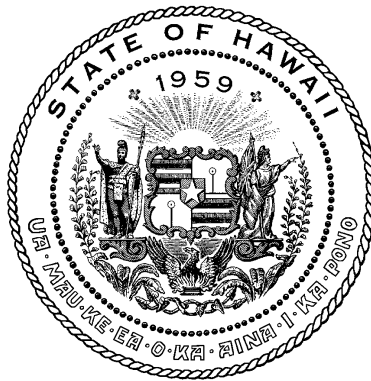


STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001

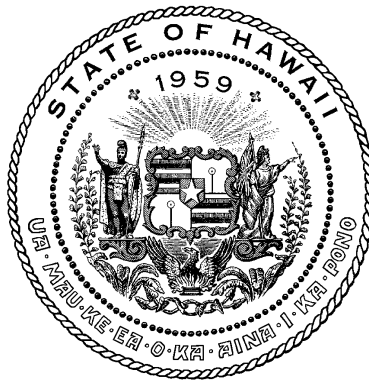


GLENN M. OKIMOTO
COMPTROLLER

STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



PREPARED BY
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

GLENN M. OKIMOTO
COMPTROLLER

STATE OF HAWAII

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PART I: INTRODUCTION SECTION

STATE OF HAWAII

Principal Officials for Finance-Related Functions

June 30, 2001



**Glenn M. Okimoto
Comptroller**

**Governor
Director of Finance
Director of Taxation
Comptroller**

**Benjamin J. Cayetano
Neal H. Miyahira
Marie Y. Okamura
Glenn M. Okimoto**

Notes:

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

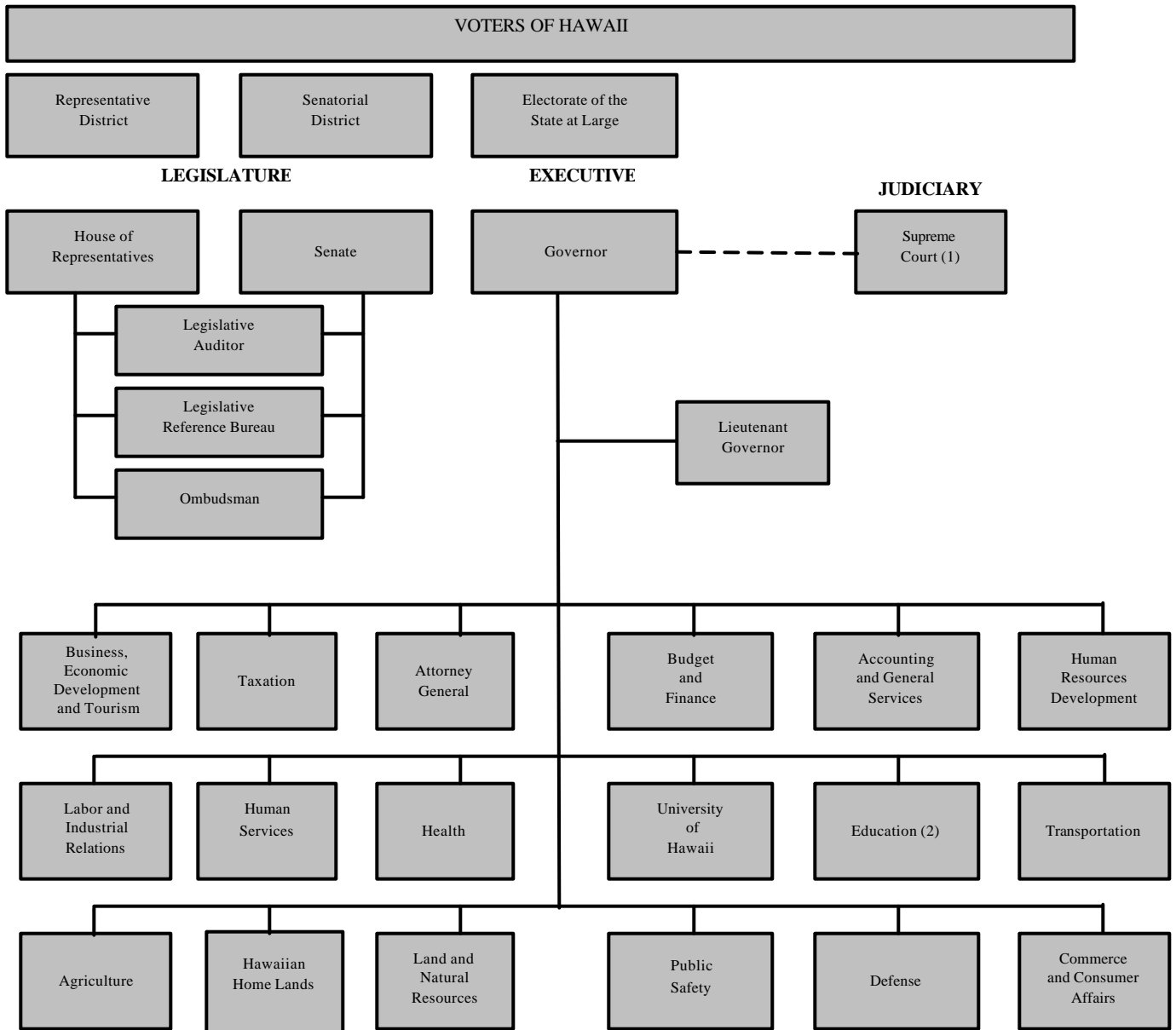
The Comptroller is also department head of the Department of Accounting and General Services.

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, 2001



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

(2) Board of Education elected.



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

December 31, 2001

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Twenty-first 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 of the State of Hawaii (State) for the fiscal year ended June 30, 2001. 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 accurate 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 account groups; 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: introduction; financial; and statistical. The introduction section includes this transmittal letter, the State's organizational chart and a list of principal officials. The financial section includes the independent auditors' report, general purpose financial statements, notes to the general purpose financial statements, and combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information.

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.

In accordance with Governmental Accounting Standards Board Statement No. 14 (GASB Statement No. 14), *The Financial Reporting Entity*, this report includes the various funds and account groups 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 general purpose financial statements since those agencies, based on the fiscal independence and/or separate legal entity status criteria of GASB Statement No. 14, are not accountable to the State.

STATE OF THE ECONOMY

Overview

Hawaii's economy will enter the year 2002 under the shadow of recessions in the United States (U.S.) and Japanese economies and the cloud of the September 11, 2001 terrorist attacks and the subsequent war on terrorism that has put a damper on the global travel industry. Before September 11, growth rates in 2001 were moderate but slowing.

The year 2001 began in the first quarter with a continuation of the robust growth in visitor arrivals and construction that had marked 2000 as a record year. During the second quarter of 2001, cumulative visitor arrivals turned negative compared with the year-to-date arrivals of the previous year. Overall growth in jobs and personal income remained positive, but slowed, reflecting the reduced visitor arrivals and the deteriorating economic conditions on the mainland. The fourth quarter of 2001 can be expected to show significantly reduced visitor arrivals to Hawaii and reduced rates of growth in employment, personal income, and tax revenues resulting from the existing national decline and accentuated by the economic shocks from the September 11, 2001 terrorist attacks.

Labor

Average monthly civilian employment for the State was 577,250 for the first ten months of 2001, 1.5% higher than it was for the same period of 2000. The labor force grew by 1.6% and the unemployment rate increased to 4.5%. The number of non-agricultural wage and salary jobs grew 1.5% in 2001 over the same ten-month period in 2000. By industry, the largest job gain in the first three quarters of 2001 was in business services with a growth rate of 3.8%. Strong growth was also seen in retail trade, 2.2%, and health services, 2.0%. Federal government jobs decreased 1.6%, probably related to the layoff of Census workers, and agricultural wage and salary jobs declined by 9.4% largely related to the closing of Lihue Plantation on Kauai in November 2000. In the weeks following September 11, however, initial unemployment claims jumped from 1,200 per week during the previous fall, to 4,000 and 5,000 per week tapering off to 2,700 per week at the end of November. The number of claimants filing for unemployment compensation increased from about 4,500 in November 2000 to about 12,000 in November 2001.

Taxes

In the first ten months of calendar year 2001, General Fund revenues increased 4.7% over the first three quarters of 2000. Excise and use tax collections led with a 3.2% increase and individual income tax collections followed with an increase of 2.8% for the first ten months. Transient accommodations tax revenue increased 2.0% showing the effect of declining visitor demand offset by higher average room rates through October 2001.

Personal Income

From the second quarter of 2000 to the second quarter of 2001, personal income in Hawaii, as measured by the U. S. Bureau of Economic analysis, grew \$1.4 billion from \$33.7 billion to \$35.1 billion. This 4.1% increase can be attributed mostly to the over \$900 million or 4.8% increase in wage and salary disbursements and the \$240 million and 5.8% increase in transfer payments. The dividend, interest and rent component grew the least at slightly less than 1.0%. By industry, the services sector led all other private industries with a \$350 million increase, followed by transportation and public utilities with a \$260 million increase and retail trade at \$135 million. Durables manufacturing had the largest percentage growth among private industries at 23.0% or \$47 million. Only finance, insurance and real estate experienced declining income, a negative \$38 million or 1.9%. Federal government income increased \$240 million over the period, while state and local government income decreased \$1 million.

Prices

Inflation in Hawaii remained low. Between the second quarter of 2000 and the second quarter of 2001, the Honolulu Consumer Price Index for urban consumers (CPI-U) increased by 1.3%. By comparison, from June 2000 to June 2001, the CPI-U for the U.S. increased by 3.2%. For Honolulu, the largest increases in the components of the CPI-U were seen in transportation at 4.9% and medical care at 4.3%. The food and beverage component and the housing component held relatively stable with 1.7% and 0.8% increases, respectively. Price declines from the year earlier were seen in apparel and upkeep down 4.6% and communication and education with a 3.5% decline from the year before.

RECENT DEVELOPMENTS IN HAWAII'S MAJOR INDUSTRIES

Visitor Industry

Through August 2001, visitor arrivals had already declined by 1.0% over the previous record-setting year. This decline was led by a 2.1% decrease in international arrivals while domestic arrivals declined by 0.4%. For the months of September and October, however, visitor arrivals dropped by 34.0% and 30.0% from September and October 2000. The largest decline was among international arrivals. Further, while domestic arrivals recovered to above 80.0% of the year 2000 level, international arrivals continued to fall in October to less than 50.0% of the October 2000 level. Through August, the total number of visitor days was still positive over the first 8 months of 2000 at a 0.4% increase. Average daily visitor census was also up 0.9%. By October, year-to-date arrivals were down 6.8% over the same ten months in 2000, with visitor days down a more modest 4.5% and visitor census down 4.2%. The decrease in visitors led to a decrease in hotel occupancy rates. In September, statewide occupancy was 57.6% compared with 74.7% in September 2000. Average daily room rates had been increasing on all islands during 2001, but in September the statewide average rate was slightly lower than it was in September 2000. This reversal was due entirely to a 6.6% decrease for Oahu hotels. On the other islands, room rates, on average, continued above those of the previous year.

Construction

Construction activity in 2001 continued to increase over the healthy levels achieved in 2000. The general excise tax base for contracting increased by 3.4% for the first 9 months of 2001 over the same period in 2000. This increase was due to increases on the Neighbor Islands as the Oahu tax base for contracting decreased by 1.0%. Increasing construction output is also reflected in the 0.6% increase in construction jobs for the first ten months of 2001. The value of private building authorizations, an indicator of future construction, increased by 7.0% during the first seven months of 2001 compared to the same period of 2000. Oahu authorizations were up 8.6%. Through September, government contracts awarded were down significantly: state contracts were down 35.1% over the first 9 months of 2000, federal contracts were down 75.3%, and county contracts were up 3.2%.

Defense Activity

Military spending in Hawaii remains a relatively stable and important source of outside income. Overall, federal spending in Hawaii is roughly 12.0% of Gross State Product (GSP), with much of that being defense-related. At \$7,441, per capita federal spending in Hawaii in fiscal 2000 ranked sixth highest among the states after Alaska, Virginia, Maryland, North Dakota and New Mexico. Hawaii maintained its ranking as second in per capita federal defense expenditures in 2000. This was the fifth year in a row that the federal government spent more than a billion dollars in procurement in Hawaii with nearly \$1.3 billion in fiscal 2000. At the national level, defense spending increased from \$237.4 billion in fiscal 1999 to \$238.2 billion in fiscal 2000. Because of the strategic location of Hawaii in the Pacific, the overall Hawaii federal defense sector has increased by a greater margin. It measured \$3,356 million in fiscal 1999 and \$3,473 million in fiscal 2000. This was an increase of 3.5% compared to a 0.3% increase at the national level. The latest data from the U.S. Department of Commerce indicate that the total earnings of military personnel in the second quarter of 2001 were 5.8% higher than a year earlier. Total federal civilians jobs in the armed forces decreased by 4.2% in the second quarter of 2001 compared to the same period in 2000.

Agriculture

Plantation agriculture suffered further setbacks in 2000. The closing of the Paia Mill on Maui in September caused the layoff of 75 workers, and the shutdown of Lihue Plantation on Kauai in November 2000 left 400 agricultural workers unemployed. This is partially responsible for the 9.4% decrease in agricultural wage and salary jobs for the first ten months of 2001 compared to the same period for 2000. These shutdowns are also reflected in fewer manufacturing jobs in the mills.

COUNTY ECONOMIC CONDITIONS

City and County of Honolulu

Through the first ten months of 2001, Oahu was experiencing moderate growth in employment and wage and salary jobs over the strong growth of the first ten months of 2000. Civilian employment grew 1.6% for the period and non-agricultural wage and salary jobs grew at a 1.4% rate. Jobs grew relatively most rapidly in business services, up 4.8% or 1,200 jobs. Retail trade also added 1,200 jobs, while growing at a 1.5% rate. Construction jobs declined slightly. Agricultural jobs decreased 8.7% or 200 jobs. Visitor arrivals were already down somewhat from their record 2000 levels prior to the September 11, 2001 terrorist attacks. This decline was exacerbated in the post-attack air travel climate. Through October, Oahu's visitor arrivals were down 6.5% for the year-to-date resulting from a 3.4% decline in domestic arrivals and a 9.9% decrease in international arrivals. Oahu's visitor arrivals have been more seriously reduced by the decrease in international visitors than any other island. Private building permits were up 5.4% over the first 3 quarters of 2001 led by a 14.8% increase in the value of residential authorizations.

Hawaii County

Hawaii County's civilian employment and non-agricultural wage and salary jobs both grew at a moderate rate for the first ten months of 2001. Civilian employment grew 1.2% for the period and non-agricultural wage and salary jobs grew by 1.6%. The construction sector led job growth in both relative and absolute terms increasing by 11.3% or 300 jobs. Finance, insurance and real estate grew 3.9% or 150 jobs, while health services grew 3.3% or 100 jobs. Hotel jobs increased by 50 or 0.7%. Agricultural jobs decreased by 250 jobs or 9.4%. Through October, Hawaii County's visitor arrivals were down 5.4% for the year-to-date resulting from a 6.1% decline in domestic arrivals and a 3.5% decrease in international arrivals. Private building permits were up 15.0% through August 2001 over the first 8 months of 2000. The additions and alterations category showed the greatest year-to-year increase at 27.4% growth followed by residential projects at 16.4% growth in the value of authorizations.

Maui County

Civilian employment and non-agricultural wage and salary jobs grew faster on Maui during the first ten months of 2001 than any of other counties. Compared with the first ten months of 2000, civilian employment grew 2.1% while non-agricultural jobs grew 2.7%. Retail trade led job growth in both rate and number increasing by 8.0% and 1,200 jobs. Health services grew at a 4.2% rate and business services grew by 2.2%. Hotels jobs grew 150 jobs at a 1.3% rate. Construction jobs declined by 1.9%. State government jobs grew by 100 jobs, 1.9%, compensating for the loss in federal government jobs. Through October, visitor arrivals to Maui were down 7.5% compared with the first ten months of 2000. This decline is the result of a 7.9% decrease in domestic arrivals and a 5.8% decline in international arrivals. During this same period, Molokai visitors were up 9.2% as a result of a doubling of international visitors. Visitors to Lanai were off by 3.2% even though international visitors to Lanai have also grown. The value of private building permits on Maui decreased by 14.7% over the first three quarters of 2001 compared with the same period in 2000. Residential authorizations were down 7.3% and permits for alterations and additions were down almost 60.0%.

Kauai County

On Kauai, the unemployment rate increased to 7.2% in the first ten months of 2001 from an average of 6.5% in the same period of 2000. This is an increase in unemployment of about 200 jobs, reflecting the decrease in agricultural jobs during the period as a consequence of the shutdown of Lihue Plantation. Total civilian employment held steady, while non-agricultural jobs grew 1.0%. Job growth by industry was varied. Job numbers grew in retail trade (2.2%), health services (3.4%), construction (5.0%), and transportation, communication and utilities (2.9%), but fell in business services (-8.3%), manufacturing (-10.0%), finance, insurance and real estate (-4.3%), and agriculture (-25.0%). Through October, year-to-date visitor arrivals to Kauai were down 5.7% over the first ten months of 2000. The decrease was due to a 5.2% decline in domestic arrivals and an 8.0% decrease in international arrivals. Over the first three quarters of 2001, the value of private building permits was up 33.2% led by a tripling in the value of the commercial and industrial category over the first three quarters of 2000.

OUTLOOK FOR HAWAII'S ECONOMY

The outlook for Hawaii's economy is reduced in the short-term and uncertain in the long-term. Projections for continued strong growth of visitor arrivals, personal income, jobs, and tax revenues have had to be revised downward in light of the reduced revenues experienced by hotels, airlines, and the visitor service sector following the September 11, 2001 terrorist attacks. The long-term outlook is more cloudy than usual due to uncertainty regarding the rebound, or lack thereof, in air travel and tourism in general. This uncertainty is most pronounced with respect to international visitor demand. Two positive factors remain with the potential to partly offset the negative short-term tourism picture: federal spending and construction investment appear to be stable or growing.

Forecasts for the U.S. economy have also been revised downward since September 11. The November 2001 edition of Blue Chip Economic Indicators (Blue Chip), a consensus of 50 U.S. economic forecasters, has reduced its projection of real growth in Gross Domestic Product (GDP) in 2002 to 1.1%. This projection is down from 1.5% in October and 2.7% in September, prior to the terrorist attacks.

Prospects for economic growth in Japan, the other major external economy affecting Hawaii, are even less positive than those for the U.S. The November Blue Chip consensus predicts that Japan's real GDP will shrink by 0.7% in 2002. This was down from a -0.1% consensus projection in October. Blue Chip also projects the yen-dollar exchange rate to remain about 123 to 1.

Based on current trends and projections of external conditions, state economists at the Department of Business, Economic Development and Tourism (DBEDT) project that visitor arrivals will decline by 8.7% in 2001 and rebound by 6.5% in 2002. Real personal income is expected to finish 2001 2.0% above the 2000 level, but is projected to grow by 0.7% during 2002. Wage and salary jobs are expected to increase by 0.9% in 2001 and 0.5% in 2002. Finally, DBEDT expects the inflation rate, as measured by changes in the Honolulu CPI, to grow by 1.3% in 2001 and 2002.

MAJOR INITIATIVES

Major Capital Improvement Projects

Major capital improvement projects, which received funding in fiscal 2001, again focused on education and general government. They include \$21 million for increments 1 and 2 of Nanakuli Elementary School; \$47 million for various school projects; and \$30 million for a new judiciary complex in Lihue, Kauai.

Public Employee Health Benefits

In fiscal 2001, the Governor signed into law a bill to establish a single health benefits delivery system for public employees, retirees, and their dependents. The new system will be known as the Hawaii Employer-Union Health Benefits Trust Fund whose economies of scale and purchasing power will ensure the solvency of the State, as well as benefit all public employees and retirees today and in the future.

Privatization of Government Services

Legislation was enacted that gives the Governor, mayors, and heads of public jurisdictions the flexibility to negotiate a process of managed competition with public employee unions to allow the State and the counties to contract government services to private entities or to allow those services to be performed in-house. This flexibility will enable the State and the counties to utilize privatization as a means of cutting costs and more efficiently manage their resources.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The State uses the modified accrual basis of accounting for the General, Special Revenue, Debt Service, Capital Projects, Expendable Trust and Agency Funds. Revenues are recognized when they become measurable and available to finance operations during the fiscal year or liquidate liabilities at the end of the fiscal year. Revenues susceptible to accrual include federal grants and taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Revenues which are not considered susceptible to accrual and therefore are not accrued include fines, forfeitures and penalties, licenses, permits and franchises. Expenditures are recorded on the modified accrual basis of accounting when the related fund liability is incurred except for principal and interest on general long-term bond obligations, which are recognized when payment is due or when amounts have been accumulated in the Debt Service Fund for payments of principal and interest to be made early in the following fiscal year.

The State uses the accrual basis of accounting for the Enterprise Funds and Component Units. Revenues are recognized when they are earned and expenses are recorded when they are incurred. Depreciation expense related to the Component Unit – University Funds' plant fund assets is not recorded.

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 and to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.

I believe that the State's internal control is 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 1999, as amended, and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes and other specific appropriations acts in various Session Laws of Hawaii (SLH). Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

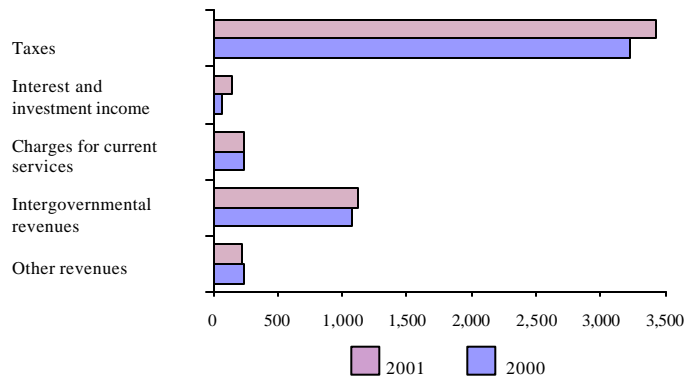
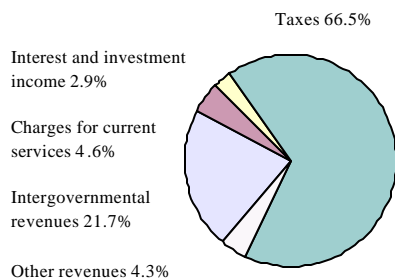
An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. Open encumbrances are reported as reservations of fund balances at June 30, 2001. 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.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues for general governmental functions are provided from the General, Special Revenue, Debt Service and Capital Projects Funds and totaled \$5,150.2 million in fiscal 2001, representing an increase of 6.4% over fiscal 2000. The revenues from various major revenue sources and the changes from the previous fiscal year are presented in the following tabulation (expressed in millions):

Source	Fiscal 2001	Percent of Total	Increase Over (Decrease From) Fiscal 2000	
			Amount	Percent
Taxes	\$ 3,423.4	66.5%	\$ 197.1	6.1%
Interest and investment income	150.2	2.9	81.1	117.4
Charges for current services	236.2	4.6	(3.7)	(1.5)
Intergovernmental revenues	1,119.8	21.7	49.3	4.6
Other revenues	220.6	4.3	(13.6)	(5.8)
Total	\$ 5,150.2	100.0%	\$ 310.2	6.4%



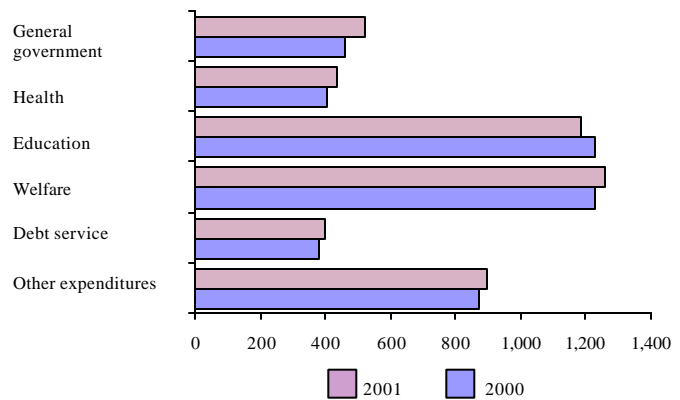
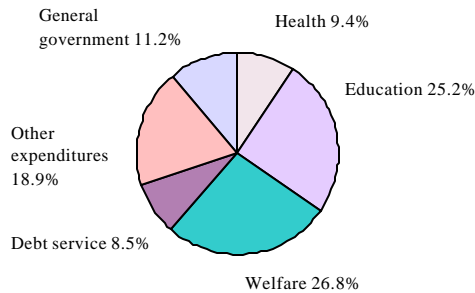
The net increase of \$197.1 million or 6.1% in tax revenues is primarily comprised of increases in general excise taxes of \$100.4 million, transient accommodations taxes of \$15.0 million, individual and corporate income taxes of \$55.5 million, the taxes on public service companies of \$15.1 million, and tobacco taxes of \$12.8 million, which were offset by decreases in inheritance and estate taxes of \$5.2 million and franchise taxes of \$6.8 million.

The increase of \$81.1 million or 117.4% in interest and investment income was attributed primarily to higher interest earnings on short-term investments. Other reasons for the increase in revenue were due to an increase in cash balances for the General Fund and high-end investments maturing.

The increase of \$49.3 million or 4.6% in intergovernmental revenues was attributed primarily to an increase in medical assistance payments.

Expenditures for general governmental functions totaled \$4,703.4 million in fiscal 2001, representing an increase of 2.8% over fiscal 2000. The expenditures by function and the change from the previous fiscal year are presented in the following tabulation (expressed in millions):

Function	Fiscal 2001	Percent of Total	Increase Over (Decrease From) Fiscal 2000	
			Amount	Percent
General government	\$ 524.8	11.2%	\$ 63.6	13.8%
Public safety	203.8	4.3	(8.4)	(4.0)
Highways	228.1	4.9	(7.2)	(3.1)
Conservation of natural resources	52.4	1.1	9.1	21.0
Health	437.0	9.4	32.5	8.0
Welfare	1,258.2	26.8	31.4	2.6
Education	1,187.3	25.2	(39.7)	(3.2)
Culture and recreation	66.7	1.4	5.9	9.7
Urban redevelopment and housing	9.9	0.2	(1.6)	(13.9)
Economic development and assistance	228.0	4.8	15.2	7.2
Social security and pension contributions	90.8	1.9	6.2	7.3
Other expenditures	14.9	0.3	5.5	58.5
Debt service	401.5	8.5	17.9	4.7
Total	\$ 4,703.4	100.0%	\$ 130.4	2.8%



Expenditures for general government increased \$63.6 million or 13.8% from the previous fiscal year. The increase was primarily the result of the State's purchase of the Hemmeter Office Building in the current fiscal year.

The increase of \$32.5 million or 8.0% in expenditures for health was mainly attributed to an increase in medical health services and also in child and adolescent mental health expenses.

The increase of \$31.4 million or 2.6% for welfare from the previous fiscal year was due to an increase in direct assistance to the public.

The decrease of \$39.7 million or 3.2% for education expenditures was mainly attributed to a decrease in state educational facilities improvement projects in the current fiscal year.

For further information on long-range trends in the expenditures for general governmental functions, Part III contains a tabulation covering the last ten fiscal years (Schedule K-2).

The operations of the State's General Fund for fiscal 2001 resulted in an unreserved-undesignated fund balance of \$526.4 million at June 30, 2001, compared with \$432.2 million at June 30, 2000. The financial details of the General Fund's operations are included in the "Statement of Revenues, Expenditures and Changes in Unreserved Fund Balance – General Fund" in Part II.

DEBT ADMINISTRATION

The amount of net general obligation bonded debt per capita is a useful indicator of the State's debt position to its citizens. The amount at June 30, 2001 was \$2,631; a schedule with such information for the last ten fiscal years is presented in Part III of this report (Schedule K-3). The State issued \$150 million of general obligation bonds, Series CU, dated October 15, 2000, with interest rates ranging from 4.60% to 5.875%. The bonds begin to mature on October 1, 2004 and were issued for the purpose of financing public improvement projects.

The State's general obligation bonds have been rated Aaa by Moody's Investors Service, AAA by Standard & Poor's Corporation and AAA by Fitch IBCA, Inc.

CASH MANAGEMENT

During fiscal 2001, the State Treasury earned \$50.1 million for the General Fund by investing its temporary cash surpluses, an increase of \$17.0 million from the amount earned in the previous fiscal year. The fiscal 2001 earnings represent an average investment yield of 5.1%, up from the 4.2% of the previous fiscal year.

RISK MANAGEMENT

The State obtains third-party coverage for property losses in excess of \$250,000 per occurrence. The property loss limit is \$300 million per occurrence, except for earthquake and flood with a limit of \$50 million per occurrence. The State also acquires general 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.

CAPITAL PROJECTS FUND

Proceeds of general obligation and revenue bonds issued are primarily accounted for in the Capital Projects Fund. General obligation bonds issued in fiscal 2001 amounted to \$150 million. No revenue bonds were issued in fiscal 2001. Authorized but unissued general obligation bonds totaled \$789.7 million at June 30, 2001.

ENTERPRISE FUNDS

The Enterprise Funds are comprised of the State's Airports and Harbors operations.

The retained earnings of Airports increased from \$1,076.3 million in fiscal 2000 to \$1,170.6 million in fiscal 2001. Operating revenues increased from \$279.6 million in fiscal 2000 to \$287.1 million in fiscal 2001, and operating expenses decreased, from \$214.4 million to \$211.7 million between the respective periods. Outstanding bonds, included in long-term liabilities, at June 30, 2001 totaled \$872.7 million, a decrease from \$1,083.1 million at June 30, 2000.

The retained earnings of Harbors increased from \$284.0 million in fiscal 2000 to \$307.2 million in fiscal 2001. Operating revenues increased from \$62.6 million in fiscal 2000 to \$66.7 million in fiscal 2001, and operating

expenses increased from \$33.9 million to \$40.2 million between the respective periods. Outstanding bonds, included in long-term liabilities, at June 30, 2001 totaled \$218.9 million, a decrease from \$225.9 million at June 30, 2000.

COMPONENT UNITS

University Funds

The combined fund equity of the University Funds increased from \$1,486.4 million in fiscal 2000 to \$1,496.8 million in fiscal 2001. In fiscal 2001, combined revenues and other additions totaled \$456.9 million, and combined expenditures and other deductions totaled \$808.2 million. These represent a decrease from fiscal 2000 of \$17.1 million and an increase of \$46.8 million, respectively. Combined subsidies from other funds totaled \$362.0 million in fiscal 2001, a decrease from \$377.8 million in fiscal 2000. Outstanding bonds totaled \$36.5 million at June 30, 2001 and \$38.5 million at June 30, 2000.

Enterprise Funds

Enterprise Funds consist of the Housing and Community Development Corporation of Hawaii (HCDCH), the Hawaii Hurricane Relief Fund (HHRF) and the Hawaii Health Systems Corporation (HHSC).

The fund equity of the HCDCH, the HHRF and the HHSC increased from \$947.9 million in fiscal 2000 to \$992.9 million in fiscal 2001. Operating revenues increased from \$394.1 million in fiscal 2000 to \$410.8 million in fiscal 2001, while operating expenses including depreciation decreased from \$451.0 million to \$416.6 million between the respective periods. Contributions by the U.S. Department of Housing and Urban Development totaled \$27.7 million in fiscal 2001 and \$9.9 million in fiscal 2000. Outstanding revenue bonds totaled \$841.5 million in fiscal 2001, a decrease from \$858.9 million at June 30, 2000. Nonoperating revenues (expenses) and operating transfers totaled \$61.5 million in fiscal 2001 and \$55.0 million in fiscal 2000.

GENERAL FIXED ASSETS

The general fixed assets of the State are those used in the performance of general governmental functions. They exclude the fixed assets of the Enterprise Funds and Component Units. As of June 30, 2001, the general fixed assets amounted to \$5,326.2 million. Depreciation on general fixed assets is not recorded in the State's records.

EMPLOYEES 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 all fund types and account groups of the State, the State engaged a firm of independent certified public accountants to audit the State's general purpose financial statements for the fiscal year ended June 30, 2001. The Independent Auditors' Report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000. This was the twelfth 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

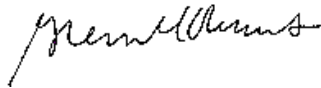
reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year.

I believe our current report continues to conform to the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for the certificate.

ACKNOWLEDGMENTS

I wish to 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 our State.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Glenn M. Okimoto".

Glenn M. Okimoto
Comptroller, State of Hawaii

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
Hawaii

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Imelda Arce
President

Jeffrey L. Essler
Executive Director

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PART II: FINANCIAL SECTION

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P.O. Box 4150
Honolulu, HI 96812-4150

Independent Auditors' Report

Comptroller
State of Hawaii:

We have audited the accompanying general purpose financial statements of the State of Hawaii as of and for the year ended June 30, 2001, as listed in the table of contents under Part II: Financial Section. These general purpose financial statements are the responsibility of the State of Hawaii's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Enterprise Funds, comprised of the Department of Transportation – Airports and Harbors Divisions, or the Component Units of the State of Hawaii – the Housing and Community Development Corporation of Hawaii, the Hawaii Hurricane Relief Fund, the Hawaii Health Systems Corporation consisting of the State Hospitals, and the University Funds comprised of the State of Hawaii's public institutions of higher education. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Enterprise Funds and Component Units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes 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 the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Hawaii as of June 30, 2001, and the results of its operations and the cash flows of its Enterprise Funds and Component Units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2001 on our consideration of the State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents under Part II: Financial Section are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Hawaii. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introduction and statistical sections (Parts I and III) of this report and, accordingly, express no opinion thereon.

KPMG LLP

December 31, 2001

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

**Combined Balance Sheet – All Fund Types,
Account Groups and Discretely Presented Component Units**

June 30, 2001

(Amounts in thousands)

<u>ASSETS AND OTHER DEBITS</u>	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Cash and short-term investments (note 4)	\$ 217,775	\$ 171,489	\$ 2,238	\$ 170,200
Receivables:				
Taxes (note 5)	276,900	7,000	—	—
Accounts and accrued interest, net (note 5)	—	—	—	—
Notes and loans, net (note 5)	484	220,939	—	—
Federal government	—	25,600	—	—
Other, net	161	—	—	218
Due from other funds (note 15)	206,878	3,462	110	1,232
Due from Component Units (note 15)	6,000	—	—	—
Due from Primary Government (note 15)	—	—	—	—
Investments (note 4)	265,025	676,018	—	—
Inventories:				
Developments in progress and dwelling units	—	—	—	—
Materials and supplies	—	—	—	—
Net investment in financing lease (note 10)	—	—	—	—
Restricted assets (notes 4, 6 and 10)	—	—	—	—
Property, plant and equipment (net, where applicable, of accumulated depreciation) (notes 7, 8 and 10)	—	—	—	—
Other assets:				
Unamortized bond issue costs	—	—	—	—
Prepaid expenses	—	—	—	—
Interest in perpetual trusts held by others	—	—	—	—
Other	—	2	—	—
Amount available in Debt Service Fund	—	—	—	—
Resources to be provided in future years for retirement of general long-term obligations	—	—	—	—
Total Assets and Other Debits	\$ <u>973,223</u>	\$ <u>1,104,510</u>	\$ <u>2,348</u>	\$ <u>171,650</u>

Proprietary Fund Type	Fiduciary Fund Type Trust and Agency	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations			
\$ 628,205	\$ 448,972	\$ —	\$ —	\$ 1,638,879	\$ 409,618	\$ 2,048,497
—	38,926	—	—	322,826	—	322,826
26,544	—	—	—	26,544	83,263	109,807
—	5	—	—	221,428	106,460	327,888
5,010	—	—	—	30,610	42,558	73,168
394	—	—	—	773	11,516	12,289
6,200	—	—	—	217,882	23,085	240,967
—	—	—	—	6,000	—	6,000
—	—	—	—	—	9,828	9,828
—	245,844	—	—	1,186,887	400,747	1,587,634
—	—	—	—	—	98,809	98,809
266	—	—	—	266	19,611	19,877
—	—	—	—	—	18,563	18,563
438,466	—	—	—	438,466	737,163	1,175,629
2,117,631	—	5,326,167	—	7,443,798	1,768,956	9,212,754
9,957	—	—	—	9,957	6,787	16,744
1,325	—	—	—	1,325	19,340	20,665
—	—	—	—	—	10,061	10,061
—	—	—	—	2	—	2
—	—	—	938	938	—	938
—	—	—	4,147,487	4,147,487	308	4,147,795
<u>\$ 3,233,998</u>	<u>\$ 733,747</u>	<u>\$ 5,326,167</u>	<u>\$ 4,148,425</u>	<u>\$ 15,694,068</u>	<u>\$ 3,766,673</u>	<u>\$ 19,460,741</u>

STATE OF HAWAII

**Combined Balance Sheet – All Fund Types,
Account Groups and Discretely Presented Component Units (Cont'd)**

June 30, 2001

(Amounts in thousands)

<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Liabilities:				
Vouchers and contracts payable	\$ 82,226	\$ 19,219	\$ —	\$ 12,055
Other accrued liabilities	53,518	8,558	—	—
Prepaid airport use charge fund (note 17)	—	—	—	—
Claims and judgments payable (notes 12, 19 and 22)	—	—	—	—
Due to individuals, businesses and counties	—	—	—	—
Due to other funds (note 15)	6,310	25,600	—	181,208
Due to Component Units (note 15)	9,828	—	—	—
Due to Primary Government (note 15)	—	—	—	—
Due to federal government and others	—	—	—	—
Payable from restricted assets:				
Contracts payable, accrued interest and other	—	—	—	—
Matured bonds and interest payable	—	—	1,410	—
Revenue bonds payable, net (note 10)	—	—	—	—
General obligation bonds payable (note 9)	—	—	—	—
General obligation bonds payable (notes 9 and 12)	—	—	—	—
Notes, mortgage and installment contracts payable (note 8)	—	—	—	—
Deferred revenue	16,000	—	—	—
Accrued vacation payable (note 12)	—	—	—	—
Revenue bonds payable, net (notes 10 and 12)	—	—	—	—
Estimated future costs of land sold	—	—	—	—
Reserve for losses and loss adjustment costs (notes 12 and 22)	—	—	—	—
Capital lease obligations (notes 12 and 17)	—	—	—	—
Other	—	—	—	—
Total Liabilities	<u>167,882</u>	<u>53,377</u>	<u>1,410</u>	<u>193,263</u>
Equity and Other Credits:				
Investment in fixed assets	—	—	—	—
Contributed capital (note 14)	—	—	—	—
Retained earnings – reserved for bond requirements and other	—	—	—	—
Retained earnings – unreserved	—	—	—	—
Fund balances (deficit) (note 11):				
Reserved for refundable federal grants	—	—	—	—
Reserved for continuing appropriations	204,216	215,158	110	677,641
Reserved for receivables and advances	536	220,939	—	—
Reserved for federal aid highway projects encumbrances	—	—	—	124,325
Reserved for Hawaiian programs	—	—	—	—
Reserved for unemployment compensation, bond redemption and other	—	1	828	—
Unreserved:				
Designated for future expenditures	74,235	213,088	—	—
Undesignated	526,354	401,947	—	(823,579)
Total Equity and Other Credits	<u>805,341</u>	<u>1,051,133</u>	<u>938</u>	<u>(21,613)</u>
Commitments and contingencies (notes 17, 18,19, 21, 22 and 23)				
Total Liabilities, Equity and Other Credits	<u>\$ 973,223</u>	<u>\$ 1,104,510</u>	<u>\$ 2,348</u>	<u>\$ 171,650</u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations			
Enterprise	Trust and Agency					
\$ 19,845	\$ 3,288	\$ —	\$ —	\$ 136,633	\$ 71,310	\$ 207,943
16,830	—	—	—	78,906	162,093	240,999
1,148	—	—	—	1,148	—	1,148
—	—	—	341,308	341,308	—	341,308
—	175,156	—	—	175,156	—	175,156
1,232	3,532	—	—	217,882	23,085	240,967
—	—	—	—	9,828	—	9,828
—	—	—	—	—	6,000	6,000
—	—	—	—	—	26,369	26,369
43,016	—	—	—	43,016	—	43,016
530	—	—	—	1,940	—	1,940
63,113	—	—	—	63,113	10,673	73,786
849	—	—	—	849	—	849
950	—	—	3,225,635	3,226,585	17,423	3,244,008
—	—	—	—	—	24,424	24,424
12,057	—	—	—	28,057	27,616	55,673
—	—	—	141,010	141,010	—	141,010
1,091,054	—	—	231,295	1,322,349	849,847	2,172,196
—	—	—	—	—	20,199	20,199
—	—	—	136,000	136,000	—	136,000
—	—	—	73,177	73,177	29,001	102,178
—	51,808	—	—	51,808	8,927	60,735
<u>1,250,624</u>	<u>233,784</u>	<u>—</u>	<u>4,148,425</u>	<u>6,048,765</u>	<u>1,276,967</u>	<u>7,325,732</u>
—	—	5,326,167	—	5,326,167	1,160,552	6,486,719
505,458	—	—	—	505,458	523,856	1,029,314
181,393	—	—	—	181,393	—	181,393
1,296,523	—	—	—	1,296,523	301,486	1,598,009
—	—	—	—	—	120,159	120,159
—	—	—	—	1,097,125	5,947	1,103,072
—	—	—	—	221,475	—	221,475
—	—	—	—	124,325	—	124,325
—	91,225	—	—	91,225	—	91,225
—	408,738	—	—	409,567	80,140	489,707
—	—	—	—	287,323	—	287,323
—	—	—	—	104,722	297,566	402,288
<u>1,983,374</u>	<u>499,963</u>	<u>5,326,167</u>	<u>—</u>	<u>9,645,303</u>	<u>2,489,706</u>	<u>12,135,009</u>
\$ <u>3,233,998</u>	\$ <u>733,747</u>	\$ <u>5,326,167</u>	\$ <u>4,148,425</u>	\$ <u>15,694,068</u>	\$ <u>3,766,673</u>	\$ <u>19,460,741</u>

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Combined Statement of Revenues, Expenditures and Changes in Unreserved Fund Balances (Deficit) – All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes (note 5)	\$ 3,168,905	\$ 254,498	\$ —	\$ —	\$ 126,096	\$ 3,549,499
Interest and investment income	52,925	47,825	—	49,485	31,807	182,042
Charges for current services	102,367	133,896	—	—	19,330	255,593
Intergovernmental	4,106	1,115,671	—	—	7,450	1,127,227
Rentals	12,793	15,910	—	—	3,248	31,951
Fines, forfeitures and penalties	17,447	5,060	—	—	—	22,507
Licenses and fees	955	21,584	—	—	—	22,539
Donations, contributions and deposits	—	—	—	—	26,627	26,627
Revenues from private sources	1,746	36,300	—	—	—	38,046
Accrued interest on general obligation bonds sold	390	—	—	—	—	390
Income tax designation for election campaign	—	—	—	—	455	455
Other	42,266	66,143	—	—	9,866	118,275
Total Revenues	<u>3,403,900</u>	<u>1,696,887</u>	<u>—</u>	<u>49,485</u>	<u>224,879</u>	<u>5,375,151</u>
Other Financing Sources:						
Proceeds from general obligation bonds (note 9)	—	—	—	150,000	—	150,000
Operating transfers in from other funds (note 16)	—	51,037	353,156	58,978	14,003	477,174
Operating transfers in from Component Units (note 16)	—	55	48,236	—	—	48,291
Capital leases	23,137	—	—	—	—	23,137
Total Other Financing Sources	<u>23,137</u>	<u>51,092</u>	<u>401,392</u>	<u>208,978</u>	<u>14,003</u>	<u>698,602</u>
Total Revenues and Other Financing Sources	<u>3,427,037</u>	<u>1,747,979</u>	<u>401,392</u>	<u>258,463</u>	<u>238,882</u>	<u>6,073,753</u>

STATE OF HAWAII

Combined Statement of Revenues, Expenditures and Changes in Unreserved Fund Balances (Deficit) – All Governmental Fund Types and Expendable Trust Funds (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Expenditures:						
Current:						
General government	\$ 432,668	\$ 50,513	\$ —	\$ —	\$ —	\$ 483,181
Public safety	149,875	51,206	—	—	—	201,081
Highways	—	131,067	—	—	—	131,067
Conservation of natural resources	23,028	27,603	—	—	—	50,631
Health	307,262	123,361	—	—	—	430,623
Welfare	523,820	723,790	—	—	—	1,247,610
Lower education	882,755	155,270	—	—	—	1,038,025
Other education	3,771	8,690	—	—	—	12,461
Culture and recreation	32,437	24,128	—	—	—	56,565
Urban redevelopment and housing	1,295	8,553	—	—	—	9,848
Economic development and assistance	42,429	157,974	—	—	—	200,403
Social security and pension contributions	90,765	—	—	—	—	90,765
Unemployment compensation and other	—	—	—	—	198,967	198,967
Other	8,115	6,728	—	—	—	14,843
Intergovernmental	25	—	—	—	—	25
Capital outlay	23,497	—	—	311,284	—	334,781
Debt service	—	—	401,511	—	—	401,511
Total Expenditures	<u>2,521,742</u>	<u>1,468,883</u>	<u>401,511</u>	<u>311,284</u>	<u>198,967</u>	<u>4,902,387</u>
Other Financing Uses:						
Operating transfers out to other funds (note 16)	325,190	133,063	—	18,603	318	477,174
Operating transfers out to Component Units (note 16)	417,340	—	—	60,707	—	478,047
Total Other Financing Uses	<u>742,530</u>	<u>133,063</u>	<u>—</u>	<u>79,310</u>	<u>318</u>	<u>955,221</u>
Total Expenditures and Other Financing Uses	<u>3,264,272</u>	<u>1,601,946</u>	<u>401,511</u>	<u>390,594</u>	<u>199,285</u>	<u>5,857,608</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>162,765</u>	<u>146,033</u>	<u>(119)</u>	<u>(132,131)</u>	<u>39,597</u>	<u>216,145</u>

STATE OF HAWAII

Combined Statement of Revenues, Expenditures and Changes in Unreserved Fund Balances (Deficit) – All Governmental Fund Types and Expendable Trust Funds (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Other Changes in Unreserved Fund Balances (Deficit):						
Add:						
Continuing appropriations, July 1, 2000	\$ 149,090	\$ 202,560	\$ 258	\$ 696,527	\$ —	\$ 1,048,435
Deduct:						
Continuing appropriations, June 30, 2001	(204,216)	(215,158)	(110)	(677,641)	—	(1,097,125)
	(55,126)	(12,598)	148	18,886	—	(48,690)
Increase in reserve for federal aid highway projects encumbrances, unemployment compensation, Hawaiian programs, bond redemption and other	—	—	(29)	(6,430)	(39,597)	(46,056)
Total Other Changes in Unreserved Fund Balances (Deficit)	(55,126)	(12,598)	119	12,456	(39,597)	(94,746)
Excess of Revenues and Other Financing Sources over (under) Expenditures, Other Financing Uses and Other Changes in Unreserved Fund Balances (Deficit)	107,639	133,435	—	(119,675)	—	121,399
Unreserved Fund Balances (Deficit), July 1, 2000	466,005	506,405	—	(700,042)	—	272,368
Residual equity transfer in from (out to) other funds (note 16)	26,945	(24,805)	—	(2,140)	—	—
Residual equity transfer out to Component Units (note 16)	—	—	—	(1,722)	—	(1,722)
Unreserved Fund Balances (Deficit), June 30, 2001	<u>\$ 600,589</u>	<u>\$ 615,035</u>	<u>\$ —</u>	<u>\$ (823,579)</u>	<u>\$ —</u>	<u>\$ 392,045</u>

See accompanying notes to general purpose financial statements.

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**Combined Statement of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) –
General and Special Revenue Funds (Note 3)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	General Fund			Special Revenue Funds		
	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,196,501	\$ 3,141,993	\$ (54,508)	\$ 249,120	\$ 251,316	\$ 2,196
Interest and investment income	32,001	52,925	20,924	120,648	186,539	65,891
Charges for current services	112,669	108,994	(3,675)	870,274	636,984	(233,290)
Intergovernmental	3,876	4,106	230	1,176,939	1,199,993	23,054
Rentals	5,323	12,793	7,470	67,123	53,273	(13,850)
Fines, forfeitures and penalties	18,713	17,447	(1,266)	11,364	5,335	(6,029)
Licenses and fees	661	955	294	14,062	21,584	7,522
Revenues from private sources	7,080	1,746	(5,334)	37,911	36,307	(1,604)
Accrued interest on general obligation bonds sold	700	390	(310)	—	—	—
Debt service reimbursements	58,565	31,016	(27,549)	—	—	—
Other	68,247	69,213	966	245,595	1,041,286	795,691
Total Revenues	3,504,336	3,441,578	(62,758)	2,793,036	3,432,617	639,581
Expenditures:						
Current:						
General government	608,309	586,651	21,658	338,996	313,426	25,570
Public safety	154,317	151,859	2,458	89,223	58,268	30,955
Highways	—	—	—	198,037	167,137	30,900
Conservation of natural resources	28,177	25,165	3,012	40,631	29,425	11,206
Health	371,438	363,478	7,960	211,666	136,503	75,163
Hospitals	13,000	13,000	—	277,799	136,942	140,857
Welfare	519,231	511,238	7,993	616,783	542,848	73,935
Lower education	1,186,635	1,111,434	75,201	244,659	161,626	83,033
Higher education	409,034	397,502	11,532	232,469	205,363	27,106
Other education	3,752	3,691	61	9,189	8,097	1,092
Culture and recreation	33,424	32,864	560	33,166	24,128	9,038
Urban redevelopment and housing	1,360	1,304	56	14,838	10,061	4,777
Economic development and assistance	45,380	44,785	595	260,241	165,915	94,326
Airports	—	—	—	456,112	422,213	33,899
Water transportation and terminals	—	—	—	53,518	47,311	6,207
Housing	7,567	7,379	188	68,596	36,354	32,242
Social security and pension contributions	42,366	40,580	1,786	—	—	—
Other	9,086	8,981	105	86,735	73,822	12,913
Intergovernmental	25	25	—	—	—	—
Total Expenditures	3,433,101	3,299,936	133,165	3,232,658	2,539,439	693,219
Excess of Revenues over (under) Expenditures	\$ 71,235	\$ 141,642	\$ 70,407	\$ (439,622)	\$ 893,178	\$ 1,332,800

See accompanying notes to general purpose financial statements.

**Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance –
Enterprise Funds and Discretely Presented Component Units**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Enterprise Funds	Component Units	Total Reporting Entity (Memorandum Only)
Operating Revenues:			
Concession fees	\$ 176,861	\$ —	\$ 176,861
Sales of dwelling units	—	282	282
Sales of land	—	6,518	6,518
Airport use charges	36,823	—	36,823
Assessments	—	18,516	18,516
Special mortgage recording fees	—	5,836	5,836
Rentals	85,809	32,580	118,389
Net patient service revenues	—	238,192	238,192
Services	42,962	—	42,962
Interest	—	59,835	59,835
Premiums earned	—	21,084	21,084
Net increase in the fair value of investments	—	19,627	19,627
Other	11,369	8,369	19,738
Total Operating Revenues	<u>353,824</u>	<u>410,839</u>	<u>764,663</u>
Operating Expenses:			
Personal services	79,458	13,414	92,872
Nursing services	—	142,269	142,269
Medical supplies and drugs	—	25,517	25,517
Professional services	—	23,478	23,478
Purchased services	—	18,097	18,097
Other supplies	—	10,464	10,464
Interest	—	46,949	46,949
Depreciation and amortization	102,523	26,016	128,539
Repairs and maintenance	19,830	4,224	24,054
Cost of sales – land	—	14,855	14,855
Airports operations	27,071	—	27,071
Harbors operations	7,578	—	7,578
Fireboat operations	1,086	—	1,086
Loan servicing fees and amortization of bond issue costs	—	498	498
Premiums ceded	—	26,664	26,664
General administration	13,984	11,717	25,701
Project expense	—	6,879	6,879
Provision for uncollectible accounts	—	15,347	15,347
Other	362	30,210	30,572
Total Operating Expenses	<u>251,892</u>	<u>416,598</u>	<u>668,490</u>
Operating Income (Loss)	<u>101,932</u>	<u>(5,759)</u>	<u>96,173</u>

STATE OF HAWAII

**Combined Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balance –
Enterprise Funds and Discretely Presented Component Units (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Enterprise Funds	Component Units	Total Reporting Entity (Memorandum Only)
Nonoperating Revenues (Expenses):			
Interest income	\$ 60,331	\$ 18,708	\$ 79,039
Interest expense	(79,318)	(332)	(79,650)
Amortization of bond discount and bond issue costs	(643)	—	(643)
Contributed capital	27,874	—	27,874
HUD annual contributions	—	27,689	27,689
Loss on disposal of property, plant and equipment	(1,728)	—	(1,728)
Loss on transfer of property, plant and equipment	(1,528)	—	(1,528)
Other	(3,747)	2,441	(1,306)
	<u>1,241</u>	<u>48,506</u>	<u>49,747</u>
Total Net Nonoperating Revenues			
Income before Operating Transfers In and Extraordinary Item	103,173	42,747	145,920
Operating Transfers In From – General Fund (note 16):	<u>—</u>	<u>13,000</u>	<u>13,000</u>
Income before Extraordinary Item	103,173	55,747	158,920
Extraordinary Item:			
Loss from early redemption of revenue bonds payable (note 20)	<u>—</u>	<u>(92)</u>	<u>(92)</u>
Net Income	103,173	55,655	158,828
Excess of expenditures and other financing uses over revenues and other financing sources from governmental operations	—	(15,190)	(15,190)
Depreciation on contributed fixed assets that reduces contributed capital	14,449	9,062	23,511
Restricted contributions, net	<u>—</u>	<u>760</u>	<u>760</u>
Net Change in Retained Earnings/Fund Balance	<u>117,622</u>	<u>50,287</u>	<u>167,909</u>
Retained Earnings/Fund Balance, July 1, 2000, as previously reported	1,360,294	365,013	1,725,307
Adjustment (note 14)	<u>—</u>	<u>18,707</u>	<u>18,707</u>
Retained Earnings/Fund Balance, July 1, 2000, as restated	<u>1,360,294</u>	<u>383,720</u>	<u>1,744,014</u>
Residual equity transfer in from Capital Projects Fund (note 16)	<u>—</u>	<u>1,722</u>	<u>1,722</u>
Retained Earnings/Fund Balance, June 30, 2001	<u>\$ 1,477,916</u>	<u>\$ 435,729</u>	<u>\$ 1,913,645</u>

See accompanying notes to general purpose financial statements.

Combined Statement of Cash Flows – Enterprise Funds and Discretely Presented Component Units

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Enterprise Funds	Component Units	Total Reporting Entity (Memorandum Only)
Cash Flows from Operating Activities:			
Operating income (loss)	\$ 101,932	\$ (5,759)	\$ 96,173
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Provision for uncollectible accounts	3,073	15,347	18,420
Loss on sale of land, property and equipment	—	92	92
Interest paid on bonds	—	46,296	46,296
Depreciation and amortization	102,523	26,016	128,539
Nonoperating expense, net	(754)	—	(754)
Interest on investments	—	(52,846)	(52,846)
Interest on financing lease	—	(852)	(852)
Lender commitment fees amortized	—	(675)	(675)
Amounts released from restrictions	—	1,351	1,351
Net increase in fair value of investments	—	(19,627)	(19,627)
Decrease (increase) in assets:			
Accounts and accrued interest receivable	8,258	(13,515)	(5,257)
Notes, loans and mortgages receivable	—	33,239	33,239
Other assets	(6,329)	5,301	(1,028)
Increase (decrease) in liabilities:			
Vouchers and contracts payable, accrued interest and other	(1,309)	8,668	7,359
Other accrued liabilities	2,047	(17,269)	(15,222)
Prepaid airport use charge fund	418	—	418
Deferred revenue	(14,850)	—	(14,850)
Deferred gain on sale of dwelling units and land	—	(2,949)	(2,949)
Estimated future costs of land sold	—	2,271	2,271
Net Cash Provided by Operating Activities	<u>195,009</u>	<u>25,089</u>	<u>220,098</u>
Cash Flows from Noncapital Financing Activities:			
Principal payments on bond maturities	—	(20,235)	(20,235)
Principal payments on notes payable	—	(336)	(336)
Interest paid on bonds	—	(35,746)	(35,746)
HUD operating subsidy	—	9,969	9,969
Operating transfer in from General Fund	—	13,000	13,000
Contribution returned to State of Hawaii and others	—	(1,769)	(1,769)
Advances from other funds	—	598	598
Subsidies and other	—	2,244	2,244
Net Cash Used in Noncapital Financing Activities	<u>—</u>	<u>(32,275)</u>	<u>(32,275)</u>

STATE OF HAWAII

**Combined Statement of Cash Flows –
Enterprise Funds and Discretely Presented Component Units (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Enterprise Funds	Component Units	Total Reporting Entity (Memorandum Only)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of land, property and equipment	\$ —	\$ 171	\$ 171
Acquisition and construction of property and equipment	(105,276)	(21,894)	(127,170)
Proceeds from sale of revenue bonds	—	27,408	27,408
Proceeds from issuance of refunding revenue bonds	435,616	—	435,616
Payments to refund revenue bonds	(432,040)	—	(432,040)
Payments to defease revenue bonds	(158,335)	—	(158,335)
Repayment of general obligation bond principal	(844)	—	(844)
Repayment of revenue bond principal	(60,478)	(33,535)	(94,013)
Principal payments on notes payable and mortgage loans	—	(124)	(124)
Bond issue costs	(3,576)	—	(3,576)
Interest paid on bonds	(86,888)	(8,313)	(95,201)
Proceeds from federal, state and capital grants	26,690	17,719	44,409
Repayments on capital lease obligations and interest income	—	(2,631)	(2,631)
Net Cash Used in Capital and Related Financing Activities	<u>(385,131)</u>	<u>(21,199)</u>	<u>(406,330)</u>
Cash Flows from Investing Activities:			
Purchase of investments	(49,688)	(342,476)	(392,164)
Proceeds from sales and maturities of investments	78,245	322,048	400,293
Interest from investments	66,380	67,147	133,527
Payment received on direct financing lease	—	1,242	1,242
Net increase in restricted deposits and funded reserves	—	(1,045)	(1,045)
Net Cash Provided by Investing Activities	<u>94,937</u>	<u>46,916</u>	<u>141,853</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(95,185)	18,531	(76,654)
Cash and Cash Equivalents, including Restricted Amounts, July 1, 2000	<u>1,015,809</u>	<u>210,259</u>	<u>1,226,068</u>
Cash and Cash Equivalents, including Restricted Amounts, June 30, 2001	<u>\$ 920,624</u>	<u>\$ 228,790</u>	<u>\$ 1,149,414</u>
Reconciliation of Cash and Cash Equivalents to Combined Balance Sheet:			
Cash and short-term investments	\$ 628,205	\$ 181,822	* \$ 810,027
Restricted assets (note 6)	292,419	46,968	339,387
	<u>\$ 920,624</u>	<u>\$ 228,790</u>	<u>\$ 1,149,414</u>
Noncash Investing, Capital and Financing Activities:			
Capital assets contributed by federal and state agencies	\$ 1,088	\$ 1,722	\$ 2,810
Amortization of bond discount and bond issue costs	2,387	—	2,387
Interest capitalized on construction projects	—	359	359
Equipment acquired under capital leases	—	9,180	9,180
Transfer of land to Primary Government	—	(1,422)	(1,422)
Project costs written off	3,133	—	3,133
Equipment purchases included in accounts payable	—	468	468
Property, plant and equipment contributed by third parties	—	47	47
Equipment acquired under debt	—	11,893	11,893
Assumption of long-term debt and accounts receivable	—	800	800
Reclassification of other current assets to property	—	6	6

*Excludes \$5,670 of time certificates of deposit with original maturities greater than three months, \$22,039 of cash included in the governmental operations of the Housing and Community Development Corporation of Hawaii and \$200,087 of cash and short-term investments included in the University Funds.

See accompanying notes to general purpose financial statements.

Combined Statement of Changes in Fund Balances – Component Unit – University Funds

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
Revenues and Other Additions:				
Unrestricted current funds revenues	\$ 216,711	\$ —	\$ —	\$ —
Tuition and fees	—	2,072	—	—
Federal appropriations	—	3,063	—	—
Federal grants and contracts	—	143,486	189	—
State appropriations	—	—	—	—
State grants and contracts	—	9,424	—	—
Local grants and contracts	—	1,151	—	—
Private gifts, grants and contracts	—	25,939	—	5,260
Endowment and investment income	—	4,231	730	442
Sales and services of educational activities	—	1	—	—
Realized gains on investments	—	—	—	5,182
Expended for plant facilities	—	—	—	—
Amount spent for construction in progress	—	—	—	—
Transfers from other state agencies	—	—	—	—
Retirement of indebtedness	—	—	—	—
Other	—	1,020	1,139	—
Total Revenues and Other Additions	216,711	190,387	2,058	10,884
Expenditures and Other Deductions:				
Educational and general expenditures	480,823	192,018	—	—
Independent operations expenditures	4,868	370	—	—
Auxiliary enterprises expenditures	55,816	77	—	—
Administrative and collection cost	—	—	77	—
Expenditures for plant facilities (including uncapitalized expenditures of \$9,992)	—	—	—	—
Loan cancellations and write-offs	—	—	239	—
Unrealized losses on investments	—	—	—	22,521
Increase in allowance for uncollectible loans	—	—	60	—
Retirement of indebtedness – bonds	—	—	—	—
Interest on indebtedness – bonds	—	—	—	—
Disposal of plant facilities	—	—	—	—
Funds lapsed	—	—	—	—
Other	3,463	—	7	—
Total Expenditures and Other Deductions	544,970	192,465	383	22,521

Plant Funds				
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Total
\$ —	\$ —	\$ —	\$ —	\$ 216,711
—	—	—	—	2,072
—	—	291	—	3,354
442	—	—	—	144,117
12	—	—	—	12
—	—	—	—	9,424
—	—	—	—	1,151
(613)	—	—	586	31,172
128	73	—	—	5,604
—	—	—	—	1
—	—	—	—	5,182
—	—	—	17,703	17,703
—	—	—	14,143	14,143
—	—	—	74	74
—	—	—	3,938	3,938
—	—	—	68	2,227
<u>(31)</u>	<u>73</u>	<u>291</u>	<u>36,512</u>	<u>456,885</u>
—	—	—	—	672,841
—	—	—	—	5,238
—	—	—	—	55,893
—	—	—	—	77
19,038	4,045	—	—	23,083
—	—	—	—	239
—	—	—	—	22,521
—	—	—	—	60
—	—	3,938	—	3,938
—	—	3,045	—	3,045
—	—	—	14,380	14,380
12	—	—	—	12
—	—	—	3,372	6,842
<u>19,050</u>	<u>4,045</u>	<u>6,983</u>	<u>17,752</u>	<u>808,169</u>

STATE OF HAWAII

**Combined Statement of Changes in Fund Balances –
Component Unit – University Funds (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds
	Unrestricted	Restricted		
University Interfund Transfers In (Out):				
Mandatory:				
Institutional contributions:				
Federal Perkins Loan Program	\$ (66)	\$ —	\$ 66	\$ —
Retirement of indebtedness	(5,079)	(30)	—	—
Renewals and replacements	(206)	—	—	—
Voluntary:				
Retirement of indebtedness	(1,755)	—	—	—
Renewals and replacements	(5,253)	—	—	—
Quasi-endowment – restricted	—	(113)	—	113
Quasi-endowment – fund transfer	981	4,848	—	(5,829)
Institutional contributions to State Higher Education Loan Fund	(195)	—	195	—
Housing assistance loans	(670)	—	670	—
Interfund transfer	(545)	(4,766)	—	—
Total University Interfund Transfers In (Out)	(12,788)	(61)	931	(5,716)
Transfers In (Out) (note 16):				
General Fund	397,346	—	—	—
Special Revenue Funds	—	—	—	—
Debt Service Fund	(48,236)	—	—	—
Capital Projects Fund	—	—	—	—
Total Transfers In (Out)	349,110	—	—	—
Net Increase (Decrease) before Cumulative Effect of Accounting Change	8,063	(2,139)	2,606	(17,353)
Fund Balances, July 1, 2000	62,709	21,624	23,106	199,817
Cumulative Effect of Accounting Change	—	—	—	—
Fund Balances, June 30, 2001	\$ 70,772	\$ 19,485	\$ 25,712	\$ 182,464

See accompanying notes to general purpose financial statements.

Plant Funds				
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Total
\$ —	\$ —	\$ —	\$ —	\$ —
—	—	5,109	—	—
—	206	—	—	—
—	28	1,727	—	—
—	5,253	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	5,311	—
—	5,487	6,836	5,311	—
—	—	—	—	397,346
(55)	—	—	—	(55)
—	—	—	—	(48,236)
12,900	—	—	—	12,900
12,845	—	—	—	361,955
(6,236)	1,515	144	24,071	10,671
41,418	29,265	5,030	1,103,394	1,486,363
—	—	—	(205)	(205)
\$ 35,182	\$ 30,780	\$ 5,174	\$ 1,127,260	\$ 1,496,829

Statement of Current Funds Revenues, Expenditures and Other Changes – Component Unit – University Funds

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues and Other Additions:			
Educational and general:			
Tuition and fees	\$ 115,275	\$ 2,072	\$ 117,347
Federal appropriations	—	3,063	3,063
Federal grants and contracts	18,326	143,284	161,610
Operating transfer in from General Fund	397,346	—	397,346
State grants and contracts	1,360	9,372	10,732
Local grants and contracts	—	1,151	1,151
Private gifts, grants and contracts	91	28,299	28,390
Endowment income	1,488	4,230	5,718
Sales and services of educational activities	9,954	1	9,955
Other	5,934	1,019	6,953
	<u>549,774</u>	<u>192,491</u>	<u>742,265</u>
Total educational and general			
Sales and services of auxiliary enterprises	64,283	—	64,283
	<u>64,283</u>	<u>—</u>	<u>64,283</u>
Total Revenues and Other Additions	<u>614,057</u>	<u>192,491</u>	<u>806,548</u>
Expenditures, Other Deductions and Mandatory Transfers:			
Educational and general:			
Instruction	211,044	26,688	237,732
Research	50,222	106,183	156,405
Public services	27,597	14,811	42,408
Academic support	61,928	7,542	69,470
Student services	26,948	6,675	33,623
Institutional support	53,521	8,608	62,129
Operation and maintenance of plant	47,326	213	47,539
Scholarships and fellowships	2,237	21,298	23,535
Operating transfer to Debt Service Fund	48,236	—	48,236
	<u>529,059</u>	<u>192,018</u>	<u>721,077</u>
Mandatory Transfers for :			
Institutional contributions:			
Federal Perkins Loan Program	66	—	66
	<u>66</u>	<u>—</u>	<u>66</u>
Total educational and general	<u>529,125</u>	<u>192,018</u>	<u>721,143</u>

STATE OF HAWAII

Statement of Current Funds Revenues, Expenditures and Other Changes – Component Unit – University Funds (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Independent Operations – Expenditures	\$ 4,868	\$ 370	\$ 5,238
Auxiliary Enterprises:			
Expenditures	55,816	77	55,893
Mandatory transfers for:			
Retirement of indebtedness	5,079	30	5,109
Renewals and replacements	206	—	206
Total auxiliary enterprises	<u>61,101</u>	<u>107</u>	<u>61,208</u>
Total Expenditures, Other Deductions and Mandatory Transfers	<u>595,094</u>	<u>192,495</u>	<u>787,589</u>
University Interfund Transfers and Other Additions (Deductions):			
Excess of restricted expenditures of \$192,495 over restricted revenues of \$190,387	—	(2,104)	(2,104)
Voluntary transfer to retirement of indebtedness	(1,755)	—	(1,755)
Voluntary transfer to renewals and replacements	(5,253)	—	(5,253)
Quasi-endowment – restricted	—	(113)	(113)
Quasi-endowment – fund transfer	981	4,848	5,829
Institutional contributions to State Higher Education Loan Fund	(195)	—	(195)
Housing assistance loans	(670)	—	(670)
Interfund transfer	(545)	(4,766)	(5,311)
Other	(3,463)	—	(3,463)
Total University Interfund Transfers and Other Additions (Deductions)	<u>(10,900)</u>	<u>(2,135)</u>	<u>(13,035)</u>
Net Increase (Decrease) in Fund Balances	<u>\$ 8,063</u>	<u>\$ (2,139)</u>	<u>\$ 5,924</u>

See accompanying notes to general purpose financial statements.

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STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

(1) Financial Statements Presentation

(a) General

The accompanying general purpose financial statements of the State of Hawaii (State) present the financial position of the various fund types and account groups, the results of operations of the various fund types and the changes in retained earnings/fund balance and cash flows of the Enterprise Funds and Component Units as of and for the fiscal year ended June 30, 2001.

(b) Definition of Reporting Entity

The State has defined its reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This statement establishes standards for defining and reporting on the financial reporting entity. The basic criterion for including a potential component unit within the reporting entity is financial accountability. Other criteria include legal standing and fiscal dependency.

The financial reporting entity consists of the Primary Government, which is the State, and all potential component units for which the Primary Government is financially accountable and other organizations for which the nature and significance of their relationship with the Primary Government are such that exclusion would cause the State's general purpose financial statements to be misleading or incomplete. 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 and are thus included in the accompanying general purpose financial statements:

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

Notes to General Purpose Financial Statements

June 30, 2001

(c) *Discretely Presented Component Units*

The Component Units column in the general purpose 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 State. The discretely presented Component Units are as follows:

University Funds

The State established the University Funds to account for the financial activities of the State's public institutions of higher education whose functions are to 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 require.

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 11 members who are appointed and may be removed by the Governor.

Housing and Community Development Corporation of Hawaii

The Housing and Community Development Corporation of Hawaii (HCDCH) was established as a corporate body to be placed within the Department of Business, Economic Development and Tourism for administrative purposes. In accordance with Act 350, Session Laws of Hawaii (SLH) of 1997, effective July 1, 1998, the functions and employees of the former Housing Finance and Development Corporation, the former Hawaii Housing Authority and the Rental Housing Trust Fund were transferred to the HCDCH. The HCDCH's housing programs will include performing housing finance, housing development, and residential leasehold functions; and clearing, replanning and reconstructing areas in response to the State Legislature's determination that there exists a critical shortage of safe and sanitary, affordable housing units for lower income residents. The State has the ability to influence the budget and programs of the HCDCH.

HRS Chapter 201G states that the HCDCH shall be a public body and a body corporate and politic. The statute provides that the HCDCH shall be headed by a Board of Directors comprised of nine members. The nine members consist of the following:

- Six public members appointed by the Governor (two appointed at large, and the remaining four appointed from each of the counties of Honolulu, Hawaii, Kauai, and Maui);
- The Director of Business, Economic Development and Tourism;
- The Director of Human Services; and
- The Representative of the Governor's Office.

Notes to General Purpose Financial Statements

June 30, 2001

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.

The HHRF is administered and operated by a Board of Directors. The Board 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.

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 served by small rural facilities, by freeing the facilities from unwarranted bureaucratic oversight.

Act 262, SLH of 1996, 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. The Board consists of the following thirteen members:

- Ten members appointed by the Governor:
 - One member from each of the counties of Honolulu, Kauai, and Maui;
 - Two members from the county of Hawaii;
 - One member from either the county of Kauai, or the county of Maui (district of Hana or island of Lanai); and
 - Four at-large members;

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

- The chairperson of the executive public health facility management advisory committee, as an Ex Officio voting member;
- A physician appointed by the executive public health facility management advisory committee; and
- The Director of Health, as an Ex Officio voting member.

The State has provided significant operating subsidies to the HHSC since its inception. 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 were ongoing as of June 30, 2001. Accordingly, the assets, liabilities and fund balances of the HHSC reflected in the accompanying general purpose financial statements at June 30, 2001 may be significantly different from those included in the final settlement.

The HHSC is comprised of the following State Hospitals:

Hilo Medical Center
Hale Ho'ola Hamakua fka Honokaa Hospital
Ka'u Hospital
Kauai Veterans Memorial Hospital
Kohala Hospital
Kona Community Hospital
Kula Hospital
Lanai Community Hospital
Leahi Hospital
Samuel Mahelona Memorial Hospital
Maluhia (A Long-Term Care Health Center)
Maui Memorial Medical Center

The financial statements of the HHSC have been prepared in accordance with the American Institute of Certified Public Accountants (AICPA) *Industry Audit Guide – Health Care Organizations*.

Information for obtaining financial statements for the discretely presented Component Units may be obtained from the Department of Accounting and General Services.

The following agencies are excluded from the State's reporting entity:

- Employees' Retirement System (ERS)
- Office of Hawaiian Affairs (OHA)

Notes to General Purpose Financial Statements

June 30, 2001

(d) Fund Accounting

The financial activities are recorded in individual funds classified by type and described in the following sections, each of which is deemed to be a separate accounting entity. The financial position and operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures or expenses. Account groups are used to establish accounting control and accountability for the State's general fixed assets and general long-term obligations. Account groups are not funds as they do not reflect available financial resources and related liabilities.

Governmental Fund Types

General Fund

Financial resources obtained and used for services traditionally provided by a state government, which are not accounted for in other funds, are accounted for in the General Fund.

Special Revenue Funds

Financial resources obtained from specific revenue sources and used for restricted purposes are accounted for in the Special Revenue Funds.

Debt Service Fund

Financial resources obtained and used for the payment of principal and interest on general long-term bond obligations are accounted for in the Debt Service Fund.

Capital Projects Fund

Substantially all financial resources obtained and used for the acquisition or construction of state general fixed assets and facilities are reflected in the Capital Projects Fund. Such resources are derived principally from proceeds of general obligation bond issues, federal grants and operating transfers from the Special Revenue Funds.

Proprietary Fund Type

Enterprise Funds

The Enterprise Funds are comprised of the following:

- Department of Transportation – Airports Division (Airports) which 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) which maintains and operates the State's Commercial Harbors System.

Notes to General Purpose Financial Statements

June 30, 2001

Fiduciary Fund Type

Trust and Agency Funds

Transactions related to assets held by the State in a trustee or agency capacity are accounted for in the Trust and Agency Funds. Trust and Agency Funds are comprised of:

- Expendable Trust Funds which account for assets held in trust to be expended for designated purposes.
- Agency Funds which account for employee benefit receipts and payments to the Hawaii Public Employees Health Fund and the clearance accounts for state payroll and tax collections, including protested tax payments.

Account Groups

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all fixed assets of the State other than those accounted for in the Enterprise Funds and Component Units.

General Long-Term Obligations Account Group

The General Long-Term Obligations Account Group is used to account for the unmatured long-term general obligation and revenue bonds, excluding those accounted for in the Enterprise Funds and Component Units. Certain claims and judgments payable, accrued self-insurance claims and accrued vacation payable for Governmental Fund Types are reflected in the General Long-Term Obligations Account Group.

Component Units

University Funds

Financial activities of the State's public institutions of higher education are accounted for in the Component Unit – University Funds.

Enterprise Funds

Component Units – Enterprise Funds are comprised of (1) the HCDCH which provides dwelling units for low and moderate income residents of the State; (2) the HHRF which funds, assesses and provides, when necessary, hurricane property insurance to residents of the State; and (3) the HHSC which was established to provide quality health care for all of the people of the State.

Notes to General Purpose Financial Statements

June 30, 2001

(2) Summary of Significant Accounting Policies

(a) Governmental Fund Types, Expendable Trust and Agency Funds

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the Combined Balance Sheet. Operating statements of those funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The State uses the modified accrual basis of accounting for the General, Special Revenue, Debt Service, Capital Projects and Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues and related current assets are recognized in the accounting period when they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at year-end. Measurable means that the amount of the transaction can be determined. Available means that the amount is collected in the current fiscal year or soon enough after year-end to liquidate liabilities existing at the end of the fiscal year. Revenues susceptible to accrual include federal grants and 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.

Expenditures are recorded when the related fund liabilities are incurred with the exception that principal and interest on general long-term bond obligations are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments of principal and interest to be made early in the following fiscal year.

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 year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Cash and Short-Term Investments

Cash and short-term investments include all cash, repurchase agreements and U.S. government securities with original maturities of three months or less, and all time certificates of deposit.

Investments

Investments in U.S. government securities, corporate debt and equity securities are carried at fair value. Investments in time certificates of deposit and repurchase agreements are carried at cost.

Notes to General Purpose Financial Statements

June 30, 2001

Accumulated Vacation and Sick Leave

State employees' accumulated vacation is expected to be liquidated with future expendable resources and therefore is accrued in the General Long-Term Obligations Account Group. Sick leave is not convertible to pay upon termination of employment and is recorded as an expenditure when taken.

Fund Balances

Portions of fund balances are reserved 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 Combined Balance Sheet date.
- Federal aid highway projects encumbrances.
- Expendable Trust Fund balances which are restricted to the purpose of the accounts.

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.

(b) Proprietary Fund Type

Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of those funds are included in the Combined Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital, fund balance and retained earnings components. Proprietary Fund Type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The accounts of the Proprietary Fund Type are reported under the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned and expenses are recorded when they are incurred, regardless of when received or expended as the case may be. The Proprietary Fund Type has not applied Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the Combined Statement of Cash Flows – Enterprise Funds and Discretely Presented Component Units include all cash and investments with original maturities of three months or less.

Notes to General Purpose Financial Statements

June 30, 2001

Investments

Investments in U.S. government securities, corporate bonds and corporate stocks are stated at fair value. Investments in repurchase agreements and other short-term investments are stated at cost. Contributed investments are recorded at fair value at date of receipt.

Inventories

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

Property, Plant and Equipment

Property, plant and equipment acquired by purchase or construction are recorded at cost. Airports facilities are depreciated on the straight-line basis over estimated useful lives of 20 to 45 years for land improvements and buildings and improvements and 10 years for machinery and equipment.

Depreciation on Harbors facilities is provided on the straight-line basis over estimated useful lives using composite rates of 1% to 4% for land improvements, 1% to 20% for buildings and improvements and 8% for machinery and equipment. Depreciation on Harbors facilities is not provided for in the year of acquisition, but is provided for an entire year in the year of disposal.

Maintenance, repairs, minor replacements, renewals and betterments are charged to operations as incurred. Major replacements, renewals and betterments are capitalized. Disposal of assets is recorded by removing the cost and related accumulated depreciation from the accounts with the resulting gain or loss reflected in operations.

Depreciation on property acquired through grants is included in depreciation expense presented in the Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance – Enterprise Funds and Discretely Presented Component Units, and is transferred to the contributed capital account.

Nonexchange Transactions

Effective July 1, 2000, the State adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. GASB Statement No. 33 requires that the Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Bond Issue Costs

Costs related to the issuance of bonds are capitalized and amortized using the straight-line method over the term of the obligations.

Unamortized Bond Premium and Discount

Bond premium and discount are amortized using the effective interest method over the term of the related debt. The unamortized balance is offset against the related long-term debt.

Notes to General Purpose Financial Statements

June 30, 2001

Unamortized Loss on Refunding

The difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The unamortized loss on refunding is reported as a deduction from the new debt liability.

Interest Cost

Total interest cost incurred for the fiscal year ended June 30, 2001 amounted to \$101,482,000, of which \$22,164,000 was capitalized as part of the acquisition cost of facilities.

Restricted Assets Investments

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.

(c) Account Groups

General Fixed Assets

General fixed assets are recorded at cost. Certain assets for which cost is not determinable have been valued at estimated historical cost. Contributed fixed assets are recorded at fair market value at date of receipt. Infrastructure assets consisting principally of highways, roads and bridges are expended in the Capital Projects Fund and are not capitalized or reported in the General Fixed Assets Account Group. Such assets are normally immovable and of value only to the State. Depreciation is not provided on general fixed assets.

(d) Component Units

Cash and Cash Equivalents and Investments

Cash and cash equivalents and investments are presented on the same basis of accounting as those of the Proprietary Fund Type.

University Funds

Basis of Accounting

The accounts of the Component Unit – University Funds are reported using the current financial resources measurement focus.

Notes to General Purpose Financial Statements

June 30, 2001

The financial statements of the Component Unit – University Funds have been prepared on the accrual basis of accounting with the following exceptions:

- Depreciation expense related to plant fund assets is not recorded.
- Revenues and expenditures of an academic program encompassing more than one fiscal year are reported solely in the fiscal year in which the program is predominantly conducted.

The Combined Statement of Changes in Fund Balances – Component Unit – University Funds is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses. To the extent that current funds are used to finance plant fund assets, the amounts so provided are accounted for as (1) expenditures, in the case of equipment and library books; (2) mandatory transfers, in the case of required provisions for debt agreements and equipment renewal and replacement; and (3) nonmandatory transfers, in all other cases.

Fund Accounting

The financial activities of the UH are recorded in funds which classify the various transactions by specified activities or objectives.

Restricted gifts, grants, endowment income and other restricted resources are accounted for in the Current Funds – Restricted, Loan Funds, Endowment and Similar Funds, and Plant Funds. Revenues and expenditures reported in the Current Funds – Restricted are designated for specific current operating purposes.

Transactions related to the various student loan programs are accounted for in the Loan Funds. Resources restricted for the acquisition of and investment in property, plant and equipment are accounted for in the Plant Funds.

Endowment and Similar Funds are subject to donor restrictions requiring the principal to be invested in perpetuity with only the related income to be utilized.

Agency Funds include all funds held by the UH as custodian or fiscal agent for others.

Enterprise Funds

Basis of Accounting

All Component Units – Enterprise Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of those funds are included in the Combined Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Component Units – Enterprise Funds operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

Notes to General Purpose Financial Statements

June 30, 2001

The accounts of the Component Units – Enterprise Funds are reported under the accrual basis of accounting. Under this basis of accounting, revenues are recognized when they are earned and expenses are recorded when they are incurred, regardless of when received or expended as the case may be.

Inventories

Inventories for the HCDCH consist of developments in progress and dwelling units available for sale which 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. The HCDCH currently has three development projects in progress. Those master planned community projects include Kapolei (Oahu), La'i'opua (Hawaii), and Leiali'i (Maui). Costs included in developments in progress relate to infrastructure construction for those master planned communities.

Materials and supplies are presented on the same basis of accounting as those of the Proprietary Fund Type.

Property, Plant and Equipment

Depreciation is provided by the HCDCH on its property and equipment on the straight-line basis over estimated useful lives of 10 to 40 years for buildings and improvements and 1 to 10 years for equipment.

Depreciation on HHSC facilities is provided on the straight-line basis over estimated useful lives of 5 to 50 years for buildings and improvements and 3 to 25 years for machinery and equipment.

Transfer of depreciation on the HCDCH's assets acquired or constructed from U.S. Department of Housing and Urban Development (HUD) annual contributions is limited to the lesser of the depreciation expense or HUD annual contributions received for the payment of debt principal.

Profit Recognition of Dwelling Unit Sales

The recognition of profit from the sale of dwelling units is dependent on a number of factors relating to the nature of the property sold, the terms of the sale and the future involvement of the HCDCH in the property sold. If a real estate transaction does not meet established financial criteria, profit recognition is deferred until such time as the criteria are met.

Commitment Fees

Commitment fees collected are deferred and amortized as an adjustment of the related loan's yield. The State has anticipated prepayments and is amortizing those amounts over an estimated economic life of 12 years. Costs relating to additional due diligence procedures performed by the State prior to acquiring the loans are expensed as incurred.

Notes to General Purpose Financial Statements

June 30, 2001

Recognition of Premiums and Other Revenues and Premiums Ceded

Premiums are recognized by the HHRF as revenue on a pro rata basis over the policy term. Reinsurance premiums ceded are recognized as incurred over the contract period in proportion to the amount of insurance protection provided.

Assessments

The HHRF recognizes assessments as revenue in the period the assessments are charged which is based on the insurers' gross direct written premiums for the preceding calendar year.

Special Mortgage Recording Fees

The HHRF recognizes special mortgage recording fees as revenue upon the recordation of each mortgage or amendment to a mortgage in the bureau of conveyances or filing with the assistant registrar of the land court of the State.

Servicing Facility Agreements

The HHRF has entered into servicing facility agreements with various property and casualty insurers. Under the terms of those servicing facility agreements, participating insurance companies receive a servicing fee equal to \$25 for each policy issued or renewed on an annual basis.

Reinsurance Arrangements

The HHRF accounts for its reinsurance arrangements in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which establishes accounting and financial reporting standards for risk financing and insurance related activities of state governmental entities. The statement generally requires entities such as the HHRF to follow the accounting and financial reporting standards for similar business enterprises based primarily on Statement of Financial Accounting Standards No. 60, *Accounting and Reporting by Insurance Enterprises*.

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

(e) *All Funds*

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 \$250,000 per occurrence of property losses and the first \$2 million with respect to general liability claims. Losses in excess of those retention amounts are insured with commercial insurance carriers.

Notes to General Purpose Financial Statements

June 30, 2001

The limit per occurrence for property losses is \$100 million (\$50 million for earthquake and flood) and the annual aggregate for general liability losses per occurrence is \$50 million. The State also has an insurance policy to cover medical malpractice risk in the amount of \$30 million per occurrence with no annual aggregate limit. 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 year-end, estimates (based on projections of historical developments) of claims incurred but not reported, and 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 general purpose 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 Combined Balance Sheet – All Fund Types, Account Groups and Discretely Presented Component Units.

Federal Grants

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred and funds are available.

Intrafund and Interfund Transactions

Transfers of financial resources between departments and activities included within the same fund are eliminated. Transfers from funds receiving revenues to funds through which the resources are to be expended are recorded as operating transfers unless the transfers are considered to be nonrecurring or nonroutine transfers of equity, which are then recorded as residual equity transfers.

Notes to General Purpose Financial Statements

June 30, 2001

Recently Issued Accounting Standards

In June 1999, the GASB issued GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 will be effective for the State beginning in the fiscal year ending June 30, 2002, and will significantly affect the way the State reports its financial information. Management has not yet completed its analysis to determine the effects of this statement.

Total Columns on General Purpose Financial Statements

The total columns on the accompanying general purpose financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Information in those columns do not purport to present financial position, results of operations, or cash flows of the State in conformity with accounting principles generally accepted in the United States of America (GAAP). Such data is not comparable to a consolidation. Interfund balances and transactions have not been eliminated.

(3) Budgeting and Budgetary Control

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 Combined Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General and Special Revenue Funds 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 1999 (Act 91, SLH of 1999), as amended by the Supplemental Appropriations Act of 2000 (Act 281, SLH of 2000), and from other authorizations contained in the State Constitution, the HRS and other specific appropriations acts in various SLH.

All expenditures of those appropriated funds are made pursuant to the appropriations in the fiscal 1999-2001 biennial budget.

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

The final legally adopted budget in the accompanying Combined Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General and Special Revenue Funds 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

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

Accounting and General Services. During the fiscal year ended June 30, 2001, there were no expenditures in excess of appropriations in the individual funds.

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

Budgets adopted by the State Legislature for the General Fund and Special Revenue Funds are presented in the Combined Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General and Special Revenue Funds. The State’s annual budget is prepared on the modified accrual basis of accounting with several differences, principally related to (1) the encumbrance of purchase order and contract obligations and equipment acquired through long-term financing (basis difference); (2) the accounting for transfers of debt service payments through the General Fund (perspective difference); and (3) Special Revenue Funds programs which do not require legal appropriations (entity difference). The first two differences represent departures from GAAP.

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2001 follows (amounts expressed in thousands):

	<u>Funds</u>	
	<u>General</u>	<u>Special Revenue</u>
Excess of revenues over expenditures – actual (budgetary basis)	\$ 141,642	\$ 893,178
Reserve for encumbrances at year-end*	198,435	148,915
Expenditures for liquidation of prior fiscal year encumbrances	(155,270)	(168,837)
Expenditures for unbudgeted programs and capital projects accounts	(360)	(81,055)
Enterprise Funds and Component Units**	—	(671,300)
Residual equity transfers	(26,945)	24,805
Tax refunds payable	(3,755)	—
Accrued liabilities	(34,322)	(31,973)
Accrued revenues	43,340	32,300
	<u>162,765</u>	<u>146,033</u>
Excess of revenues and other financing sources over expenditures and other financing uses – GAAP basis	\$ <u>162,765</u>	\$ <u>146,033</u>

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

**Certain accounts of the Enterprise Funds and Component Units are included as Special Revenue Funds for budgetary purposes but excluded under GAAP.

Notes to General Purpose Financial Statements

June 30, 2001

(4) 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'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 and Component Units based on their equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit and repurchase agreements with federally-insured financial institutions.

(a) 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 short-term investments consist of cash, time certificates of deposit and money market accounts. Cash and short-term investments also include repurchase agreements and U.S. government securities with original maturities of three months or less.

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. 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 carrying amount of the State's deposits (cash, time certificates of deposit and money market accounts) as of June 30, 2001 was \$1,276,090,000 for the Primary Government and \$456,586,000 for the Component Units. The difference between deposits and cash and short-term investments as reflected in the general purpose financial statements relate to repurchase agreements and U.S. government securities with original maturities of three months or less amounting to \$685,098,000 (Primary Government – \$685,098,000 and Component Units – \$0).

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 amounted to \$1,579,651,000 at June 30, 2001. The portion of such 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 totaled \$1,244,417,000. The remaining bank balances of \$335,234,000 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 Enterprise Funds' cash in bank which was uninsured and uncollateralized. The Special Revenue Funds' and Enterprise Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations.

(b) Investments

The State holds investments both for its own benefit and as an agent for other parties. The State's investment of funds not required for immediate payments are predominantly comprised of U.S. government securities.

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

The following tables present the State's investments at June 30, 2001 (amounts expressed in thousands), and provide information about the credit and market risks associated with the State's investments. The three categories of credit risk are:

- Category 1: investments which are insured or registered, or securities held by the State or its agent in the State's name.
- Category 2: investments which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
- Category 3: investments which are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

	Fair value	Category		
		1	2	3
Investments – Primary Government:				
U.S. government securities	\$ 212,711	\$ 212,711	\$ —	\$ —
Repurchase agreements	890,570	890,570	—	—
Corporate stocks and bonds	396	396	—	—
Miscellaneous	843,423	843,423	—	—
	1,947,100	1,947,100	—	—
Less:				
Restricted assets investments*	(75,115)	(75,115)	—	—
Investments reported as cash and short-term investments	(685,098)	(685,098)	—	—
	<u>\$ 1,186,887</u>	<u>\$ 1,186,887</u>	<u>\$ —</u>	<u>\$ —</u>
	Fair value	Category		
		1	2	3
Investments – Component Units:				
U.S. government securities	\$ 161,989	\$ 161,982	\$ 7	\$ —
Repurchase agreements	205,138	—	205,138	—
Mortgage-backed securities	481,987	5,974	476,013	—
Corporate stocks and bonds	231,653	146,110	—	85,543
Miscellaneous	2,459	2,459	—	—
	1,083,226	316,525	681,158	85,543
Less restricted assets investments	(682,479)	(1,321)	(681,158)	—
	<u>\$ 400,747</u>	<u>\$ 315,204</u>	<u>\$ —</u>	<u>\$ 85,543</u>

*Restricted assets investments include \$20,210 in repurchase agreements for the Primary Government with original maturities of three months or less which were reclassified as restricted cash and short-term investments.

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

(5) Receivables

(a) Taxes Receivable

The State recognizes revenue for general excise tax, individual income tax, corporate income tax, unemployment compensation tax and miscellaneous other taxes that are collected by merchants and other government agencies and earned by the State as of June 30, 2001, and are due and payable shortly thereafter.

At June 30, 2001, taxes receivable, which includes amounts recognized when an enforceable legal claim arises, net of refunds for income taxes of \$30,700,000, consisted of the following (amounts expressed in thousands):

	Funds		
	General	Special	Expendable Trust
General excise tax	\$ 175,800	\$ —	—
Transient accommodations tax	3,200	7,000	8,400
Income taxes – corporate and individual	97,900	—	—
Unemployment compensation tax	—	—	30,526
	<u>\$ 276,900</u>	<u>\$ 7,000</u>	<u>38,926</u>

(b) Accounts and Accrued Interest Receivable

At June 30, 2001, accounts and accrued interest receivable for the Enterprise Funds and Component Units consisted of the following (amounts expressed in thousands):

	Enterprise Funds		
	Airports	Harbors	Total
Airport services and fees	\$ 16,927	\$ —	\$ 16,927
Harbor services and fees	—	10,829	10,829
Accrued interest	7,009	1,875	8,884
	<u>23,936</u>	<u>12,704</u>	<u>36,640</u>
Less allowance for doubtful accounts	<u>(4,064)</u>	<u>(6,032)</u>	<u>(10,096)</u>
Accounts and accrued interest receivable, net	<u>\$ 19,872</u>	<u>\$ 6,672</u>	<u>\$ 26,544</u>

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Notes to General Purpose Financial Statements

June 30, 2001

	Component Units				
	University	HCDCH	HHRF	HHSC	Total
Hospital patient services	\$ —	\$ —	\$ —	\$ 133,164	\$ 133,164
Accrued interest	2,820	8,402	3,432	—	14,654
Other	25,746	—	—	—	25,746
	28,566	8,402	3,432	133,164	173,564
Less allowance for doubtful accounts	(1,040)	—	—	(89,261)	(90,301)
Accounts and accrued interest receivable, net	\$ 27,526	\$ 8,402	\$ 3,432	\$ 43,903	\$ 83,263

(c) Notes and Loans Receivable

At June 30, 2001, notes and loans receivable, net of estimated uncollectible amounts, consisted of the following (amounts expressed in thousands):

Primary Government:**General Fund:**

Molokai Task Force loans	\$ 153
Independent sugar growers loans	4
Emergency farm loans	132
OHA – economic development loans	47
Hamakua low interest loans	50
Molokai Loan Program Revolving Fund	98
Total General Fund	\$ 484

Special Revenue Funds:**Agriculture:**

Farm loans	\$ 19,105
Hawaii agricultural products loans	26
Hawaii aquacultural loans	289
Business, Economic Development and Tourism:	
Commercial fishing vessel repairs and maintenance loans	52
Hawaii capital loans	7,465
Fisheries new vessel loans	1,754
State disaster loans	66
Hawaii innovation loans	274
Hawaii community-based development loans	360
Hawaiian Home Lands*:	
Homesteaders loans	4,465
Hawaiian Home Lands general loans	41,565
Health – wastewater treatment plant loans	145,518
Total Special Revenue Funds	\$ 220,939

Trust and Agency Funds – Native Hawaiian Rehabilitation Fund loans \$ 5

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

Component Units:		
University Funds – Student loans, net of allowance for doubtful accounts of \$5,304		\$ <u>22,693</u>
Enterprise Funds :		
HCDCH:		
Notes and loans		5,393
Mortgage loans		<u>78,374</u>
Total Enterprise Funds		<u>83,767</u>
Total Component Units		<u>\$ 106,460</u>

*Hawaiian Home Lands loans are generally collateralized by real property.

(6) **Restricted Assets**

Restricted assets are primarily restricted for revenue bond and general obligation bond debt and costs incurred in connection with repairs and maintenance of facilities and equipment.

At June 30, 2001, restricted assets for the Enterprise Funds and Component Units consisted of the following (amounts expressed in thousands):

	Enterprise Funds		
	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Cash	\$ 130,159	\$ 55,815	\$ 185,974
Time certificates of deposit (includes cash equivalents of \$37,103 for Airports and nil for Harbors)	66,993	—	66,993
Repurchase agreements* (cash equivalents)	49,132	20,210	69,342
Investments – repurchase agreements*	54,905	—	54,905
Net direct financing leases	42,739	18,513	61,252
	<u>\$ 343,928</u>	<u>\$ 94,538</u>	<u>\$ 438,466</u>

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Notes to General Purpose Financial Statements

June 30, 2001

	Component Units			
	University	HCDCH	HHSC	Total
Cash	\$ —	\$ 5,623	\$ —	\$ 5,623
Short-term investments (includes cash equivalents of \$41,345 for HCDCH)	—	41,345	—	41,345
Investments:				
U.S. government securities, at fair value	1,321	7	—	1,328
Mortgage-backed securities, at fair value	—	476,013	—	476,013
Repurchase agreements*	—	205,138	—	205,138
Deposits, funded reserves and other	—	6,316	1,400	7,716
	<u>\$ 1,321</u>	<u>\$ 734,442</u>	<u>\$ 1,400</u>	<u>\$ 737,163</u>

*The repurchase agreements are with certain regulated financial institutions and are collateralized by U.S. government securities. The securities collateralizing the repurchase agreements are held by the State's agent in the State's name.

See note 4 for fair values of investments by type and investment risk categories.

Certain leases of state-owned special facilities to parties engaged in airline and maritime operations are accounted for as direct financing leases. At June 30, 2001, net direct financing leases consisted of the following (amounts expressed in thousands):

	Enterprise Funds		
	Airports	Harbors	Total
Total minimum lease payments receivable	\$ 87,532	\$ 27,569	\$ 115,101
Estimated unguaranteed residual value	—	3,600	3,600
Less amount representing interest	(48,398)	(12,656)	(61,054)
	39,134	18,513	57,647
Cash with trustee and other	3,605	—	3,605
	<u>\$ 42,739</u>	<u>\$ 18,513</u>	<u>\$ 61,252</u>

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Notes to General Purpose Financial Statements

June 30, 2001

Minimum future rentals to be received under direct financing leases as of June 30, 2001 consisted of the following (amounts expressed in thousands):

	Enterprise Funds		
	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Fiscal year ending June 30:			
2002	\$ 3,575	\$ 949	\$ 4,524
2003	3,544	949	4,493
2004	3,511	949	4,460
2005	3,601	949	4,550
2006	3,477	949	4,426
Thereafter	69,824	22,824	92,648
	<u>\$ 87,532</u>	<u>\$ 27,569</u>	<u>\$ 115,101</u>

(7) **Property, Plant and Equipment**

(a) *Enterprise Funds and Component Units*

At June 30, 2001, property, plant and equipment for the Enterprise Funds and Component Units consisted of the following (amounts expressed in thousands):

	Enterprise Funds		
	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Land and land improvements	\$ 941,442	\$ 324,877	\$ 1,266,319
Buildings and improvements	1,241,975	293,341	1,535,316
Machinery and equipment	165,405	10,986	176,391
	2,348,822	629,204	2,978,026
Less accumulated depreciation	<u>(895,556)</u>	<u>(119,388)</u>	<u>(1,014,944)</u>
	1,453,266	509,816	1,963,082
Construction in progress	101,885	52,664	154,549
	<u>\$ 1,555,151</u>	<u>\$ 562,480</u>	<u>\$ 2,117,631</u>

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Notes to General Purpose Financial Statements

June 30, 2001

	Component Units			
	University	HCDCH	HHSC	Total
Land and land improvements	\$ 99,822	\$ 63,013	\$ 4,745	\$ 167,580
Buildings and improvements	712,821	566,965	192,496	1,472,282
Machinery and equipment	194,274	13,048	87,493	294,815
Library and other books	127,404	—	—	127,404
	<u>1,134,321</u>	<u>643,026</u>	<u>284,734</u>	<u>2,062,081</u>
Less accumulated depreciation	—	(247,729)	(130,092)	(377,821)
	1,134,321	395,297	154,642	1,684,260
Construction in progress	47,386	23,511	13,799	84,696
	<u>\$ 1,181,707</u>	<u>\$ 418,808</u>	<u>\$ 168,441</u>	<u>\$ 1,768,956</u>

(b) *General Fixed Assets Account Group*

Changes in general fixed assets during the fiscal year ended June 30, 2001 were as follows (amounts expressed in thousands):

	Land	Buildings and Improvements	Equipment	Construction In Progress	Total
Balance, July 1, 2000	\$ 837,519	\$ 3,231,051	\$ 520,490	\$ 727,894	\$ 5,316,954
Additions	63,367	240,763	84,882	175,009	564,021
Deductions	(14,932)	(217,036)	(58,736)	(264,104)	(554,808)
Balance, June 30, 2001	<u>\$ 885,954</u>	<u>\$ 3,254,778</u>	<u>\$ 546,636</u>	<u>\$ 638,799</u>	<u>\$ 5,326,167</u>

(8) **Notes, Mortgage and Installment Contracts Payable – Component Units**

(a) *University Funds*

At June 30, 2001, notes payable to various banks amounted to \$91,000. The notes are payable in monthly or annual installments with interest ranging from 5.88% to 6.75% and are secured by various plant facilities.

At June 30, 2001, installment contracts payable arising from purchases of certain equipment amounted to \$864,000 with interest ranging from 5.30% to 12.00% per annum.

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Notes to General Purpose Financial Statements

June 30, 2001

(b) HCDCH

At June 30, 2001, the HCDCH had three mortgage notes payable to the U.S. Department of Agriculture, Farmers Home Administration, amounting to \$530,000. Two notes were originated in August 1976, and are payable in combined monthly installments of \$2,207, including interest at 1.00%, with the final combined payment due in August 2009. The final note was originated in October 1994, and is payable in monthly installments of \$1,315, including interest at 1%, with the final payment due in October 2027. The notes are secured by property and rental receipts.

During fiscal 1996, the State of Hawaii Affordable Rental Program (SHARP) borrowed \$3.5 million from the Department of Budget and Finance, Rental Housing Trust Fund, and issued approximately \$7 million of revenue bonds to purchase the Kekuilani Courts Rental Housing Project from an outside party. The full amount of the non-interest bearing note is due and payable upon the earlier of June 30, 2027, or the redemption of all SHARP revenue bonds associated with the Kekuilani Courts Rental Housing Project.

The notes payable balance at June 30, 2001, also consisted of a \$171,000, unsecured promissory note payable to an individual. The entire principal balance plus accrued interest, 2% at June 30, 2001, is due on February 15, 2018.

In October 1976, the Banyan Street Manor Project entered into a mortgage note agreement amounting to \$1,728,000 with USGI, Inc. (insured by HUD). In September 1996, Greystone Servicing Corporation, Inc. became the new servicing agent and mortgagee. The mortgage loan bears interest at 7.50% and is collateralized by the rental property. Principal and interest are payable in monthly installments of \$11,370. The mortgage loan matures on January 1, 2018 and amounted to \$954,000 at June 30, 2001.

In December 1996, the HCDCH entered into mortgage agreements with the U.S. Department of Agriculture, Rural Development, in the amount of approximately \$5,214,000 and with the Rental Housing Trust Fund Commission in the amount of approximately \$696,000. The first mortgage loan bears interest at 7.25% and is collateralized by a low-income housing project. Principal and interest are payable in monthly installments of \$11,509. The first mortgage loan matures on December 1, 2046 and amounted to \$5,159,000 at June 30, 2001. The second mortgage loan bears interest at 1.00% and is collateralized by the same low-income housing project. Principal and interest are payable in monthly installments of \$1,475. The second mortgage loan matures on January 1, 2047 and amounted to \$640,000 at June 30, 2001.

The HCDCH also entered into an interest credit and rental assistance agreement in December 1996 with the U.S. Department of Agriculture, Rural Development, which reduces the HCDCH's principal and interest payments. During fiscal 2001, the HCDCH realized approximately \$256,000 of interest credit which reduced the interest expense.

(c) HHSC

In June 2001, the HHSC acquired land, building and medical equipment for \$11,893,162 from Hilo Residency Training Program, Inc. (HRTP). As part of the acquisition, the HHSC assumed HRTP's outstanding balances on the loans and notes payable of \$11,893,162 with interest rates ranging from 4.75% to 9.00%. The loans and notes payable are collateralized by a security interest in the property,

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

plant, and equipment acquired from HRTP, as well as any rights, interest and other tangible assets relating to such property. At June 30, 2001, the loans and notes payable amounted to \$11,815,000.

In June 2001, the HHSC entered into a \$700,000 term loan agreement with a local bank to finance the balance of the amount owing under the HHSC's guarantee of an \$800,000 loan made by the local bank to West Kauai Community Development Corporation. The loan agreement bears interest at the bank's prime rate (6.75% at June 30, 2001).

Debt service requirements to maturity on notes, mortgage and installment contracts payable for fiscal years ending June 30 are summarized below (amounts expressed in thousands):

	<u>University</u>	<u>HCDCH</u>	<u>HHSC</u>	<u>Total Principal Required</u>	<u>Total Interest</u>	<u>Total Amount Required</u>
Fiscal year:						
2002	\$ 698	\$ 131	\$ 521	\$ 1,350	\$ 1,398	\$ 2,748
2003	157	137	585	879	1,321	2,200
2004	67	145	225	437	1,283	1,720
2005	33	153	241	427	1,258	1,685
2006	—	161	259	420	1,233	1,653
Thereafter	—	10,227	10,684	20,911	21,686	42,597
	<u>\$ 955</u>	<u>\$ 10,954</u>	<u>\$ 12,515</u>	<u>\$ 24,424</u>	<u>\$ 28,179</u>	<u>\$ 52,603</u>

(9) General Obligation Bonds Payable

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

All issues except Series BL, issued December 6, 1988; Series BW and BX, issued March 1, 1992; Series BZ, issued October 1, 1992; Series CA and CB, issued January 1, 1993; \$119,585,000 of Series CC, issued February 1, 1993; Series CD, issued February 1, 1993; Series CF, issued July 1, 1993; Series CH and CI, issued November 1, 1993; \$59,560,000 of Series CJ, issued January 1, 1995; \$22,220,000 of Series CK, issued September 1, 1995; \$49,995,000 of Series CL, issued March 1, 1996; Series CM, issued December 1, 1996; \$136,430,000 of Series CN, issued March 1, 1997; Series CO, issued March 1, 1997; \$73,720,000 of Series CP, issued October 1, 1997; Series CQ, issued October 1, 1997; \$101,215,000 of Series CR, issued April 1, 1998; and Series CS, issued April 1, 1998, contain call provisions (call prices range from 103 to 100). Stated interest rates range from 4.00% to 8.00%.

In October 2000, the State issued \$150,000,000 of general obligation bonds, Series CU, dated October 15, 2000, with interest rates ranging from 4.60% to 5.875%. All series CU, except \$45,275,000, contain call provisions (call prices range from 101 to 100). The bonds begin to mature on October 1, 2004 and were issued for the purpose of financing public improvement projects.

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Notes to General Purpose Financial Statements

June 30, 2001

At June 30, 2001, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable		\$	1,089,203
Noncallable			<u>2,155,654</u>
Total general obligation bonds outstanding			3,244,857
Less amount recorded as a liability of:			
Enterprise Funds, including \$849 payable from restricted assets	\$	1,799	
Component Unit – University Funds		<u>17,423</u>	
			<u>19,222</u>
Amount recorded in the General Long-Term Obligations Account Group	\$		<u><u>3,225,635</u></u>

Proceeds of certain general obligation bonds have been contributed as capital to Component Unit – HCDCH. Those bonds are recorded in the General Long-Term Obligations Account Group since principal repayments are funded through the State’s General Fund. Component Unit – HCDCH reimbursed the State’s General Fund approximately \$35,000 for the interest portion of the debt service in fiscal 2001.

A summary of debt service requirements to maturity follows (amounts expressed in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year:			
2002	\$ 227,444	\$ 94,152	\$ 321,596
2003	282,850	147,974	430,824
2004	257,764	158,590	416,354
2005	269,890	151,623	421,513
2006	245,864	129,257	375,121
Thereafter	<u>1,961,045</u>	<u>667,512</u>	<u>2,628,557</u>
	\$ <u><u>3,244,857</u></u>	\$ <u><u>1,349,108</u></u>	\$ <u><u>4,593,965</u></u>

In prior fiscal years, 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 refunded bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State’s general purpose financial statements. At June 30, 2001, \$384,390,000 of bonds outstanding are considered defeased.

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, 2001 was \$133,362,000.

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

At June 30, 2001, general obligation bonds authorized but unissued was approximately \$789,665,000.

(10) Revenue Bonds Payable

(a) *Primary Government*

The Department of Hawaiian Home Lands (DHHL) issued \$18,000,000 of revenue bonds in October 1991 (Series of 1991 bonds). Those bonds are payable from and secured by the DHHL's revenues from available lands and are due in annual installments through July 1, 2011. Interest on those bonds increases from 5.50% to 7.65% and is payable semi-annually on January 1 and July 1. The bonds maturing on or after July 1, 2002 are subject to redemption prior to their stated maturities at the option of the DHHL.

On January 15, 1999, the DHHL issued revenue bonds, Refunding Series of 1999, in the principal amount of \$13,370,000. Bond proceeds related to this issue amounted to \$13,334,000. The difference in the principal amount and proceeds relates to bond discount and accrued interest. The bonds bear interest at rates ranging from 3.80% to 4.45% and mature in increasing annual installments through fiscal 2012. The proceeds from the bonds were used to advance refund certain maturities of the Series of 1991 bonds. The bonds are payable from and secured by the DHHL's revenues from available lands.

On September 1, 1993, the Department of Transportation – Highways Division (Highways) issued \$75,000,000 in State of Hawaii Highway revenue bonds, Series of 1993. The bonds bear interest at rates ranging from 2.60% to 5.00% and mature in increasing annual installments through fiscal 2013. On September 1, 1996, Highways issued \$55,000,000 in State of Hawaii Highway revenue bonds, Series of 1996. The bonds bear interest at rates ranging from 3.80% to 6.00% and mature in increasing annual installments through fiscal 2014. 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 is to be 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 State of Hawaii Highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest at rates ranging from 4.00% to 5.50% and mature in annual installments through fiscal 2019. On October 31, 2000, Highways issued State of Hawaii Highway revenue bonds, Series of 2000, in the principal amount of \$45,360,000. The bonds bear interest at rates ranging from 4.40% to 5.50% and mature in annual installments through fiscal 2021. 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.

The proceeds of the 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 general purpose financial statements as the DHHL and Highways defeased its obligations for payment of those bonds upon completion of those refunding transactions.

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Notes to General Purpose Financial Statements

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Debt service requirements to maturity on the DHHL's and Highways' revenue bonds are summarized below (amounts expressed in thousands):

	<u>DHHL</u>	<u>Highways</u>	<u>Total Principal Required</u>	<u>Total Interest</u>	<u>Total Amount Required</u>
Fiscal year ending June 30:					
2002	\$ 800	\$ 7,140	\$ 7,940	\$ 11,607	\$ 19,547
2003	1,115	8,000	9,115	11,182	20,297
2004	1,155	8,400	9,555	10,733	20,288
2005	1,200	8,815	10,015	10,269	20,284
2006	1,250	9,235	10,485	9,785	20,270
Thereafter	8,650	175,535	184,185	71,142	255,327
	<u>\$ 14,170</u>	<u>\$ 217,125</u>	<u>\$ 231,295</u>	<u>\$ 124,718</u>	<u>\$ 356,013</u>

(b) *Enterprise Funds and Component Unit – HCDCH*

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.

At June 30, 2001, revenue bonds payable (net of unamortized bond premium, bond discount and unamortized loss on refunding) for the Enterprise Funds and Component Unit – HCDCH consisted of the following (amounts expressed in thousands):

	<u>Current (Payable From Restricted Assets)</u>	<u>Noncurrent</u>	<u>Total</u>
Enterprise Funds :			
Airports system revenue bonds	\$ 48,810	\$ 830,732	\$ 879,542
Airports special facility revenue bonds	790	41,665	42,455
Harbors revenue bonds	13,513	202,157	215,670
Harbors special facility revenue bonds	—	16,500	16,500
	<u>\$ 63,113</u>	<u>\$ 1,091,054</u>	<u>\$ 1,154,167</u>
Component Unit – HCDCH			
revenue bonds	<u>\$ 10,673</u>	<u>\$ 830,817</u>	<u>\$ 841,490</u>

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(c) *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 outstanding Airports system revenue bonds at June 30, 2001 (amounts expressed in thousands):

	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount of Issue</u>	<u>Outstanding</u>
Series:				
1991	2020	5.70 – 7.00%	\$ 200,000	\$ 4,425
1991, second	2021	5.40 – 7.00	400,000	8,225
1993, refunding	2013	4.00 – 6.45	131,035	107,565
1994, first refunding	2004	4.15 – 5.60	63,455	39,100
1994, second refunding	2004	4.40 – 5.85	79,070	16,850
1994, third refunding	2009	3.75 – 5.75	94,045	6,265
2000A, refunding	2021	5.50 – 6.00	26,415	26,415
2000B, refunding	2020	5.00 – 8.00	261,465	253,465
2001, refunding	2018	4.00 – 5.75	423,255	423,255
			<u>\$ 1,678,740</u>	<u>885,565</u>
Add unamortized bond premium				19,383
Less:				
Unamortized bond discount				(1,599)
Unamortized loss on refunding				<u>(23,807)</u>
				879,542
Less current portion (payable from restricted assets), net of unamortized bond discount				<u>(48,810)</u>
				<u>\$ 830,732</u>

The certificate providing for the issuance of revenue bonds provides for the levying and collection of minimum net revenues to service and provide reserves for maturing debt principal, interest, sinking fund and replacement and maintenance reserve requirements, and also provides for the maintenance of certain insurance coverages for fire, workers' compensation and public liability. At June 30, 2001, \$244,676,000 was on credit in the revenue bond debt service sinking fund and reserve accounts.

On May 22, 2001, Airports issued \$423,255,000 of Airports system revenue bonds (Refunding Series of 2001) with interest rates ranging from 4.00% to 5.75% to refund \$428,630,000 of its outstanding Series of 1991 and Second Series of 1991 bonds with interest rates ranging from 5.40% to 7.00%. The net proceeds of \$432,039,901 (after payment of \$3,576,093 in underwriting fees, insurance, and other costs), along with an additional \$18,027,298 from the debt service reserve account and the Airport Revenue Fund were deposited in an irrevocable trust with an escrow agent to

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be used to purchase noncallable direct obligations of the United States, maturing in amounts and bearing interest at such rates sufficient to meet the debt service requirements of the Series of 1991 and Second Series of 1991 bonds. On July 1, 2001, the refunded bonds were redeemed at a price of 102%. As a result, the refunded portion of the Series of 1991 and Second Series of 1991 bonds are considered to be defeased and the liability for those bonds has been removed from the general purpose financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$14,979,234. This difference, reported in the accompanying general purpose financial statements as a deduction from the Airports system revenue bonds, is being charged to operations over the next 20 years. Airports in effect reduced its aggregate debt service payments by approximately \$75,179,000 over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$68,919,000.

On May 23, 2001, Airports deposited \$172,638,362 from the debt service reserve account and the Airport Revenue Fund in a separate irrevocable trust with an escrow agent to defease \$158,335,000 of its outstanding Second Series of 1991, Second Refunding Series of 1994, and Third Refunding Series of 1994 bonds (collectively the "defeased bonds"). The funds were used to purchase noncallable direct obligations of the United States, maturing in amounts and bearing interest at such rates sufficient to meet the debt service requirements of the defeased bonds. The defeased bonds are to be redeemed at a price ranging from 100% to 102% at dates ranging from July 1, 2004 to July 1, 2012. As a result, the liability for the defeased bonds has been removed from the general purpose financial statements. The defeasance resulted in the recognition of a loss of \$1,913,183 during the fiscal year ended June 30, 2001.

On May 25, 2000, Airports issued \$26,415,000 and \$261,465,000 of Airports system revenue bonds (Refunding Series of 2000A and Refunding Series of 2000B, respectively) with interest rates ranging from 5.5% to 6.0% and 5.0% to 8.0%, respectively, to refund \$285,830,000 of its outstanding Series of 1990 and 1991 bonds with interest rates ranging from 6.45% to 7.375% and 6.75% to 7.5%, respectively. The net proceeds of \$291,618,133 (after payment of \$2,933,095 in underwriting fees, insurance, and other costs), along with an additional \$8,787,390 from the debt service reserve account and the Airport Revenue Fund were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of the Series of 1990 and 1991 bonds on July 1, 2000. As a result, the refunded portions of the Series of 1990 and 1991 bonds are considered to be defeased and the liability for those bonds has been removed from the general purpose financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$13,156,983. This difference, reported in the accompanying general purpose financial statements as a deduction from the Airports system revenue bonds, is being charged to operations over the next 21 years. Airports in effect reduced its aggregate debt service payments by approximately \$28,516,800 over the next 21 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$22,267,000.

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(d) Airports Special Facility Revenue Bonds

Airports has four special facility lease agreements with Western Airlines, Inc. in 1975 (merged with Delta Airlines, Inc. in 1987), with Continental Airlines, Inc. in July 1990 and November 1997 and with Caterair International Corporation in December 1990. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of \$2,300,000, \$16,600,000, \$25,255,000 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.

The following is a summary of pertinent information on Airports special facility revenue bonds at June 30, 2001:

\$2,300,000 Issue

The bonds have a stated maturity date of June 1, 2005 and bear interest at 6.50% per annum. The bonds are subject to early redemption at the option of Airports, at 100.

\$16,600,000 Issue

On July 15, 2000, Airports issued \$16,600,000 of term special facility bonds (Continental Airlines, Inc.), 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 Airlines, Inc.), with interest rates ranging from 9.60% to 9.70%. The bonds are subject to redemption on or after June 1, 2010, at the option of Airports, upon the request of Continental Airlines, Inc. or, if the facilities are destroyed or damaged extensively, at 100% of principal plus interest.

\$25,255,000 Issue

The bonds bear interest at 5.625% and are subject to redemption on or after November 15, 2007, at the option of Airports, upon the request of Continental Airlines, Inc., 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.

\$6,600,000 Issue

The bonds bear interest at 10.125% and are subject to redemption on or after December 1, 2000, at the option of Airports, upon the request of Caterair International Corporation, 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.

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.

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Debt service requirements to maturity on Airports special facility revenue bonds for fiscal years ending June 30 are summarized below (amounts expressed in thousands):

Fiscal year:		
2002	\$	790
2003		820
2004		850
2005		1,005
2006		965
Thereafter		38,025
	\$	<u>42,455</u>

(e) **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 102-1/2 to 100.

The following is a summary of the outstanding Harbors revenue bonds at June 30, 2001 (amounts expressed in thousands):

	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount of Issue</u>	<u>Outstanding</u>
Year of issue:				
1992	2019	5.10 – 6.50%	\$ 19,450	\$ 16,915
1992, refunding	2008	4.75 – 6.20	13,195	9,690
1993, refunding	2008	4.50 – 6.40	16,525	10,420
1994	2024	5.50 – 6.25	54,010	54,010
1997	2027	3.95 – 5.75	56,290	55,155
2000A	2029	4.50 – 6.00	79,405	76,185
			\$ <u>238,875</u>	222,375
Less:				
				(3,621)
				(3,084)
				215,670
				(13,513)
			\$	<u>202,157</u>

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(f) Harbors Special Facility Revenue Bonds

In 1980, the State Legislature authorized the issuance of special facility revenue bonds for the construction, acquisition, remodeling, furnishing and equipping of state-owned special facilities for lease to parties engaged in maritime operations.

Pursuant to this authorization, \$15,700,000 of 8 1/2% special facility revenue bond anticipation notes were issued in 1981 to finance the construction of container terminal facilities on Sand Island for the exclusive use of Matson Terminals, Inc. In 1983, special facility revenue bonds of \$16,750,000 were issued to refund the notes and to provide additional funds for construction. On April 15, 1993, special facility revenue bonds of \$16,500,000 were issued to refund the outstanding Series of 1983 bonds. The bonds, which bear interest at 5.75% per annum, mature on March 1, 2013, subject to optional redemption on or after March 1, 2003, at prices ranging from 102 to 100. Payment of the principal and interest on the bonds has been guaranteed by Matson Navigation Company, Inc., parent company of the lessee.

(g) Component Unit – HCDCH Revenue Bonds

The State Legislature has enacted various acts which authorized the issuance of HCDCH revenue bonds. Through June 30, 2001, \$1,901,343,000 of revenue bonds have been issued. The revenue bonds are payable solely from and secured solely by the revenues and other monies and assets of the Revenue Bond Funds and other assets of the HCDCH pledged under the indentures.

During fiscal 1998, the HCDCH, through its Single-Family Mortgage Purchase Revenue Bond Fund, issued \$325,490,000 of Single-Family Mortgage Purchase revenue bonds. The bonds were issued to provide funds to purchase single pool mortgage-backed securities and to effect redemptions of certain bonds previously issued by the HCDCH. As a result, those bonds were considered to be in-substance defeased, and the liability for those bonds is no longer reported. The remaining unamortized deferred refunding cost amounted to approximately \$1,898,000 at June 30, 2001. This difference is recorded as a deduction from revenue bonds payable and is being charged to operations through fiscal 2029.

In June 2000, the HCDCH, through its Single-Family Mortgage Purchase Revenue Bond Fund, issued \$106,785,000 of 2000 Series A and \$1,980,000 of 2000 Series B Single-Family Mortgage Purchase revenue bonds. The 2000 Series bonds were issued to provide funds to purchase single pool mortgage-backed securities and to effect a redemption of certain bonds previously issued by the HCDCH. The net proceeds of \$8,765,000 that were earmarked for the redemption of bonds were used to purchase repurchase agreements. Those repurchase agreements were deposited in irrevocable trusts to provide for the redemption of portions of the 1998 Series A, 1997 Series A, 1994 Series A, 1991 Series A and B, and 1990 Series A bonds, by July 1, 2000. As a result, those bonds were considered to be in-substance defeased, and the liability for those bonds is no longer reported. The fiscal 2000 advanced refunding resulted in an accounting loss of approximately \$30,000. This difference is recorded as a deduction from revenue bonds payable and is being charged to operations through fiscal 2008. The HCDCH completed the advanced refunding to reduce its total debt service payments over the next 30 years by approximately \$880,000 and to obtain economic gains of approximately \$370,000.

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The University of Hawaii Faculty Housing Program revenue bonds of \$17,680,000 were issued on November 1, 1995 by the HCDCH on behalf of the UH. The UH pays the principal and interest to the HCDCH pursuant to a capital lease agreement. Under the lease and sublease agreement (Agreement), the HCDCH leases the land under the housing project from the UH for an annual rental of \$1 and then subleases the leased land, buildings and improvements and equipment back to the UH. The UH will make certain lease rental payments to the HCDCH, including amounts sufficient to pay the principal, premium, if any, and interest on the bonds as the same become due and payable. The Agreement expires on June 30, 2026. Upon expiration of the Agreement, the ownership of the buildings and improvements and equipment will revert to the UH.

The following lists the components of the HCDCH's net investment in financing lease as of June 30, 2001 (amounts expressed in thousands):

Total minimum lease payments to be received	\$	33,773
Less unearned interest income		<u>(15,210)</u>
Net investment in financing lease	\$	<u><u>18,563</u></u>

See note 17 describing the UH's capital lease obligation related to this Agreement. The difference between the HCDCH's net investment in financing lease and the UH's capital lease obligation is the result of differences in the HCDCH's implicit interest rate and the interest rate on the revenue bonds described above, and the accounting treatment related to a \$2,450,000 payment from the UH to the HCDCH.

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Notes to General Purpose Financial Statements

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At June 30, 2001, such HCDCH serial and term revenue bonds payable were comprised of the following (amounts expressed in thousands):

	Year of Issue	Final Maturity Date	Interest Rates	Original Amount of Issue	Outstanding
Single-family mortgage purchase revenue bonds:					
Series A	1989	2030	7.25 – 7.80%	\$ 120,145	\$ 930
Series A	1990	2024	7.10 – 8.00	50,000	9,320
Series A	1991	2025	6.45 – 7.10	57,105	14,625
Series B	1991	2032	6.90 – 7.00	62,415	21,445
Series A	1994	2027	4.75 – 6.00	184,380	125,005
Series B	1994	2028	5.70 – 5.90	87,285	87,285
Series A	1997	2031	4.25 – 5.75	116,530	95,810
Series B	1997	2018	4.45 – 5.45	45,400	45,400
Series A	1998	2031	4.10 – 5.40	148,915	140,315
Series B	1998	2029	5.30	11,085	11,085
Series C	1998	2021	5.35	4,060	4,060
Series A	2000	2032	5.30 – 6.38	106,785	106,785
Series B	2000	2015	6.00	1,980	1,980
Multi-family housing revenue bonds:					
Series A	1999	2035	6.30	3,750	3,730
Series A	2000	2036	5.00 – 5.75	27,408	27,408
Rental housing system revenue bonds:					
Series A	1989	2025	Variable	16,500	15,200
Series A	1990	2026	Variable	33,500	32,600
Series B	1990	2026	Variable	35,700	34,900
Series A	1993	2019	4.65 – 5.70	14,025	11,590
State of Hawaii affordable rental housing program revenue bonds:					
Series A	1993	2028	Variable	30,700	30,600
Series A	1995	2031	6.00 – 6.10	7,020	6,835
University of Hawaii faculty housing program revenue bonds:					
1995 issue	1995	2026	4.35 – 5.70	17,680	16,480
				<u>\$ 1,182,368</u>	<u>843,388</u>
			Less unamortized loss on refunding		<u>(1,898)</u>
					841,490
			Less current portion (payable from restricted assets)		<u>(10,673)</u>
				<u>\$ 830,817</u>	<u></u>

On July 1, 2001, the HCDCH redeemed certain outstanding revenue bonds totaling \$11,480,000, of which \$2,920,000 were early redemptions.

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Principal and interest maturities of the Enterprise Funds (excluding Airports and Harbors special facility revenue bonds) and Component Unit – HCDCH revenue bonds, including interest for Airports of \$544,036,000, for Harbors of \$168,034,000 and for the HCDCH of \$907,931,000, were as follows (amounts expressed in thousands):

	Revenue Bonds				
	Enterprise Funds			Component Unit –	
	Airports	Harbors	Total	HCDCH	Total
Fiscal year ending June 30:					
2002	\$ 79,034	\$ 26,403	\$ 105,437	\$ 50,283	\$ 155,720
2003	67,336	19,720	87,056	53,830	140,886
2004	67,578	19,729	87,307	54,295	141,602
2005	81,436	19,745	101,181	54,673	155,854
2006	85,284	19,757	105,041	55,092	160,133
Thereafter	1,048,933	285,055	1,333,988	1,483,146	2,817,134
	1,429,601	390,409	1,820,010	1,751,319	3,571,329
Add:					
Unamortized bond premium	19,383	—	19,383	—	19,383
Less:					
Unamortized bond discount	(1,599)	(3,621)	(5,220)	—	(5,220)
Unamortized loss on refunding	(23,807)	(3,084)	(26,891)	(1,898)	(28,789)
	\$ 1,423,578	\$ 383,704	\$ 1,807,282	\$ 1,749,421	\$ 3,556,703

(h) *Component Unit – University Funds*

Component Unit – University Funds revenue bonds are collateralized by current funds revenues and are not supported by the full faith and credit of the State. At June 30, 2001, such revenue bonds were comprised of the following (amounts expressed in thousands):

	Series	Interest Rates	Outstanding
Student housing system at Manoa	C, D	3.00 – 3.50%	\$ 795
Telecommunications system at Manoa	G	2.40 – 5.70	14,000
Student housing system at Manoa	I	3.40 – 5.50	4,235
			\$ 19,030

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At June 30, 2001, principal and interest maturities of the revenue bonds, including interest of \$10,489,000, were as follows (amounts expressed in thousands):

Fiscal year ending June 30:	
2002	\$ 1,730
2003	1,727
2004	1,726
2005	1,727
2006	1,726
Thereafter	<u>20,883</u>
	<u>\$ 29,519</u>

All of the revenue bond obligations of the Component Unit – University Funds have provisions for early redemption at the option of the UH Board of Regents. The premiums on bond redemption, as a percentage of the bond principal amount redeemed, range up to 2.00%.

(i) **Revenue Bonds Authorized But Unissued**

At June 30, 2001, revenue bonds authorized but unissued was approximately \$2,696,436,000.

(j) **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 general purpose financial statements. Bonds outstanding at June 30, 2001 amounted to \$1,386,456,000. At June 30, 2001, special purpose revenue bonds of \$1,113,040,000 were authorized but unissued.

(k) **Improvement District Bonds**

The Hawaii Community Development Authority 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 general purpose financial statements. Bonds outstanding as of June 30, 2001 amounted to \$5,960,000.

(l) **Refunded Revenue Bonds Escrow Agent**

The Director of Finance is the escrow agent of the irrevocable trusts created as a result of the Airports Refunding Series of 2000A and 2000B and Harbors Series A of 2000 revenue bonds. Investment income on the U.S. government securities (“Securities”) held in the irrevocable trusts accrue to the benefit of the holders of the refunded bonds. Approximately \$23,179,000 of Securities held in those irrevocable trusts at June 30, 2001 are not owned by the State. Accordingly, the

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Notes to General Purpose Financial Statements

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Securities and the related liability to the holders of the refunded bonds are not included in the accompanying general purpose financial statements.

(11) Fund Balances

Governmental Fund Types and Expendable Trust Funds

Changes in the State's fund balances during the fiscal year ended June 30, 2001 were as follows (amounts expressed in thousands):

	Governmental Fund Types				Expendable Trust Funds
	General	Special Revenue	Debt Service	Capital Projects	
Fund balances (deficit), July 1, 2000:					
Reserved	\$ 149,724	\$ 427,858	\$ 1,057	\$ 814,423	\$ 460,366
Unreserved:					
Designated for future expenditures	33,836	187,410	—	—	—
Undesignated	432,169	318,995	—	(700,042)	—
	<u>615,729</u>	<u>934,263</u>	<u>1,057</u>	<u>114,381</u>	<u>460,366</u>
Residual equity transfer in from (out to) other funds and Component Units	<u>26,945</u>	<u>(24,805)</u>	<u>—</u>	<u>(3,863)</u>	<u>—</u>
Changes in reserved fund balances:					
Increase (decrease) in reserve for continuing appropriations	55,126	12,598	(148)	(18,886)	—
Decrease in reserve for receivables and advances	(98)	(4,358)	—	—	—
Decrease in reserve for Hawaiian programs	—	—	—	—	(6,392)
Increase in reserve for federal aid highway projects encumbrances	—	—	—	6,430	—
Increase in reserve for unemployment compensation, bond redemption and other	—	—	29	—	45,989
	<u>55,028</u>	<u>8,240</u>	<u>(119)</u>	<u>(12,456)</u>	<u>39,597</u>
Increase in unreserved fund balances – designated for future expenditures	<u>40,399</u>	<u>25,678</u>	<u>—</u>	<u>—</u>	<u>—</u>
Increase (decrease) in unreserved – undesignated fund balances	<u>67,240</u>	<u>107,757</u>	<u>—</u>	<u>(119,675)</u>	<u>—</u>
Fund balances (deficit), June 30, 2001	<u>\$ 805,341</u>	<u>\$ 1,051,133</u>	<u>\$ 938</u>	<u>\$ (21,613)</u>	<u>\$ 499,963</u>
Fund balances (deficit), June 30, 2001:					
Reserved	\$ 204,752	\$ 436,098	\$ 938	\$ 801,966	\$ 499,963
Unreserved:					
Designated for future expenditures	74,235	213,088	—	—	—
Undesignated	526,354	401,947	—	(823,579)*	—
	<u>\$ 805,341</u>	<u>\$ 1,051,133</u>	<u>\$ 938</u>	<u>\$ (21,613)</u>	<u>\$ 499,963</u>

*The deficit balance of \$823,579 is shown net of unreserved fund balances – designated for future expenditures totaling \$798,648 at June 30, 2001. The deficit balance resulted primarily from continuing appropriations and federal encumbrances in excess of general obligation bonds issued.

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Notes to General Purpose Financial Statements

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At June 30, 2001, the Expendable Trust Funds' fund balance reserved for unemployment compensation and other consisted of the following (amounts expressed in thousands):

Unemployment compensation	\$	354,728
Other		145,235
	\$	<u>499,963</u>

(12) Changes in General Long-Term Obligations Account Group

Changes in the General Long-Term Obligations Account Group were as follows (amounts expressed in thousands):

	Claims and Judgments Payable	General Obligation Bonds Payable	Accrued Vacation Payable	Revenue Bonds Payable	Reserve for Losses and Loss Adjustment Costs	Capital Lease Obligation	Total
Balance, July 1, 2000	\$ 326,256	\$ 3,278,479	\$ 140,545	\$ 192,520	\$ 192,000	\$ 51,980	\$ 4,181,780
Bonds issued	—	150,000	—	45,360	—	—	195,360
Net increase in accrued vacation payable	—	—	465	—	—	—	465
EIR Program (note 18)	7,202	—	—	—	—	—	7,202
Bonds retired	—	(202,844)	—	(6,585)	—	—	(209,429)
DHHL Trust Settlement (note 21)	7,850	—	—	—	—	—	7,850
Net decrease in reserve for losses and loss adjustment costs (note 22)	—	—	—	—	(56,000)	—	(56,000)
Capital lease obligation additions	—	—	—	—	—	23,137	23,137
Capital lease obligation payments (note 17)	—	—	—	—	—	(1,940)	(1,940)
Balance, June 30, 2001	\$ <u>341,308</u>	\$ <u>3,225,635</u>	\$ <u>141,010</u>	\$ <u>231,295</u>	\$ <u>136,000</u>	\$ <u>73,177</u>	\$ <u>4,148,425</u>

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Notes to General Purpose Financial Statements

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(13) Segment and Condensed Financial Information

Segment information and condensed financial statements for the State's Enterprise Funds and Component Units – University and Enterprise Funds (see note 1 for individual fund descriptions) as of and for the fiscal year ended June 30, 2001 were as follows (amounts expressed in thousands):

Condensed Statements of Revenues, Expenses and Changes in Fund Equity

	Enterprise Funds			Component Units – Enterprise Funds			
	Airports	Harbors	Total	HCDCH	HHRF	HHSC	Total
Operating revenues	\$ 287,086	\$ 66,738	\$ 353,824	\$ 124,166	\$ 45,436	\$ 241,237	\$ 410,839
Operating expenses:							
Depreciation	91,228	11,295	102,523	14,559	—	11,457	26,016
Other	120,456	28,913	149,369	105,535	29,227	255,820	390,582
	<u>211,684</u>	<u>40,208</u>	<u>251,892</u>	<u>120,094</u>	<u>29,227</u>	<u>267,277</u>	<u>416,598</u>
Operating income (loss)	75,402	26,530	101,932	4,072	16,209	(26,040)	(5,759)
Interest income	50,641	9,690	60,331	1,298	17,410	—	18,708
Interest expense	(67,332)	(11,986)	(79,318)	(332)	—	—	(332)
Amortization of bond discount and bond issue costs	—	(643)	(643)	—	—	—	—
Contributed capital	27,874	—	27,874	—	—	—	—
HUD annual contributions	—	—	—	27,689	—	—	27,689
Loss on disposal of property, plant and equipment	(1,605)	(123)	(1,728)	—	—	—	—
Loss on transfer of property, plant and equipment	(1,528)	—	(1,528)	—	—	—	—
Other non-operating revenues (expenses)	(2,993)	(754)	(3,747)	389	—	2,052	2,441
Operating transfers in	—	—	—	—	—	13,000	13,000
Income (loss) before extraordinary item	80,459	22,714	103,173	33,116	33,619	(10,988)	55,747
Extraordinary item	—	—	—	(92)	—	—	(92)
Net income (loss)	80,459	22,714	103,173	33,024	33,619	(10,988)	55,655
Excess of expenditures and other financing uses over revenues and other financing sources from governmental operations	—	—	—	(15,190)	—	—	(15,190)
Depreciation on contributed fixed assets that reduces contributed capital	13,892	557	14,449	9,062	—	—	9,062
Restricted contributions, net	—	—	—	—	—	760	760
Fund equity, July 1, 2000, as restated	1,424,507	455,694	1,880,201	657,876	179,985	128,726	966,587
Residual equity transfer in from Capital Projects Fund	—	—	—	—	—	1,722	1,722
Increase in investment in fixed assets	—	—	—	5,123	—	—	5,123
Increase (decrease) in contributed capital	(13,892)	(557)	(14,449)	(30,842)	—	—	(30,842)
Fund equity, June 30, 2001	<u>\$ 1,504,966</u>	<u>\$ 478,408</u>	<u>\$ 1,983,374</u>	<u>\$ 659,053</u>	<u>\$ 213,604</u>	<u>\$ 120,220</u>	<u>\$ 992,877</u>

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

Other Segment Information

	Enterprise Funds			Component Units – Enterprise Funds			
	Airports	Harbors	Total	HCDCH	HHRF	HHSC	Total
Net working capital	\$ 541,432	\$ 75,026	\$ 616,458	\$ 153,996	\$ 213,604	\$ (7,565)	\$ 360,035
Total assets	\$ 2,493,892	\$ 740,106	\$ 3,233,998	\$ 1,584,079	\$ 214,786	\$ 238,480	\$ 2,037,345
Bonds and other long-term liabilities:							
Payable from operating revenues	\$ 872,746	\$ 218,884	\$ 1,091,630	\$ 841,771	\$ —	\$ 25,036	\$ 866,807
Payable from restricted assets	\$ 70,304	\$ 37,204	\$ 107,508	\$ 10,673	\$ —	\$ —	\$ 10,673
Property, plant and equipment:							
Additions	\$ 71,019	\$ 36,303	\$ 107,322	\$ 20,931	\$ —	\$ 24,010	\$ 44,941
Deductions	\$ 6,729	\$ 123	\$ 6,852	\$ 156	\$ —	\$ 15	\$ 171

Condensed Balance Sheets – Component Units

Assets	University Funds	Enterprise Funds		
		HCDCH	HHRF	HHSC
Due from Primary Government	\$ 8,914	\$ 914	\$ —	\$ —
Other current assets	312,864	197,473	214,786	69,941
Property, plant and equipment, net	1,181,707	418,808	—	168,441
Other assets	225,843	966,884	—	98
Total Assets	\$ 1,729,328	\$ 1,584,079	\$ 214,786	\$ 238,480
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Due to Primary Government	\$ 6,000	\$ —	\$ —	\$ —
Other current liabilities	171,960	42,440	1,182	76,106
Bonds payable	36,453	841,490	—	—
Other long-term liabilities	18,086	41,096	—	42,154
Total Liabilities	232,499	925,026	1,182	118,260
Fund Equity and Other Credits:				
Investment in fixed assets	1,127,260	33,292	—	—
Federal grants refundable	120,159	—	—	—
Contributed capital	—	523,755	101	—
Retained earnings/fund balance:				
Restricted	77,119	8,021	—	947
Unrestricted	172,291	93,985	213,503	119,273
Total Fund Equity and Other Credits	1,496,829	659,053	213,604	120,220
Total Liabilities, Fund Equity and Other Credits	\$ 1,729,328	\$ 1,584,079	\$ 214,786	\$ 238,480

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Notes to General Purpose Financial Statements

June 30, 2001

(14) Contributed Capital – Enterprise Funds and Component Units – HCDCH and HHRF

During the fiscal year ended June 30, 2001, contributed capital changed as follows (amounts expressed in thousands):

	Enterprise Funds			Component Units		
	Airports	Harbors	Total	HCDCH	HHRF	Total
Contributed capital, July 1, 2000, as previously reported	\$ 348,224	\$ 171,683	\$ 519,907	\$ 554,596	\$ 101	\$ 554,697
Adjustment*:						
Net property and equipment	—	—	—	(18,659)	—	(18,659)
Contributed capital, July 1, 2000, as restated	348,224	171,683	519,907	535,937	101	536,038
Transfer of land to Primary Government	—	—	—	(3,191)	—	(3,191)
Transfer of depreciation from retained earnings	(13,892)	(557)	(14,449)	(9,062)	—	(9,062)
Other	—	—	—	71	—	71
Contributed capital, June 30, 2001	\$ <u>334,332</u>	\$ <u>171,126</u>	\$ <u>505,458</u>	\$ <u>523,755</u>	\$ <u>101</u>	\$ <u>523,856</u>

*During fiscal 2001, the HCDCH determined that it had erroneously capitalized certain expenditures as fixed assets in the prior years. Accordingly, the beginning retained earnings and contributed capital balances as previously reported have been restated by approximately \$18,659,000.

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Notes to General Purpose Financial Statements

June 30, 2001

(15) Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2001 (amounts expressed in thousands):

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
General Fund:		
Special Revenue Funds	\$ 25,600	\$ —
Debt Service Fund	—	110
Capital Projects Fund	181,208	—
Trust and Agency Funds	70	—
Enterprise Funds – Airports	—	6,200
	<u>206,878</u>	<u>6,310</u>
Component Units:		
University Funds:		
Current Funds – Unrestricted	—	8,914
Current Funds – Restricted	6,000	—
Enterprise Funds – HCDCH	—	914
Total Components Units	<u>6,000</u>	<u>9,828</u>
	<u>212,878</u>	<u>16,138</u>
Special Revenue Funds:		
General Fund	—	25,600
Trust and Agency Funds – Custodial and Clearance	3,462	—
	<u>3,462</u>	<u>25,600</u>
Debt Service Fund – General Fund	<u>110</u>	<u>—</u>
Capital Projects Fund:		
General Fund	—	181,208
Enterprise Funds – Harbors	1,232	—
	<u>1,232</u>	<u>181,208</u>
Enterprise Funds:		
General Fund	6,200	—
Capital Projects Fund	—	1,232
	<u>6,200</u>	<u>1,232</u>
Trust and Agency Funds:		
General Fund	—	70
Special Revenue Funds – Highways	—	3,462
	<u>—</u>	<u>3,532</u>
Component Units:		
University Funds:		
General Fund	8,914	6,000
Internal University Funds	23,085	23,085
	<u>31,999</u>	<u>29,085</u>
Enterprise Funds – General Fund	<u>914</u>	<u>—</u>
	<u>\$ 256,795</u>	<u>\$ 256,795</u>

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Notes to General Purpose Financial Statements

June 30, 2001

(16) Transfers

Operating and other transfers between funds occur when a fund receiving revenues transfers resources to a fund where the resources are to be expended. Residual equity transfers are nonrecurring or nonroutine transfers of equity between funds. For the fiscal year ended June 30, 2001, transfers by fund were as follows (amounts expressed in thousands):

	<u>Transfers In</u>	<u>Transfers Out</u>
Operating and Other Transfers:		
Primary Government:		
General Fund:		
Special Revenue Funds:		
Natural Resources	\$ —	\$ 1,300
Human Services	—	15,467
Economic Development	—	25
Administrative Support	—	45
All Other	—	877
Total Special Revenue Funds	<u>—</u>	<u>17,714</u>
Debt Service Fund	—	307,326
Trust and Agency Funds	—	150
	<u>—</u>	<u>325,190</u>
Component Units:		
University Funds – Current Funds – Unrestricted	—	397,346
HCDCH	—	6,994
HHSC	—	13,000
Total Component Units	<u>—</u>	<u>417,340</u>
Special Revenue Funds:		
General Fund	17,714	—
Other Special Revenue Funds	28,573	28,573
Debt Service Fund	—	45,512
Capital Projects Fund	4,750	58,978
	<u>51,037</u>	<u>133,063</u>
Component Units – University Funds – Plant Funds – Unexpended	<u>55</u>	<u>—</u>
Debt Service Fund:		
General Fund	307,326	—
Special Revenue Funds:		
Highways	41,706	—
Hawaiian Programs	1,409	—
Administrative Support	640	—
All Other	1,757	—
Total Special Revenue Funds	<u>45,512</u>	<u>—</u>
Trust and Agency Funds – Expendable Trust Funds	<u>318</u>	<u>—</u>
	<u>353,156</u>	<u>—</u>
Component Units – University Funds – Current Funds – Unrestricted	<u>48,236</u>	<u>—</u>
Capital Projects Fund:		
Special Revenue Funds:		
Health	—	3,846
Highways	58,978	—
Administrative Support	—	904
Total Special Revenue Funds	<u>58,978</u>	<u>4,750</u>
Trust and Agency Funds – Expendable Trust Funds	<u>—</u>	<u>13,853</u>
	<u>58,978</u>	<u>18,603</u>

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Notes to General Purpose Financial Statements

June 30, 2001

	<u>Transfers In</u>	<u>Transfers Out</u>
Component Units:		
University Funds – Plant Funds – Unexpended	\$ —	\$ 12,900
HCDCH	—	47,807
Total Component Units	<u>—</u>	<u>60,707</u>
	58,978	79,310
Trust and Agency Funds:		
General Fund	150	—
Debt Service Fund	—	318
Capital Projects Fund	13,853	—
	<u>14,003</u>	<u>318</u>
Component Units:		
University Funds:		
General Fund	397,346	—
Special Revenue Funds – Administrative Support	—	55
Debt Service Fund	—	48,236
Capital Projects Fund	12,900	—
Total University Funds	<u>410,246</u>	<u>48,291</u>
HCDCH:		
General Fund	6,994 *	—
Capital Projects Fund	47,807 *	—
Total HCDCH	<u>54,801</u>	<u>—</u>
HHSC – General Fund	13,000	—
	<u>\$ 1,003,512</u>	<u>\$ 1,003,512</u>
Residual Equity Transfers:		
Primary Government:		
General Fund:		
Special Revenue Funds:		
Highways	\$ 11,000	\$ —
Natural Resources	100	—
Economic Development	4,073	—
Regulatory	150	—
Administrative Support	9,482	—
Total Special Revenue Funds	<u>24,805</u>	<u>—</u>
Capital Projects Fund	2,140	—
	<u>26,945</u>	<u>—</u>
Special Revenue Funds – General Fund	—	24,805
Capital Projects Fund:		
General Fund	—	2,140
Component Units – HHSC	—	1,722
	<u>—</u>	<u>3,862</u>
Component Units:		
HHSC – Capital Projects Fund	1,722	—
	<u>\$ 28,667</u>	<u>\$ 28,667</u>

*Represents operating transfers to HCDCH's governmental operations that are not separately presented in the accompanying general purpose financial statements.

STATE OF HAWAII

Notes to General Purpose Financial Statements

June 30, 2001

(17) Leases

(a) *Leases Commitments*

Governmental Fund Types and Expendable Trust Funds

The State leases office facilities and equipment under various operating leases expiring through fiscal 2022. Future minimum lease commitments for noncancelable operating leases as of June 30, 2001 were as follows (amounts expressed in thousands):

Fiscal year ending June 30:	
2002	\$ 6,068
2003	4,983
2004	4,099
2005	2,785
2006	1,523
Thereafter	<u>11,812</u>
Total future minimum lease payments	\$ <u><u>31,270</u></u>

Rent expenditures for operating leases for the fiscal year ended June 30, 2001 amounted to approximately \$47,000,000.

In November 1998, the State issued \$54,850,000 in Certificates of Participation (COPS) to purchase the Kapolei State Office Building (Kapolei Building). The proceeds of the COPS were remitted to the Kapolei Building's developer. The holders of the COPS are the current owners of the Kapolei Building. Accordingly, the State's rental payments for the use of the Kapolei Building are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 1999 and continue through May 1, 2018, with interest rates ranging from 3.10% to 5.25%. Title to the Kapolei Building will transfer to the State upon the payment of all required rents.

In December 2000, the State issued \$23,140,000 in COPS to purchase the No. 1 Capitol District State Office Building (Capitol District Building). The proceeds of the COPS were remitted to the former owners of the Capitol District Building. Accordingly, the State's rental payments for the use of the Capitol District Building are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 2001 and continue through May 1, 2020 with interest rates ranging from 4.5% to 5.375%. Title to the Capitol District Building will transfer to the State upon the payment of all required rents.

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Notes to General Purpose Financial Statements

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

Fiscal year ending June 30:	
2002	\$ 6,348
2003	6,349
2004	6,353
2005	6,350
2006	6,357
Thereafter	<u>80,109</u>
Total future minimum lease payments	111,866
Less amount representing interest	<u>(38,689)</u>
Present value of net minimum lease payments	<u>\$ 73,177</u>

Component Units

The Component Units lease land and facilities under various operating leases expiring through fiscal 2056. Future minimum lease commitments for noncancelable operating leases as of June 30, 2001 were as follows (amounts expressed in thousands):

Fiscal year ending June 30:	
2002	\$ 1,397
2003	997
2004	780
2005	742
2006	752
Thereafter	<u>39,530</u>
Total future minimum lease payments	<u>\$ 44,198</u>

Rent expenditures for the fiscal year ended June 30, 2001 amounted to approximately \$2,102,000.

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Notes to General Purpose Financial Statements

June 30, 2001

HHSC – Capital Lease

As of June 30, 2001, future minimum lease commitments for the capital lease between the HHSC and Academic Capital LLC, including interest of \$2,238,000, were as follows (amounts expressed in thousands):

Fiscal year ending June 30:	
2002	\$ 4,114
2003	3,938
2004	3,264
2005	2,274
2006	928
Thereafter	<u>241</u>
Total future minimum lease payments	\$ <u><u>14,759</u></u>

University Funds – Capital Lease

As of June 30, 2001, future minimum lease commitments for the capital lease between the UH and the HCDCH related to the University of Hawaii Faculty Housing Program revenue bonds, including interest of \$14,220,000, were as follows (amounts expressed in thousands):

Fiscal year ending June 30:	
2002	\$ 1,237
2003	1,237
2004	1,236
2005	1,239
2006	1,235
Thereafter	<u>24,516</u>
Total future minimum lease payments	\$ <u><u>30,700</u></u>

(b) Lease Rentals

Proprietary Fund Type – Enterprise Funds

Airports – Airport-Airline Lease Agreement

Airports had an airport-airline lease agreement with certain major airline carriers (signatory airlines) which expired on July 31, 1992. The expired lease agreement provided the lessees with the nonexclusive right to use the Airports system facilities, equipment, improvements and services, in addition to occupying certain premises and facilities. From August 1, 1992 through June 30, 1993, the signatory airlines continued operations under monthly negotiated agreements with the DOT.

Notes to General Purpose Financial Statements

June 30, 2001

In January 1994, the DOT and the signatory airlines executed a letter agreement to extend the expired airport-airline lease agreement to June 30, 1994. Under the terms of the letter agreement, the signatory airlines would continue to operate under the terms of the expired airport-airline lease agreement, with an adjustment for terms and provisions relating to Airports system rates and charges, which include landing fees, nonexclusive joint-use premise charges for terminal rentals (overseas terminal, new interisland terminal and the international arrivals building), exclusive use premise rentals and Airports system support charges. The letter agreement further stipulated that the aggregate of all such rates and charges, together with aviation fuel taxes (as adjusted for aviation fuel tax credits), payable to the DOT by the signatory airlines would not exceed \$84,175,000. The foregoing rates and charges were adjusted retroactively to July 1, 1993.

In June 1994, the DOT and the signatory airlines executed a lease extension agreement to extend the expired airport-airline lease agreement effective July 1, 1994 to June 30, 1997. Under the terms of the lease extension agreement, the signatory airlines would continue to operate under the terms of the expired airport-airline lease agreement, with an adjustment for terms and provisions relating to Airports system rates and charges. The nature of these charges are similar to those of the expired letter agreement; however, the lease extension agreement does not stipulate a maximum amount for aggregate Airports system charges. Instead, the lease extension agreement's residual rate-setting methodology provides for a final year-end reconciliation containing actual Airports system cost data to determine whether Airports system charges assessed to the signatory airlines were sufficient to recover Airports system costs, including debt service requirements under the certificate providing for the issuance of revenue bonds. Annual settlements based on this final reconciliation are made in accordance with the terms of the lease extension agreement. This final reconciliation resulted in a net overpayment by the signatory airlines of \$464,000 for fiscal 2001, which is included in deferred revenue.

The DOT and the signatory airlines have mutually agreed to continue to operate under the terms of the lease extension agreement which provides for an automatic extension on a quarterly basis unless either party provides 60 days written notice to the other party of termination.

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). During fiscal 2000, the parties agreed to transfer the signatory airlines' net excess payments for fiscal 2000, 1999, 1998 and 1997 into the PAUCF, and Airports then paid \$725,000 out of the PAUCF to the signatory airlines in fiscal year 2001.

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 \$3,870,000 for fiscal 2001.

Notes to General Purpose Financial Statements

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Airports – System Rates and Charges

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

- Landing fees, net of aviation fuel tax credits, amounted to \$36,823,000 for fiscal 2001 based on a computed rate per 1,000 pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland landing fees for signatory and non-signatory airlines are set at 36% and 32%, respectively, of the landing fees for overseas flights.
- Nonexclusive joint-use premise charges for terminal rentals amounted to \$26,534,000 for fiscal 2001. 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. Joint-use premise charges for the neighbor island terminals at Kahului Airport, Kona International Airport at Keahole, Lihue Airport and Hilo International Airport were established to recover from the signatory airlines Airports system costs allocable to the baggage claim, baggage tug drive and joint-use baggage makeup areas based on terminal rental rates and are recovered based on a computed rate per revenue passenger landing in accordance with the lease extension agreement. Effective March 1, 1997, a blended overseas joint-use charge was established to recover costs allocable to Hawaiian Airlines, Inc.'s consolidated terminal operations at the Honolulu International Airport. International arrivals building charges were established to recover Airports system costs allocable to the international arrivals area based on terminal rental rates and are recovered based on a computed rate per deplaning international passenger who uses the international arrivals area. For fiscal 2001, non-signatory airlines revenue was applied as a credit in calculating the joint-use premise charges and international arrivals building charges.
- Exclusive use premise charges amounted to \$26,260,000 for fiscal 2001 and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to \$15,873,000 for fiscal 2001.
- Airports system support charges amounted to \$830,000 for fiscal 2001. 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.

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 45 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, 2001 was approximately \$40,686,000.

Notes to General Purpose Financial Statements

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Concession fees revenues from the DFS Group L.P. (DFS) concession contract accounted for approximately 61% of total concession fees revenues for the fiscal year ended June 30, 2001. The DFS concession contract, effective June 1, 2001, provides for payment of 30% of gross sales attributable to on-airport premises against 20% of the minimum annual guarantee payments aggregating \$300,000,000 over the five-year contract and 22.5% of gross sales attributable to off-airport premises against 80% of the minimum annual guarantee payments aggregating \$300,000,000 over the five-year contract. The DFS retail concession contract, effective March 15, 2001, provides for payment of 20% of gross sales against minimum guarantee payments aggregating \$47,250,000 over the five-year contract. Deferred revenue related to the DFS concession contract amounted to \$11,533,000 at June 30, 2001.

Airports – Subsequent Events

In response to the September 11, 2001 terrorist attacks, the State temporarily suspended airport landing fees and Airports system support charges assessed to signatory and non-signatory airlines. The waiver is effective for the period September 18, 2001 until December 31, 2001, after which time a determination on whether to continue the waiver will be made on a month-to-month basis up to April 30, 2002.

The State has also authorized the Governor to grant certain relief to businesses that have been adversely affected by the terrorist attacks. The DOT has recommended that the Governor grant relief to qualified airport concessionaires in the form of a limited waiver of the minimum annual guarantees payable under the concession agreements.

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 entered into a capital improvements, maintenance, operations and securities agreement (Operations Agreement) with the developer and Harbors. Harbors continues 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 as designated in the developer's proposal and to reimburse Harbors for all losses in revenues and increased expenses which may be incurred by Harbors. The ATDC and the developer have agreed to offset reimbursements due to Harbors for losses in revenues during the construction period, with certain work performed by the developer to repair the structure of Piers 8 through 11, the cost of which would otherwise be incurred by Harbors. The developer is entitled to offset the cost of repairs, not to exceed \$1.1 million, against its obligation to reimburse Harbors for losses in revenues. The first phase of the Aloha Tower complex development has been completed.

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The loss in revenues for fiscal 2001 amounted to \$1,678,000, and has been included in Harbors' rental revenues. As of June 30, 2001, the amount due to Harbors was \$2,865,000.

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 fiscal 2058. Those leases generally call for rental increases every five to ten years based on independent appraisals of the fair rental value of the leased property.

Enterprise Funds and Component Unit – HCDCH

Component Unit – HCDCH leases land to developers and home buyers. The leases are generally for 55 years with the last 25 years' lease rent negotiated based on the fair market value of the land.

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Enterprise Funds and Component Unit – HCDCH as of June 30, 2001 (amounts expressed in thousands):

	Enterprise Funds			Component Unit
	Airports	Harbors	Total	HCDCH
Fiscal year ending				
June 30:				
2002	\$ 86,745	\$ 8,284	\$ 95,029	\$ 327
2003	84,916	8,331	93,247	327
2004	83,334	8,362	91,696	327
2005	83,107	8,320	91,427	286
2006	75,350	8,201	83,551	215
Thereafter	535,028	236,662	771,690	2,620
	<u>\$ 948,480</u>	<u>\$ 278,160</u>	<u>\$ 1,226,640</u>	<u>\$ 4,102</u>

(18) Retirement Benefits

(a) 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 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 option. In 1984, legislation was enacted to add a new noncontributory option for members of the ERS who are also covered under

Notes to General Purpose Financial Statements

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Social Security. Police officers, firefighters, judges, elected officials and persons employed in positions not covered by Social Security are precluded from the noncontributory option. The noncontributory option 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 option or to elect the new noncontributory option and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and noncontributory options, respectively.

Both options 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.

(b) Funding Policy

Most covered employees of the contributory option 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. Under this method, employer contributions to the ERS are comprised of normal cost plus level annual payments required to liquidate the unfunded actuarial liability over the remaining period of 19 years from July 1, 1997.

The State's contribution requirements as of June 30, 2001, 2000 and 1999 were approximately \$7,690,000, \$7,320,000 and \$105,033,000, respectively. The State contributed 100% of its required contributions for those years. Changes in salary growth assumptions and investment earnings pursuant to Act 100, SLH of 1999, decreased the June 30, 2001 and 2000 required contributions. Covered payroll for the fiscal year ended June 30, 2001 was approximately \$1,825,898,000.

(c) Early Incentive Retirement (EIR) Program

Act 212, SLH of 1994, effective July 1, 1994, allowed up to 2 years of additional service credit for certain members of the ERS as an incentive to retire immediately on a service pension. In addition, no age reduction penalties would be applied to those members opting for retirement under this program. Employees of the Department of Education or the UH with at least 25 years of credited service by December 31, 1994 had to retire on June 30, 1995 under the EIR program, and other employees with at least 25 years of credited service at the time of retirement had to retire no later than December 31, 1994. There were 2,925 state employees who retired under the EIR program. Of those employees, 1,485 retired in 1994 and 1,440 retired on June 30, 1995. Act 216, SLH of 2000, changed the funding period for the EIR program's costs from 5 years to 19 years retroactive to June 30, 1997.

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Funding for the cost of the additional benefits paid under the EIR program is to be handled differently from the standard ERS funding. The costs of the additional benefits were determined as the excess of the actuarial value of the actual EIR program benefits paid at retirement over the actuarial value of the earliest retirement benefits the retiring employees could have received from the ERS if no EIR program existed. The State's obligation, considering the change in funding period and payments made under the original five-year period, discounted at 8% on an annuity due basis was \$68,500,000. The State's actuarially determined obligation is to be paid in annual payments of \$6,620,000. To date, the State has paid \$34,400,000 (including interest of \$7,300,000) of its obligation. The State's remaining discounted obligation of \$62,037,000 is included in claims and judgments payable in the General Long-Term Obligations Account Group.

(d) *Post-Retirement Health Care and Life Insurance Benefits*

In addition to providing pension benefits, the State, pursuant to HRS Chapter 87, provides certain health care and life insurance benefits to all qualified employees.

For employees hired before July 1, 1996, the State pays the entire monthly health care premium for employees retiring with ten or more years of credited service, and 50% of the monthly premium for employees retiring with fewer than ten years of credited service.

For employees hired after June 30, 1996, and who retire with fewer 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 retired employees' monthly Medicare or non-Medicare premium. For employees hired after June 30, 1996, and who retire with at least 15 years but fewer than 25 years of service, the State pays 75% of the retired employees' monthly Medicare or non-Medicare premium; for those retiring with over 25 years of service, the State pays the entire health care premium.

There are currently approximately 22,100 state retirants receiving such benefits. Free life insurance coverage for retirants and free dental coverage for dependents under age 19 are also available. Retirants covered by the medical portion of Medicare are eligible to receive a reimbursement of the basic medical coverage premium. Contributions are financed on a pay-as-you-go basis. During fiscal 2001, expenditures of \$106,770,000 were recognized for post-retirement health care and life insurance benefits, approximately \$22,363,000 of which is attributable to the Component Units.

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Notes to General Purpose Financial Statements

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(19) Commitments and Contingencies

(a) 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 9). At June 30, 2001, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds:		
Economic Development	\$	319,624
Highways		135,888
Natural Resources		10,448
Agriculture		8,500
All Other		7,928
Administrative Support		2,709
	\$	<u>485,097</u>

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a state employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2001, accumulated sick leave approximately \$1,057,502,000.

Intergovernmental Expenditures

In accordance with Act 98, SLH of 1999, 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 \$238,500,000 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 Unit – HCDCH. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2001.

Notes to General Purpose Financial Statements

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(b) Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2001, the Enterprise Funds had commitments of approximately \$128,702,000 for construction and service contracts.

(c) Component Units – Enterprise Funds

Construction and Service Contracts

At June 30, 2001, the HCDCH had commitments of approximately \$20,411,000 for construction and service contracts. In addition, the HCDCH has authorization to provide approximately \$873,000 in interim construction loans relating to such contracts.

Loan Commitments and Guarantee

The HCDCH had outstanding commitments to purchase loans from participating lenders of approximately \$85,859,000 at June 30, 2001. In addition, the HCDCH has committed to provide maximum rental assistance subsidies of approximately \$65,435,000 on various projects. The HCDCH also has an agreement to guarantee up to \$40,000,000 of mortgage loans held by the ERS. Under the agreement, the HCDCH guarantees that upon the 120th day of any delinquency or default, it will either cure the arrearage of principal and interest or repurchase the delinquent loan. At June 30, 2001, approximately \$1,757,000 in mortgage loans sold to the ERS were covered by the mortgage loan guarantee. The HCDCH has another agreement to provide interim construction financing of approximately \$67,000,000 subject to the satisfaction of certain terms and conditions of the agreement. The term of the loan matures 48 months from the effective date of the agreement and accrues interest at 7.50%. In fiscal 2001, a request by the developer to amend the agreement was approved by the HCDCH. The major amendments include reduction in the number of units and acres of the development, the land purchase price, reduction to the interim construction financing to \$42,000,000, and the extension for the execution of the loan agreement to November 2001.

Development Costs

At June 30, 2001, the HCDCH has approved funding of development costs for various projects of approximately \$108,600,000, of which approximately \$52,700,000 has been expended, net of approximately \$13,123,000 of reimbursements from the County of Maui and the DOT.

Third-Party Payor Settlements

The estimated third-party payor settlements of the HHSC included in other accrued liabilities in the accompanying Combined Balance Sheet – All Fund Types, Account Groups and Discretely Presented Component Units as of June 30, 2001 are based on preliminary estimates. Such amounts are subject to adjustments in future periods as final settlements are determined.

Notes to General Purpose Financial Statements

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Reinsurance Agreements

In the normal course of business, the HHRF seeks to reduce the loss that may arise in the event of a hurricane that causes unfavorable underwriting results by reinsuring under contracts with reinsurers. The HHRF is currently covered under five excess of loss agreements with reinsurers to be indemnified with respect to the net excess liability as a result of any loss or losses which may be ascribed to hurricane coverage for property. Although the HHRF obtains reinsurance, the HHRF is not relieved of its primary obligation to the policy holder in a reinsurance transaction. The HHRF performs due diligence procedures to ensure that amounts due from unrelated reinsurers will be collectible.

The HHRF's reinsurance program provides for a total of \$785 million for any one loss occurrence in excess of the HHRF's Maximum Industry Loss Assessment (MILA). Coverage is available for multiple loss occurrences up to a maximum of two times the available limit for each loss occurrence. Currently, the \$785 million of reinsurance is divided into five layers comprised of \$52 million, \$103 million, \$130 million, \$250 million and \$250 million layers. The first layer provides \$52 million in excess of the MILA. The second layer provides \$103 million in excess of the MILA plus \$52 million. The third layer provides \$130 million in excess of the MILA plus \$155 million. The fourth layer provides \$250 million in excess of the MILA plus \$285 million. The fifth layer provides \$250 million in excess of the MILA plus \$535 million. Reinsurance is also purchased for premiums required to reinstate limits under these reinsurance contracts to their original amounts. Earned premiums have been reduced by \$26,664,000 for amounts ceded to reinsurers for the fiscal year ended June 30, 2001.

(d) 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 general purpose financial statements. Of the remaining claims (including the OHA matter disclosed in note 21), 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, 2001, 2000 and 1999 approximated \$7,620,000, \$6,200,000 and \$6,000,000, respectively.

In the opinion of the Attorney General, the outcome of all contingencies and litigation will not have a material adverse effect on the financial position of the State.

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. Through June 30, 2001, the State has received approximately \$84,747,000. The State is to receive proceeds from this settlement in January and April of each year through 2003 and thereafter on April 15 of each year.

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Notes to General Purpose Financial Statements

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(20) Extraordinary Item

During fiscal 2001, the HCDCH redeemed revenue bonds totaling \$11,060,000. The related unamortized bond issue costs, bond discount and other costs of \$92,000 were written off when the early redemptions were approved and are reflected as an extraordinary item in the Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance – Enterprise Funds and Discretely Presented Component Units. The revenue bonds redeemed were not refunded.

(21) Related Party Transactions

(a) Office of Hawaiian Affairs

In 1898, the Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the ceded lands) back to the State 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 OHA to administer and manage the proceeds and income derived from a pro rata portion of the ceded lands for native Hawaiians.

In 1979, the State Legislature adopted HRS 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), the Hawaii Supreme Court concluded that HRS Chapter 10 was insufficiently clear regarding the amount of monies OHA was entitled to receive from the public trust lands.

In 1990, in response to *Yamasaki*, the State Legislature adopted Act 304, SLH of 1990, which (1) defined "public land trust" and "revenue," (2) specified that 20% of the "revenue" derived from the "public land trust" was to be expended by OHA for the betterment of native Hawaiians, and (3) established a process for OHA and the Director of Finance to jointly determine the amount of monies which the State would pay OHA to retroactively settle all of OHA's claims for the period from June 16, 1980 through June 30, 1991. Since fiscal 1992, the State, through its departments and agencies, has been paying 20% of "revenue" to OHA on a quarterly basis.

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

In January 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 (First Circuit)), claiming that the amount paid to OHA was inadequate and alleging that the State had failed to properly account for and fully pay the pro rata share of proceeds and income derived from the public land trust. Among other things, the Plaintiffs seek an accounting of all proceeds and income, funds and revenue derived from the public land trust since 1978, and restitution or 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

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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 monies it receives from (1) Airports' in-bond duty-free airport concession (including receipts from the concessionaire's off-airport sales operations); (2) the state-owned and operated Hilo Medical Center; (3) the State's public rental housing projects and affordable housing developments; and (4) 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 of the First Circuit of the State of Hawaii (First Circuit Court) filed an order denying the State's motion to dismiss and rejecting its affirmative defenses. Also on October 24, 1996, the First Circuit Court filed an order granting the Plaintiffs' four motions for partial summary judgment with respect to the State's liability to pay OHA 20% of the monies 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 the Plaintiffs' four partial summary judgment was granted, and all proceedings in the suit have been stayed pending the Hawaii Supreme Court's disposition of the State's appeal.

On September 12, 2001, the Hawaii Supreme Court concluded that Act 304 was effectively repealed by its own terms, and that there were no juridically manageable standards by which to determine whether OHA was entitled to the revenue it sought from the Sources because the repeal of Act 304 revived the law which the Hawaii Supreme Court in *Yamasaki* had previously concluded was insufficiently clear to establish how much OHA was entitled to receive from the ceded lands. See, *OHA v. State*, 96 Haw., 388 (2001). The Supreme Court dismissed the case for lack of justiciability noting that it was up to the State Legislature to enact legislation to give effect to the right of native Hawaiians to benefit from the ceded lands under the State Constitution. It is unlikely that OHA will abandon these claims.

In a second lawsuit, OHA filed a complaint for declaratory and injunctive relief on November 4, 1994 (*OHA v. Housing Finance and Development Corporation et al.*, Civil No. 94-4207-11 (First Circuit)) to enjoin the State from alienating any ceded lands or, alternatively, to preclude the extinguishing of any rights native Hawaiians may have in ceded lands which may be alienated.

On April 2, 1996, the First Circuit Court denied the Defendants' motion for partial summary judgment which sought a ruling from the court that the State has the authority to alienate ceded lands. On March 12, 1998, the Defendants filed another motion (Motion to Dismiss Certain Counts and for Partial Summary Judgment) which the court heard on July 9, 1998 and denied on August 27, 1998. On September 3, 1998, the Defendants filed a Motion for Leave to File Interlocutory Appeal from Order Denying Motion. This motion was heard on September 24, 1998, and was denied on October 7, 1998. At the conclusion of a nonjury trial on December 4, 2001, the First Circuit Court took the case under submission. Both sides made submissions to the court in late December 2001.

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In a third lawsuit, OHA filed suit against the Hawaii Housing Authority (the HHA), 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 (First Circuit)) 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 v. State of Hawaii*, Civil No. 94-0205-01 (First Circuit). The repeal and revival of the pre-*Yamasaki* law by the Hawaii Supreme Court's September 12, 2001 decision in *OHA v. State* should also require dismissal of the claims OHA makes in *OHA v. HHA*.

At the present time, the State is not able to estimate with any reasonable certainty the magnitude of the potential liability as it may be determined either by judicial rulings (either at trial or on appeal) or by legislation enacted as a result of the process established in Act 329. Accordingly, no estimate of loss has been made in the accompanying general purpose financial statements. However, an ultimate decision against the State could have a material adverse effect on the financial position of the State.

(b) Department of Education and Department of Health

Felix v. Cayetano, Civil No. 93-00367 (U.S. District Court for the District of Hawaii). This case involves the State's responsibility under federal law to provide mental health services as a related service to children and adolescents who need such services to benefit from special education. After the U.S. District Court granted partial summary judgment as to liability in the Plaintiff's favor, the parties entered into a consent decree which allowed the State to plan and implement a new system of care. Under the consent decree and the supervision of the U.S. District Court, the State has been implementing a plan to improve the provision of such services. Because of the failure of the State to timely complete the implementation plan approved by the U.S. District Court, the State was held in contempt of court and the consent decree was extended to June 30, 2001 for completion of infrastructure to support the delivery of services and December 31, 2001 for substantial compliance with the consent decree.

The State avoided the U.S. District Court's imposition of a federal court-appointed receiver by meeting the court's revised benchmarks and conditions which the State was ordered to fulfill. At a hearing held on November 30, 2001, the U.S. District Court determined that the State had made significant progress in meeting the terms of the consent decree and, therefore, that a federal receiver was not necessary. The U.S. District Court's final review of the State's compliance with the consent decree will occur after March 30, 2002. The State is not able to estimate with reasonable certainty the ultimate costs of compliance with the consent decree.

(c) Department of Hawaiian Home Lands

Hawaiian Home Lands Trust Fund

Act 14, Special SLH of 1995, was approved by the Governor on June 29, 1995 and obligates the State to make 20 annual deposits of \$30,000,000, or their discounted value equivalent, into the Hawaiian Home Lands Trust Fund beginning in the fiscal year ended June 30, 1996. The primary purpose of Act 14 is to resolve controversies and claims related to the Hawaiian Home Lands trust

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which arose between August 31, 1959 and July 1, 1988. Act 14 also established in the State Treasury a trust fund known as the Hawaiian Home Lands Trust Fund.

The State transferred \$13,853,000 to the Hawaiian Home Lands Trust Fund during the fiscal year ended June 30, 2001.

To date, the State has transferred approximately \$180,000,000 to the Hawaiian Home Lands Trust Fund. The State's remaining \$420,000,000 obligation discounted at 6% assuming annual payments of \$30,000,000 over the remaining term of the obligation, is approximately \$278,850,000. This amount is included in claims and judgments payable in the General Long-Term Obligations Account Group.

Transfer of Property

Act 95, SLH of 1996, authorizes the transfer of certain parcels of land to the DHHL. The properties were conveyed in fiscal 1997 and the allocated costs were charged against contributed capital. The estimated future costs of those parcels will be recognized as contributions returned to the State and others when costs are incurred. The estimated allocated project costs and allocated costs incurred to date of those parcels of land were approximately \$22,278,000 and \$11,927,000, respectively.

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 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 State Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the State Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the State Legislature deemed appropriate by October 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.

Legislation to allow the Panel and the State 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 State Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999. As of September 30, 1999, claims from 1,376 claimants had not been reviewed by the Panel, and all but the claims of two claimants had not been acted upon by the State Legislature. In 1997, the State Legislature declared it to be its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it.

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On September 30, 1999, three claimants filed a suit for declaratory and injunctive relief in the U.S. District Court 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 motion lawsuit in the First 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 (First Circuit Court) (“*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 (Third Circuit Court); *Silva v. State of Hawaii, et al.*, Civil No. 99-4775-12 (First Circuit Court); *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.

On March 30, 2000, the three named-plaintiffs in *Kalima I* filed a second class action lawsuit in the First 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 (First Circuit Court) (“*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 First 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 First Circuit Court rejected Defendants’ sovereign immunity, lack of subject matter jurisdiction, and no-cause 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 First Circuit Court granted Defendants’ motion for leave to file an interlocutory appeal from the August 30, 2000 order in *Kalima I*, and on September 29, 2000, a notice of appeal to the Hawaii Supreme Court and Intermediate Court of Appeals was filed. An order staying all proceedings in *Kalima I* pending the Hawaii Supreme Court’s disposition of the appeal was also entered on November 28, 2000. On September 20, 2001, after the appeal was fully briefed and scheduled for oral argument, the Hawaii Supreme Court entered an order dismissing the appeal for want of appellate jurisdiction. In an order filed on October 3, 2001, the Hawaii Supreme Court denied Defendants’ motion for reconsideration. Defendants have since filed a motion to certify the August 30, 2000 order as a final order so that the questions of law the First Circuit Court decided in issuing the order can again be appealed to the Hawaii Supreme Court for appellate review before a trial is held. No trial date has been set in either *Kalima I* or any of the other individual claims cases.

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At the present time, the State is not able to estimate with any reasonable certainty the magnitude of the potential liability related to these individual claims cases. Accordingly, no estimate of loss has been made in the accompanying general purpose financial statements. However, an ultimate decision against the State could have a material adverse effect on the financial position of the State.

(22) Risk Management

GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, establishes accounting and financial reporting standards for risk financing and insurance related activities of state governmental entities and requires the recordation of 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. Previously, those losses were recorded on a pay-as-you-go basis. 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 are as follows:

(a) Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible is \$250,000 per occurrence. The deductible for windstorm coverage is 2% of loss subject to a \$250,000 per occurrence minimum and a \$3,000,000 per occurrence maximum. The limit of loss per occurrence is \$100,000,000. This policy includes earthquake and flood coverage whose limit of loss per occurrence is \$50,000,000 with a deductible of 2% of loss subject to the \$250,000 deductible.

The State also has \$10,000,000 insurance policies for faithful performance of duty and depositors forgery with \$250,000 deductibles. Losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

(b) 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 \$2,000,000 deductible per occurrence. The annual aggregate per occurrence is \$50,000,000.

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

(c) 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 \$30,000,000 per occurrence and in the aggregate.

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(d) *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.

(e) *Reserve for Losses*

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2001 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 General Long-Term Obligations Account Group 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 (amounts expressed in thousands):

	<u>2001</u>	<u>2000</u>
Unpaid losses and loss adjustment costs at the beginning of the fiscal year	\$ 192,000	\$ 213,000
Incurred losses and loss adjustment costs:		
Provision for insured events of current fiscal year	29,000	18,000
Decrease in provision for insured events of prior fiscal years	<u>(57,000)</u>	<u>(14,000)</u>
Total incurred losses and loss adjustment costs	<u>(28,000)</u>	<u>4,000</u>
Payments:		
Losses and loss adjustment costs attributable to insured events of current fiscal year	4,000	2,000
Losses and loss adjustment costs attributable to insured events of prior fiscal years	<u>24,000</u>	<u>23,000</u>
Total payments	<u>28,000</u>	<u>25,000</u>
Unpaid losses and loss adjustment costs at the end of the fiscal year	\$ <u><u>136,000</u></u>	\$ <u><u>192,000</u></u>

(23) **Subsequent Event**

The tourism industry is considered to be one of the primary components of the State's economy. The effects of the terrorist attack on September 11, 2001 have negatively impacted the State's tourism industry in the short-term. A prolonged downturn in Hawaii's tourism industry may have a significant impact on the State's financial position.

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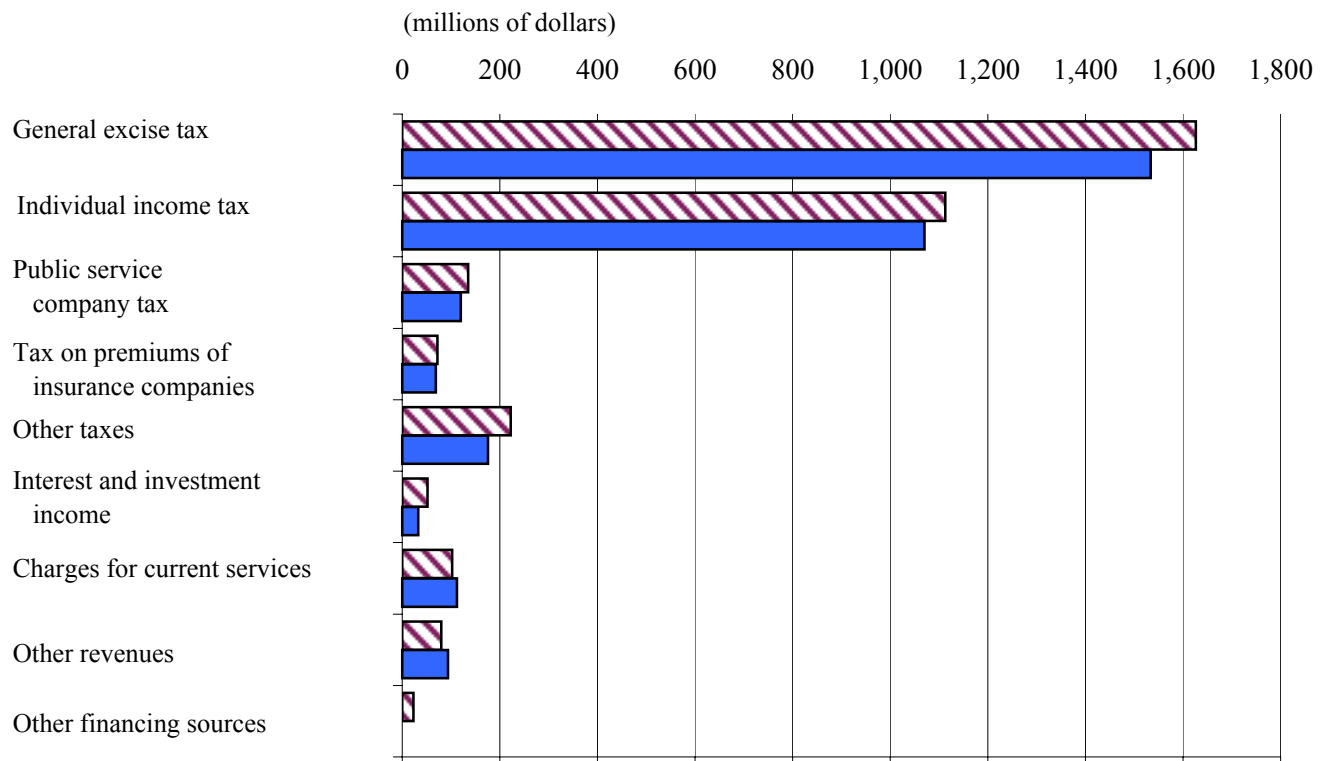
**COMBINING, INDIVIDUAL FUND AND
ACCOUNT GROUP FINANCIAL STATEMENTS
AND SCHEDULES**

GENERAL FUND

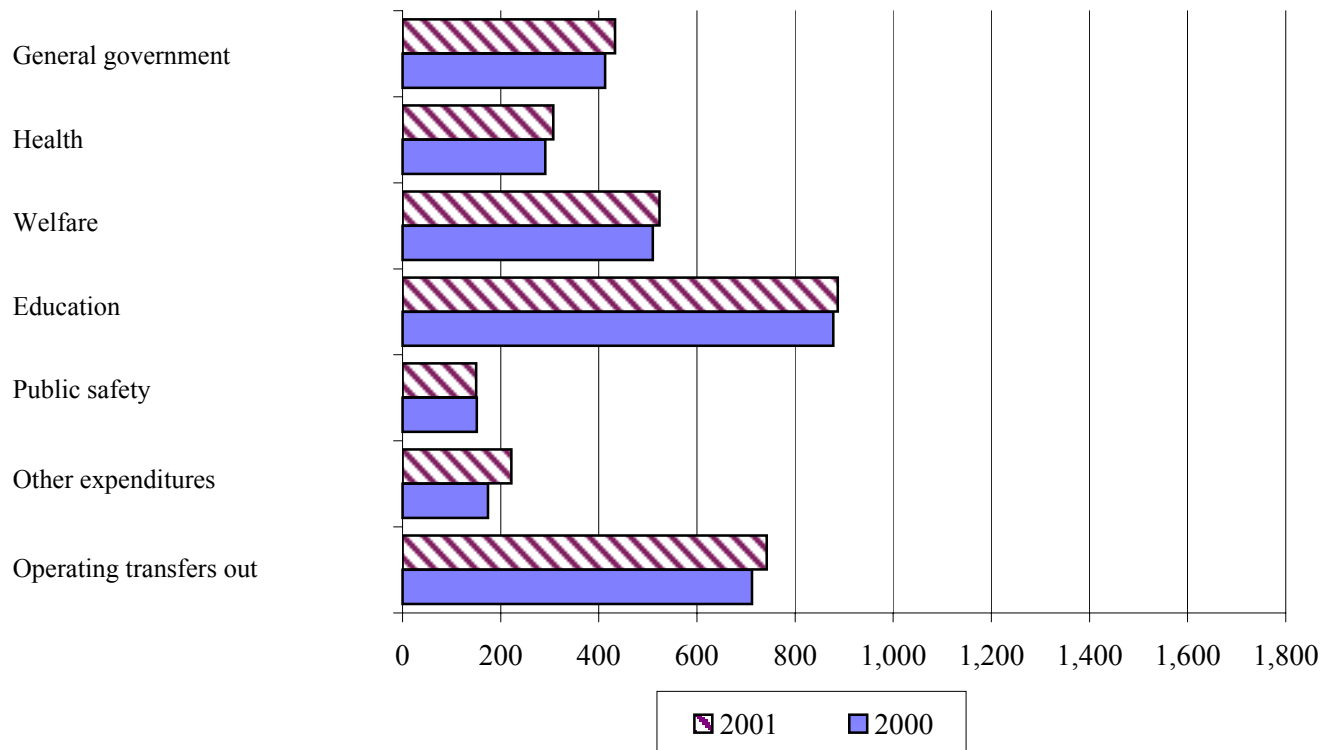
The General Fund is the general operating fund of the State. It is used to account for all financial resources except those required to be accounted for in another fund. Expenditures include those for general government, public safety, conservation of natural resources, health, welfare, education, culture and recreation, urban redevelopment and housing, and economic development and assistance.

GENERAL FUND

Revenues and Other Financing Sources



Expenditures and Other Financing Uses



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General Fund Balance Sheet

June 30, 2001

(Amounts in thousands)

<u>ASSETS</u>		
Cash and short-term investments		\$ 217,775
Receivables:		
Taxes	\$ 276,900	
Notes	484	
Other	161	
Total receivables		277,545
Due from other funds:		
Special Revenue Funds	25,600	
Capital Projects Fund	181,208	
Trust and Agency Funds	70	
Total due from other funds		206,878
Due from Component Units		6,000
Investments		265,025
Total Assets		<u>\$ 973,223</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Vouchers payable		\$ 82,226
Other accrued liabilities		53,518
Due to other funds:		
Debt Service Fund	\$ 110	
Enterprise Funds	6,200	
Total due to other funds		6,310
Due to Component Units		9,828
Deferred revenue		16,000
Total Liabilities		167,882
Fund Balance:		
Reserved for continuing appropriations:		
Unencumbered allotments	8,667	
Unliquidated encumbrances	195,549	
Reserved for receivables and advances	204,216	
Unreserved:		
Designated for future expenditures	74,235	
Undesignated	526,354	
Total Fund Balance		805,341
Total Liabilities and Fund Balance		<u>\$ 973,223</u>

See accompanying independent auditors' report.

General Fund
Statement of Revenues, Expenditures and Changes in
Unreserved Fund Balance

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

Revenues:

Taxes:

General excise tax		\$	1,626,486
Net income tax:			
Corporations			73,857
Individuals			1,113,239
Inheritance and estate tax			17,541
Liquor permits and tax			37,783
Public service company tax			134,583
Tobacco tax			55,074
Tax on premiums of insurance companies			72,113
Franchise tax (banks and other financing institutions)			(2,794)
Transient accommodations tax			33,849
Other taxes, primarily conveyances tax			7,174
Total taxes			<u>3,168,905</u>

Non-taxes:

Interest and investment income	\$	52,925	
Charges for current services		102,367	
Intergovernmental		4,106	
Rentals		12,793	
Fines, forfeitures and penalties		17,447	
Licenses and fees		955	
Revenues from private sources		1,746	
Accrued interest on general obligation bonds sold		390	
Other		42,266	
Total non-taxes			<u>234,995</u>
Total Revenues			<u>3,403,900</u>
Other Financing Source – capital leases			<u>23,137</u>
Total Revenues and Other Financing Source			<u>3,427,037</u>

STATE OF HAWAII

General Fund

**Statement of Revenues, Expenditures and Changes in
Unreserved Fund Balance (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

Expenditures:

Current:

General government	\$	432,668
Public safety		149,875
Conservation of natural resources		23,028
Health		307,262
Welfare		523,820
Lower education		882,755
Other education		3,771
Culture and recreation		32,437
Urban redevelopment and housing		1,295
Economic development and assistance		42,429
Social security and pension contributions		90,765
Other		8,115
Intergovernmental		25
Capital outlay		23,497
		<hr/>
Total Expenditures		2,521,742

Other Financing Uses – operating transfers out to:

Special Revenue Funds	\$	17,714
Debt Service Fund		307,326
Trust and Agency Funds		150
Component Units		417,340
		<hr/>
Total Other Financing Uses		742,530
		<hr/>
Total Expenditures and Other Financing Uses		3,264,272

Excess of Revenues and Other Financing Source over Expenditures and Other Financing Uses	162,765
---	---------

Other Changes in Unreserved Fund Balance:

Add:

Continuing appropriations, July 1, 2000 149,090

Deduct:

Continuing appropriations, June 30, 2001 (204,216)

Total Other Changes in Unreserved Fund Balance	<hr/> (55,126)
--	----------------

Excess of Revenues and Other Financing Source over Expenditures, Other Financing Uses and Other Changes in Unreserved Fund Balance	107,639
---	---------

Unreserved Fund Balance, July 1, 2000	466,005
--	---------

Residual equity transfer in from Special Revenue Funds	24,805
--	--------

Residual equity transfer in from Capital Projects Fund	<hr/> 2,140
--	-------------

Unreserved Fund Balance, June 30, 2001	<hr/> <hr/> \$ 600,589
---	------------------------

See accompanying independent auditors' report.

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

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
General excise tax	\$ 1,627,483	\$ 1,624,586	\$ (2,897)
Net income tax:			
Corporations	74,018	60,793	(13,225)
Individuals	1,149,240	1,104,603	(44,637)
Inheritance and estate tax	26,280	17,541	(8,739)
Liquor permits and tax	39,592	37,783	(1,809)
Public service company tax	118,770	134,583	15,813
Tobacco tax	43,798	55,074	11,276
Tax on premiums of insurance companies	71,659	72,113	454
Franchise tax (banks and other financial institutions)	6,794	(2,794)	(9,588)
Transient accommodations tax	31,483	30,649	(834)
Other taxes, primarily conveyances tax	7,384	7,062	(322)
Total taxes	<u>3,196,501</u>	<u>3,141,993</u>	<u>(54,508)</u>
Non-taxes:			
Interest and investment income	32,001	52,925	20,924
Charges for current services	112,669	108,994	(3,675)
Intergovernmental	3,876	4,106	230
Rentals	5,323	12,793	7,470
Fines, forfeitures and penalties	18,713	17,447	(1,266)
Licenses and fees	661	955	294
Revenues from private sources	7,080	1,746	(5,334)
Accrued interest on general obligation bonds sold	700	390	(310)
Debt service reimbursements	58,565	31,016	(27,549)
Other	68,247	69,213	966
Total non-taxes	<u>307,835</u>	<u>299,585</u>	<u>(8,250)</u>
Total Revenues	<u>3,504,336</u>	<u>3,441,578</u>	<u>(62,758)</u>

STATE OF HAWAII

**General Fund
Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Current:			
General government	\$ 608,309	\$ 586,651	\$ 21,658
Public safety	154,317	151,859	2,458
Conservation of natural resources	28,177	25,165	3,012
Health	371,438	363,478	7,960
Hospitals	13,000	13,000	—
Welfare	519,231	511,238	7,993
Lower education	1,186,635	1,111,434	75,201
Higher education	409,034	397,502	11,532
Other education	3,752	3,691	61
Culture and recreation	33,424	32,864	560
Urban redevelopment and housing	1,360	1,304	56
Economic development and assistance	45,380	44,785	595
Housing	7,567	7,379	188
Social security and pension contributions	42,366	40,580	1,786
Other	9,086	8,981	105
Intergovernmental	25	25	—
Total Expenditures	<u>3,433,101</u>	<u>3,299,936</u>	<u>133,165</u>
Excess of Revenues over Expenditures	\$ <u>71,235</u>	\$ <u>141,642</u>	\$ <u>70,407</u>

See accompanying independent auditors' report.

General Fund**Supplementary Schedule of Unreserved – Undesignated Fund Balance –
Budgetary (Cash) Basis to GAAP Basis**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

Revenues	\$ 3,441,578
Expenditures	3,252,938
Excess of Revenues over Expenditures	<u>188,640</u>
Other Changes in Unreserved – Undesignated Fund Balance:	
Add:	
Continuing appropriations, July 1, 2000	196,877
Deduct:	
Continuing appropriations, June 30, 2001	<u>308,521</u>
	<u>(111,644)</u>
Excess of Revenues over Expenditures and Other Changes in Unreserved – Undesignated Fund Balance	76,996
Unreserved – Undesignated Fund Balance, July 1, 2000, on a Budgetary (Cash) Basis	<u>272,104</u>
Unreserved – Undesignated Fund Balance, June 30, 2001, on a Budgetary (Cash) Basis	349,100
Adjustments from Budgetary (Cash) Basis to GAAP Basis:	
Accrued revenues	304,273
Accrued expenditures	(96,319)
Tax refund liability	<u>(30,700)</u>
Unreserved – Undesignated Fund Balance, June 30, 2001, on a GAAP Basis	<u><u>\$ 526,354</u></u>

See accompanying independent auditors' report.

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SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts or major capital projects that are legally restricted for specific purposes. The major Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The major 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, health care 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, occupational safety and health and unemployment compensation.

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

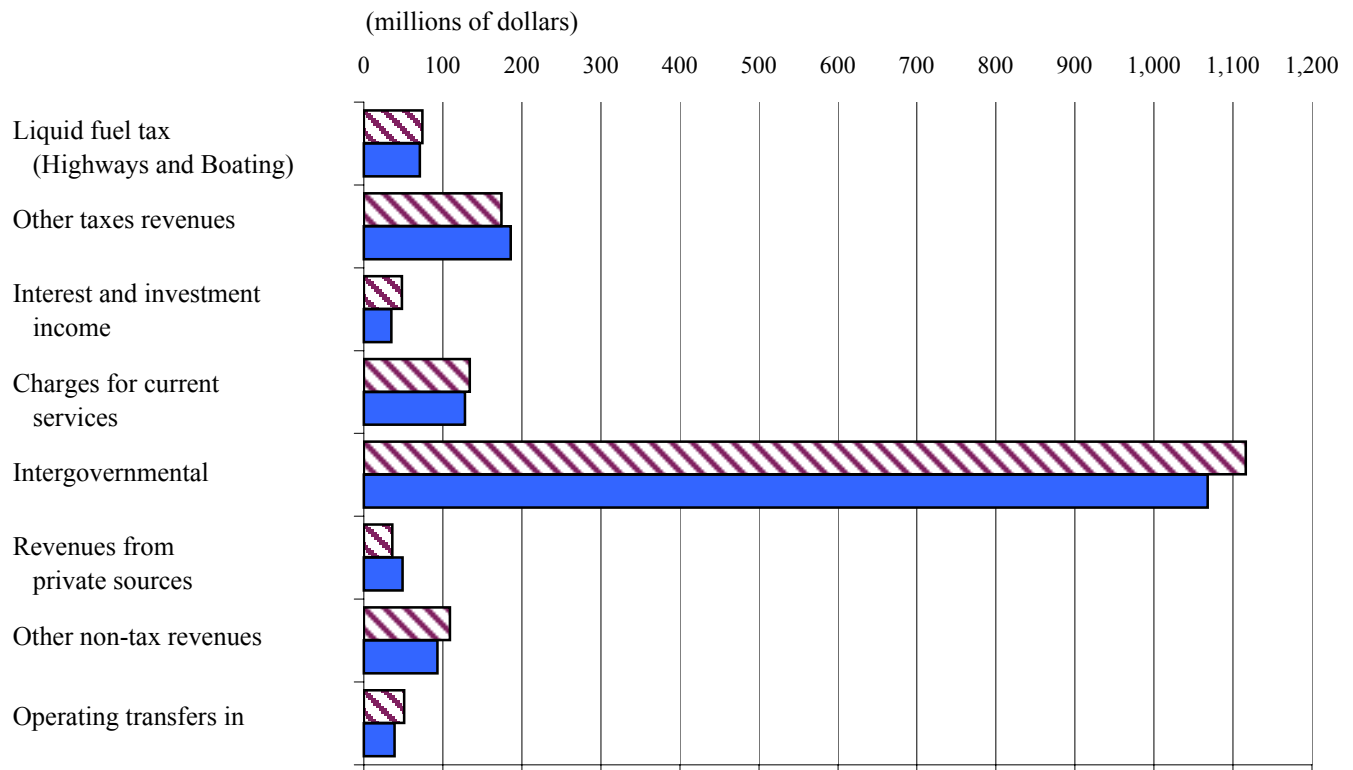
Hawaiian Programs – accounts for programs related to the betterment of native Hawaiians.

Administrative Support – accounts for programs of certain administrative agencies.

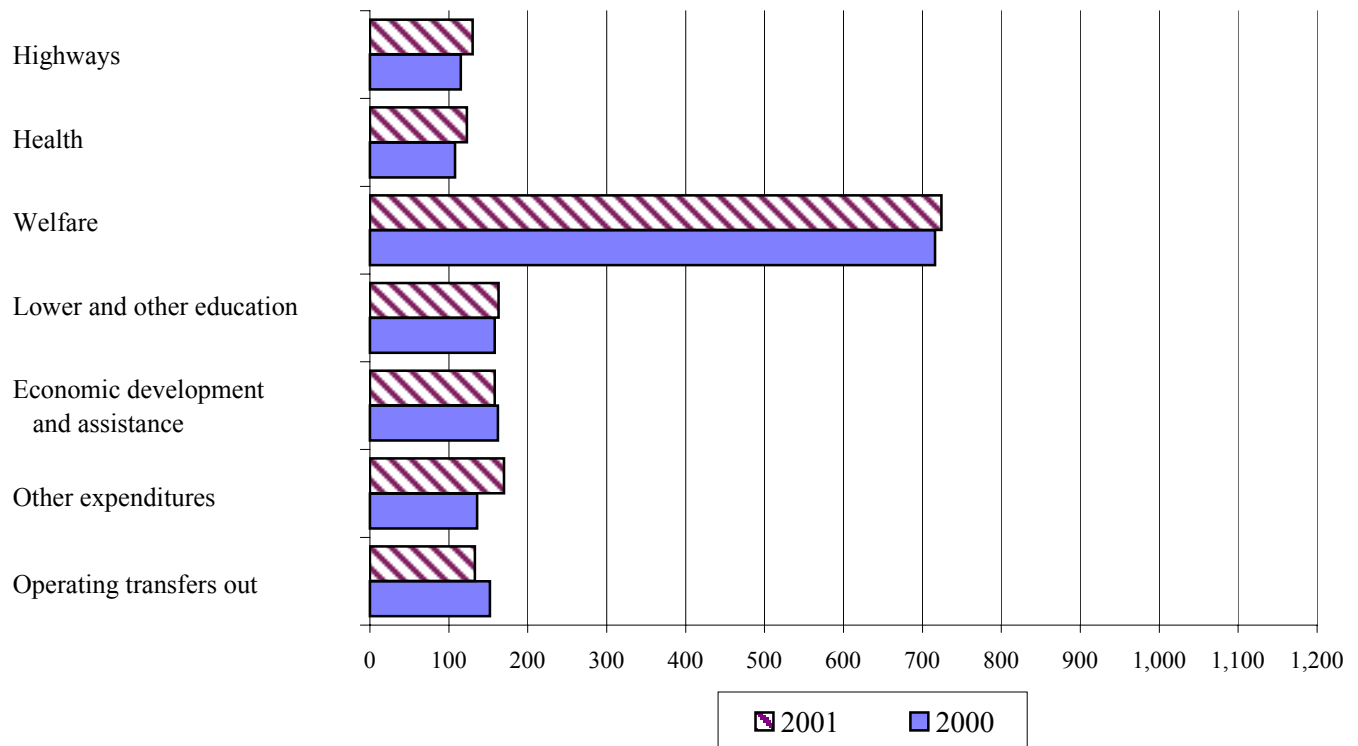
All Other – accounts for programs related to water recreation, inmate stores, and driver training and education.

SPECIAL REVENUE FUNDS

Revenues and Other Financing Sources



Expenditures and Other Financing Uses



Special Revenue Funds Combining Balance Sheet

June 30, 2001

(Amounts in thousands)

<u>ASSETS</u>	<u>Highways</u>	<u>Natural Resources</u>	<u>Health</u>	<u>Human Services</u>	<u>Education</u>
Cash and short-term investments*	\$ 5,204	\$ 12,011	\$ 18,915	\$ 25,058	\$ 32,999
Receivables:					
Taxes	—	—	—	—	—
Notes	—	19,420	145,518	—	—
Federal government	—	—	—	25,600	—
Due from Trust and Agency Funds	3,462	—	—	—	—
Investments*	178,734	53,387	139,479	12,429	24,753
Other	1	1	—	—	—
Total Assets	<u>\$ 187,401</u>	<u>\$ 84,819</u>	<u>\$ 303,912</u>	<u>\$ 63,087</u>	<u>\$ 57,752</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Vouchers payable	\$ 1,453	\$ 659	\$ 5,550	\$ 1,479	\$ 1,303
Other accrued liabilities	197	372	920	2,065	1,621
Due to General Fund	—	—	—	25,600	—
Total Liabilities	<u>1,650</u>	<u>1,031</u>	<u>6,470</u>	<u>29,144</u>	<u>2,924</u>
Fund Balances:					
Reserved for:					
Continuing appropriations – unliquidated encumbrances	88,142	12,798	29,350	25,520	14,800
Receivables	—	19,420	145,518	—	—
Other	—	1	—	—	—
	<u>88,142</u>	<u>32,219</u>	<u>174,868</u>	<u>25,520</u>	<u>14,800</u>
Unreserved:					
Designated for future expenditures	19,122	16,626	101,101	—	278
Undesignated	78,487	34,943	21,473	8,423	39,750
Total Fund Balances	<u>185,751</u>	<u>83,788</u>	<u>297,442</u>	<u>33,943</u>	<u>54,828</u>
Total Liabilities and Fund Balances	<u>\$ 187,401</u>	<u>\$ 84,819</u>	<u>\$ 303,912</u>	<u>\$ 63,087</u>	<u>\$ 57,752</u>

*Allocations of cash and short-term investments and investments among the departments are based on management's discretion.

See accompanying independent auditors' report.

<u>Economic Development</u>	<u>Employment</u>	<u>Regulatory</u>	<u>Hawaiian Programs</u>	<u>Administrative Support</u>	<u>All Other</u>	<u>Total</u>
\$ 12,322	\$ 5,981	\$ 7,943	\$ 24,686	\$ 20,891	\$ 5,479	\$ 171,489
7,000	—	—	—	—	—	7,000
9,971	—	—	46,030	—	—	220,939
—	—	—	—	—	—	25,600
—	—	—	—	—	—	3,462
83,152	30,157	58,022	34,079	52,334	9,492	676,018
—	—	—	—	—	—	2
<u>\$ 112,445</u>	<u>\$ 36,138</u>	<u>\$ 65,965</u>	<u>\$ 104,795</u>	<u>\$ 73,225</u>	<u>\$ 14,971</u>	<u>\$ 1,104,510</u>
\$ 3,411	\$ 1,310	\$ 87	\$ 78	\$ 188	\$ 3,701	\$ 19,219
663	949	529	116	759	367	8,558
—	—	—	—	—	—	25,600
<u>4,074</u>	<u>2,259</u>	<u>616</u>	<u>194</u>	<u>947</u>	<u>4,068</u>	<u>53,377</u>
21,452	1,393	5,799	1,240	13,008	1,656	215,158
9,971	—	—	46,030	—	—	220,939
—	—	—	—	—	—	1
<u>31,423</u>	<u>1,393</u>	<u>5,799</u>	<u>47,270</u>	<u>13,008</u>	<u>1,656</u>	<u>436,098</u>
31,722	—	—	430	34,562	9,247	213,088
45,226	32,486	59,550	56,901	24,708	—	401,947
<u>108,371</u>	<u>33,879</u>	<u>65,349</u>	<u>104,601</u>	<u>72,278</u>	<u>10,903</u>	<u>1,051,133</u>
<u>\$ 112,445</u>	<u>\$ 36,138</u>	<u>\$ 65,965</u>	<u>\$ 104,795</u>	<u>\$ 73,225</u>	<u>\$ 14,971</u>	<u>\$ 1,104,510</u>

Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Unreserved Fund Balances

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Highways</u>	<u>Natural Resources</u>	<u>Health</u>	<u>Human Services</u>	<u>Education</u>
Revenues:					
Taxes:					
Liquid fuel tax:					
Highways	\$ 71,931	\$ 216	\$ —	\$ —	\$ —
Boating	—	—	—	—	—
Vehicle registration fee tax	17,609	—	—	—	—
State vehicle weight tax	24,388	—	—	—	—
Rental/tour vehicle surcharge tax	38,633	—	—	—	—
General excise tax	—	—	—	—	—
Employment and training fund assessment	—	—	—	—	—
Conveyances tax	—	2,592	—	—	—
Environmental response tax	—	—	1,827	—	—
Transient accommodations tax	—	—	—	—	—
Franchise tax	—	—	—	—	—
Tax on premiums of insurance companies	—	—	—	—	—
Total taxes	<u>152,561</u>	<u>2,808</u>	<u>1,827</u>	<u>—</u>	<u>—</u>
Non-taxes:					
Interest and investment income	15,311	4,276	11,200	309	717
Charges for current services	2,103	12,054	14,108	468	22,182
Intergovernmental	94,780	16,052	82,741	698,764	137,658
Rentals	5	2,039	—	—	33
Fines, forfeitures and penalties	957	60	858	—	—
Licenses and fees	1,847	558	428	113	550
Revenues from private sources	—	21	36,131	—	112
Other	6,986	6,380	8,304	19,453	3,136
Total non-taxes	<u>121,989</u>	<u>41,440</u>	<u>153,770</u>	<u>719,107</u>	<u>164,388</u>
Total Revenues	<u>274,550</u>	<u>44,248</u>	<u>155,597</u>	<u>719,107</u>	<u>164,388</u>
Other Financing Sources – operating					
transfers in from:					
General Fund	—	1,300	—	15,467	—
Other Special Revenue Funds	713	2,156	114	739	809
Capital Projects Fund	—	—	3,846	—	—
Component Unit – University Funds	—	—	—	—	—
Total Other Financing Sources	<u>713</u>	<u>3,456</u>	<u>3,960</u>	<u>16,206</u>	<u>809</u>
Total Revenues and Other Financing Sources	<u>275,263</u>	<u>47,704</u>	<u>159,557</u>	<u>735,313</u>	<u>165,197</u>

<u>Economic Development</u>	<u>Employment</u>	<u>Regulatory</u>	<u>Hawaiian Programs</u>	<u>Administrative Support</u>	<u>All Other</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 72,147
—	—	—	—	—	1,374	1,374
—	—	—	—	—	—	17,609
—	—	—	—	—	—	24,388
—	—	—	—	—	—	38,633
—	—	—	—	15,453	—	15,453
—	3,497	—	—	—	—	3,497
—	—	—	—	—	—	2,592
—	—	—	—	—	—	1,827
74,145	—	—	—	—	—	74,145
—	—	2,500	—	—	—	2,500
—	—	333	—	—	—	333
<u>74,145</u>	<u>3,497</u>	<u>2,833</u>	<u>—</u>	<u>15,453</u>	<u>1,374</u>	<u>254,498</u>
5,515	2,152	3,460	2,077	2,156	652	47,825
5,441	16,485	18,966	—	30,496	11,593	133,896
7,733	46,945	—	85	19,060	11,853	1,115,671
3,826	—	—	3,696	6,189	122	15,910
—	355	778	—	315	1,737	5,060
—	—	8,410	—	9,321	357	21,584
—	36	—	—	—	—	36,300
<u>2,640</u>	<u>321</u>	<u>91</u>	<u>7,937</u>	<u>5,540</u>	<u>5,355</u>	<u>66,143</u>
<u>25,155</u>	<u>66,294</u>	<u>31,705</u>	<u>13,795</u>	<u>73,077</u>	<u>31,669</u>	<u>1,442,389</u>
<u>99,300</u>	<u>69,791</u>	<u>34,538</u>	<u>13,795</u>	<u>88,530</u>	<u>33,043</u>	<u>1,696,887</u>
25	—	—	—	45	877	17,714
—	—	2,295	—	19,070	2,677	28,573
—	—	—	—	904	—	4,750
—	—	—	—	55	—	55
<u>25</u>	<u>—</u>	<u>2,295</u>	<u>—</u>	<u>20,074</u>	<u>3,554</u>	<u>51,092</u>
<u>99,325</u>	<u>69,791</u>	<u>36,833</u>	<u>13,795</u>	<u>108,604</u>	<u>36,597</u>	<u>1,747,979</u>

STATE OF HAWAII

Special Revenue Funds

**Combining Statement of Revenues, Expenditures and
Changes in Unreserved Fund Balances (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Highways</u>	<u>Natural Resources</u>	<u>Health</u>	<u>Human Services</u>	<u>Education</u>
Expenditures:					
General government	\$ —	\$ 1,699	\$ —	\$ —	\$ —
Public safety	—	954	—	—	—
Highways	130,168	892	—	—	—
Conservation of natural resources	—	27,571	—	—	—
Health	—	—	123,236	—	—
Welfare	—	—	—	713,532	—
Lower education	—	—	—	—	149,770
Other education	—	—	—	8,394	—
Culture and recreation	—	3,945	—	—	2,865
Urban redevelopment and housing	—	—	—	—	—
Economic development and assistance	—	1,268	—	—	—
Other	—	29	—	—	—
Total Expenditures	<u>130,168</u>	<u>36,358</u>	<u>123,236</u>	<u>721,926</u>	<u>152,635</u>
Other Financing Uses – operating transfers					
out to:					
Other Special Revenue Funds	3,689	605	15,637	419	—
Debt Service Fund	41,706	—	—	—	—
Capital Projects Fund	58,978	—	—	—	—
Total Other Financing Uses	<u>104,373</u>	<u>605</u>	<u>15,637</u>	<u>419</u>	<u>—</u>
Total Expenditures and Other Financing Uses	<u>234,541</u>	<u>36,963</u>	<u>138,873</u>	<u>722,345</u>	<u>152,635</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>40,722</u>	<u>10,741</u>	<u>20,684</u>	<u>12,968</u>	<u>12,562</u>
Other Changes in Unreserved Fund Balances:					
Add:					
Continuing appropriations, July 1, 2000	91,309	8,960	27,209	23,269	9,473
Deduct:					
Continuing appropriations, June 30, 2001	(88,142)	(12,798)	(29,350)	(25,520)	(14,800)
Total Other Changes in Unreserved Fund Balances	<u>3,167</u>	<u>(3,838)</u>	<u>(2,141)</u>	<u>(2,251)</u>	<u>(5,327)</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures, Other Financing Uses and Other Changes in Unreserved Fund Balances	43,889	6,903	18,543	10,717	7,235
Unreserved Fund Balances (Deficit), July 1, 2000	64,720	44,766	104,031	(2,294)	32,793
Residual equity transfers out to General Fund	(11,000)	(100)	—	—	—
Unreserved Fund Balances, June 30, 2001	<u>\$ 97,609</u>	<u>\$ 51,569</u>	<u>\$ 122,574</u>	<u>\$ 8,423</u>	<u>\$ 40,028</u>

See accompanying independent auditors' report.

Economic Development	Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total
\$ —	\$ —	\$ —	\$ —	\$ 42,012	\$ 6,802	\$ 50,513
—	2,226	21,453	—	8,025	18,548	51,206
—	—	—	—	7	—	131,067
—	—	—	—	32	—	27,603
—	—	—	—	125	—	123,361
—	—	—	—	9,472	786	723,790
—	—	—	—	5,500	—	155,270
—	—	5	—	291	—	8,690
—	—	—	—	9,327	7,991	24,128
—	—	—	8,553	—	—	8,553
87,752	68,950	—	—	4	—	157,974
—	—	382	—	5,433	884	6,728
<u>87,752</u>	<u>71,176</u>	<u>21,840</u>	<u>8,553</u>	<u>80,228</u>	<u>35,011</u>	<u>1,468,883</u>
75	314	1,525	—	5,252	1,057	28,573
—	—	—	1,409	640	1,757	45,512
—	—	—	—	—	—	58,978
<u>75</u>	<u>314</u>	<u>1,525</u>	<u>1,409</u>	<u>5,892</u>	<u>2,814</u>	<u>133,063</u>
<u>87,827</u>	<u>71,490</u>	<u>23,365</u>	<u>9,962</u>	<u>86,120</u>	<u>37,825</u>	<u>1,601,946</u>
11,498	(1,699)	13,468	3,833	22,484	(1,228)	146,033
20,036	500	3,196	1,280	11,730	5,598	202,560
<u>(21,452)</u>	<u>(1,393)</u>	<u>(5,799)</u>	<u>(1,240)</u>	<u>(13,008)</u>	<u>(1,656)</u>	<u>(215,158)</u>
<u>(1,416)</u>	<u>(893)</u>	<u>(2,603)</u>	<u>40</u>	<u>(1,278)</u>	<u>3,942</u>	<u>(12,598)</u>
10,082	(2,592)	10,865	3,873	21,206	2,714	133,435
70,939	35,078	48,835	53,458	47,546	6,533	506,405
<u>(4,073)</u>	<u>—</u>	<u>(150)</u>	<u>—</u>	<u>(9,482)</u>	<u>—</u>	<u>(24,805)</u>
<u>\$ 76,948</u>	<u>\$ 32,486</u>	<u>\$ 59,550</u>	<u>\$ 57,331</u>	<u>\$ 59,270</u>	<u>\$ 9,247</u>	<u>\$ 615,035</u>

Special Revenue Funds
Combining Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Budget	Highways Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:			
Taxes:			
Liquid fuel tax:			
Highways	\$ 70,152	\$ 71,931	\$ 1,779
Airports	—	—	—
Boating	—	—	—
Vehicle registration fee tax	17,427	17,609	182
State vehicle weight tax	23,257	24,388	1,131
Rental/tour vehicle surcharge tax	36,218	38,633	2,415
General excise tax	—	—	—
Employment and training fund assessment	—	—	—
Conveyances tax	—	—	—
Environmental response tax	—	—	—
Transient accommodations tax	—	—	—
Franchise tax	—	—	—
Tax on premiums of insurance companies	—	—	—
Total taxes	147,054	152,561	5,507
Non-taxes:			
Interest and investment income	10,000	15,311	5,311
Charges for current services	917	2,103	1,186
Intergovernmental	106,316	94,780	(11,536)
Rentals	5	5	—
Fines, forfeitures and penalties	1,191	957	(234)
Licenses and fees	1,800	1,847	47
Revenues from private sources	—	—	—
Other	—	25,701	25,701
Total non-taxes	120,229	140,704	20,475
Total Revenues	267,283	293,265	25,982
Expenditures:			
General government	—	—	—
Public safety	—	—	—
Highways	198,037	167,137	30,900
Conservation of natural resources	—	—	—
Health	—	—	—
Hospitals	—	—	—
Welfare	—	—	—
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	198,037	167,137	30,900
Excess of Revenues over (under) Expenditures	\$ 69,246	\$ 126,128	\$ 56,882

Natural Resources			Health		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ 224	\$ 216	\$ (8)	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,586	2,592	6	—	—	—
—	—	—	1,800	1,827	27
—	—	—	—	—	—
—	—	—	—	—	—
<u>2,810</u>	<u>2,808</u>	<u>(2)</u>	<u>1,800</u>	<u>1,827</u>	<u>27</u>
1,747	4,276	2,529	2,685	11,200	8,515
11,484	12,054	570	19,428	14,108	(5,320)
6,878	16,052	9,174	92,528	82,741	(9,787)
1,804	2,039	235	—	—	—
11	60	49	180	858	678
806	558	(248)	379	428	49
60	21	(39)	27,251	36,131	8,880
3,422	7,830	4,408	6,617	12,265	5,648
<u>26,212</u>	<u>42,890</u>	<u>16,678</u>	<u>149,068</u>	<u>157,731</u>	<u>8,663</u>
<u>29,022</u>	<u>45,698</u>	<u>16,676</u>	<u>150,868</u>	<u>159,558</u>	<u>8,690</u>
—	—	—	—	—	—
1,322	947	375	—	—	—
1,649	1,022	627	—	—	—
40,581	29,393	11,188	—	—	—
—	—	—	211,469	136,343	75,126
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
4,648	3,656	992	—	—	—
—	—	—	—	—	—
1,563	1,196	367	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>49,763</u>	<u>36,214</u>	<u>13,549</u>	<u>211,469</u>	<u>136,343</u>	<u>75,126</u>
\$ <u>(20,741)</u>	\$ <u>9,484</u>	\$ <u>30,225</u>	\$ <u>(60,601)</u>	\$ <u>23,215</u>	\$ <u>83,816</u>

STATE OF HAWAII

Special Revenue Funds

**Combining Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Human Services		
	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:			
Taxes:			
Liquid fuel tax:			
Highways	\$ —	\$ —	\$ —
Airports	—	—	—
Boating	—	—	—
Vehicle registration fee tax	—	—	—
State vehicle weight tax	—	—	—
Rental/tour vehicle surcharge tax	—	—	—
General excise tax	—	—	—
Employment and training fund assessment	—	—	—
Conveyances tax	—	—	—
Environmental response tax	—	—	—
Transient accommodations tax	—	—	—
Franchise tax	—	—	—
Tax on premiums of insurance companies	—	—	—
Total taxes	<u>—</u>	<u>—</u>	<u>—</u>
Non-taxes:			
Interest and investment income	—	309	309
Charges for current services	—	468	468
Intergovernmental	515,265	519,464	4,199
Rentals	—	—	—
Fines, forfeitures and penalties	—	—	—
Licenses and fees	291	113	(178)
Revenues from private sources	—	—	—
Other	850	35,659	34,809
Total non-taxes	<u>516,406</u>	<u>556,013</u>	<u>39,607</u>
Total Revenues	<u>516,406</u>	<u>556,013</u>	<u>39,607</u>
Expenditures:			
General government	—	—	—
Public safety	—	—	—
Highways	—	—	—
Conservation of natural resources	—	—	—
Health	—	—	—
Hospitals	—	—	—
Welfare	602,532	532,952	69,580
Lower education	—	—	—
Higher education	—	—	—
Other education	9,189	8,097	1,092
Culture and recreation	—	—	—
Urban redevelopment and housing	—	—	—
Economic development and assistance	—	—	—
Airports	—	—	—
Water transportation and terminals	—	—	—
Housing	—	—	—
Other	—	—	—
Total Expenditures	<u>611,721</u>	<u>541,049</u>	<u>70,672</u>
Excess of Revenues over (under) Expenditures	<u>\$ (95,315)</u>	<u>\$ 14,964</u>	<u>\$ 110,279</u>

Education			Economic Development		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	87,711	67,145	(20,566)
—	—	—	—	—	—
—	—	—	87,711	67,145	(20,566)
—	717	717	2,335	5,515	3,180
23,586	22,182	(1,404)	4,575	5,441	866
102,201	137,658	35,457	11,181	7,733	(3,448)
—	33	33	12,389	3,826	(8,563)
—	—	—	—	—	—
450	550	100	—	—	—
600	112	(488)	10,000	—	(10,000)
2,650	3,695	1,045	1,178	2,664	1,486
129,487	164,947	35,460	41,658	25,179	(16,479)
129,487	164,947	35,460	129,369	92,324	(37,045)
—	—	—	—	—	—
—	—	—	100	—	100
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
239,159	156,126	83,033	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
4,282	2,987	1,295	—	—	—
—	—	—	—	—	—
—	—	—	145,028	86,259	58,769
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
243,441	159,113	84,328	145,128	86,259	58,869
\$ (113,954)	\$ 5,834	\$ 119,788	\$ (15,759)	\$ 6,065	\$ 21,824

STATE OF HAWAII

**Special Revenue Funds
Combining Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Budget</u>	<u>Employment Actual (Budgetary Basis)</u>	<u>Variance – Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
Liquid fuel tax:			
Highways	\$ —	\$ —	\$ —
Airports	—	—	—
Boating	—	—	—
Vehicle registration fee tax	—	—	—
State vehicle weight tax	—	—	—
Rental/tour vehicle surcharge tax	—	—	—
General excise tax	—	—	—
Employment and training fund assessment	1,854	3,497	1,643
Conveyances tax	—	—	—
Environmental response tax	—	—	—
Transient accommodations tax	—	—	—
Franchise tax	—	—	—
Tax on premiums of insurance companies	—	—	—
Total taxes	<u>1,854</u>	<u>3,497</u>	<u>1,643</u>
Non-taxes:			
Interest and investment income	990	2,152	1,162
Charges for current services	17,700	16,485	(1,215)
Intergovernmental	46,874	46,945	71
Rentals	—	—	—
Fines, forfeitures and penalties	430	355	(75)
Licenses and fees	—	—	—
Revenues from private sources	—	36	36
Other	6	8,901	8,895
Total non-taxes	<u>66,000</u>	<u>74,874</u>	<u>8,874</u>
Total Revenues	<u>67,854</u>	<u>78,371</u>	<u>10,517</u>
Expenditures:			
General government	—	—	—
Public safety	3,648	2,228	1,420
Highways	—	—	—
Conservation of natural resources	—	—	—
Health	—	—	—
Hospitals	—	—	—
Welfare	—	—	—
Lower education	—	—	—
Higher education	—	—	—
Other education	—	—	—
Culture and recreation	—	—	—
Urban redevelopment and housing	—	—	—
Economic development and assistance	113,575	78,385	35,190
Airports	—	—	—
Water transportation and terminals	—	—	—
Housing	—	—	—
Other	—	—	—
Total Expenditures	<u>117,223</u>	<u>80,613</u>	<u>36,610</u>
Excess of Revenues over (under) Expenditures	<u>\$ (49,369)</u>	<u>\$ (2,242)</u>	<u>\$ 47,127</u>

Regulatory			Hawaiian Programs		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,500	2,500	—	—	—	—
250	333	83	—	—	—
<u>2,750</u>	<u>2,833</u>	<u>83</u>	<u>—</u>	<u>—</u>	<u>—</u>
—	3,460	3,460	1,300	2,077	777
20,090	18,966	(1,124)	1	—	(1)
495	—	(495)	—	85	85
7,307	778	(6,529)	6,506	3,696	(2,810)
—	8,410	8,410	—	—	—
—	—	—	—	—	—
2,558	2,387	(171)	2,196	7,937	5,741
<u>30,450</u>	<u>34,001</u>	<u>3,551</u>	<u>10,003</u>	<u>13,795</u>	<u>3,792</u>
<u>33,200</u>	<u>36,834</u>	<u>3,634</u>	<u>10,003</u>	<u>13,795</u>	<u>3,792</u>
—	—	—	—	—	—
33,308	26,106	7,202	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	14,838	10,061	4,777
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<u>33,308</u>	<u>26,106</u>	<u>7,202</u>	<u>14,838</u>	<u>10,061</u>	<u>4,777</u>
\$ <u>(108)</u>	\$ <u>10,728</u>	\$ <u>10,836</u>	\$ <u>(4,835)</u>	\$ <u>3,734</u>	\$ <u>8,569</u>

STATE OF HAWAII

Special Revenue Funds

**Combining Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Administrative Support		
	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:			
Taxes:			
Liquid fuel tax:			
Highways	\$ —	\$ —	\$ —
Airports	—	—	—
Boating	—	—	—
Vehicle registration fee tax	—	—	—
State vehicle weight tax	—	—	—
Rental/tour vehicle surcharge tax	—	—	—
General excise tax	—	15,453	15,453
Employment and training fund assessment	—	—	—
Conveyances tax	—	—	—
Environmental response tax	—	—	—
Transient accommodations tax	—	—	—
Franchise tax	—	—	—
Tax on premiums of insurance companies	—	—	—
Total taxes	<u>—</u>	<u>15,453</u>	<u>15,453</u>
Non-taxes:			
Interest and investment income	5,779	2,156	(3,623)
Charges for current services	71,825	30,496	(41,329)
Intergovernmental	21,614	19,060	(2,554)
Rentals	7,262	6,189	(1,073)
Fines, forfeitures and penalties	268	315	47
Licenses and fees	9,976	9,321	(655)
Revenues from private sources	—	—	—
Other	30,359	352,742	322,383
Total non-taxes	<u>147,083</u>	<u>420,279</u>	<u>273,196</u>
Total Revenues	<u>147,083</u>	<u>435,732</u>	<u>288,649</u>
Expenditures:			
General government	330,822	308,754	22,068
Public safety	15,916	10,616	5,300
Highways	—	—	—
Conservation of natural resources	50	32	18
Health	197	160	37
Hospitals	—	—	—
Welfare	13,801	9,454	4,347
Lower education	5,500	5,500	—
Higher education	—	—	—
Other education	—	—	—
Culture and recreation	10,989	8,245	2,744
Urban redevelopment and housing	—	—	—
Economic development and assistance	75	75	—
Airports	—	—	—
Water transportation and terminals	—	—	—
Housing	—	—	—
Other	85,858	72,951	12,907
Total Expenditures	<u>463,208</u>	<u>415,787</u>	<u>47,421</u>
Excess of Revenues over (under) Expenditures	<u>\$ (316,125)</u>	<u>\$ 19,945</u>	<u>\$ 336,070</u>

	All Other			Total		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	
\$ —	\$ —	\$ —	\$ 70,376	\$ 72,147	\$ 1,771	
—	—	—	—	—	—	
1,300	1,374	74	1,300	1,374	74	
—	—	—	17,427	17,609	182	
—	—	—	23,257	24,388	1,131	
—	—	—	36,218	38,633	2,415	
—	—	—	—	15,453	15,453	
—	—	—	1,854	3,497	1,643	
—	—	—	2,586	2,592	6	
—	—	—	1,800	1,827	27	
—	—	—	87,711	67,145	(20,566)	
—	—	—	2,500	2,500	—	
—	—	—	250	333	83	
<u>1,300</u>	<u>1,374</u>	<u>74</u>	<u>245,279</u>	<u>247,498</u>	<u>2,219</u>	
2	652	650	24,838	47,825	22,987	
12,661	11,593	(1,068)	182,267	133,896	(48,371)	
9,899	11,853	1,954	912,756	936,371	23,615	
103	122	19	28,564	15,910	(12,654)	
1,642	1,737	95	11,029	5,060	(5,969)	
360	357	(3)	14,062	21,584	7,522	
—	—	—	37,911	36,300	(1,611)	
8,814	8,909	95	58,650	468,690	410,040	
<u>33,481</u>	<u>35,223</u>	<u>1,742</u>	<u>1,270,077</u>	<u>1,665,636</u>	<u>395,559</u>	
<u>34,781</u>	<u>36,597</u>	<u>1,816</u>	<u>1,515,356</u>	<u>1,913,134</u>	<u>397,778</u>	
6,525	3,650	2,875	338,996	313,426	25,570	
34,929	18,371	16,558	89,223	58,268	30,955	
—	—	—	198,037	167,137	30,900	
—	—	—	40,631	29,425	11,206	
—	—	—	211,666	136,503	75,163	
—	—	—	—	—	—	
450	442	8	616,783	542,848	73,935	
—	—	—	244,659	161,626	83,033	
—	—	—	—	—	—	
—	—	—	9,189	8,097	1,092	
13,247	9,240	4,007	33,166	24,128	9,038	
—	—	—	14,838	10,061	4,777	
—	—	—	260,241	165,915	94,326	
—	—	—	—	—	—	
—	—	—	—	—	—	
—	—	—	—	—	—	
877	871	6	86,735	73,822	12,913	
<u>56,028</u>	<u>32,574</u>	<u>23,454</u>	<u>2,144,164</u>	<u>1,691,256</u>	<u>452,908</u>	
\$ <u>(21,247)</u>	\$ <u>4,023</u>	\$ <u>25,270</u>	\$ <u>(628,808)</u>	\$ <u>221,878</u>	\$ <u>850,686</u>	

STATE OF HAWAII

Special Revenue Funds

**Combining Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis) (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Enterprise and Component Units Funds		
	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:			
Taxes:			
Liquid fuel tax:			
Highways	\$ —	\$ —	\$ —
Airports	3,841	3,818	(23)
Boating	—	—	—
Vehicle registration fee tax	—	—	—
State vehicle weight tax	—	—	—
Rental/tour vehicle surcharge tax	—	—	—
General excise tax	—	—	—
Employment and training fund assessment	—	—	—
Conveyances tax	—	—	—
Environmental response tax	—	—	—
Transient accommodations tax	—	—	—
Franchise tax	—	—	—
Tax on premiums of insurance companies	—	—	—
Total taxes	<u>3,841</u>	<u>3,818</u>	<u>(23)</u>
Non-taxes:			
Interest and investment income	95,810	138,714	42,904
Charges for current services	688,007	503,088	(184,919)
Intergovernmental	264,183	263,622	(561)
Rentals	38,559	37,363	(1,196)
Fines, forfeitures and penalties	335	275	(60)
Licenses and fees	—	—	—
Revenues from private sources	—	7	7
Other	186,945	572,596	385,651
Total non-taxes	<u>1,273,839</u>	<u>1,515,665</u>	<u>241,826</u>
Total Revenues	<u>1,277,680</u>	<u>1,519,483</u>	<u>241,803</u>
Expenditures:			
General government	—	—	—
Public safety	—	—	—
Highways	—	—	—
Conservation of natural resources	—	—	—
Health	—	—	—
Hospitals	277,799	136,942	140,857
Welfare	—	—	—
Lower education	—	—	—
Higher education	232,469	205,363	27,106
Other education	—	—	—
Culture and recreation	—	—	—
Urban redevelopment and housing	—	—	—
Economic development and assistance	—	—	—
Airports	456,112	422,213	33,899
Water transportation and terminals	53,518	47,311	6,207
Housing	68,596	36,354	32,242
Other	—	—	—
Total Expenditures	<u>1,088,494</u>	<u>848,183</u>	<u>240,311</u>
Excess of Revenues over (under) Expenditures	<u>\$ 189,186</u>	<u>\$ 671,300</u>	<u>\$ 482,114</u>

See accompanying independent auditors' report.

Total Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ 70,376	\$ 72,147	\$ 1,771
3,841	3,818	(23)
1,300	1,374	74
17,427	17,609	182
23,257	24,388	1,131
36,218	38,633	2,415
—	15,453	15,453
1,854	3,497	1,643
2,586	2,592	6
1,800	1,827	27
87,711	67,145	(20,566)
2,500	2,500	—
250	333	83
<u>249,120</u>	<u>251,316</u>	<u>2,196</u>
120,648	186,539	65,891
870,274	636,984	(233,290)
1,176,939	1,199,993	23,054
67,123	53,273	(13,850)
11,364	5,335	(6,029)
14,062	21,584	7,522
37,911	36,307	(1,604)
245,595	1,041,286	795,691
<u>2,543,916</u>	<u>3,181,301</u>	<u>637,385</u>
<u>2,793,036</u>	<u>3,432,617</u>	<u>639,581</u>
338,996	313,426	25,570
89,223	58,268	30,955
198,037	167,137	30,900
40,631	29,425	11,206
211,666	136,503	75,163
277,799	136,942	140,857
616,783	542,848	73,935
244,659	161,626	83,033
232,469	205,363	27,106
9,189	8,097	1,092
33,166	24,128	9,038
14,838	10,061	4,777
260,241	165,915	94,326
456,112	422,213	33,899
53,518	47,311	6,207
68,596	36,354	32,242
86,735	73,822	12,913
<u>3,232,658</u>	<u>2,539,439</u>	<u>693,219</u>
<u>\$ (439,622)</u>	<u>\$ 893,178</u>	<u>\$ 1,332,800</u>

Special Revenue Funds**Combining Schedule of Revenues and Expenditures – Enterprise and Component Units
Funds Budgeted as Special Revenue Funds – Budget and Actual (Budgetary Basis)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Budget</u>	<u>Airports Actual (Budgetary Basis)</u>	<u>Variance – Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
Liquid fuel tax:			
Airports	\$ 3,841	\$ 3,818	\$ (23)
Non-taxes:			
Interest and investment income	31,290	56,619	25,329
Charges for current services	283,137	278,562	(4,575)
Intergovernmental	31,085	26,690	(4,395)
Rentals	—	—	—
Fines, forfeitures and penalties	—	—	—
Revenues from private sources	—	—	—
Other	—	290,643	290,643
Total non-taxes	<u>345,512</u>	<u>652,514</u>	<u>307,002</u>
Total Revenues	<u>349,353</u>	<u>656,332</u>	<u>306,979</u>
Expenditures:			
Hospitals	—	—	—
Higher education	—	—	—
Airports	456,112	422,213	33,899
Water transportation and terminals	—	—	—
Housing	—	—	—
Total Expenditures	<u>456,112</u>	<u>422,213</u>	<u>33,899</u>
Excess of Revenues over (under) Expenditures	<u>\$ (106,759)</u>	<u>\$ 234,119</u>	<u>\$ 340,878</u>

Harbors			Total Enterprise Funds		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ —	\$ —	\$ —	\$ 3,841	\$ 3,818	\$ (23)
4,461	8,686	4,225	35,751	65,305	29,554
64,832	65,726	894	347,969	344,288	(3,681)
—	—	—	31,085	26,690	(4,395)
—	—	—	—	—	—
—	—	—	—	—	—
—	21,524	21,524	—	312,167	312,167
<u>69,293</u>	<u>95,936</u>	<u>26,643</u>	<u>414,805</u>	<u>748,450</u>	<u>333,645</u>
<u>69,293</u>	<u>95,936</u>	<u>26,643</u>	<u>418,646</u>	<u>752,268</u>	<u>333,622</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	456,112	422,213	33,899
53,518	47,311	6,207	53,518	47,311	6,207
—	—	—	—	—	—
<u>53,518</u>	<u>47,311</u>	<u>6,207</u>	<u>509,630</u>	<u>469,524</u>	<u>40,106</u>
<u>\$ 15,775</u>	<u>\$ 48,625</u>	<u>\$ 32,850</u>	<u>\$ (90,984)</u>	<u>\$ 282,744</u>	<u>\$ 373,728</u>

STATE OF HAWAII

Special Revenue Funds

Combining Schedule of Revenues and Expenditures – Enterprise and Component Units
 Funds Budgeted as Special Revenue Funds – Budget and Actual (Budgetary Basis) (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	University Funds		
	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:			
Taxes:			
Liquid fuel tax:			
Airports	\$ —	\$ —	\$ —
Non-taxes:			
Interest and investment income	4,439	13,293	8,854
Charges for current services	143,550	137,297	(6,253)
Intergovernmental	142,505	152,801	10,296
Rentals	7,277	7,208	(69)
Fines, forfeitures and penalties	335	275	(60)
Revenues from private sources	—	7	7
Other	37,197	48,134	10,937
Total non-taxes	<u>335,303</u>	<u>359,015</u>	<u>23,712</u>
Total Revenues	<u>335,303</u>	<u>359,015</u>	<u>23,712</u>
Expenditures:			
Hospitals	—	—	—
Higher education	232,469	205,363	27,106
Airports	—	—	—
Water transportation and terminals	—	—	—
Housing	—	—	—
Total Expenditures	<u>232,469</u>	<u>205,363</u>	<u>27,106</u>
Excess of Revenues over (under) Expenditures	<u>\$ 102,834</u>	<u>\$ 153,652</u>	<u>\$ 50,818</u>

Housing and Community Development Corporation of Hawaii			Hawaii Health Systems Corporation		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
55,620	60,116	4,496	—	—	—
1,854	20,453	18,599	194,634	1,050	(193,584)
49,243	84,119	34,876	41,350	12	(41,338)
31,282	30,155	(1,127)	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
136,732	69,913	(66,819)	13,016	142,382	129,366
274,731	264,756	(9,975)	249,000	143,444	(105,556)
274,731	264,756	(9,975)	249,000	143,444	(105,556)
—	—	—	277,799	136,942	140,857
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
68,596	36,354	32,242	—	—	—
68,596	36,354	32,242	277,799	136,942	140,857
\$ 206,135	\$ 228,402	\$ 22,267	\$ (28,799)	\$ 6,502	\$ 35,301

STATE OF HAWAII

Special Revenue Funds

Combining Schedule of Revenues and Expenditures – Enterprise and Component Units
 Funds Budgeted as Special Revenue Funds – Budget and Actual (Budgetary Basis) (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Total Component Unit Funds		
	Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
Revenues:			
Taxes:			
Liquid fuel tax:			
Airports	\$ —	\$ —	\$ —
Non-taxes:			
Interest and investment income	60,059	73,409	13,350
Charges for current services	340,038	158,800	(181,238)
Intergovernmental	233,098	236,932	3,834
Rentals	38,559	37,363	(1,196)
Fines, forfeitures and penalties	335	275	(60)
Revenues from private sources	—	7	7
Other	186,945	260,429	73,484
Total non-taxes	<u>859,034</u>	<u>767,215</u>	<u>(91,819)</u>
Total Revenues	<u>859,034</u>	<u>767,215</u>	<u>(91,819)</u>
Expenditures:			
Hospitals	277,799	136,942	140,857
Higher education	232,469	205,363	27,106
Airports	—	—	—
Water transportation and terminals	—	—	—
Housing	68,596	36,354	32,242
Total Expenditures	<u>578,864</u>	<u>378,659</u>	<u>200,205</u>
Excess of Revenues over (under) Expenditures	<u>\$ 280,170</u>	<u>\$ 388,556</u>	<u>\$ 108,386</u>

See accompanying independent auditors' report.

Total Enterprise and Component Unit Fund:		
Budget	Actual (Budgetary Basis)	Variance – Favorable (Unfavorable)
\$ 3,841	\$ 3,818	\$ (23)
95,810	138,714	42,904
688,007	503,088	(184,919)
264,183	263,622	(561)
38,559	37,363	(1,196)
335	275	(60)
—	7	7
<u>186,945</u>	<u>572,596</u>	<u>385,651</u>
<u>1,273,839</u>	<u>1,515,665</u>	<u>241,826</u>
<u>1,277,680</u>	<u>1,519,483</u>	<u>241,803</u>
277,799	136,942	140,857
232,469	205,363	27,106
456,112	422,213	33,899
53,518	47,311	6,207
<u>68,596</u>	<u>36,354</u>	<u>32,242</u>
<u>1,088,494</u>	<u>848,183</u>	<u>240,311</u>
<u>\$ 189,186</u>	<u>\$ 671,300</u>	<u>\$ 482,114</u>

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DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest of general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds as described below:

General Obligation Bonds Serviced by the General Fund – accounts for operating transfers from the General Fund for periodic payment of principal and interest of general obligation bonds and related costs.

General Obligation Bonds and Revenue Bonds Serviced by the Special Revenue Funds – several funds utilize the proceeds from general obligation bonds and revenue bonds to finance capital expenditures and pay for their proportionate share of principal and interest. Those Special Revenue Funds include:

- Highways
- Natural Resources
- Economic Development
- Administrative Support

**Debt Service Fund
Balance Sheet**

June 30, 2001

(Amounts in thousands)

<u>ASSETS</u>		
Cash and short-term investments		\$ 2,238
Due from General Fund		110
Total Assets		<u>\$ 2,348</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Matured general obligation bond principal payable		\$ 1,120
Matured revenue bond principal payable		11
Matured general obligation bond interest payable		278
Matured revenue bond interest payable		1
Total Liabilities		<u>1,410</u>
Fund Balance – reserved for:		
Continuing appropriations	\$ 110	
Bond redemption	<u>828</u>	
Total Fund Balance		<u>938</u>
Total Liabilities and Fund Balance		<u>\$ 2,348</u>

See accompanying independent auditors' report.

Debt Service Fund
Statement of Revenues, Expenditures and
Changes in Unreserved Fund Balance

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

Other Financing Sources:

Operating transfers in from General Fund:

Appropriation for debt service from Act 91, SLH of 1999, as
amended by Act 281, SLH of 2000

\$ 221,226

Deduct unrequired balance of General Fund appropriation lapsed

(967)

Transfers in from Department of Education

87,067

Net operating transfers in from General Fund

307,326

Operating transfers in from Special Revenue Funds – contributions for
payment of debt service requirements

45,512

Operating transfers in from Trust and Agency Funds – contributions for
payment of debt service requirements

318

Operating transfers in from Component Units – contributions for
payment of debt service requirements

48,236

Total Other Financing Sources

401,392

Expenditures:

Principal on serial bonds

\$ 210,518

Interest on bonds

190,919

Fiscal agents' fees and other expenses

74

Total Expenditures

401,511

Excess of Expenditures over Other Financing Sources

(119)

Other Changes in Unreserved Fund Balance:

Add continuing appropriations, July 1, 2000

258

Deduct continuing appropriations, June 30, 2001

(110)

148

Increase in reserve for bond redemption

(29)

Total Other Changes in Unreserved Fund Balance

119

Excess of Other Financing Sources and Other Changes in
Unreserved Fund Balance over Expenditures

—

Unreserved Fund Balance, July 1, 2000

—

Unreserved Fund Balance, June 30, 2001

\$ —

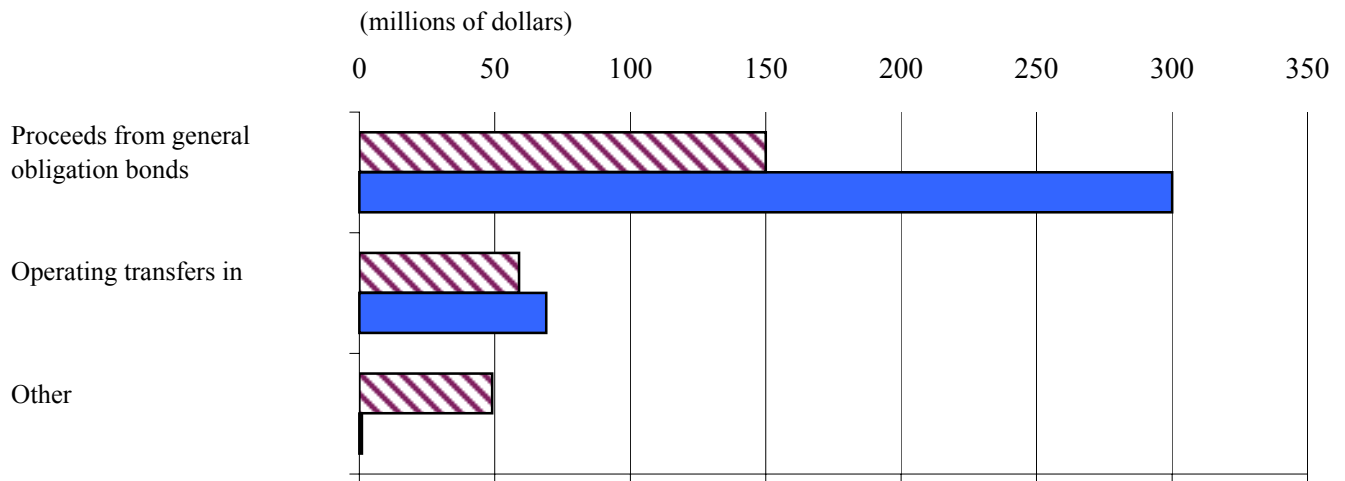
See accompanying independent auditors' report.

CAPITAL PROJECTS FUND

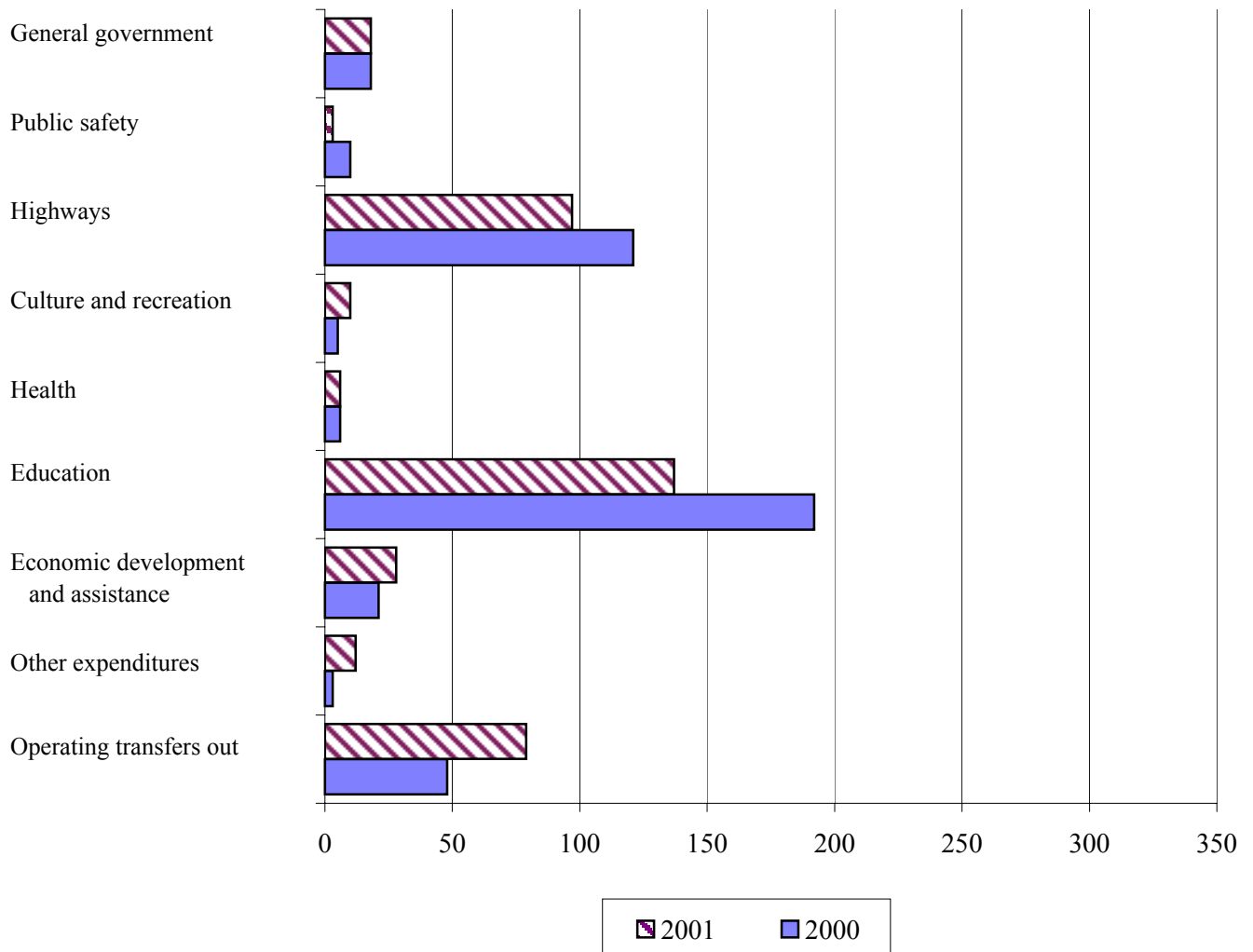
The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Enterprise Funds or Component Units).

CAPITAL PROJECTS FUND

Revenues and Other Financing Sources



Expenditures and Other Financing Uses



STATE OF HAWAII
Capital Projects Fund
Balance Sheet

Exhibit E-1

June 30, 2001

(Amounts in thousands)

<u>ASSETS</u>		
Cash and short-term investments		\$ 170,200
Other receivable		218
Due from Enterprise Funds		<u>1,232</u>
Total Assets		<u><u>\$ 171,650</u></u>
<u>LIABILITIES AND FUND DEFICIT</u>		
Liabilities:		
Vouchers payable		\$ 12,055
Due to General Fund		<u>181,208</u>
Total Liabilities		193,263
Fund Deficit:		
Reserved for continuing appropriations:		
Unencumbered allotments	\$ 302,076	
Unliquidated encumbrances	<u>375,565</u>	
Total reserved for continuing appropriations	677,641	
Reserved for federal aid highway projects encumbrances	<u>124,325</u>	
	801,966	
Unreserved	<u>(823,579)</u>	
Total Fund Deficit		<u>(21,613)</u>
Total Liabilities and Fund Deficit		<u><u>\$ 171,650</u></u>

See accompanying independent auditors' report.

Capital Projects Fund
Statement of Revenues, Expenditures and Changes
In Unreserved Fund Deficit

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

Revenues – interest and investment income		\$ 49,485
Other Financing Sources:		
Proceeds from general obligation bonds	\$ 150,000	
Operating transfers in from Special Revenue Funds	58,978	
Total Other Financing Sources		<u>208,978</u>
Total Revenues and Other Financing Sources		<u>258,463</u>
Expenditures:		
General government	18,133	
Public safety	2,682	
Highways	97,055	
Conservation of natural resources	1,772	
Health	6,403	
Welfare	10,615	
Lower education	69,750	
Higher education	67,053	
Culture and recreation	10,159	
Urban redevelopment and housing	64	
Economic development and assistance	27,598	
Total Expenditures	<u>311,284</u>	
Other Financing Uses – operating transfers out to:		
Special Revenue Funds	4,750	
Trust and Agency Funds	13,853	
Component Units	60,707	
Total Other Financing Uses	<u>79,310</u>	
Total Expenditures and Other Financing Uses		<u>390,594</u>
Excess of Expenditures and Other Financing Uses over Revenues and Other Financing Sources		(132,131)
Other Changes in Unreserved Fund Deficit:		
Add continuing appropriations, July 1, 2000	696,527	
Deduct continuing appropriations, June 30, 2001	(677,641)	
Increase in reserve for federal aid highway projects encumbrances	18,886	
Total Other Changes in Unreserved Fund Deficit	<u>(6,430)</u>	
Total Expenditures and Other Financing Uses over Revenues, Other Financing Sources and Other Changes in Unreserved Fund Deficit		<u>(119,675)</u>
Unreserved Fund Deficit, July 1, 2000		(700,042)
Residual equity transfer out to:		
General Fund		(2,140)
Component Units		<u>(1,722)</u>
Unreserved Fund Deficit, June 30, 2001		<u>\$ (823,579)</u>

See accompanying independent auditors' report.

Capital Projects Fund Supplementary Schedule of Reconciliation With Bonds Issued

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Bonds Issued	Appropriations	Transfers	Expenditures		Lapses	Balances
				Prior Years	Current Year		
General Obligation Bonds:							
General government	\$ 464,653	\$ 3,058,819	\$ (5,695)	\$ 1,040,040	\$ 40,685	\$ 1,868,854	\$ 103,545
Public safety	157,131	279,378	4,852	217,375	2,743	24,015	40,097
Highways	359,452	622,570	674	538,103	78	79,950	5,113
Conservation of natural resources	149,228	282,400	(623)	244,509	1,775	26,782	8,711
Health	129,075	359,111	(643)	265,882	11,144	72,699	8,743
Hospitals	116,164	135,446	611	117,584	854	13,749	3,870
Welfare	143,673	389,368	(2,182)	229,182	5,264	138,473	14,267
Lower education	708,109	1,925,455	1,122	1,476,328	100,627	203,632	145,990
Higher education	469,094	965,013	2,798	654,388	81,958	62,510	168,955
Other education	5,154	5,383	—	5,154	—	229	—
Culture and recreation	297,168	567,634	1,780	440,392	10,170	81,059	37,793
Urban redevelopment and housing	127,572	253,165	704	239,095	2,024	10,674	2,076
Economic development and assistance	160,638	854,245	(3,701)	638,906	27,597	106,925	77,116
Airports	69,122	71,764	283	70,692	—	1,355	—
Water transportation and terminals	53,708	157,714	20	152,570	—	5,130	34
Other	3,031,914	90	—	90	—	—	—
Total General Obligation Bonds	6,441,855	9,927,555	—	6,330,290	284,919	2,696,036	616,310
Revenue Bonds:							
Highways	251,613	713,956	—	147,454	28,833	295,502	242,167
Health	—	863,220	—	—	—	9,000	854,220
Hospitals	—	110,820	—	—	—	38,000	72,820
Welfare	138,775	650,000	—	138,775	—	205,800	305,425
Higher education	29,055	49,366	—	28,909	—	13,707	6,750
Urban redevelopment and housing	1,586,150	3,287,768	—	1,586,063	—	125,855	1,575,850
Economic development and assistance	—	1,170,061	—	—	—	246,061	924,000
Airports	1,424,094	3,210,458	—	1,369,892	438	1,759,895	80,233
Water transportation and terminals	264,006	356,857	—	235,752	7,288	80,518	33,299
Total Revenue Bonds	3,693,693	10,412,506	—	3,506,845	36,559	2,774,338	4,094,764
Total All Bonds	\$ 10,135,548	\$ 20,340,061	\$ —	\$ 9,837,135	321,478	\$ 5,470,374	4,711,074
Reconciliation with Capital Projects Fund:							
Add:							
Special Revenue Funds:							
Highways programs					\$ 68,236		\$ 161,655
School facilities improvement projects					54,220		125,848
Total Special Revenue Funds					122,456		287,503
Subtotal					443,934		4,998,577
Deduct:							
Enterprise Funds:							
Airports					(438)		(80,233)
Harbors					(7,288)		(33,333)
Total Enterprise Funds					(7,726)		(113,566)
Component Units:							
University Funds					(14,890)		(47,919)
Housing and Community Development Corporation of Hawaii					(5,209)		(1,816,708)
Hawaii Health Systems Corporation					(1,722)		—
Total Component Units					(21,821)		(1,864,627)
State Educational Facilities Improvement Special Fund					(84,500)		—
Hawaiian Home Lands Trust Fund					(13,853)		—
Reclassification of expenditures as operating transfer out					(4,750)		—
Special purpose revenue bonds not included in general purpose financial statements					—		(1,419,770)
Reclassification of unallotted appropriations against unreserved fund deficit					—		(798,648)
					\$ 311,284		\$ 801,966

See accompanying independent auditors' report.

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ENTERPRISE FUNDS

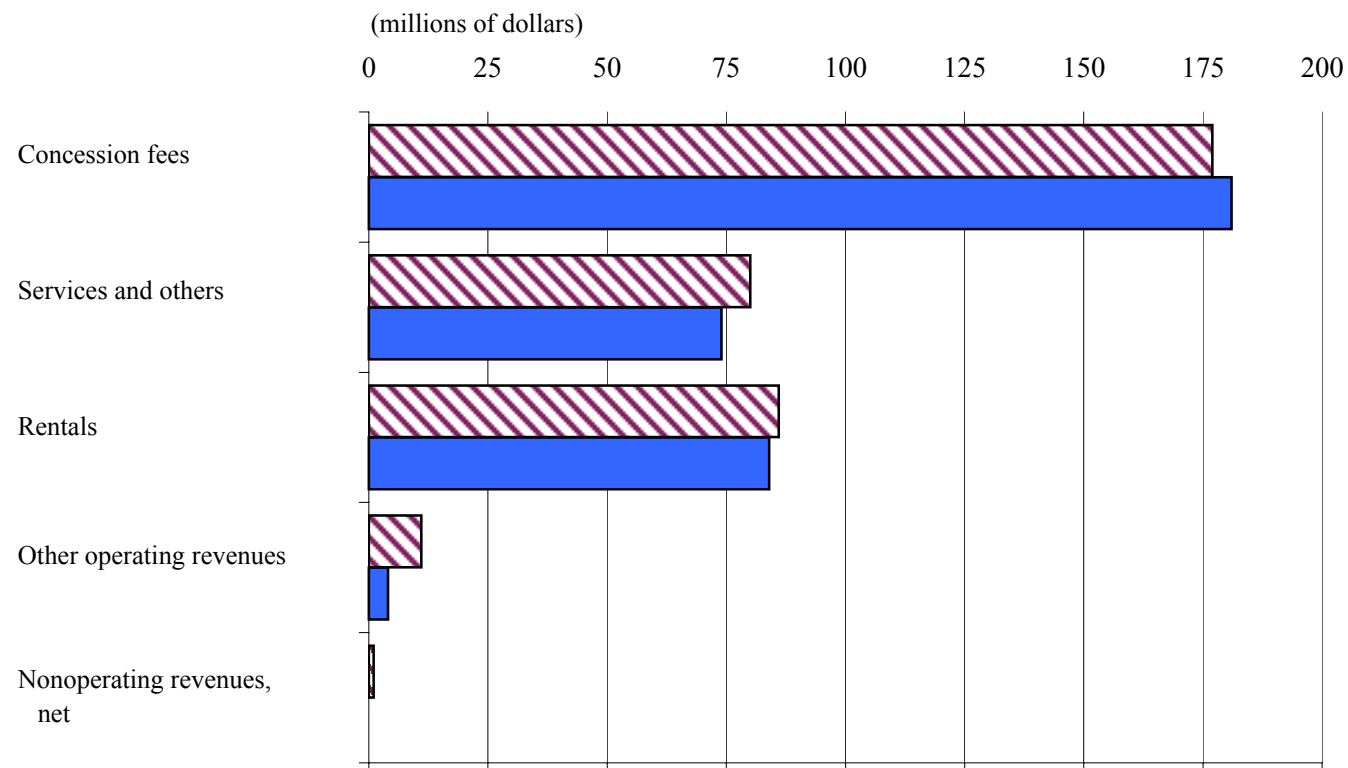
The Enterprise Funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The Enterprise Funds are comprised of the following:

Department of Transportation – Airports Division (Airports) – responsible for the equipment, regulation and operation of the state airports as a financially self-sustaining system. It plans, designs and constructs new, expanded airports and improves existing facilities. The division also promotes aeronautical safety in the State.

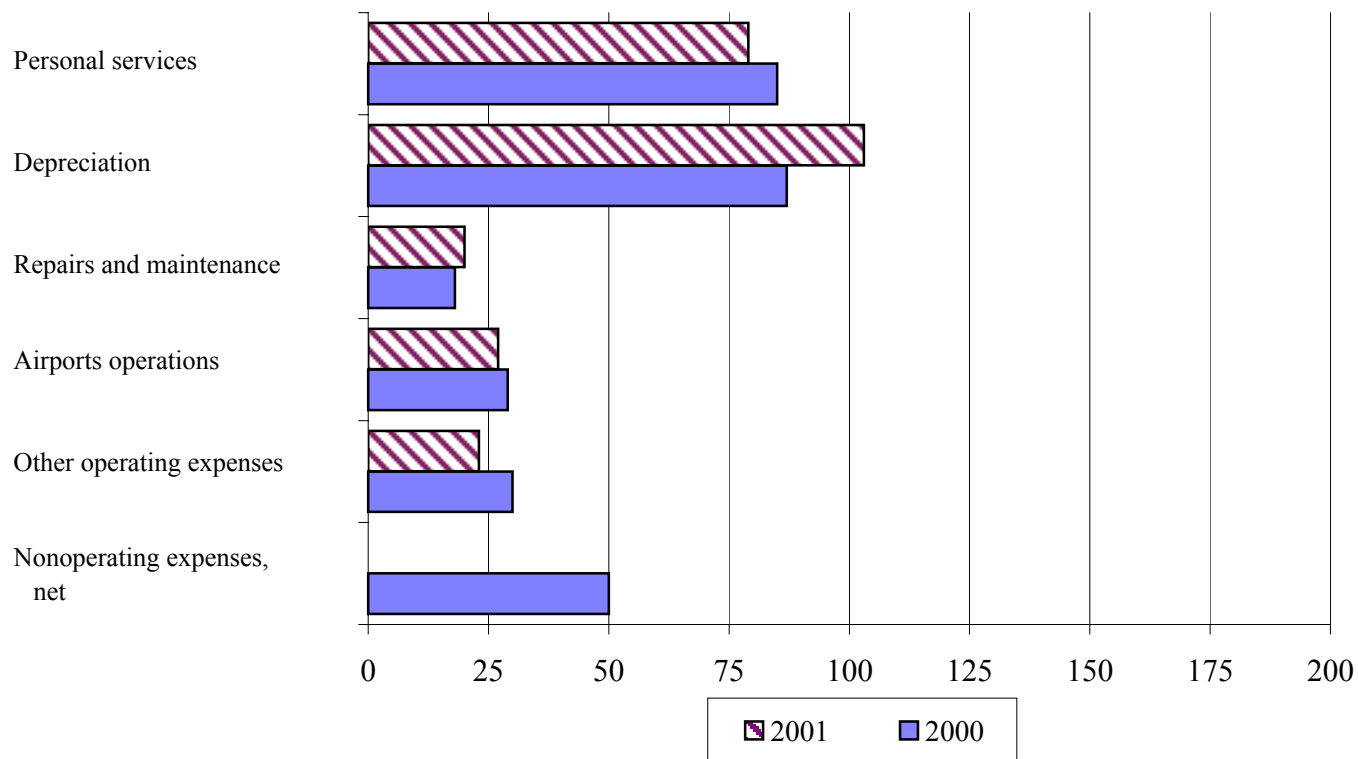
Department of Transportation – Harbors Division (Harbors) – fosters the development of water transportation in Hawaii. The division supervises and maintains the harbor operations and plans the construction of new harbor facilities. It maintains control over ocean shores and promotes navigational safety.

ENTERPRISE FUNDS

Operating Revenues



Operating Expenses and Nonoperating Expenses



Enterprise Funds
Combining Balance Sheet

June 30, 2001

(Amounts in thousands)

<u>ASSETS</u>	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Current Assets:			
Cash and short-term investments	\$ 555,613	\$ 72,592	\$ 628,205
Receivables:			
Accounts and accrued interest (net of allowance for doubtful accounts of \$10,096)	19,872	6,672	26,544
Federal government	5,010	—	5,010
Other	394	—	394
Due from General Fund	6,200	—	6,200
Inventory of materials and supplies	219	47	266
Prepaid expenses and other assets	—	1,325	1,325
Total Current Assets	<u>587,308</u>	<u>80,636</u>	<u>667,944</u>
Restricted Assets:			
Cash and short-term investments	246,284	76,025	322,309
Investments – repurchase agreements	54,905	—	54,905
Net direct financing leases	42,739	18,513	61,252
Total Restricted Assets	<u>343,928</u>	<u>94,538</u>	<u>438,466</u>
Property, Plant and Equipment:			
Land and land improvements	941,442	324,877	1,266,319
Buildings and improvements	1,241,975	293,341	1,535,316
Machinery and equipment	165,405	10,986	176,391
Construction in progress	101,885	52,664	154,549
	<u>2,450,707</u>	<u>681,868</u>	<u>3,132,575</u>
Less accumulated depreciation	(895,556)	(119,388)	(1,014,944)
Net Property, Plant and Equipment	<u>1,555,151</u>	<u>562,480</u>	<u>2,117,631</u>
Other Assets – unamortized bond issue costs	<u>7,505</u>	<u>2,452</u>	<u>9,957</u>
Total Assets	<u>\$ 2,493,892</u>	<u>\$ 740,106</u>	<u>\$ 3,233,998</u>

STATE OF HAWAII

Enterprise Funds
Combining Balance Sheet (Cont'd)

June 30, 2001

(Amounts in thousands)

<u>LIABILITIES AND FUND EQUITY</u>	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Current Liabilities:			
Vouchers and contracts payable	\$ 17,951	\$ 1,894	\$ 19,845
Other accrued liabilities	14,346	2,484	16,830
Prepaid airport use charge fund	1,148	—	1,148
Due to Capital Projects Fund	—	1,232	1,232
General obligation bonds payable, current portion	374	—	374
Deferred revenue	12,057	—	12,057
Total Current Liabilities (Payable from Current Assets)	<u>45,876</u>	<u>5,610</u>	<u>51,486</u>
Liabilities Payable from Restricted Assets:			
Contracts payable, accrued interest and other	20,704	22,312	43,016
Matured bonds and interest payable	—	530	530
Revenue bonds payable	49,600	13,513	63,113
General obligation bonds payable	—	849	849
Total Liabilities Payable from Restricted Assets	<u>70,304</u>	<u>37,204</u>	<u>107,508</u>
Long-Term Liabilities:			
General obligation bonds payable	349	227	576
Revenue bonds payable (net of unamortized bond premium, bond discount and loss on refunding)	872,397	218,657	1,091,054
Total Long-Term Liabilities	<u>872,746</u>	<u>218,884</u>	<u>1,091,630</u>
Total Liabilities	<u>988,926</u>	<u>261,698</u>	<u>1,250,624</u>
Fund Equity:			
Contributed capital	477,290	179,938	657,228
Less accumulated depreciation	(142,958)	(8,812)	(151,770)
Total contributed capital	<u>334,332</u>	<u>171,126</u>	<u>505,458</u>
Retained earnings:			
Reserved for bond requirements and other	176,994	4,399	181,393
Unreserved	993,640	302,883	1,296,523
Total retained earnings	<u>1,170,634</u>	<u>307,282</u>	<u>1,477,916</u>
Total Fund Equity	<u>1,504,966</u>	<u>478,408</u>	<u>1,983,374</u>
Total Liabilities and Fund Equity	<u>\$ 2,493,892</u>	<u>\$ 740,106</u>	<u>\$ 3,233,998</u>

See accompanying independent auditors' report.

Enterprise Funds
Combining Statement of Revenues,
Expenses and Changes in Retained Earnings

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Operating Revenues:			
Concession fees	\$ 176,861	\$ —	\$ 176,861
Airport use charges	36,823	—	36,823
Rentals	62,529	23,280	85,809
Services	830	42,132	42,962
Aviation fuel tax	3,870	—	3,870
Other	6,173	1,326	7,499
	<u>287,086</u>	<u>66,738</u>	<u>353,824</u>
Total Operating Revenues			
Operating Expenses:			
Personal services	71,348	8,110	79,458
Depreciation	91,228	11,295	102,523
Repairs and maintenance	15,801	4,029	19,830
Airports operations	27,071	—	27,071
Harbors operations	—	7,578	7,578
Fireboat operations	—	1,086	1,086
General administration	5,874	8,110	13,984
Other	362	—	362
	<u>211,684</u>	<u>40,208</u>	<u>251,892</u>
Total Operating Expenses			
Operating Income	<u>75,402</u>	<u>26,530</u>	<u>101,932</u>
Nonoperating Revenues (Expenses):			
Interest income	50,641	9,690	60,331
Interest expense	(67,332)	(11,986)	(79,318)
Amortization of bond discount and bond issue costs	—	(643)	(643)
Contributed capital	27,874	—	27,874
Loss on disposal of property, plant and equipment	(1,605)	(123)	(1,728)
Loss on transfer of property, plant and equipment	(1,528)	—	(1,528)
Other	(2,993)	(754)	(3,747)
	<u>5,057</u>	<u>(3,816)</u>	<u>1,241</u>
Total Net Nonoperating Revenues (Expenses)			
Net Income	80,459	22,714	103,173
Depreciation on contributed fixed assets that reduces contributed capital	13,892	557	14,449
Retained Earnings, July 1, 2000	<u>1,076,283</u>	<u>284,011</u>	<u>1,360,294</u>
Retained Earnings, June 30, 2001	<u>\$ 1,170,634</u>	<u>\$ 307,282</u>	<u>\$ 1,477,916</u>

See accompanying independent auditors' report.

Enterprise Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Operating income	\$ 75,402	\$ 26,530	\$ 101,932
Adjustments to reconcile operating income to net cash provided by operating activities:			
Provision for uncollectible accounts	(89)	3,162	3,073
Depreciation	91,228	11,295	102,523
Nonoperating expense, net	—	(754)	(754)
Decrease (increase) in assets:			
Receivables	9,271	(1,013)	8,258
Inventory of materials and supplies	(15)	(1)	(16)
Other assets	(6,200)	(113)	(6,313)
Increase (decrease) in liabilities:			
Vouchers and contract payable	(2,889)	1,580	(1,309)
Other accrued liabilities	2,045	2	2,047
Prepaid airport use charge fund	418	—	418
Deferred revenue	(14,850)	—	(14,850)
Net Cash Provided by Operating Activities	<u>154,321</u>	<u>40,688</u>	<u>195,009</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of property and equipment	(69,931)	(35,345)	(105,276)
Proceeds from issuance of refunding revenue bonds	435,616	—	435,616
Payments to refund revenue bonds	(432,040)	—	(432,040)
Payments to defease revenue bonds	(158,335)	—	(158,335)
Repayment of general obligation bond principal	(374)	(470)	(844)
Repayment of revenue bond principal	(52,120)	(8,358)	(60,478)
Bond issue costs	(3,576)	—	(3,576)
Interest paid on bonds	(75,685)	(11,203)	(86,888)
Proceeds from federal, state and capital grants	26,690	—	26,690
Net Cash Used in Capital and Related Financing Activities	<u>(329,755)</u>	<u>(55,376)</u>	<u>(385,131)</u>
Cash Flows from Investing Activities:			
Purchase of investments	(49,688)	—	(49,688)
Proceeds from sales and maturities of investments	77,752	493	78,245
Interest from investments	56,619	9,761	66,380
Net Cash Provided by Investing Activities	<u>84,683</u>	<u>10,254</u>	<u>94,937</u>
Net Decrease in Cash and Cash Equivalents	(90,751)	(4,434)	(95,185)
Cash and Cash Equivalents, including Restricted Amounts, July 1, 2000	<u>862,758</u>	<u>153,051</u>	<u>1,015,809</u>
Cash and Cash Equivalents, including Restricted Amounts, June 30, 2001	<u>\$ 772,007</u>	<u>\$ 148,617</u>	<u>\$ 920,624</u>

STATE OF HAWAII

Enterprise Funds

Combining Statement of Cash Flows (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Total</u>
Reconciliation of Cash and Cash Equivalents to Combining Balance Sheet:			
Cash and cash equivalents – unrestricted	\$ 555,613	\$ 72,592	\$ 628,205
Cash and cash equivalents – restricted	216,394	76,025	292,419
	<u>\$ 772,007</u>	<u>\$ 148,617</u>	<u>\$ 920,624</u>
Noncash Investing, Capital and Financing Activities:			
Capital assets contributed by federal agencies	\$ 1,088	\$ —	\$ 1,088
Amortization of bond discount and bond issue costs	1,744	643	2,387
Project costs written off	3,133	—	3,133

See accompanying independent auditors' report.

Enterprise Funds
Schedule of Changes in Long-Term Bonded
Indebtedness – Revenue Bonds

Last Three Fiscal Years

(Amounts in thousands)

Bonded indebtedness – revenue bonds (excluding unamortized bond discount and loss on refunding) at June 30, 1998	\$ 1,454,055
Less revenue bonds matured during the fiscal year ended June 30, 1999	<u>(41,475)</u>
Bonded indebtedness – revenue bonds (excluding unamortized bond discount and loss on refunding) at June 30, 1999	1,412,580
Less revenue bonds matured during the fiscal year ended June 30, 2000	(387,185)
Add:	
Airports System Revenue Bonds, Refunding Series of 2000A	26,415
Airports System Revenue Bonds, Refunding Series of 2000B	261,465
Harbors Revenue Bonds, Series A of 2000	<u>79,405</u>
Bonded indebtedness – revenue bonds (excluding unamortized bond premium, bond discount and loss on refunding) at June 30, 2000	1,392,680
Less revenue bonds matured during the fiscal year ended June 30, 2001	(649,040)
Add Airports System Revenue Bonds, Refunding Series of 2001	<u>423,255</u>
Bonded indebtedness – revenue bonds (excluding unamortized bond premium, bond discount and loss on refunding) at June 30, 2001	1,166,895
Add unamortized bond premium	19,383
Less:	
Unamortized bond discount	(5,220)
Unamortized loss on refunding	<u>(26,891)</u>
Bonded indebtedness – revenue bonds (net of unamortized bond premium, bond discount and loss on refunding) at June 30, 2001	<u>\$ 1,154,167</u>
Bonded indebtedness – revenue bonds (net of unamortized bond premium, bond discount and loss on refunding) at June 30, 2001 is reflected in the following Enterprise Funds:	
Airports	\$ 921,997
Harbors	<u>232,170</u>
Total	<u>\$ 1,154,167</u>

See accompanying independent auditors' report.

Enterprise Funds

Schedule of Revenue Bonds Outstanding

Last Three Fiscal Years

(Amounts in thousands)

Purpose	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
Airports:					
Airports Special Facility Revenue Bonds	Various	April 1, 1978/2005	\$ 49,015	\$ 44,985	\$ 42,455
Airports System Revenue Bonds, Series of 1990	Various	July 1, 1993/2020	91,295	1,940	—
Airports System Revenue Bonds, Second Series of 1990	Various	July 1, 1993/2020	183,065	3,795	—
Airports System Revenue Bonds, Series of 1991	Various	July 1, 1995/2020	186,400	175,900	4,425
Airports System Revenue Bonds, Second Series of 1991	Various	July 1, 1995/2021	374,605	351,320	8,225
Airports System Revenue Bonds, Refunding Series of 1992	Various	July 1, 1993/2000	5,510	1,850	—
Airports System Revenue Bonds, Refunding Series of 1993	Various	July 1, 1994/2013	115,995	111,890	107,565
Airports System Revenue Bonds, First Refunding Series of 1994	Various	July 1, 1995/2004	50,170	45,745	39,100
Airports System Revenue Bonds, Second Refunding Series of 1994	Various	July 1, 1995/2004	52,000	44,740	16,850
Airports System Revenue Bonds, Third Refunding Series of 1994	Various	July 1, 1995/2009	82,010	76,335	6,265
Airports System Revenue Bonds, Refunding Series of 2000A	Various	July 1, 2009/2021	—	26,415	26,415
Airports System Revenue Bonds, Refunding Series of 2000B	Various	July 1, 2000/2020	—	261,465	253,465
Airports System Revenue Bonds, Refunding Series of 2001	Various	July 1, 2018	—	—	423,255
Total Airports			<u>1,190,065</u>	<u>1,146,380</u>	<u>928,020</u>
Harbors:					
Harbors Revenue Bonds, Series of 1990	Various	July 1, 1993/2017	54,295	1,370	—
Harbors Revenue Bonds, Series of 1992	Various	July 1, 1995/2019	17,855	17,400	16,915
Harbors Revenue Bonds, Refunding Series of 1992	Various	July 1, 1995/2008	11,525	10,630	9,690
Harbors Revenue Bonds, Refunding Series of 1993	Various	July 1, 1995/2008	12,410	11,440	10,420
Harbors Special Facility Revenue Bonds, Refunding Series of 1993	Various	March 1, 2013	16,500	16,500	16,500
Harbors Revenue Bonds, Series of 1994	Various	July 1, 2001/2024	54,010	54,010	54,010
Harbors Revenue Bonds, Series of 1997	Various	July 1, 1998/2027	55,920	55,545	55,155
Harbors Revenue Bonds, Series A of 2000	Various	July 1, 2000/2029	—	79,405	76,185
Total Harbors			<u>222,515</u>	<u>246,300</u>	<u>238,875</u>
Total bonded indebtedness – revenue bonds (excluding unamortized bond premium, bond discount and loss on refunding)			1,412,580	1,392,680	1,166,895
Add unamortized bond premium			—	7,737	19,383
Less:					
Unamortized bond discount			(14,532)	(9,828)	(5,220)
Unamortized loss on refunding			(1,139)	(16,394)	(26,891)
Total bonded indebtedness – revenue bonds (net of unamortized bond premium, bond discount and loss on refunding)			<u>\$ 1,396,909</u>	<u>\$ 1,374,195</u>	<u>\$ 1,154,167</u>
Total bonded indebtedness – revenue bonds (net of unamortized bond premium, bond discount and loss on refunding) is reflected in the following Enterprise Funds:					
Airports			\$ 1,180,467	\$ 1,135,125	\$ 921,997
Harbors			<u>216,442</u>	<u>239,070</u>	<u>232,170</u>
			<u>\$ 1,396,909</u>	<u>\$ 1,374,195</u>	<u>\$ 1,154,167</u>

See accompanying independent auditors' report.

TRUST AND AGENCY FUNDS

The Trust and Agency Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units or other funds. The Trust and Agency Funds consist of the following:

Expendable Trust Funds – primarily account for receipt of monies and payment of benefits for the unemployment compensation plan.

Tax Collections – clearing accounts for tax and certain collections pending subsequent distribution. It also accounts for taxes paid under protest and deposited in a trust account. Disposition of those funds is made once the Department of Taxation's Board of Review or the state courts have rendered a decision on the taxpayer's protest.

Employee Benefits – accounts for the Hawaii Public Employees Health Fund, which includes medical, dental and life insurance coverage, and the Hawaii State Employees U.S. Savings Bonds Investment Program.

Custodial and Clearance – accounts for insurance premiums pending appeal and other funds deposited in a trust account.

Trust and Agency Funds Combining Balance Sheet

June 30, 2001

(Amounts in thousands)

ASSETS	Expendable Trust Funds	Agency Funds			Total
		Tax Collections	Employee Benefits	Custodial And Clearance	
Cash and short-term investments	\$ 344,726	\$ 11,636	\$ 4,490	\$ 88,120	\$ 448,972
Receivables:					
Taxes	38,926	—	—	—	38,926
Notes	5	—	—	—	5
Total receivables	38,931	—	—	—	38,931
Investments:					
U.S. government securities	11	—	—	—	11
Repurchase agreements	126,497	—	47,513	71,427	245,437
Corporate stocks	100	—	—	—	100
Liquid asset funds	296	—	—	—	296
Total investments	126,904	—	47,513	71,427	245,844
Total Assets	\$ 510,561	\$ 11,636	\$ 52,003	\$ 159,547	\$ 733,747
LIABILITIES AND FUND BALANCES					
Liabilities:					
Vouchers payable	\$ 2,128	\$ 1	\$ 195	\$ 964	\$ 3,288
Due to individuals, businesses and counties	8,400	11,635	—	155,121	175,156
Due to other funds:					
General Fund	70	—	—	—	70
Special Revenue Funds	—	—	—	3,462	3,462
Other	—	—	51,808	—	51,808
Total Liabilities	10,598	11,636	52,003	159,547	233,784
Fund Balances – reserved for:					
Hawaiian programs	91,225	—	—	—	91,225
Unemployment compensation	354,728	—	—	—	354,728
Other	54,010	—	—	—	54,010
Total Fund Balances	499,963	—	—	—	499,963
Total Liabilities and Fund Balances	\$ 510,561	\$ 11,636	\$ 52,003	\$ 159,547	\$ 733,747

See accompanying independent auditors' report.

Expendable Trust Funds
Statement of Revenues, Expenditures and
Changes in Unreserved Fund Balances

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

Revenues:		
Unemployment compensation tax		\$ 126,096
Interest and investment income		31,807
Charges for current services		19,330
Intergovernmental		7,450
Rentals		3,248
Donations, contributions and deposits		26,627
Income tax designation for election campaign		455
Other		9,866
		<u>224,879</u>
Total Revenues		
Other Financing Sources – operating transfers in from:		
General Fund	\$ 150	
Capital Projects Fund	13,853	
		<u>14,003</u>
Total Other Financing Sources		
Total Revenues and Other Financing Sources		
		<u>238,882</u>
Expenditures:		
Personal services	5,882	
Unemployment compensation	116,132	
Other	76,953	
		<u>198,967</u>
Total Expenditures		
Other Financing Use – operating transfer out to Debt Service Fund		
		<u>318</u>
Total Expenditures and Other Financing Use		
		<u>199,285</u>
Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Use		
		39,597
Other Changes in Unreserved Fund Balances – decrease (increase) in reserve for:		
Hawaiian programs	6,392	
Unemployment compensation and other	(45,989)	
		<u>(39,597)</u>
Total Other Changes in Unreserved Fund Balances		
Excess of Revenues and Other Financing Sources over Expenditures, Other Financing Use and Other Changes in Unreserved Fund Balances		
		—
Unreserved Fund Balances, July 1, 2000		
		<u>—</u>
Unreserved Fund Balances, June 30, 2001		
	\$	<u><u>—</u></u>

See accompanying independent auditors' report.

All Agency Funds Combining Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	<u>Balance, July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2001</u>
Tax Collections:				
Assets:				
Cash and short-term investments	\$ 11,471	\$ 4,082,431	\$ (4,082,266)	\$ 11,636
Total Assets	<u>\$ 11,471</u>	<u>\$ 4,082,431</u>	<u>\$ (4,082,266)</u>	<u>\$ 11,636</u>
Liabilities:				
Vouchers payable	\$ 6,437	\$ 1	\$ (6,437)	\$ 1
Due to individuals, businesses and counties	5,034	4,082,431	(4,075,830)	11,635
Total Liabilities	<u>\$ 11,471</u>	<u>\$ 4,082,432</u>	<u>\$ (4,082,267)</u>	<u>\$ 11,636</u>
Employee Benefits:				
Assets:				
Cash and short-term investments	\$ 5,324	\$ 354,164	\$ (354,998)	\$ 4,490
Investments	—	47,513	—	47,513
Total Assets	<u>\$ 5,324</u>	<u>\$ 401,677</u>	<u>\$ (354,998)</u>	<u>\$ 52,003</u>
Liabilities:				
Vouchers payable	\$ 4	\$ 195	\$ (4)	\$ 195
Other	5,320	401,678	(355,190)	51,808
Total Liabilities	<u>\$ 5,324</u>	<u>\$ 401,873</u>	<u>\$ (355,194)</u>	<u>\$ 52,003</u>
Custodial and Clearance:				
Assets:				
Cash and short-term investments	\$ 96,761	\$ 2,440,695	\$ (2,449,336)	\$ 88,120
Investments	18,025	71,427	(18,025)	71,427
Total Assets	<u>\$ 114,786</u>	<u>\$ 2,512,122</u>	<u>\$ (2,467,361)</u>	<u>\$ 159,547</u>
Liabilities:				
Vouchers payable	\$ 279	\$ 964	\$ (279)	\$ 964
Due to individuals, businesses and counties	112,009	2,439,741	(2,396,629)	155,121
Due to Special Revenue Funds	2,498	964	—	3,462
Total Liabilities	<u>\$ 114,786</u>	<u>\$ 2,441,669</u>	<u>\$ (2,396,908)</u>	<u>\$ 159,547</u>
Total – All Agency Funds:				
Assets:				
Cash and short-term investments	\$ 113,556	\$ 6,877,290	\$ (6,886,600)	\$ 104,246
Investments	18,025	118,940	(18,025)	118,940
Total Assets	<u>\$ 131,581</u>	<u>\$ 6,996,230</u>	<u>\$ (6,904,625)</u>	<u>\$ 223,186</u>
Liabilities:				
Vouchers payable	\$ 6,720	\$ 1,160	\$ (6,720)	\$ 1,160
Due to individuals, businesses and counties	117,043	6,522,172	(6,472,459)	166,756
Due to Special Revenue Funds	2,498	964	—	3,462
Other	5,320	401,678	(355,190)	51,808
Total Liabilities	<u>\$ 131,581</u>	<u>\$ 6,925,974</u>	<u>\$ (6,834,369)</u>	<u>\$ 223,186</u>

See accompanying independent auditors' report.

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GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group is used to account for the fixed assets of the State, excluding those in the custody of the Enterprise Funds and Component Units.

General Fixed Assets Account Group
Schedule of General Fixed Assets by Function

June 30, 2001

(Amounts in thousands)

<u>Function</u>	<u>Land</u>	<u>Buildings and Improvements</u>	<u>Equipment</u>	<u>Total</u>
General government	\$ 336,556	\$ 465,456	\$ 20,799	\$ 822,811
Public safety	9,511	219,922	41,070	270,503
Highways	7	9,161	53,459	62,627
Conservation of natural resources	230,451	70,891	36,767	338,109
Health	1,422	208,256	28,815	238,493
Welfare	1,884	16,729	15,347	33,960
Education	37,482	1,793,016	278,848	2,109,346
Culture and recreation	104,079	105,265	49,409	258,753
Urban redevelopment and housing	1,970	9,359	1,948	13,277
Economic development and assistance	156,712	356,723	20,174	533,609
Housing	5,880	—	—	5,880
Total General Fixed Assets Allocated to Functions	<u>\$ 885,954</u>	<u>\$ 3,254,778</u>	<u>\$ 546,636</u>	4,687,368
Construction in progress				<u>638,799</u>
Total General Fixed Assets				<u>\$ 5,326,167</u>

See note 7 for the schedule of changes in general fixed assets.

See accompanying independent auditors' report.

Schedule of Changes in General Fixed Assets by Function

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

<u>Function</u>	<u>Balance, July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2001</u>
General government	\$ 918,466	\$ 136,552	\$ (232,207)	\$ 822,811
Public safety	269,876	5,386	(4,759)	270,503
Highways	58,853	6,187	(2,413)	62,627
Conservation of natural resources	316,230	23,763	(1,884)	338,109
Health	178,495	62,054	(2,056)	238,493
Welfare	27,307	9,489	(2,836)	33,960
Education	2,030,771	120,797	(42,222)	2,109,346
Culture and recreation	256,417	3,093	(757)	258,753
Urban redevelopment and housing	11,973	1,435	(131)	13,277
Economic development and assistance	514,792	20,256	(1,439)	533,609
Housing	5,880	—	—	5,880
Total by Function	<u>4,589,060</u>	<u>389,012</u>	<u>(290,704)</u>	<u>4,687,368</u>
Construction in progress	<u>727,894</u>	<u>175,009</u>	<u>(264,104)</u>	<u>638,799</u>
Total General Fixed Assets	<u>\$ 5,316,954</u>	<u>\$ 564,021</u>	<u>\$ (554,808)</u>	<u>\$ 5,326,167</u>

See accompanying independent auditors' report.

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GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP

The General Long-Term Obligations Account Group is used to account for all long-term obligations of the State, including general obligation bonds (except for those accounted for in the Enterprise Funds and Component Units) and other long-term obligations.

General Long-Term Obligations Account Group
Schedule of General Long-Term Obligations

June 30, 2001

(Amounts in thousands)

Amount Available and Resources to Be Provided in Future Years:

Amount available in Debt Service Fund		\$	938
Resources to be provided in future years – retirement of:			
Claims and judgments payable	\$	341,308	
General obligation bonds payable		3,224,697	
Accrued vacation payable		141,010	
Revenue bonds payable		231,295	
Reserve for losses and loss adjustment costs		136,000	
Capital lease obligation		73,177	
		<u> </u>	
Total resources to be provided in future years			<u>4,147,487</u>
Total Amount Available and Resources to Be Provided in Future Years			<u>\$ 4,148,425</u>
General Long-Term Obligations:			
Claims and judgments payable	\$	341,308	
General obligation bonds payable		3,225,635	
Accrued vacation payable		141,010	
Revenue bonds payable		231,295	
Reserve for losses and loss adjustment costs		136,000	
Capital lease obligation		73,177	
		<u> </u>	
Total General Long-Term Obligations			<u>\$ 4,148,425</u>

See note 12 for the schedule of changes in general long-term obligations.

See accompanying independent auditors' report.

**General Long-Term Obligations Account Group
Schedule of Changes in General Long-Term Bonded
Indebtedness – General Obligation Bonds**

Last Three Fiscal Years

(Amounts in thousands)

Bonded indebtedness – general obligation bonds at June 30, 1998	\$ 3,387,988
Less general obligation bonds matured during the fiscal year ended June 30, 1999	(198,690)
Bonded indebtedness – general obligation bonds at June 30, 1999	<u>3,189,298</u>
Less general obligation bonds matured during the fiscal year ended June 30, 2000	(189,435)
Add general obligation bonds issued, September 15, 1999	<u>300,000</u>
Bonded indebtedness – general obligation bonds at June 30, 2000	3,299,863
Less general obligation bonds matured during the fiscal year ended June 30, 2001	(205,006)
Add general obligation bonds issued, October 15, 2000	<u>150,000</u>
Bonded indebtedness – general obligation bonds at June 30, 2001	<u>\$ 3,244,857</u>
Bonded indebtedness – general obligation bonds at June 30, 2001 is reflected in the following account group and funds:	
General Long-Term Obligations Account Group	\$ 3,225,635
Enterprise Funds	1,799
Component Unit – University Funds	<u>17,423</u>
	<u>\$ 3,244,857</u>

See accompanying independent auditors' report.

General Long-Term Obligations Account Group Schedule of General Obligation Bonds Outstanding

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
August 1, 1972	4.000%	August 1, 1999	\$ 210	\$ —	\$ —
August 1, 1972	4.000	August 1, 2000	220	220	—
August 1, 1972	4.000	August 1, 2001	230	230	230
August 1, 1972	4.000	August 1, 2002	240	240	240
August 1, 1972	4.000	August 1, 2003	255	255	255
August 1, 1972	4.000	August 1, 2004	270	270	270
August 1, 1972	4.000	August 1, 2005	285	285	285
August 1, 1972	4.000	August 1, 2006	300	300	300
August 1, 1972	4.000	August 1, 2007	315	315	315
December 6, 1988	7.181	December 1, 1999	4,061	—	—
December 6, 1988	7.281	December 1, 2000	4,065	4,065	—
December 6, 1988	7.381	December 1, 2001	4,059	4,059	4,059
December 6, 1988	7.481	December 1, 2002	4,065	4,065	4,065
December 6, 1988	7.581	December 1, 2003	4,059	4,059	4,059
December 6, 1988	7.631	December 1, 2004	4,065	4,066	4,065
December 6, 1988	7.681	December 1, 2005	4,060	4,060	4,060
December 6, 1988	7.681	December 1, 2006	4,065	4,065	4,065
December 6, 1988	7.681	December 1, 2007	4,061	4,061	4,061
December 6, 1988	7.681	December 1, 2008	4,065	4,065	4,065
November 28, 1989	6.800	December 1, 1999	4,445	—	—
November 28, 1989	7.100	December 1, 2005	4,445	4,445	4,445
November 28, 1989	7.100	December 1, 2006	4,444	4,444	4,444
November 28, 1989	7.150	December 1, 2007	4,445	4,445	4,445
November 28, 1989	7.150	December 1, 2008	4,444	4,444	4,444
November 28, 1989	7.150	December 1, 2009	4,445	4,445	4,445
September 1, 1990	6.850	September 1, 1999	8,335	—	—
February 1, 1991	8.000	February 1, 2001	13,890	13,890	—
November 1, 1991	7.250	November 1, 2000	5,555	5,555	—
November 1, 1991	5.850	November 1, 2001	5,555	5,555	5,555
November 1, 1991	7.250	November 1, 2000	7,090	7,090	—
November 1, 1991	5.850	November 1, 2001	7,090	7,090	7,090
November 1, 1991	6.000	November 1, 2002	7,090	7,090	7,090
March 1, 1992	5.750	March 1, 2000	5,555	—	—
March 1, 1992	5.875	March 1, 2001	5,555	5,555	—
March 1, 1992	5.900	March 1, 2002	5,555	5,555	5,555
March 1, 1992	6.000	March 1, 2003	5,555	5,555	5,555
March 1, 1992	6.100	March 1, 2004	5,555	5,555	5,555
March 1, 1992	6.200	March 1, 2005	5,555	5,555	5,555
March 1, 1992	6.300	March 1, 2006	5,555	5,555	5,555
March 1, 1992	6.400	March 1, 2007	5,555	5,555	5,555
March 1, 1992	6.400	March 1, 2008	5,555	5,555	5,555
March 1, 1992	6.400	March 1, 2009	5,555	5,555	5,555
March 1, 1992	6.400	March 1, 2010	5,555	5,555	5,555
March 1, 1992	6.375	March 1, 2011	5,555	5,555	5,555
March 1, 1992	6.250	March 1, 2012	5,555	5,555	5,555
March 1, 1992	5.750	March 1, 2000	3,410	—	—
March 1, 1992	5.875	March 1, 2001	3,410	3,410	—

STATE OF HAWAII

General Long-Term Obligations Account Group
Schedule of General Obligation Bonds Outstanding (Cont'd)

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
March 1, 1992	5.900%	March 1, 2002	\$ 3,410	\$ 3,410	\$ 3,410
October 1, 1992	6.500	October 1, 1999	24,000	—	—
October 1, 1992	5.250	October 1, 2000	12,500	12,500	—
October 1, 1992	5.400	October 1, 2001	12,500	12,500	12,500
October 1, 1992	6.250	October 1, 2002	12,500	12,500	12,500
October 1, 1992	5.600	October 1, 2003	12,500	12,500	12,500
October 1, 1992	5.700	October 1, 2004	12,500	12,500	12,500
October 1, 1992	5.800	October 1, 2005	12,500	12,500	12,500
October 1, 1992	5.900	October 1, 2006	12,500	12,500	12,500
October 1, 1992	6.000	October 1, 2007	12,500	12,500	12,500
October 1, 1992	6.000	October 1, 2008	12,500	12,500	12,500
October 1, 1992	6.000	October 1, 2009	12,500	12,500	12,500
October 1, 1992	6.000	October 1, 2010	12,500	12,500	12,500
October 1, 1992	6.000	October 1, 2011	12,500	12,500	12,500
October 1, 1992	6.000	October 1, 2012	12,500	12,500	12,500
January 1, 1993	5.000	January 1, 2000	5,000	—	—
January 1, 1993	5.250	January 1, 2002	5,000	5,000	5,000
January 1, 1993	5.375	January 1, 2003	5,000	5,000	5,000
January 1, 1993	5.500	January 1, 2004	5,000	5,000	5,000
January 1, 1993	5.500	January 1, 2005	5,000	5,000	5,000
January 1, 1993	5.500	January 1, 2006	5,000	5,000	5,000
January 1, 1993	5.750	January 1, 2007	5,000	5,000	5,000
January 1, 1993	5.750	January 1, 2008	5,000	5,000	5,000
January 1, 1993	6.000	January 1, 2009	5,000	5,000	5,000
January 1, 1993	5.750	January 1, 2010	5,000	5,000	5,000
January 1, 1993	5.750	January 1, 2011	5,000	5,000	5,000
January 1, 1993	5.500	January 1, 2012	5,000	5,000	5,000
January 1, 1993	8.000	January 1, 2013	5,000	5,000	5,000
January 1, 1993	5.000	January 1, 2000	8,295	—	—
January 1, 1993	5.125	January 1, 2001	8,295	8,295	—
January 1, 1993	5.250	January 1, 2002	8,295	8,295	8,295
January 1, 1993	5.375	January 1, 2003	8,295	8,295	8,295
January 1, 1993	5.500	January 1, 2004	8,295	8,295	8,295
January 1, 1993	5.500	January 1, 2005	8,295	8,295	8,295
January 1, 1993	5.500	January 1, 2006	8,295	8,295	8,295
January 1, 1993	5.750	January 1, 2007	8,295	8,295	8,295
January 1, 1993	5.750	January 1, 2008	8,295	8,295	8,295
February 1, 1993	4.600	February 1, 2000	23,920	—	—
February 1, 1993	4.700	February 1, 2001	23,920	23,920	—
February 1, 1993	7.750	February 1, 2002	23,920	23,920	23,920
February 1, 1993	5.000	February 1, 2003	23,920	23,920	23,920
February 1, 1993	5.000	February 1, 2004	23,920	23,920	23,920
February 1, 1993	5.000	February 1, 2005	23,920	23,920	23,920
February 1, 1993	5.125	February 1, 2006	23,915	23,915	23,915
February 1, 1993	5.125	February 1, 2007	23,915	23,915	23,915
February 1, 1993	5.125	February 1, 2008	23,915	23,915	23,915
February 1, 1993	5.125	February 1, 2009	23,915	23,915	23,915

STATE OF HAWAII

General Long-Term Obligations Account Group
Schedule of General Obligation Bonds Outstanding (Cont'd)

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
February 1, 1993	4.600%	February 1, 2000	\$ 17,240	\$ —	\$ —
February 1, 1993	4.700	February 1, 2001	17,240	17,240	—
February 1, 1993	4.900	February 1, 2002	17,240	17,240	17,240
February 1, 1993	5.000	February 1, 2003	17,240	17,240	17,240
June 1, 1993	4.500	June 1, 2001	7,235	7,235	—
June 1, 1993	8.000	June 1, 2003	7,235	7,235	7,235
June 1, 1993	5.200	June 1, 2004	7,235	7,235	7,235
June 1, 1993	5.250	June 1, 2005	7,235	7,235	7,235
July 1, 1993	4.250	July 1, 1999	17,525	—	—
July 1, 1993	4.400	July 1, 2000	17,525	17,525	—
July 1, 1993	5.500	July 1, 2001	17,525	17,525	17,525
July 1, 1993	4.600	July 1, 2002	17,525	17,525	17,525
July 1, 1993	4.400	July 1, 2000	1,115	1,115	—
July 1, 1993	4.600	July 1, 2002	1,220	1,220	1,220
July 1, 1993	4.700	July 1, 2003	1,280	1,280	1,280
July 1, 1993	4.800	July 1, 2004	1,340	1,340	1,340
July 1, 1993	4.900	July 1, 2005	1,405	1,405	1,405
July 1, 1993	5.000	July 1, 2006	1,475	1,475	1,475
November 1, 1993	4.750	November 1, 1999	13,890	—	—
November 1, 1993	4.000	November 1, 2000	10,000	10,000	—
November 1, 1993	4.100	November 1, 2001	13,890	13,890	13,890
November 1, 1993	4.200	November 1, 2002	13,890	13,890	13,890
November 1, 1993	4.300	November 1, 2003	13,890	13,890	13,890
November 1, 1993	4.400	November 1, 2004	13,890	13,890	13,890
November 1, 1993	6.000	November 1, 2005	13,890	13,890	13,890
November 1, 1993	6.000	November 1, 2006	13,890	13,890	13,890
November 1, 1993	6.000	November 1, 2007	13,890	13,890	13,890
November 1, 1993	6.000	November 1, 2008	13,890	13,890	13,890
November 1, 1993	6.000	November 1, 2009	13,890	13,890	13,890
November 1, 1993	6.000	November 1, 2010	13,885	13,885	13,885
November 1, 1993	4.750	November 1, 2011	13,885	13,885	13,885
November 1, 1993	4.750	November 1, 2012	13,885	13,885	13,885
November 1, 1993	4.750	November 1, 2013	13,885	13,885	13,885
November 1, 1993	5.000	November 1, 1999	21,130	—	—
November 1, 1993	4.000	November 1, 2000	21,130	21,130	—
November 1, 1993	4.100	November 1, 2001	21,130	21,130	21,130
November 1, 1993	4.200	November 1, 2002	21,130	21,130	21,130
November 1, 1993	4.300	November 1, 2003	21,130	21,130	21,130
November 1, 1993	4.400	November 1, 2004	21,125	21,125	21,125
November 1, 1993	4.500	November 1, 2005	21,125	21,125	21,125
November 1, 1993	4.600	November 1, 2006	21,125	21,125	21,125
November 1, 1993	4.700	November 1, 2007	21,125	21,125	21,125
November 1, 1993	4.750	November 1, 2008	21,125	21,125	21,125
November 1, 1993	4.750	November 1, 2009	21,125	21,125	21,125
November 1, 1993	4.900	November 1, 2010	21,125	21,125	21,125
January 1, 1995	5.625	January 1, 2002	14,890	14,890	14,890
January 1, 1995	5.700	January 1, 2003	14,890	14,890	14,890

STATE OF HAWAII

**General Long-Term Obligations Account Group
Schedule of General Obligation Bonds Outstanding (Cont'd)**

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
January 1, 1995	5.750%	January 1, 2004	\$ 14,890	\$ 14,890	\$ 14,890
January 1, 1995	5.800	January 1, 2005	14,890	14,890	14,890
September 1, 1995	5.000	September 1, 2000	5,555	5,555	—
September 1, 1995	6.000	September 1, 2001	5,555	5,555	5,555
September 1, 1995	6.000	September 1, 2002	5,555	5,555	5,555
September 1, 1995	6.000	September 1, 2003	5,555	5,555	5,555
September 1, 1995	6.000	September 1, 2004	5,555	5,555	5,555
September 1, 1995	5.000	September 1, 2005	5,555	5,555	5,555
September 1, 1995	5.000	September 1, 2006	5,555	5,555	5,555
March 1, 1996	5.000	March 1, 2002	5,555	5,555	5,555
March 1, 1996	5.000	March 1, 2003	5,555	5,555	5,555
March 1, 1996	4.900	March 1, 2004	5,555	5,555	5,555
March 1, 1996	5.000	March 1, 2005	5,555	5,555	5,555
March 1, 1996	5.100	March 1, 2006	5,555	5,555	5,555
March 1, 1996	6.000	March 1, 2007	5,555	5,555	5,555
March 1, 1996	6.000	March 1, 2008	5,555	5,555	5,555
March 1, 1996	6.000	March 1, 2009	5,555	5,555	5,555
March 1, 1996	6.000	March 1, 2010	5,555	5,555	5,555
March 1, 1996	6.000	March 1, 2011	5,555	5,555	5,555
March 1, 1996	5.250	March 1, 2012	5,555	5,555	5,555
March 1, 1996	5.250	March 1, 2013	5,555	5,555	5,555
March 1, 1996	5.250	March 1, 2014	5,555	5,555	5,555
March 1, 1996	5.250	March 1, 2015	5,555	5,555	5,555
December 1, 1996	5.000	December 1, 1999	8,335	—	—
December 1, 1996	5.000	December 1, 2000	8,335	8,335	—
December 1, 1996	5.000	December 1, 2001	8,335	8,335	8,335
December 1, 1996	5.500	December 1, 2002	8,335	8,335	8,335
December 1, 1996	5.500	December 1, 2003	8,335	8,335	8,335
December 1, 1996	5.500	December 1, 2004	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2005	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2006	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2007	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2008	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2009	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2010	8,335	8,335	8,335
December 1, 1996	6.000	December 1, 2011	8,330	8,330	8,330
December 1, 1996	6.000	December 1, 2012	8,330	8,330	8,330
December 1, 1996	6.500	December 1, 2013	8,330	8,330	8,330
December 1, 1996	6.500	December 1, 2014	8,330	8,330	8,330
December 1, 1996	6.500	December 1, 2015	8,330	8,330	8,330
December 1, 1996	6.500	December 1, 2016	8,330	8,330	8,330
March 1, 1997	6.250	March 1, 2002	13,660	13,660	13,660
March 1, 1997	6.250	March 1, 2003	14,515	14,515	14,515
March 1, 1997	6.250	March 1, 2004	15,420	15,420	15,420
March 1, 1997	6.250	March 1, 2005	16,385	16,385	16,385
March 1, 1997	6.250	March 1, 2006	17,410	17,410	17,410
March 1, 1997	6.250	March 1, 2007	18,500	18,500	18,500

STATE OF HAWAII

General Long-Term Obligations Account Group
Schedule of General Obligation Bonds Outstanding (Cont'd)

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
March 1, 1997	6.250%	March 1, 2008	\$ 19,655	\$ 19,655	\$ 19,655
March 1, 1997	6.000	March 1, 2009	20,885	20,885	20,885
March 1, 1997	5.250	March 1, 2010	22,135	22,135	22,135
March 1, 1997	5.250	March 1, 2011	23,300	23,300	23,300
March 1, 1997	5.250	March 1, 2012	24,520	24,520	24,520
March 1, 1997	5.250	March 1, 2013	25,810	25,810	25,810
March 1, 1997	5.500	March 1, 2014	27,165	27,165	27,165
March 1, 1997	5.250	March 1, 2015	28,660	28,660	28,660
March 1, 1997	5.250	March 1, 2017	31,820	31,820	31,820
March 1, 1997	5.250	March 1, 2000	13,915	—	—
March 1, 1997	4.500	September 1, 2000	7,325	7,325	—
March 1, 1997	6.000	March 1, 2001	7,485	7,485	—
March 1, 1997	4.625	September 1, 2001	7,710	7,710	7,710
March 1, 1997	6.000	March 1, 2002	7,890	7,890	7,890
March 1, 1997	4.750	September 1, 2002	8,125	8,125	8,125
March 1, 1997	4.800	March 1, 2003	8,320	8,320	8,320
March 1, 1997	6.000	September 1, 2003	8,520	8,520	8,520
March 1, 1997	5.000	March 1, 2004	8,775	8,775	8,775
March 1, 1997	6.000	September 1, 2004	8,995	8,995	8,995
March 1, 1997	6.000	March 1, 2005	9,265	9,265	9,265
March 1, 1997	6.000	September 1, 2005	9,545	9,545	9,545
March 1, 1997	6.000	March 1, 2006	9,830	9,830	9,830
March 1, 1997	6.000	September 1, 2006	10,125	10,125	10,125
March 1, 1997	6.000	March 1, 2007	10,425	10,425	10,425
March 1, 1997	6.000	September 1, 2007	10,740	10,740	10,740
March 1, 1997	6.000	March 1, 2008	11,060	11,060	11,060
March 1, 1997	6.000	September 1, 2008	11,395	11,395	11,395
March 1, 1997	6.000	March 1, 2009	11,735	11,735	11,735
March 1, 1997	6.000	September 1, 2009	12,090	12,090	12,090
March 1, 1997	6.000	March 1, 2010	12,450	12,450	12,450
March 1, 1997	6.000	September 1, 2010	12,825	12,825	12,825
March 1, 1997	6.000	March 1, 2011	13,210	13,210	13,210
October 1, 1997	5.000	October 1, 2000	6,915	6,915	—
October 1, 1997	5.000	October 1, 2001	7,270	7,270	7,270
October 1, 1997	5.000	October 1, 2002	7,640	7,640	7,640
October 1, 1997	5.000	October 1, 2003	8,035	8,035	8,035
October 1, 1997	5.000	October 1, 2004	8,445	8,445	8,445
October 1, 1997	5.000	October 1, 2005	8,880	8,880	8,880
October 1, 1997	5.500	October 1, 2006	9,355	9,355	9,355
October 1, 1997	5.500	October 1, 2007	9,885	9,885	9,885
October 1, 1997	5.500	October 1, 2008	10,445	10,445	10,445
October 1, 1997	5.500	October 1, 2009	11,035	11,035	11,035
October 1, 1997	5.500	October 1, 2010	11,660	11,660	11,660
October 1, 1997	5.000	October 1, 2011	12,290	12,290	12,290
October 1, 1997	5.000	October 1, 2012	12,915	12,915	12,915
October 1, 1997	5.000	October 1, 2013	13,580	13,580	13,580
October 1, 1997	5.000	October 1, 2014	14,275	14,275	14,275

STATE OF HAWAII

**General Long-Term Obligations Account Group
Schedule of General Obligation Bonds Outstanding (Cont'd)**

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
October 1, 1997	5.000%	October 1, 2015	\$ 15,010	\$ 15,010	\$ 15,010
October 1, 1997	5.000	October 1, 2016	15,780	15,780	15,780
October 1, 1997	5.000	October 1, 2017	16,585	16,585	16,585
October 1, 1997	4.250	October 1, 1999	10,170	—	—
October 1, 1997	4.000	October 1, 2000	1,645	1,645	—
October 1, 1997	5.000	October 1, 2000	9,000	9,000	—
October 1, 1997	4.100	October 1, 2001	1,000	1,000	1,000
October 1, 1997	5.000	October 1, 2001	10,180	10,180	10,180
October 1, 1997	5.000	October 1, 2002	11,750	11,750	11,750
October 1, 1997	4.250	October 1, 2003	1,000	1,000	1,000
October 1, 1997	5.000	October 1, 2003	11,345	11,345	11,345
October 1, 1997	5.000	October 1, 2004	12,975	12,975	12,975
April 1, 1998	6.000	April 1, 2003	12,185	12,185	12,185
April 1, 1998	5.500	April 1, 2004	12,920	12,920	12,920
April 1, 1998	5.500	April 1, 2005	13,630	13,630	13,630
April 1, 1998	5.500	April 1, 2006	14,380	14,380	14,380
April 1, 1998	5.500	April 1, 2007	15,170	15,170	15,170
April 1, 1998	5.750	April 1, 2008	16,005	16,005	16,005
April 1, 1998	5.750	April 1, 2009	16,925	16,925	16,925
April 1, 1998	5.250	April 1, 2010	17,900	17,900	17,900
April 1, 1998	5.250	April 1, 2011	18,835	18,835	18,835
April 1, 1998	5.250	April 1, 2012	19,825	19,825	19,825
April 1, 1998	5.250	April 1, 2013	20,865	20,865	20,865
April 1, 1998	5.000	April 1, 2014	21,965	21,965	21,965
April 1, 1998	5.000	April 1, 2015	23,060	23,060	23,060
April 1, 1998	5.000	April 1, 2016	24,215	24,215	24,215
April 1, 1998	5.000	April 1, 2017	25,425	25,425	25,425
April 1, 1998	4.750	April 1, 2018	26,695	26,695	26,695
April 1, 1998	5.250	April 1, 2003	41,075	41,075	41,075
April 1, 1998	5.250	April 1, 2004	43,235	43,235	43,235
April 1, 1998	5.250	April 1, 2005	45,505	45,505	45,505
April 1, 1998	5.250	April 1, 2006	47,895	47,895	47,895
April 1, 1998	5.000	April 1, 2007	50,405	50,405	50,405
April 1, 1998	5.000	April 1, 2008	52,930	52,930	52,930
April 1, 1998	5.000	April 1, 2009	55,575	55,575	55,575
September 15, 1999	5.250	September 1, 2003	—	11,060	11,060
September 15, 1999	4.500	September 1, 2004	—	11,615	11,615
September 15, 1999	5.250	September 1, 2005	—	12,195	12,195
September 15, 1999	5.500	September 1, 2006	—	12,870	12,870
September 15, 1999	5.250	September 1, 2007	—	13,580	13,580
September 15, 1999	5.250	September 1, 2008	—	14,310	14,310
September 15, 1999	5.250	September 1, 2009	—	15,080	15,080
September 15, 1999	5.750	September 1, 2010	—	15,935	15,935
September 15, 1999	5.750	September 1, 2011	—	16,880	16,880
September 15, 1999	5.625	September 1, 2012	—	17,865	17,865
September 15, 1999	5.700	September 1, 2013	—	18,910	18,910
September 15, 1999	5.750	September 1, 2014	—	20,025	20,025

STATE OF HAWAII

**General Long-Term Obligations Account Group
Schedule of General Obligation Bonds Outstanding (Cont'd)**

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
September 15, 1999	5.800%	September 1, 2015	\$ —	\$ 21,215	\$ 21,215
September 15, 1999	5.875	September 1, 2016	—	22,490	22,490
September 15, 1999	5.875	September 1, 2017	—	23,850	23,850
September 15, 1999	5.875	September 1, 2018	—	25,295	25,295
September 15, 1999	5.875	September 1, 2019	—	26,825	26,825
October 15, 2000	4.600	October 1, 2004	—	—	5,545
October 15, 2000	4.600	October 1, 2005	—	—	5,810
October 15, 2000	4.625	October 1, 2006	—	—	6,080
October 15, 2000	5.750	October 1, 2007	—	—	4,500
October 15, 2000	4.700	October 1, 2007	—	—	1,895
October 15, 2000	5.750	October 1, 2008	—	—	4,565
October 15, 2000	4.750	October 1, 2008	—	—	2,190
October 15, 2000	5.750	October 1, 2009	—	—	6,110
October 15, 2000	4.875	October 1, 2009	—	—	1,025
October 15, 2000	5.750	October 1, 2010	—	—	6,980
October 15, 2000	4.900	October 1, 2010	—	—	575
October 15, 2000	5.750	October 1, 2011	—	—	7,170
October 15, 2000	5.000	October 1, 2011	—	—	825
October 15, 2000	5.750	October 1, 2012	—	—	5,985
October 15, 2000	5.100	October 1, 2012	—	—	2,470
October 15, 2000	5.875	October 1, 2013	—	—	8,150
October 15, 2000	5.200	October 1, 2013	—	—	800
October 15, 2000	5.875	October 1, 2014	—	—	8,520
October 15, 2000	5.250	October 1, 2014	—	—	965
October 15, 2000	5.875	October 1, 2015	—	—	8,575
October 15, 2000	5.300	October 1, 2015	—	—	1,480
October 15, 2000	5.875	October 1, 2016	—	—	10,660
October 15, 2000	5.500	October 1, 2017	—	—	11,280
October 15, 2000	5.550	October 1, 2018	—	—	11,920
October 15, 2000	5.600	October 1, 2019	—	—	12,605
October 15, 2000	5.600	October 1, 2020	—	—	6,320
October 15, 2000	5.250	October 1, 2020	—	—	7,000
Total bonded indebtedness – general obligation bonds			\$ 3,189,298	\$ 3,299,863	\$ 3,244,857
Bonded indebtedness – general obligation bonds is reflected in the following account group and funds:					
General Long-Term Obligations Account Group			\$ 3,166,880	\$ 3,278,479	\$ 3,225,635
Enterprise Funds			3,468	2,644	1,799
Component Unit – University Funds			18,950	18,740	17,423
			\$ 3,189,298	\$ 3,299,863	\$ 3,244,857

See accompanying independent auditors' report.

General Long-Term Obligations Account Group
Schedule of Matured General Obligation Bonds
Outstanding

Last Three Fiscal Years

(Amounts in thousands)

Date of Issue	Matured Bonds Outstanding June 30, 1998		Fiscal Year Ended June 30, 1999		Matured Bonds Outstanding June 30, 1999			
			Maturities	Redemptions				
May 1, 1956	\$	1	\$	—	\$	1		
May 15, 1957		5		—		5		
March 1, 1969		15		—		15		
April 1, 1970		5		—		5		
October 1, 1970		10		—		10		
September 1, 1971		140		—		140		
February 1, 1972		5		—		5		
August 1, 1972		—	200	195		5		
February 1, 1973		10		5		5		
December 1, 1973		20		—		20		
April 1, 1974		10		—		10		
March 1, 1975		40		—		40		
September 1, 1975		50		30		20		
March 1, 1976		145		40		105		
September 1, 1976		5		—		5		
December 1, 1976		65		5		60		
April 1, 1977		5		5		—		
August 1, 1977		80		55		25		
February 1, 1978		250		65		185		
June 1, 1978		5		—		5		
July 1, 1985		50		—		50		
August 1, 1986		10		—		10		
November 1, 1986		40		—		40		
March 1, 1987		5	9,355	9,100		260		
April 1, 1988		45		10		35		
December 6, 1988		—	4,065	4,065		—		
June 1, 1989		5		5		—		
August 1, 1989		95		80		15		
November 28, 1989		—		—		—		
June 1, 1990		30	5,555	5,565		20		
September 1, 1990		50	8,335	8,325		60		
February 1, 1991		10	13,890	13,800		100		
November 1, 1991		—	12,645	12,630		15		
March 3, 1992		20	8,965	8,920		65		
October 1, 1992		—	24,000	24,000		—		
January 1, 1993		20	8,295	8,280		35		
February 1, 1993		15	41,160	41,105		70		
June 1, 1993		10	7,235	6,930		315		
July 1, 1993		25	18,550	18,550		25		
November 1, 1993		—	21,130	21,130		—		
September 1, 1995		—	5,560	5,560		—		
December 1, 1996		—	—	—		—		
March 1, 1997		—	—	—		—		
October 1, 1997		—	9,750	9,750		—		
	\$	<u>1,296</u>	\$	<u>198,690</u>	\$	<u>198,205</u>	\$	<u>1,781</u>

See accompanying independent auditors' report.

Fiscal Year Ended June 30, 2000		Matured Bonds Outstanding June 30, 2000	Fiscal Year Ended June 30, 2001		Matured Bonds Outstanding June 30, 2001
Maturities	Redemptions		Maturities	Redemption	
\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
—	—	5	—	—	5
—	—	15	—	—	15
—	5	—	—	—	—
—	—	10	—	—	10
—	—	140	—	—	140
—	—	5	—	—	5
210	210	5	220	218	7
—	—	5	—	—	5
—	—	20	—	—	20
—	—	10	—	—	10
—	5	35	—	15	20
—	20	—	—	—	—
—	10	95	—	—	95
—	5	—	—	—	—
—	5	55	—	—	55
—	—	—	—	—	—
—	—	25	—	—	25
—	10	175	—	—	175
—	—	5	—	—	5
—	—	50	—	—	50
—	10	—	—	—	—
—	—	40	—	—	40
—	250	10	—	—	10
—	—	35	—	—	35
4,060	4,060	—	4,065	4,065	—
—	—	—	—	—	—
—	—	15	—	—	15
4,445	4,235	210	—	210	—
—	—	20	—	—	20
8,335	8,320	75	—	70	5
—	60	40	13,890	13,915	15
—	15	—	12,645	12,645	—
8,965	8,979	51	8,966	8,910	107
24,000	24,000	—	12,500	12,475	25
13,295	13,285	45	8,295	8,255	85
41,160	41,160	70	41,160	41,130	100
—	315	—	7,235	7,215	20
17,525	17,525	25	18,640	18,665	—
35,020	35,020	—	31,130	31,130	—
—	—	—	5,555	5,555	—
8,335	8,335	—	8,335	8,335	—
13,915	13,915	—	14,810	14,810	—
10,170	10,170	—	17,560	17,560	—
<u>\$ 189,435</u>	<u>\$ 189,924</u>	<u>\$ 1,292</u>	<u>\$ 205,006</u>	<u>\$ 205,178</u>	<u>\$ 1,120</u>

COMPONENT UNITS

University Funds

The University Funds are used to account for all transactions relating to the State's public institutions of higher education. The University Funds are comprised of the following:

- Universities:
 - University of Hawaii at Hilo
 - University of Hawaii at Manoa
 - University of Hawaii at West Oahu
- Community colleges:
 - Hawaii Community College
 - Honolulu Community College
 - Kapiolani Community College
 - Kauai Community College
 - Leeward Community College
 - Maui Community College
 - Windward Community College

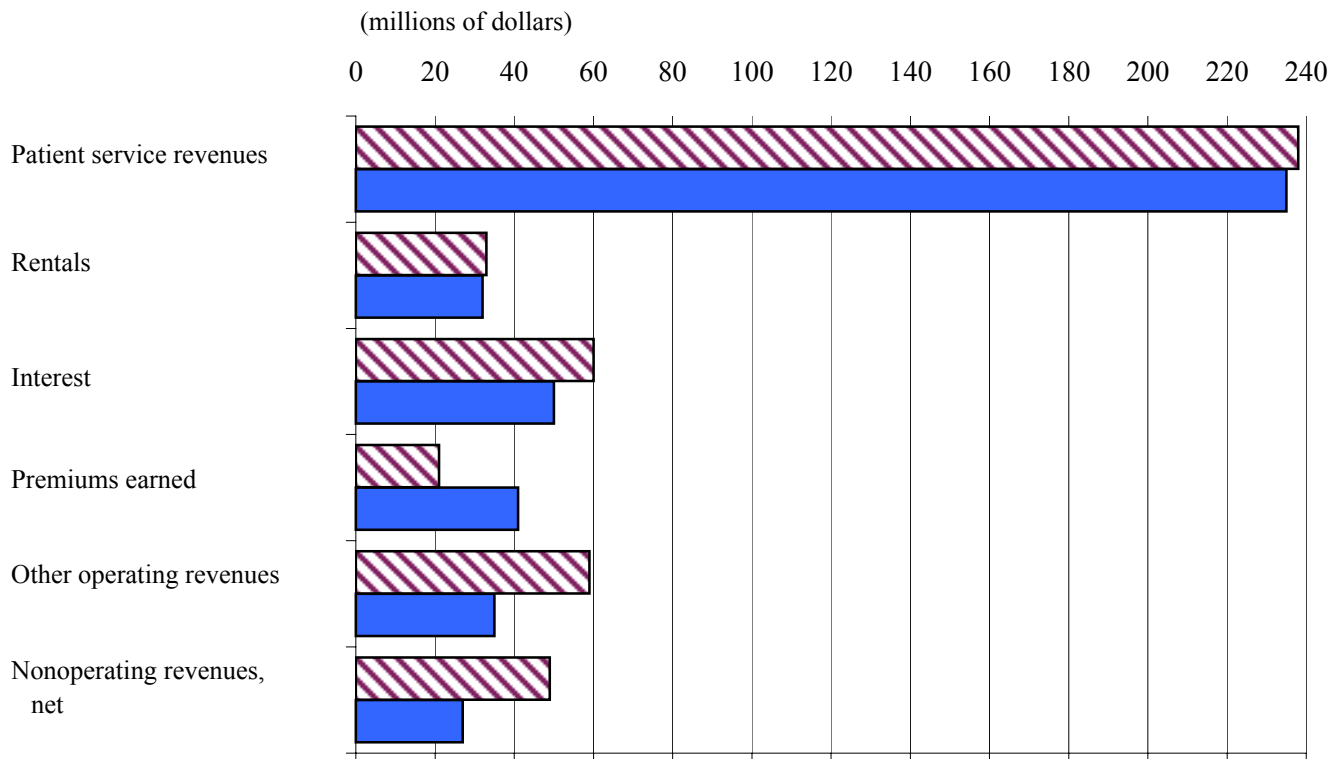
Enterprise Funds

The Housing and Community Development Corporation of Hawaii is responsible for the land reform programs, development and administration of state and federal rental housing projects, state-financed dwelling unit sales and issuance of mortgage revenue bonds. The Hawaii Hurricane Relief Fund funds, assesses and provides, when necessary, hurricane property insurance to residents of the State. The Hawaii Health Systems Corporation accounts for all transactions relating to hospitals owned and operated as hospital enterprises by the State. Those hospitals include:

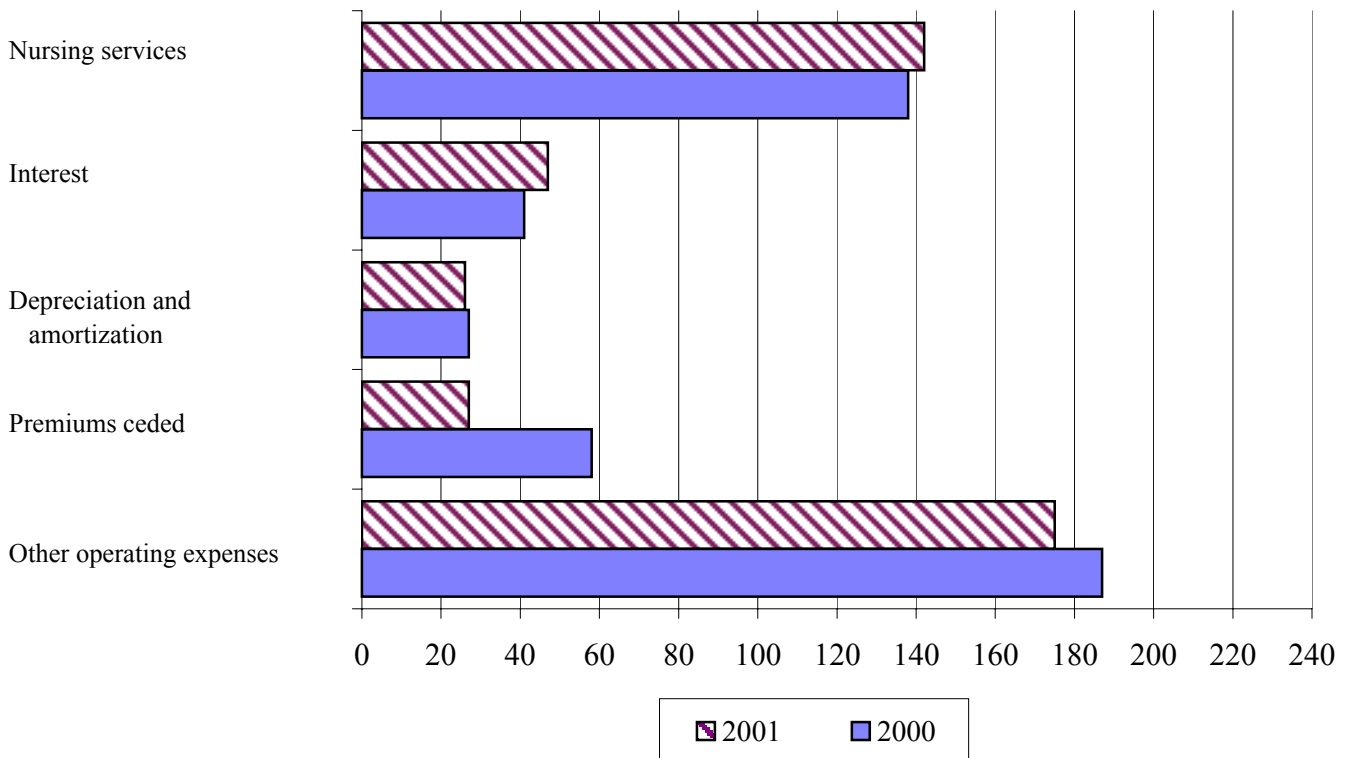
- Hilo Medical Center
- Hale Ho'ola Hamakua fka Honoka'a Hospital
- Ka'u Hospital
- Kauai Veterans Memorial Hospital
- Kohala Hospital
- Kona Community Hospital
- Kula Hospital
- Lanai Community Hospital
- Leahi Hospital
- Samuel Mahelona Memorial Hospital
- Maluhia (A Long-Term Care Health Center)
- Maui Memorial Medical Center

COMPONENT UNITS – ENTERPRISE FUNDS

Operating and Nonoperating Revenues



Operating and Nonoperating Expenses



Component Units Combining Balance Sheet

June 30, 2001

(Amounts in thousands)

<u>ASSETS</u>	<u>University Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Cash and short-term investments	\$ 200,087	\$ 209,531	\$ 409,618
Receivables:			
Accounts and accrued interest (net of allowance for doubtful accounts of \$90,301)	27,526	55,737	83,263
Notes, loans and mortgages (net of allowance for doubtful accounts of \$5,304)	22,693	83,767	106,460
Federal government	39,470	3,088	42,558
Other (net of allowance of \$4,398)	2,331	9,185	11,516
Due from Internal University Funds	23,085	—	23,085
Due from Primary Government – General Fund	8,914	914	9,828
Investments	191,769	208,978	400,747
Inventories:			
Developments in progress and dwelling units	—	98,809	98,809
Materials and supplies	12,403	7,208	19,611
Net investment in financing lease	—	18,563	18,563
Prepaid expenses and other assets	7,961	11,379	19,340
	<u>536,239</u>	<u>707,159</u>	<u>1,243,398</u>
Restricted assets:			
Cash and short-term investments	—	46,968	46,968
Investments:			
U.S. government securities	1,321	7	1,328
Mortgage-backed securities	—	476,013	476,013
Repurchase agreements	—	205,138	205,138
Deposits, funded reserves and other	—	7,716	7,716
Total restricted assets	<u>1,321</u>	<u>735,842</u>	<u>737,163</u>
Property, plant and equipment:			
Land and land improvements	99,822	67,758	167,580
Buildings and improvements	712,821	759,461	1,472,282
Machinery and equipment	194,274	100,541	294,815
Library and other books	127,404	—	127,404
Construction in progress	47,386	37,310	84,696
	<u>1,181,707</u>	<u>965,070</u>	<u>2,146,777</u>
Less accumulated depreciation	—	(377,821)	(377,821)
Net property, plant and equipment	<u>1,181,707</u>	<u>587,249</u>	<u>1,768,956</u>
Other assets:			
Unamortized bond issue costs	—	6,787	6,787
Interest in perpetual trusts held by others	10,061	—	10,061
Resources to be provided in future years for retirement of general long-term obligations	—	308	308
Total other assets	<u>10,061</u>	<u>7,095</u>	<u>17,156</u>

STATE OF HAWAII

**Component Units
Combining Balance Sheet (Cont'd)**

June 30, 2001

(Amounts in thousands)

<u>LIABILITIES AND FUND EQUITY</u>	<u>University Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Liabilities:			
Vouchers and contracts payable	\$ 31,513	\$ 39,797	\$ 71,310
Other accrued liabilities	65,740	96,353	162,093
Due to Internal University Funds	23,085	—	23,085
Due to Primary Government – General Fund	6,000	—	6,000
Due to federal government	25,964	405	26,369
Liability payable from restricted assets – revenue bonds payable	—	10,673	10,673
General obligations bonds payable	17,423	—	17,423
Notes and mortgages payable	—	23,469	23,469
Long-term debt	91	—	91
Installment contracts payable	864	—	864
Deferred revenue	24,408	3,208	27,616
Revenue bonds payable (net of unamortized loss on refunding)	19,030	830,817	849,847
Estimated future costs of land sold	—	20,199	20,199
Capital lease obligations	16,480	12,521	29,001
Deferred commitment fees	—	6,330	6,330
Other liabilities	1,901	696	2,597
Total Liabilities	<u>232,499</u>	<u>1,044,468</u>	<u>1,276,967</u>
Fund Equity:			
Investment in fixed assets	1,127,260	33,292	1,160,552
Federal grants refundable	120,159	—	120,159
Contributed capital	—	712,598	712,598
Less accumulated depreciation	—	(188,742)	(188,742)
Total contributed capital	<u>—</u>	<u>523,856</u>	<u>523,856</u>
Unreserved retained earnings	<u>—</u>	<u>301,486</u>	<u>301,486</u>
Fund balances:			
Reserved for continuing appropriations	—	5,947	5,947
Reserved for other	77,119	3,021	80,140
Unreserved	172,291	125,275	297,566
Total fund balances	<u>249,410</u>	<u>134,243</u>	<u>383,653</u>
Total retained earnings/fund balances	<u>249,410</u>	<u>435,729</u>	<u>685,139</u>
Total Fund Equity	<u>1,496,829</u>	<u>992,877</u>	<u>2,489,706</u>
Total Liabilities and Fund Equity	<u>\$ 1,729,328</u>	<u>\$ 2,037,345</u>	<u>\$ 3,766,673</u>

See accompanying independent auditors' report.

Component Unit – University Funds Combining Balance Sheet

June 30, 2001

(Amounts in thousands)

ASSETS	Current Funds		Loan Funds	Endowment and Similar Funds	Agency Funds
	Unrestricted	Restricted			
Cash and short-term investments	\$ 98,438	\$ 17,902	\$ 2,271	\$ 7,436	\$ 401
Receivables:					
Accounts and accrued interest (net of allowance for doubtful accounts of \$1,040)	9,750	17,128	315	183	25
Notes (net of allowance for doubtful accounts of \$5,304)	—	—	22,693	—	—
Claims – federal grants	—	39,358	—	—	—
Other	—	2,174	—	—	—
Due from Internal University Funds	22,180	—	—	330	—
Due from Primary Government – General Fund	8,914	—	—	—	—
Investments	17,220	1,321	459	164,694	2,166
Inventory	12,403	—	—	—	—
Property, plant and equipment	—	—	—	—	—
Prepaid expenses	1,882	6,079	—	—	—
Interest in perpetual trusts held by others	—	—	—	10,061	—
Total Assets	\$ 170,787	\$ 83,962	\$ 25,738	\$ 182,704	\$ 2,592
LIABILITIES AND FUND BALANCES					
Liabilities:					
Vouchers and contracts payable	\$ 20,690	\$ 3,109	\$ 19	\$ —	\$ 2,370
Other accrued liabilities	56,090	8,356	7	—	—
Due to Internal University Funds	887	22,041	—	—	157
Due to Primary Government – General Fund	—	6,000	—	—	—
Advances from federal government	2,220	19,147	—	—	—
General obligation bonds payable	—	—	—	—	—
Long-term debt	—	—	—	—	—
Installment contracts payable	—	—	—	—	—
Deferred revenue	18,532	5,824	—	—	—
Revenue bonds payable	—	—	—	—	—
Capital lease obligations	—	—	—	—	—
Other	1,596	—	—	240	65
Total Liabilities	100,015	64,477	26	240	2,592
Fund Balances:					
Investment in fixed assets	—	—	—	—	—
Federal grants refundable	—	—	14,083	106,076	—
University funds:					
Restricted	—	19,485	11,613	37,115	—
Unrestricted	70,772	—	16	39,273	—
Total Fund Balances	70,772	19,485	25,712	182,464	—
Total Liabilities and Fund Balances	\$ 170,787	\$ 83,962	\$ 25,738	\$ 182,704	\$ 2,592

See accompanying independent auditors' report.

Plant Funds				
Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Total
\$ 42,394	\$ 26,855	\$ 4,390	\$ —	\$ 200,087
31	82	12	—	27,526
—	—	—	—	22,693
112	—	—	—	39,470
50	—	13	94	2,331
—	—	575	—	23,085
—	—	—	—	8,914
767	5,555	908	—	193,090
—	—	—	—	12,403
—	—	—	1,181,707	1,181,707
—	—	—	—	7,961
—	—	—	—	10,061
<u>\$ 43,354</u>	<u>\$ 32,492</u>	<u>\$ 5,898</u>	<u>\$ 1,181,801</u>	<u>\$ 1,729,328</u>
\$ 3,575	\$ 1,712	\$ 38	\$ —	\$ 31,513
—	—	637	650	65,740
—	—	—	—	23,085
—	—	—	—	6,000
4,597	—	—	—	25,964
—	—	—	17,423	17,423
—	—	—	91	91
—	—	—	864	864
—	—	49	3	24,408
—	—	—	19,030	19,030
—	—	—	16,480	16,480
—	—	—	—	1,901
<u>8,172</u>	<u>1,712</u>	<u>724</u>	<u>54,541</u>	<u>232,499</u>
—	—	—	1,127,260	1,127,260
—	—	—	—	120,159
40	5,593	3,273	—	77,119
<u>35,142</u>	<u>25,187</u>	<u>1,901</u>	<u>—</u>	<u>172,291</u>
<u>35,182</u>	<u>30,780</u>	<u>5,174</u>	<u>1,127,260</u>	<u>1,496,829</u>
<u>\$ 43,354</u>	<u>\$ 32,492</u>	<u>\$ 5,898</u>	<u>\$ 1,181,801</u>	<u>\$ 1,729,328</u>

Discretely Presented Component Units – Enterprise Funds Combining Balance Sheet

June 30, 2001

(Amounts in thousands)

ASSETS	Housing and Community Development Corporation of Hawaii	Hawaii Hurricane Relief Fund	Hawaii Health Systems Corporation	Total
Cash and short-term investments	\$ 186,272	\$ 11,347	\$ 11,912	\$ 209,531
Receivables:				
Accounts and accrued interest (net of allowance for doubtful accounts of \$89,261)	8,402	3,432	43,903	55,737
Notes, loans and mortgages	83,767	—	—	83,767
Federal government	3,088	—	—	3,088
Other (net of allowance of \$4,398)	5,116	4,069	—	9,185
Due from Primary Government – General Fund	914	—	—	914
Investments	16,004	192,974	—	208,978
Inventories:				
Developments in progress and dwelling units	98,809	—	—	98,809
Materials and supplies	689	—	6,519	7,208
Net investment in financing lease	18,563	—	—	18,563
Prepaid expenses and other assets	2,110	2,964	6,305	11,379
	<u>423,734</u>	<u>214,786</u>	<u>68,639</u>	<u>707,159</u>
Restricted assets:				
Cash and short-term investments	46,968	—	—	46,968
Investments:				
U.S. government securities	7	—	—	7
Mortgage-backed securities	476,013	—	—	476,013
Repurchase agreements	205,138	—	—	205,138
Deposits, funded reserves and other	6,316	—	1,400	7,716
Total restricted assets	<u>734,442</u>	<u>—</u>	<u>1,400</u>	<u>735,842</u>
Property, plant and equipment:				
Land and land improvements	63,013	—	4,745	67,758
Buildings and improvements	566,965	—	192,496	759,461
Machinery and equipment	13,048	—	87,493	100,541
Construction in progress	23,511	—	13,799	37,310
	666,537	—	298,533	965,070
Less accumulated depreciation	(247,729)	—	(130,092)	(377,821)
Net property, plant and equipment	<u>418,808</u>	<u>—</u>	<u>168,441</u>	<u>587,249</u>
Other assets:				
Unamortized bond issue costs	6,787	—	—	6,787
Resources to be provided in future years for retirement of general long-term obligations	308	—	—	308
Total other assets	<u>7,095</u>	<u>—</u>	<u>—</u>	<u>7,095</u>
Total Assets	<u>\$ 1,584,079</u>	<u>\$ 214,786</u>	<u>\$ 238,480</u>	<u>\$ 2,037,345</u>

STATE OF HAWAII

**Discretely Presented Component Units – Enterprise Funds
Combining Balance Sheet (Cont'd)**

June 30, 2001

(Amounts in thousands)

<u>LIABILITIES AND FUND EQUITY</u>	Housing and Community Development Corporation of Hawaii	Hawaii Hurricane Relief Fund	Hawaii Health Systems Corporation	Total
Liabilities:				
Vouchers and contracts payable	\$ 6,673	\$ 1,007	\$ 32,117	\$ 39,797
Other accrued liabilities	35,767	175	60,411	96,353
Due to federal government	405	—	—	405
Liability payable from restricted assets – revenues bonds payable	10,673	—	—	10,673
Notes and mortgages payable	10,954	—	12,515	23,469
Deferred revenue	3,208	—	—	3,208
Revenue bonds payable	830,817	—	—	830,817
Estimated future costs of land sold	20,199	—	—	20,199
Capital lease obligations	—	—	12,521	12,521
Deferred commitment fees	6,330	—	—	6,330
Other	—	—	696	696
Total Liabilities	<u>925,026</u>	<u>1,182</u>	<u>118,260</u>	<u>1,044,468</u>
Fund Equity:				
Investment in fixed assets	33,292	—	—	33,292
Contributed capital	712,497	101	—	712,598
Less accumulated depreciation	(188,742)	—	—	(188,742)
Total contributed capital	<u>523,755</u>	<u>101</u>	<u>—</u>	<u>523,856</u>
Unreserved retained earnings	87,983	213,503	—	301,486
Fund balances:				
Reserved for continuing appropriations	5,947	—	—	5,947
Reserved for other	2,074	—	947	3,021
Unreserved	6,002	—	119,273	125,275
Total fund balances	<u>14,023</u>	<u>—</u>	<u>120,220</u>	<u>134,243</u>
Total retained earnings/fund balances	<u>102,006</u>	<u>213,503</u>	<u>120,220</u>	<u>435,729</u>
Total Fund Equity	<u>659,053</u>	<u>213,604</u>	<u>120,220</u>	<u>992,877</u>
Total Liabilities and Fund Equity	<u>\$ 1,584,079</u>	<u>\$ 214,786</u>	<u>\$ 238,480</u>	<u>\$ 2,037,345</u>

See accompanying independent auditors' report.

**Discretely Presented Component Units – Enterprise Funds
Combining Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Housing and Community Development Corporation of Hawaii	Hawaii Hurricane Relief Fund	Hawaii Health Systems Corporation	Total
Operating Revenues:				
Sales of dwelling units	\$ 282	\$ —	\$ —	\$ 282
Sales of land	6,518	—	—	6,518
Assessments	—	18,516	—	18,516
Special mortgage recording fees	—	5,836	—	5,836
Rentals	32,580	—	—	32,580
Net patient service revenues	—	—	238,192	238,192
Interest	59,835	—	—	59,835
Premiums earned	—	21,084	—	21,084
Net increase in the fair value of investments	19,627	—	—	19,627
Other	5,324	—	3,045	8,369
	<u>124,166</u>	<u>45,436</u>	<u>241,237</u>	<u>410,839</u>
Total Operating Revenues				
Operating Expenses:				
Personal services	13,414	—	—	13,414
Nursing services	—	—	142,269	142,269
Medical supplies and drugs	—	—	25,517	25,517
Professional services	—	—	23,478	23,478
Purchased services	—	—	18,097	18,097
Other supplies	—	—	10,464	10,464
Interest	46,296	—	653	46,949
Depreciation and amortization	14,559	—	11,457	26,016
Repairs and maintenance	4,224	—	—	4,224
Cost of sales – land	14,855	—	—	14,855
Loan servicing fees and amortization of bond issue costs	498	—	—	498
Premiums ceded	—	26,664	—	26,664
General administration	11,162	555	—	11,717
Project expense	6,879	—	—	6,879
Provision for uncollectible accounts	1,344	—	14,003	15,347
Other	6,863	2,008	21,339	30,210
	<u>120,094</u>	<u>29,227</u>	<u>267,277</u>	<u>416,598</u>
Total Operating Expenses				
Operating Income (Loss)	<u>4,072</u>	<u>16,209</u>	<u>(26,040)</u>	<u>(5,759)</u>

STATE OF HAWAII

Discretely Presented Component Units – Enterprise Funds
Combining Statement of Revenues,
Expenses and Changes in Retained Earnings/Fund Balance (Cont'd)

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Housing and Community Development Corporation of Hawaii	Hawaii Hurricane Relief Fund	Hawaii Health Systems Corporation	Total
Nonoperating Revenues (Expenses):				
Interest income	\$ 1,298	\$ 17,410	\$ —	\$ 18,708
Interest expense	(332)	—	—	(332)
HUD annual contributions	27,689	—	—	27,689
Other	389	—	2,052	2,441
	<u>29,044</u>	<u>17,410</u>	<u>2,052</u>	<u>48,506</u>
Total Net Nonoperating Revenues				
Income (Loss) before Operating Transfers In and Extraordinary Item	33,116	33,619	(23,988)	42,747
Operating Transfers In From:				
General Fund	—	—	13,000	13,000
	<u>—</u>	<u>—</u>	<u>13,000</u>	<u>13,000</u>
Income (Loss) before Extraordinary Item	33,116	33,619	(10,988)	55,747
Extraordinary Item:				
Loss from early redemption of revenue bonds payable	(92)	—	—	(92)
	<u>(92)</u>	<u>—</u>	<u>—</u>	<u>(92)</u>
Net Income (Loss)	33,024	33,619	(10,988)	55,655
Excess of expenditures and other financing uses over revenues and other financing sources from governmental operations	(15,190)	—	—	(15,190)
Depreciation on contributed fixed assets that reduces contributed capital	9,062	—	—	9,062
Restricted contributions	—	—	760	760
	<u>—</u>	<u>—</u>	<u>760</u>	<u>760</u>
Net Change in Retained Earnings/ Fund Balance	26,896	33,619	(10,228)	50,287
	<u>26,896</u>	<u>33,619</u>	<u>(10,228)</u>	<u>50,287</u>
Retained Earnings/Fund Balance, July 1, 2000, as previously reported	56,403	179,884	128,726	365,013
Adjustment	18,707	—	—	18,707
	<u>18,707</u>	<u>—</u>	<u>—</u>	<u>18,707</u>
Retained Earnings/Fund Balance, July 1, 2000, as restated	75,110	179,884	128,726	383,720
Residual equity transfer in from Capital Projects Fund	—	—	1,722	1,722
	<u>—</u>	<u>—</u>	<u>1,722</u>	<u>1,722</u>
Retained Earnings/Fund Balance, June 30, 2001	<u>\$ 102,006</u>	<u>\$ 213,503</u>	<u>\$ 120,220</u>	<u>\$ 435,729</u>

See accompanying independent auditors' report.

Discretely Presented Component Units – Enterprise Funds Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Housing and Community Development Corporation of Hawaii	Hawaii Hurricane Relief Fund	Hawaii Health Systems Corporation	Total
Cash Flows from Operating Activities:				
Operating income (loss)	\$ 4,072	\$ 16,209	\$ (26,040)	\$ (5,759)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Provision for uncollectible accounts	1,344	—	14,003	15,347
Loss on sale of land, property and equipment	92	—	—	92
Interest paid on bonds	46,296	—	—	46,296
Depreciation and amortization	14,559	—	11,457	26,016
Interest on investments	(52,846)	—	—	(52,846)
Interest on financing lease	(852)	—	—	(852)
Lender commitment fees amortized	(675)	—	—	(675)
Amounts released from restrictions	—	—	1,351	1,351
Net increase in fair value of investments	(19,627)	—	—	(19,627)
Decrease (increase) in assets:				
Accounts and accrued interest receivable	745	(2,272)	(11,988)	(13,515)
Notes, loans and mortgages receivable	33,239	—	—	33,239
Other assets	8,912	(2,964)	(647)	5,301
Increase (decrease) in liabilities:				
Vouchers and contracts payable	(374)	915	8,127	8,668
Other accrued liabilities	73	(17,246)	(96)	(17,269)
Deferred gain on sale of dwelling units and land	(2,949)	—	—	(2,949)
Estimated future costs of land sold	2,271	—	—	2,271
Net Cash Provided by (Used in) Operating Activities	<u>34,280</u>	<u>(5,358)</u>	<u>(3,833)</u>	<u>25,089</u>
Cash Flows from Noncapital Financing Activities:				
Principal payments on bond maturities	(20,235)	—	—	(20,235)
Principal payments on notes payable	—	—	(336)	(336)
Interest paid on bonds	(35,746)	—	—	(35,746)
HUD operating subsidy	9,969	—	—	9,969
Operating transfer in from General Fund	—	—	13,000	13,000
Contribution returned to State of Hawaii and others	(1,769)	—	—	(1,769)
Advances from other funds	598	—	—	598
Subsidies and other	296	—	1,948	2,244
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(46,887)</u>	<u>—</u>	<u>14,612</u>	<u>(32,275)</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from sale of land, property and equipment	156	—	15	171
Acquisition and construction of property and equipment	(16,313)	—	(5,581)	(21,894)
Proceeds from sale of revenue bonds	27,408	—	—	27,408
Repayment of revenue bond principal	(33,535)	—	—	(33,535)
Principal payments on notes payable and mortgage loans	(124)	—	—	(124)
Interest paid on bonds	(8,313)	—	—	(8,313)
Proceeds from federal, state and capital grants	17,719	—	—	17,719
Repayments on capital lease obligations and interest income	—	—	(2,631)	(2,631)
Net Cash Used in Capital and Related Financing Activities	<u>(13,002)</u>	<u>—</u>	<u>(8,197)</u>	<u>(21,199)</u>

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**Discretely Presented Component Units – Enterprise Funds
Combining Statement of Cash Flows (Cont'd)**

For the Fiscal Year Ended June 30, 2001

(Amounts in thousands)

	Housing and Community Development Corporation of Hawaii	Hawaii Hurricane Relief Fund	Hawaii Health Systems Corporation	Total
Cash Flows from Investing Activities:				
Purchase of investments	\$ (211,151)	\$ (131,227)	\$ (98)	\$ (342,476)
Proceeds from sales and maturities of investments	194,690	127,358	—	322,048
Interest from investments	55,235	11,912	—	67,147
Payment received on direct financing lease	1,242	—	—	1,242
Net increase in restricted deposits and funded reserves	(1,045)	—	—	(1,045)
Net Cash Provided by (Used in) Investing Activities	38,971	8,043	(98)	46,916
Net Increase in Cash and Cash Equivalents	13,362	2,685	2,484	18,531
Cash and Cash Equivalents, including Restricted Amounts, July 1, 2000	192,169	8,662	9,428	210,259
Cash and Cash Equivalents, including Restricted Amounts, June 30, 2001	\$ 205,531	\$ 11,347	\$ 11,912	\$ 228,790
Reconciliation of Cash and Cash Equivalents to Combining Balance Sheet:				
Cash and short-term investments	\$ 158,563	* \$ 11,347	\$ 11,912	\$ 181,822
Restricted assets	46,968	—	—	46,968
	\$ 205,531	\$ 11,347	\$ 11,912	\$ 228,790
Noncash Investing, Capital and Financing Activities:				
Capital assets contributed by federal and state agencies	\$ —	\$ —	\$ 1,722	\$ 1,722
Interest capitalized on construction projects	—	—	359	359
Equipment acquired under capital leases	—	—	9,180	9,180
Transfer of land to Primary Government	(1,422)	—	—	(1,422)
Equipment purchases included in accounts payable	—	—	468	468
Property, plant and equipment contributed by third parties	—	—	47	47
Equipment acquired under debt	—	—	11,893	11,893
Assumption of long-term debt and accounts receivable	—	—	800	800
Reclassification of other current assets to property	—	—	6	6

*Excludes \$5,670 of time certificates of deposit with original maturities greater than three months and \$22,039 of cash included in governmental operations.

See accompanying independent auditors' report.

Discretely Presented Component Units – University and Enterprise Funds
Schedule of Changes in Long-Term Bonded
Indebtedness – Revenue Bonds

Last Three Fiscal Years

(Amounts in thousands)

Bonded indebtedness – revenue bonds at June 30, 1998	\$ 834,982
Less revenue bonds matured during the fiscal year ended June 30, 1999	(19,982)
Bonded indebtedness – revenue bonds at June 30, 1999	<u>815,000</u>
Less revenue bonds matured during the fiscal year ended June 30, 2000	(46,815)
	<u>768,185</u>
Add:	
Multi-Family Housing Revenue Bonds, Series A of 1999	3,750
Single-Family Mortgage Purchase Revenue Bonds, Series A of 2000	106,785
Single-Family Mortgage Purchase Revenue Bonds, Series B of 2000	1,980
Bonded indebtedness – revenue bonds (exclusive of unamortized loss on refunding) at June 30, 2000	<u>880,700</u>
Less revenues bonds matured during the fiscal year ended June 30, 2001	(45,690)
Add Multi-Family Housing Revenue Bonds, Series A of 2000	<u>27,408</u>
Bonded indebtedness – revenue bonds (exclusive of unamortized loss on refunding) at June 30, 2001	862,418
Less unamortized loss on refunding	<u>(1,898)</u>
Bonded indebtedness – revenue bonds (net of unamortized loss on refunding) at June 30, 2001	<u>\$ 860,520</u>
Bonded indebtedness – revenue bonds (net of unamortized loss on refunding) at June 30, 2001 is reflected in the following Component Units:	
University Funds	\$ 19,030
Housing and Community Development Corporation of Hawaii	<u>841,490</u>
Total	<u>\$ 860,520</u>

See accompanying independent auditors' report.

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Discretely Presented Component Units – University and Enterprise Funds

Schedule of Revenue Bonds Outstanding

Last Three Fiscal Years

(Amounts in thousands)

Purpose	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
University Funds:					
University of Hawaii	2.875%	April 1, 1974/2000	\$ 27	\$ —	\$ —
University of Hawaii	3.500	October 1, 1973/2001	59	40	21
University of Hawaii	3.000	October 1, 1974/2006	1,010	895	774
University of Hawaii	2.400 – 5.700	October 1, 1993/2007	14,765	14,405	14,000
University of Hawaii	3.400 – 5.500	October 1, 1995/2018	4,510	4,375	4,235
			20,371	19,715	19,030
Enterprise Funds – HCDCH:					
Multi-Family Housing Revenue Bonds, Series A of 1985	Various	December 1, 1999/2011	35,319	32,000	—
Single-Family Mortgage Purchase Revenue Bonds, Series A of 1989	Various	July 1, 1994/2030	3,070	1,720	930
Rental Housing System Revenue Bonds, Series A of 1989	Various	July 1, 1995/2025	15,700	15,500	15,200
Single-Family Mortgage Purchase Revenue Bonds, Series A of 1990	Various	July 1, 1996/2024	10,605	9,585	9,320
Rental Housing System Revenue Bonds, Series A of 1990	Various	July 1, 1999/2026	32,900	32,800	32,600
Rental Housing System Revenue Bonds, Series B of 1990	Various	July 1, 1999/2026	35,200	35,100	34,900
Single-Family Mortgage Purchase Revenue Bonds, Series A of 1991	Various	July 1, 1996/2025	16,085	14,680	14,625
Single-Family Mortgage Purchase Revenue Bonds, Series B of 1991	Various	July 1, 2017/2032	23,425	21,445	21,445
State of Hawaii Affordable Rental Housing Program Revenue Bonds, Series A of 1993	Various	July 1, 2000/2028	30,700	30,700	30,600
Rental Housing System Revenue Bonds, Series A of 1993	Various	July 1, 2006/2019	12,360	11,985	11,590
Single-Family Mortgage Purchase Revenue Bonds, Series A of 1994	Various	July 1, 1998/2027	137,125	127,685	125,005
Single-Family Mortgage Purchase Revenue Bonds, Series B of 1994	Various	July 1, 2014/2028	87,285	87,285	87,285
State of Hawaii Affordable Rental Housing Program Revenue Bonds, Series A of 1995	Various	July 1, 2015/2031	6,835	6,835	6,835
University of Hawaii Faculty Housing Program Revenue Bonds	Various	October 1, 1997/2026	17,105	16,800	16,480
Single-Family Mortgage Purchase Revenue Bonds, Series A of 1997	Various	July 1, 1999/2031	108,555	100,805	95,810
Single-Family Mortgage Purchase Revenue Bonds, Series B of 1997	Various	July 1, 2003/2018	45,400	45,400	45,400
Single-Family Mortgage Purchase Revenue Bonds, Series A of 1998	Various	July 1, 1999/2031	147,095	143,000	140,315
Single-Family Mortgage Purchase Revenue Bonds, Series B of 1998	Various	July 1, 2029	11,085	11,085	11,085

STATE OF HAWAII

**Discretely Presented Component Units – University and Enterprise Funds
Schedule of Revenue Bonds Outstanding (Cont'd)**

Last Three Fiscal Years

(Amounts in thousands)

Purpose	Interest Rate	Maturity Date	Amount Outstanding		
			June 30, 1999	June 30, 2000	June 30, 2001
Single-Family Mortgage Purchase Revenue Bonds, Series C of 1998	Various	July 1, 2021	\$ 4,060	\$ 4,060	\$ 4,060
Low-Income Housing Bonds – HRS Chapter 356	Various	August 1, 1991/2009	14,720	—	—
Multi-Family Housing Revenue Bonds, Series A of 1999	Various	February 20, 2035	—	3,750	3,730
Multi-Family Housing Revenue Bonds, Series A of 2000	Various	January 20, 2001/2036	—	—	27,408
Single-Family Mortgage Purchase Revenue Bonds, Series A of 2000	Various	July 1, 2002/2032	—	106,785	106,785
Single-Family Mortgage Purchase Revenue Bonds, Series B of 2000	Various	July 1, 2015	—	1,980	1,980
			<u>794,629</u>	<u>860,985</u>	<u>843,388</u>
Less unamortized loss on refunding			<u>(2,408)</u>	<u>(2,074)</u>	<u>(1,898)</u>
			<u>792,221</u>	<u>858,911</u>	<u>841,490</u>
Total bonded indebtedness – revenue bonds (net of unamortized loss on refunding)			<u>\$ 812,592</u>	<u>\$ 878,626</u>	<u>\$ 860,520</u>
Bonded indebtedness – revenue bonds (net of unamortized loss on refunding) is reflected in the following Component Units:					
University Funds			\$ 20,371	\$ 19,715	\$ 19,030
Housing and Community Development Corporation of Hawaii			<u>792,221</u>	<u>858,911</u>	<u>841,490</u>
			<u>\$ 812,592</u>	<u>\$ 878,626</u>	<u>\$ 860,520</u>

See accompanying independent auditors' reports.

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PART III: STATISTICAL SECTION

Schedule of Revenues by Source – All Governmental Fund Types

Last Ten Fiscal Years

(Amounts in millions)

Source	For the Fiscal Year Ended June 30,									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Taxes:										
General excise	\$ 1,642	\$ 1,542	\$ 1,448	\$ 1,417	\$ 1,430	\$ 1,426	\$ 1,365	\$ 1,330	\$ 1,298	\$ 1,287
Income	1,187	1,132	1,110	1,128	1,023	1,046	959	1,006	951	927
Inheritance and estate	18	23	29	20	22	17	16	28	12	16
Liquor	38	39	39	39	38	38	38	39	39	42
Public service companies	135	119	121	120	114	104	101	92	86	85
Tobacco	55	42	42	36	36	40	35	33	32	27
Insurance companies premiums	72	69	53	87	75	85	64	173	68	60
Franchise	—	7	10	16	13	16	18	27	28	21
Transient accommodations	108	93	55	26	26	24	19	4	4	4
Liquid fuel	74	71	70	70	71	71	69	70	67	65
Motor vehicle	81	75	39	38	37	37	38	36	57	38
Hospital and nursing facility(1)	—	—	—	3	12	10	17	27	—	—
Other	13	14	34	32	34	33	33	32	7	5
Total taxes	3,423	3,226	3,050	3,032	2,931	2,947	2,772	2,897	2,649	2,577
Non-taxes:										
Interest and investment income	150	69	91	89	82	92	113	78	97	133
Charges for current services	236	240	220	233	207	204	254	208	237	180
Intergovernmental	1,120	1,070	1,091	1,080	1,170	1,128	835	833	795	669
Rentals	29	23	22	24	22	29	32	23	25	25
Fines, forfeitures and penalties	23	25	23	23	21	18	18	17	19	23
Licenses and fees	23	22	20	19	16	16	14	12	10	8
Other	146	165	134	90	118	116	128	95	70	56
Total Revenues – All Governmental Fund Types	\$ 5,150	\$ 4,840	\$ 4,651	\$ 4,590	\$ 4,567	\$ 4,550	\$ 4,166	\$ 4,163	\$ 3,902	\$ 3,671

(1) Effective July 1, 1993, the hospital and nursing facility tax levied was authorized by Act 315, SLH of 1993.

See accompanying independent auditors' report.

Schedule of Expenditures by Function – All Governmental Fund Types

Last Ten Fiscal Years

(Amounts in millions)

Function	For the Fiscal Year Ended June 30,									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
General government	\$ 483	\$ 442	\$ 489	\$ 413	\$ 404	\$ 404	\$ 423	\$ 432	\$ 521	\$ 374
Public safety	201	203	199	185	165	164	174	166	158	142
Highways	131	115	111	111	115	94	102	86	79	82
Conservation of natural resources	51	41	45	37	36	33	38	39	43	39
Health	431	399	386	329	311	279	328	309	285	278
Welfare	1,248	1,226	1,222	1,210	1,278	1,236	1,023	812	777	723
Education	1,050	1,035	1,007	949	888	891	920	868	831	795
Culture and recreation	57	56	52	52	55	57	66	60	61	63
Urban redevelopment and housing	10	10	11	15	21	26	30	14	19	14
Economic development and assistance	200	192	166	155	163	176	196	164	154	135
Social security and pension contributions	91	85	159	222	226	222	150	229	185	134
Intergovernmental	—	—	—	—	3	3	4	2	2	1
Debt service	402	384	390	406	426	416	345	321	294	290
Capital outlay	335	376	376	373	611	488	554	725	587	596
Other	13	9	28	28	20	16	11	18	32	20
Total Expenditures – All Governmental Fund Types	\$ 4,703	\$ 4,573	\$ 4,641	\$ 4,485	\$ 4,722	\$ 4,505	\$ 4,364	\$ 4,245	\$ 4,028	\$ 3,686

See accompanying independent auditors' report.

**Schedule of Ratio of Net General Obligation
Bonded Debt Per Capita**

Last Ten Fiscal Years

(Amounts in thousands except ratio data)

Fiscal Year	Population(1)	General Obligation Bonded Debt(2)(3)	Less Debt Service Monies Available(2)	Net General Obligation Bonded Debt	Net General Obligation Bonded Debt Per Capita
2001	1,226	\$ 3,225,635	\$ 110	\$ 3,225,525	\$ 2,631
2000	1,194	3,278,479	258	3,278,221	2,746
1999	1,186	3,166,880	223	3,166,657	2,670
1998	1,191	3,363,517	338	3,363,179	2,824
1997	1,192	3,075,862	435	3,075,427	2,580
1996	1,184	2,841,069	240	2,840,829	2,399
1995	1,179	2,901,651	165	2,901,486	2,461
1994	1,179	2,834,234	46	2,834,188	2,404
1993	1,178	2,726,654	534	2,726,120	2,314
1992	1,150	2,281,875	66	2,281,809	1,984

(1) Source: Hawaii State Department of Business, Economic Development and Tourism.

(2) Source: Hawaii State Department of Accounting and General Services, Accounting Division.

(3) Excludes Enterprise Funds and Component Unit – University Funds general obligation bonds.

See accompanying independent auditors' report.

**Schedule of Ratio of Annual Debt Service
for General Obligation Bonded Debt to
Total General Expenditures**

Last Ten Fiscal Years

(Amounts in thousands except ratio data)

Fiscal Year	Principal	Interest and Fees	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures
2001	\$ 210,518	\$ 190,993	\$ 401,511	\$ 4,703,420	8.54%
2000	193,075	190,497	383,572	4,572,956	8.39
1999	202,836	186,762	389,598	4,641,159	8.39
1998	231,756	174,577	406,333	4,485,334	9.06
1997	268,683	156,890	425,573	4,721,851	9.01
1996	260,156	155,888	416,044	4,504,746	9.24
1995	200,552	144,044	344,596	4,364,021	7.90
1994	169,277	151,753	321,030	4,245,217	7.56
1993	152,153	141,802	293,955	4,028,363	7.30
1992	151,358	139,118	290,476	3,685,948	7.88

See accompanying independent auditors' report.

Schedule of Revenue Bond Coverage***Last Ten Fiscal Years**

(Amounts in thousands except coverage data)

Airports

Fiscal Year	Gross Revenues(1)	Operating Expenses(2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage(4)
				Principal	Interest (3)	Total	
2001	334,511	123,973	210,538	48,810	48,020	96,830	217%
2000	332,264	135,125	197,139	52,120	53,046	105,166	187
1999	285,353	127,136	158,217	41,705	35,349	77,054	205
1998	294,078	125,007	169,071	37,100	39,416	76,516	221
1997	317,943	126,612	191,331	37,595	59,440	97,035	197
1996	314,647	120,632	194,015	42,578	59,245	101,823	191
1995	306,848	129,376	177,472	41,130	53,786	94,916	187
1994	284,343	133,351	150,992	29,380	58,842	88,222	171
1993	411,696	128,135	283,561	29,770	101,700	131,470	216
1992	372,070	121,808	250,262	24,190	94,213	118,403	211

Harbors

Fiscal Year	Gross Revenues(5)	Operating Expenses(6)	Net Revenue Available for Debt Service	Debt Service Requirements	Additional Debt Service Requirements	Total	Coverage(7)
				During the Fiscal Year			
2001	75,353	26,525	48,828	30,590	—	30,590	160%
2000	68,931	21,917	47,014	31,347	—	31,347	150
1999	64,729	22,891	41,838	30,152	—	30,152	139
1998	65,659	24,348	41,311	16,815	—	16,815	246
1997	55,496	20,824	34,672	16,444	—	16,444	211
1996	52,791	20,568	32,223	15,686	—	15,686	205
1995	54,092	21,498	32,594	14,997	—	14,997	217
1994	53,364	22,264	31,100	12,956	—	12,956	240
1993	57,247	23,245	34,002	15,248	—	15,248	223
1992	46,044	21,947	24,097	13,404	—	13,404	180

- (1) Total operating revenues plus interest income, exclusive of interest earned on investment in financing leases.
- (2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal and replacement, plus amounts required to be paid into the General Fund for general obligation bond requirements.
- (3) For fiscal 2001 and 2000, Airports deposited \$21,000,000 each year of available funds into the Airport Revenue Fund for credit to the interest account. The available funds reduced the amount of funds required pursuant to the provisions of Section 6.01 to be paid or credited during such year 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."
- (4) Airports revenue bond indentures require a minimum debt service coverage percentage of 125%.
- (5) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.
- (6) Total operating expenses other than depreciation less State of Hawaii surcharge for central service expenses.
- (7) Harbors revenue bond indentures require a minimum debt service coverage percentage of 135%.

Source:

Airports: Audited Financial Statements and Schedules of the State of Hawaii Department of Transportation, Airports Division.

Harbors: Audited Financial Statements and Schedules of the State of Hawaii Department of Transportation, Harbors Division.

*Information for the revenue bonds issued by the Component Units – University and Enterprise Funds is not available.

See accompanying independent auditors' report.

Schedule of Legal Debt Margin

June 30, 2001

(Amounts in thousands)

Average General Fund revenues of the three preceding fiscal years ended June 30, 1999, 2000 and 2001	\$ 3,307,835
Constitutional debt limit percentage	<u>18.50%</u>
Constitutional debt limit for total principal and interest payable in a current or future year	611,950
Less total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ending June 30, 2009)	<u>478,588</u>
Legal debt margin	\$ <u><u>133,362</u></u>

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

See accompanying independent auditors' report.

Schedule of Demographic StatisticsLast Ten Years

(Population amounts expressed in thousands)

<u>Year</u>	<u>Population(1)</u>	<u>Per Capita Income(2)</u>	<u>School Enrollment(3)</u>	<u>Unemployment Rate(4)</u>
2001	1,226	\$ NA	NA	4.40%
2000	1,216	NA	NA	4.50
1999	1,186	27,544	185,860	5.60
1998	1,191	26,725	188,069	6.20
1997	1,192	26,241	189,887	6.40
1996	1,184	25,661	186,581	6.40
1995	1,179	25,584	183,795	5.90
1994	1,179	25,335	180,428	6.10
1993	1,178	25,026	177,806	4.30
1992	1,150	24,227	175,114	4.60

(1) Source: Hawaii State Department of Business, Economic Development and Tourism.

(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis printouts.

(3) Source: Hawaii State Department of Education records. Data represents September enrollment for public schools.

(4) Source: Hawaii State Department of Labor and Industrial Relations records. 2001 is based on data for the first 9 months.

N/A Not available for 2001 and 2000.

See accompanying independent auditors' report.

Schedule of Bank DepositsLast Ten Calendar Years(Amounts in millions)

<u>Calendar Year</u>	<u>Bank Deposits</u>
2001	\$ NA
2000	16,741
1999	16,107
1998	16,038
1997	14,541
1996	14,033
1995	13,149
1994	12,600
1993	12,940
1992	13,911

Source: Hawaii State Department of Commerce and Consumer Affairs. Data represents deposits in state chartered banks.

N/A Not available for the calendar year 2001.

See accompanying independent auditors' report.

Schedule of Ten Largest Private Employers

June 30, 2001

Company	Industry
BancWest Corp.	Financial services
Hawaiian Airlines, Inc.	Air transportation
Hawaiian Electric Industries, Inc.	Utility, shipping, financial services
Kaiser Permanente Medical Care Program	Health care services
Kyo-ya Co., Ltd.	Hotel, food, retail sales, insurance
Liberty House, Inc.	Retail sales
McDonald's Restaurants of Hawaii	Food
Outrigger Hotels & Resorts	Hotel
Pacific Century Financial Corp.	Financial services
The Queen's Health Systems	Health care services
Verizon Hawaii, Inc.	Telecommunications

Listed alphabetically.

Source: Hawaii Business, August 2001.

See accompanying independent auditors' report.

Schedule of Miscellaneous StatisticsJune 30, 2001

Date of statehood	1959
Form of government	Legislative-Executive-Judicial
Number of state employees***	66,950
Area in square miles***	6,423
Miles of streets and highways**	4,256
Recreation and culture:	
Number of parks and historic sites***	68
Total acreage***	26,815
Number of libraries***	50
Public safety:	
Number of fire personnel***	1,776
Number of police personnel***	3,262
Sewage (millions of gallons)***	49,623
Water system:	
Number of services***	238,446
Consumption (millions of gallons)***	76,401
Education:	
Number of public schools*	246
Number of teachers*	11,629
Hospitals:	
Number of hospitals**	77
Number of beds**	7,681

*** Represents 2000 data

** Represents 1999 data

* Represents 1995 data

Source: Internet (2000) revised as of September 30, 2000, except for public safety personnel and number of public schools. Public safety personnel reflects data from the counties' comprehensive annual financial reports and number of public schools reflects data from Hawaii State Department of Education records.

See accompanying independent auditors' report.