STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

BRUCE A. COPPA
COMPTROLLER

HAWAII

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

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Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

STATE OF HAWAII

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PART I: INTRODUCTORY SECTION

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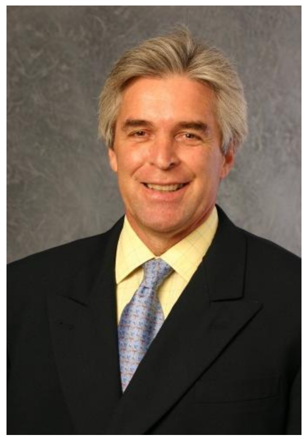
STATE OF HAWAII

Principal Officials for Finance-Related Functions

June 30, 2010



Bruce A. Coppa
Comptroller

Governor	**Neil Abercrombie**
Director of Finance	**Kalbert K. Young**
Director of Taxation	**Frederick D. Pablo**
Comptroller	**Bruce A. Coppa**

Notes:

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

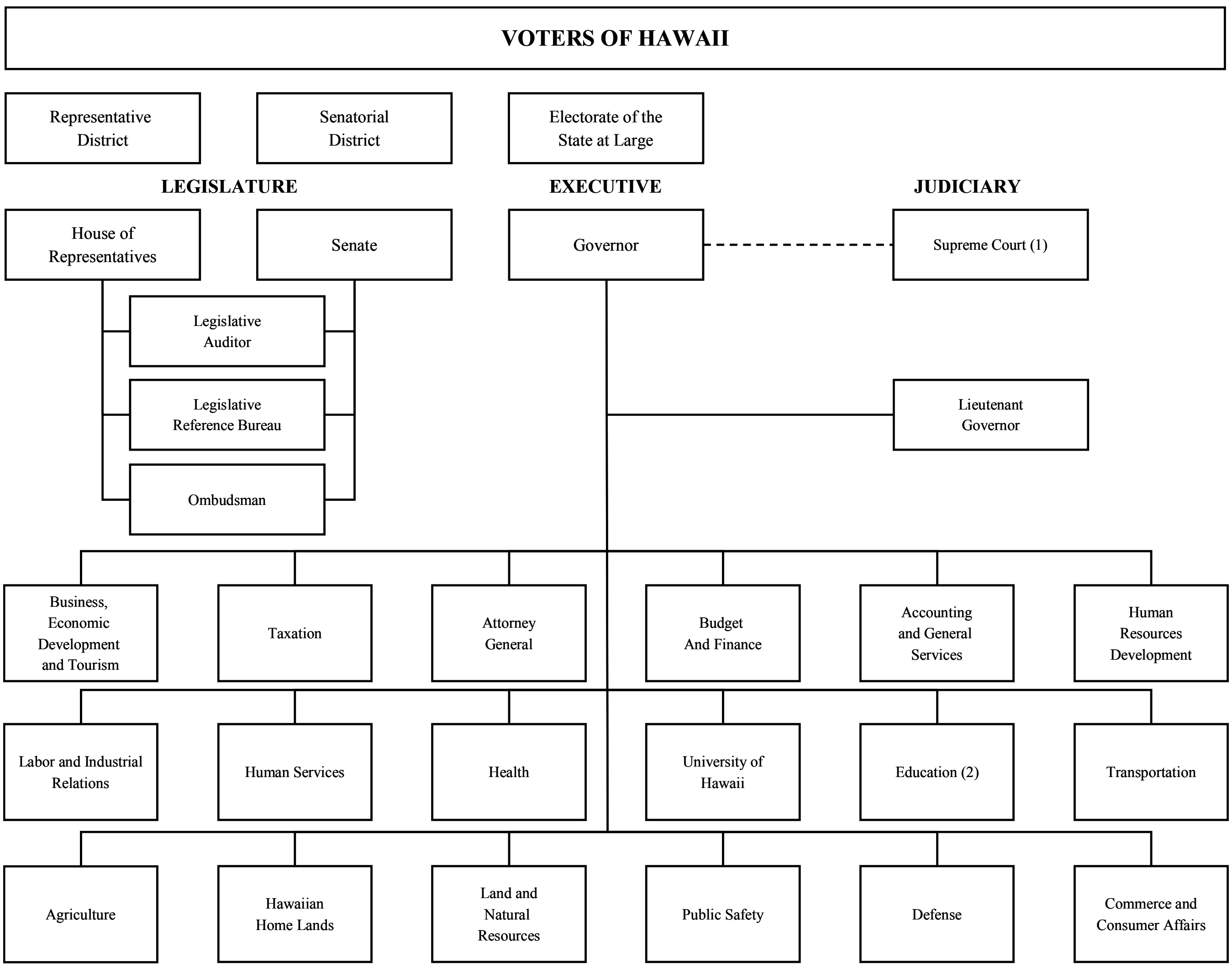
The Comptroller is also department head of the Department of Accounting and General Services.

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, 2010



(1) The Governor's appointment of justices of the Supreme Court confirmed by the Senate.

(2) The Board of Education is elected.

NEIL ABERCROMBIE
GOVERNOR

BRUCE A. COPPA
Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

October 12, 2011

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Twenty-Sixth State
Legislature of the State of Hawaii:

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is my privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (State) for the fiscal year ended June 30, 2010. This report has been prepared by the State's Department of Accounting and General Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. I 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.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes the independent auditors' report, management's discussion and analysis (MD&A), basic financial statements, notes to basic financial statements, and supplementary information. The statistical section includes selected financial and demographic information.

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 an 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

Hawaii's economy is expected to grow in 2011. Improvements in the labor market conditions and in the visitor industry should spread to other areas of the economy.

Labor

Hawaii's total civilian employment averaged 587,400 persons during 2010, a decrease of 1,250 persons or .2% from 2009. Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 6.6% for 2010, compared to the 2009 unemployment rate of 6.8%. Hawaii's 2010 total civilian wage and salary jobs declined to an annual average of 593,500, or .7%, from the previous year. The construction sector lost 2,600 jobs along with retail trade (950 jobs), financial activities (800 jobs), and manufacturing (750 jobs). These losses were offset by the information sector, which added 1,100 jobs, and the health care sector (900 jobs). Almost all the remaining sectors lost jobs in 2010. However, after ten consecutive quarterly job decreases from the 2008 second quarter to the 2010 third quarter, quarterly jobs increased in the 2010 fourth quarter.

Taxes

Tax revenues distributed to the State's General Fund increased $295.9 million, or 7.4%, during 2010 compared to 2009. Among its components, individual net income tax collections increased $107.5 million or 8.5%, general excise and use tax (GET) collections increased $83.7 million, or 3.6%, and transient accommodations tax (TAT) collections were up $31.3 million, or 14.7%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $1.2 billion, or 2.2% in 2010 compared to 2009. Among its components, the fastest growth was seen in personal current transfer receipts of 7.6%, proprietors' income of 3.4% and supplements to wages and salaries 2.8%. Contributions for government social insurance, which are subtracted from personal income, increased by 2.2%.

Prices

Honolulu's consumer price index (CPI) increased 2.1% for 2010, higher than a 1.6% increase for the United States (U.S.). The Honolulu increase was primarily due to increases in transportation (7.0%), other goods and services (5.1%), education and communication (4.6%), and apparel (3.2%). Medical care decreased slightly by .4%.

Recent Developments in Hawaii's Major Industries

Visitor Industry

The number of visitors arriving by air increased 8.8% in 2010 compared to 2009. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 7.5% while international arrivals increased 12.1%. Similarly, total visitor days (visitor arrivals multiplied by average length of stay) were up 8.9% in 2010 compared to 2009 and total visitor spending increased 16.2%. Statewide hotel occupancy rate averaged 70.7% in 2010, 5.9% higher than the average rate in 2009.

Construction

Hawaii's construction industry was one of the major contributors to job growth during the 2002-2007 years. Since 2008, construction jobs have decreased, and in 2010, this industry had the highest rate of job loss among major industries. The total value of new private building authorizations decreased $18.6 million or .9% from 2009. Government contracts awarded increased $278.9 million, a 35.8% increase from 2009.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth, particularly in tourism. Modest increases are also expected for both real (inflation-adjusted) Personal Income growth and real state Gross Domestic Product (GDP) in 2011.

The future condition of Hawaii's economy depends on the state of the mainland U.S. and Japanese economies. The May 2011 Blue Chip Economic Consensus Forecasts expected real GDP growth in 2011 to increase 2.7% for the U.S. and .4% for Japan due to the March 2011 Tohoku earthquake and tsunami. In 2012 GDP growth is expected to be at 3.2% for the U.S. and 2.7% for Japan.

DBEDT expects that total visitor arrivals to Hawaii, visitor days and visitor expenditures will increase in 2011. In 2011, visitor arrivals, visitor days, and visitor expenditures are predicted to increase 3.8%, 5.1%, and 10.8%, respectively.

DBEDT projects total wage and salary jobs to increase 1.8% in 2011. Real Personal Income is expected to increase 1.0% in 2011 with real GDP projected to increase 1.6% in 2011.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.5% in 2011. The State GDP deflator is expected to grow 1.6% in 2011.

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. I 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 2009, 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. Open encumbrances are reported as reservations of fund balances at June 30, 2010. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

RISK MANAGEMENT

The State has insurance policies with a variety of insurers for property coverage for its buildings, contents and equipment. The coverage includes loss from fire, boiler & machinery, terrorism coverage, as well as windstorm, flood, tsunami and earthquake damage. The State also purchases excess liability insurance, medical insurance, faithful performance of duty, and depositors & forgery insurance for state employees, but is self-insured for other perils, including workers' compensation and automobile losses. Expenditures for workers' compensation, automobile losses, and general liability (for amounts not covered by insurance) are appropriated annually.

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. There are 13 bargaining units, of which 12 bargaining units have state employees as members. The 12 bargaining units have contractual agreements in force as of the date of this letter.

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, 2010. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) last awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the twentieth consecutive year that the State has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such reports must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year.

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009 did not receive the Certificate of Achievement because of its late issuance. I believe our report otherwise met the certificate's requirements and intend to submit future reports to the GFOA to determine eligibility for the certificate.

ACKNOWLEDGEMENTS

I extend my 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 I believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,

BRUCE A. COPPA
Comptroller, State of Hawaii

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PART II: FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Auditor
State of Hawaii:

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 as of and for the year ended June 30, 2010, which collectively comprise the State of Hawaii's basic financial statements (pages 32 – 112) as listed in the accompanying table of contents. These financial statements are the responsibility of the State of Hawaii's management. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Employer-Union Health Benefits Trust Fund, which are nonmajor enterprise funds, and the University of Hawaii, the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Hurricane Relief Fund, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units. These financial statements that we did not audit reflect the following percentages of total assets and program revenues or additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Program Revenues / Additions
Governmental Activities	- %	- %
Business-Type Activities	98%	62%
Aggregate Discretely Presented Component Units	100%	100%
Fiduciary Funds	- %	5%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Employer-Union Health Benefits Trust Fund, the University of Hawaii, the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Hurricane Relief Fund, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Hawaii's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

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 net assets or financial position of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2010, and the respective changes in financial position (and respective cash flows where applicable), thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (pages 13-30) and Schedule of Revenue and Expenditures – Budget and Actual and Schedules of Funding Progress (pages 115-119 and 126-132) are not a required Part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the State of Hawaii's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise the State of Hawaii's basic financial statements. The introductory section (pages 1-7), combining and individual fund statements and schedules (pages 122-125 and 133-139), and the statistical section (pages 141-160), are presented for purposes of additional analysis and are not a required Part of the basic financial statements. This supplementary information is the responsibility of the State of Hawaii's management. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Deloitte + Touche LLP

October 12, 2011

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, 2010. 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 – 7 of this report.

Financial Highlights

Government-Wide Highlights

The assets of the State exceeded its liabilities at June 30, 2010 by $5.4 billion (net assets). Unrestricted net assets which may be used to meet the State's ongoing obligations to citizens and creditors was a negative $813.6 million, a decrease of $939.7 million from the previous year. Net assets of governmental activities and business-type activities decreased by $1.0 billion and $21.5 million, respectively. The combined decrease to the State was $1.0 billion from the prior fiscal year.

Fund Highlights

At June 30, 2010, the State's Governmental Funds reported combined ending fund balances of $950.7 million, a decrease of $271.5 million from the prior fiscal year. Of this amount, $32.9 million, or 3.5%, of total fund balances was in the General Fund, and the remaining $917.8 million represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net assets at June 30, 2010, of $2.9 billion, a decrease of $21.5 million during the fiscal year.

Restatements

The accompanying Proprietary Funds, Component Units, and Government Wide financial statements reflected a restatement of June 30, 2009 net assets (See Note 15 to the basic financial statements). The 2009 assets and liabilities used for comparative purposes within this section have not been restated.

Long-Term Liabilities

The State's long-term liabilities increased during the current fiscal year to $8.7 billion, an increase of $1.4 billion. During fiscal 2010, the State issued $532 million in general obligation bonds for the purpose of financing the Hawaiian Home Lands Trust settlement and public improvement projects. The State issued $515.3 million in general obligation refunding bonds to advance refund $510.5 million of previously issued outstanding general obligation bonds. In accordance with GASB 45, the State increased the liability for *Postemployment Benefits Other Than Pension,* to $1.4 billion, an increase of $640.9 million for the fiscal year ended June 30, 2010.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains 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 assets presents information on all of the State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

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

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

The Government-Wide financial statements can be found on pages 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, and Med-Quest Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

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

The basic Governmental Funds financial statements can be found on pages 35 – 38 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 39 – 43 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 page 45 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 52 – 112 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents the combining financial statements referred to earlier in connection with nonmajor Governmental and Fiduciary Funds. These statements are presented immediately following the notes to basic financial statements. The total columns of these combining financial statements carry to the applicable fund financial statements.

Government-Wide Financial Analysis

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

Net assets are a useful indicator of a government's financial position. For the State, total assets exceed liabilities by $5.4 billion as of June 30, 2010, and net assets decreased $1.0 billion, or 16.0%, over the course of this fiscal year's operations. The net assets of the governmental activities decreased by $1.0 billion, or 28.9%, and business-type activities had a decrease of $21.5 million, or .7%. The following table was derived from the Government-Wide statement of net assets.

Summary Schedule of Net Assets

June 30, 2010 and 2009
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	$ 2,676,980	$ 2,802,988	$ 2,042,890	$ 1,699,447	$ 4,719,870	$ 4,502,435
Capital assets, net	8,740,404	8,570,100	2,380,609	2,296,474	11,121,013	10,866,574
Total assets	11,417,384	11,373,088	4,423,499	3,995,921	15,840,883	15,369,009
Liabilities:						
Long-term liabilities	7,331,670	6,351,395	1,373,070	929,645	8,704,740	7,281,040
Other liabilities	1,618,586	1,554,061	164,744	159,065	1,783,330	1,713,126
Total liabilities	8,950,256	7,905,456	1,537,814	1,088,710	10,488,070	8,994,166
Net assets:						
Invested in capital assets, net of related debt	3,118,606	3,298,144	1,469,676	1,527,018	4,588,282	4,825,162
Restricted	655,238	641,031	922,846	782,569	1,578,084	1,423,600
Unrestricted	(1,306,716)	(471,543)	493,163	597,624	(813,553)	126,081
Total net assets	$ 2,467,128	$ 3,467,632	$ 2,885,685	$ 2,907,211	$ 5,352,813	$ 6,374,843

Analysis of Net Assets

By far the largest portion of the State's net assets ($4.6 billion or 85.7%) 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 assets ($1.6 billion or 29.5%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of unrestricted net assets (negative $813.6 million or negative 15.2%) may be used to meet the State's ongoing obligations to citizens and creditors.

At June 30, 2010, the State is able to report positive balances in two of the categories of net assets for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net assets for governmental activities is primarily attributed to the State's Capital Projects Fund which reflected a negative unreserved-undesignated fund balance of $1.7 billion.

Changes in Net Assets

The State's net assets decreased by $1.0 billion, or 16.0%, during the fiscal year ended June 30, 2010. Approximately 48.6% of the State's total revenues came from taxes, while 31.6% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 17.8% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, and unemployment compensation.

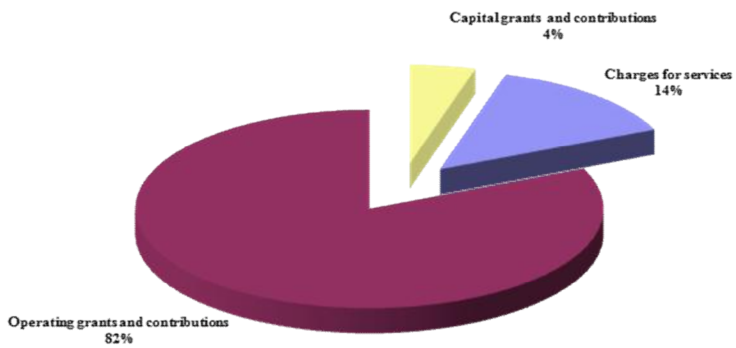
The following financial information was derived from the Government-Wide statement of activities and reflects how the State's net assets changed during the fiscal year (the 2009 line item amounts have not been adjusted for restatements discussed in Note 15).

Summary Schedule of Changes in Net Assets
For the Fiscal Years Ended June 30, 2010 and 2009
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	$ 441,471	$ 425,345	$ 1,155,942	$ 545,132	$ 1,597,413	$ 970,477
Operating grants and contributions	2,598,141	2,260,551	-	-	2,598,141	2,260,551
Capital grants and contributions	144,445	145,771	98,099	103,195	242,544	248,966
General revenues:						
Taxes	4,368,686	4,382,817	-	-	4,368,686	4,382,817
Interest and investment income (loss)	124,518	(42,051)	68,950	4,639	193,468	(37,412)
Other	(3,036)	305	-	-	(3,036)	305
Total revenues	7,674,225	7,172,738	1,322,991	652,966	8,997,216	7,825,704
Expenses:						
General government	421,327	564,356	-	-	421,327	564,356
Public safety	538,110	464,897	-	-	538,110	464,897
Highways	466,322	487,391	-	-	466,322	487,391
Conservation of natural resources	81,561	119,705	-	-	81,561	119,705
Health	858,476	843,826	-	-	858,476	843,826
Welfare	2,348,190	2,140,202	-	-	2,348,190	2,140,202
Lower education	2,616,768	2,656,592	-	-	2,616,768	2,656,592
Higher education	700,335	878,126	-	-	700,335	878,126
Other education	14,034	29,935	-	-	14,034	29,935
Culture and recreation	108,247	106,583	-	-	108,247	106,583
Urban redevelopment and housing	101,505	145,710	-	-	101,505	145,710
Economic development and assistance	209,611	158,808	-	-	209,611	158,808
Interest expense	210,243	127,576	-	-	210,243	127,576
Airports	-	-	336,127	347,089	336,127	347,089
Harbors	-	-	68,291	124,611	68,291	124,611
Unemployment compensation	-	-	686,141	437,553	686,141	437,553
Nonmajor proprietary fund	-	-	256,205	38,672	256,205	38,672
Total expenses	8,674,729	8,723,707	1,346,764	947,925	10,021,493	9,671,632
Change in net assets	(1,000,504)	(1,550,969)	(23,773)	(294,959)	(1,024,277)	(1,845,928)
Net assets – beginning of year – as previously reported	3,467,632	5,018,601	2,907,211	3,201,813	6,374,843	8,220,414
Adjustments	-	-	2,247	357	2,247	357
Net assets – beginning of year – as restated	3,467,632	5,018,601	2,909,458	3,202,170	6,377,090	8,220,771
Net assets – end of year	$ 2,467,128	$ 3,467,632	$ 2,885,685	$ 2,907,211	$ 5,352,813	$ 6,374,843

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

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2010



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2010

Analysis of Changes in Net Assets

The State's net assets decreased by $1.0 billion during the current fiscal year. This is explained in the governmental and business-type activities discussion below, and is primarily due to decrease in net assets of governmental activities of $1.0 billion with a decrease in net assets of Unemployment Compensation Fund of $193.4 million, offset by increases in net assets of Airports, Harbors and Nonmajor Proprietary Funds of $75.8 million, $18.8 million and $77.4 million, respectively.

Governmental Activities

Governmental activities decreased the State's net assets by $1.0 billion. The elements of this decrease are reflected below:

	Governmental Activities (Amounts in thousands)	
	2010	**2009**
General revenues:		
Taxes	$ 4,368,686	$ 4,382,817
Interest and investment (loss) income and other	121,482	(41,746)
Total general revenues	4,490,168	4,341,071
Expenses, net of program revenues:		
General government	(140,251)	140,192
Public safety	502,629	429,155
Highways	250,122	285,450
Conservation of natural resources	26,944	63,253
Health	559,827	566,068
Welfare	693,873	674,367
Lower education	2,331,537	2,381,591
Higher education	700,335	878,126
Other education	12,829	28,536
Culture and recreation	106,781	105,031
Urban redevelopment and housing	54,066	77,192
Economic development and assistance	181,737	135,503
Interest expense	210,243	127,576
Total governmental activities expenses, net of program revenues	5,490,672	5,892,040
Decrease in governmental activities net assets	$ (1,000,504)	$ (1,550,969)

Tax revenues decreased by $14.1 million, or .3%, from the previous fiscal year. The decrease was primarily due to a decrease in general excise taxes of $131.4 million, offset by increases in individual and corporate incomes taxes of $42.4 million, in public service company taxes of $31.6 million and in tobacco and liquor taxes of $14.2 million.

Interest and investment income increased by $163.2 million from the previous year. This increase is primarily attributed to the increase in the fair market value of investments in the State's investment pool of $103.2 million in fiscal 2010 compared to a decrease in the fair market value of $83.0 million in fiscal 2009.

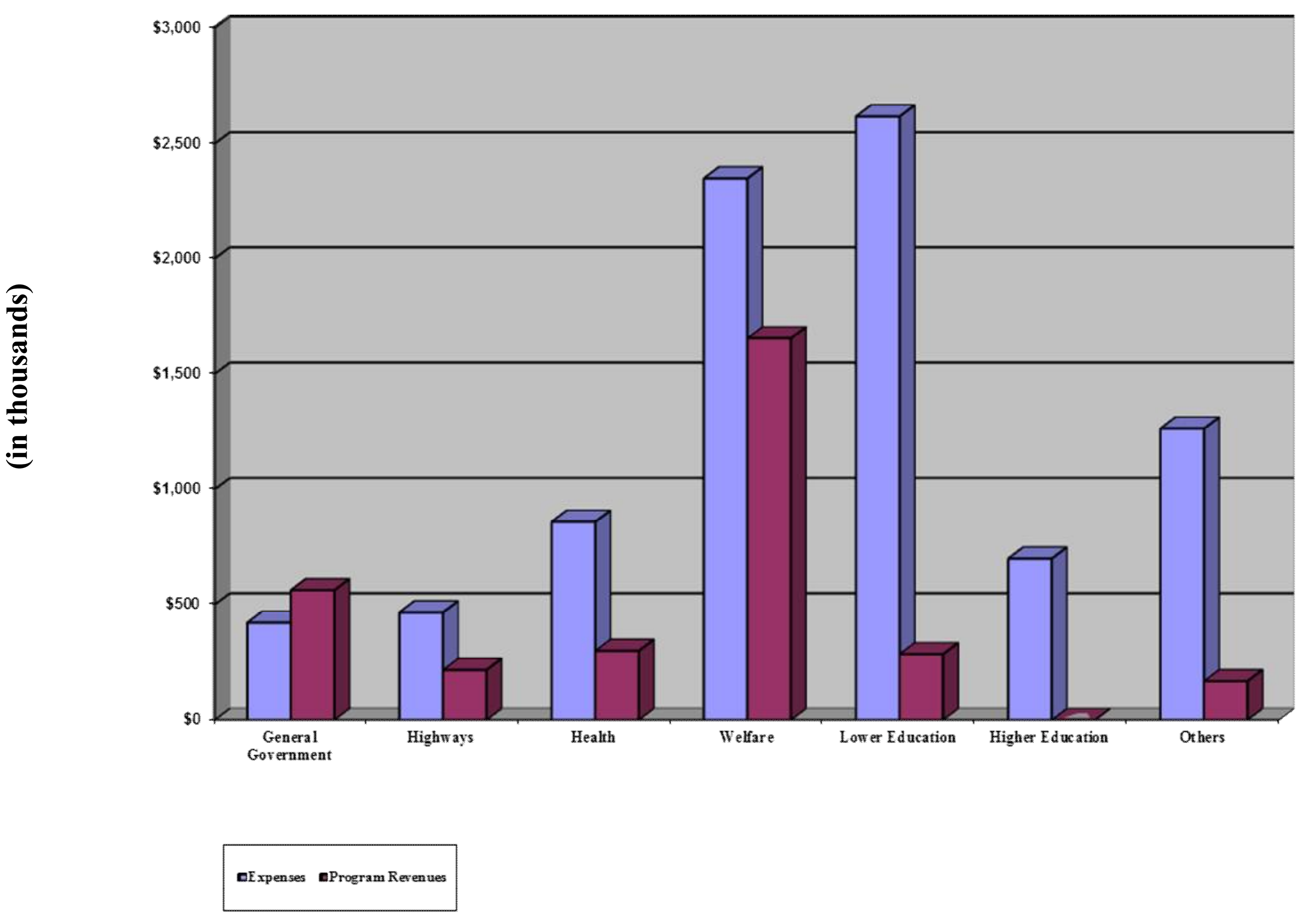
General government net expenses decreased $280.4 million, or 200.0%, from the previous fiscal year due mainly to spending restrictions and debt restructuring and payroll cost savings measures that included furloughs, pay reductions and reductions in force. The decrease was also due to an increase of $112.2 million operational grants revenues from the previous fiscal year which included $49.3 million in federal stimulus fund received for education programs.

Although lower education net expenses decreased only $50.1 million or 2.1% from the previous fiscal year, General Fund expenses decreased $386.4 million, due primarily to employee furloughs and spending restrictions in instructional services and school and student support. Offsetting this decrease were increases in expenses in non-general funds of $256.7 million, primarily due to an increase in federal funds received in fiscal 2010 and additional school facilities repair expenses.

Higher education net expenses decreased by $177.8 million, or 20.3%, from the previous fiscal year due mainly to employee furloughs and spending restrictions at all University of Hawaii campuses.

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:

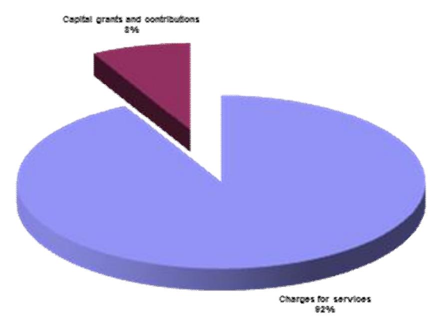
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2010



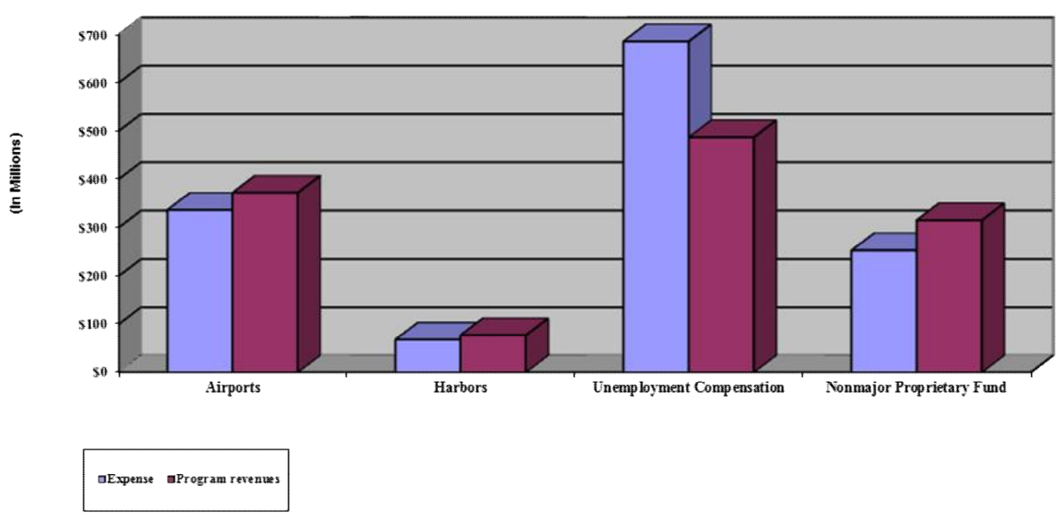
Business-Type Activities

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, 2010



Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2010



Business-type activities decreased the State's net assets by $21.5 million in fiscal 2010, compared to a decrease of $295.0 million in fiscal 2009. Key elements of this increase are as follows:

- Airport's net assets increased $75.8 million compared to a decrease of $11.2 million in the prior fiscal year. Charges for current services increased by $34.1 million and interest income increased by $47.6 million, primarily due to an increase in fair value of investments in the State's Investment Pool of $31.0 million. Expenses decreased by $11.0 million.

- Harbor's net assets increased $18.8 million in fiscal 2010 compared to a decrease of $26.4 million in fiscal 2009. Expenses decreased by $56.3 million primarily due to an extraordinary loss on impairment of capital assets of $41.4 million in FY09. Interest income increased by $11.3 million, due to an increase in fair value of investments in State's Investment Pool of $9.1 million. Capital contributions and grants decreased by $18.8 million in the current year.

- The Unemployment Compensation Fund's net assets decreased $193.4 million compared to a decrease of $247.9 million in the prior fiscal year. The change was primarily due to an increase in unemployment benefits paid of $248.6 million offset by an increase in unemployment tax revenues of $316.5 million.

- Nonmajor Proprietary Fund's net assets increased $77.4 million in fiscal 2010 compared to a decrease of $9.1 million in fiscal 2009. Subsequent to the issuance of the EUTF 2009 financial statements, management reclassified all activity related to capital assets, operating revenues and expenses and related assets and liabilities previously reported in the agency fund to the Proprietary Fund, see Note 15 to the basic financial statements. The aggregate Nonmajor Proprietary Fund revenues increased by $283.7 million, expenses increased by $217.5 million and interest income increased $18.8 million. Capital contributions for Water Pollution Control Revolving Fund and Drinking Water Treatment Revolving Fund increased by $4.7 million and $17.5 million, respectively.

Key elements of the State's business-type activities for the fiscal years ended June 30, 2010 and 2009 are as follows:

	Charges for Services		Operating/Capital Grants and Contributions		Total		Expenses		Program Revenues Net of Expenses	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Airports	$ 324,577	$ 290,464	$ 47,863	$ 56,307	$ 372,440	$ 346,771	$ 336,127	$ 347,089	$ 36,313	$ (318)
Harbors	73,340	74,612	3,865	22,714	77,205	97,326	68,291	124,611	8,914	(27,285)
Unemployment compensation	486,476	169,976	-	-	486,476	169,976	686,141	437,553	(199,665)	(267,577)
Nonmajor proprietary funds	271,549	10,080	46,371	24,174	317,920	34,254	256,205	38,672	61,715	(4,418)
Total	$ 1,155,942	$ 545,132	$ 98,099	$ 103,195	$ 1,254,041	$ 648,327	$ 1,346,764	$ 947,925	$ (92,723)	$ (299,598)

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. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At of the end of the current fiscal year, the State's Governmental Funds reported combined ending fund balances of $950.7 billion, a decrease of $271.5 million from the prior fiscal year. Unreserved fund balance, normally a positive amount, was a negative $1.6 billion at fiscal year end. This deficit was mainly the result of negative unreserved fund balances of $1.7 billion in the Capital Projects Fund and $210.6 million in the General Fund which were attributed to outstanding encumbrances exceeding the cash available in the fund. Encumbrances can be incurred as long as there is sufficient appropriation or authorization balances. The unreserved fund balance excluding the Capital Projects Fund and General Fund was $293.6 million, which represents the amount available for spending at the State's discretion in the coming fiscal year. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has been already been committed (1) to liquidate contracts and purchase orders of the prior period or are legally segregated for a specific future use ($2.2 billion), (2) for notes and loans receivable, advances, and investments ($78.4 million), or (3) for federal aid highway projects encumbrances ($233.6 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was a negative $210.6 million, a decrease of $123.0 million from the prior fiscal year.

The fund balance of the State's General Fund decreased by $152.1 million during the current fiscal year, which was primarily due to an increase in net transfers out of $119.6 million. This increase is primarily due a reduction in the amount of excess and unrequired cash balances that was transferred into the general fund from special revenue funds compared to the prior fiscal year. The fund balance of the State's Capital Projects fund decreased by $147.3 million during the current fiscal year. The State issued $94.0 million less general obligation bonds than in fiscal year 2009, which was the primary reason for the decrease. The fund balance of the Med-Quest Special Fund and other Nonmajor Governmental Funds increased $16.9 million and $11.0 million, respectively.

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 assets of $75.8 million, Harbors had an increase in net assets of $18.8 million, the Unemployment Compensation Fund had a decrease in net assets of $193.4 million, and the Nonmajor Proprietary Funds had an increase in net assets of $77.4 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 $215.5 million, or 4.7%, more than the final budget. The increase was primarily attributed to higher corporate and individual net income taxes of $271.9 million, public service companies taxes of $33.1 million, and revenues from private sources services of $13.6 million, offset by lower general excise taxes of $34.4 million, tobacco taxes of $8.8 million, transient accommodation tax of $6.5 million, interest and investment income of $20.7 million, and charges for current services of $29.7 million.

The difference between the final budget and actual expenditures on a budgetary basis was $503.2 million. This large positive variance was the result of employee furloughs, spending restrictions on executive branch departments and debt restructuring. The positive variance in general government is mostly due to savings from debt service restructuring of $101.3 million and $75.2 million for health premium and retirement benefits not incurred because of the employee furloughs. The positive variance in general government was also due to $15.6 million of appropriations made to the State Legislature that was carried over to the next fiscal year. Positive variances in public safety and health resulted from employee furloughs and spending restrictions, in the correctional facilities and health programs. Restriction of various welfare program expenditures, including $12.3 million for the Federal disproportionate share hospital allowance, and employee furloughs contributed to the positive welfare variance. As in previous fiscal years, the positive variance in lower education resulted when the Department of Education carried over $20.2 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry over up to 5% of its unencumbered appropriations. Adding to the positive variance was $127.7 million realized from employee furloughs. The positive variance for higher education resulted primarily from employee furloughs.

Capital Asset and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounted to $11.1 billion (net of accumulated depreciation of $8.4 billion), an increase of $254.4 million from fiscal 2009. The increase is primarily due to $684.7 million of additions to construction in progress in fiscal 2010. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2010, included the following:

- $133.8 million for various projects including concourse, support and maintenance facilities at the Honolulu International Airport.
- $86.3 million for various capital improvement projects at airports, statewide.
- $83.8 million for various highway projects throughout the State.
- $39.7 million for additions and renovations for the Campus Center Complex at the University of Hawaii.
- $34.8 million for the Cancer Research Center at the University of Hawaii.
- $260.2 million for various construction, maintenance and renovation projects at all University of Hawaii campuses.
- $142.8 million for various capital improvement projects and for repairs and maintenance of public school facilities throughout the State.
- $43.2 million for various construction, maintenance and renovation projects at state community hospitals.
- $25.2 million for various renovation and improvement projects at public housing facilities.

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

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of $6.9 billion. Of this amount, $5.2 billion comprises debt backed by the full faith and credit of the State and $1.7 billion (i.e., revenue bonds), is revenue bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt
June 30, 2010 and 2009
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
General obligation bonds	$ 5,157,198	$ 4,779,666	$ 37,362	$ 38,329	$ 5,194,560	$ 4,817,995
Revenue bonds	400,215	420,605	1,285,792	861,423	1,686,007	1,282,028
Total	$ 5,557,413	$ 5,200,271	$ 1,323,154	$ 899,752	$ 6,880,567	$ 6,100,023

The State's total long-term debt increased by $780.5 million, or 12.8%, during the current fiscal year. The key factor for this increase was the issuance of $532 million of general obligation bonds for financing the Hawaiian Home Lands Trust settlement, public improvement projects (see Note 4 to the basic financial statements).

As of June 30, 2010, 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, 2010 was $320.8 million.

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

Other Post-Employment Benefits (OPEB)

The State implemented provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* for fiscal year ended June 30, 2008.

The latest actuarial valuation studies were completed as of July 1, 2009 for the Employer-Union Health Benefits Trust Fund (EUTF), Hawaii Voluntary Employee's Beneficiary Association Trust (VEBA), and the University of Hawaii. These studies determined the State's combined unfunded actuarial accrued liability to be approximately $14.0 billion. The State's combined annual OPEB cost for fiscal 2010 was $1.0 billion and its OPEB contributions were $242.2 million, resulting in an increase in the net OPEB obligation of $769.3 million. The total net OPEB obligation balance at fiscal year end increased to $1.7 billion. The State expects to continue to fund its OPEB costs on a pay-as-you-go basis for the near term while it analyzes alternative strategies that could be implemented to manage the high cost of providing retiree health benefits.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for June 2011 was 6.0%. One year ago, the State's seasonally adjusted unemployment rate stood at 6.3% while the seasonally adjusted national unemployment rate was 9.2%.

The Council of Revenues in September 2010 estimated the State's General Fund tax revenue growth rate for fiscal 2011 and 2012 to be 2.0% and 10.0% respectively. A special meeting was held on March 29, 2011 to determine the revenue impact of Japan's seismic event, reduced federal "earmarked" expenditure and the global petroleum movements. The Council's revised forecast for fiscal 2011 was -1.6% in fiscal 2011's, and 11.0% in fiscal 2012.

Cumulative tax collections for fiscal 2011 was $5.3 billion or $161.4 million more than fiscal 2010. This increase was net of an estimated $184 million of individual income tax refunds that were delayed and paid in fiscal 2011. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 7.7%.

Because of a lower estimated revenue growth rate in fiscal year 2011, cost saving measures such as employee furloughs and pay reductions implemented in the prior year remained in effect. The Governor also implemented spending restrictions on general funded programs in the Executive Branch and released funding on a quarter to quarter basis to enable additional spending restrictions to be implemented should revenues decline during the fiscal year. Other expenditure controls implemented included requiring Governor's approval to fill vacant positions and for equipment purchases over $10,000.

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 ASSETS
JUNE 30, 2010
(Amounts in thousands)

	Primary Government			
ASSETS	**Governmental Activities**	**Business-Type Activities**	**Total**	**Component Units**
CASH AND CASH EQUIVALENTS	$ 814,062	$ 686,824	$ 1,500,886	$ 378,526
RECEIVABLES:				
Taxes	123,459	64,573	188,032	-
Accounts and accrued interest — net	7,161	31,118	38,279	180,665
Notes, loans, mortgages, and contributions — net	79,745	-	79,745	24,665
Federal government	226,880	14,828	241,708	5,475
Premium	-	23,057	23,057	-
Other — net	53,099	16,263	69,362	23,424
Total receivables	490,344	149,839	640,183	234,229
DUE FROM COMPONENT UNITS	355,407	-	355,407	-
DUE FROM PRIMARY GOVERNMENT	-	-	-	453,710
INVENTORIES:				
Developments in progress and dwelling units	-	-	-	23,237
Materials and supplies	-	473	473	30,278
Total inventories	-	473	473	53,515
RESTRICTED ASSETS	-	804,804	804,804	369,607
INVESTMENTS	909,154	-	909,154	961,400
OTHER ASSETS:				
Prepaid expenses	4,703	204	4,907	11,503
Bond issue and deferred costs — net	103,310	7,611	110,921	1,756
Note receivable	-	392,445	392,445	318,938
Other	-	690	690	32,518
Total other assets	108,013	400,950	508,963	364,715
CAPITAL ASSETS:				
Land and land improvements	2,128,686	585,015	2,713,701	448,663
Infrastructure	8,654,609	-	8,654,609	138,374
Construction in progress	689,729	252,298	942,027	234,269
Buildings, improvements, and equipment	3,851,817	3,353,395	7,205,212	3,400,556
Accumulated depreciation	(6,584,437)	(1,810,099)	(8,394,536)	(1,753,189)
Total capital assets — net	8,740,404	2,380,609	11,121,013	2,468,673
TOTAL	$ 11,417,384	$ 4,423,499	$ 15,840,883	$ 5,284,375

(Continued)

STATE OF HAWAII

STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
LIABILITIES:				
Vouchers and contracts payable	$ 442,384	$ 44,340	$ 486,724	$ 139,940
Other accrued liabilities	374,182	101,242	475,424	152,526
Prepaid airport use charge fund	-	2,553	2,553	-
Due to Component Units	453,710	-	453,710	-
Due to Primary Government	-	-	-	355,407
Due to federal government	-	-	-	16
Deferred revenue	-	6,328	6,328	-
Estimated future costs of land sold	-	-	-	35,482
Unamortized bond premium	264,131	-	264,131	-
Premiums payable	-	10,281	10,281	-
Other	84,179	-	84,179	30,227
Long-term liabilities:				
Due within one year:				
Payable from restricted assets —				
Revenue bonds payable — net	-	36,156	36,156	-
General obligation bonds payable	169,654	1,141	170,795	-
Notes, mortgages, and installment contracts payable	-	-	-	13,948
Accrued vacation and retirement benefits payable	64,930	3,108	68,038	40,008
Revenue bonds payable — net	21,590	-	21,590	14,782
Reserve for losses and loss adjustment costs	37,544	1,176	38,720	7,272
Capital lease obligations	1,495	-	1,495	9,509
Deferred commitment fees	-	-	-	249
Due in more than one year:				
General obligation bonds payable	4,987,544	36,221	5,023,765	-
Notes, mortgages, and installment contracts payable	-	-	-	32,242
Accrued vacation and retirement benefits payable	147,173	8,107	155,280	64,373
Revenue bonds payable — net	378,625	1,249,636	1,628,261	805,159
Reserve for losses and loss adjustment costs	114,168	3,495	117,663	20,205
Capital lease obligations	62,890	-	62,890	24,871
Premium bonds payable	-	-	-	1,630
Other postemployment benefit liability	1,345,675	25,274	1,370,949	312,235
Other	382	8,756	9,138	70,011
TOTAL LIABILITIES	8,950,256	1,537,814	10,488,070	2,130,092
NET ASSETS				
INVESTED IN CAPITAL ASSETS — Net of related debt	3,118,606	1,469,676	4,588,282	1,782,766
RESTRICTED FOR:				
Health and welfare	223,856	-	223,856	-
Natural resources	98,558	-	98,558	-
Hawaiian programs	163,889	-	163,889	-
Budget stabilization	62,493	-	62,493	-
Other purposes	106,324	-	106,324	-
Bond requirements and other	118	922,846	922,964	1,065,407
UNRESTRICTED	(1,306,716)	493,163	(813,553)	306,110
TOTAL NET ASSETS	$ 2,467,128	$ 2,885,685	$ 5,352,813	$ 3,154,283

See accompanying notes to basic financial statements.

(Concluded)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government	$ 421,327	$ 231,629	$ 329,949	$ -	$ 140,251	$ -	$ 140,251	
Public safety	538,110	30,656	4,825	-	(502,629)	-	(502,629)	
Highways	466,322	5,942	65,813	144,445	(250,122)	-	(250,122)	
Conservation of natural resources	81,561	28,654	25,963	-	(26,944)	-	(26,944)	
Health	858,476	98,547	200,102	-	(559,827)	-	(559,827)	
Welfare	2,348,190	746	1,653,571	-	(693,873)	-	(693,873)	
Lower education	2,616,768	35,091	250,140	-	(2,331,537)	-	(2,331,537)	
Higher education	700,335	-	-	-	(700,335)	-	(700,335)	
Other education	14,034	847	358	-	(12,829)	-	(12,829)	
Culture and recreation	108,247	-	1,466	-	(106,781)	-	(106,781)	
Urban redevelopment and housing	101,505	3,863	43,576	-	(54,066)	-	(54,066)	
Economic development and assistance	209,611	5,496	22,378	-	(181,737)	-	(181,737)	
Interest expense	210,243	-	-	-	(210,243)	-	(210,243)	
Total governmental activities	8,674,729	441,471	2,598,141	144,445	(5,490,672)		(5,490,672)	
Business-Type Activities:								
Airports	336,127	324,577	-	47,863	-	36,313	36,313	
Harbors	68,291	73,340	-	3,865	-	8,914	8,914	
Unemployment compensation	686,141	486,476	-	-	-	(199,665)	(199,665)	
Nonmajor proprietary funds	256,205	271,549	-	46,371	-	61,715	61,715	
Total business-type activities	1,346,764	1,155,942		98,099		(92,723)	(92,723)	
TOTAL PRIMARY GOVERNMENT	10,021,493	1,597,413	2,598,141	242,544	(5,490,672)	(92,723)	(5,583,395)	
COMPONENT UNITS:								
University of Hawaii	1,443,894	339,840	474,347	-				(629,707)
Hawaii Housing Finance and Development Corporation	60,326	38,665	32,327	-				10,666
Hawaii Public Housing Authority	141,260	21,990	70,143	17,496				(31,631)
Hawaii Health Systems Corporation	572,310	471,177	3,228	37,945				(59,960)
Hawaii Tourism Authority	157,448	8,650	-	-				(148,798)
Hawaii Community Development Authority	7,920	4,566	-	-				(3,354)
Hawaii Hurricane Relief Fund	4	-	-	-				(4)
Total component units	2,383,162	884,888	580,045	55,441				(862,788)
GENERAL REVENUES:								
Taxes:								
General excise tax					2,279,310	-	2,279,310	-
Net income tax — corporations and individuals					1,408,965	-	1,408,965	-
Public service companies tax					157,661	-	157,661	-
Transient accommodations tax					32,635	-	32,635	-
Tobacco and liquor taxes					149,596	-	149,596	-
Liquid fuel tax					82,780	-	82,780	-
Tax on premiums of insurance companies					105,848	-	105,848	-
Vehicle weight and registration tax					58,659	-	58,659	-
Rental motor/tour vehicle surcharge tax					40,401	-	40,401	-
Franchise tax					20,666	-	20,666	-
Other tax					32,165	-	32,165	-
Interest and investment income					124,518	68,950	193,468	48,518
Payments from the State — net					-	-	-	993,752
Other income (expense)					(3,036)	-	(3,036)	12,268
Total general revenues					4,490,168	68,950	4,559,118	1,054,538
CHANGE IN NET ASSETS					(1,000,504)	(23,773)	(1,024,277)	191,750
NET ASSETS — Beginning of year — as previously reported					3,467,632	2,907,211	6,374,843	2,962,030
ADJUSTMENTS (Note 15)					-	2,247	2,247	503
NET ASSETS — Beginning of year — as restated					3,467,632	2,909,458	6,377,090	2,962,533
NET ASSETS — End of year					$ 2,467,128	$ 2,885,685	$ 5,352,813	$ 3,154,283

See accompanying notes to basic financial statements.

STATE OF HAWAII

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2010
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
CASH AND CASH EQUIVALENTS	$ 134,232	$ 88,245	$ 24,598	$ 566,987	$ 814,062
RECEIVABLES:					
Taxes	123,459	-	-	-	123,459
Accrued interest	-	-	-	7,161	7,161
Notes and loans — net	3,281	-	-	76,464	79,745
Federal government	-	-	161,920	64,960	226,880
Other	2,274	-	-	26,417	28,691
DUE FROM OTHER FUNDS	149,467	-	12,600	118	162,185
DUE FROM COMPONENT UNITS	34,916	-	-	-	34,916
INVESTMENTS	80,448	379,678	-	449,028	909,154
TOTAL	$ 528,077	$ 467,923	$ 199,118	$ 1,191,135	$ 2,386,253
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Vouchers and contracts payable	$ 112,010	$ 56,553	$ 176,102	$ 97,719	$ 442,384
Other accrued liabilities	342,001	3,216	-	28,965	374,182
Due to other funds	12,718	89,900	-	59,567	162,185
Due to Component Units	10,182	428,034	-	-	438,216
Deferred revenue	18,232	-	-	-	18,232
Payable from restricted assets — matured bonds and interest payable	-	-	-	382	382
Total liabilities	495,143	577,703	176,102	186,633	1,435,581
FUND BALANCES:					
Reserved for:					
Continuing appropriations	240,204	1,308,454	79,052	579,758	2,207,468
Receivables and advances	3,281	-	-	75,083	78,364
Federal aid highway projects encumbrances	-	233,621	-	-	233,621
Unreserved for major funds:					
Designated for future expenditures	-	-	-	-	-
Undesignated	(210,551)	(1,651,855)	-	-	(1,862,406)
Unreserved for nonmajor Special Revenue Funds:					
Designated for future expenditures	-	-	-	103,024	103,024
Undesignated	-	-	(56,036)	246,637	190,601
Total fund balances	32,934	(109,780)	23,016	1,004,502	950,672
TOTAL	$ 528,077	$ 467,923	$ 199,118	$ 1,191,135	$ 2,386,253

See accompanying notes to basic financial statements.

STATE OF HAWAII

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

TOTAL FUND BALANCE — Governmental Funds	$ 950,672
Amounts reported for governmental activities in the statement of net assets 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	2,128,686
Infrastructure	8,654,609
Construction in progress	689,729
Buildings, improvements, and equipment	3,851,817
Accumulated depreciation	(6,584,437)
	8,740,404
Accrued interest and other payables are not recognized in Governmental Funds	(348,310)
Other assets are not available to pay for current-period expenditures and are deferred, or not recognized, in Governmental Funds, such as deferred revenue and settlement receivables	152,584
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	(5,157,198)
Accrued vacation payable	(212,103)
Revenue bonds payable	(400,215)
Reserve for losses and loss adjustment costs	(151,712)
Other postemployment benefit liability	(1,345,675)
Long-term transactions with component units	303,066
Capital lease obligations	(64,385)
	(7,028,222)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 2,467,128

See accompanying notes to basic financial statements.

STATE OF HAWAII

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
General excise tax	$ 2,279,310	$ -	$ -	$ -	$ 2,279,310
Net income tax — corporations and individuals	1,408,965	-	-	-	1,408,965
Public service companies tax	157,661	-	-	-	157,661
Transient accommodations tax	31,635	-	-	1,000	32,635
Tobacco and liquor taxes	129,576	-	-	20,020	149,596
Liquid fuel tax	-	-	-	82,780	82,780
Tax on premiums of insurance companies	104,667	-	-	1,181	105,848
Vehicle weight and registration tax	-	-	-	58,659	58,659
Rental motor/tour vehicle surcharge tax	-	-	-	40,401	40,401
Franchise tax	18,666	-	-	2,000	20,666
Other	17,918	-	-	14,247	32,165
Total taxes	4,148,398	-	-	220,288	4,368,686
Interest and investment income	61,251	-	-	63,267	124,518
Charges for current services	111,089	-	-	253,804	364,893
Intergovernmental	5,852	-	957,081	1,469,436	2,432,369
Rentals	392	-	-	19,320	19,712
Fines, forfeitures, and penalties	23,304	-	-	12,678	35,982
Licenses and fees	1,430	-	-	35,211	36,641
Revenues from private sources	15,195	-	-	42,655	57,850
Other	69,888	-	16,742	95,737	182,367
Total revenues	4,436,799	-	973,823	2,212,396	7,623,018
EXPENDITURES:					
Current:					
General government	344,110	16,442	-	75,738	436,290
Public safety	294,576	14,179	-	148,303	457,058
Highways	-	197,250	-	245,721	442,971
Conservation of natural resources	35,390	5,114	-	48,369	88,873
Health	503,625	53,920	-	244,378	801,923
Welfare	712,900	1,937	966,029	634,860	2,315,726
Lower education	1,720,097	235,362	-	369,607	2,325,066
Higher education	525,446	174,889	-	-	700,335
Other education	5,095	-	-	8,938	14,033
Culture and recreation	35,884	40,774	-	31,878	108,536
Urban redevelopment and housing	20,386	515	-	94,895	115,796
Economic development and assistance	28,269	34,145	-	103,906	166,320
Housing	114	24,039	-	-	24,153
Other	-	-	-	4,460	4,460
Debt service	-	-	-	428,175	428,175
Total expenditures	4,225,892	798,566	966,029	2,439,228	8,429,715
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	210,907	(798,566)	7,794	(226,832)	(806,697)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation and refunding general obligation bonds — par	-	532,000	-	515,305	1,047,305
Issuance of general obligation and refunding general obligation bonds — premium	3,187	-	-	55,993	59,180
Issuance of certificate of participation	43,997	-	-	-	43,997
Payment to refunded bond escrow agent	(48,411)	-	-	(571,297)	(619,708)
Other financing sources — other	4,415	-	-	-	4,415
Transfers in	16,586	149,858	14,165	541,201	721,810
Transfers out	(382,767)	(30,575)	(5,051)	(303,417)	(721,810)
Total other financing (uses) sources	(362,993)	651,283	9,114	237,785	535,189
NET CHANGE IN FUND BALANCES	(152,086)	(147,283)	16,908	10,953	(271,508)
FUND BALANCES — Beginning of year	185,020	37,503	6,108	993,549	1,222,180
FUND BALANCES — End of year	$ 32,934	$ (109,780)	$ 23,016	$ 1,004,502	$ 950,672

See accompanying notes to 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 FOR THE FISCAL YEAR ENDED JUNE 30, 2010 (Amounts in thousands)

TOTAL NET CHANGE IN FUND BALANCES — Governmental Funds	$ (271,508)
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 outlay — net of disposals	534,829
Depreciation expense	(358,275)
Excess of capital outlay over depreciation expense	176,554
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, this is the amount of proceeds received from general obligation bond and revenue bonds issued.	(1,106,485)
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 assets. In the current year, these amounts consist of:	
Bond principal retirement	750,921
Capital lease payments	1,235
Total long-term debt repayment	752,156
Revenue timing differences result in greater revenue in the Government-Wide financial statements.	51,546
Bond issue and deferred costs reflected as other financing uses in Governmental Funds and reported in the statement of net assets — net of amortization.	26,581
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 postemployment liability	(628,927)
Change in accrued vacation payable	(867)
Change in HHFDC long-term liability	1,397
Change in reserve for losses and loss adjustment costs	(951)
	(629,348)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (1,000,504)

See accompanying notes to basic financial statements.

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 445,759	$ 82,808	$ 33,724	$ 124,533	$ 686,824
Restricted assets — cash and short-term investments	518,455	17,174	-	-	535,629
Receivables:					
Taxes	-	-	64,573	-	64,573
Accounts and accrued interest (net of allowance for doubtful accounts of $13,047)	20,780	7,697	-	2,641	31,118
Promissory note receivable (net of allowance for doubtful accounts of $10,277)	13	-	-	29,344	29,357
Federal government	14,363	465	-	-	14,828
Restricted assets — passenger facility charges	3,670	-	-	-	3,670
Other	1,543	294	-	14,426	16,263
Premiums	-	-	-	23,057	23,057
Restricted assets — investments — repurchase agreements and certificates of deposit	96,893	-	-	-	96,893
Materials and supplies inventory	227	246	-	-	473
Prepaid expenses and other assets	-	23	-	181	204
Total current assets	1,101,703	108,707	98,297	194,182	1,502,889
NONCURRENT ASSETS:					
Capital assets:					
Land and land improvements	334,920	250,095	-	-	585,015
Construction in progress	229,547	22,751	-	-	252,298
Buildings and improvements	2,489,881	615,921	-	-	3,105,802
Equipment	216,834	16,026	-	14,733	247,593
	3,271,182	904,793	-	14,733	4,190,708
Less accumulated depreciation	(1,577,249)	(226,978)	-	(5,872)	(1,810,099)
Net capital assets	1,693,933	677,815	-	8,861	2,380,609
Bond issue costs — net	4,907	2,704	-	-	7,611
Promissory note receivable	99	-	-	362,989	363,088
Restricted assets — net direct financing leases	33,749	-	-	-	33,749
Restricted assets — other, cash, and investments	-	134,863	-	-	134,863
Other	-	690	-	-	690
Total noncurrent assets	1,732,688	816,072	-	371,850	2,920,610
TOTAL	$ 2,834,391	$ 924,779	$ 98,297	$ 566,032	$ 4,423,499

(Continued)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES					
CURRENT LIABILITIES:					
Vouchers and contracts payable	$ 33,174	$ 9,521	$ 1,275	$ 370	$ 44,340
Payable from restricted assets — contracts payable, accrued interest, and other	38,387	14,068	-	-	52,455
Other accrued liabilities	9,478	-	-	975	10,453
Benefit claims payable	-	-	-	38,334	38,334
Prepaid airport use charge fund	2,553	-	-	-	2,553
Deferred revenue	6,328	-	-	-	6,328
General obligation bonds payable, current portion	-	1,141	-	-	1,141
Reserve for losses and loss adjustment costs	1,010	166	-	-	1,176
Accrued vacation, current portion	2,555	517	-	36	3,108
Payable from restricted assets — revenue bonds payable	25,300	10,856	-	-	36,156
Premiums payable	-	-	-	10,281	10,281
Total current liabilities	118,785	36,269	1,275	49,996	206,325
NONCURRENT LIABILITIES:					
General obligation bonds payable	-	36,221	-	-	36,221
Accrued vacation	5,978	1,737	-	392	8,107
Revenue bonds payable (net of unamortized bond premium, bond discount, and loss on refunding)	1,031,342	218,294	-	-	1,249,636
Reserve for losses and loss adjustment costs	2,990	505	-	-	3,495
Other postemployment benefit liability	19,506	4,719	-	1,049	25,274
Other	8,756	-	-	-	8,756
Total long-term liabilities	1,068,572	261,476	-	1,441	1,331,489
TOTAL LIABILITIES	1,187,357	297,745	1,275	51,437	1,537,814
NET ASSETS					
INVESTED IN CAPITAL ASSETS — Net of related debt	952,768	508,047	-	8,861	1,469,676
RESTRICTED FOR BOND REQUIREMENTS AND OTHER	333,248	70,280	-	519,318	922,846
UNRESTRICTED	361,018	48,707	97,022	(13,584)	493,163
TOTAL NET ASSETS	$ 1,647,034	$ 627,034	$ 97,022	$ 514,595	$ 2,885,685

See accompanying notes to basic financial statements. (Concluded)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES:					
Concession fees	$ 127,542	$ -	$ -	$ -	$ 127,542
Unemployment compensation tax	-	-	486,476	-	486,476
Aviation fuel tax	3,633	-	-	-	3,633
Airport use charges	55,948	-	-	-	55,948
Rentals	91,844	23,859	-	-	115,703
Services and others	763	47,951	-	-	48,714
Administrative fees	-	-	-	8,973	8,973
Premium revenue - self insurance	-	-	-	253,295	253,295
Other	5,001	1,530	-	7,083	13,614
Total operating revenues	284,731	73,340	486,476	269,351	1,113,898
OPERATING EXPENSES:					
Personnel services	123,856	14,926	-	1,669	140,451
Depreciation	92,861	16,068	-	983	109,912
Repairs and maintenance	27,276	3,493	-	32	30,801
Airports operations	44,223	-	-	-	44,223
Harbors operations	-	12,805	-	-	12,805
Fireboat operations	-	2,174	-	-	2,174
General administration	17,290	5,726	-	5,134	28,150
Unemployment compensation	-	-	686,141	-	686,141
Claims	-	-	-	248,281	248,281
Other	273	-	-	106	379
Total operating expenses	305,779	55,192	686,141	256,205	1,303,317
Operating (loss) income	(21,048)	18,148	(199,665)	13,146	(189,419)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment income	39,445	9,868	6,218	13,419	68,950
Interest expense	(29,959)	(12,994)	-	-	(42,953)
Federal grants	4,117	-	-	-	4,117
Loss on disposal of capital assets	(389)	(105)	-	-	(494)
Passenger facility charges	29,322	-	-	-	29,322
Other	10,524	-	-	2,198	12,722
Total nonoperating revenues (expenses)	53,060	(3,231)	6,218	15,617	71,664
LOSS BEFORE CAPITAL CONTRIBUTIONS	32,012	14,917	(193,447)	28,763	(117,755)
CAPITAL CONTRIBUTIONS	43,746	3,865	-	46,371	93,982
CHANGE IN NET ASSETS	75,758	18,782	(193,447)	75,134	(23,773)
NET ASSETS — Beginning of year — as previously reported	1,571,276	608,252	290,469	437,214	2,907,211
ADJUSTMENTS (NOTE 15)	-	-	-	2,247	2,247
NET ASSETS — Beginning of year — as restated	1,571,276	608,252	290,469	439,461	2,909,458
NET ASSETS — End of year	$ 1,647,034	$ 627,034	$ 97,022	$ 514,595	$ 2,885,685

See accompanying notes to basic financial statements.

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 302,372	$ 73,337	$ -	$ -	$ 375,709
Cash received from taxes	-	-	98,725	-	98,725
Cash received from employer and employees for premiums and benefits	-	-	-	253,145	253,145
Cash paid to suppliers	(144,648)	(23,832)	-	(3,662)	(172,142)
Cash paid to employees	(62,875)	(13,438)	-	(3,235)	(79,548)
Cash paid for unemployment compensation	-	-	(688,385)	-	(688,385)
Cash paid to other State agencies for services rendered	-	-	-	(41)	(41)
Cash paid for premiums and benefits payable	-	-	-	(250,924)	(250,924)
Reserves returned by insurance carriers	-	-	-	854	854
Interest income from notes receivable	-	-	-	3,477	3,477
Administrative loan fees	-	-	-	3,707	3,707
Principal repayments on notes receivable	-	-	-	25,746	25,746
Disbursement of note receivable proceeds	-	-	-	(84,907)	(84,907)
Other cash receipts	-	-	335,733	-	335,733
Net cash provided by (used in) operating activities	94,849	36,067	(253,927)	(55,840)	(178,851)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Net advances to other funds	-	-	-	2,200	2,200
State capital contributions	-	-	-	2,675	2,675
Proceeds from federal operating grants	3,372	-	-	43,636	47,008
Disbursements of federal operating grants	-	-	-	(23,693)	(23,693)
Net cash provided by noncapital financing activities	3,372	-	-	24,818	28,190
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(126,224)	(14,559)	-	(3,018)	(143,801)
Repayment of general obligation and revenue bonds principal	(22,310)	(11,407)	-	-	(33,717)
Payments to refund airports system revenue bonds	(201,788)	-	-	-	(201,788)
Proceeds from issuance of refunding airport system revenue bonds	659,710	-	-	-	659,710
Bond issuance costs paid	(3,573)	-	-	-	(3,573)
Interest paid on bonds	(37,325)	(14,634)	-	-	(51,959)
Proceeds from passenger facility charges program	28,524	-	-	-	28,524
Proceeds from rental car customer facility charges	8,452	-	-	-	8,452
Payments from passenger facility charges program	(14,505)	-	-	-	(14,505)
Proceeds from federal, state, and capital grants	40,379	461	-	-	40,840
Net cash provided by (used in) capital and related financing activities	331,340	(40,139)	-	(3,018)	288,183
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(112,725)	-	-	-	(112,725)
Proceeds from sales and maturities of investments	91,084	-	-	-	91,084
Interest from and change in fair value of investments	37,814	11,512	6,217	13,542	69,085
Net cash provided by investing activities	16,173	11,512	6,217	13,542	47,444
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	445,734	7,440	(247,710)	(20,498)	184,966
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — beginning of the year - as previously reported	518,480	227,405	281,434	145,031	1,172,350
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — end of year	$ 964,214	$ 234,845	$ 33,724	$ 124,533	$ 1,357,316

(Continued)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(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)	$ (21,048)	$ 18,148	$ (199,665)	$ 13,146	$ (189,419)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Provision for uncollectible accounts	-	1,849	-	-	1,849
Depreciation	92,861	16,068	-	983	109,912
Bad debt expense	2,066	-	-	-	2,066
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	10,303	-	-	-	10,303
Premium reserves held by insurance companies	-	-	-	854	854
Decrease (increase) in assets:					
Receivables	4,223	(1,745)	(52,018)	(62,286)	(111,826)
Inventory of materials and supplies	8	(5)	-	-	3
Deposits	-	-	-	(2,201)	(2,201)
Prepaid expenses	-	(690)	-	(148)	(838)
Increase (decrease) in liabilities:					
Vouchers and contracts payable	(1,925)	(8)	(2,244)	(240)	(4,417)
Other accrued liabilities	7,299	2,450	-	1,711	11,460
Prepaid airport use charge fund	(411)	-	-	-	(411)
Deferred revenue	1,473	-	-	-	1,473
Accrued interest on loans receivable	-	-	-	(7,659)	(7,659)
Net cash provided by (used in) operating activities	$ 94,849	$ 36,067	$ (253,927)	$ (55,840)	$ (178,851)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Amortization of bond discount, bond issue costs, bond premium, and deferred loss on refunding	$ 708	$ (272)	$ -	$ -	$ 436
Principal payments relating to special facility revenue bonds	1,230	-	-	-	1,230
Interest payments relating to special facility revenue bonds	2,168	-	-	-	2,168
Development capital assets from other sources	-	3,865	-	-	3,865

See accompanying notes to basic financial statements. (Concluded)

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STATE OF HAWAII

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

	Agency Funds
ASSETS:	
Cash and cash equivalents	$ 331,105
Receivables — taxes	7,587
Due from individuals, businesses, and counties	54,049
Investments	73,130
Deposits and other assets — trust	13,634
Total assets	$ 479,505
LIABILITIES AND NET ASSETS:	
Vouchers payable	$ 50,863
Due to individuals, businesses, and counties	428,642
Total liabilities	$ 479,505

See accompanying notes to basic financial statements.

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
ASSETS				
CASH AND CASH EQUIVALENTS	$ 47,031	$ 190,207	$ 35,344	$ 52,278
RECEIVABLES:				
Accounts and accrued interest (net of allowance for doubtful accounts of $177,399)	90,626	11,232	1,216	75,317
Notes, loans, mortgages, and contributions (net of allowance for doubtful accounts)	11,773	12,892	-	-
Federal government	-	-	5,475	-
Other	-	2,211	1,077	9,358
DUE FROM PRIMARY GOVERNMENT	3,788	-	53,233	42,425
INVESTMENTS	261,343	760	-	-
INVENTORIES:				
Developments in progress and dwelling units	-	23,237	-	-
Materials and supplies	13,470	-	884	15,924
PREPAID EXPENSES AND OTHER ASSETS	8,375	324	1,712	-
	436,406	240,863	98,941	195,302
RESTRICTED ASSETS:				
Cash and cash equivalents	-	29,054	-	2,071
Investments	-	305,797	-	-
Deposits, funded reserves, and other	-	409	7,183	-
Total restricted assets	-	335,260	7,183	2,071
CAPITAL ASSETS:				
Land and land improvements	101,007	43,378	25,340	6,484
Infrastructure	95,249	-	-	-
Construction in progress	170,744	-	27,386	31,224
Buildings, improvements, and equipment	1,924,971	157,758	582,231	502,097
Less accumulated depreciation	(935,107)	(93,317)	(327,173)	(254,219)
Total capital assets — net	1,356,864	107,819	307,784	285,586
OTHER ASSETS				
Notes, loans, mortgages, and contributions (net of allowance for doubtful accounts 187,560)	32,059	286,453	426	-
Due from Primary Government	335,480	15,494	-	-
Investments	499,332	7,010	-	-
Other assets	27,078	1,756	-	1,172
Total other assets	893,949	310,713	426	1,172
TOTAL	$ 2,687,219	$ 994,655	$ 414,334	$ 484,131

See accompanying notes to the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 10,969	$ 42,268	$ 429	$ 378,526
-	1,001	1,273	180,665
-	-	-	24,665
-	-	-	5,475
9,326	1,452	-	23,424
-	3,290	-	102,736
847	-	192,108	455,058
-	-	-	23,237
-	-	-	30,278
-	1,092	-	11,503
21,142	49,103	193,810	1,235,567
9,730	-	-	40,855
15,363	-	-	321,160
-	-	-	7,592
25,093	-	-	369,607
131,497	140,957	-	448,663
-	43,125	-	138,374
-	4,915	-	234,269
214,242	19,257	-	3,400,556
(97,354)	(46,019)	-	(1,753,189)
248,385	162,235	-	2,468,673
-	-	-	318,938
-	-	-	350,974
-	-	-	506,342
-	4,268	-	34,274
-	4,268	-	1,210,528
$ 294,620	$ 215,606	$ 193,810	$ 5,284,375

(Continued)

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2010
(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	$ 55,212	$ 1,220	$ 11,658	$ 70,586
Other accrued liabilities	134,085	14,474	3,780	-
Due to Primary Government	7,176	-	-	-
Due to federal government	-	-	16	-
Estimated future costs of land sold	-	35,482	-	-
Notes, mortgages, and installment contracts payable	-	54	123	13,771
Accrued vacation and retirement benefits payable	24,005	-	-	15,894
Revenue bonds payable	7,285	7,497	-	-
Reserve for losses and loss adjustment costs	4,172	-	-	3,100
Capital lease obligations	-	-	-	9,509
Deferred commitment fees	-	249	-	
Other liabilities	-	25,965	1,226	2,348
Total current liabilities	231,935	84,941	16,803	115,208
NONCURRENT LIABILITIES:				
Notes, mortgages, and installment contracts payable	-	5,692	171	26,379
Accrued vacation and retirement benefits payable	41,888	-	-	22,177
Revenue bonds payable	344,315	460,844	-	-
Reserve for losses and loss adjustment costs	7,573	-	-	12,632
Premium on bonds payable	1,630	-	-	-
Capital lease obligations	-	-	-	24,871
Other postemployment benefit liability	206,271	-	-	105,205
Due to Primary Government	-	-	-	23,300
Other liabilities	7,660	4,165	6,064	25,502
Total noncurrent liabilities	609,337	470,701	6,235	240,066
TOTAL	841,272	555,642	23,038	355,274
NET ASSETS				
INVESTED IN CAPITAL ASSETS — Net of related debt	1,099,820	7,715	307,659	222,054
RESTRICTED	680,298	335,255	7,160	672
UNRESTRICTED (DEFICIT)	65,829	96,043	76,477	(93,869)
TOTAL	1,845,947	439,013	391,296	128,857
TOTAL LIABILITIES AND NET ASSETS	$ 2,687,219	$ 994,655	$ 414,334	$ 484,131

See accompanying notes to basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 680	$ 581	$ 3	$ 139,940
90	97	-	152,526
20,799	-	5,616	33,591
-	-	-	16
-	-	-	35,482
-	-	-	13,948
109	-	-	40,008
-	-	-	14,782
-	-	-	7,272
-	-	-	9,509
-	-	-	249
158	530	-	30,227
21,836	1,208	5,619	477,550
-	-	-	32,242
308	-	-	64,373
-	-	-	805,159
-	-	-	20,205
-	-	-	1,630
-	-	-	24,871
759	-	-	312,235
298,516	-	-	321,816
-	26,620	-	70,011
299,583	26,620	-	1,652,542
321,419	27,828	5,619	2,130,092
(20,985)	166,503	-	1,782,766
(5,814)	47,836	-	1,065,407
-	(26,561)	188,191	306,110
(26,799)	187,778	188,191	3,154,283
$ 294,620	$ 215,606	$ 193,810	$ 5,284,375

(Concluded)

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
EXPENSES	$ 1,443,894	$ 60,326	$ 141,260	$ 572,310
PROGRAM REVENUES:				
Charges for services	339,840	38,665	21,990	471,177
Operating grants and contributions	474,347	32,327	70,143	3,228
Capital grants and contributions	-	-	17,496	37,945
Total program revenues	814,187	70,992	109,629	512,350
Net program (expenses) revenues	(629,707)	10,666	(31,631)	(59,960)
GENERAL REVENUES (EXPENSES):				
Interest and investment income	28,146	9,847	-	943
Payments from (to) the State	711,800	24,839	58,581	98,261
Other	15,650	-	360	(2,790)
Net general revenues	755,596	34,686	58,941	96,414
Change in net assets	125,889	45,352	27,310	36,454
NET ASSETS — Beginning of year — as previously reported	1,720,058	393,661	363,986	92,403
ADJUSTMENTS (NOTE 15)	-	-	-	-
NET ASSETS — Beginning of year — as restated	1,720,058	393,661	363,986	92,403
NET ASSETS — End of year	$ 1,845,947	$ 439,013	$ 391,296	$ 128,857

See accompanying notes to basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 157,448	$ 7,920	$ 4	$ 2,383,162
8,650	4,566	-	884,888
-	-	-	580,045
-	-	-	55,441
8,650	4,566	-	1,520,374
(148,798)	(3,354)	(4)	(862,788)
591	3,160	5,831	48,518
101,978	3,906	(5,613)	993,752
(978)	26	-	12,268
101,591	7,092	218	1,054,538
(47,207)	3,738	214	191,750
20,408	183,537	187,977	2,962,030
-	503	-	503
20,408	184,040	187,977	2,962,533
$ (26,799)	$ 187,778	$ 188,191	$ 3,154,283

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 Resources 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 of the State's discretely presented Component Units. They are reported in a separate column to emphasize that they are legally separate from the State. The governing bodies of these discretely presented Component Units are appointed by the Governor of the State ("Governor"). The discretely presented Component Units are as follows:

University of Hawaii — The State's public institutions of higher education provide instruction and conduct research in, and disseminate knowledge of, agriculture, economics, history, languages, literature, mathematics, mechanical arts, natural sciences, philosophy, political and social sciences, physics, and such other branches of advanced learning as the Board of Regents of the University of Hawaii (UH) may prescribe and the federal government requires.

Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH. The activities of the UH are under the general management of the Board of Regents consisting of 12 members who are appointed and may be removed by the Governor.

Hawaii Housing Finance and Development Corporation — Hawaii Housing Finance and Development Corporation (HHFDC) is a corporate body placed within the Department of Business, Economic Development and Tourism (DBEDT) for administrative purposes. The HHFDC is tasked with developing and financing low and moderate income housing projects and administering home-ownership programs. HRS 201H states that the HHFDC shall be a public body and a body corporate and politic and be headed by a board of directors comprised of nine voting members. The nine members consist of the following:

- Six shall be public members appointed by the Governor:
    - At least four of the public members shall have knowledge and expertise in public or private financing and development of affordable housing.
    - Public members shall be appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai.
    - At least one public member shall represent community advocates for low-income housing, affiliated with private nonprofit organizations that serve the residents of low-income housing.
    - The public members of the board of directors shall serve four-year staggered terms; provided that the initial appointments shall be as follows:
        - Two members to be appointed for four years;
        - Two members to be appointed for three years; and
        - Two members to be appointed for two years.
- The Director of DBEDT or a designated representative,
- The Director of Finance or a designated representative, and
- A representative of the Governor's office.

Hawaii Public Housing Authority — The Hawaii Public Housing Authority (HPHA) was established as a corporate body to be placed within the Department of Human Services for administrative purposes. The HPHA is charged with managing federal and state public housing programs, including Section 8 and senior housing.

HRS Chapter 356D states that the HPHA shall be a public body and a body corporate and politic and be headed by a board of directors comprised of 11 members. The 11 members consist of the following:

- Nine public members appointed by the Governor (four appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai, and five appointed at large);
- The Director of Human Services, as an Ex Officio voting member; and
- The Representative of the Governor's Office, as an Ex Officio voting member.

Hawaii Health Systems Corporation — The Hawaii Health Systems Corporation (HHSC) was established as a corporate body to be placed within the Department of Health for administrative purposes. The HHSC, consisting of the state hospitals, was created to provide quality health care for all of the people in the State, including those serviced by small rural facilities, by freeing the facilities from unwarranted bureaucratic oversight.

HRS Chapter 323F states that the HHSC shall be a public body corporate and politic and an instrumentality and agency of the State. The HHSC commenced operations on July 1, 1996. The statute provides that the HHSC shall be governed by a board of directors. In June 2007, the State Legislature enacted Act 290, SLH of 2007. The Act, which became effective on July 1, 2007, required the establishment of a seven to 15-member regional system board of directors for each of the five regions of the HHSC. Each regional board of directors was given custodial control and responsibility for management of the facilities and other assets in their respective regions.

In 2009, the Legislature passed Act 182, S.B. 1673, effective July 1, 2009, which allowed the individual facilities or regions of HHSC to transition into a new legal entity in any form recognized under the laws of the State of Hawaii, including but not limited to a non-profit corporation, a for-profit corporation, a municipal facility, a public benefit corporation, or a combination of the above. The Act also reconstituted the HHSC board of directors to a twelve-member board of directors which includes the five regional chief executive officers, one representative each appointed by the East Hawaii, West Hawaii, Kauai, and Oahu regional boards, two members appointed by the Maui regional board, and the Director of the Department of Health as an ex-officio non-voting member.

The State provides significant operating subsidies to the HHSC. Accordingly, a financial benefit/burden relationship exists between the State and the HHSC.

Negotiations between the HHSC and the State relating to the allocation of assets, liabilities, and fund balances between the Department of Health and the HHSC pursuant to Act 262 have not been finalized as of June 30, 2010. Accordingly, the assets, liabilities, and net assets of HHSC reflected in the accompanying consolidated statements of net assets may be significantly different from those eventually included in the final settlement.

The HHSC is divided into five regions and currently operates the following facilities:

East Hawaii Region:
- Hilo Medical Center
- Hale Ho‘ola Hamakua
- Ka‘u Hospital
- Yukio Okutsu Veterans Care Home

West Hawaii Region:
- Kona Community Hospital
- Kohala Hospital

Kauai Region:
- Kauai Veterans Memorial Hospital
- Samuel Mahelona Memorial Hospital

Maui Region:
- Maui Memorial Medical Center
- Kula Hospital
- Lanai Community Hospital

Oahu Region:
- Leahi Hospital
- Maluhia
- Kahuku Medical Center

Hawaii Tourism Authority — The Hawaii Tourism Authority (HTA) was established on January 1, 1999, by Act 156, SLH of 1998 and was placed within DBEDT for administrative purposes. The HTA is responsible for developing 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. In addition, effective July 1, 2000, control and management of the Hawaii Convention Center (the “Center”) was transferred to the HTA from the Convention Center Authority (CCA) by Executive Order No. 3817. Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center, which opened to the general public in June 1998, is used for a variety of events including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA is governed by a board of directors comprised of 12 voting members.

Hawaii Community Development Authority — The Hawaii Community Development Authority (HCDA) was established as a corporate body to be placed within DBEDT for administrative purposes. The HCDA was established to supplement traditional community renewal methods by promoting and coordinating public and private sector community development. The HCDA has redevelopment responsibility for the Kaka`ako and Kalaeloa Community Development Districts.

HRS Chapter 206E states that the HCDA shall be a body corporate and a public instrumentality of the State. The HCDA is composed of 18 voting members, 13 of whom vote on issues related to Kaka`ako and Kalaeloa, and five of whom vote only on Kalaeloa matters. The 18 members consist of the following:

- Thirteen members that vote on issues related to Kaka`ako and Kalaeloa:
    - Two members appointed by the Governor from a list of names submitted by the President of the Senate and the Speaker of the House of Representatives;

  - Three members appointed by the Governor from a list of names submitted by the Honolulu City Council;
  - Four at-large members appointed by the Governor;
  - The Director of Budget and Finance, as an Ex Officio voting member;
  - The Director of DBEDT, as an Ex Officio voting member;
  - The Comptroller of the Department of Accounting and General Services, an Ex Officio voting member; and
  - The Director of Transportation, as an Ex Officio voting member.

- Five members appointed by the Governor that vote only on issues related to Kalaeloa:
  - The Chairperson of the Hawaiian Homes Commission;
  - The Director of the City and County of Honolulu Department of Planning and Permitting;
  - Two members from the surrounding community, one of which is selected by the Mayor of the City and County of Honolulu; and
  - One member who is a Hawaiian Cultural Specialist.

Hawaii Hurricane Relief Fund — The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to, and operates in accordance with, HRS Chapter 431P. The HHRF, which began its operations on July 1, 1993, was established as a public body and a body corporate and politic to be placed within the Department of Commerce and Consumer Affairs for administrative purposes. The HHRF was primarily organized to provide hurricane property insurance policies in Hawaii in the event the private insurance market does not make such policies readily available to consumers in Hawaii.

Due to the increase in the availability of hurricane property insurance coverage from the private sector, the HHRF ceased writing hurricane property insurance policies effective December 1, 2000.

Although the HHRF no longer functions in its capacity to provide hurricane property insurance coverage subsequent to November 2001, it has been determined at this time that the HHRF should not be dissolved in the event it may need to reenter the insurance market.

The HHRF is administered and operated by a board of directors. The board of directors consists of the following seven members:

- The Insurance Commissioner, as an Ex Officio voting member, appointed by the Governor; and
- Six members appointed by the Governor with the advice and consent of the Senate:
  - Two members appointed by the Governor;

- Two members appointed by the Governor from a list of nominations submitted by the President of the Senate; and

- Two members appointed by the Governor from a list of nominations submitted by the Speaker of the House of Representatives.

Information for obtaining financial statements for the discretely presented Component Units may be obtained from the Department of Accounting and General Services (DAGS), 1151 Punchbowl Street, Room 400, Honolulu, Hawaii 96813.

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

Government-Wide and Fund Financial Statements — The Government-Wide financial statements (the statement of net assets 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 properly included among 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 assets are restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net assets are 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 assets. 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 major 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 franchises.

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.

Encumbrances are recorded obligations in the form of purchase orders or contracts. The State records encumbrances at the time purchase orders or contracts are awarded and executed. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

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. Agency Funds do not have a measurement focus and report only assets and liabilities.

In accordance with the GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the State has elected not to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

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.

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 general and revenue long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

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

- Department of Transportation — Airports Division ("Airports") — Airports operates the State's airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.

- Department of Transportation — Harbors Division ("Harbors") — Harbors maintains and operates the State's commercial harbors system.

- Unemployment Compensation Fund — This fund accounts for the unemployment compensation benefits to qualified recipients.

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

Fiduciary Fund Types —

- Agency Funds — Agency Funds account for retiree healthcare benefits, which includes medical, dental, and life insurance coverage as well as, various taxes, deposits, and property held by the State, pending distribution to other governments and individuals.

Component Units — Component Units are comprised of (1) the UH, which is comprised of the State's public institutions of higher education; (2) the HHFDC, which finances housing programs for residents of the State; (3) the HPHA, which manages state housing programs; (4) the HHSC, which was established to provide quality health care for all of the people of the State; (5) the HTA, which manages the State's convention center as well as markets the State's visitor industry; (6) the HCDA, which coordinates private and public community development for residents of the State; and (7) the HHRF, which funds, assesses, and provides, when necessary, hurricane property insurance to residents of the State.

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.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Investments — Investments in U.S. government securities and time certificates of deposit are carried at fair value based on quoted market prices. Investments in repurchase agreements are carried at cost. Investments in student loan auction rate securities are reported at fair value, which is generally calculated using the present value of projected cash flows methodology.

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 the lower of cost or market, with cost being determined principally using the first-in, first-out method.

Inventories in the Governmental Funds are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets — Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), buildings and improvements, and equipment, 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 fair market value at the date of donation.

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

The State's capitalization thresholds are $5,000 for equipment, and $100,000 for land and land improvements, infrastructure, and buildings and improvements. 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

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.

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 assets. Initial-issue bond premiums and discounts, as well as issuance 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. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, Governmental Funds recognize bond premiums, discounts, and issuance 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 Assets and Fund Balance — In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and include unspent proceeds of bonds issued to acquire or construct capital assets.

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

Portions of fund balances are reserved in the fund financial statements for the following:

- Continuing appropriations which are comprised of encumbrances and unencumbered allotment balances. Encumbrances represent outstanding commitments which generally are liquidated in the subsequent fiscal year. Unencumbered allotment balances represent amounts that have been released and made available for encumbrance or expenditure and are legally segregated for a specific future use.

- Notes and loans receivable, advances, and investments which are not currently available for expenditure at the Governmental Funds' balance sheet date.

- Federal aid highway projects encumbrances.
- Bond redemption and other.

Portions of the unreserved fund balances are designated for future capital and operating expenditures. Those designated fund balances represent appropriations which have not been allotted and are established to reflect tentative plans for the future use of financial resources.

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 has the opinion that adequate provision has been made for any adjustments that may result from such reviews.

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 million per occurrence of property losses, the first $4 million with respect to general liability claims, and the first $500,000 of losses due to crime. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $100 million, except for flood and earthquake, which individually is a $100 million aggregate loss, and terrorism which is $50 million per occurrence. The annual aggregate for general liability losses and losses due to crime per occurrence is $10 million each. The State also has an insurance policy to cover medical malpractice risk in the amount of $25 million per occurrence and $29 million in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

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

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

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

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

New Accounting Pronouncements

GASB Statement No. 51 — The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. This statement establishes accounting and financial reporting requirements for intangible assets. The State's financial statements were not impacted by the adoption of GASB Statement 51.

GASB Statement No. 53 — The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Statement requires governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. The State's financial statements were not impacted by the adoption of GASB Statement 53.

GASB Statement No. 54 — The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* effective for periods beginning after June 15, 2010. This Statement establishes standards of accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specially defined classifications and clarifies definitions for governmental fund types. This Statement is effective for financial statement periods beginning after June 15, 2010.

GASB Statement No. 55 — The GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, issued in March 2009. The objective of this Statement is to incorporate the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The provisions of this Statement are effective for financial statements upon issuance in March 2009.

GASB Statement No. 56 — The GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement incorporates into GASB the following three accounting and reporting guidelines currently existing in the American Institute of Certified Public Accounts' Statement on Auditing Standards — related party transactions, going concern considerations and subsequent events. The adoption of GASB Statement No. 56 did not have an impact on the State's financial position or results of operations.

GASB Statement No. 57 — The GASB issued Statement No. 57, *OPEB Measurements by Agent Employers, and Agent Multiple-Employer Plans*. The provisions related to the use and reporting of the alternative measurement method were adopted and had no impact to the State's financial statements. The State is currently evaluating the impact of the provisions related to the frequency and timing of measurements which are effective for periods beginning after June 15, 2011.

GASB Statement No. 58 — The GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, effective for periods beginning after June 15, 2009. This statement improves financial reporting by providing more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. This State's financial statements were not impacted by the adoption of GASB Statement No. 58.

GASB Statement No. 59 — The GASB issued Statement No. 59, *Financial Instruments Omnibus*, effective for periods beginning after June 15, 2010. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The State is currently evaluating the impact that GASB Statement No. 59 will have on its financial statements.

GASB Statement No. 60 — The GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, which will be effective for years beginning after December 15, 2011. This Statement improves financial reporting by addressing issues related to service concession arrangements. The State does not expect this Statement will have a material effect on its financial statements.

GASB Statement No. 61 — The GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34,* which will be effective for years beginning after June 15, 2012. This Statement modifies certain requirements for inclusion of Component Units in the financial reporting entity. The State is currently evaluating the impact that GASB No. 61 will have on its financial statements.

GASB Statement No. 62 — The GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* is effective for reporting periods beginning after December 15, 2011. The objective of this Statement is to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 63 — The GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which will become effective for financial statements for periods beginning after December 15, 2011. Statement 63 provides financial statement presentation guidance for these elements; however, it does not identify any additional items that should be recognized within these element classifications. Statement 63 only will apply to items that have been specifically identified by the GASB as deferred outflows of resources or deferred inflows of resources. The State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 64 — The GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53,* which will become effective for financial statements for periods beginning after June 15, 2011. The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The State does not expect that this Statement will have a material effect on its financial statements.

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, auction rate securities, and repurchase agreements with federally-insured financial institutions.

Cash — The State maintains approximately 20 bank accounts for various purposes at locations throughout the State and the nation. Bank deposits 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) as of June 30, 2010, was $1,500,886,000 and $804,804,000, respectively, for the Primary Government and $331,105,000 for the Fiduciary Funds.

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 $2,353,137,000 at June 30, 2010. Of that amount, $2,353,137,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of $33,724,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

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

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance. The pool's investment options are limited to investments listed in the Hawaii Revised Statutes. As of June 30, 2010, the State had material investments in repurchase agreements. According to the Department of Budget and Finance, the repurchase agreement investment contracts are valued on the cost basis.

At the end of each year the Department of Budget and Finance ("Budget and Finance") allocates the investment pool amount to each of the participants including those participants who are part of the proprietary fund and fiduciary fund. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The following tables present the State's investments and maturities at June 30, 2010 (amounts expressed in thousands).

		Maturity (in years)		
	Fair Value	**Less than 1**	**1–5**	**>5**
Investments — Primary Government:				
Student loan auction rate securities	$ 337,948	$ -	$ -	$ 337,948
Certificates of deposit	7,504	3,937	3,567	-
U.S. government securities	294,145	207,364	73,431	13,350
Repurchase agreements	269,557	234,408	35,149	-
	$ 909,154	$ 445,709	$ 112,147	$ 351,298
Investments — Fiduciary Funds:				
Student loan auction rate securities	$ 46,804	$ -	$ -	$ 46,804
Certificates of deposit	731	731	-	-
U.S. government securities	23,401	-	-	23,401
Repurchase agreements	2,194	2,194	-	-
	$ 73,130	$ 2,925	$ -	$ 70,205

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 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 and student loan resource securities maintaining a Triple-A rating.

The State's investments include auction rate securities collateralized by student loans issued by the federal government. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and reset the applicable interest rate at predetermined intervals of 7 to 28 days. Beginning in 2009 and throughout 2010, auctions failed and investors without the ability to hold such securities until maturity have taken significant losses. The auction failures appear to have been attributable to inadequate buyers and/or buying demand. In the event that there is a failed auction, the indenture governing the security generally requires the issuer to pay interest at a default rate that is generally above market rates for similar instruments. The securities for which auctions have failed will continue to accrue interest at the predetermined rate and be auctioned periodically until the auction succeeds, the issuer calls the securities, they mature, or the State is able to sell the securities to third parties. During 2010, the State recorded a fair value adjustment of $146,644,000 to increase the carrying value of the State investment pool's auction rate securities to their fair value at June 30, 2010. See additional information on auction rate securities at Footnote No. 14.

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. In addition, 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.

3. CAPITAL ASSETS

For the fiscal year ended June 30, 2010, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			
	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	$ 2,066,493	$ 68,215	$ (6,022)	$ 2,128,686
Construction in progress	880,248	496,343	(686,862)	689,729
Total capital assets not being depreciated	2,946,741	564,558	(692,884)	2,818,415
Capital assets being depreciated:				
Infrastructure	8,221,045	433,818	(254)	8,654,609
Buildings and improvements	3,291,469	210,184	-	3,501,653
Equipment	344,770	18,271	(12,877)	350,164
Total capital assets being depreciated	11,857,284	662,273	(13,131)	12,506,426
Less accumulated depreciation:				
Infrastructure	(4,223,950)	(233,100)	254	(4,456,796)
Buildings and improvements	(1,737,654)	(108,183)	-	(1,845,837)
Equipment	(272,321)	(16,992)	7,509	(281,804)
Total accumulated depreciation	(6,233,925)	(358,275)	7,763	(6,584,437)
Total capital assets	$ 8,570,100	$ 868,556	$ (698,252)	$ 8,740,404

	Business-Type Activities			
	Adjusted Balance, July 1, 2009 (As Restated See note 15)	Additions	Deductions	Balance, June 30, 2010
Capital assets not being depreciated:				
Land and land improvements	$ 585,015	$ -	$ -	$ 585,015
Construction in progress	310,016	188,344	(246,062)	252,298
Total capital assets not being depreciated	895,031	188,344	(246,062)	837,313
Capital assets being depreciated:				
Buildings and improvements	2,875,585	226,695	(104)	3,102,176
Equipment	229,933	23,043	(1,757)	251,219
Total capital assets being depreciated	3,105,518	249,738	(1,861)	3,353,395
Less accumulated depreciation:				
Buildings and improvements	(1,541,419)	(98,421)	-	(1,639,840)
Equipment	(160,020)	(11,491)	1,252	(170,259)
Total accumulated depreciation	(1,701,439)	(109,912)	1,252	(1,810,099)
Total capital assets	$ 2,299,110	$ 328,170	$ (246,671)	$ 2,380,609

Depreciation expense for the fiscal year ended June 30, 2010, was charged to functions/programs of the Primary Government as follows:

	2010
Governmental activities:	
Highways	$ 221,432
Lower education	62,427
General government	20,100
Public safety	11,575
Urban redevelopment and housing	19,848
Conservation of natural resources	10,431
Health	4,631
Economic development and assistance	4,460
Welfare	2,405
Culture and Recreation	966
Total depreciation expense — governmental activities	$ 358,275
Business-type activities:	
Airports	$ 92,861
Harbors	16,068
DWTLF	69
EUTF	914
WPCRF	-
Total depreciation expense — business-type activities	$ 109,912

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 are being retired from the resources of the Proprietary Funds - Airports and Harbors and are recorded in those funds, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues, except certain maturities of Series BW, issued March 1, 1992; Series BZ, issued October 1, 1992; Series CA, issued January 1, 1983; Series CH and CI, issued November 1, 1993; Series CM, issued December 1, 1996; Series CO, issued March 1, 1997; Series CY, issued February 15, 2002; Series DL and DM, issued May 20, 2008; Series DO and DP, issued December 16, 2008; Series DR, issued June 23, 2009 and Series DX, issued February 18, 2010, contain call provisions. Stated interest rates range from 3% to 6%.

On November 5, 2009, the State issued $32,000,000 general obligation bonds, Qualified School Construction Bonds, Series DS. Interest rates ranged from .2% to 1.45%. The Series DS bonds are subject to redemption prior to their stated maturity dates only upon extraordinary mandatory redemption as provided in the Bond Issuance Certificate, otherwise it is not subject to early redemption. Bond series were issued at a discount, which will be amortized over the life of the bonds using the effective interest rate method. The bonds were issued for the purpose of financing costs of the construction, rehabilitation or repair of school facilities throughout the State.

On November 24, 2009, the State issued $204,140,000, $6,260,000, $46,855,000 and $36,425,000 of general obligation refunding bonds of 2009, Series DT, DU, DV and DW, respectively. Interest rates ranged from 2% to 5% to advance refund $283,085,000 of certain outstanding general obligation bonds previously issued. The net proceeds of $320,404,000 (including a premium of $28,042,000 and after payment of $1,318,000 in underwriting fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advanced refunding, the State decreased its total debt service payments over the next 10 years by $65,000,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $19,347,000. The Series DT, DU, DV and DW bonds are not subject to optional redemption by the State prior to their respective stated maturities. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method.

On February 18, 2010, the State issued $500,000,000 general obligation bonds, Series DX (Build America Bonds) with interest rates ranging from 3% to 5.53%. The Series DX are subject to redemption at the option of the State as described in the certificate under optional make-whole redemption and extraordinary optional redemption, prior to their stated maturities. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bond series DX was issued for the purpose of financing the Hawaiian Home Lands Trust settlement and various public improvement projects.

In addition, the State issued $221,625,000 of general obligation refunding bonds of 2010, Series DY, dated February 18, 2010. Interest rates ranged from 3% to 5% to advance refund $227,455,000 of certain outstanding general obligation bonds previously issued. The net proceeds of $248,642,000 (including a premium of $27,951,000 and after payment of $934,000 in underwriting fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advanced refunding, the State increased its total debt service payments over the next 10 years by $27,628,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,849,000. The Series DY bonds are not subject to optional redemption by the State prior to their respective stated maturities. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method.

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, 2010, $913,150,000 of bonds outstanding is considered defeased.

At June 30, 2010, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 3,943,850
Noncallable	1,250,710
Total general obligation bonds outstanding	5,194,560
Less amount recorded as a liability of:	
Proprietary Funds — Harbors	(37,362)
Amount recorded in the governmental activities of the Primary Government	$ 5,157,198

A summary of general obligation bonds outstanding by series as of June 30, 2010, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount	Amount Outstanding
BW	March 1, 1992	6.250%	March 1, 2012	$ 100,000	$ 5,555
BZ	October 1, 1992	6.000%	October 1, 2012	200,000	1,535
CA	January 1, 1993	5.500%–8.000%	January 1, 2012–2013	90,000	10,000
CH	November 1, 1993	4.750%	November 1, 2011–2013	250,000	41,655
CI	November 1, 1993	4.900%	November 1, 2010	316,915	10,865
CL	March 1, 1996	6.000%	March 1, 2011	100,000	5,555
CM	December 1, 1996	6.000-6.500%	December 1, 2012–2016	150,000	41,650
CO	March 1, 1997	6.000%	September 1, 2010, March 1, 2011	231,755	26,035
CP	October 1, 1997	5.500%	October 1, 2010	200,000	3,345
CV	August 1, 2001	4.800%–5.500%	August 1, 2011–2021	300,000	67,790
CW	August 1, 2001	4.200%–5.500%	August 1, 2010–2015	156,750	78,335
CX	February 15, 2002	4.300%–5.500%	February 1, 2012–2022	250,000	90,955
CY	February 15, 2002	5.500%–5.750%	February 1, 2011–2015	319,290	188,110
CZ	November 26, 2002	3.500%–5.500%	July 1, 2011–2022	300,000	46,305
DA	September 16, 2003	3.750%–5.250%	September 1, 2011–2023	225,000	178,870
DB	September 16, 2003	4.000%–5.250%	September 1, 2010–2016	188,650	142,115
DD	May 13, 2004	3.700%–5.250%	May 1, 2012–2024	225,000	169,885
DE	November 10, 2004	3.000%–5.000%	October 1, 2011–2024	225,000	205,085
DF	June 15, 2005	3.250%–5.000%	July 1, 2011–2025	225,000	206,600
DG	June 15, 2005	5.000%	July 1, 2010–2017	722,575	657,390
DI	March 23, 2006	3.800%–5.500%	March 1, 2013–2026	350,000	306,490
DJ	April 12, 2007	3.625%–5.000%	April 1, 2012–2027	350,000	320,990
DK	May 20, 2008	3.000%–5.000%	May 1, 2012–2028	375,000	373,920
DL	May 20, 2008	3.000%–5.000%	May 1, 2012–2018	29,010	29,010
DM	May 20, 2008	4.010%–4.670%	May 1, 2011–2014	25,000	17,255
DN	December 16, 2008	3.000%–5.500%	August 1, 2012–2028	100,000	100,000
DO	December 16, 2008	3.000%–5.000%	August 1, 2011–2018	101,825	101,825
DP	December 16, 2008	4.150%–5.680%	August 1, 2011–2016	26,000	26,000
DQ	June 23, 2009	3.000%–5.000%	June 1, 2013–2029	500,000	490,220
DR	June 23, 2009	3.000%–5.000%	June 1, 2014–2019	225,410	203,910
DS	November 5, 2009	0.200%–1.450%	September 15, 2014–2024	32,000	32,000
DT	November 24, 2009	2.250%–5.000%	November 1, 2014–2019	204,140	204,140
DU	November 24, 2009	4.000%	November 1, 2011	6,260	6,260
DV	November 24, 2009	2.000%–5.000%	November 1, 2012	46,855	46,855
DW	November 24, 2009	2.250%–5.000%	November 1, 2013	36,425	36,425
DX	February 18, 2010	3.000%–5.530%	February 1, 2015–2030	500,000	500,000
DY	February 18, 2010	3.000%–5.000%	February 1, 2015–2020	221,625	221,625
					$ 5,194,560

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

A summary of the bond premium activities for fiscal year 2010 is as follows (amounts expressed in thousands):

Balance — July 1, 2009	$ 231,245
Additions — GO Bond Series DT, DU, DV, DW, DX, and DY	59,180
Current-year amortization	(38,038)
Balance — June 30, 2010	$ 252,387

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

Fiscal Year	Principal	Interest	Total
2011	$ 169,654	$ 246,753	$ 416,407
2012	285,911	238,059	523,970
2013	369,552	223,167	592,719
2014	384,967	205,746	590,713
2015	434,911	187,798	622,709
2016–2020	1,840,653	645,518	2,486,171
2021–2025	1,093,179	301,574	1,394,753
2026–2030	578,371	72,350	650,721
	$ 5,157,198	$ 2,120,965	$ 7,278,163

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

Fiscal Year	Principal	Interest	Total
2011	$ 1,141	$ 1,819	$ 2,960
2012	1,609	1,772	3,381
2013	1,678	1,702	3,380
2014	1,758	1,623	3,381
2015	1,844	1,537	3,381
2016–2020	10,642	6,262	16,904
2021–2025	13,536	3,368	16,904
2026–2028	5,154	400	5,554
	$ 37,362	$ 18,483	$ 55,845

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, 2010, was $320,845,000.

At June 30, 2010, general obligation bonds authorized but unissued were approximately $981,814,000.

5. REVENUE BONDS PAYABLE

Governmental Activities — On April 2, 2009, the State of Hawaii Department of Hawaiian Homelands (DHHL) issued $42,500,000 in Revenue Bonds, Series 2009, with interest rates ranging from 3% to 6% to finance the construction of certain DHHL capital improvements projects. The bonds are payable semiannually on April and October 1 through 2039.

The bonds are payable from and collateralized by the Department's revenues generated from certain capital improvement projects.

On December 17, 2008, the Highways issued $125,175,000 in State of Hawaii Highway Revenue Bonds, Series 2008, with interest rates ranging from 4% to 6% to finance certain highway capital improvement projects and related projects. The bonds are payable semiannually on January and July 1 through 2029.

On March 15, 2005, the Highways issued $60,000,000 in State of Hawaii Highway Revenue Bonds of 2005, Series A, with interest rates ranging from 3% to 5% to finance certain highway capital improvement projects and related projects. The bonds are payable semiannually on January and July 1 through 2025.

On March 15, 2005, Highways issued $123,915,000 of State of Hawaii Highway Revenue Bonds of 2005, Series B, with interest rates ranging from 3% to 5.25% to advance refund $128,705,000 of certain outstanding highway revenue bonds previously issued. The bonds are payable semiannually on January and July 1 through 2021.

On April 15, 2003, Highways issued $44,940,000 in State of Hawaii Highway Revenue Bonds, Series of 2003, with interest rates ranging from 3.5% to 5.25% to advance refund $45,350,000 of outstanding State of Hawaii Highway Revenue Bonds, Series of 1993, with an average interest rate of 4.42%. The bonds are payable semiannually on January and July 1 through 2013.

On October 25, 2001, Highways issued $70,000,000 of State of Hawaii Highway Revenue Bonds, Series of 2001. The bonds bear interest at rates ranging from 4% to 5% and are payable semiannually on January and July 1 through July 2022.

On October 31, 2000, Highways issued State of Hawaii Highway Revenue Bonds, Series of 2000, in the principal amount of $45,630,000. The bonds bear interest at rates ranging from 4.9% to 5.5% and mature in annual installments through July 2010.

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

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

In addition to the proceeds from the State of Hawaii Highway Revenue Bonds of 2005, Series B; the proceeds of the State of Hawaii Highway Revenue Bonds, Series of 2003, DHHL's revenue bonds, Refunding Series of 1999; and a portion of the proceeds of the State of Hawaii Highway Revenue Bonds, Series of 1998 (see above); were placed in irrevocable trusts and used to purchase securities of the U.S. government to meet the debt service requirements of the refunded bonds.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions. As of June 30, 2010, bonds outstanding considered defeased amounted to $72,295,000.

The following is a summary of Highways' and DHHL revenue bonds issued and outstanding at June 30, 2010 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways:					
1998	July 1, 1998	5.500%	July 1, 2017–July 1, 2018	$ 94,920	$ 27,580
2000	October 31, 2000	4.90%–5.50%	July 1, 2010	45,630	2,335
2001	October 25, 2001	4.00%–5.00%	July 1, 2010–2022	70,000	11,450
2003	April 15, 2003	3.50%–5.25%	July 1, 2010–2013	44,940	20,115
2005 A	March 15, 2005	3.00%–5.00%	July 1, 2010–2025	60,000	51,385
2005 B	March 15, 2005	3.00%–5.25%	July 1, 2010–2021	123,915	123,915
2008	December 17, 2008	4.00%–6.00%	January 1, 2011–2029	125,175	121,575
DHHL:					
2009	April 2, 2009	3.00%–6.00%	April 1, 2011–2039	42,500	41,860
					$400,215

A summary of the revenue bond premium activities for fiscal year 2010 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance — July 1, 2009	$ 15,778
Current-year amortization	(4,034)
Balance — June 30, 2010	$ 11,744

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

Fiscal Year	Principal	Interest	Total
2011	$ 21,590	$ 19,970	$ 41,560
2012	22,410	19,072	41,482
2013	23,340	18,080	41,420
2014	24,440	16,957	41,397
2015	25,840	15,757	41,597
2016–2020	134,990	58,026	193,016
2021–2025	78,700	30,685	109,385
2026–2030	48,405	13,053	61,458
2031–2035	10,065	4,986	15,051
2036–2039	10,435	1,611	12,046
	$ 400,215	$ 198,197	$ 598,412

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.

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2010 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2000A, refunding	5.50%–6.00%	2021	$ 26,415	$ 155
2000B, refunding	5.00%–6.00%	2020	261,465	26,100
2001, refunding	4.00%–5.75%	2021	423,255	345,160
2010A, refunding	2.00%–5.25%	2039	478,980	478,980
2010B, refunding	3.00%–5.00%	2020	166,000	166,000
			$ 1,356,115	1,016,395
Add unamortized premium				19,295
Less:				
Unamortized discount				
Deferred loss on refunding				(12,573)
Current portion				(23,615)
				$ 999,502

The liabilities for refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements as Airports defeased its obligations for payment of those bonds upon completion of those refunding transactions. As of June 30, 2010, bonds outstanding considered defeased amounted to $228,615,000.

The certificate providing for the issuance of revenue bonds provides for the levying and collection of minimum net revenues to service and provides reserves for maturing debt principal, interest, sinking fund, and replacement and maintenance reserve requirements, and also provides for the maintenance of certain insurance coverage for fire, workers' compensation, and public liability. At June 30, 2010, $232,484,000 was on credit in the revenue bond debt service sinking fund and reserve accounts.

On April 7, 2010, the Airports Division issued $478,980,000 and $166,000,000 of airports system revenue bonds (Refunding Series 2010A and Refunding Series 2010B, respectively) at interest rates ranging from 2.00% to 5.25% and 3.00% to 5.00%, respectively, to refund $196,015,000 of its outstanding Refunding Series of 2000A and 2000B bonds. Of the net proceeds of $656,137,000 (after the payment of $3,573,000 in underwriting fees, insurance and other costs), along with an additional $3,069,000 from the debt service reserve account, $204,061,000 were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of the Refunding Series of 2000A and 2000B bonds on July 1, 2010. As a result, the refunded portion of the Refunding Series 2000A and 2000B bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $7,942,000. This difference, reported in the accompanying financial statements as a reduction from airports system revenue bonds, is being charged to operations over the next 11 years.

Airports Special Facility Revenue Bonds — Airports entered into three special facility lease agreements, two with Continental Airlines, Inc. ("Continental") in November 1997 and July 2000, and one with Caterair International Corporation in December 1990, which was subsequently assigned to Sky Chefs, Inc. ("Sky Chefs") effective January 2002. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of $25,255,000, $16,600,000, and $6,600,000, respectively. Those bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facilities and aggregated to $33,525,000 at June 30, 2010.

The following is a summary of pertinent information on the Airports special facility revenue bonds at June 30, 2010.

$25,255,000 Issue

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

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

$16,600,000 Issue

On July 15, 2000, Airports issued $16,600,000 of term special facility bonds (Continental), Refunding Series of 2000, with an interest rate of 7.00%, due June 1, 2020, to, in part, refund $18,225,000 of its outstanding Series of 1990 bonds (Continental). The bonds are subject to redemption on or after June 1, 2010, at the option of Airports, upon the request of Continental or, if the facilities are destroyed or damaged extensively, at 100% of principal, plus interest.

$6,600,000 Issue

The bonds bear interest at 10.125% and are subject to redemption on or after December 1, 2003, at the option of Airports, upon the request of Sky Chefs, at prices ranging from 103% to 100%, depending on the dates of redemption, or at 100%, plus interest if the facilities are destroyed or damaged extensively.

Special facility revenue bonds payable at June 30, 2010, consisted of the following (amounts expressed in thousands):

	Continental		Sky Chefs	Total
Current portion	$ 785	$ -	$ 900	$ 1,685
Noncurrent portion	10,115	21,725	-	31,840
	$ 10,900	$ 21,725	$ 900	$ 33,525

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

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 $102.50 to $100.

The following is a summary of the Harbors' revenue bonds as of June 30, 2010 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current: Principal Due July 1, 2010	Current: Principal Due January 1, 2011	Current: Total	Noncurrent
2000	July 1, 2029	4.50%–6.00%	$ 79,405	$ 2,785	$ -	$ 2,785	$ 53,600
2002	July 1, 2019	3.00%–5.50%	24,420	555	-	555	10,585
2004	January 1, 2024	2.50%–6.00%	52,030	-	3,770	3,770	23,365
2006	January 1, 2031	4.00%–5.25%	96,570	-	2,415	2,415	85,590
2007	July 1, 2027	4.25%–5.50%	51,645	1,470	-	1,470	48,150
			$ 304,070	4,810	6,185	10,995	221,290
Add unamortized premium						306	1,864
Less:							
Unamortized discount						(6)	(69)
Unamortized deferred loss on refunding						(439)	(4,791)
				$ 4,810	$ 6,185	$ 10,856	$ 218,294

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

Fiscal Year	Principal	Interest	Total
2011	$ 36,156	$ 58,555	$ 94,711
2012	35,085	64,878	99,963
2013	40,550	62,707	103,257
2014	59,740	60,003	119,743
2015	58,215	56,770	114,985
2016–2020	363,190	228,679	591,869
2021–2025	212,595	143,764	356,359
2026–2030	170,350	100,282	270,632
2031–2035	138,210	59,543	197,753
2036–2040	171,701	21,882	193,583
	$ 1,285,792	$ 857,063	$ 2,142,855

The above debt service requirements are set forth based upon funding requirements and are presented before unamortized premiums, discounts, and deferred loss on refunding, aggregating $3,587,000.

Revenue Bonds Authorized, but Unissued — At June 30, 2010, revenue bonds authorized, but unissued were approximately $4,347,661,000.

Special Purpose Revenue Bonds — HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2010, amounted to $1,744,303,000. At June 30, 2010, special purpose revenue bonds of $1,643,640,000 were authorized, but unissued.

Improvement District Bonds — The HCDA is authorized to issue improvement district bonds under HRS Chapter 206E. Proceeds from the bond issues are utilized to finance the redevelopment of districts designated by the State Legislature. The bonds are not general obligations of the State and are payable solely by assessment liens on the real property of the designated district. Accordingly, the State has not included those bonds in its basic financial statements. There were no bonds outstanding as of June 30, 2010.

6. CHANGES IN LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance — July 1, 2009	Additions	Deductions	Balance — June 30, 2010	Due Within One Year
General obligation bonds payable — net	$ 4,779,666	$ 1,047,305	$ (669,773)	$ 5,157,198	$ 169,654
Accrued vacation payable	211,236	92,870	(92,003)	212,103	64,930
Revenue bonds payable	420,605	-	(20,390)	400,215	21,590
Reserve for losses and loss adjustment costs	150,761	32,770	(31,819)	151,712	37,544
Other postemployment benefits liability	716,748	817,321	(188,394)	1,345,675	-
Capital lease obligations	71,685	41,120	(48,420)	64,385	1,495
Total	$ 6,350,701	$ 2,031,386	$ (1,050,799)	$ 7,331,288	$ 295,213

	Business-Type Activities				
	Balance — July 1, 2009	Additions	Deductions	Balance — June 30, 2010	Due Within One Year
General obligation bonds payable — net	$ 38,329	$ -	$ (967)	$ 37,362	$ 1,141
Accrued vacation and retirement benefits payable	10,945	5,040	(4,770)	11,215	3,108
Revenue bonds payable	861,423	665,458	(241,089)	1,285,792	36,156
Reserve for losses and loss adjustment costs	4,707	945	(981)	4,671	1,176
Other postemployment benefits liability	13,288	19,100	(3,892)	28,496	3,222
Other	953	10,767	(411)	11,309	2,553
	$ 929,645	$ 701,310	$ (252,110)	$ 1,378,845	$ 47,356

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's Governmental Funds. Approximately 84%, 15%, 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, 2010.

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consisted of the following at June 30, 2010 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds:		
General Fund:		
Special Revenue Fund	$ 1,567	$ 12,600
Capital Projects Fund	89,900	-
Debt Service Fund	-	118
Nonmajor Governmental Funds	58,000	-
	149,467	12,718
Capital Projects Fund:		
General Fund	-	89,900
Med-Quest Special Revenue Fund:		
Special Revenue Fund	12,600	-
Nonmajor Governmental Funds:		
General Fund	118	59,567
	$ 162,185	$ 162,185

The due from Capital Projects Fund in the General Fund consists primarily of funds transferred prior to the issuance of bonds. Remaining interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, 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 of equity between funds occur. For the fiscal year ended June 30, 2010, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds:		
General Fund — Nonmajor Governmental Funds	$ 16,586	$ 382,767
Capital Projects Fund — Nonmajor Governmental Funds	149,858	30,575
Med-Quest Special Revenue Fund — Nonmajor Governmental Funds	14,165	5,051
Nonmajor Governmental Funds:		
General Fund	5,494	16,586
Capital Projects Fund	30,575	149,858
Other Nonmajor Governmental Funds	505,132	136,973
	541,201	303,417
	$ 721,810	$ 721,810

The General Fund transferred approximately $376,775,000 to the Nonmajor Governmental Funds for debt service payments and approximately $5,991,000 to subsidize various Special Revenue Funds programs. Approximately, $149,858,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. LEASES

Lease Commitments

Governmental Activities — The State leases office facilities and equipment under various operating leases expiring through fiscal 2023. Future minimum lease commitments for noncancelable operating leases as of June 30, 2010, were as follows (amounts expressed in thousands):

Fiscal Year	
2011	$ 16,207
2012	10,492
2013	6,856
2014	4,241
2015	2,159
2016-2020	5,276
2021-2023	1,648
Total future minimum lease payments	$ 46,879

Rent expenditures for operating leases for the fiscal year ended June 30, 2010, amounted to approximately $39,716,000.

The State issued $41,120,000 in Certificates of Participation (COPS) 2009 Series A, on November 5, 2009, to fully refund $47,185,000 of the 1998 Series A Certificates and the 2000 Series A Certificates which proceeds were used to purchase the Kapolei State Office Building and the Capital District Building. The net proceeds of $43,490,000 (including a premium of $2,876,000 and after payment of $503,000 in underwriting fees) were deposited to the Depository Trust Company in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding certificates of participation. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advance refunding, the State reduced its total debt service payments over the next 10 years by $7,487,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,061,000. Payments commence on May 1, 2010, and continue through May 1, 2020 with interest rates ranging from 2% - 5%. The 2009 Series A Certificates are subject to prepayment prior to their maturity dates in the event of a casualty loss or governmental taking of all or a portion of the premises subject to the Leases, but are not otherwise subject to prepayment prior to maturity.

In November 2006, the State issued $24,500,000 in COPS to finance the construction of the Kapolei Office and Conference Facility. The proceeds of the COPS were remitted to a trustee, who will then remit the amounts to the developer as construction progresses. The holders of the COPS are the current owners of the Kapolei Office and Conference Facility. Accordingly, the State's rental payments for the use of the Kapolei Office and Conference Facility are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 2007, and continue through November 1, 2031, with interest rates ranging from 3.63% to 5.00%. Title to the Kapolei Office and Conference Facility will transfer to the State upon the payment of all required rents.

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

Fiscal Year	
2011	$ 4,417
2012	8,059
2013	8,061
2014	8,061
2015	8,059
2016–2020	31,497
2021–2025	8,559
2026–2030	8,551
2031–2032	3,425
Total future minimum lease payments	88,689
Less amount representing interest	(24,304)
Present value of net minimum lease payments	64,385
Less current portion	(1,495)
Noncurrent portion	$ 62,890

Lease Rentals

Airports — Airport-Airline Lease Agreement

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

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

Airports — Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal 1996 through 2010 have been transferred to the PAUCF.

Airports — Aviation Fuel Tax

In May 1996, the Department of Taxation issued a tax information release which stated that effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to $3,633,000 for fiscal 2010.

Airports — System Rates and Charges

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

- Landing fees, net of aviation fuel tax credits, amounted to $59,262,000 for fiscal 2010, based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports interisland landing fees for signatory airlines are set at 38% of the Airports landing fees for overseas flights for 2010.

- Nonexclusive joint-use premise charges for terminal rentals amounted to $38,544,000 for fiscal 2010. 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 revenue passenger landing.

- Exclusive use premise charges amounted to $39,576,000 for fiscal 2010, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to $23,032,000 for fiscal 2010.

- Airports system support charges amounted to $762,000 for fiscal 2010. The charges were established to recover residual costs of the Airports system and are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports system interisland support charges for nonsignatory airlines are set at 32% of the Airports system support charges for overseas flights.

Airports — Other Operating Leases

Airports leases building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a basic minimum rent. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2010, was approximately $42,142,000.

In fiscal 2006, Airports converted certain past-due amounts from three lessees into promissory notes. The notes bear interest at rates ranging from 0% to 5%, and are due over periods ranging from zero to nine years. The balance of $2,602,000 at June 30, 2010, is due as follows: 2011 — $2,503,000; 2012 — $12,000; 2013 — $12,000; and $75,000 thereafter.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kona International Airport at Keahole retail concession, accounted for approximately 30% of total concession fees revenues for the fiscal year ended June 30, 2010.

DFS was awarded a 10-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007, and terminating on May 31, 2017. The lease contract provides for a minimum annual guarantee rent, as well as percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2007 to May 31, 2012, the minimum annual guarantee rent is $38 million and the percentage rent is as follows: (1) for total concession receipts greater than $122 million, but less than $195 million, 22.5% for on-airport sales, and 18.5% for off-airport sales; (2) for total concession receipts greater than $195 million, but less than $235 million, 30.0% for on-airport sales and 22.5% off-airport sales; (3) for total concession receipts greater than $235 million, but less than $275 million, 30.0% for on-airport sales, and 26.5% for off-airport sales; and (4) for total concession receipts greater than $275 million 30.0% for on-airport sales and off-airport sales. For the period from June 1, 2012 to May 31, 2017, the minimum annual guarantee rent is equal to 85% of the total rent paid for the fifth year of the lease term. Percentage rent during this period is calculated the same as during the first five years of the lease term.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Honolulu International Airport, with the term commencing on April 1, 2009, and terminating on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) minimum annual guarantee rent ($9,950,000 during the last year of the five-year term.)

Harbors — Aloha Tower Complex Development

The Aloha Tower Development Corporation (ATDC) is a state agency established under HRS Chapter 206J, primarily to redevelop the Aloha Tower complex. The complex encompasses Piers 5 to 23 of Honolulu Harbor. In September 1993, Harbors entered into a lease with the ATDC transferring to the ATDC portions of the Aloha Tower complex. The ATDC is required annually to reimburse Harbors for any losses in revenues during the term of the lease caused by any action of the ATDC or the developer, and to provide replacement facilities for maritime activities at no cost to Harbors.

In September 1993, the ATDC subleased lands surrounded by Piers 8 and 9 and a portion of land surrounded by Pier 10 to a developer, and the developer and Harbors entered into a capital improvements, maintenance, operations, and securities agreement ("Operations Agreement"). The Operations Agreement allows Harbors to operate the harbor facilities at Piers 8, 9, and 10. The lease between the ATDC and the developer requires the developer to construct, at the developer's cost, various facilities, including a marketplace.

The developer later went into bankruptcy. The subsequent operator of the marketplace assumed the obligations of the sublease and the Operations Agreement in March of 1998. This replacement operator has also gone through a bankruptcy proceeding and there is a new operator who has assumed the same obligations. Although the marketplace construction was substantially completed, several items on Harbors' construction punch list have yet to be completed and are being pursued with the new operator. A settlement has been reached with the new operator to satisfy the punchlist obligations which have a total value of $3.5 million, depending upon when actual payments are made by the operator within a six-year timeframe.

An amendment of the lease executed in fiscal 2006 altered the obligations of the ATDC to reimburse Harbors on an annual basis. For the fiscal year commencing July 1, 2004, the amendment provides that the ATDC shall pay $225,000 as a minimum annual base payment. The amendment further provides that for the fiscal year commencing July 1, 2005, onward, for any year in which the ATDC shall pay for all or any portion of the cost of personnel and other expenses relating to the Hawaii Harbors Project, the parties agree that the minimum annual base payment shall be commensurately reduced by such payments.

In addition to the minimum annual base payment, the ATDC shall also pay an amount equal to 50% of the difference between the total revenues received by the ATDC for such fiscal year and the operating expenses of the ATDC for such fiscal year (equity participation payment) to reduce the amount owed to Harbors for losses in revenues by the ATDC prior to July 1, 2004. The amendment provides for an increase in the equity participation payment as the ATDC's revenues increase.

Harbors — Leasing Operations

Harbors leases land, wharf, and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through September 2058. Those leases generally call for rental increases every 5 to 10 years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2010, amounted to $23,858,000 and have been included in rental revenues.

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2010 (amounts expressed in thousands):

	Proprietary Funds		
Fiscal Year	**Airports**	**Harbors**	**Total**
2011	$ 107,533	$ 8,467	$ 116,000
2012	101,345	8,280	109,625
2013	91,845	7,981	99,826
2014	87,190	7,824	95,014
2015	53,374	6,460	59,834
2016–2020	113,414	23,317	136,731
2021–2025	11,805	21,094	32,899
2026–2030	6,677	17,389	24,066
2031–2035	2,445	12,457	14,902
2036–2040	1,211	6,952	8,163
2041–2045	-	4,288	4,288
2046–2050	-	2,702	2,702
2051–2055	-	2,685	2,685
2056–2060	-	1,460	1,460
	$ 576,839	$ 131,356	$ 708,195

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2010, net direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 55,539
Less amount representing interest	(26,277)
	29,262
Cash with trustee and other	4,487
	$ 33,749

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2010, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2011	$ 3,716
2012	2,765
2013	2,777
2014	2,778
2015	2,770
2016–2020	13,883
2021–2025	6,110
2026–2028	24,780
	$ 59,579

10. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC include approximately $17,163,000 related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual $2.2 million payments to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights and the net present value of the estimated future cash flows from the State using and imputed interest rate. As of June 30, 2010, amounts due from the State included approximately $17,163,000 of principal, net of approximately $2,930,000 of imputed interest, and approximately $293,000 of accrued interest receivable during the year ended June 30, 2010.

Hawaii Health Systems Corporation

HHSC received a $14,000,000 advance from the State to relieve its cash flow shortfall. At June 30, 2010, the full amount was not yet repaid to the State. The total amount due to the State includes $20,123,000 of cash advances to the Department of Health - Division of Community Hospitals, which was assumed by HHCS at the date of its formation. HHSC also received $10,000,000 in advances from the State. On March 30, 2010, the State agreed to defer payment of the $10,000,000 advance over four years beginning in fiscal 2012.

Hawaii Tourism Authority

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

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

The creation of the Convention Center Fund provided HTA the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to the Authority by the CCA. The terms of the payment plan require HTA to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6% through January 1, 2027. HTA's ability to meet its obligations in accordance with the payment plan is dependent upon the funds received by the Convention Center Fund. At June 30, 2010, the outstanding principal and aggregate interest amounts required to be reimbursed by HTA were $269,370,000 and $179,923,000, respectively. The scheduled payments to maturity for each of the next five years and thereafter in five-year increments are as follows:

Fiscal Year	Principal	Interest	Total
2011	$ 11,030	$ 15,401	$ 26,431
2012	11,690	14,739	26,429
2013	12,390	14,038	26,428
2014	13,135	13,294	26,429
2015	13,920	12,506	26,426
2016-2020	83,185	48,953	132,138
2021-2025	111,330	20,817	132,147
2026-2027	12,690	40,175	52,865
	$ 269,370	$ 179,923	$ 449,293

Subsequent to June 30, 2005, Budget and Finance informed the HTA that it is required to meet the debt service obligations on the bonds for the period from July 1, 2000 to June 30, 2002. The HTA did not believe it was required to meet these obligations for periods prior to the establishment of the Convention Center Fund and, accordingly, had not recorded this liability in its financial statements. This matter was being contested with Budget and Finance. On August 4, 2011, the State Attorney General opined in favor of Budget and Finance and the HTA increased its liability to the Budget and Finance by $52,865,435, consisting of principal and interest of $12,690,000 and $40,175,435, respectively, at June 30, 2010. The HTA's liability to Budget and Finance is to be primarily funded by an allocated portion of the State's TAT revenue.

Hawaii Hurricane Relief Fund

On June 25, 2002, Act 179 was signed into law by the Governor of the State of Hawaii. The law provides that all interest earned from the principal in the Hurricane Relief Fund be transferred and deposited into the State General Fund each year that the Hurricane Relief Fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2010, interest earned and transferred into the State General Fund amounted to $5,613,000.

11. RETIREMENT BENEFITS

Employee Retirement System

Plan Description

All eligible employees of the State and counties are required by HRS Chapter 88 to become members of the ERS, a cost-sharing multiple-employer defined benefit public employee retirement plan. The ERS provides retirement benefits, as well as death and disability benefits. The ERS is governed by a Board of Trustees. All contributions, benefits, and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action. The ERS issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing to the ERS at 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Prior to June 30, 1984, the plan consisted of only a contributory plan. In 1984, legislation was enacted to add a new noncontributory plan for members of the ERS who are also covered under Social Security. Police officers, firefighters, judges, elected officials, and persons employed in positions not covered by Social Security are precluded from the noncontributory plan. The noncontributory plan provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory plan or to elect the new noncontributory plan and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and noncontributory plans, respectively.

Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan, were eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006, were required to join the hybrid plan.

Funding Policy

Most covered employees of the contributory plan are required to contribute 7.8% of their salary. Police officers, firefighters, investigators of the departments of the County Prosecuting Attorney and the Attorney General, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2% of their salary. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Effective July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The State's contribution requirements as of June 30, 2010, 2009, and 2008, were approximately $398,724,000, $387,748,000, and $377,475,000, respectively. The State contributed 100% of its required contribution for those years. Covered payroll for the fiscal year ended June 30, 2010, was approximately $2,628,369,000.

Post-Retirement Health Care and Life Insurance Benefits

Plan Descriptions

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 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 State also contributes to the Hawaii State Teachers Association (HSTA) Voluntary Employees Beneficiary Association (VEBA) Trust that was established effective March 1, 2006. HSTA VEBA provides health benefits only to HSTA members, retirees and their dependents. Both the EUTF and the HSTA VEBA plans currently provide medical, prescription drug, dental, vision, chiropractic, and group life insurance benefits. The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to the EUTF at 201 Merchant Street, Suite 1520, Honolulu, Hawaii 96813. The HSTA VEBA also issues an annual financial report that is available to the public. That report may be obtained by writing to the HSTA VEBA at 1350 South King Street, Suite 230, Honolulu, Hawaii 96814.

In January of 2011 subsequent to June 30, 2010, the State decided to merge the EUTF and the HSTA plans into one healthcare and life insurance plan available to all qualified employees.

The eligibility requirements for retiree health benefits are the same for both plans as follows:

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

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with at less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those 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 at less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those 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.

Funding Policy and Annual OPEB Cost

Effective July 1, 2006, the EUTF and HSTA VEBA implemented GASB Statement No. 43 ("GASB 43"), *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. GASB 43 establishes accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB) other than pensions. GASB 43 requires defined benefit OPEB plans that are administered as trust or equivalent arrangements to prepare a statement of plan assets and a statement of changes in plan assets.

The reporting of active and retiree (including their respective beneficiaries) healthcare benefits provided through the same plan should separate those benefits for accounting purposes between active and retire healthcare benefits. Accordingly, the State reports the retiree healthcare benefits as OPEB in conformity with GASB 43 and the active employee healthcare benefits as risk financing in conformity with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* as amended.

Effective July 1, 2007, the State implemented GASB Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, which requires reporting the OPEB liability on an accrual basis. Because the Statement was implemented on a prospective basis, the OPEB liability at transition was zero.

The State is required by GASB 45 to obtain an actuarial valuation every other year, therefore, an actuarial valuation was performed for July 1, 2009.

The State's base contribution levels to EUTF are established by statutes while the contribution levels to the HSTA VEBA are determined under collective bargaining agreements. In both plans, the retiree is responsible to pay the difference if the base contribution is less than the cost of the monthly premium.

The State's base contribution levels are currently tied to the pay-as-you-go amount necessary to provide current benefits to retirees. The State's annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters in GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, the net OPEB liability, and the funding status for each of the plans for each of the plans for the fiscal year ended June 30, 2010 (amounts in thousands):

	EUTF	HSTA VEBA
Annual required contribution	$ 685,818	$ 201,246
Interest on net OPEB obligation	22,421	10,264
Adjustment to annual required contribution	(20,392)	(9,331)
Annual OPEB cost	687,847	202,179
Contributions made	(190,931)	(17,602)
Increase in net OPEB obligation	496,916	184,577
Net OPEB obligation — beginning of year	549,774	256,449
Net OPEB obligation — end of year	$ 1,046,690	$ 441,026
Actuarial accrued liability (AAL) July 1, 2009	$ 11,523,301	$ 2,484,179
Funded OPEB plan assets		
Unfunded actuarial accrued liability (UAAL) July 1, 2009	$ 11,523,301	$ 2,484,179
Funded ratio	- %	- %
Covered payroll	1,431,908	682,942
UAAL as percentage of covered payroll	805%	364%

The aggregate net OPEB liability at the end of the year of $1,046,690 and $441,026 for EUTF and HSTA VEBA respectively does not agree to the OPEB liability in the Statement of Net Assets due to reconciling items in the University of Hawaii's OPEB liability.

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the preceding year were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	NET OPEB Obligation
EUTF	June 30, 2010	$ 687,847	27.8%	$ 1,046,690
	June 30, 2009	439,567	36.1%	549,774
	June 30, 2008	429,195	38.6%	268,791
HSTA VEBA	June 30, 2010	$ 202,179	8.7%	$ 441,026
	June 30, 2009	145,282	10.6%	256,449
	June 30, 2008	138,954	8.9%	126,558

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

	EUTF	HSTA VEBA
Actuarial valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years (Open)	30 years (Open)
Asset valuation method	N/A	N/A
Actuarial assumptions:		
Investment rate of return	4%	4%
Projected salary increases	3.5%	3.5%
Healthcare inflation rate	10.5% initial	10.5% initial
Medical & Rx Pre-65	10.5% initial	10.5% initial
	5% ultimate	5% ultimate
Medical & Rx Post-65	10.25% initial	10.25% initial
	5% ultimate	5% ultimate
Dental	6% initial	6% initial
	4 % ultimate	4 % ultimate
Vision	4% initial	4% initial
	3% ultimate	3% ultimate
Medicare Part B	5% ultimate	5% ultimate

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, 2010, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds:	
Highways	$ 34,616
Agriculture	7,283
Natural Resources	4,719
All Other	582
	$ 47,200

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, 2010, accumulated sick leave was approximately $1,543,130,000.

Intergovernmental Expenditures — In accordance with Act 250, SLH of 2002, 45% of revenues generated by the transient accommodations tax are to be distributed to the counties.

Guarantees of Indebtedness — The State is authorized to guarantee indebtedness of others at a maximum amount of approximately $183,500,000 for aquacultural 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, 2010.

Proprietary Fund Type — Enterprise Funds

Construction and Service Contracts

At June 30, 2010, the Enterprise Funds had commitments of approximately $332,690,000 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 fiscal years ended June 30, 2010, 2009, and 2008, approximated $11,171,000, $1,171,000, and $6,106,000, 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 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 has received approximately $50,922,000 during the fiscal year ended June 30, 2010. As of June 30, 2010, the State expects to receive $28,800,000 for the first six months of fiscal 2011.

Office of Hawaiian Affairs

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 re-conveyed title to those lands (collectively, the "Ceded Lands") to the State, and the Ceded Lands are 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. In 1978, the State Constitution was amended expressly to provide that the Ceded Lands were to be held as a public trust for native Hawaiians and the general public, and to establish the OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands 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 all funds derived by the State from the Ceded Lands for the betterment of native Hawaiians.

In 1987, in *Trustees of the Office of Hawaiian Affairs v. Yamasaki*, 69 Haw. 154 (1987) ("*Yamasaki"*), the Hawaii Supreme Court concluded that Chapter 10 was insufficiently clear regarding the amount of moneys OHA was entitled to receive from the public trust lands.

In 1990, in response to *Yamasaki*, the Legislature adopted Act 304, SLH 1990, which (i) defined "public land trust" and "revenue," (ii) reiterated that 20% of the now defined "revenue" derived from the "public land trust" was to be expended by OHA for the betterment of native Hawaiians, and (iii) established a process for OHA and the Director of Finance of the State jointly to determine the amount of monies which the State would pay OHA to retroactively settle all of OHA's claims for the period June 16, 1980 through June 30, 1991. Since fiscal year 1992 and until the first quarter of fiscal year 2002, the State, through its departments and agencies, paid 20% of "revenues" to OHA on a quarterly basis.

In 1993, the Legislature enacted Act 35, SLH 1993, appropriating $136.5 million to pay the amount determined to be OHA's claims, with interest, for the period June 16, 1980 through June 30, 1991.

On January 14, 1994, OHA and its Board of Trustees (the "Plaintiffs") filed suit against the State (*OHA, et al. v. State of Hawaii*, *et al.*, Civil No. 94-0205-01 (1st Cir.) ("*OHA I"*)), claiming that the amount paid to OHA was inadequate and that the State had failed to account for and fully pay the pro rata share of proceeds and income derived from the public land trust. Among other things, the Plaintiffs sought an accounting of all proceeds and income, funds and revenue derived from the public land trust since 1978, and restitution for damages amounting to 20% of the proceeds and income derived from the public land trust, as well as interest thereon. In its answer to OHA's complaint, the State denied all of the Plaintiffs' substantive allegations, and asserted its sovereign immunity from suit and other jurisdictional and claim-barring defenses.

The Plaintiffs thereafter filed four motions for partial summary judgment as to the State's liability to pay OHA 20% of moneys it receives from (i) the Department of Transportation Airports Division's in-bound duty free airport concession (including receipts from the concessionaire's off-airport sales operations), (ii) the State-owned and operated Hilo Hospital, (iii) the State's public rental housing projects and affordable housing developments, and (iv) interest income, including investment earnings (collectively , the "Sources"). In response, the State filed a motion to dismiss on the basis of sovereign immunity and opposed Plaintiffs' four motions on the merits and raised several affirmative defenses.

On October 24, 1996, the circuit court filed an order denying the State's motion to dismiss and rejecting its affirmative defenses. Also on October 24, 1996, the circuit court filed an order granting Plaintiffs' four motions for partial summary judgment with respect to the State's liability to pay OHA 20% of the moneys it receives from each of the Sources, and deferred establishing amounts owed from those Sources for further proceedings or trial. The State's motion for leave to file an interlocutory appeal from both the order denying its motion to dismiss and the order granting Plaintiffs' four partial summary judgments was granted and all proceedings in the suit were stayed pending the Hawaii Supreme Court's disposition of the State's appeal.

On September 12, 2001, the Hawaii Supreme Court concluded *OHA I* by holding in *OHA v. State of Hawaii*, 96 Haw. 388 (2001) that Act 304 was effectively repealed by its own terms, and that there was no judicially manageable standard, i.e., a legal standard, by which to determine whether OHA was entitled to the revenues it sought from the Sources because the repeal of Act 304 revived the law which the court in *Yamasaki* had previously concluded was insufficiently clear to establish how much OHA was entitled to receive from the Ceded Lands. The Supreme Court dismissed *OHA I* for lack of justiciability, that is, that the case was not appropriate for review by the Court, noting that it was up to the Legislature to enact legislation to give effect to the right of native Hawaiians to benefit from the Ceded Lands under the State Constitution. Immediately thereafter, agencies ceased paying OHA any receipts from the Ceded Lands.

The Legislature took no action during the 2002, 2003, and 2004 legislative sessions to establish a new mechanism for establishing how much OHA was entitled to receive from the Ceded Lands. On January 10, 2003, and pending legislative action to establish such a mechanism, the Governor issued Executive Order No. 03-03 directing state agencies to resume transferring 20% of receipts from leases, licenses, and permits indisputably paid for the use of improved or unimproved parcels of Ceded Lands to OHA, if federal or state law did not preclude all or any portion of the receipt from being used to better the conditions of native Hawaiians, and the transfer of all or any portion of the receipt to OHA would not cause the agency to renege on a preexisting pledge, rate covenant, or other preexisting obligation to holders of revenue bonds or other indebtedness of the State or the agency. In Act 34, SLH 2003, the legislature appropriated moneys from the various funds into which the Ceded Lands receipts had been deposited after the decision in OHA I was issued and agencies ceased making payments to OHA, and directed the agencies to pay them to OHA.

OHA continues to pursue claims for a portion of the revenues from the Sources and other Ceded Lands that were made in *OHA I*. On July 21, 2003, OHA filed a new lawsuit, *OHA et al. v. State of Hawaii*, et al., Civil No. 03-1-1505-07 ("*OHA II*"). In September 1996, the Office of the Inspector General of the U.S. Department of Transportation (DOT) issued a report ("IG Report") concluding that payments to OHA between 1992 and 1995 of $28.2 million by the Hawaii Department of Transportation was a diversion of airport revenues in violation of applicable federal law as OHA provided no airport services in return. The Attorney General of Hawaii disagreed with the IG Report's conclusion, stating in

November 1996 that the payments to OHA were an operating cost of the Airports and not a diversion of airport revenues. In May 1997, the Acting Administrator of the FAA concurred in writing (“FAA Memorandum”) with the IG Report and opposed the Hawaii Attorney General’s position. In support of its appeal of the circuit court’s *OHA I* decision to the Hawaii Supreme Court, but differing with the original position of the Attorney General, the State noted in its May 1997 amended opening brief that “unless the federal government’s position set forth in the IG Report changes, Act 304 prohibits the State from paying OHA airport-related revenues.” In its June 1997 reply brief, the State stated that the “DOT Inspector General’s determination shows that the federal government is on its way to finding such payments illegal and requiring the State to reimburse past payments of airport-related revenues to OHA.” In November 1997, the Department of Transportation and Related Agencies Appropriation Act, 1998, PL 105-66, 1997 HR 2169 (“DOT Appropriation Act”) was enacted into federal law. Section 340 of the DOT Appropriation Act (Section 340) essentially provides that in exchange for there being no further payments of airport revenues for claims related to Ceded Lands, any such payments received prior to May 1, 1996 need not be repaid. The Hawaii Attorney General submitted enactment of Section 340 to the Hawaii Supreme Court in December 1997, “for the Court’s use” in conjunction with the *OHA I* appeal, whereupon the Court requested the parties to submit supplemental briefs to address whether Section 340 affected the Court’s interpretation of Act 304. The State, in its March 1998 supplemental brief, stated, inter alia, that paying OHA a pro rata share of airport moneys violated federal law, and that there was no live, ripe controversy regarding those payments because the DOT Appropriation Act relieved the State and OHA of any obligation to return improper past payments.

Despite the adverse *OHA I* decision, the Plaintiffs in *OHA II* sued the State for alleged breaches of fiduciary duties as purported trustee of the Ceded Lands public trust, alleged violations of Act 304, Chapter 10, and Article XII, Sections 4, 5, and 6 of the Hawaii Constitution, violations of the Contract Clause of the U.S. Constitution, and misrepresentation and nondisclosure, by the following alleged acts (but not limited to these acts): (1) failing to oppose the positions set forth in the FAA Memorandum; (2) resolving its dispute with the FAA by obtaining a forgiveness of the prior $28.2 million payment in exchange for a promise not to make future airport revenue payments to OHA and not to appeal the positions set forth in the FAA Memorandum; (3) breaching the trust duty of impartiality by not opposing the positions set forth in the FAA Memorandum in order to use them as a sword in *OHA I*; (4) failing to timely advise OHA that the State was not going to continue to oppose the positions set forth in the FAA Memorandum or IG Report, and that it was planning to settle with the federal government, in order to provide OHA with a fair opportunity to take measures to step into the State’s position to oppose the FAA; and (5) failing to obtain instructions from the Court on how to proceed given the State’s conflict between defending the State against OHA in *OHA I*, and having a duty to oppose the positions set forth in the FAA Memorandum.

OHA further alleges that these alleged “breaches, errors, and omissions” were substantial factors that resulted in the passing of Section 340 and the issuance of the Hawaii Supreme Court’s opinion in *OHA I*. Plaintiffs claim that, accordingly, the State is liable to OHA for damages including, but not limited to: (1) the damages alleged by OHA in *OHA I*, and (2) amounts payable under Act 304 that have not been paid, including but not limited to, airport landing fees. Plaintiffs also sought declaratory and injunctive relief ordering the State to reinstate Act 304, pay airport-related revenues to OHA from sources other than airport revenues (and enjoining the State and its agents, employees, and officials from opposing any of the above), and sought appointment of an independent trustee to replace the State as trustee of the native Hawaiian public trust with respect to matters relating to reinstatement of Act 304 and the payment of airport-related revenues to OHA from sources other than airport revenues. On December 26, 2003, the court granted the State's motion to dismiss OHA's complaint in *OHA II*. The court entered a final judgment on May 19, 2004, encompassing the order dismissing the complaint and several procedural orders. On June 8, 2004, OHA filed a notice of appeal from the portions of the May 19, 2004 judgment dismissing its complaint in *OHA II*, denying leave to amend the complaint and denying a request for bifurcation of OHA's claims for liability and damages. The Hawaii Supreme Court affirmed the circuit court's order dismissing OHA's complaint in a decision issued September 9, 2005; granted OHA's motion for reconsideration in an order filed on December 23, 2005; and affirmed the circuit court's final judgment again in an opinion entered on April 28, 2006.

On January 17, 2008, OHA and the Governor signed a settlement agreement to finally and completely resolve and settle any and all claims and disputes relating to OHA's portion of income and proceeds from the lands of the Ceded Lands public trust under article XII, sections 4 and 6 of the Hawaii Constitution between November 7, 1978 and July 1, 2008, and to fix prospectively, the minimum amount of income and proceeds from the lands of the Ceded Lands public trust, OHA is to receive per fiscal year, under those same provisions of the Hawaii Constitution, at $15.1 million. The settlement was contingent on passage of a bill prepared jointly by OHA and the Attorney General without material changes, or, if the bill was changed, with the written approval of OHA and the Governor. The Legislature did not pass two bills for such purpose during its 2008 regular session, and directed instead that OHA and the Attorney General resume negotiations on the payment to be made by the State to resolve the dispute with OHA concerning the sum OHA should have received from November 7, 1978 to June 30, 2008, pursuant to article XII, sections 4 and 6 of the Hawaii Constitution.

On June 2, 2010, OHA filed a petition for writ of mandamus in the Hawaii Supreme Court which asked the court to compel the members of the Twenty-Sixth Legislature (which will convene in January 2011) to enact legislation to pay OHA what OHA believes represents unpaid portions of the income and proceeds derived from the ceded lands between 1978 or 1980 through 2008, i.e., approximated at $200,000,000. The court entered an order denying the petition on August 18, 2010.

In November 1994, OHA and four individuals also filed complaints for declaratory and injunctive relief on November 4, 1994, and November 9, 1994 (*OHA v. Housing Finance and Development Corporation et al.*, Civil No. 94-4207-11 (1st Cir.)) to enjoin the State from alienating any Ceded Lands and extinguishing any rights Hawaiians may have in Ceded Lands that may be alienated. Alternatively, OHA sought a declaration that the amounts paid to OHA by the Housing Finance and Development Corporation (the "HFDC", since succeeded by the HHFDC, as described below) and the State for Ceded Lands that the HFDC planned to use to develop and sell housing units pursuant to Act 318, SLH 1992, were insufficient. Act 318 established a separate process for valuing the Ceded Lands the HFDC used for its two housing developments at Kealakehe and Lahaina, and quantifying the amounts of income and proceeds from the Ceded Lands that the HFDC and State were required to pay to OHA for conveying and using the parcels for the Corporation's two projects.

In December 2002, following a trial on the issues, the trial court confirmed the State's authority to sell Ceded Lands, denied the declaratory ruling that the sale of Ceded Lands did not directly or indirectly release or limit Hawaiians' claims to those lands which the plaintiffs requested, and ordered that judgment be entered in the State's and the HFDC's favor as to Counts I, II, and III of the Amended Complaint. The plaintiffs moved for and were granted leave to file immediate appeals from the court's rulings to the Hawaii Supreme Court.

On January 31, 2008, the Hawaii Supreme Court issued an opinion vacating the circuit court's judgment in favor of the State and HFDC, and "remand[ed] the case to the circuit court with instructions to issue an order granting the plaintiffs' request for an injunction against the defendants from selling or otherwise transferring to third parties (1) the parcel of ceded land on Maui and (2) any ceded lands from the public lands trust until the claims of the native Hawaiians to the ceded lands has [sic] been resolved." In accordance with the instructions of the Hawaii Supreme Court, the circuit court issued its order on June 4, 2008 granting plaintiffs' request for such injunction. Seeking a reversal of the January 31, 2008, decision of the Hawaii Supreme Court, the State filed a Petition for Writ of Certiorari on April 29, 2008, with the United States Supreme Court. The United States Supreme Court granted the petition for certiorari, and on March 31, 2009, unanimously reversed the Hawaii Supreme Court's decision, and remanded the case to the Hawaii Supreme Court for further proceedings not inconsistent with its opinion. The United States Supreme Court concluded that the State holds "absolute fee" title to the lands conveyed to it by the United States at statehood; that federal law did not prevent the Legislature from deciding, as it had, to sell a portion of the Ceded Lands for the HFDC's two housing developments; and that the Supreme Court of Hawaii erred in reading the federal Apology Resolution "as recognizing claims inconsistent with the title held in 'absolute fee' by the United States and conveyed to the State of Hawaii at statehood." By orders filed on May 15, 2009, the Hawaii Supreme Court re-opened the appeal in that court "for further consideration in light of the United States Supreme Court's mandate."

On July 15, 2009 all but one of the plaintiffs filed a motion to dismiss their appeal, and all of their claims without prejudice, and the Attorney General a motion to dismiss all remaining claims, namely the claims of the plaintiff who did not join the rest of the plaintiffs' motion to dismiss.

By a judgment on appeal filed on December 14, 2009 that referred to an opinion filed on October 27, 2009, the Hawaii Supreme Court vacated the January 31, 2003 judgment, and remanded the case to the circuit court for entry of a judgment dismissing plaintiff Osorio's claims against the State without prejudice. In the Circuit Court, the Attorney General filed a motion to dismiss plaintiff Osorio's claims without prejudice, and a motion to dissolve the injunction entered on June 4, 2008. Two orders were filled in the circuit court on March 9, 2010, one dismissing plaintiff Osorio's claims without prejudice, and the other dissolving the June 4, 2008 injunction.

OHA also filed suit against the Hawaii Housing Authority (the "HHA", since succeeded by the HPHA, as described below), the executive director of the HHA, the board members of the HHA and the Director of Finance on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95-2682-07 (1st Cir.)) 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 the State's appeal in *OHA I*. OHA disagrees that the repeal and revival of the pre-*Yamasaki* law by the Hawaii Supreme Court's September 12, 2001, decision in *OHA I* should also require dismissal of the claims OHA makes in *OHA v. HHA*, and the case remains pending.

The HFDC and the HHA were merged into the HCDCH after the suits against them described above were filed. HCDCH subsequently was bifurcated into the HHFDC and the HPHA.

The State intends to defend vigorously against all of OHA's claims. It is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of all of OHA's claims in OHA's favor could have a material adverse effect on the State's financial condition.

Department of Hawaiian Home Lands

Individual Claims

In 1991, the State Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (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 2,753 individuals.

The process was a three-step process which (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the Panel) to provide the Legislature with nonbinding 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 by November 1, 1999; 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 State 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. As of September 30, 1999, the Panel had not reviewed claims from 1,376 claimants, and all but the claims of two claimants had not been acted upon by the Legislature.

On September 30, 1999, three claimants filed a suit for declaratory and injunctive relief in the U.S. District Court for the District of Hawaii to secure an injunction prohibiting the enforcement of the notice and suit filing deadlines specified in HRS Chapter 674. *Kalima, et al. v. Cayetano,* Civil No. 99-00671HG/LEK. A motion for preliminary injunction was heard on November 15, 1999, and denied as moot on September 28, 2000. By stipulation filed on November 13, 2000, the action was dismissed without prejudice.

On December 29, 1999, the same three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special, and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661. *Kalima, et al. v. State of Hawaii, et al.,* Civil No. 99-4771-12VSM (1st Cir.) *("Kalima I").* Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. *Aguiar v. State of Hawaii, et al.,* Civil No. 99-612 (3rd Cir.); *Silva v. State of Hawaii, et al.,* Civil No. 99-4775-12 (1st Cir.); *Wilhelm v. State of Hawaii, et al.,* Civil No. 99-4774-12 (First Circuit Court); *Williamson v. State of Hawaii, et al.,* Civil No. 99-4773-12 (First Circuit Court); *Hanohano v. State of Hawaii, et al.,* Civil No. 99-4775-12 (First Circuit Court). The Plaintiffs in these other actions have 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. Plaintiff Hanohano, Silva, Wilhelm, and Williamson have since stipulated to the dismissal of their actions without prejudice.

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 the State 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.*

On August 30, 2000, the circuit court entered an order in *Kalima I* granting Plaintiffs' motion for summary judgment and declaratory relief as to Count I of the Complaint, and denying Defendants' motion for judgment on the pleadings. Essentially, the circuit court rejected Defendants' sovereign immunity, lack of subject matter jurisdiction, and nocause of action defenses, and ruled that the Plaintiffs and those similarly situated to them (by an order filed on August 29, 2000, a class was so certified for purposes of Count I) could pursue their claims for damages and other relief under HRS Chapters 674 and 661.

The circuit court allowed the State to take an interlocutory appeal from the August 30, 2000, order to the Hawaii Supreme Court, and entered an order staying all proceedings in *Kalima I* pending the Hawaii Supreme Court's disposition of the appeal. By an order entered on September 20, 2001, the Supreme Court dismissed that appeal for lack of appellate jurisdiction. The State thereafter secured a certification of finality for the August 30, 2000 order from the circuit court, and filed another notice of appeal of the order so that the questions of law the circuit court decided could be reviewed by the Supreme Court prior to trail. By an opinion issued on June 30, 2006, the Supreme Court affirmed the plaintiffs were entitled to pursue their claims for damages under HRS Chapter 674, reversed the circuit court's determination that the plaintiffs had a right to sue under HRS Chapter 661, and remanded the case to the back to trial court for further proceedings.

The plaintiffs have since filed a first and second amended complaint 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 subclass' claims separately and first.

By orders entered on August 6, and August 25, 2009, respectively, two new waiting list subclass representative plaintiffs were added, and the claims of one of the two previously named waiting list subclass representatives were dismissed. Trial on the liability portion of the waiting list subclass' claims began on August 4, 2009 and on November 3, 2009 the circuit judge for the case ruled that the State committed various 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. The State's motion for permission to take an immediate appeal from the circuit court's rulings before a trial on the damages portion of the waiting list subclass' claim began, was denied. Trial to determine whether, and to what extent, if any, subclass members sustained out-of-pocket damages is yet to be scheduled.

Nelson et al., v. Hawaiian Homes Commission

Nelson et al., v. Hawaiian Homes Commission, et al., Civil No. 07-1-1663-08 BIA (1st Cir.) ("*Nelson*"), was filed on September 6, 2007, but not served. Instead, plaintiffs filed a First Amended Complaint on October 19, 2007, to which, with the plaintiffs' permission, the defendants State of Hawaii and Georgina Kawamura in her official capacity as the State's Director of Budget and Finance filed an answer on December 31, 2007, and the remaining defendants, the DHHL and the Hawaiian Homes Commission and its members, filed an answer on February 29, 2008.

The *Nelson* plaintiffs allege all defendants breached their duties under article XII, sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural, and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch, and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of article XII, sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (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 ask 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 Legislature, the State, or any State agency or employee, is required to appropriate, request, or otherwise provide or secure particular amounts of money for the 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.

The plaintiffs also asked the court to declare that DHHL may not lease Hawaiian Home Lands trust property solely to generate revenue, and that DHHL's lease of the Honokohau Makai property is invalid, and to enjoin any further leases of trust lands for commercial developments unrelated to homesteading programs. By a stipulation filed on August 24, 2009, the claim for declaratory and injunctive relief against the DHHL's leasing of trust property solely to generate revenue was dismissed without prejudice, and the claim to invalidate the Honokohau Makai property lease was dismissed with prejudice.

On September 23, 2009, a final judgment was filed in the circuit court. Plaintiffs filed their notice of appeal from (1) the January 21, 2009 order granting the State's motion for summary judgment rejecting plaintiffs' claims that the Legislature, State or any State agency or employee is required to provide or secure particular amounts of money for DHHL and its programs, (2) the January 22, 2009 order granting the DHHL's and Commission's joinder in the State's motion, and (3) the March 17, 2009 order denying the plaintiffs' motion for reconsideration. By an opinion filed on January 12, 2011, the Intermediate Court of Appeals, by an opinion by J. Foley with J. Nakamura concurring separately, concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, vacated the circuit court judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. The application was accepted and oral argument will be heard by the Supreme Court on October 6, 2011.

The State intends to defend vigorously against the claims against the State in all of the remaining Individual Claims Cases and in *Nelson.* 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.

Employees' Retirement System

In *Kaho'ohanohano, et al. v. State of Hawaii*, Civil No. 02-1-1001-04 (GWBC) (1st Cir.), the plaintiffs challenged certain legislation enacted by the State Legislature in 1999 ("Act 100"). Act 100 authorized the State to apply the Employees' Retirement System's ("ERS" or the "System") actuarial investment earnings in excess of 10% for fiscal years 1997 and 1998 toward the State and county employees' annual contributions to the pension accumulation of the ERS fund. The plaintiffs asked the court to declare Act 100 unconstitutional, to enjoin the State from taking future actions inconsistent with Article XVI, Section 2 of the Hawaii Constitution, and to require the State to pay damages to the ERS in the amount of $346,900,000 plus lost earnings and pre- and post-judgment interest, costs, and attorneys' fees.

The plaintiffs were allowed to amend their complaint to add two state civil service employees as plaintiffs, and their motion to certify a class, consisting of all current and former public employees other than members of the legislature, judges and attorneys in the Department of the Attorney General, was granted. Motions made by the trustees of the ERS to intervene as plaintiffs and by the City and County of Honolulu to intervene as a defendant were granted. The Court made the counties of Hawaii, Maui, and Kauai intervener defendants.

The plaintiffs filed two motions for partial summary judgment (as to liability only), and the State filed a motion to dismiss and a motion for summary judgment against the claims of the plaintiffs as well as the ERS' trustees. The State's motion to dismiss was denied in an order filed on May 16, 2003. An order granting summary judgment in favor of the State and against all of the claims of the plaintiffs and ERS trustees, and denying the plaintiffs' two motions, and a final judgment were entered on June 24, 2003. The county intervener defendants filed a motion to alter or amend the order and judgment on June 27, 2003. By court rule, the motion was deemed denied on September 25, 2003, and notices of appeal from the June 24, 2003 order and judgment were filed by plaintiffs and the ERS trustees on October 27, 2003. The State cross-appealed the order denying its motion to dismiss on November 7, 2003. On December 10, 2003, the circuit court entered an order granting the county intervener defendants motion to alter or amend the June 24, 2003 order and judgment, and filed an amended summary judgment order and an amended final judgment. The plaintiffs and the ERS trustees filed notices of appeal from the amended order and amended judgment on December 23, 2003. The appeals from the amended order and amended judgment were dismissed on April 30, 2004.

In a 3-2 decision filed on July 23, 2007, the Hawaii Supreme Court vacated the June 24, 2003 order and judgment, and remanded the case to the circuit court with instructions to (1) enter an order dismissing the plaintiffs' claims for lack of jurisdiction, (2) enter summary judgment against the State and in favor of the ERS' trustees on the trustees' declaratory judgment claim that Act 100 violated article XVI, section 2 of the Hawaii Constitution, and (3) dispose of the ERS' trustees' other claims for declaratory relief appropriately. In concluding that Act 100 was unconstitutional, the majority held that "necessarily implied in article XVI, section 2 [of the Hawaii Constitution] prohibiting impairment of accrued benefits is the protection of the sources of those benefits;…Act 100 retroactively divested the ERS of $346,900,000 of employer contributions for 1997, 1998, and 1999, thereby eliminating the sources used to fund constitutionally protected 'accrued benefits'; and…Act 100 undermined the retirement systems' continuing security and integrity." "[U]nder the circumstances of th[e] case," the court declined to issue the prospective injunction the ERS' trustees sought. (In their prayer for relief, the ERS' trustees asked that "the State and its officers and agents [be enjoined] from any further skimming the ERS' investment earnings and from taking any other or further action that (a) will diminish, impair or otherwise obligate the ERS' actuarial investment earnings; or (b) will reduce the Employers' periodic contributions as determined by the Board's actuary in accordance with the Chapter 88 and sound actuarial practice; or (c) otherwise will impair the contractual rights of the members.") The case is again before the circuit court to fashion the order the Supreme Court directed the circuit court to enter, and, if necessary, to address the ERS' trustees' remaining declaratory judgment claims. The State is unable to determine the outcome at this time.

Hawaii Employer-Union Health Benefits Trust Fund

In June 2006, certain retired public employees ("Plaintiffs") filed a purported class action in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the Hawaii Employer-Union Health Benefits Trust Fund (the "EUTF"), and the EUTF Board of Trustees (the "EUTF Board") (collectively, the "Defendants"). Plaintiffs' First Amended Complaint alleges that Defendants have violated constitutional, contractual and statutory rights of Plaintiffs under article XVI, section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents. Plaintiffs' action claims that Defendants' conduct constitutes a breach of contract and negligence. Plaintiffs' action seeks declaratory and injunctive relief, damages, prejudgment interest, and attorneys' fees and costs. Under the doctrine of primary jurisdiction, Plaintiffs' action was held in abeyance so that the EUTF Board could decide certain issues raised by Plaintiffs' claims.

In May 2007, Plaintiffs filed a petition with the EUTF Board seeking a declaratory ruling as to whether, among other things, the Hawaii Constitution and HRS Chapter 87A permitted the EUTF to provide health benefits to retirees and their dependents that are inferior (not equivalent) to those provided to active employees and their dependents. In September 2007, the EUTF Board held that (a) it did not have jurisdiction to decide the constitutional issues raised by Plaintiffs; (b) HRS Chapter 87A permitted the EUTF to provide health benefits to retirees and their dependents that are different from and/or inferior to those provided to active employees and their dependents; and (c) the EUTF health benefit plans from July 1, 2003, to present complied with the requirements of HRS Chapter 87A. Under HRS Section 91-14, Plaintiffs appealed that decision to the First Circuit Court. By order dated July 23, 2008, the circuit court reversed the decision of the EUTF Board. The circuit court's order held that (a) "accrued benefits" under article XVI, section 2 of the Hawaii Constitution, that may not be diminished or impaired, include retiree health benefits; (b) retiree health benefits established by the enactment of HRS Chapters 87 and 87A are protected and vested once accrued; (c) the State Legislature is not precluded from changing health benefits for prospective employees; (d) HRS Section 87A-23 requires retirees and their dependents to be provided with health benefits plans that provide benefits reasonably approximate to those provided to active employees and their dependents; and (e) certain of the health benefits provided to retirees and their dependents by the EUTF are not reasonably approximate to those provided to active employees and their dependents. The State is unable to predict with reasonable certainty the magnitude of its potential liability, if any, with respect to this matter. The State appealed the adverse decision of the Hawaii circuit court. The Hawaii Supreme court heard oral argument on the appeal in November 2009 and the parties are awaiting a decision.

Department of Education

Consolidated class action cases have been brought against the State Department of Education (DOE) on behalf of substitute teachers in accordance with the rate provided in the Hawaii Revised Statutes from July 1, 1996 to June 30, 2005. This case was decided by the Hawaii Intermediate Court of Appeals on October 30, 2009. The court held that the State had underpaid its substitute teachers during the period July 1, 1996 to June 30, 2005. The Hawaii Supreme Court denied the State's application for a writ of certiorari. The case will return to circuit court for determination of damages and attorney's fees. The State is unable to predict with reasonable certainty the magnitude of its potential liability. A similar and somewhat related class action by part-time teachers is on hold pending the resolution of the substitute teachers' appeals.

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 three fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is $100,000,000, except for flood and earthquake which individually is a $100,000,000 aggregate loss and terrorism which is $50,000,000 per occurrence and a $50,000 deductible.

The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for claims expense coverage which has a $100,000 limit per occurrence and a $1,000 deductible. Losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Claims under $10,000 are handled by the risk management office of the Department of Accounting and General Services. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a $4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is $10,000,000.

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

Medical Insurance

The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy covers losses from personal injury, professional liability, patient property damage, and employee benefits. This policy covers losses up to a limit of $25,000,000 per occurrence and $29,000,000 in aggregate.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses are administered by third-party administrators. 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, 2010, 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 assets as those losses will be liquidated with future expendable resources. The estimated losses will be paid from legislative appropriations of the State's General Fund. The following table represents changes in the amount of the estimated losses and the loss adjustment costs at June 30, 2010 (amounts expressed in thousands):

	2010	2009
Unpaid losses and loss adjustment costs — beginning of the fiscal year	$ 150,761	$ 155,303
Incurred losses and loss adjustment costs:		
Provision for insured events of current fiscal year	34,332	27,534
Decrease in provision for insured events of prior fiscal years	(1,562)	(5,977)
Total incurred losses and loss adjustment costs	32,770	21,557
Payments:		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(15,190)	(5,028)
Losses and loss adjustment costs attributable to insured events of prior fiscal years	(16,629)	(21,071)
Total payments	(31,819)	(26,099)
Unpaid losses and loss adjustment costs — end of the fiscal year	$ 151,712	$ 150,761

14. SUBSEQUENT EVENTS

Auction Rate Securities Settlement

On November 23, 2010, the State and Citigroup Global Markets Inc. (Citi) reached an agreement whereby in June 2015, the State will have the option to require Citi to purchase some or all of the State's remaining investments in auction rate securities. The agreement also provides that starting July 2012, the State will have the ability to obtain interim liquidity on its auction rate securities portfolio of up to $150 million worth of securities, at market value, with the difference between that market value and par paid by Citi in July 2015.

Department of Transportation — Airports Division

On July 1, 2011, Standard & Poor's (S&P's) Ratings Services upgraded the rating of Airports Division Revenue Bonds to A from A-. The ratings upgrade was based on S&P's positive analysis of the airport system's strong financial liquidity and increased certainty over the scope and size of its capital improvement plans. S&P also cited a stable future outlook for the upgrade.

On September 14, 2011, the State issued $300,885,000 of Airports System Revenue Bonds Refunding Series 2011. The Refunding Bond proceeds were used to advance refund outstanding Airport System Revenue Bonds previously issued. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued Airports System Revenue Bonds.

Department of Transportation — Harbors Division

On November 17, 2010, the State issued $164,300,000 and $37,110,000 of Harbors Revenue Bonds Series 2010A and Harbors Revenue Bonds Series 2010B, respectively. The Series 2010A Bonds were issued for the purpose of financing the cost of certain capital improvements to the State's Harbors System. The Series 2010B Bonds was issued to refund certain outstanding Harbor System Revenue Bonds.

15. RESTATEMENTS

Subsequent to the issuance of the State's fiscal year 2009 financial statements, management identified the following misstatements. As a result, June 30, 2009 net assets in the Proprietary Funds, Component Units, and Government Wide financial statements have been restated from amounts previously reported.

Proprietary Funds:

Management has restated the 2009 net assets of the Proprietary Fund of the EUTF to include certain activity related to capital assets, operating revenues and expenses and related assets and liabilities of the Trust Fund. Such amounts which primarily relate to Proprietary Fund activities of the EUTF had previously been included in the Fiduciary Fund. As a result, the June 30, 2009 net assets of Proprietary Funds were restated. The effect of this restatement is as follows (amounts expressed in thousands):

Statement of Revenues, Expenditures, and Changes in Net Assets

	Proprietary Funds (in thousands)	
	Nonmajor Proprietary Funds	Total Proprietary Funds
Net asset — June 30, 2009 — as previously reported	$ 437,214	$ 2,907,211
Adjustments:		
Prepaid expenses	13	13
Capital assets	2,636	2,636
Vouchers and contracts payable	(135)	(135)
Accrued wages and employees benefits payable	(193)	(193)
Compensated absences	(74)	(74)
Total adjustments	2,247	2,247
Net assets — June 30, 2009 — as restated	$ 439,461	$ 2,909,458

Component Units:

Management has restated the 2009 HCDA financial statements to correct for excess depreciation expense in the amount of $503,000 that had been recorded for land improvements whose useful lives ended as of June 30, 2008. As a result, net assets for the Components Units have been increased as of June 30, 2009. The effect of this restatement is as follows (amounts expressed in thousands):

Statement of Revenues, Expenditures, and Changes in Net Assets

	Component Units (in thousands)	
	Hawaii Community Development Authority	Total Component Units
Net assets — June 30, 2009	$ 183,537	$ 2,962,030
Adjustments	503	503
Net assets — June 30, 2009 as restated	$ 184,040	$ 2,962,533

The effect of these corrections on net assets of the Government-Wide financial statements is as follows (amounts expressed in thousands):

Statement of Activities	Primary Government (in thousands)			
	Governmental Activities	Business-Type Activities	Total	Component Units
Net assets — June 30, 2009 — as previously reported	$ 3,467,632	$ 2,907,211	$ 6,374,843	$ 2,962,030
Adjustments:				
EUTF	-	2,247	2,247	-
HCDA	-	-	-	503
Total adjustments	-	2,247	2,247	503
Net assets — June 30, 2009 — as restated	$ 3,467,632	$ 2,909,458	$ 6,377,090	$ 2,962,533

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

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

STATE OF HAWAII

GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:				
Taxes:				
General excise tax	$ 2,559,372	$ 2,350,845	$ 2,316,434	$ (34,411)
Net income tax:				
Corporations	70,469	50,103	59,186	9,083
Individuals	1,496,161	1,264,796	1,527,619	262,823
Inheritance and estate tax	-	-	-	-
Liquor permits and tax	45,973	49,446	44,074	(5,372)
Public service companies tax	143,775	124,519	157,661	33,142
Tobacco tax	94,278	94,253	85,503	(8,750)
Tax on premiums of insurance companies	92,500	99,000	104,667	5,667
Franchise tax (banks and other financial institutions)	14,401	24,318	18,666	(5,652)
Transient accommodations tax	12,253	38,174	31,696	(6,478)
Other taxes, primarily conveyances tax	8,504	12,460	17,918	5,458
Total taxes	4,537,686	4,107,914	4,363,424	255,510
Non-taxes:				
Interest and investment income	49,843	23,077	2,411	(20,666)
Charges for current services	217,477	216,887	187,212	(29,675)
Intergovernmental	4,727	4,223	5,852	1,629
Rentals	1,998	376	392	16
Fines, forfeitures, and penalties	24,339	24,248	23,304	(944)
Licenses and fees	1,006	1,044	1,430	386
Revenues from private sources	2,805	1,610	15,195	13,585
Debt service requirements	35,872	38,913	39,347	434
Other	174,946	177,915	173,132	(4,783)
Total non-taxes	513,013	488,293	448,275	(40,018)
Total revenues	5,050,699	4,596,207	4,811,699	215,492
EXPENDITURES:				
General government	1,841,925	1,876,264	1,661,461	214,803
Public safety	247,538	249,484	230,356	19,128
Highways	-	-	-	-
Conservation of natural resources	29,208	29,188	24,708	4,480
Health	408,742	408,742	382,987	25,755
Hospitals	96,761	96,761	96,761	-
Welfare	695,793	748,284	725,729	22,555
Lower education	1,453,081	1,453,017	1,301,270	151,747
Higher education	422,591	422,661	370,451	52,210
Other education	5,209	5,209	4,708	501
Culture and recreation	39,767	39,118	34,806	4,312
Urban redevelopment and housing	-	-	-	-
Economic development and assistance	22,941	23,487	20,360	3,127
Housing	19,621	19,621	19,260	361
Social security and pension contributions	-	-	-	-
Other	-	9,985	5,797	4,188
Total expenditures	5,283,177	5,381,821	4,878,654	503,167
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(232,478)	(785,614)	(66,955)	718,659
OTHER FINANCING SOURCES — Transfers in	21,538	23,785	4,902	(18,883)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	$ (210,940)	$ (761,829)	$ (62,053)	$ 699,776

STATE OF HAWAII

MED-QUEST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:				
Taxes:				
Liquid fuel tax:				
Highways	$ -	$ -	$ -	$ -
Boating	-	-	-	-
Airports	-	-	-	-
Vehicle registration fee tax	-	-	-	-
State vehicle weight tax	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-
Employment and training fund assessment	-	-	-	-
General excise tax	-	-	-	-
Tobacco tax	-	-	-	-
Conveyances tax	-	-	-	-
Environmental response tax	-	-	-	-
Hospital and nursing facility tax	-	-	-	-
Transient accommodations tax	-	-	-	-
Franchise tax	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-
Total taxes	-	-	-	-
Non-taxes:				
Interest and investment income	-	-	-	-
Charges for current services	-	-	-	-
Intergovernmental	971,641	971,641	965,634	(6,007)
Rentals	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-
Licenses and fees	-	-	-	-
Revenues from private sources	-	-	-	-
Other	32,000	32,000	30,908	(1,092)
Total non-taxes	1,003,641	1,003,641	996,542	(7,099)
Total revenues	1,003,641	1,003,641	996,542	(7,099)
EXPENDITURES:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways	-	-	-	-
Conservation of natural resources	-	-	-	-
Health	-	-	-	-
Hospitals	-	-	-	-
Welfare	1,027,801	1,027,801	987,639	40,162
Lower education	-	-	-	-
Higher education	-	-	-	-
Other education	-	-	-	-
Culture and recreation	-	-	-	-
Urban redevelopment and housing	-	-	-	-
Economic development and assistance	-	-	-	-
Airports	-	-	-	-
Water transportation and terminals	-	-	-	-
Housing	-	-	-	-
Other	-	-	-	-
Total expenditures	1,027,801	1,027,801	987,639	40,162
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (24,160)	$ (24,160)	$ 8,903	$ 33,063

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION — BUDGETARY CONTROL FOR THE YEAR ENDED JUNE 30, 2010

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 2007 (Act 213, SLH of 2007) 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 2007 — 2009 biennial 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 budget in the accompanying General Fund Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2010, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, the General Fund's appropriations 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 are presented in the General Fund statement 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

NONMAJOR SPECIAL REVENUE FUNDS
RECONCILIATION OF THE BUDGETARY TO GAAP BASIS
JUNE 30, 2010
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2010, follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess of revenues and other sources over expenditures — actual (budgetary basis)	$ (66,955)	$ 8,903
Transfers	4,902	(5,051)
Excess of revenues and over expenditures — actual (budgetary basis)	(62,053)	3,852
Reserve for encumbrances at fiscal year end *	240,706	74,144
Expenditures for liquidation of prior fiscal year encumbrances	(234,950)	(59,282)
Revenues and expenditures for unbudgeted programs and capital projects accounts — net	(8,231)	-
Tax refunds payable	(168,191)	-
Accrued liabilities	32,846	(159,292)
Accrued revenues	47,787	157,486
Net change in fund balance — GAAP basis	$ (152,086)	$ 16,908

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

SCHEDULES OF FUNDING PROGRESS

(Amounts in millions)

Primary Government:

EUTF

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$-	$7,192	$7,192	-%	$1,782	403.6%
July 1, 2009	-	11,523	11,523	-	1,432	804.8

HSTA-VEBA

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	$-	$1,579	$1,579	-%	$680	234.8%
July 1, 2009	-	2,484	2,484	-	683	363.7

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

Administrative Support — Accounts for programs of certain administrative agencies.

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

DEBT SERVICE FUND

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

STATE OF HAWAII

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010
(Amounts in thousands)

	Special Revenue Funds						
	Highways	Natural Resources	Health	Human Services	Education	Economic Development	Employment
ASSETS							
CASH AND CASH EQUIVALENTS	$ 78,044	$ 47,269	$ 67,626	$ 28,531	$ 70,005	$ 9,850	$ 14,721
RECEIVABLES:							
Accrued interest	2,468	353	543	9	257	242	226
Notes and loans — net	-	17,137	-	-	-	460	-
Federal government	-	-	-	64,960	-	-	-
Other - Net	26,417	-	-	-	-	-	-
DUE FROM OTHER FUNDS	-	-	-	-	-	-	-
INVESTMENTS	65,689	46,356	87,161	470	21,968	12,275	17,317
TOTAL	$ 172,618	$ 111,115	$ 155,330	$ 93,970	$ 92,230	$ 22,827	$ 32,264
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Vouchers and contracts payable	$ 20,068	$ 2,651	$ 23,148	$ 8,618	$ 16,695	$ 2,268	$ 503
Other accrued liabilities	3,352	2,183	3,556	317	11,860	1,032	-
Due to other funds	-	-	-	58,000	-	-	-
Payable from restricted assets — matured bonds and interest payable	-	-	-	-	-	-	-
Total liabilities	23,420	4,834	26,704	66,935	28,555	3,300	503
FUND BALANCES:							
Reserved for:							
Continuing appropriations	181,731	43,914	90,588	54,216	34,674	32,961	2,567
Receivables and advances	-	16,071	-	-	-	10	-
Unreserved for Special Revenue Funds:							
Designated for future expenditures	-	38,573	-	-	750	-	-
Undesignated	(32,533)	7,723	38,038	(27,181)	28,251	(13,444)	29,194
Total fund balances	149,198	106,281	128,626	27,035	63,675	19,527	31,761
TOTAL	$ 172,618	$ 111,115	$ 155,330	$ 93,970	$ 92,230	$ 22,827	$ 32,264

Special Revenue Funds						
Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ 25,498	$ 99,273	$ 94,503	$ 31,285	$ 566,605	$ 382	$ 566,987
422	1,794	637	210	7,161	-	7,161
-	58,867	-	-	76,464	-	76,464
-	-	-	-	64,960	-	64,960
-	-	-	-	26,417		26,417
-	-	-	-	-	118	118
23,489	86,106	75,412	12,785	449,028	-	449,028
$ 49,409	$ 246,040	$ 170,552	$ 44,280	$ 1,190,635	$ 500	$ 1,191,135
$ 477	$ 6,860	$ 7,008	$ 9,423	$ 97,719	$ -	$ 97,719
2,086	713	2,633	1,233	28,965	-	28,965
-	-	-	1,567	59,567	-	59,567
-	-	-	-	-	382	382
2,563	7,573	9,641	12,223	186,251	382	186,633
1,785	68,782	30,794	37,678	579,690	68	579,758
-	59,002	-	-	75,083	-	75,083
-	36,105	27,596	-	103,024	-	103,024
45,061	74,578	102,521	(5,621)	246,587	50	246,637
46,846	238,467	160,911	32,057	1,004,384	118	1,004,502
$ 49,409	$ 246,040	$ 170,552	$ 44,280	$ 1,190,635	$ 500	$ 1,191,135

STATE OF HAWAII

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Special Revenue Funds						
	Highways	Natural Resources	Health	Human Services	Education	Economic Development	Employment
REVENUES:							
Taxes:							
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other tax revenue	-	12,228	1,570	-	-	-	449
Transient accommodations tax	-	1,000	-	-	-	-	-
Tobacco and liquor taxes	-	-	18,032	-	-	-	-
Liquid fuel tax	81,027	244	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-	-
Vehicle weight and registration tax	53,514	-	5,145	-	-	-	-
Rental motor/tour vehicle surcharge tax	40,401	-	-	-	-	-	-
Total taxes	174,942	13,472	24,747	-	-	-	449
Interest and investment income	18,173	6,509	8,163	63	1,886	1,907	1,735
Charges for current services	2,280	22,115	60,021	228	34,284	4,246	18,704
Intergovernmental	184,539	19,605	136,672	663,500	233,222	19,633	52,504
Rentals	-	3,703	-	-	312	1,934	-
Fines, forfeitures, and penalties	1,679	239	2,385	-	-	-	757
Licenses and fees	1,755	424	917	116	712	-	-
Revenues from private sources	-	59	38,105	30	276	-	-
Other	25,720	2,484	4,302	1,191	16,119	142	4,616
Total revenues	409,088	68,610	275,312	665,128	286,811	27,862	78,765
EXPENDITURES —							
Current:							
General government	-	3,361	180	-	-	-	-
Public safety	-	4,377	-	-	-	-	938
Conservation of natural resources	-	48,342	-	-	-	-	-
Health	-	-	244,378	-	-	-	-
Welfare	-	-	-	621,034	-	-	-
Lower education	-	-	-	-	363,828	-	-
Other education	-	-	-	8,938	-	-	-
Culture and recreation	-	7,049	-	-	2,638	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development and assistance	-	2,215	-	597	-	29,761	68,473
Other	-	62	-	-	-	-	-
Highways	245,321	93	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	245,321	65,499	244,558	630,569	366,466	29,761	69,411
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	163,767	3,111	30,754	34,559	(79,655)	(1,899)	9,354
OTHER FINANCING SOURCES (USES):							
Issuance of GO Refunding Bonds — Par	-	-	-	-	-	-	-
Issuance of GO Refunding Bonds — Premium	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-
Transfers in	52	2,270	2,042	4,831	50,965	-	52
Transfers out	(197,059)	(3,963)	(21,796)	(12,208)	-	(96)	(553)
Total other financing (uses) sources	(197,007)	(1,693)	(19,754)	(7,377)	50,965	(96)	(501)
NET CHANGE IN FUND BALANCES	(33,240)	1,418	11,000	27,182	(28,690)	(1,995)	8,853
FUND BALANCES — Beginning of year	182,438	104,863	117,626	(147)	92,365	21,522	22,908
FUND BALANCES — End of year	$ 149,198	$ 106,281	$ 128,626	$ 27,035	$ 63,675	$ 19,527	$ 31,761

Special Revenue Funds						Total
Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ 2,000	$ -	$ -	$ -	$ 2,000	$ -	$ 2,000
-	-	-	-	14,247	-	14,247
-	-	-	-	1,000	-	1,000
-	-	1,988	-	20,020	-	20,020
-	-	-	1,509	82,780	-	82,780
1,181	-	-	-	1,181	-	1,181
	-	-	-	58,659	-	58,659
-	-	-	-	40,401	-	40,401
3,181	-	1,988	1,509	220,288	-	220,288
2,932	16,168	4,489	1,242	63,267	-	63,267
14,619	3,862	73,767	19,678	253,804	-	253,804
-	11,198	99,263	49,300	1,469,436	-	1,469,436
-	10,952	954	1,465	19,320	-	19,320
4,982	2	294	2,340	12,678	-	12,678
10,453	-	20,402	432	35,211	-	35,211
-	3,000	1,155	30	42,655	-	42,655
3,556	21,426	1,341	14,840	95,737	-	95,737
39,723	66,608	203,653	90,836	2,212,396	-	2,212,396
-	-	60,661	11,536	75,738	-	75,738
34,435	-	37,601	70,952	148,303	-	148,303
-	-	27	-	48,369	-	48,369
-	-	-	-	244,378	-	244,378
-	-	13,432	394	634,860	-	634,860
-	-	5,779	-	369,607	-	369,607
-	-	-	-	8,938	-	8,938
-	-	11,196	10,995	31,878	-	31,878
-	94,895	-	-	94,895	-	94,895
-	2,755	105	-	103,906	-	103,906
-	-	4,244	154	4,460	-	4,460
-	307	-	-	245,721	-	245,721
-	-	-	-	-	428,175	428,175
34,435	97,957	133,045	94,031	2,011,053	428,175	2,439,228
5,288	(31,349)	70,608	(3,195)	201,343	(428,175)	(226,832)
-	-	-	-	-	515,305	515,305
-	-	-	-	-	55,993	55,993
-	-	-	-	-	(571,297)	(571,297)
2,171	30,169	14,176	6,249	112,977	428,224	541,201
(2,560)	(3,129)	(60,008)	(2,045)	(303,417)	-	(303,417)
(389)	27,040	(45,832)	4,204	(190,440)	428,225	237,785
4,899	(4,309)	24,776	1,009	10,903	50	10,953
41,947	242,776	136,135	31,048	993,481	68	993,549
$ 46,846	$ 238,467	$ 160,911	$ 32,057	$ 1,004,384	$ 118	$ 1,004,502

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Highways			Natural Resources		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	89,208	81,027	(8,181)	230	244	14
Boating	-	-	-	-	-	-
Vehicle registration fee tax	21,688	20,577	(1,111)	-	-	-
State vehicle weight tax	34,865	32,937	(1,928)	-	-	-
Rental/tour vehicle surcharge tax	51,184	40,401	(10,783)	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	10,660	12,228	1,568
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	1,000	1,000	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	196,945	174,942	(22,003)	11,890	13,472	1,582
Non-taxes:						
Interest and investment income	12,500	5,029	(7,471)	2,346	1,500	(846)
Charges for current services	30,148	2,280	(27,868)	21,497	22,065	568
Intergovernmental	110,693	40,094	(70,599)	10,876	19,605	8,729
Rentals	-	-	-	2,686	3,703	1,017
Fines, forfeitures, and penalties	1,270	1,679	409	156	239	83
Licenses and fees	2,066	1,755	(311)	523	424	(99)
Revenues from private sources	-	-	-	-	59	59
Other	37	40,642	40,605	3,292	3,597	305
Total non-taxes	156,714	91,479	(65,235)	41,376	51,192	9,816
Total revenues	353,659	266,421	(87,238)	53,266	64,664	11,398
EXPENDITURES:						
General government	-	-	-	4,318	3,518	800
Public safety	-	-	-	5,548	2,983	2,565
Highways	310,941	252,498	58,443	-	-	-
Conservation of natural resources	-	-	-	76,471	50,612	25,859
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Other education	-	-	-	-	-	-
Culture and recreation	-	-	-	12,418	7,862	4,556
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	10,150	4,112	6,038
Other	-	-	-	-	-	-
Total expenditures	310,941	252,498	58,443	108,905	69,087	39,818
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 42,718	$ 13,923	$ (28,795)	$ (55,639)	$ (4,423)	$ 51,216

Health			Education		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,245	5,145	(100)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,189	18,032	5,843	-	-	-
-	-	-	-	-	-
1,800	1,570	(230)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,234	24,747	5,513	-	-	-
2,515	1,435	(1,080)	254	377	123
90,285	89,892	(393)	31,555	34,284	2,729
101,123	136,672	35,549	187,335	233,222	45,887
-	-	-	38	312	274
1,097	2,385	1,288	-	-	-
828	917	89	732	712	(20)
57,015	38,105	(18,910)	400	276	(124)
4	5,669	5,665	46,720	17,792	(28,928)
252,867	275,075	22,208	267,034	286,975	19,941
272,101	299,822	27,721	267,034	286,975	19,941
205	182	23	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
532,604	348,962	183,642	-	-	-
-	-	-	-	-	-
-	-	-	602,261	355,445	246,816
-	-	-	-	-	-
-	-	-	4,490	3,010	1,480
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
532,809	349,144	183,665	606,751	358,455	248,296
$(260,708)	$ (49,322)	$ 211,386	$(339,717)	$ (71,480)	$ 268,237

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Human Services			Economic Development		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	-	-	-	-	-	-
Boating	-	-	-	-	-	-
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Non-taxes:						
Interest and investment income	-	12	12	388	344	(44)
Charges for current services	-	228	228	7,377	4,246	(3,131)
Intergovernmental	222,114	253,541	31,427	15,757	19,633	3,876
Rentals	-	-	-	3,277	1,934	(1,343)
Fines, forfeitures, and penalties	-	-	-	-	-	-
Licenses and fees	406	116	(290)	-	-	-
Revenues from private sources	-	30	30	275	-	(275)
Other	-	970	970	13	593	580
Total non-taxes	222,520	254,897	32,377	27,087	26,750	(337)
Total revenues	222,520	254,897	32,377	27,087	26,750	(337)
EXPENDITURES:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	361,163	273,523	87,640	-	-	-
Lower education	-	-	-	-	-	-
Other education	16,114	8,370	7,744	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	2,376	607	1,769	126,263	45,347	80,916
Other	-	-	-	-	-	-
Total expenditures	379,653	282,500	97,153	127,363	45,347	82,016
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (157,133)	$ (27,603)	$ 129,530	$ (100,276)	$ (18,597)	$ 81,679

Employment			Regulatory		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
440	449	9	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	1,750	1,181	(569)
440	449	9	3,750	3,181	(569)
1,090	302	(788)	980	601	(379)
14,000	18,704	4,704	19,041	14,619	(4,422)
35,978	56,794	20,816	-	-	-
-	-	-	-	-	-
100	757	657	885	4,982	4,097
-	-	-	12,777	10,453	(2,324)
-	-	-	-	-	-
6	2,223	2,217	2,706	5,727	3,021
51,174	78,780	27,606	36,389	36,382	(7)
51,614	79,229	27,615	40,139	39,563	(576)
-	-	-	-	-	-
2,337	993	1,344	47,723	35,448	12,275
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
144,300	71,087	73,213	-	-	-
-	-	-	-	-	-
146,637	72,080	74,557	47,723	35,448	12,275
$ (95,023)	$ 7,149	$102,172	$ (7,584)	$ 4,115	$ 11,699

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	-	-	-	-	-	-
Boating	-	-	-	-	-	-
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	1,532	1,988	456
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	1,532	1,988	456
Non-taxes:						
Interest and investment income	1,010	429	(581)	2,322	847	(1,475)
Charges for current services	1	153	152	48,822	79,947	31,125
Intergovernmental	8,432	10,688	2,256	16,901	99,263	82,362
Rentals	8,239	10,672	2,433	6,235	5,511	(724)
Fines, forfeitures, and penalties	-	2	2	282	294	12
Licenses and fees	-	-	-	17,530	20,402	2,872
Revenues from private sources	-	3,000	3,000	1,350	1,155	(195)
Other	4,660	20,275	15,615	19,539	10,139	(9,400)
Total non-taxes	22,342	45,219	22,877	112,981	217,558	104,577
Total revenues	22,342	45,219	22,877	114,513	219,546	105,033
EXPENDITURES:						
General government	-	-	-	73,439	37,349	36,090
Public safety	-	-	-	27,999	17,927	10,072
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	1,286	974	312
Health	-	-	-	50	-	50
Welfare	-	-	-	20,281	14,624	5,657
Lower education	-	-	-	7,000	5,390	1,610
Other education	-	-	-	-	-	-
Culture and recreation	-	-	-	15,119	13,183	1,936
Urban redevelopment and housing	43,831	24,710	19,121	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	-	-	-	17,150	4,603	12,547
Total expenditures	43,831	24,710	19,121	162,324	94,050	68,274
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (21,489)	$ 20,509	$ 41,998	$ (47,811)	$ 125,496	$ 173,307

All Other			Total Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	89,438	81,271	(8,167)
1,300	1,509	209	1,300	1,509	209
-	-	-	26,933	25,722	(1,211)
-	-	-	34,865	32,937	(1,928)
-	-	-	51,184	40,401	(10,783)
-	-	-	440	449	9
-	-	-	13,721	20,020	6,299
-	-	-	10,660	12,228	1,568
-	-	-	1,800	1,570	(230)
-	-	-	1,000	1,000	-
-	-	-	2,000	2,000	-
-	-	-	1,750	1,181	(569)
1,300	1,509	209	235,091	220,288	(14,803)
617	275	(342)	24,022	11,151	(12,871)
15,542	19,677	4,135	278,268	286,095	7,827
23,009	49,299	26,290	732,218	918,811	186,593
2,000	1,466	(534)	22,475	23,598	1,123
2,376	2,341	(35)	6,166	12,679	6,513
635	430	(205)	35,497	35,209	(288)
85	30	(55)	59,125	42,655	(16,470)
7,835	16,236	8,401	84,812	123,863	39,051
52,099	89,754	37,655	1,242,583	1,454,061	211,478
53,399	91,263	37,864	1,477,674	1,674,349	196,675
20,699	16,635	4,064	98,661	57,684	40,977
131,144	69,036	62,108	215,851	126,387	89,464
-	-	-	310,941	252,498	58,443
-	-	-	77,757	51,586	26,171
-	-	-	532,654	348,962	183,692
550	367	183	381,994	288,514	93,480
-	-	-	609,262	360,835	248,427
-	-	-	16,114	8,370	7,744
18,281	11,346	6,935	50,308	35,401	14,907
-	-	-	43,831	24,710	19,121
-	-	-	283,089	121,153	161,936
-	-	-	17,150	4,603	12,547
170,674	97,384	73,290	2,637,612	1,680,703	956,909
$ (117,275)	$ (6,121)	$ 111,154	$ (1,159,938)	$ (6,354)	$ 1,153,584

(Concluded)

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
RECONCILIATION OF THE BUDGETARY TO GAAP BASIS
JUNE 30, 2010
(Amounts in thousands)

EXCESS OF REVENUES OVER EXPENDITURES — Actual (budgetary basis)	$ (6,354)
RESERVE FOR ENCUMBRANCES AT YEAR-END*	376,647
EXPENDITURES FOR LIQUIDATION OF PRIOR FISCAL YEAR ENCUMBRANCES	(263,372)
EXPENDITURES FOR UNBUDGETED PROGRAMS, PRINCIPALLY EXPENDITURES FOR CAPITAL PROJECTS ACCOUNTS AND REVOLVING FUNDS	(6,509)
TRANSFERS	58,047
ACCRUED LIABILITIES	(330,813)
ACCRUED REVENUES	399,186
EXCESS OF REVENUES OVER EXPENDITURES — GAAP basis	$ 226,832

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

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

ASSETS	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CURRENT ASSETS:				
Cash and cash equivalents	$ -	$ 94,642	$ 29,891	$ 124,533
Receivables:				
Accounts and accrued interest (net of allowance for doubtful accounts of $403)	328	1,966	347	2,641
Promissory note receivable (net of allowance for doubtful accounts of $0)	-	24,938	4,406	29,344
Other	13,265	420	741	14,426
Premiums	23,057	-	-	23,057
Prepaid expenses and other assets	181	-	-	181
Total current assets	36,831	121,966	35,385	194,182
CAPITAL ASSETS				
Equipment	13,638	-	1,095	14,733
	13,638	-	1,095	14,733
Less accumulated depreciation	(4,980)	-	(892)	(5,872)
Net capital assets	8,658	-	203	8,861
Promissory note receivable	-	285,367	77,622	362,989
Total noncurrent assets	8,658	285,367	77,825	371,850
TOTAL	$ 45,489	$ 407,333	$ 113,210	$ 566,032

(Continued)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2010
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
LIABILITIES				
CURRENT LIABILITIES:				
Vouchers and contracts payable	$ 108	$ 125	$ 137	$ 370
Other accrued liabilities	975	-	-	975
Accrued vacation, current portion	36	-	-	36
Benefits Claims Payable	38,334	-	-	38,334
Premiums payable	10,281	-	-	10,281
Total current liabilities	49,734	125	137	49,996
NONCURRENT LIABILITIES:				
Accrued vacation	137	213	42	392
Other postemployment benefit liability	544	392	113	1,049
TOTAL	50,415	730	292	51,437
NET ASSETS				
INVESTED IN CAPITAL ASSETS — Net of related debt	8,658	-	203	8,861
RESTRICTED FOR BOND REQUIREMENTS AND OTHER	-	406,603	112,715	519,318
UNRESTRICTED	(13,584)	-	-	(13,584)
TOTAL NET ASSETS	$ (4,926)	$ 406,603	$ 112,918	$ 514,595

(Concluded)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
OPERATING REVENUES:				
Administrative fees	$ 5,117	$ 1,761	$ 2,095	$ 8,973
Premium revenue - self insurance	253,295	-	-	253,295
Other	3,616	3,205	262	7,083
Total operating revenues	262,028	4,966	2,357	269,351
OPERATING EXPENSES:				
Personnel services	1,669	-	-	1,669
Depreciation	914	-	69	983
Repairs and maintenance	32	-	-	32
General administration	2,630	1,554	950	5,134
Claims	248,281	-	-	248,281
Other	106	-	-	106
Total operating expenses	253,632	1,554	1,019	256,205
Operating income	8,396	3,412	1,338	13,146
NONOPERATING REVENUES:				
Interest and investment income	2,150	9,762	1,507	13,419
Other	2,198	-	-	2,198
Total nonoperating revenues	4,348	9,762	1,507	15,617
INCOME BEFORE CAPITAL CONTRIBUTIONS	12,744	13,174	2,845	28,763
CAPITAL CONTRIBUTIONS:				
Federal	-	17,455	26,241	43,696
State	-	1,045	1,630	2,675
	-	18,500	27,871	46,371
CHANGE IN NET ASSETS	12,744	31,674	30,716	75,134
NET ASSETS — Beginning of year as previously reported	(19,917)	374,929	82,202	437,214
Adjustment (Note 15)	2,247	-	-	2,247
NET ASSETS — Beginning of year after restatement	(17,670)	374,929	82,202	439,461
NET ASSETS — End of year	$ (4,926)	$ 406,603	$ 112,918	$ 514,595

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from employer and employee for premium and benefit payments	$ 253,145	$ -	$ -	$ 253,145
Cash paid to suppliers	(3,044)	(117)	(501)	(3,662)
Cash paid to employees	(1,510)	(1,328)	(397)	(3,235)
Cash paid for premiums and benefit payments	(252,158)	-	-	(252,158)
Cash paid to other state agencies for services rendered	-	-	(41)	(41)
Rebates received for premium deposit for self-funded plans	1,234	-	-	1,234
Reserves returned by insurance carriers	854	-	-	854
Interest income from notes receivable	-	3,230	247	3,477
Administrative loan fees	-	1,741	1,966	3,707
Principal repayments on notes receivable	-	21,999	3,747	25,746
Disbursement of notes receivable proceeds	-	(66,569)	(18,338)	(84,907)
Net cash used in operating activities	(1,479)	(41,044)	(13,317)	(55,840)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State capital contributions	-	1,045	1,630	2,675
Proceeds from federal operating grants	-	17,455	26,181	43,636
Disbursement of federal operating grant	-	(12,777)	(10,916)	(23,693)
Other	2,200	-	-	2,200
Net cash provided by noncapital financing activities	2,200	5,723	16,895	24,818
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITY — Acquisition and construction of capital assets	(3,018)	-	-	(3,018)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest from investments	2,297	9,795	1,450	13,542
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	-	(25,526)	5,028	(20,498)
CASH AND CASH EQUIVALENTS — Including restricted amounts — beginning of year	-	120,168	24,863	145,031
CASH AND CASH EQUIVALENTS — Including restricted amounts — end of year	$ -	$ 94,642	$ 29,891	$ 124,533

(Continued)

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating income	$ 8,396	$ 3,412	$ 1,338	$ 13,146
Adjustments to reconcile operating income to net cash used in operating activities:				
Depreciation	914	-	69	983
Premium reserves held by insurance companies	854	-	-	854
Increase in assets:				
Receivables	(2,988)	(44,564)	(14,734)	(62,286)
Deposits	(2,201)	-	-	(2,201)
Prepaid expenses	(148)	-	-	(148)
Increase (decrease) in liabilities:				
Vouchers and contracts payable	(230)	8	(18)	(240)
Other accrued liabilities	1,583	100	28	1,711
Benefit claims payable	(7,659)	-	-	(7,659)
Net cash used in operating activities	$ (1,479)	$ (41,044)	$ (13,317)	$ (55,840)

(Concluded)

STATE OF HAWAII

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS — AGENCY FUNDS
JUNE 30, 2010
(Amounts in thousands)

	Agency Funds			Total
	Tax Collections	Custodial	Other	Total Agency Funds
ASSETS				
CASH AND CASH EQUIVALENTS	$ 13,304	$ 292,694	$ 25,107	$ 331,105
RECEIVABLES — Taxes	-	-	7,587	7,587
DUE FROM INDIVIDUALS, BUSINESSES, AND COUNTIES	26,336	27,713	-	54,049
DEPOSITS AND OTHER ASSETS — Trust	-	13,634	-	13,634
INVESTMENTS	10,884	33,762	28,484	73,130
TOTAL	$ 50,524	$ 367,803	$ 61,178	$ 479,505
LIABILITIES				
VOUCHERS PAYABLE	$ 50,524	$ 98	$ 241	$ 50,863
DUE TO INDIVIDUALS, BUSINESSES, AND COUNTIES	-	367,705	60,937	428,642
Total liabilities	$ 50,524	$ 367,803	$ 61,178	$ 479,505

STATE OF HAWAII

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES — AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Amounts in thousands)

	Balance — July 1, 2009 (As Restated)	Additions	Deductions	Balance — June 30, 2010
TAX COLLECTIONS:				
Assets:				
Cash and cash equivalents	$ 24,889	$ 6,056,385	$ (6,067,970)	$ 13,304
Investments	28,066	10,884	(28,066)	10,884
Due from individuals, businesses, and counties	24,172	6,058,549	(6,056,385)	26,336
Total assets	$ 77,127	$ 12,125,818	$ (12,152,421)	$ 50,524
Liabilities:				
Vouchers payable	$ 61,111	$ 50,524	$ (61,111)	$ 50,524
Due to individuals, businesses, and counties	16,016	-	(16,016)	-
Total liabilities	$ 77,127	$ 50,524	$ (77,127)	$ 50,524
CUSTODIAL:				
Assets:				
Cash and cash equivalents	$ 215,625	$ 3,922,581	$ (3,845,512)	$ 292,694
Due from individuals, businesses, and counties	37,133	368,501	(364,287)	41,347
Investments	30,569	33,762	(30,569)	33,762
Capital Assets	-	-	-	-
Total assets	$ 283,327	$ 4,324,844	$ (4,240,368)	$ 367,803
Liabilities:				
Vouchers payable	$ 35	$ 98	$ (35)	$ 98
Due to individuals, businesses, and counties	283,292	4,088,122	(4,003,709)	367,705
Total liabilities	$ 283,327	$ 4,088,220	$ (4,003,744)	$ 367,803
OTHER:				
Assets:				
Cash and cash equivalents	$ 24,869	$ 20,590	$ (20,352)	$ 25,107
Receivables	8,331	7,587	(8,331)	7,587
Investments	35,879	28,482	(35,877)	28,484
Total assets	$ 69,079	$ 56,659	$ (64,560)	$ 61,178
Liabilities:				
Vouchers payable	$ 162	$ 241	$ (162)	$ 241
Due to individuals, businesses, and counties	68,917	19,846	(27,826)	60,937
Total liabilities	$ 69,079	$ 20,087	$ (27,988)	$ 61,178
TOTAL — All agency funds:				
Assets:				
Cash and cash equivalents	$ 265,383	$ 9,999,556	$ (9,933,834)	$ 331,105
Receivables	8,331	7,587	(8,331)	7,587
Due from individuals, businesses, and counties	61,305	6,427,050	(6,420,672)	67,683
Investments	94,514	73,128	(94,512)	73,130
Total assets	$ 429,533	$ 16,507,321	$ (16,457,349)	$ 479,505
Liabilities:				
Vouchers payable	$ 61,308	$ 50,863	$ (61,308)	$ 50,863
Due to individuals, businesses, and counties	368,225	4,107,968	(4,047,551)	428,642
Total liabilities	$ 429,533	$ 4,158,831	$ (4,108,859)	$ 479,505

PART III: STATISTICAL SECTION

STATISTICAL SECTION ("UNAUDITED")

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

<u>**Contents**</u> <u>**Page**</u>

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The State implemented GASB Statement No. 34 in 2002; schedules presenting Government-Wide information include information beginning in that year.*

STATE OF HAWAII

Net Assets by Component

(Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Governmental Activities:					
Invested in capital assets, net of related debt	$ 3,118,606	$ 3,298,144	$ 3,987,244	$ 3,597,174	$ 3,709,504
Restricted	655,238	641,031	909,877	569,006	1,285,902
Unrestricted	(1,306,716)	(471,543)	121,480	1,578,412	1,267,569
Total Governmental Activities Net Assets	2,467,128	3,467,632	5,018,601	5,744,592	6,262,975
Business-Type Activities:					
Invested in capital assets, net of related debt	1,469,676	1,527,018	1,458,305	1,278,608	1,272,249
Restricted	922,846	782,569	730,061	655,055	217,478
Unrestricted	493,163	597,624	1,013,447	1,304,586	1,150,363
Total Business-Type Activities Net Assets	2,885,685	2,907,211	3,201,813	3,238,249	2,640,090
Primary Government:					
Invested in capital assets, net of related debt	4,588,282	4,825,162	5,445,549	4,875,782	4,981,753
Restricted	1,578,084	1,423,600	1,639,938	1,224,061	1,503,380
Unrestricted	(813,553)	126,081	1,134,927	2,882,998	2,417,932
Total Primary Government Net Assets	$ 5,352,813	$ 6,374,843	$ 8,220,414	$ 8,982,841	$ 8,903,065

Note: The net assets above do not include the effects of restatements - See Note 15 to basis financial statements

STATE OF HAWAII

Changes in Net Assets
(Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Expenses:					
Governmental activities:					
General government	$ 421,327	$ 564,356	$ 548,439	$ 541,889	$ 455,008
Public safety	538,110	464,897	414,463	378,409	336,362
Highways	466,322	487,391	490,754	385,267	646,336
Conservation of natural resources	81,561	119,705	74,411	68,745	76,490
Health	858,476	843,826	895,413	833,669	690,265
Welfare	2,348,190	2,140,202	1,877,188	1,773,505	1,709,526
Lower education	2,616,768	2,656,592	2,385,056	2,288,641	2,151,891
Higher education	700,335	878,126	815,116	759,777	678,338
Other education	14,034	29,935	23,206	21,127	19,183
Culture and recreation	108,247	106,583	107,676	92,444	98,121
Urban redevelopment and housing	101,505	145,710	187,861	73,991	87,789
Economic development and assistance	209,611	158,808	157,421	148,164	215,578
Interest expense	210,243	127,576	140,032	118,708	172,673
Total governmental activities expenses	8,674,729	8,723,707	8,117,036	7,484,336	7,337,560
Business-type activities:					
Airports	336,127	347,089	354,554	329,942	292,086
Harbors	68,291	124,611	80,344	76,830	61,408
Unemployment compensation	686,141	437,553	159,098	112,411	105,786
Nonmajor proprietary fund	256,205	38,672	22,619	4,871	2,587
Total business-type activities expenses	1,346,764	947,925	616,615	524,054	461,867
Total Primary Government Expenses	$ 10,021,493	$ 9,671,632	$ 8,733,651	$ 8,008,390	$ 7,799,427
Program Revenues:					
Governmental activities					
Charges for services:					
General government	$ 231,629	$ 206,431	$ 203,336	$ 168,877	$ 136,113
Health	98,547	99,788	102,032	98,681	132,360
Other	111,295	119,126	101,390	110,942	131,143
Operating grants and contributions	2,598,141	2,260,551	1,887,298	1,820,886	1,726,217
Capital grants and contributions	144,445	145,771	130,643	75,697	279,323
Total governmental activities program revenues	3,184,057	2,831,667	2,424,699	2,275,083	2,405,156
Business-type activities —					
Charges for services:					
Airports	324,577	290,464	266,820	256,843	251,678
Unemployment	486,476	169,976	87,486	138,070	181,146
Others	344,889	84,692	95,013	93,650	86,360
Capital grants and contributions	98,099	103,195	81,967	148,597	81,145
Total business-type activities program revenues	1,254,041	648,327	531,286	637,160	600,329
Total Primary Government Program Revenues	$ 4,438,098	$ 3,479,994	$ 2,955,985	$ 2,912,243	$ 3,005,485
Net (Expense) Revenue:					
Governmental activities	$ (5,490,672)	$ (5,892,040)	$ (5,692,337)	$ (5,209,253)	$ (4,932,404)
Business-type activities	(92,723)	(299,598)	(85,329)	113,106	138,452
Total Primary Government Net Expenses	$ (5,583,395)	$ (6,191,638)	$ (5,777,666)	$ (5,096,147)	$ (4,793,952)
General Revenues and Other Changes in Net Assets:					
Governmental activities					
Taxes:					
General excise tax	$ 2,279,310	$ 2,410,756	$ 2,597,121	$ 2,659,339	$ 2,359,316
Net income tax — corporations and individuals	1,408,965	1,366,576	1,634,117	1,620,452	1,675,131
Public service companies tax	157,661	126,069	127,481	124,017	120,678
Transient accommodations tax	32,635	14,408	17,756	7,382	124,133
Tobacco and liquor taxes	149,596	135,388	134,886	131,813	134,216
Liquid fuel tax	82,780	88,006	90,123	87,179	84,719
Tax on premiums of insurance companies	105,848	95,181	96,332	96,385	89,778
Vehicle weight and registration tax	58,659	59,392	60,842	59,422	56,101
Rental motor/tour vehicle surcharge tax	40,401	39,751	49,196	49,479	45,885
Franchise tax	20,666	28,075	20,213	19,012	18,324
Others	32,165	19,215	26,149	27,523	46,850
Interest and investment income	124,516	(42,051)	112,024	102,295	99,546
Other	(3,034)	305	106	-	-
Total governmental activities	4,490,168	4,341,071	4,966,346	4,984,298	4,854,677
Business-type activities:					
Interest and investment income	68,950	4,639	48,893	82,046	40,122
Other	-	-	-	-	-
Total business-type activities	68,950	4,639	48,893	82,046	40,122
Total Primary Government	$ 4,559,118	$ 4,345,710	$ 5,015,239	$ 5,066,344	$ 4,894,799
Changes in Net Assets:					
Governmental activities	$ (1,000,504)	$ (1,550,969)	$ (725,991)	$ (224,955)	$ (77,727)
Business-type activities	(23,773)	(294,959)	(36,436)	195,152	178,574
Total Primary Government	$ (1,024,277)	$ (1,845,928)	$ (762,427)	$ (29,803)	$ 100,847

STATE OF HAWAII

Fund Balances, Governmental Funds

(Modified Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
General Fund:					
Reserved	$ 243,485	$ 272,557	$ 406,884	$ 414,899	$ 249,581
Unreserved	(210,551)	(87,537)	567,474	881,311	1,013,988
Total General Fund	$ 32,934	$ 185,020	$ 974,358	$ 1,296,210	$ 1,263,569
All Other Governmental Funds:					
Reserved	$ 2,275,968	$ 2,801,012	$ 2,344,961	$ 1,643,345	$ 1,851,194
Unreserved, reported in:					
Capital Projects Fund	(1,651,855)	(2,019,696)	(1,788,357)	(1,111,924)	(878,164)
Special Revenue Funds	293,625	255,844	410,265	556,963	637,664
Total All Other Governmental Funds	$ 917,738	$ 1,037,160	$ 966,869	$ 1,088,384	$ 1,610,694

Note: The net assets above do not include the effects of restatements – See Note 15 to basis financial statements

STATE OF HAWAII

Changes in Fund Balances, Governmental Funds
(Modified Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Revenues:					
Taxes:					
General excise tax	$ 2,279,310	$ 2,410,756	$ 2,597,121	$ 2,632,485	$ 2,359,316
Net income tax — corporations and individuals	1,408,965	1,373,893	1,637,265	1,618,570	1,664,331
Public service companies tax	157,661	126,069	127,481	124,017	120,678
Transient accommodations tax	32,635	14,408	17,756	7,382	124,133
Tobacco and liquor taxes	149,596	135,388	134,886	131,813	134,216
Liquid fuel tax	82,780	88,006	90,123	87,179	84,719
Tax on premiums of insurance companies	105,848	95,181	96,332	96,385	89,778
Vehicle weight and registration tax	58,659	59,392	60,842	59,422	56,101
Rental motor/tour vehicle surcharge tax	40,401	39,751	49,196	49,479	48,092
Franchise tax	20,666	28,075	20,213	2,000	18,324
Other	32,165	19,215	26,149	44,535	46,850
Total taxes	4,368,686	4,390,134	4,857,364	4,853,267	4,746,538
Interest and investment income (loss)	124,518	(42,051)	115,247	122,606	82,013
Charges for current services	364,893	357,078	341,371	318,235	343,424
Intergovernmental	2,432,369	2,090,058	1,807,376	1,727,895	1,601,005
Rentals	19,712	21,107	20,152	21,639	32,493
Fines, forfeitures, and penalties	35,982	33,888	32,618	28,488	26,827
Licenses and fees	36,641	33,324	31,731	30,837	29,364
Revenues from private sources	57,850	63,401	59,508	39,401	39,647
Other	182,367	246,369	131,291	127,444	128,283
Total revenues	7,623,018	7,193,308	7,396,658	7,269,812	7,029,594
Expenditures:					
Current:					
General government	436,290	597,210	537,541	458,236	493,301
Public safety	457,058	435,414	411,152	376,032	322,578
Highways	442,971	442,421	406,795	337,862	267,213
Conservation of natural resources	88,873	120,693	103,596	107,578	86,628
Health	801,923	798,026	863,914	832,333	685,679
Welfare	2,315,726	2,119,481	1,857,473	1,770,707	1,709,810
Lower education	2,325,066	2,454,668	2,201,901	2,305,280	1,984,129
Higher education	700,335	878,127	815,116	759,777	678,338
Other education	14,033	29,912	23,206	20,122	19,183
Culture and recreation	108,536	107,302	110,404	92,574	87,478
Urban redevelopment and housing	115,796	179,819	255,783	170,614	60,725
Economic development and assistance	166,320	169,547	149,075	147,146	215,559
Other	28,613	3,084	5,880	7,248	4,634
Debt service					
Principal	179,624	204,604	231,478	271,010	247,935
Interest and others	248,551	197,118	247,257	231,723	199,642
Total Expenditures	8,429,715	8,737,426	8,220,571	7,888,242	7,062,832
Deficiency of Revenues Over Expenditures	(806,697)	(1,544,118)	(823,913)	(618,430)	(33,238)
Other Financing Sources (Uses):					
Proceeds from borrowing and refunding	1,150,482	1,174,768	445,687	395,303	367,585
Payments to escrow agent	(619,708)	(349,697)	(29,510)	-	-
Transfers in	721,810	761,393	803,456	796,195	499,655
Transfers out	(721,810)	(761,393)	(803,456)	(796,195)	(499,655)
Other	4,415	-	-	-	-
Total Other Financing Sources	535,189	825,071	416,177	395,303	367,585
Net Change in Fund Balances	$ (271,508)	$ (719,047)	$ (407,736)	$ (223,127)	$ 334,347
Debt service as a percentage of noncapital expenditures	5.6%	4.8%	6.2%	6.9%	7.3%

Note: The above amounts do not include the effects of restatements

STATE OF HAWAII

Personal Income by Industry

Last Ten Fiscal Years
(Amounts in millions)

	For the Fiscal Year Ended June 30,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Farm Earnings	$ 250	$ 232	$ 220	$ 213	$ 210	$ 213	$ 221	$ 217	$ 220	$ 215
Nonfarm Wage and Salary Workers:										
Goods-producing industries:										
Forestry, fishing-related activities, and other	45	36	47	42	53	54	56	65	68	161
Mining	51	44	45	55	53	50	45	37	31	33
Construction	2,598	2,714	3,271	3,188	3,004	2,736	2,231	2,067	1,869	1,568
Manufacturing – durable and nondurable goods	766	807	874	1,003	1,000	916	887	753	745	887
Subtotal Goods-Producing Industries	3,460	3,601	4,237	4,288	4,110	3,756	3,219	2,922	2,713	2,649
Service-producing industries										
Transportation, communication, and utilities	1,718	1,714	1,826	1,926	1,831	1,760	1,631	1,474	1,416	2,210
Trade	3,651	3,636	3,817	3,654	3,540	3,366	3,151	2,983	2,809	3,757
Information	732	657	711	759	758	690	694	650	669	-
Finance, insurance, and real estate	2,014	2,044	2,126	2,311	2,367	2,308	2,155	1,957	1,884	2,160
Service	14,901	14,514	14,723	13,611	13,013	12,226	11,592	10,622	9,945	7,883
State and local government	5,609	5,609	5,372	5,023	4,747	4,443	4,101	3,862	3,664	3,267
Federal government	9,252	9,077	8,258	7,745	7,249	6,751	6,280	5,716	5,282	4,820
Subtotal Service-Producing Industries	37,877	37,251	36,833	35,029	33,505	31,544	29,604	27,264	25,669	24,097
Total Nonfarm Wage and Salary Workers	41,337	40,852	41,070	39,317	37,615	35,300	32,823	30,186	28,382	26,746
Other(1)	14,661	13,329	12,891	10,601	9,514	8,598	7,984	7,433	7,765	8,167
Total Personal Income	$ 56,248	$ 54,413	$ 54,181	$ 50,131	$ 47,339	$ 44,111	$ 41,028	$ 37,836	$ 36,367	$ 35,128
Total direct income tax rate(2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

(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)

N/A Not available.

STATE OF HAWAII

Personal Income Tax Rates

Last Six Calendar Years

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
2010	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2009	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2008	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2007	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2006	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000
2005	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000

Source: State of Hawaii, Department of Taxation.

STATE OF HAWAII

Personal Income Tax Filers and Liability by Income Level

Calendar Years 2006 and 1999

2006

Income Level(1)	Number of Filers(2)	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Under $5,000	36,968	7.0 %	$ 975,091	0.1 %
$5,000 – $10,000	48,434	9.2	6,256,133	0.4
$10,000 – $20,000	87,084	16.5	40,332,199	2.6
$20,000 – $30,000	77,271	14.7	77,913,432	5.0
$30,000 – $40,000	62,144	11.8	95,268,983	6.1
$40,000 – $50,000	43,425	8.3	89,482,585	5.7
$50,000 – $75,000	72,305	13.7	209,998,273	13.5
$75,000 – $100,000	41,275	7.8	173,571,460	11.1
$100,000 and over	57,947	11.0	863,922,316	55.5
	526,853	100.0 %	$ 1,557,720,472	100.0 %

1999

Income Level(1)	Number of Filers(2)	Percentage of Total	Personal Income Tax Liability	Percentage of Total
Under $5,000	44,672	9.6 %	$ 1,336,390	0.1 %
$5,000 – $10,000	54,505	11.7	8,114,219	0.8
$10,000 – $20,000	88,968	19.0	46,173,613	4.7
$20,000 – $30,000	74,230	15.9	81,860,752	8.3
$30,000 – $40,000	50,509	10.8	84,056,955	8.5
$40,000 – $50,000	37,369	8.0	81,468,836	8.2
$50,000 – $75,000	59,469	12.7	182,083,159	18.3
$75,000 – $100,000	28,243	6.0	128,502,791	12.9
$100,000 and over	29,573	6.3	379,881,765	38.2
	467,538	100.0 %	$ 993,478,480	100.0 %

(1) Income Level = Hawaii Adjusted Gross Income.
(2) Number of Filers = All resident returns and taxable nonresident returns filed.

Source: State of Hawaii, Department of Taxation, Tax Research & Planning Office

Note: Calendar year 2006 is the most recent year available.

STATE OF HAWAII

Taxable Sales by Industry

Last Five Fiscal Years
(Amounts in millions)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Taxable Sales by Activities:					
Retailing	$ 23,919	$ 24,318	$ 26,183	$ 25,509	$ 24,812
Services	11,154	11,059	11,073	11,205	10,314
Contracting	5,864	7,631	7,863	7,904	6,545
Hotel rentals	2,606	2,812	3,321	3,480	3,251
All other rentals	5,778	6,094	5,818	5,814	5,445
All other (4%)	4,360	4,375	5,238	5,606	5,245
Subtotal	53,681	56,289	59,496	59,518	55,612
Sugar processing	-	-	-	-	2
Pineapple canning	-	-	-	15	5
Producing	340	405	457	467	582
Manufacturing	704	809	761	818	720
Wholesaling	12,207	12,502	13,746	13,558	12,963
Use (1/2%)	6,430	6,883	7,215	7,742	7,125
Services (Intermediary)	572	611	649	718	563
Insurance solicitors	502	535	544	617	551
Subtotal	20,755	21,745	23,372	23,935	22,511
Total All Activities	$ 74,436	$ 78,034	$ 82,868	$ 83,453	$ 78,123

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

- 4% of sales of tangible personal tangible property, services, contracting, theater amusement and broadcasting, commissions, transient accommodations 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.

STATE OF HAWAII

Sales Tax Revenue Payers by Industry

Last Five Fiscal Years
(Amounts in thousands)

	2010		2009		2008		2007		2006	
	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	$ 956,761	41.3 %	$ 972,728	40.1 %	$1,047,340	40.0 %	$ 1,020,357	39.9 %	$ 992,472	42.1 %
Services	446,142	19.3	442,356	18.3	442,909	16.9	448,202	17.5	412,576	17.5
Contracting	234,562	10.1	305,241	12.6	314,538	12.0	316,142	12.4	261,804	11.1
Theater, amusement, etc.	13,378	0.6	13,557	0.6	13,998	0.5	13,588	0.5	12,791	0.5
Interest	191	0.0	339	0.0	7,963	0.3	13,818	0.5	8,937	0.4
Commissions	33,024	1.4	35,230	1.5	42,500	1.6	52,101	2.1	55,306	2.4
Hotel rentals	104,260	4.5	112,484	4.6	132,841	5.1	139,186	5.5	130,048	5.5
All other rentals	231,123	10.0	243,762	10.1	232,718	8.9	232,539	9.1	217,799	9.3
Use (4%)	34,484	1.5	34,088	1.4	39,034	1.5	37,548	1.5	38,144	1.6
All other (4%)	93,327	4.0	91,761	3.8	106,040	4.0	107,196	4.2	94,636	4.0
Sugar processing	-	-	-	-	-	-	-	-	10	0.0
Pineapple canning	-	-	-	-	-	-	76	0.0	25	0.0
Producing	1,697	0.1	2,023	0.1	2,286	0.1	2,336	0.1	2,908	0.1
Manufacturing	3,517	0.2	4,045	0.2	3,804	0.1	4,091	0.2	3,598	0.2
Wholesaling	61,036	2.6	62,509	2.6	68,730	2.6	67,790	2.7	64,814	2.8
Use (1/2%)	32,152	1.4	34,415	1.4	36,073	1.4	38,712	1.5	35,623	1.5
Services (Intermediary)	2,862	0.1	3,054	0.1	3,242	0.1	3,592	0.1	2,813	0.1
Insurance solicitors	753	0.0	803	0.0	815	0.0	925	0.0	827	0.0
Unallocated collections	67,165	2.9	61,855	2.6	123,953	4.7	57,563	2.2	20,186	0.9
Total	$ 2,316,434	100 %	$ 2,420,250	100 %	$2,618,784	100 %	$ 2,555,762	100 %	$ 2,355,317	100 %

Source: State of Hawaii, Department of Taxation - Monthly tax collection reports

Note: Information for number of filers is not available.

STATE OF HAWAII

Ratios of Outstanding Debt by Type

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Governmental Activities:					
General obligation bonds	$ 5,157,198	$ 4,779,666	$ 4,408,572	$ 4,079,714	$ 4,322,964
Revenue bonds	400,215	420,605	268,425	283,310	306,255
Capital leases	64,385	71,685	75,480	79,090	58,035
Total Governmental Activities	5,621,798	5,271,956	4,752,477	4,442,114	4,687,254
Business-Type Activities:					
General obligation bonds	37,362	38,329	38,357	37	137
Revenue bonds	1,248,680	861,423	861,141	939,349	883,823
Total Business-Type Activities	1,286,042	899,752	899,498	939,386	883,960
Total Primary Government	$ 6,907,840	$ 6,171,708	$ 5,651,975	$ 5,381,500	$ 5,571,214
Hawaii Total Personal Income	$ 56,248,000	$ 54,413,000	$ 54,181,000	$ 50,131,000	$ 47,339,000
Debt as a Percentage of Personal Income	12.3 %	11.3 %	10.4 %	10.7 %	11.8 %
Hawaii Population	1,300	1,298	1,292	1,299	1,285
Amount of Debt Per Capita	$ 5,314	$ 4,755	$ 4,375	$ 4,143	$ 4,336

Source: State of Hawaii Comprehensive Annual Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism - Data Book, Census Data and Quarterly Statistic and Economic Reports (QSER).

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

STATE OF HAWAII

Ratios of Net General Bonded Debt Outstanding

Last Five Fiscal Years
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less Debt Service Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2010	$74,436,000	1,300	$ 5,157,198	$ 118	$5,157,080	6.9 %	$ 3,967
2009	78,034,000	1,298	4,779,666	67,756	4,711,910	6.0	3,630
2008	82,868,000	1,292	4,408,572	22,002	4,386,570	5.3	3,395
2007	83,453,000	1,299	4,079,714	21,704	4,058,010	5.2	3,124
2006	78,123,000	1,285	4,322,964	7,226	4,315,738	5.9	3,359

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

Legal Debt Margin Information

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Average General Fund revenues of the three preceding fiscal years	$ 5,032,973	$ 5,126,782	$ 5,083,126	$ 4,832,700	$ 4,423,191
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	931,100	948,455	940,378	894,050	818,290
Less total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ending June 30, 2010)	(610,255)	(563,266)	(540,348)	(550,696)	(533,810)
Legal debt margin	$ 320,845	$ 385,189	$ 400,030	$ 343,354	$ 284,480
Legal debt margin as a percentage of the debt limit	34.5 %	40.6 %	42.5 %	38.4 %	34.8 %

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

STATE OF HAWAII

Pledge Revenue Coverage

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Revenue Bonds – Airports					
Gross revenue(1)	$ 295,087	$ 288,583	$ 307,418	$ 286,838	$ 267,927
Less: Operating expenses(2)	214,208	233,896	239,667	211,119	171,990
Net available revenue	80,879	54,687	67,751	75,719	95,937
Debt service requirements:					
Principal(3)	23,615	22,310	21,140	32,250	30,565
Interest(4)	21,300	17,453	26,076	10,868	11,557
Total Debt Service	44,915	39,763	47,216	43,118	42,122
Coverage(5)	180 %	148 %	143 %	176 %	228 %
Revenue Bonds – Harbors:					
Gross revenue(6)	$ 74,155	$ 80,896	$ 96,256	$ 97,414	$ 89,402
Less: Operating expenses(7)	36,930	47,814	49,229	42,967	35,140
Net available revenue	37,225	33,082	47,027	54,447	54,262
Debt service requirements	23,226	23,167	24,290	25,364	19,265
Coverage(8)	160 %	143 %	194 %	215 %	282 %
Revenue Bonds – Highways:					
Revenue	$ 184,852	$ 189,498	$ 213,378	$ 210,989	$ 204,287
Less: Operating expenses	179,400	189,987	184,097	172,167	172,633
Net available revenue	5,452	(489)	29,281	38,822	31,654
Debt service:					
Principal	20,535	16,150	15,495	14,885	14,295
Interest	18,028	15,823	12,930	12,988	14,096
Total Debt Service	38,563	31,973	28,425	27,873	28,391
Coverage(9)	14 %	(2)%	103 %	139 %	111 %
Revenue Bonds – Department of Hawaiian Home Lands:					
Revenue	$ 11,939	$ -	$ -	$ -	$ 10,289
Less: Operating expenses	-	-	-	-	6,321
Net available revenue	11,939	-	-	-	3,968
Debt service:					
Principal	640	-	-	-	1,250
Interest	2,370	-	-	-	391
Total Debt Service	3,010	-	-	-	1,641
Coverage(10)	397 %	-	-	-	242 %

(1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.

(2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal, and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.

(3) On January 5, 2005, Airports disbursed $69,300 for the Airport Revenue Fund to the paying agent to redeem the outstanding balance of the Airports System Revenue Bonds, Refunding Series of 2003 in its entirety

(4) For purposes of calculating the debt service requirement, interest payments 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 2008, Airports deposited $10,000,000 of available funds into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2008 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

For fiscal 2005, Airports deposited $20,000 of available funds into the Airports Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2005 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

(5) Airports revenue bond indentures require a minimum debt service coverage percentage of 125%.

(6) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.

(7) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.

(8) Harbors revenue bond indentures require a minimum debt service coverage percentage of 125%.

(9) 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).

(10) DHHL revenue bond indentures require a minimum debt service coverage percentage of 125%.

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

STATE OF HAWAII

Demographic and Economic Statistics

Last Ten Fiscal Years

Source	For the Fiscal Year Ended June 30, 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Population (in thousands):										
State	1,300	1,298	1,292	1,299	1,285	1,266	1,253	1,239	1,228	1,218
Percentage change	0.15 %	0.46 %	(0.54)%	1.08 %	1.48 %	1.03 %	1.12 %	0.89 %	0.81 %	100.00 %
National	308,746	307,007	304,375	301,580	298,593	295,753	293,046	290,326	287,804	285,082
Percentage change	0.56 %	0.86 %	0.92 %	0.99 %	0.95 %	0.92 %	0.93 %	0.87 %	0.95 %	100.00 %
Total Personal Income (in millions):										
State	56,248	54,413	54,181	50,131	47,339	44,111	41,028	37,836	36,367	35,128
Percentage change	3.37 %	0.43 %	7.47 %	5.57 %	6.45 %	6.99 %	7.78 %	3.88 %	3.41 %	100.00 %
National	12,530,101	12,015,535	12,225,589	11,879,836	11,256,516	10,476,669	9,928,790	9,369,072	9,054,781	8,878,830
Percentage change	4.11 %	(1.75)%	2.83 %	5.25 %	6.93 %	5.23 %	5.64 %	3.35 %	1.94 %	100.00 %
Per Capita Personal Income (in thousands):										
State	43,268	42,018	42,099	39,073	37,013	34,788	32,718	30,513	29,591	28,817
Percentage change	2.89 %	(0.19)%	7.19 %	5.27 %	6.01 %	5.95 %	6.74 %	3.02 %	2.62 %	100.00 %
National	40,584	39,138	40,166	39,392	37,698	35,424	33,881	32,271	31,462	31,145
Percentage change	3.56 %	(2.63)%	1.93 %	4.30 %	6.03 %	4.36 %	4.75 %	2.51 %	1.01 %	100.00 %
Resident Civilian Labor Force and Employment:										
Civilian labor force employed	587,304	594,500	620,000	623,150	622,300	609,850	598,200	592,450	584,350	589,200
Unemployed	41,600	43,250	26,000	17,000	15,800	17,250	19,950	23,850	24,600	26,050
Unemployment rate	6.60 %	6.80 %	4.00 %	2.70 %	2.50 %	2.80 %	3.20 %	3.90 %	4.00 %	4.20 %

Source: State of Hawaii, Department of Business, Econcomic Development and Tourism - Census, Data Book and Quarterly Statiscal Economic Report (QSER).
Bureau of Economic Analysis - Regional Economic Accounts
State of Hawaii, Department of Labor and Industrial Relations - Hawaii Workforce Infonet (HIWI)

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

N/A Not available.

STATE OF HAWAII

Ten Largest Private Sector Employers

Last Six Fiscal Years

	2010		2009		2008		2007		2006		2005	
Employer	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment
Alexander & Baldwin, Inc.	2,215	0.3 %	2,386	0.4 %	2,255	0.4 %	-	-	-	-	-	-
Aloha Airgroup, Inc.	-	-	-	-	3,399	0.5 %	3,465	0.5 %	3,375	0.5 %	3,701	0.6 %
Bank of Hawaii Corp.	2,418	0.4 %	-	-	-	-	-	-	-	-	-	-
Hawaii Pacific Health	5,344	0.8 %	5,300	0.9 %	5,200	0.8 %	5,200	0.8 %	5,500	0.9 %	5,449	0.9 %
Hawaiian Airlines	3,844	0.6 %	3,700	0.6 %	3,415	0.5 %	3,587	0.6 %	3,300	0.5 %	3,300	0.5 %
Hawaiian Electric Industries, Inc	3,400	0.5 %	3,560	0.6 %	3,519	0.6 %	3,447	0.5 %	3,383	0.5 %	3,354	0.5 %
Hilton Waikoloa Village	3,200	0.5 %	2,766	0.5 %	3,099	0.5 %	-	-	-	-	-	-
Kaiser Permanente Hawaii	4,400	0.7 %	3,396	0.6 %	4,403	0.7 %	4,017	0.6 %	3,969	0.6 %	3,918	0.6 %
Kyo-ya Co., Ltd.	3,535	0.6 %	3,851	0.6 %	3,639	0.6 %	3,764	0.6 %	3,807	0.6 %	3,574	0.6 %
Marriott International	-	-	-	-	-	-	-	-	5,835	0.9 %	3,698	0.6 %
McDonald's Restaurants of Hawaii	-	-	-	-	-	-	3,775	0.6 %	3,775	0.6 %	3,750	0.6 %
NCL America	-	-	-	-	-	-	4,461	0.7 %	3,515	0.6 %	-	-
Outrigger Enterprises Group	3,554	0.6 %	3,123	0.5 %	-	-	-	-	-	-	-	-
The Queen's Health System	5,148	0.8 %	5,059	0.8 %	4,903	0.8 %	4,834	0.8 %	4,351	0.7 %	3,673	0.6 %
Starwood Hotels and Resort Hawaii	-	-	2,425	0.4 %	2,700	0.4 %	2,382	0.4 %	-	-	3,500	0.6 %

Source: Hawaii Business News, Annual August Issue (Top Ten Largest Private Sector Employers)
State of Hawaii, Department of Labor and Industrial Relations - Hawaii Workforce Infonet - Labor (Total State Employment)

Notes: Total Annual Average Employment for Hawaii for fiscal year 2010, 2009, 2008, 2007, 2006 and 2005 totaled 635,800, 613,700, 632,900, 634,200, 631,450 and 616,850 respectively.

Listed alphabetically.

No statistical data is available prior to FY 2005

State Employees by Function

Last Five Fiscal Years

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
General government	4,381	4,752	4,720	4,523	4,638
Public safety	2,880	3,089	3,011	2,889	2,881
Transportation	2,158	2,290	2,229	2,222	2,287
Conservation of natural resources	983	1,146	1,126	1,041	1,040
Health	6,863	7,266	6,730	6,909	6,906
Welfare	1,848	2,404	2,312	2,242	2,386
Lower education	22,090	22,675	22,620	23,521	22,771
Higher education	8,732	9,066	8,705	8,619	8,375
Other education	482	516	518	509	523
Urban redevelopment and housing	146	154	150	147	136
Economic development and assistance	835	1,141	865	850	864
Total	51,398	54,499	52,986	53,472	52,807

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

Operating Indicators by Function

Last Five Fiscal Years

	For the Fiscal Year Ended June 30,				
	2010	**2009**	**2008**	**2007**	**2006**
General Government					
Tax Commission:					
Total individual net income returns	665,057	682,178	678,305	667,297	602,375
Number of individual net income returns filed electronically	322,515	308,366	271,212	231,154	196,959
Percentage of individual net income returns transmitted electronically	48.00 %	45.20 %	39.98 %	34.64 %	32.70 %
Public Safety					
Inmate population:					
In-state facilities	4,047	3,928	6,014	6,045	6,251
Out-of-state facilities	1,940	2,077	2,014	2,009	1,844
Total	5,987	6,005	8,028	8,054	8,095
Conservation and Natural Resources					
Department of Parks and Recreation:					
Number of state-owned parks	53	53	53	53	53
Health					
Environmental health:					
Air quality sites monitored	13	14	14	16	16
Water quality stations	290	349	271	363	363
Mental health:					
Adult consumers served	14,633	15,772	15,586	13,545	12,245
Individuals with developmental disabilities served	2,661	2,879	2,821	3,360	2,300
Revolving loan funds	107	102	90	73	65
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF):					
Families per-month average	9,448	8,661	8,358	8,381	9,837
Average time on assistance	15.0	14.0	13.0	16.0	15.0
Monthly benefits paid for the month of July (in millions)	$ 5.29	$ 3.46	$ 4.75	$ 4.60	$ 5.09
General assistance:					
Individuals per month	5,068	5,014	4,458	3,955	3,917
Food stamp program:					
Number of persons participating	133,043	109,268	93,956	88,847	88,967
Number of households participating	66,885	54,925	47,545	45,026	46,285
Benefits issued (in millions)	$ 28.74	$ 20.22	$ 14.64	$ 12.84	$ 12.49
Medicaid programs:					
MedQuest enrollment (in thousands)	259,307	235,203	211,105	202,126	203,345
Lower Education					
Number of schools	286	289	287	286	285
Number of students	178,649	177,871	178,369	179,234	181,406
Staff:					
Classroom teachers	11,261.8	11,294.2	11,395.8	11,270.3	11,226.0
Librarians	225.0	248.5	257.5	271.5	292.0
Counselors	645.5	659.5	659.5	669.5	671.0
Administrators	728.0	746.5	772.5	745.5	705.5
Other support staff	8,606.8	8,654.3	8,566.3	8,102.6	8,164.0
Total	21,467.1	21,603.0	21,651.6	21,059.4	21,058.5

STATE OF HAWAII

Operating Indicators by Function (Cont'd)

Last Five Fiscal Years

	For the Fiscal Year Ended June 30,				
	2010	2009	2008	2007	2006
Higher Education					
Enrollment:					
Number of credit students	60,090	57,945	53,526	50,454	49,990
Degrees earned:					
Certificates/Associate Degrees/Advanced Professional Certificates	3,025	2,785	2,660	2,710	2,637
Bachelor's degrees	3,593	3,705	3,698	3,586	3,639
Master's degrees/Professional Diploma	1,216	1,185	1,269	1,219	1,320
Doctor's degrees/First Professional	351	354	369	320	321
Other	106	55	-	-	-
Total	8,291	8,084	7,996	7,835	7,917
Degrees by campus/college:					
University of Hawaii at Manoa	4,414	4,496	4,566	4,313	4,401
University of Hawaii at Hilo	601	614	588	592	614
University of Hawaii at West Oahu	242	221	180	217	265
Hawaii Community College	426	386	346	311	339
Honolulu Community College	486	504	520	537	515
Kapiolani Community College	783	702	685	757	641
Kauai Community College	162	163	139	135	114
Leeward Community College	608	503	475	514	533
Maui Community College	416	364	367	336	360
Windward Community College	153	131	130	123	135
Total	8,291	8,084	7,996	7,835	7,917

N/A Not available

Notes: Migration to new registration system at the UH Community Colleges in Fall 2006 and at UH at Manoa, UH at Hilo, and UH at West Oahu in Fall 2006.

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.

See accompanying independent auditors' report.

STATE OF HAWAII

Capital Assets Statistics by Function

Last Three Fiscal Years

	For the Fiscal Year Ended June 30,		
	2010	**2009**	**2008**
General Government			
Department of Accounting and General Services:			
Buildings	74	74	72
Vehicles	582	602	571
Department of the Attorney General:			
Buildings	5	5	5
Vehicles	3	3	2
The Judiciary:			
Buildings	18	18	17
Vehicles	16	15	13
Other Departments:			
Buildings	24	23	23
Vehicles	4	4	5
Public Safety			
Department of Public Safety:			
Buildings and Correction Facilities	73	72	71
Vehicles	277	262	260
Department of Defense:			
Buildings	96	96	96
Vehicles	79	79	79
Department of Commerce and Consumer Affairs:			
Buildings	4	4	4
Vehicles	1	-	-
Highways			
Department of Transportation:			
Highway lane miles	N/A	2,479	2,478
Highway bridges	N/A	752	752
Buildings	34	34	29
Vehicles	968	963	949
Conservation of Natural Resources			
Department of Land and Natural Resources:			
Land area (in square miles)	6,423	6,423	6,423
Buildings	95	95	74
Vehicles	732	731	706
Department of Agriculture:			
Buildings	32	32	32
Vehicles	186	186	184

	For the Fiscal Year Ended June 30,		
	2010	**2009**	**2008**
Health			
Department of Health:			
Buildings	74	72	71
Vehicles	280	284	295
Welfare			
Department of Human Services:			
Buildings	18	18	18
Vehicles	111	117	128
Lower Education			
Department of Education:			
Buildings	8	8	8
Other Education			
Department of Education — Libraries:			
Buildings	34	34	34
Vehicles	28	28	30
Urban Redevelopment and Housing			
Department of Hawaiian Home Lands:			
Buildings	18	17	16
Vehicles	34	34	33
Economic Development and Assistance			
Department of Business, Economic Development, and Tourism:			
Buildings	33	33	32
Vehicles	34	34	39
Department of Labor and Industrial Relations:			
Buildings	8	8	8
Vehicles	2	2	2

Source: Buildings and Vehicles — State of Hawaii, Department of Accounting and General Services.
Lane Miles and Bridges — State of Hawaii, Department of Transportation.

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