>	<u>\$ 11,382,909</u>	<u>\$ 10,704,566</u>	<u>\$ 10,194,186</u>
Plan fiduciary net position					
Employer contributions	\$ 1,232,456	\$ 814,659	\$ 787,110	\$ 682,605	\$ 659,271
Net investment income	646,073	43,497	71,563	78,648	66,007
Benefit payments	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Administrative expense	(330)	(307)	(492)	(258)	(169)
Other	134	273	165,770	-	5,300
Net change in plan fiduciary net position	1,519,688	493,557	667,124	415,519	398,887
Plan fiduciary net position – beginning	2,455,716	1,962,159	1,295,035	879,516	480,629
Plan fiduciary net position – ending	<u>\$ 3,975,404</u>	<u>\$ 2,455,716</u>	<u>\$ 1,962,159</u>	<u>\$ 1,295,035</u>	<u>\$ 879,516</u>
Net OPEB liability – ending	<u>\$ 7,626,797</u>	<u>\$ 8,817,003</u>	<u>\$ 9,420,750</u>	<u>\$ 9,409,531</u>	<u>\$ 9,314,670</u>
Plan fiduciary net position as a percentage of total OPEB liability	34.26 %	21.78 %	17.24 %	12.10 %	8.63 %
Covered payroll	\$ 2,813,167	\$ 2,688,865	\$ 2,615,866	\$ 2,539,755	\$ 2,559,162
Net OPEB liability as a percentage of covered payroll	271.11 %	327.91 %	360.14 %	370.49 %	363.97 %

Note: Amounts include all component units and the Office of Hawaiian Affairs.

* Information for 2013–2017 is unavailable.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 877,193	\$ 842,456	\$ 814,659	\$ 787,110	\$ 770,297
Contributions in relation to the actuarially determined contribution	533,563	1,233,388	780,200	816,763	682,605
Contribution deficiency (excess)	<u>\$ 343,630</u>	<u>\$ (390,932)</u>	<u>\$ 34,459</u>	<u>\$ (29,653)</u>	<u>\$ 87,692</u>
Covered payroll	\$ 2,732,427	\$ 2,813,167	\$ 2,688,865	\$ 2,615,866	\$ 2,539,755
Contributions as a percentage of covered payroll	20 %	44 %	29 %	31 %	27 %

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	23 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increases	3.5% to 7.0%
Healthcare inflation rates	
PPO***	8.0% initial, 4.86% after 12 years
HMO***	8.0% initial, 4.86% after 12 years
Dental	5% initial rate for first two years, declining to 4.0% for all future years
Vision	0.0% initial rate for first two years, then 2.5% for all future years
Medicare Part B	5.0% initial, 4.7% after 11 years

* Information for 2013–2017 is unavailable.

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

*** Blended rates for medical and prescription drugs.

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SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2022

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.
- **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.
- **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, 2022
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Assets					
Cash and cash equivalents	\$ 35,637	\$ 29,986	\$ 5,784	\$ 152,693	\$ 96,302
Notes and loans receivable, net	-	-	-	-	71,079
Lease receivable	25,038	-	-	-	4,270
Due from federal government	-	-	18,221	-	-
Due from other funds	-	-	-	-	-
Due from agency funds	2,363	-	-	-	-
Investments	288,124	240,109	46,766	175,157	41,213
Other assets	57	-	-	-	10
Total assets	<u>\$ 351,219</u>	<u>\$ 270,095</u>	<u>\$ 70,771</u>	<u>\$ 327,850</u>	<u>\$ 212,874</u>
Liabilities					
Liabilities					
Vouchers and contracts payable	\$ 34,949	\$ 68,800	\$ 8,960	\$ 13,755	\$ 1,361
Other accrued liabilities	6,537	9,831	635	29,637	488
Due to other funds	-	23,259	62,397	-	3,470
Payable from restricted assets –					
Matured bonds and interest payable	-	-	-	-	-
Total liabilities	<u>41,486</u>	<u>101,890</u>	<u>71,992</u>	<u>43,392</u>	<u>5,319</u>
Deferred inflows of resources					
Deferred inflows on leases	24,798	-	-	-	4,281
Fund balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	8,737
Assigned	284,935	168,205	-	284,458	194,537
Unassigned	-	-	(1,221)	-	-
Total fund balances	<u>284,935</u>	<u>168,205</u>	<u>(1,221)</u>	<u>284,458</u>	<u>203,274</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 351,219</u>	<u>\$ 270,095</u>	<u>\$ 70,771</u>	<u>\$ 327,850</u>	<u>\$ 212,874</u>

See accompanying independent auditors' report.

<u>Employment</u>	<u>Regulatory</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 10,703	\$ 14,687	\$ 16,434	\$ 362,226	\$ 335	\$ 362,561
-	-	-	71,079	-	71,079
-	-	-	29,308	-	29,308
-	-	-	18,221	-	18,221
-	-	-	-	272	272
-	-	-	2,363	-	2,363
86,537	118,747	132,868	1,129,521	-	1,129,521
-	-	-	67	-	67
<u>\$ 97,240</u>	<u>\$ 133,434</u>	<u>\$ 149,302</u>	<u>\$ 1,612,785</u>	<u>\$ 607</u>	<u>\$ 1,613,392</u>
\$ 3,887	\$ 2,004	\$ 16,034	\$ 149,750	\$ -	\$ 149,750
2,281	3,658	2,811	55,878	-	55,878
61,694	1,243	45,130	197,193	-	197,193
-	-	-	-	335	335
<u>67,862</u>	<u>6,905</u>	<u>63,975</u>	<u>402,821</u>	<u>335</u>	<u>403,156</u>
-	-	-	29,079	-	29,079
-	-	-	-	272	272
-	81,152	-	89,889	-	89,889
29,378	45,377	85,327	1,092,217	-	1,092,217
-	-	-	(1,221)	-	(1,221)
<u>29,378</u>	<u>126,529</u>	<u>85,327</u>	<u>1,180,885</u>	<u>272</u>	<u>1,181,157</u>
<u>\$ 97,240</u>	<u>\$ 133,434</u>	<u>\$ 149,302</u>	<u>\$ 1,612,785</u>	<u>\$ 607</u>	<u>\$ 1,613,392</u>

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2022
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Revenues					
Taxes					
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco and liquor taxes	-	19,182	-	-	-
Liquid fuel tax	76,769	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-
Vehicle weight and registration tax	132,711	5,868	-	-	-
Rental motor/tour vehicle surcharge tax	79,560	-	-	-	-
Other	-	1,244	-	-	1,111
Total taxes	<u>289,040</u>	<u>26,294</u>	<u>-</u>	<u>-</u>	<u>1,111</u>
Interest and dividend income	1,457	889	9	251	894
Net decrease in fair value of investments	(32,609)	(27,175)	(5,293)	(19,824)	(4,664)
Charges for current services	39,922	39,799	281	11,036	26,186
Intergovernmental	100,273	200,589	1,297,575	527,542	28,071
Rentals	1,298	-	-	436	1,540
Fines, forfeitures and penalties	4,713	1,668	-	-	-
Licenses and fees	2,249	3,187	90	-	17
Revenues from private sources	-	38,119	32	7,035	-
Other	146,302	4,235	-	22,308	14,395
Total revenues	<u>552,645</u>	<u>287,605</u>	<u>1,292,694</u>	<u>548,784</u>	<u>67,550</u>
Expenditures					
Current					
General government	-	9,882	-	-	-
Public safety	-	-	-	-	-
Highways	325,662	-	-	-	-
Conservation of natural resources	-	-	-	-	-
Health	-	376,819	-	-	-
Welfare	-	-	1,246,102	-	-
Lower education	-	-	-	621,284	-
Other education	-	-	10,494	-	-
Culture and recreation	-	-	-	2,124	-
Urban redevelopment and housing	-	-	4,772	-	-
Economic development and assistance	-	-	658	-	30,191
Other	674	-	306	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>326,336</u>	<u>386,701</u>	<u>1,262,332</u>	<u>623,408</u>	<u>30,191</u>
Excess (deficiency) of revenues over (under) expenditures	<u>226,309</u>	<u>(99,096)</u>	<u>30,362</u>	<u>(74,624)</u>	<u>37,359</u>
Other financing sources (uses)					
Issuance of refunding GO bonds – par	-	-	-	-	-
Issuance of refunding revenue bonds – par	-	-	-	-	-
Issuance of refunding revenue bonds – premium	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-
Transfers in	53	107,828	2,264	100,147	136
Transfers out	(207,368)	(23,722)	(40,159)	-	(13,309)
Total other financing sources (uses)	<u>(207,315)</u>	<u>84,106</u>	<u>(37,895)</u>	<u>100,147</u>	<u>(13,173)</u>
Net change in fund balances	<u>18,994</u>	<u>(14,990)</u>	<u>(7,533)</u>	<u>25,523</u>	<u>24,186</u>
Fund balances					
Beginning of year, as previously reported	276,927	190,997	8,962	291,483	185,596
Adjustment for correction of misstatement	(10,986)	(7,802)	(2,650)	(32,548)	(6,508)
Beginning of year, as restated	<u>265,941</u>	<u>183,195</u>	<u>6,312</u>	<u>258,935</u>	<u>179,088</u>
End of year	<u>\$ 284,935</u>	<u>\$ 168,205</u>	<u>\$ (1,221)</u>	<u>\$ 284,458</u>	<u>\$ 203,274</u>

See accompanying independent auditors' report.

<u>Employment</u>	<u>Regulatory</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000
-	-	-	19,182	-	19,182
-	-	1,674	78,443	-	78,443
-	2,871	-	2,871	-	2,871
-	-	-	138,579	-	138,579
-	-	-	79,560	-	79,560
1,608	712	-	4,675	-	4,675
<u>1,608</u>	<u>5,583</u>	<u>1,674</u>	<u>325,310</u>	<u>-</u>	<u>325,310</u>
9	457	155	4,121	-	4,121
(9,794)	(13,439)	(15,038)	(127,836)	-	(127,836)
1,960	33,034	36,148	188,366	-	188,366
44,834	-	159,613	2,358,497	-	2,358,497
-	-	6,144	9,418	-	9,418
17	2,518	1,687	10,603	-	10,603
-	40,469	916	46,928	-	46,928
-	-	32	45,218	-	45,218
-	-	17,469	204,709	-	204,709
<u>38,634</u>	<u>68,622</u>	<u>208,800</u>	<u>3,065,334</u>	<u>-</u>	<u>3,065,334</u>
-	14,146	14,301	38,329	-	38,329
1,770	52,877	212,425	267,072	-	267,072
-	-	-	325,662	-	325,662
-	-	22	22	-	22
-	-	1,034	377,853	-	377,853
-	-	1,118	1,247,220	-	1,247,220
-	-	-	621,284	-	621,284
-	-	-	10,494	-	10,494
-	-	14,981	17,105	-	17,105
-	-	-	4,772	-	4,772
145,331	-	-	176,180	-	176,180
16,631	874	-	18,485	-	18,485
-	-	-	-	1,022,967	1,022,967
<u>163,732</u>	<u>67,897</u>	<u>243,881</u>	<u>3,104,478</u>	<u>1,022,967</u>	<u>4,127,445</u>
<u>(125,098)</u>	<u>725</u>	<u>(35,081)</u>	<u>(39,144)</u>	<u>(1,022,967)</u>	<u>(1,062,111)</u>
-	-	-	-	1,182,955	1,182,955
-	-	-	-	23,130	23,130
-	-	-	-	4,051	4,051
-	-	-	-	(1,210,136)	(1,210,136)
111,848	467	40,961	363,704	1,022,992	1,386,696
(68)	(5,246)	-	(289,872)	-	(289,872)
<u>111,780</u>	<u>(4,779)</u>	<u>40,961</u>	<u>73,832</u>	<u>1,022,992</u>	<u>1,096,824</u>
<u>(13,318)</u>	<u>(4,054)</u>	<u>5,880</u>	<u>34,688</u>	<u>25</u>	<u>34,713</u>
65,729	140,331	100,916	1,260,941	247	1,261,188
(23,033)	(9,748)	(21,469)	(114,744)	-	(114,744)
<u>42,696</u>	<u>130,583</u>	<u>79,447</u>	<u>1,146,197</u>	<u>247</u>	<u>1,146,444</u>
<u>\$ 29,378</u>	<u>\$ 126,529</u>	<u>\$ 85,327</u>	<u>\$ 1,180,885</u>	<u>\$ 272</u>	<u>\$ 1,181,157</u>

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2022
(Amounts in thousands)

	Highways			Health		
	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	\$ 68,351	\$ 76,769	\$ 8,418	\$ -	\$ -	\$ -
Vehicle registration fee tax	42,920	47,076	4,156	5,516	5,868	352
State vehicle weight tax	77,736	85,635	7,899	-	-	-
Rental/tour vehicle surcharge tax	50,750	79,560	28,810	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	23,003	19,182	(3,821)
Environmental response tax	-	-	-	1,249	1,241	(8)
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u>239,757</u>	<u>289,040</u>	<u>49,283</u>	<u>29,768</u>	<u>26,291</u>	<u>(3,477)</u>
Non-taxes						
Interest and investment income	3,406	1,453	(1,953)	463	888	425
Charges for current services	27,110	4,106	(23,004)	95,694	91,869	(3,825)
Intergovernmental	-	839	839	2,055	1,914	(141)
Rentals	1,000	1,000	-	-	-	-
Fines, forfeitures and penalties	3,540	4,713	1,173	1,753	1,668	(85)
Licenses and fees	2,040	2,249	209	3,438	3,187	(251)
Revenues from private sources	-	-	-	35,550	38,096	2,546
Other	55	1,726	1,671	513	3,547	3,034
Total non-taxes	<u>37,151</u>	<u>16,086</u>	<u>(21,065)</u>	<u>139,466</u>	<u>141,169</u>	<u>1,703</u>
Total revenues	<u>276,908</u>	<u>305,126</u>	<u>28,218</u>	<u>169,234</u>	<u>167,460</u>	<u>(1,774)</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health	-	-	-	222,765	166,893	55,872
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	303,045	244,064	58,981	-	-	-
Total expenditures	<u>303,045</u>	<u>244,064</u>	<u>58,981</u>	<u>222,765</u>	<u>166,893</u>	<u>55,872</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (26,137)</u>	<u>\$ 61,062</u>	<u>\$ 87,199</u>	<u>\$ (53,531)</u>	<u>\$ 567</u>	<u>\$ 54,098</u>

See accompanying independent auditors' report.

Human Services		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	9	9
305	281	(24)
11	811	800
-	-	-
-	-	-
128	90	(38)
35	3	(32)
1,000	1,028	28
1,479	2,222	743
1,479	2,222	743
-	-	-
-	-	-
-	-	-
-	-	-
5,735	1,065	4,670
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
5,735	1,065	4,670
\$ (4,256)	\$ 1,157	\$ 5,413

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2022
(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	-	-	-	-	-	-
Environmental response tax	-	-	-	1,300	1,111	(189)
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	1,300	1,111	(189)
Non-taxes						
Interest and investment income	217	162	(55)	1,538	724	(814)
Charges for current services	34,998	9,112	(25,886)	19,260	26,176	6,916
Intergovernmental	150	4,833	4,683	-	345	345
Rentals	10	436	426	1,793	669	(1,124)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	-	-	-	5	17	12
Revenues from private sources	85	61	(24)	200	413	213
Other	1,075	14,825	13,750	4,920	8,510	3,590
Total non-taxes	36,535	29,429	(7,106)	27,716	36,854	9,138
Total revenues	36,535	29,429	(7,106)	29,016	37,965	8,949
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	159,960	23,009	136,951
Commerce and Consumer Affairs	-	-	-	-	-	-
Education	117,893	27,173	90,720	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	-	-	-	-	-	-
Total expenditures	117,893	27,173	90,720	159,960	23,009	136,951
Excess (deficiency) of revenues over (under) expenditures	\$ (81,358)	\$ 2,256	\$ 83,614	\$ (130,944)	\$ 14,956	\$ 145,900

See accompanying independent auditors' report.

Final Budget	Employment	
	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ 153	\$ 153
-	-	-
-	-	-
-	-	-
1,349	1,455	106
-	-	-
-	-	-
-	-	-
<u>1,349</u>	<u>1,608</u>	<u>259</u>
25	9	(16)
2,090	1,955	(135)
-	1,063	1,063
-	-	-
1	-	(1)
-	-	-
-	-	-
-	-	-
<u>2,116</u>	<u>3,027</u>	<u>911</u>
<u>3,465</u>	<u>4,635</u>	<u>1,170</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
13,154	3,566	9,588
-	-	-
-	-	-
-	-	-
<u>13,154</u>	<u>3,566</u>	<u>9,588</u>
<u>\$ (9,689)</u>	<u>\$ 1,069</u>	<u>\$ 10,758</u>

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2022
(Amounts in thousands)

	Regulatory			All Other		
	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	-	-	-	-	1,674	1,674
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Franchise tax	2,000	2,000	-	-	-	-
Tax on premiums of insurance companies	2,900	2,871	(29)	-	-	-
Total taxes	4,900	4,871	(29)	-	1,674	1,674
Non-taxes						
Interest and investment income	588	429	(159)	54	143	89
Charges for current services	28,461	33,034	4,573	7,501	34,781	27,280
Intergovernmental	-	-	-	1,120	972	(148)
Rentals	-	-	-	-	6,144	6,144
Fines, forfeitures and penalties	2,788	2,518	(270)	1,452	1,687	235
Licenses and fees	37,222	40,468	3,246	918	844	(74)
Revenues from private sources	-	-	-	32	32	-
Other	4,494	2,644	(1,850)	5,047	13,308	8,261
Total non-taxes	73,553	79,093	5,540	16,124	57,911	41,787
Total revenues	78,453	83,964	5,511	16,124	59,585	43,461
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	90,401	72,482	17,919	-	-	-
Education	-	-	-	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	16,927	13,315	3,612
Labor and Industrial Relations	-	-	-	-	-	-
Public Safety	-	-	-	25,348	33,598	(8,250)
Legislature	-	-	-	6,300	1,118	5,182
Transportation – Highways	-	-	-	-	-	-
Total expenditures	90,401	72,482	17,919	48,575	48,031	544
Excess (deficiency) of revenues over (under) expenditures	\$ (11,948)	\$ 11,482	\$ 23,430	\$ (32,451)	\$ 11,554	\$ 44,005

See accompanying independent auditors' report.

Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ 68,351	\$ 76,922	\$ 8,571
48,436	54,618	6,182
77,736	85,635	7,899
50,750	79,560	28,810
1,349	1,455	106
23,003	19,182	(3,821)
2,549	2,352	(197)
2,000	2,000	-
2,900	2,871	(29)
<u>277,074</u>	<u>324,595</u>	<u>47,521</u>
6,291	3,817	(2,474)
215,419	201,314	(14,105)
3,336	10,777	7,441
2,803	8,249	5,446
9,534	10,586	1,052
43,751	46,855	3,104
35,902	38,605	2,703
17,104	45,588	28,484
<u>334,140</u>	<u>365,791</u>	<u>31,651</u>
<u>611,214</u>	<u>690,386</u>	<u>79,172</u>
159,960	23,009	136,951
90,401	72,482	17,919
117,893	27,173	90,720
222,765	166,893	55,872
5,735	1,065	4,670
16,927	13,315	3,612
13,154	3,566	9,588
25,348	33,598	(8,250)
6,300	1,118	5,182
303,045	244,064	58,981
<u>961,528</u>	<u>586,283</u>	<u>375,245</u>
\$ (350,314)	\$ 104,103	\$ 454,417

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2022
(Amounts in thousands)

Excess of revenues and other sources over expenditures – actual (budgetary basis)	\$ 104,103
Reserve for encumbrance at year end*	134,044
Expenditures for liquidation of prior fiscal year encumbrances	(699,906)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds	271,865
Transfers	296,088
Accrued liabilities	(943,838)
Accrued revenues	798,500
Excess of expenditures over revenues – GAAP basis	<u>\$ (39,144)</u>

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

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2022
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 24,055	\$ 87,480	\$ 24,733	\$ 136,268
Investments	158,109	-	-	158,109
Receivables				
Accounts and accrued interest	-	400	182	582
Promissory note receivable	-	42,920	14,907	57,827
Federal government	-	-	164	164
Premiums	54,574	-	-	54,574
Other	15,070	2,036	992	18,098
Prepaid expenses and other assets	5,086	-	-	5,086
Total current assets	<u>256,894</u>	<u>132,836</u>	<u>40,978</u>	<u>430,708</u>
Capital assets				
	19,519	739	2,828	23,086
Less: Accumulated depreciation and amortization	(10,914)	(527)	(2,501)	(13,942)
Net capital assets	<u>8,605</u>	<u>212</u>	<u>327</u>	<u>9,144</u>
Promissory note receivable	-	458,171	212,599	670,770
Total noncurrent assets	<u>8,605</u>	<u>458,383</u>	<u>212,926</u>	<u>679,914</u>
Total assets	<u>265,499</u>	<u>591,219</u>	<u>253,904</u>	<u>1,110,622</u>
Deferred outflows of resources				
Deferred outflows on net pension liability	1,007	528	434	1,969
Deferred outflows on net other postemployment benefits liability	420	209	137	766
Total deferred outflows of resources	<u>\$ 1,427</u>	<u>\$ 737</u>	<u>\$ 571</u>	<u>\$ 2,735</u>
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 1,311	\$ 203	\$ 424	\$ 1,938
Other accrued liabilities	1,113	-	-	1,113
Benefits claims payable	5,914	-	-	5,914
Accrued vacation, current portion	135	105	57	297
Lease payable, current portion	159	-	-	159
Premiums payable	46,251	-	-	46,251
Total current liabilities	<u>54,883</u>	<u>308</u>	<u>481</u>	<u>55,672</u>
Noncurrent liabilities				
Accrued vacation	478	244	171	893
Lease payable	38	-	-	38
Net pension liability	5,308	3,583	2,364	11,255
Net other postemployment benefits liability	6,623	3,360	2,557	12,540
Total noncurrent liabilities	<u>12,447</u>	<u>7,187</u>	<u>5,092</u>	<u>24,726</u>
Total liabilities	<u>67,330</u>	<u>7,495</u>	<u>5,573</u>	<u>80,398</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	1,503	384	809	2,696
Deferred inflows on net other postemployment benefits liability	707	301	224	1,232
Total deferred inflows of resources	<u>2,210</u>	<u>685</u>	<u>1,033</u>	<u>3,928</u>
Net position				
Net investment in capital assets	8,408	212	327	8,947
Restricted for bond requirements and other	-	583,564	247,542	831,106
Unrestricted	188,978	-	-	188,978
Total net position	<u>\$ 197,386</u>	<u>\$ 583,776</u>	<u>\$ 247,869</u>	<u>\$ 1,029,031</u>

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2022
(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	\$ -	\$ 3,655	\$ 2,456	\$ 6,111
Premium revenue – self insurance	97,067	-	-	97,067
Experience refunds, net	16,132	-	-	16,132
Other	2,223	1,405	731	4,359
Total operating revenues	<u>115,422</u>	<u>5,060</u>	<u>3,187</u>	<u>123,669</u>
Operating expenses				
Personnel services	5,033	2,127	1,248	8,408
Depreciation	494	141	217	852
Repairs and maintenance	472	-	57	529
General administration	3,879	568	1,019	5,466
Claims	102,363	-	-	102,363
Other	-	895	2,313	3,208
Total operating expenses	<u>112,241</u>	<u>3,731</u>	<u>4,854</u>	<u>120,826</u>
Operating income (loss)	3,181	1,329	(1,667)	2,843
Nonoperating revenues (expenses)				
Interest and investment income (loss)	(8,698)	889	288	(7,521)
Other	-	-	15	15
Total nonoperating revenues	<u>(8,698)</u>	<u>889</u>	<u>303</u>	<u>(7,506)</u>
Income (loss) before capital contributions	(5,517)	2,218	(1,364)	(4,663)
Capital contributions	-	14,770	12,870	27,640
Change in net position	<u>(5,517)</u>	<u>16,988</u>	<u>11,506</u>	<u>22,977</u>
Net position				
Beginning of year	<u>202,903</u>	<u>566,788</u>	<u>236,363</u>	<u>1,006,054</u>
End of year	<u>\$ 197,386</u>	<u>\$ 583,776</u>	<u>\$ 247,869</u>	<u>\$ 1,029,031</u>

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2022
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from employers and employees for premiums and benefits	\$ 711,496	\$ -	\$ -	\$ 711,496
Cash paid to suppliers	(3,554)	(127)	(1,216)	(4,897)
Cash paid to employees	(5,206)	(2,615)	(1,529)	(9,350)
Cash paid for premiums and benefits payable	(675,426)	-	-	(675,426)
Net cash provided by (used in) operating activities	<u>27,310</u>	<u>(2,742)</u>	<u>(2,745)</u>	<u>21,823</u>
Cash flows from capital financing activities				
Purchase of equipment	(3,500)	(37)	(65)	(3,602)
Principal repayments of lease payable	(195)	-	-	(195)
Proceeds from federal, state and capital grants and contributions	-	14,770	12,927	27,697
Net cash provided by (used in) capital financing activities	<u>(3,695)</u>	<u>14,733</u>	<u>12,862</u>	<u>23,900</u>
Cash flows from investing activities				
Purchase of investments	(27,951)	-	-	(27,951)
Principal repayments on notes receivable	-	39,247	14,431	53,678
Disbursement of notes receivable proceeds	-	(56,076)	(24,150)	(80,226)
Interest income from notes receivable	-	1,378	738	2,116
Administrative loan fees	-	3,458	2,484	5,942
Interest received from investments	2,675	339	89	3,103
Net cash used in investing activities	<u>(25,276)</u>	<u>(11,654)</u>	<u>(6,408)</u>	<u>(43,338)</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,661)</u>	<u>337</u>	<u>3,709</u>	<u>2,385</u>
Cash and cash equivalents, including restricted amounts				
Beginning of year	25,716	87,143	21,024	133,883
End of year	<u>\$ 24,055</u>	<u>\$ 87,480</u>	<u>\$ 24,733</u>	<u>\$ 136,268</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ 3,181	\$ 1,329	\$ (1,667)	\$ 2,843
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	494	141	217	852
Principal forgiveness of loan	-	890	2,045	2,935
Interest income from loans	-	(1,405)	(731)	(2,136)
Administrative loan fees	-	(3,655)	(2,456)	(6,111)
Non-imposed fringe benefits	-	25	15	40
Premium reserves held by insurance companies	17,741	-	-	17,741
Change in assets, deferred outflows, liabilities and deferred inflows				
Receivables	5,355	7	-	5,362
Prepaid and other expenses	233	-	-	233
Net deferred outflows/inflows of resources	1,926	807	500	3,233
Vouchers and contracts payable	564	88	(77)	575
Net pension liability	(1,788)	(814)	(495)	(3,097)
Other postemployment benefits liability	(340)	(155)	(96)	(591)
Other accrued liabilities	51	-	-	51
Benefits claim payable	(107)	-	-	(107)
Net cash provided by (used in) operating activities	<u>\$ 27,310</u>	<u>\$ (2,742)</u>	<u>\$ (2,745)</u>	<u>\$ 21,823</u>
Supplemental information				
Noncash capital and related financing activities				
Right-to-use lease asset and related payable	\$ 392	\$ -	\$ -	\$ 392

See accompanying independent auditors' report.

State of Hawaii
Custodial Funds
Combining Statement of Fiduciary Net Position
June 30, 2022
(Amounts in thousands)

	<u>Tax Collections</u>	<u>Custodial and Clearance</u>	<u>Other</u>	<u>Total Custodial Funds</u>
Assets				
Cash and cash equivalents	\$ 3,273	\$ 82,034	\$ 852,124	\$ 937,431
Receivables – taxes	-	-	10,007	10,007
Receivables – other	-	-	6,258	6,258
Investments	21,204	29,245	2,084	52,533
Total assets	<u>\$ 24,477</u>	<u>\$ 111,279</u>	<u>\$ 870,473</u>	<u>\$ 1,006,229</u>
Liabilities				
Vouchers payable	\$ 25,024	\$ 403	\$ 2,173	\$ 27,600
Due to other funds	-	-	2,363	2,363
Total liabilities	<u>25,024</u>	<u>403</u>	<u>4,536</u>	<u>29,963</u>
Net position – restricted	<u>\$ (547)</u>	<u>\$ 110,876</u>	<u>\$ 865,937</u>	<u>\$ 976,266</u>

See accompanying independent auditors' report.

State of Hawaii
Custodial Funds
Combining Statement of Changes in Fiduciary Net Position
June 30, 2022
(Amounts in thousands)

	<u>Tax Collections</u>	<u>Custodial and Clearance</u>	<u>Other</u>	<u>Total Custodial Funds</u>
Additions				
Tax collections	\$ 541,264	\$ -	\$ -	\$ 541,264
Custodial collections	-	306,137	-	306,137
Other collections	-	-	923,094	923,094
Net depreciation in the fair value of investments	(8,231)	(11,353)	(809)	(20,393)
Total additions	<u>533,033</u>	<u>294,784</u>	<u>922,285</u>	<u>1,750,102</u>
Deductions				
Tax disbursements	541,194	-	-	541,194
Custodial disbursements	-	272,175	-	272,175
Other disbursements	-	-	777,457	777,457
Total deductions	<u>541,194</u>	<u>272,175</u>	<u>777,457</u>	<u>1,590,826</u>
Change in net position	<u>(8,161)</u>	<u>22,609</u>	<u>144,828</u>	<u>159,276</u>
Net position				
Beginning of year, as previously reported	9,087	(79,841)	597,486	526,732
Adjustment for correction of misstatement	(1,473)	168,108	123,623	290,258
Beginning of year, as restated	<u>7,614</u>	<u>88,267</u>	<u>721,109</u>	<u>816,990</u>
End of year	<u>\$ (547)</u>	<u>\$ 110,876</u>	<u>\$ 865,937</u>	<u>\$ 976,266</u>

See accompanying independent auditors' report.

**PART III: STATISTICAL SECTION
(UNAUDITED)**

State of Hawaii
Statistical Section (Unaudited)
June 30, 2022

This Part of the State’s annual comprehensive 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.	168–177
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.	178–185
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.	186–192
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.	193–195
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.	196–201

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

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Governmental activities					
Net investment in capital assets	\$ 1,012,903	\$ 1,147,118	\$ 2,478,200	\$ 2,459,159	\$ 2,661,730
Restricted	2,373,911	2,755,923	2,345,000	2,089,246	2,028,259
Unrestricted	<u>(10,615,961)</u>	<u>(12,136,654)</u>	<u>(12,518,653)</u>	<u>(11,830,687)</u>	<u>(11,381,725)</u>
Total governmental activities net position	<u>\$ (7,229,147)</u>	<u>\$ (8,233,613)</u>	<u>\$ (7,695,453)</u>	<u>\$ (7,282,282)</u>	<u>\$ (6,691,736)</u>
Business-type activities					
Net investment in capital assets	\$ 2,568,292	\$ 2,637,031	\$ 2,629,344	\$ 2,459,973	\$ 2,183,188
Restricted	1,814,854	1,721,912	1,639,488	1,580,020	1,444,009
Unrestricted	<u>685,673</u>	<u>(381,773)</u>	<u>251,266</u>	<u>1,018,193</u>	<u>1,075,059</u>
Total business-type activities net position	<u>\$ 5,068,819</u>	<u>\$ 3,977,170</u>	<u>\$ 4,520,098</u>	<u>\$ 5,058,186</u>	<u>\$ 4,702,256</u>
Primary government					
Net investment in capital assets	\$ 3,581,195	\$ 3,784,149	\$ 5,107,544	\$ 4,919,132	\$ 4,844,918
Restricted	4,188,765	4,477,835	3,984,488	3,669,266	3,472,268
Unrestricted	<u>(9,930,288)</u>	<u>(12,518,427)</u>	<u>(12,267,387)</u>	<u>(10,812,494)</u>	<u>(10,306,666)</u>
Total primary government net position	<u>\$ (2,160,328)</u>	<u>\$ (4,256,443)</u>	<u>\$ (3,175,355)</u>	<u>\$ (2,224,096)</u>	<u>\$ (1,989,480)</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.

Amounts prior to fiscal 2021 have not been restated for GASB Statement No. 84.

Amounts for fiscal 2021 have not been restated for fiscal 2022 restatement.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,787,289	\$ 2,727,055	\$ 2,826,649	\$ 2,772,220	\$ 2,863,379
1,799,903	1,591,701	1,445,824	1,128,678	1,051,548
<u>(7,996,567)</u>	<u>(7,190,837)</u>	<u>(7,379,890)</u>	<u>(3,096,065)</u>	<u>(2,669,391)</u>
<u>\$ (3,409,375)</u>	<u>\$ (2,872,081)</u>	<u>\$ (3,107,417)</u>	<u>\$ 804,833</u>	<u>\$ 1,245,536</u>
\$ 2,022,844	\$ 1,871,554	\$ 1,773,613	\$ 1,653,902	\$ 1,599,483
1,309,392	1,305,799	1,227,441	1,160,551	1,068,146
<u>1,141,536</u>	<u>1,058,108</u>	<u>995,207</u>	<u>1,050,981</u>	<u>899,740</u>
<u>\$ 4,473,772</u>	<u>\$ 4,235,461</u>	<u>\$ 3,996,261</u>	<u>\$ 3,865,434</u>	<u>\$ 3,567,369</u>
\$ 4,810,133	\$ 4,598,609	\$ 4,600,262	\$ 4,426,122	\$ 4,462,862
3,109,295	2,897,500	2,673,265	2,289,229	2,119,694
<u>(6,855,031)</u>	<u>(6,132,729)</u>	<u>(6,384,683)</u>	<u>(2,045,084)</u>	<u>(1,769,651)</u>
<u>\$ 1,064,397</u>	<u>\$ 1,363,380</u>	<u>\$ 888,844</u>	<u>\$ 4,670,267</u>	<u>\$ 4,812,905</u>

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Expenses					
Governmental activities					
General government	\$ 2,309,934	\$ 1,867,701	\$ 1,129,769	\$ 1,054,935	\$ 920,547
Public safety	740,183	772,470	642,353	675,663	639,888
Highways	565,191	531,130	531,105	552,741	614,847
Conservation of natural resources	118,553	115,658	109,093	224,266	118,637
Health	1,103,928	891,325	1,138,450	1,019,160	874,898
Welfare	4,882,816	4,579,544	3,678,820	3,379,304	3,542,771
Lower education	3,389,834	3,299,413	3,595,747	3,527,097	3,404,645
Higher education	919,350	984,734	1,050,582	950,253	950,843
Other education	16,933	20,593	16,936	18,376	23,827
Culture and recreation	117,785	374,727	155,261	110,711	89,647
Urban redevelopment and housing	201,311	449,870	246,495	179,794	392,921
Economic development and assistance	265,549	403,426	4,868	174,629	170,200
Interest expense	219,989	257,218	244,994	251,294	311,340
Total governmental activities expenses	<u>14,851,356</u>	<u>14,547,809</u>	<u>12,544,473</u>	<u>12,118,223</u>	<u>12,055,011</u>
Business-type activities					
Airports	616,382	600,867	559,374	469,321	429,884
Harbors	107,980	107,371	98,998	85,007	92,978
Unemployment compensation	608,094	4,005,272	2,147,598	165,134	177,009
Nonmajor proprietary funds	120,826	98,462	108,798	103,954	96,548
Total business-type activities expenses	<u>1,453,282</u>	<u>4,811,972</u>	<u>2,914,768</u>	<u>823,416</u>	<u>796,419</u>
Total primary government expenses	<u>\$ 16,304,638</u>	<u>\$ 19,359,781</u>	<u>\$ 15,459,241</u>	<u>\$ 12,941,639</u>	<u>\$ 12,851,430</u>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 237,404	\$ 229,268	\$ 292,428	\$ 302,275	\$ 319,043
Health	142,621	140,442	130,082	138,013	126,046
Other	436,310	334,200	375,479	393,958	479,847
Operating grants and contributions	6,121,649	5,030,769	3,597,822	3,082,678	3,154,479
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>6,937,984</u>	<u>5,734,679</u>	<u>4,395,811</u>	<u>3,916,924</u>	<u>4,079,415</u>
Business-type activities					
Charges for services					
Airports	539,502	328,629	475,064	562,436	587,602
Unemployment compensation	243,660	239,096	1,391,747	193,093	186,239
Others	325,324	323,230	329,283	296,920	283,586
Operating grants and contributions	1,387,833	3,206,169	-	-	-
Capital grants and contributions	45,611	83,411	95,720	78,010	37,956
Total business-type activities program revenues	<u>2,541,930</u>	<u>4,180,535</u>	<u>2,291,814</u>	<u>1,130,459</u>	<u>1,095,383</u>
Total primary government program revenues	<u>\$ 9,479,914</u>	<u>\$ 9,915,214</u>	<u>\$ 6,687,625</u>	<u>\$ 5,047,383</u>	<u>\$ 5,174,798</u>
Net (expense) revenue					
Governmental activities	\$ (7,913,372)	\$ (8,813,130)	\$ (8,148,662)	\$ (8,201,299)	\$ (7,975,596)
Business-type activities	<u>1,088,648</u>	<u>(631,437)</u>	<u>(622,954)</u>	<u>307,043</u>	<u>298,964</u>
Total primary government net expenses	<u>\$ (6,824,724)</u>	<u>\$ (9,444,567)</u>	<u>\$ (8,771,616)</u>	<u>\$ (7,894,256)</u>	<u>\$ (7,676,632)</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.

Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

	2017	2016	2015	2014	2013
\$	631,052	\$ 688,394	\$ 595,278	\$ 567,941	\$ 531,839
	552,671	485,985	504,343	533,727	451,946
	457,374	399,997	426,142	554,039	490,091
	161,924	107,740	89,176	101,587	52,208
	889,216	878,610	871,563	849,493	813,190
	3,481,679	3,343,392	3,196,602	2,879,813	2,798,053
	3,157,517	2,840,782	2,729,789	2,685,037	2,592,125
	899,199	673,217	761,837	693,292	654,611
	27,248	23,379	21,664	21,766	20,086
	106,875	106,511	84,265	104,303	94,679
	245,819	122,981	115,653	137,160	173,677
	161,077	163,935	179,485	166,455	172,602
	212,042	210,204	247,059	239,760	241,677
	<u>10,983,693</u>	<u>10,045,127</u>	<u>9,822,856</u>	<u>9,534,373</u>	<u>9,086,784</u>
	408,517	377,393	350,041	346,699	366,918
	101,180	93,088	87,031	89,327	90,548
	173,735	144,481	186,893	244,947	336,931
	110,907	112,323	112,209	87,031	66,119
	<u>794,339</u>	<u>727,285</u>	<u>736,174</u>	<u>768,004</u>	<u>860,516</u>
\$	<u>11,778,032</u>	<u>10,772,412</u>	<u>10,559,030</u>	<u>10,302,377</u>	<u>9,947,300</u>
\$	289,116	\$ 209,598	\$ 248,915	\$ 223,066	\$ 267,081
	143,363	136,429	136,547	130,338	56,963
	357,034	371,823	314,099	287,937	170,603
	3,068,752	2,986,842	2,809,460	2,660,770	2,589,537
	-	113,006	139,977	97,290	96,184
	<u>3,858,265</u>	<u>3,817,698</u>	<u>3,648,998</u>	<u>3,399,401</u>	<u>3,180,368</u>
	511,018	459,269	434,489	404,442	431,708
	176,212	187,215	239,375	353,546	507,096
	269,694	218,552	238,852	203,979	215,243
	-	-	-	-	-
	51,091	80,173	72,140	98,628	64,313
	<u>1,008,015</u>	<u>945,209</u>	<u>984,856</u>	<u>1,060,595</u>	<u>1,218,360</u>
\$	<u>4,866,280</u>	<u>4,762,907</u>	<u>4,633,854</u>	<u>4,459,996</u>	<u>4,398,728</u>
\$	(7,125,428)	\$ (6,227,429)	\$ (6,173,858)	\$ (6,134,972)	\$ (5,906,416)
	213,676	217,924	248,682	292,591	357,844
\$	<u>(6,911,752)</u>	<u>(6,009,505)</u>	<u>(5,925,176)</u>	<u>(5,842,381)</u>	<u>(5,548,572)</u>

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	\$ 3,890,136	\$ 3,438,088	\$ 3,667,538	\$ 3,794,587	\$ 3,553,975
Net income tax – corporations and individuals	3,784,904	3,254,330	2,661,618	2,728,991	2,407,338
Public service companies tax	122,068	125,201	134,639	126,691	117,641
Transient accommodations tax	659,646	195,410	304,012	356,670	304,521
Tobacco and liquor tax	140,263	141,522	150,065	151,438	157,988
Liquid fuel tax	78,674	69,351	79,187	85,146	85,211
Tax on premiums of insurance companies	198,479	188,229	183,563	176,420	162,318
Vehicle weight and registration tax	138,579	143,242	125,119	136,142	135,080
Rental motor/tour vehicle surcharge tax	79,575	32,206	72,502	57,994	54,846
Franchise tax	59,252	5,079	35,271	26,808	15,712
Other tax	307,865	106,457	157,623	156,632	145,861
Interest and investment income	54,743	30,759	164,354	40,141	36,527
Net decrease in fair value of investments	(298,277)	-	-	-	-
Other	(7,811)	-	-	(2,797)	4,538
Assumption agreement with State, net	-	-	-	-	(250,697)
Debt cancellation with State	-	-	-	(224,110)	-
Total governmental activities	<u>9,208,096</u>	<u>7,729,874</u>	<u>7,735,491</u>	<u>7,610,753</u>	<u>6,930,859</u>
Business-type activities					
Interest and investment income	7,550	88,509	84,866	48,887	27,352
Other	(4,549)	-	-	-	-
Total business-type activities	<u>3,001</u>	<u>88,509</u>	<u>84,866</u>	<u>48,887</u>	<u>27,352</u>
Total primary government	<u>\$ 9,211,097</u>	<u>\$ 7,818,383</u>	<u>\$ 7,820,357</u>	<u>\$ 7,659,640</u>	<u>\$ 6,958,211</u>
Changes in net position					
Governmental activities	\$ 1,294,724	\$ (1,083,256)	\$ (413,171)	\$ (590,546)	\$ (1,044,737)
Business-type activities	<u>1,091,649</u>	<u>(542,928)</u>	<u>(538,088)</u>	<u>355,930</u>	<u>326,316</u>
Total primary government	<u>\$ 2,386,373</u>	<u>\$ (1,626,184)</u>	<u>\$ (951,259)</u>	<u>\$ (234,616)</u>	<u>\$ (718,421)</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.

Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$	3,189,599	\$ 3,192,469	\$ 3,021,418	\$ 2,816,346	\$ 2,991,792
	2,330,408	2,160,872	2,073,015	1,840,890	1,795,683
	122,159	152,760	163,481	166,179	163,930
	299,712	233,082	202,345	188,721	186,377
	160,906	161,239	165,137	155,990	161,066
	84,933	89,702	88,449	88,707	87,645
	166,836	154,690	147,767	139,074	133,585
	132,974	130,051	125,113	124,686	121,605
	53,189	54,873	51,941	42,853	52,112
	11,174	14,691	19,930	38,983	22,673
	103,204	109,072	76,222	96,131	80,081
	30,676	22,564	16,024	13,163	25,502
	-	-	-	-	-
	-	(13,300)	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>6,685,770</u>	<u>6,462,765</u>	<u>6,150,842</u>	<u>5,711,723</u>	<u>5,822,051</u>
	25,324	21,276	17,567	12,805	14,633
	-	-	-	-	19,000
	<u>25,324</u>	<u>21,276</u>	<u>17,567</u>	<u>12,805</u>	<u>33,633</u>
\$	<u>6,711,094</u>	<u>6,484,041</u>	<u>6,168,409</u>	<u>5,724,528</u>	<u>5,855,684</u>
\$	(439,658)	\$ 235,336	\$ (23,016)	\$ (423,249)	\$ (84,365)
	239,000	239,200	266,249	305,396	391,477
\$	<u>(200,658)</u>	<u>474,536</u>	<u>243,233</u>	<u>(117,853)</u>	<u>307,112</u>

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
General Fund					
Assigned	\$ 407,353	\$ 390,666	\$ 479,071	\$ 475,242	\$ 503,201
Unassigned	2,732,304	1,169,873	789,518	1,147,073	974,719
Total General Fund	<u>\$ 3,139,657</u>	<u>\$ 1,560,539</u>	<u>\$ 1,268,589</u>	<u>\$ 1,622,315</u>	<u>\$ 1,477,920</u>
All other governmental funds					
Restricted	\$ 272	\$ 247	\$ 16,018	\$ 22,006	\$ 25,653
Committed	89,889	667,104	1,041,570	823,958	805,502
Assigned	2,284,971	2,092,883	1,316,396	1,267,999	1,226,984
Unassigned	<u>(396,277)</u>	<u>(183,242)</u>	<u>(362,148)</u>	<u>(210,972)</u>	<u>(68,660)</u>
Total all other governmental funds	<u>\$ 1,978,855</u>	<u>\$ 2,576,992</u>	<u>\$ 2,011,836</u>	<u>\$ 1,902,991</u>	<u>\$ 1,989,479</u>

Note: Amounts for fiscal 2021 have not been restated for fiscal 2022 restatement.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 400,529	\$ 394,581	\$ 205,242	\$ 256,483	\$ 271,020
<u>1,305,542</u>	<u>1,400,783</u>	<u>1,384,053</u>	<u>1,079,180</u>	<u>1,154,253</u>
\$ 1,706,071	\$ 1,795,364	\$ 1,589,295	\$ 1,335,663	\$ 1,425,273
\$ 110,750	\$ 15,557	\$ 25,370	\$ 27,145	\$ 21,854
688,980	401,313	449,290	497,932	486,240
1,117,520	1,199,080	1,009,503	739,279	612,762
<u>(116,880)</u>	<u>(340,671)</u>	<u>(576,980)</u>	<u>(588,405)</u>	<u>(611,097)</u>
\$ 1,800,370	\$ 1,275,279	\$ 907,183	\$ 675,951	\$ 509,759

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds (Unaudited)
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Revenues					
Taxes					
General excise tax	\$ 3,893,006	\$ 3,437,755	\$ 3,632,630	\$ 3,794,585	\$ 3,553,975
Net income tax – corporations and individuals	3,758,447	3,233,174	2,657,551	2,718,654	2,456,674
Public service companies tax	122,068	125,201	134,639	126,691	117,641
Transient accommodations tax	661,330	194,095	303,176	356,670	304,521
Tobacco and liquor tax	140,262	141,522	150,065	151,438	157,988
Liquid fuel tax	78,674	69,351	79,187	85,146	85,211
Tax on premiums of insurance companies	198,478	188,229	183,563	176,420	162,318
Vehicle weight and registration tax	138,579	143,242	125,119	136,142	135,080
Rental motor/tour vehicle surcharge tax	79,574	32,206	72,502	57,994	54,846
Franchise tax	59,252	5,079	35,271	26,808	15,712
Other	307,868	106,457	157,591	156,632	145,861
Total taxes	<u>9,437,538</u>	<u>7,676,311</u>	<u>7,531,294</u>	<u>7,787,180</u>	<u>7,189,827</u>
Interest and investment income	54,739	30,759	164,354	40,141	36,527
Net decrease in fair value of investments	(298,277)	-	-	-	-
Charges for current services	487,273	401,403	495,009	518,531	477,717
Intergovernmental	5,801,691	4,741,176	3,333,396	2,783,538	2,878,717
Rentals	40,153	31,316	35,035	38,031	35,466
Fines, forfeitures and penalties	28,882	32,081	28,579	37,513	38,767
Licenses and fees	50,668	42,577	45,763	47,965	47,066
Revenues from private sources	127,760	138,520	128,401	122,017	184,661
Other	414,994	356,653	329,624	369,425	428,066
Total revenues	<u>16,145,421</u>	<u>13,450,796</u>	<u>12,091,455</u>	<u>11,744,341</u>	<u>11,316,814</u>
Expenditures					
Current					
General government	2,023,088	1,708,337	1,137,274	1,007,554	807,032
Public safety	744,838	746,822	612,091	634,120	579,980
Highways	561,216	448,647	500,212	526,148	609,538
Conservation of natural resources	134,505	137,459	167,383	145,383	157,639
Health	1,090,851	1,040,285	1,096,444	1,009,545	827,592
Welfare	4,869,981	4,599,447	3,653,210	3,332,469	3,495,974
Lower education	3,507,290	3,451,175	3,351,308	3,334,110	3,226,275
Higher education	919,351	984,734	1,050,582	950,253	950,843
Other education	16,933	20,593	16,936	18,376	23,827
Culture and recreation	116,598	377,419	143,739	116,381	104,964
Urban redevelopment and housing	98,161	89,826	78,061	79,236	124,292
Economic development and assistance	267,845	238,956	166,387	152,592	167,614
Housing	113,095	355,350	153,411	85,032	256,386
Other	99,661	20,144	13,293	13,691	12,388
Debt service					
Principal	699,248	522,640	564,222	464,518	464,518
Interest and others	323,719	330,893	332,279	390,856	321,150
Total expenditures	<u>15,586,380</u>	<u>15,072,727</u>	<u>13,036,832</u>	<u>12,260,264</u>	<u>12,130,012</u>
Excess (deficiency) of expenditures over revenues	<u>559,041</u>	<u>(1,621,931)</u>	<u>(945,377)</u>	<u>(515,923)</u>	<u>(813,198)</u>
Other financing sources (uses)					
Proceeds from borrowing and refunding	1,912,154	2,333,941	700,496	644,962	1,200,004
Payments to escrow agent	(1,210,136)	(400,000)	-	(69,730)	(424,887)
Issuance of leases (1)	10,180	-	-	-	-
Transfers in	1,760,858	2,632,432	1,324,903	1,214,773	1,291,815
Transfers out	(1,760,858)	(2,632,432)	(1,324,903)	(1,214,773)	(1,291,815)
Other	-	-	-	(1,402)	(961)
Total other financing sources	<u>712,198</u>	<u>1,933,941</u>	<u>700,496</u>	<u>573,830</u>	<u>774,156</u>
Net change in fund balances	<u>\$ 1,271,239</u>	<u>\$ 312,010</u>	<u>\$ (244,881)</u>	<u>\$ 57,907</u>	<u>\$ (39,042)</u>
Total debt service as a percent of noncapital expenditures (2)	<u>7.2 %</u>	<u>6.1 %</u>	<u>7.7 %</u>	<u>7.5 %</u>	<u>7.0 %</u>

(1) Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.

(2) Total debt service as a percent of noncapital expenditures is computed by debt service principal plus debt service interest and others divided by total expenditures less capital outlay.

	2017	2016	2015	2014	2013
\$	3,189,599	\$ 3,192,469	\$ 3,021,418	\$ 2,816,346	\$ 2,991,792
	2,286,017	2,157,879	2,047,327	1,840,963	1,804,409
	122,159	152,760	163,481	166,179	163,930
	299,712	233,082	202,345	188,721	186,377
	160,906	161,239	165,137	155,990	161,066
	84,933	89,702	88,449	88,707	87,645
	166,836	154,690	147,767	139,074	133,585
	132,974	130,051	125,113	124,686	121,605
	53,189	54,873	51,941	42,853	52,112
	11,174	14,691	19,930	38,983	22,673
	103,204	109,072	76,222	96,131	80,079
	<u>6,610,703</u>	<u>6,450,508</u>	<u>6,109,130</u>	<u>5,698,633</u>	<u>5,805,273</u>
	30,676	22,564	16,024	13,163	25,502
	-	-	-	-	-
	460,211	431,181	384,380	363,791	369,269
	2,938,557	2,995,768	2,803,989	2,650,876	2,372,480
	35,530	32,371	31,127	31,846	28,633
	39,203	35,738	37,201	33,087	36,802
	46,893	45,738	42,463	47,209	46,839
	105,857	126,450	121,366	112,916	104,670
	248,389	169,533	191,472	173,483	235,516
	<u>10,516,019</u>	<u>10,309,851</u>	<u>9,737,152</u>	<u>9,125,004</u>	<u>9,024,984</u>
	701,083	673,236	573,820	543,129	408,538
	531,545	479,047	484,960	519,954	432,024
	461,523	389,744	455,563	403,559	418,991
	180,697	181,563	145,516	108,703	92,601
	873,703	876,820	855,797	828,088	779,755
	3,442,279	3,349,414	3,192,807	2,945,370	2,773,241
	2,973,583	2,828,013	2,619,156	2,603,774	2,358,763
	899,199	673,217	761,837	693,292	654,611
	27,248	23,379	21,664	21,766	20,086
	104,655	101,351	96,676	107,846	107,940
	63,807	54,446	71,384	65,228	66,243
	179,127	159,483	176,919	158,379	157,468
	133,010	58,381	48,565	63,683	112,614
	10,613	20,193	15,179	29,818	32,716
	484,274	444,791	444,791	458,983	399,382
	296,482	315,321	289,524	278,315	288,267
	<u>11,362,828</u>	<u>10,628,399</u>	<u>10,254,158</u>	<u>9,829,887</u>	<u>9,103,240</u>
	<u>(846,809)</u>	<u>(318,548)</u>	<u>(517,006)</u>	<u>(704,883)</u>	<u>(78,256)</u>
	2,161,677	1,835,677	1,518,709	948,190	1,066,848
	(879,070)	(989,950)	(516,839)	(185,560)	(503,372)
	-	-	-	-	-
	1,444,931	1,276,279	1,171,272	1,066,780	1,033,917
	(1,444,931)	(1,276,279)	(1,171,272)	(1,066,780)	(1,033,917)
	-	46,986	-	18,835	-
	<u>1,282,607</u>	<u>892,713</u>	<u>1,001,870</u>	<u>781,465</u>	<u>563,476</u>
\$	<u>435,798</u>	<u>\$ 574,165</u>	<u>\$ 484,864</u>	<u>\$ 76,582</u>	<u>\$ 485,220</u>
	<u>7.3 %</u>	<u>7.6 %</u>	<u>7.7 %</u>	<u>7.9 %</u>	<u>8.0 %</u>

State of Hawaii
Revenue Capacity Information
Personal Income by Industry (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Farm earnings	\$ 208	\$ 286	\$ 249	\$ 271	\$ 284
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	N/A	94	90	97	94
Mining	31	27	32	31	35
Construction	4,686	4,786	4,531	4,538	4,372
Manufacturing – durable and nondurable goods	653	976	948	975	959
Subtotal goods-producing industries	5,370	5,883	5,601	5,641	5,460
Service-producing industries					
Transportation, communication and utilities	3,376	2,965	4,802	3,064	2,965
Trade	4,981	4,784	3,170	4,841	4,659
Information	1,064	865	830	893	766
Finance, insurance and real estate	4,094	4,216	3,714	3,626	3,373
Service	23,493	20,480	21,500	21,964	21,051
State and local government	7,638	7,601	7,313	7,235	6,907
Federal government	9,400	8,746	9,219	8,990	8,505
Subtotal service-producing industries	54,046	49,657	50,548	50,613	48,226
Total nonfarm wage and salary worker	59,416	55,540	56,149	56,254	53,686
Other (1)	26,387	29,613	27,963	23,638	22,506
Total personal income	\$ 86,011	\$ 85,439	\$ 84,361	\$ 80,163	\$ 76,476
Total direct income tax rate (2)	N/A	N/A	N/A	N/A	N/A

N/A Not Available

(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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>\$ 274</u>	<u>\$ 284</u>	<u>\$ 318</u>	<u>\$ 349</u>	<u>\$ 243</u>
87	76	76	66	60
35	39	41	37	39
4,391	4,038	3,542	3,328	3,236
921	918	878	833	804
<u>5,434</u>	<u>5,071</u>	<u>4,537</u>	<u>4,264</u>	<u>4,139</u>
2,714	2,639	2,424	2,316	2,178
4,574	4,419	4,130	4,089	3,929
711	742	718	711	692
3,192	3,051	3,110	3,267	2,752
19,595	19,087	17,608	17,126	16,423
6,970	6,949	6,426	6,089	5,873
8,491	8,614	8,400	8,139	8,507
<u>46,247</u>	<u>45,501</u>	<u>42,816</u>	<u>41,737</u>	<u>40,354</u>
<u>51,681</u>	<u>50,572</u>	<u>47,353</u>	<u>46,001</u>	<u>44,493</u>
<u>21,042</u>	<u>19,814</u>	<u>19,092</u>	<u>18,270</u>	<u>18,473</u>
<u>\$ 72,997</u>	<u>\$ 70,670</u>	<u>\$ 66,763</u>	<u>\$ 64,620</u>	<u>\$ 63,209</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates (Unaudited)
Ten Years Ending December 31, 2022

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
2022	11.00% + \$16,379	\$ 200,000	11.00% + \$32,757	\$ 400,000	11.00% + \$24,568	\$ 300,000
2021	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2020	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
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

Source: State of Hawaii, Department of Taxation.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Taxable sales by activities					
Retailing	\$ 43,307	\$ 33,368	\$ 35,679	\$ 36,801	\$ 35,454
Services	18,256	15,345	16,750	16,927	16,375
Contracting	10,327	10,029	9,541	9,706	8,914
Hotel rentals	6,658	1,989	5,215	5,669	5,527
All other rentals	9,134	7,533	8,667	8,564	8,171
All other (4%)	6,874	4,493	5,893	6,543	6,545
Subtotal	<u>94,556</u>	<u>72,757</u>	<u>81,745</u>	<u>84,210</u>	<u>80,986</u>
Producing	382	342	303	296	359
Manufacturing	441	522	561	596	640
Wholesaling	22,501	16,837	17,417	18,062	17,590
Use (0.5%)	8,280	6,512	6,886	7,280	7,640
Services (intermediary)	1,079	865	1,007	1,005	903
Insurance solicitors	672	664	702	754	650
Subtotal	<u>33,355</u>	<u>25,742</u>	<u>26,876</u>	<u>27,993</u>	<u>27,782</u>
Total all activities	<u>\$ 127,911</u>	<u>\$ 98,499</u>	<u>\$ 108,621</u>	<u>\$ 112,203</u>	<u>\$ 108,768</u>

General excise and use tax are 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.

	2017	2016	2015	2014	2013
\$	30,747	\$ 29,498	\$ 29,987	\$ 31,152	\$ 29,636
	14,162	13,667	13,361	13,795	12,985
	8,418	8,185	7,322	7,046	7,547
	4,898	4,442	4,328	4,279	3,871
	6,669	6,474	6,544	6,472	6,377
	5,918	5,407	5,486	5,683	5,337
	<u>70,812</u>	<u>67,673</u>	<u>67,028</u>	<u>68,427</u>	<u>65,753</u>
	324	295	321	436	399
	731	734	716	1,876	639
	14,462	13,864	14,294	14,675	14,430
	6,799	7,354	7,127	6,489	8,867
	870	708	716	1,096	628
	495	485	489	485	464
	<u>23,681</u>	<u>23,440</u>	<u>23,663</u>	<u>25,057</u>	<u>25,427</u>
\$	<u>94,493</u>	<u>\$ 91,113</u>	<u>\$ 90,691</u>	<u>\$ 93,484</u>	<u>\$ 91,180</u>

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	2022		2021		2020		2019		Fiscal Year Ended June 30, 2018	
	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	\$ 1,732,276	43.2 %	\$ 1,334,715	43.3 %	\$ 1,427,180	41.5 %	\$ 1,472,039	41.5 %	\$ 1,418,176	41.8 %
Services	730,258	18.2 %	613,791	19.9 %	670,010	19.5 %	677,082	19.1 %	655,007	19.3 %
Contracting	413,076	10.3 %	401,141	13.0 %	381,641	11.1 %	388,249	11.0 %	356,576	10.5 %
Theater, amusement, etc.	17,633	0.4 %	8,537	0.3 %	16,661	0.5 %	19,978	0.6 %	19,182	0.6 %
Interest	145,241	3.6 %	83,679	2.7 %	127,396	3.7 %	141,903	4.0 %	142,359	4.2 %
Commissions	71,372	1.8 %	51,715	1.7 %	51,076	1.5 %	54,981	1.6 %	55,832	1.6 %
Hotel rentals	266,321	6.6 %	79,578	2.6 %	208,581	6.1 %	226,764	6.4 %	221,084	6.5 %
All other rentals	365,344	9.1 %	301,321	9.8 %	346,685	10.1 %	342,572	9.7 %	326,823	9.6 %
Use (4%)	40,719	1.0 %	35,784	1.2 %	40,580	1.2 %	44,847	1.3 %	44,390	1.3 %
All other (4%)	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Producing	1,910	0.1 %	1,712	0.1 %	1,514	0.1 %	1,480	0.0 %	1,794	0.1 %
Manufacturing	2,203	0.1 %	2,612	0.1 %	2,807	0.1 %	2,981	0.1 %	3,201	0.1 %
Wholesaling	112,507	2.8 %	84,183	2.7 %	87,088	2.5 %	90,308	2.6 %	87,952	2.6 %
Use (0.5%)	41,402	1.0 %	32,560	1.1 %	34,428	1.0 %	36,398	1.0 %	38,201	1.1 %
Services (Intermediary)	5,395	0.2 %	4,324	0.1 %	5,033	0.1 %	5,026	0.1 %	4,514	0.1 %
Insurance solicitors	1,007	0.0 %	996	0.0 %	1,053	0.0 %	1,131	0.0 %	975	0.0 %
Unallocated collections	63,245	1.6 %	43,546	1.4 %	34,405	1.0 %	35,650	1.0 %	19,500	0.6 %
Total	\$ 4,009,909	100.0 %	\$ 3,080,194	100.0 %	\$ 3,436,138	100.0 %	\$ 3,541,389	100.0 %	\$ 3,395,566	100.0 %

Note: Information for number of filers is not available.

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

2017		2016		2015		2014		2013	
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
\$ 1,229,860	38.0 %	\$ 1,179,911	36.8 %	\$ 1,199,488	39.4 %	\$ 1,246,061	43.3 %	\$ 1,185,446	40.3 %
566,466	17.5 %	546,684	17.1 %	534,442	17.5 %	551,784	19.2 %	519,419	17.6 %
336,717	10.4 %	327,394	10.2 %	292,874	9.6 %	281,839	9.8 %	301,875	10.3 %
17,248	0.5 %	15,931	0.5 %	15,955	0.5 %	15,619	0.5 %	15,986	0.5 %
134,441	4.2 %	1	0.0 %	1	0.0 %	3	0.0 %	3	0.0 %
49,209	1.5 %	44,777	1.4 %	45,619	1.5 %	45,125	1.6 %	42,064	1.4 %
195,919	6.0 %	177,671	5.5 %	173,100	5.7 %	171,162	5.9 %	154,837	5.3 %
266,758	8.2 %	258,977	8.1 %	261,743	8.6 %	258,886	9.0 %	255,074	8.7 %
35,845	1.1 %	35,620	1.1 %	39,884	1.3 %	40,277	1.4 %	41,015	1.4 %
-	0.0 %	119,948	3.7 %	118,014	3.9 %	126,306	4.4 %	114,396	3.9 %
1,619	0.1 %	1,473	0.0 %	1,605	0.1 %	2,181	0.1 %	1,997	0.1 %
3,657	0.1 %	3,670	0.1 %	3,581	0.1 %	9,380	0.3 %	3,194	0.1 %
72,309	2.2 %	69,322	2.2 %	71,471	2.3 %	73,373	2.5 %	72,149	2.4 %
33,996	1.0 %	36,872	1.2 %	35,634	1.2 %	32,446	1.1 %	44,337	1.5 %
4,352	0.1 %	3,539	0.1 %	3,578	0.1 %	5,480	0.2 %	3,139	0.1 %
743	0.1 %	728	0.0 %	733	0.0 %	728	0.0 %	697	0.0 %
290,086	9.0 %	383,736	12.0 %	250,484	8.2 %	19,893	0.7 %	188,859	6.4 %
<u>\$ 3,239,225</u>	<u>100.0 %</u>	<u>\$ 3,206,254</u>	<u>100.0 %</u>	<u>\$ 3,048,206</u>	<u>100.0 %</u>	<u>\$ 2,880,543</u>	<u>100.0 %</u>	<u>\$ 2,944,487</u>	<u>100.0 %</u>

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Governmental activities					
General obligation bonds	\$ 9,041,510	\$ 8,870,454	\$ 7,294,070	\$ 7,914,382	\$ 7,912,206
Revenue bonds	700,427	753,505	623,120	571,306	633,073
Lease payable	60,798	10,179	-	-	-
Financed purchases	101,631	108,665	115,147	122,922	129,897
Total governmental activities	<u>9,904,366</u>	<u>9,742,803</u>	<u>8,032,337</u>	<u>8,608,610</u>	<u>8,675,176</u>
Business-type activities					
General obligation bonds	13,667	16,239	18,690	21,026	23,255
Revenue bonds	2,716,839	2,519,961	2,093,075	1,968,315	1,567,305
Lease payable	242	-	-	-	-
Financed purchases	195,592	210,803	224,375	236,147	244,979
Loan payable	-	-	-	76,000	76,000
Total business-type activities	<u>2,926,340</u>	<u>2,747,003</u>	<u>2,336,140</u>	<u>2,301,488</u>	<u>1,911,539</u>
Total primary government	<u>\$ 12,830,706</u>	<u>\$ 12,489,806</u>	<u>\$ 10,368,477</u>	<u>\$ 10,910,098</u>	<u>\$ 10,586,715</u>
Hawaii total personal income	\$ 86,011,000	\$ 85,439,000	\$ 84,361,000	\$ 80,163,000	\$ 76,476,000
Debt as a percentage of personal income	14.9 %	14.6 %	12.3 %	13.6 %	13.8 %
Hawaii population	1,435	1,455	1,416	1,422	1,435
Amount of debt per capita	\$ 8,941	\$ 8,584	\$ 7,322	\$ 7,672	\$ 7,378

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

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

	2017	2016	2015	2014	2013
\$	7,635,827	\$ 6,953,431	\$ 6,503,281	\$ 5,784,139	\$ 5,534,921
	692,742	615,120	666,202	412,725	441,150
	-	-	-	-	-
	143,622	149,477	96,175	102,622	89,879
	<u>8,472,191</u>	<u>7,718,028</u>	<u>7,265,658</u>	<u>6,299,486</u>	<u>6,065,950</u>
	25,377	27,400	29,332	31,176	32,934
	1,375,442	1,429,980	1,218,943	1,278,137	1,326,112
	-	-	-	-	-
	252,806	179,985	172,864	173,771	-
	76,000	34,910	34,910	-	-
	<u>1,729,625</u>	<u>1,672,275</u>	<u>1,456,049</u>	<u>1,483,084</u>	<u>1,359,046</u>
\$	<u>10,201,816</u>	<u>9,390,303</u>	<u>8,721,707</u>	<u>7,782,570</u>	<u>7,424,996</u>
\$	72,997,000	\$ 71,767,000	\$ 66,763,000	\$ 64,620,000	\$ 63,209,000
	14.0 %	13.1 %	13.1 %	12.0 %	11.7 %
	1,428	1,429	1,432	1,420	1,404

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding (Unaudited)
Ten Years Ended June 30, 2022
(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
2022	\$ 127,811,000	1,435	\$ 9,055,177	\$ 272	\$ 9,054,905	7.1 %	6,310
2021	98,499,000	1,455	8,886,693	247	8,886,446	9.0 %	6,108
2020	108,621,000	1,416	7,312,760	152	7,312,608	6.7 %	5,164
2019	112,203,000	1,422	7,935,408	-	7,935,408	7.1 %	5,580
2018	108,768,000	1,435	7,935,461	-	7,935,461	7.3 %	5,530
2017	94,493,000	1,428	7,661,204	35	7,661,169	8.1 %	5,365
2016	91,113,000	1,429	6,980,831	35	6,980,796	7.7 %	4,885
2015	90,691,000	1,432	6,532,613	35	6,532,578	7.2 %	4,562
2014	93,484,000	1,420	5,815,315	35	5,815,280	6.2 %	4,095
2013	91,181,000	1,404	5,567,855	63	5,567,792	6.1 %	3,966

- (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 Component Unit.

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Average general fund revenues of the three preceding fiscal years	\$ 8,695,460	\$ 7,930,471	\$ 7,732,620	\$ 7,637,553	\$ 7,359,330
Constitutional debt limit percentage	18.5 %	18.5 %	18.5 %	18.5 %	18.5 %
Constitutional debt limit for total principal and interest payable in a current or future year	1,608,660	1,467,137	1,430,535	1,412,947	1,361,476
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	(973,637)	(917,238)	(753,610)	(836,170)	(792,143)
Legal debt margin	\$ 635,023	\$ 549,899	\$ 676,925	\$ 576,777	\$ 569,333
Legal debt margin as a percentage of the debt limit	39.5 %	37.5 %	47.3 %	40.8 %	41.8 %

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 6,997,106	\$ 6,577,966	\$ 6,294,642	\$ 5,987,800	\$ 5,659,152
<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>
1,294,465	1,216,924	1,164,509	1,107,743	1,046,943
<u>(739,852)</u>	<u>(712,590)</u>	<u>(693,934)</u>	<u>(693,677)</u>	<u>(693,592)</u>
\$ 554,613	\$ 504,334	\$ 470,575	\$ 414,066	\$ 353,351
<u>42.8 %</u>	<u>41.4 %</u>	<u>40.4 %</u>	<u>37.4 %</u>	<u>33.8 %</u>

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage (Unaudited)
Ten Years Ended June 30, 2022
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Revenue bonds – Airports										
Gross revenue (1)	\$ 575,402	\$ 403,145	\$ 486,117	\$ 495,315	\$ 466,317	\$ 431,726	\$ 381,404	\$ 355,948	\$ 341,155	\$ 385,841
Less: Operating expenses (2)	363,479	364,439	339,043	316,905	299,799	288,644	259,223	253,581	246,982	244,328
Net available revenue	211,923	38,706	147,074	178,410	166,518	143,082	122,181	102,367	94,173	141,513
Debt services										
Principal	445	430	44,690	42,585	40,755	38,935	37,290	35,725	34,210	40,305
Interest (3)	61,836	53,947	51,751	47,423	46,454	45,182	42,532	41,671	23,414	40,705
Total debt services	62,281	54,377	96,441	90,008	87,209	84,117	79,822	77,396	57,624	81,010
Coverage (4)	340 %	71 %	153 %	198 %	191 %	170 %	153 %	132 %	163 %	175 %
Revenue bonds – Harbors										
Gross revenue (5)	\$ 205,340	\$ 183,738	\$ 183,623	\$ 198,605	\$ 170,560	\$ 140,052	\$ 131,858	\$ 124,663	\$ 122,379	\$ 114,640
Less: Operating expenses (6)	55,018	48,491	48,834	47,461	53,543	53,396	47,133	43,132	43,837	44,048
Net available revenue	150,322	135,247	134,789	151,144	117,017	86,656	84,725	81,531	78,542	70,592
Debt services	28,350	28,350	28,940	28,936	29,114	31,176	31,187	31,176	31,528	31,531
Coverage (4)	530 %	477 %	466 %	522 %	402 %	278 %	272 %	262 %	249 %	224 %
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 255,431	\$ 256,102
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	205,872	184,696
Net available revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	49,559	71,406
Debt services										
Principal	\$ 27,980	\$ 30,695	\$ 29,845	\$ 42,735	\$ 40,765	\$ 37,790	\$ 34,920	\$ 31,890	28,825	27,170
Interest	22,966	20,382	17,630	19,299	21,186	19,320	20,571	19,402	19,036	20,245
Total debt services	50,946	51,077	47,475	62,034	61,951	57,110	55,491	51,292	47,861	47,415
Coverage (7)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	104 %	151 %
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	\$ 19,984	\$ 15,922	\$ 16,434	\$ 17,361	\$ 17,564	\$ 15,867	\$ 14,730	\$ 15,230	\$ 15,763	\$ 12,585
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	19,984	15,922	16,434	17,361	17,564	15,867	14,730	15,230	15,763	12,585
Debt services										
Principal	1,920	1,695	1,655	1,575	1,100	850	810	775	740	710
Interest	1,221	1,306	1,372	1,435	887	2,163	2,201	2,237	2,270	2,301
Total debt services	3,141	3,001	3,027	3,010	1,987	3,013	3,011	3,012	3,010	3,011
Coverage (4)	636 %	531 %	543 %	577 %	884 %	527 %	489 %	506 %	524 %	418 %

N/A Not Available

- Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.
- 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.
- 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."
- Revenue bond indentures require a minimum debt service coverage percentage of 125%.
- Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.
- Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.
- 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).

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 (Unaudited)
Ten Years Ended June 30, 2022

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Population (in thousands)										
State	1,435	1,455	1,416	1,422	1,435	1,428	1,429	1,432	1,420	1,404
Percentage change	(1.37)%	2.75 %	(0.42)%	(0.91)%	0.49 %	(0.07)%	(0.21)%	0.85 %	1.14 %	0.86 %
National	332,834	332,473	329,872	331,884	327,734	325,719	323,128	321,419	318,857	316,129
Percentage change	0.11 %	0.79 %	(0.61)%	1.27 %	0.62 %	0.80 %	0.53 %	0.80 %	0.86 %	0.71 %
Total personal income (in millions)										
State	\$ 86,011	\$ 85,439	\$ 84,361	\$ 80,163	\$ 76,476	\$ 72,997	\$ 70,670	\$ 66,763	\$ 64,620	\$ 63,209
Percentage change	0.67 %	1.28 %	5.24 %	4.82 %	4.77 %	3.29 %	5.85 %	3.32 %	2.23 %	5.47 %
National	\$ 20,805,550	\$ 18,670,430	\$ 17,829,250	\$ 17,855,326	\$ 17,189,635	\$ 16,152,011	\$ 15,725,128	\$ 14,991,944	\$ 14,420,041	\$ 13,904,502
Percentage change	11.44 %	4.72 %	(0.15)%	3.87 %	6.42 %	2.71 %	4.89 %	3.97 %	3.71 %	5.73 %
Per capita personal income (in thousands)										
State	\$ 60,210	\$ 58,721	\$ 59,577	\$ 56,373	\$ 53,293	\$ 51,118	\$ 49,454	\$ 46,622	\$ 45,507	\$ 45,021
Percentage change	2.54 %	(1.44)%	5.68 %	5.78 %	4.25 %	3.36 %	6.07 %	2.45 %	1.08 %	4.57 %
National	\$ 62,510	\$ 56,156	\$ 54,049	\$ 53,890	\$ 52,450	\$ 49,589	\$ 48,665	\$ 46,643	\$ 45,224	\$ 43,984
Percentage change	11.31 %	3.90 %	0.30 %	2.75 %	5.77 %	1.90 %	4.34 %	3.14 %	2.82 %	4.99 %
Resident civilian labor force and employment										
Civilian labor force employed	642,879	576,163	612,221	656,546	669,642	672,675	660,942	645,092	624,638	615,546
Unemployed	30,333	70,075	45,125	18,013	14,508	19,800	22,563	27,729	30,142	33,913
Unemployment rate	4.72 %	12.16 %	7.37 %	2.74 %	2.17 %	2.94 %	3.41 %	4.30 %	4.83 %	5.51 %

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

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).

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers (Unaudited)
June 30, 2022 and June 30, 2013

2022			2013		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
Bank of Hawaii Corp	2,000	0.3 %	Bank of Hawaii Corp	2,343	0.4 %
First Hawaiian Bank	2,063	0.3 %	Hawaii Pacific Health	5,809	0.9 %
Hawaii Pacific Health	7,119	1.1 %	Hawaiian Airlines	4,906	0.8 %
Hawaiian Airlines	5,667	0.8 %	Hawaiian Electric Industries, Inc.	3,870	0.6 %
Hawaiian Electric Industries, Inc.	3,597	0.5 %	Kaiser Permanente Hawaii	4,564	0.7 %
Kaiser Permanente Hawaii	2,749	0.4 %	Kamehameha Schools	2,400	0.4 %
Kamehameha Schools	3,203	0.5 %	Kyo-ya Co., Ltd	3,310	0.5 %
Matson, Inc.	2,441	0.4 %	L&L Drive-Inn and L&L Hawaiian Barbecue	2,056	0.3 %
Servco Pacific Inc.	2,121	0.3 %	Securita Security Services USA, Inc.	2,700	0.4 %
The Queen's Health Systems	8,426	1.3 %	The Queen's Health Systems	5,234	0.8 %

Note: Total Annual Average Employment for Hawaii for fiscal year 2022 – 673,000 and for fiscal year 2013 – 649,000.

Listed alphabetically.

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

State of Hawaii
Demographic and Economic Information
State Employees by Function (Unaudited)
Ten Years Ended June 30, 2022

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government	4,102	4,160	4,478	4,533	4,517	4,538	4,537	4,571	4,572	4,419
Public safety	3,030	3,094	3,161	3,207	3,265	3,336	3,316	3,197	3,175	2,981
Transportation	2,216	2,228	2,258	2,210	2,229	2,234	2,263	2,295	2,254	2,275
Conservation of natural resources	963	1,058	1,144	1,079	1,051	1,008	1,015	1,007	1,007	972
Health	5,149	5,103	5,204	5,246	5,325	5,127	6,544	6,731	6,813	7,136
Welfare	1,747	1,859	1,915	1,948	1,957	1,940	1,913	1,927	1,941	1,940
Lower education	21,815	21,581	21,995	22,122	22,016	21,531	21,841	21,707	21,797	21,976
Higher education	8,157	8,269	8,633	8,660	8,647	8,620	8,746	8,802	9,080	8,978
Other education	427	452	497	493	508	486	496	488	492	-
Urban redevelopment and housing	122	124	136	138	132	130	118	123	127	116
Economic development and assistance	764	810	698	702	814	730	749	761	759	781
Total	48,492	48,738	50,119	50,338	50,461	49,680	51,538	51,609	52,017	51,574

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

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2022

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
General government					
Tax Commission					
Total individual net income returns	766,585	883,260	693,152	838,441	808,183
Number of individual net income returns filed electronically	621,258	687,282	543,820	579,720	552,464
Percentage of individual net income returns transmitted electronically	81.04%	77.81%	78.46%	69.14%	68.36%
Public safety					
Inmate population					
In-state facilities	3,120	2,981	3,326	3,991	4,017
Out-of-state facilities	1,029	1,189	1,199	1,507	1,460
Total	<u>4,149</u>	<u>4,170</u>	<u>4,525</u>	<u>5,498</u>	<u>5,477</u>
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	50	50	50	51	52
Health					
Environmental health					
Air quality sites monitored	18	20	21	20	20
Water quality stations	197	197	197	197	187
Revolving loan funds	224	214	208	200	192
Mental health					
Adult consumers served	7,390	7,792	7,990	7,124	8,328
Individuals with developmental disabilities served	3,474	3,424	3,548	3,251	2,956
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	5,149	6,782	4,569	4,362	4,813
Average time on assistance	18.0	24.0	16.7	19.7	18.1
Monthly benefits paid for the month of July (in millions)	\$ 3.36	\$ 4.15	\$ 2.71	\$ 2.48	\$ 2.26
General assistance					
Individuals per month	4,456	6,529	5,634	5,396	5,575
Food stamp program					
Number of persons participating	178,486	176,513	154,669	154,161	164,788
Number of households participating	100,706	97,382	79,811	79,702	84,297
Benefits issued (in millions)	\$ 79.69	\$ 57.32	\$ 37.07	\$ 36.89	\$ 39.78
Medicaid programs					
Med-Quest enrollment	460,742	428,580	361,912	336,202	353,058

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
704,250	768,261	715,706	737,205	612,373
536,273	529,527	509,409	483,817	397,178
76.15%	68.93%	71.18%	65.63%	64.86%
4,052	4,584	4,683	4,456	4,438
1,617	1,386	1,341	1,363	1,415
<u>5,669</u>	<u>5,970</u>	<u>6,024</u>	<u>5,819</u>	<u>5,853</u>
54	54	52	51	53
14	14	14	13	14
169	160	161	173	173
186	176	159	149	133
9,295	7,828	8,282	10,408	10,728
2,863	2,738	2,705	2,615	2,599
5,750	6,918	8,102	8,927	10,075
18.1	18.1	17.5	N/A	14.6
\$ 2.98	\$ 3.90	\$ 3.60	\$ 4.10	\$ 5.47
5,651	5,676	5,699	5,598	5,687
170,850	173,780	191,918	193,565	187,062
85,491	87,636	96,502	98,440	94,649
\$ 40.26	\$ 40.23	\$ 49.90	\$ 43.39	\$ 40.33
352,991	350,358	332,197	325,510	292,423

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2022

	Fiscal Year Ended June 30,				
	2022	2021	2020	2019	2018
Lower education					
Number of schools	294	294	293	292	292
Number of students	173,178	176,441	181,088	181,278	180,837
Staff					
Classroom teachers	12,026	12,136	12,221	12,132	12,033
Librarians	88	114	126	135	143
Counselors	646	659	660	660	653
Administrators	1,064	1,095	1,093	1,056	1,036
Other support staff	9,108	9,246	9,236	9,194	9,277
Total	<u>22,932</u>	<u>23,250</u>	<u>23,336</u>	<u>23,177</u>	<u>23,142</u>
Higher education					
Enrollment					
Number of credit students	<u>48,373</u>	<u>49,773</u>	<u>49,594</u>	<u>49,977</u>	<u>51,063</u>
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	4,434	4,801	4,800	5,191	4,912
Bachelor's degrees	4,681	4,558	4,473	4,681	4,693
Master's degrees/Professional diploma	1,004	905	1,031	868	1,035
Doctor's degrees/First Professional	167	443	489	479	513
Other	409	56	54	80	62
Total	<u>10,695</u>	<u>10,763</u>	<u>10,847</u>	<u>11,299</u>	<u>11,215</u>
Degrees by campus/college					
University of Hawaii at Manoa	4,692	4,461	4,519	4,551	4,726
University of Hawaii at Hilo	780	775	801	895	942
University of Hawaii at West Oahu	738	706	709	643	613
Hawaii Community College	523	530	552	587	586
Honolulu Community College	799	756	922	906	778
Kapiolani Community College	943	1,084	1,100	1,212	1,276
Kauai Community College	335	307	290	343	211
Leeward Community College	1,193	1,293	1,087	1,135	1,102
Maui Community College	442	572	593	701	638
Windward Community College	250	279	274	326	343
Total	<u>10,695</u>	<u>10,763</u>	<u>10,847</u>	<u>11,299</u>	<u>11,215</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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
290	290	289	288	286
181,550	181,995	182,384	185,273	183,251
11,782	11,747	11,663	11,781	11,632
149	160	173	185	192
634	634	623	625	629
995	943	914	833	823
9,039	9,113	9,052	9,014	8,987
<u>22,599</u>	<u>22,597</u>	<u>22,425</u>	<u>22,438</u>	<u>22,263</u>
<u>51,674</u>	<u>53,418</u>	<u>55,756</u>	<u>57,052</u>	<u>58,941</u>
5,102	5,192	4,830	5,158	4,097
4,735	4,841	4,599	4,408	4,236
1,040	1,126	1,035	1,179	1,095
482	472	579	467	508
49	49	61	66	65
<u>11,408</u>	<u>11,680</u>	<u>11,104</u>	<u>11,278</u>	<u>10,001</u>
4,712	5,104	4,923	4,949	4,737
955	893	905	806	809
623	474	439	352	349
576	693	569	669	552
900	886	725	683	551
1,356	1,383	1,335	1,513	1,193
258	248	264	203	216
1,019	1,057	1,000	1,090	770
668	594	575	660	601
341	348	369	353	223
<u>11,408</u>	<u>11,680</u>	<u>11,104</u>	<u>11,278</u>	<u>10,001</u>

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function (Unaudited)
Ten Years Ended June 30, 2022

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General government										
Department of Accounting and General Services										
Buildings	79	84	79	79	79	79	81	79	78	74
Vehicles	655	677	692	675	644	644	673	650	650	608
Department of the Attorney General										
Buildings	8	6	6	6	6	6	6	6	6	5
Vehicles	8	8	4	3	3	3	4	3	3	3
The Judiciary										
Buildings	19	19	19	19	19	19	19	19	19	19
Vehicles	-	-	-	-	-	18	18	18	18	18
Other departments										
Buildings	20	19	21	21	21	21	21	23	23	22
Vehicles	4	4	3	3	3	3	3	3	4	4
Public safety										
Department of Public Safety										
Buildings and correction facilities	76	83	76	76	76	76	76	77	75	74
Vehicles	375	367	370	354	353	290	302	306	279	274
Department of Defense										
Buildings	64	63	99	99	99	99	99	99	98	98
Vehicles	134	126	126	128	121	108	104	96	128	118
Department of Commerce and Consumer Affairs										
Buildings	4	4	4	4	4	4	4	4	4	4
Highways										
Department of Transportation										
Highway lane miles	2,491	2,477	2,478	2,497	2,489	2,489	2,487	2,477	2,488	N/A
Highway bridges	752	752	752	752	752	752	752	752	752	N/A
Buildings	40	41	40	40	40	40	40	39	37	36
Vehicles	1,048	1,065	1,063	1,077	1,101	1,043	989	971	982	984

(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 2022.

	Fiscal Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	96	102	97	97	97	97	97	97	96	94
Vehicles	100	968	982	969	927	886	855	824	785	788
Department of Agriculture										
Buildings	33	35	33	33	33	33	33	33	32	32
Vehicles	153	158	164	165	163	159	161	164	166	167
Health										
Department of Health										
Buildings	73	71	73	73	73	73	74	74	74	74
Vehicles	266	270	272	278	269	258	241	230	227	238
Welfare										
Department of Human Services										
Buildings	18	20	18	18	18	18	18	18	18	18
Vehicles	94	95	93	94	95	99	99	104	116	110
Lower education										
Department of Education										
Buildings	9	9	8	8	8	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	41	40	39	39	38	38	39	38	38	38
Vehicles	23	27	31	33	33	29	29	29	25	27
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	23	21	19	19	19	19	19	18	18	18
Vehicles	52	50	50	46	47	42	39	36	33	37
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	32	38	33	33	32	32	32	32	32	32
Vehicles	26	26	29	32	32	30	32	32	28	30
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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