

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



CURT T. OTAGURO
COMPTROLLER

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2021



CURT T. OTAGURO
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2021



Curt T. Otaguro
Comptroller



Audrey Hidano
Deputy Comptroller

Governor
Director of Finance
Director of Taxation
Comptroller
Deputy Comptroller

David Y. Ige
Craig Hirai
Isaac W. Choy
Curt T. Otaguro
Audrey Hidano

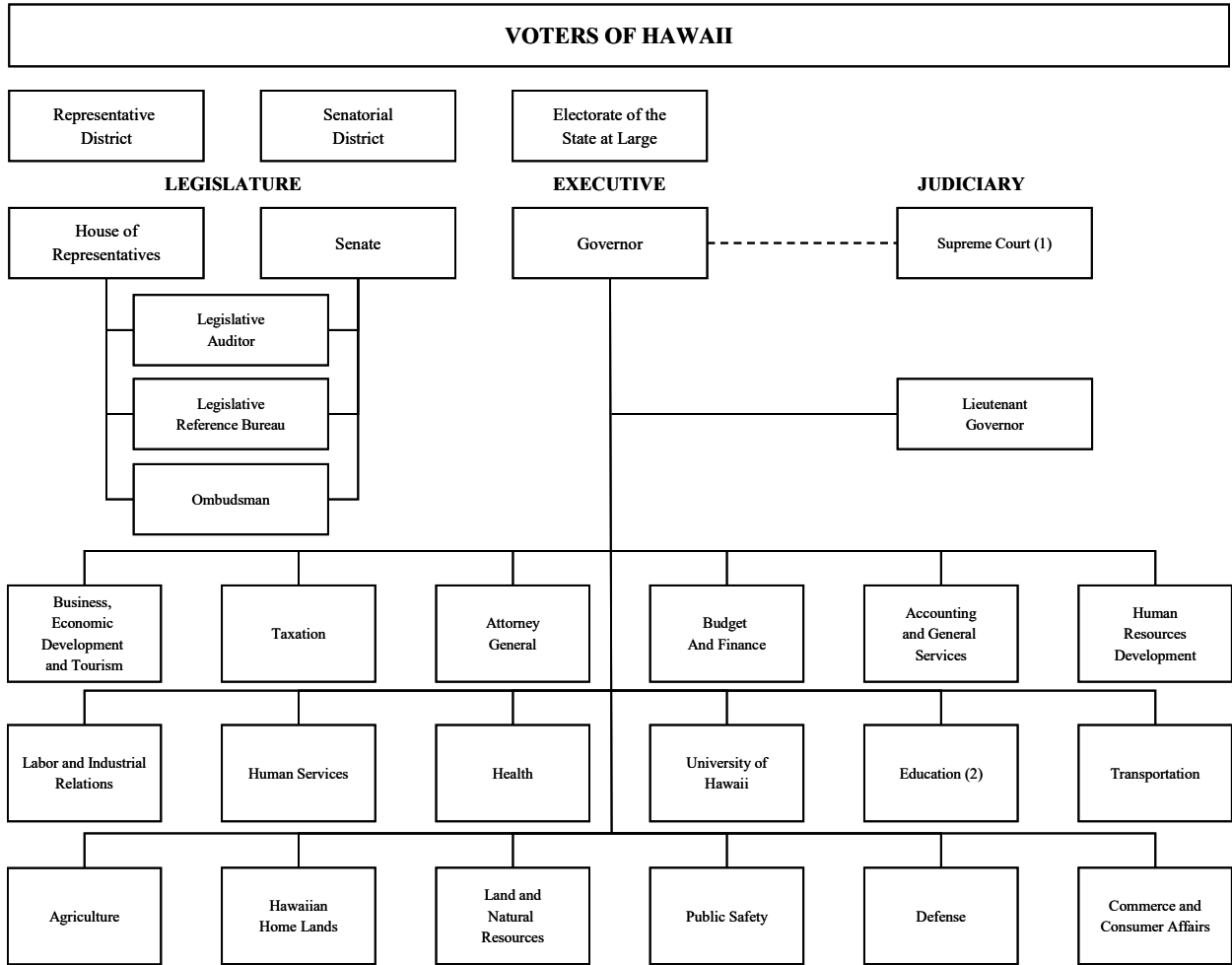
Notes:

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

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

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

State of Hawaii
Organizational Chart
June 30, 2021



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



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

December 30, 2021

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

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Annual Comprehensive Financial Report (ACFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2021. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

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

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

State of the Economy

Overview

During the third quarter of 2021, Hawaii's economic indicators were mostly positive. Visitor arrivals, wage and salary jobs, State general fund tax revenues, private building authorizations and government contracts awarded all increased compared to third quarter 2020.

Labor

Labor market conditions in Hawaii were all positive in 2021. During the first nine months of 2021, Hawaii's total civilian employment averaged 599,250 persons, an increase of 27,450 persons or 4.8% over the same period in 2020. The number of wage and salary jobs held steady at 568,300. Job increases were most notable in food services and drinking places 4,000, accommodation 3,600, and professional and business services 2,100. A few sectors experienced declines including state government (2,200) and federal government (1,300), retail trade (2,100) and transportation warehousing utility (1,000). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 7.8% for the first nine months of 2021, compared to 12.0% for the same period in 2020.

Taxes

The State General Fund tax revenues increased \$1,193.5 million, or 24.1%, during the first nine months of 2021 compared to the same period in 2020. Among its components, net individual income tax collections increased \$651.6 million or 32.5%, general excise and use tax (GET) collections increased \$341.7 million or 14.6%, and transient accommodations tax (TAT) collections were up \$114.8 million or 44.4%. Net corporate income tax revenues increased \$167.9 million or 1322.0%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased \$11.6 billion, or 7.1% in the first half of 2021 compared to the same period in 2020. Among its components, the fastest growth was seen in personal current transfer receipts which increased \$6.4 billion or 15.9% and wages and salaries which increased \$4.3 billion or 6.0%. The remaining categories had inclines that ranged from 6.4% to .1%. Contributions for government social insurance, which are subtracted from personal income, also increased by 6.4%.

Prices

Honolulu's consumer price index (CPI) increased 2.6% for the first half of 2021 compared to the same period in 2020, which is 0.8% below United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in transportation (7.2%), other goods and services (4.8%), food and beverages (4.1%), education and communication (3.6%) and housing (1.8%). The price of apparel decreased (5.5%) and the price of recreation decreased (0.4%) compared to the first half of 2020.

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2021, total visitor arrivals by air increased 2,678,627 or 122.8% compared to the same period of 2020. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 206.0% while international arrivals decreased 94.0%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 113.0% in the first nine months of 2021 compared to the same period of 2020 and total visitor spending decreased \$427.2 million or 9.6% over the same period. Statewide hotel occupancy rate averaged 55.9% in the first nine months of 2021, 18.8% lower than the average rate during the same period of 2020.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. In the first nine months of 2021, the construction sector added 1,300 jobs or 3.6% from the same period of 2020. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the current construction job market is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

Outlook for Hawaii's Economy

Hawaii's economy has been greatly impacted by the COVID-19 pandemic. During the April-September 2021 period, the average unemployment rate (not seasonally adjusted) was 11.4%. Hawaii lost 86,700 non-agricultural payroll jobs during the April to September period as compared to the same period of 2020. All industry sectors lost jobs except construction jobs. The accommodation and food services and drink places accounted for 28.8% of the total job losses, with a decline of 25,000 jobs. Overall, statewide non-agriculture payroll jobs decreased by 13.1%

in the third quarter of 2021. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2021 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2021 to increase 5.5% and projects a positive 4.0% U.S. economic growth rate for 2022. The Department of Business, Economic Development and Tourism (DBEDT) projects that Hawaii's economic growth rate, as measured by the real gross domestic product (GDP), will increase by 3.9% in 2021, 3.0% in 2022, 2.3% in 2023, and 2.0% in 2024.

The visitor arrivals are expected to increase gradually in the next three years to 8.9 million in 2022, 9.5 million in 2023 and 10.0 million in 2024. Visitor spending is also expected to increase gradually over the next three years by 24.6% in 2022, 8.3% in 2023 and 5.2% in 2024.

DBEDT projects total non-agricultural wage and salary jobs to increase 2.1% in 2021, then will increase by 6.1% in 2022, 3.3% in 2023, and 2.4% in 2024. Nominal Personal Income is expected to decrease 1.9% in 2022 with real GDP projected to increase 3.9% in 2021, then will increase 3.0% in 2022, 2.3% in 2023, and 2.0% in 2024.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase at rates between 2.1% and 4.1% in the next few years. The State GDP deflator is forecast to grow 2.1% in 2022.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2019 (Act 5, SLH 2019), as amended by the Supplemental Appropriations Act of 2020 (Act 7 SLH 2020) and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

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

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Of the 15 collective bargaining units, 13 include State employees. Units 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13 and 14 have collective bargaining agreements in effect through June 30, 2023.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2021. 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, 2020. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



CURT T. OTAGURO
Comptroller, State of Hawaii



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Hawaii

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

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PART II: FINANCIAL SECTION



Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 32–129) as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

| Opinion Unit | Percent of Opinion Unit's Total Assets | Percent of Opinion Unit's Total Revenues/Additions |
|--|---|---|
| Business-Type Activities | 78% | 17% |
| Aggregate Discretely Presented Component Units | 18% | 26% |
| Fiduciary Funds | 90% | 65% |

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Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports Division, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2020, the State of Hawaii adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–30), budgetary comparison information (pages 132–136 and 148–154), Schedule of the Proportionate Share of the Net Pension Liability (page 137), Schedule of Pension Contributions (page 138), Schedule of the Proportionate Share of the Net OPEB Liability (page 139), and Schedule of OPEB Contributions (page 140) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual fund statements (pages 144–147 and 155–159), introductory section (pages 1–7) and statistical section (pages 162–195) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021, on our consideration of the State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Hawaii's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
December 30, 2021

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2021

As management of the State of Hawaii (the State), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–6 of this report.

Financial Highlights

Implementation of GASB Statement No. 84

During fiscal year 2021, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

The adoption of Statement No. 84 resulted in the restatement of the State's July 1, 2020 governmental activities, governmental funds, and custodial funds to reflect assets and liabilities of nonfiduciary activities in accordance with provisions of Statement No. 84.

Net position and fund balance for governmental activities and governmental funds increased by approximately \$545.1 million to negative \$7.2 billion and \$3.8 billion, respectively.

Government-Wide Highlights

The liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at June 30, 2021 by \$4.3 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$12.5 billion, a decrease of \$251 million from the previous year. Net position of governmental activities and business-type activities decreased by \$1.1 billion and \$542.9 million, respectively, due to current year activity. The total deferred outflows of resources increased to \$2.7 billion, a \$666.9 million increase. This was due to the increase in deferred outflows on net pension liability and net other postemployment benefits liability in the amounts of \$80.7 million and \$595.6 million, respectively. The deferred inflows of resources increased to \$608.1 million, with the increase of deferred inflows of resources from net other postemployment benefits liability in the amounts of \$472.2 million.

Fund Highlights

At June 30, 2021, the State's Governmental Funds reported combined ending fund balances of \$4.1 billion, an increase of \$857.1 million from the prior fiscal year. Of this amount, \$1.6 billion, or 37.7%, of total fund balances was in the General Fund, and the remaining \$2.6 billion represents amounts in other funds designated for specific purposes. The Proprietary Funds reported net position of \$4.0 billion at June 30, 2021, a decrease of \$542.9 million during the fiscal year.

Liabilities

The State's liabilities increased during the current year to \$32.3 billion, an increase of \$3.9 billion. During fiscal 2021, the State issued General Obligation Refunding bonds in the amount of \$400.0 million to advance refund \$400.0 million of previously issued outstanding bond anticipation notes. In addition, the State issued \$147.6 million in General Obligation bonds and \$1.6 billion in taxable General Obligation bonds.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2021

The State's liability for postemployment benefits other than pension decreased to \$6.5 billion, a decrease of \$460.8 million for the fiscal year ended June 30, 2021.

The State's liability for pensions increased to \$7.8 billion, an increase of \$588.4 million for the fiscal year ended June 30, 2021.

Overview of the Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2021

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

The Government-Wide financial statements can be found on pages 32–34 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic Governmental Funds financial statements can be found on pages 36–39 of this report.

Proprietary Funds

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

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

The basic Proprietary Funds financial statements can be found on pages 40–44 of this report.

Fiduciary Funds

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

The basic Fiduciary Funds financial statements can be found on pages 46–47 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes to basic financial statements can be found on pages 54–129 of this report.

State of Hawaii
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Required Supplementary Information

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

Other Supplementary Information

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

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

Government-Wide Financial Analysis

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

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Net position is a useful indicator of a government's financial position. For the State, total liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$4.3 billion as of June 30, 2021, and net position decreased \$1.1 billion, or 34.1%, from June 30, 2020 balances. The net position of the governmental activities decreased by \$538.2 million, or 7.0%, and business-type activities had a decrease of \$542.9 million, or 12.0%, due to the fiscal year 2021 activity and adoption of Statement No. 84. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2021 and 2020
(Amounts in thousands)

| | Governmental Activities | | Primary Government Business-Type Activities | | Total | |
|--|-------------------------|----------------|--|--------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | | | | | | |
| Assets | | | | | | |
| Current and other assets | \$ 7,760,370 | \$ 5,496,602 | \$ 3,216,765 | \$ 3,075,722 | \$ 10,977,135 | \$ 8,572,324 |
| Capital assets, net | 9,933,813 | 10,101,526 | 5,061,053 | 4,701,609 | 14,994,866 | 14,803,135 |
| Total assets | \$ 17,694,183 | \$ 15,598,128 | \$ 8,277,818 | \$ 7,777,331 | \$ 25,972,001 | \$ 23,375,459 |
| Deferred outflows of resources | | | | | | |
| Deferred loss on refunding | \$ 103,797 | \$ 119,823 | \$ 8,499 | \$ 1,842 | \$ 112,296 | \$ 121,665 |
| Deferred outflows on net pension liability | 1,249,170 | 1,171,683 | 43,477 | 40,310 | 1,292,647 | 1,211,993 |
| Deferred outflows on net other postemployment benefits liability | 1,281,528 | 676,377 | 15,281 | 24,828 | 1,296,809 | 701,205 |
| Total deferred outflows of resources | \$ 2,634,495 | \$ 1,967,883 | \$ 67,257 | \$ 66,980 | \$ 2,701,752 | \$ 2,034,863 |
| Liabilities | | | | | | |
| Long-term liabilities | \$ 24,364,821 | \$ 22,892,042 | \$ 3,959,667 | \$ 2,820,861 | \$ 28,324,488 | \$ 25,712,903 |
| Other liabilities | 3,609,875 | 2,211,465 | 387,730 | 497,210 | 3,997,605 | 2,708,675 |
| Total liabilities | \$ 27,974,696 | \$ 25,103,507 | \$ 4,347,397 | \$ 3,318,071 | \$ 32,322,093 | \$ 28,421,578 |
| Deferred inflows of resources | | | | | | |
| Deferred inflows on net pension liability | \$ 24,066 | \$ 50,692 | \$ 1,105 | \$ 2,721 | \$ 25,171 | \$ 53,413 |
| Deferred inflows on net other postemployment benefits liability | 563,529 | 107,265 | 19,403 | 3,421 | 582,932 | 110,686 |
| Total deferred inflows of resources | \$ 587,595 | \$ 157,957 | \$ 20,508 | \$ 6,142 | \$ 608,103 | \$ 164,099 |
| Net position | | | | | | |
| Net investment in capital assets | \$ 1,147,118 | \$ 2,478,200 | \$ 2,637,031 | \$ 2,629,344 | \$ 3,784,149 | \$ 5,107,544 |
| Restricted | 2,755,923 | 2,345,000 | 1,721,912 | 1,639,488 | 4,477,835 | 3,984,488 |
| Unrestricted | (12,136,654) | (12,518,653) | (381,773) | 251,266 | (12,518,427) | (12,267,387) |
| Total net position | \$ (8,233,613) | \$ (7,695,453) | \$ 3,977,170 | \$ 4,520,098 | \$ (4,256,443) | \$ (3,175,355) |

Analysis of Net Position

By far, the largest portion of the State's net position (\$3.8 billion or negative 88.9%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position (\$4.5 billion or negative 105.2%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$12.5 billion or 294.1% represents unrestricted net position.

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At June 30, 2021, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's net other postemployment benefit liability of \$6.5 billion and net pension liability of \$7.8 billion.

Changes in Net Position

The State's net position decreased by \$1.6 billion, or 61.8%, during the fiscal year ended June 30, 2021. Approximately 43.4% of the State's total revenues came from taxes, while 46.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 9.7% of the total revenues. The State's expenses cover a range of services. The largest expenses were for welfare, higher and lower education, general government, health, public safety, and highways.

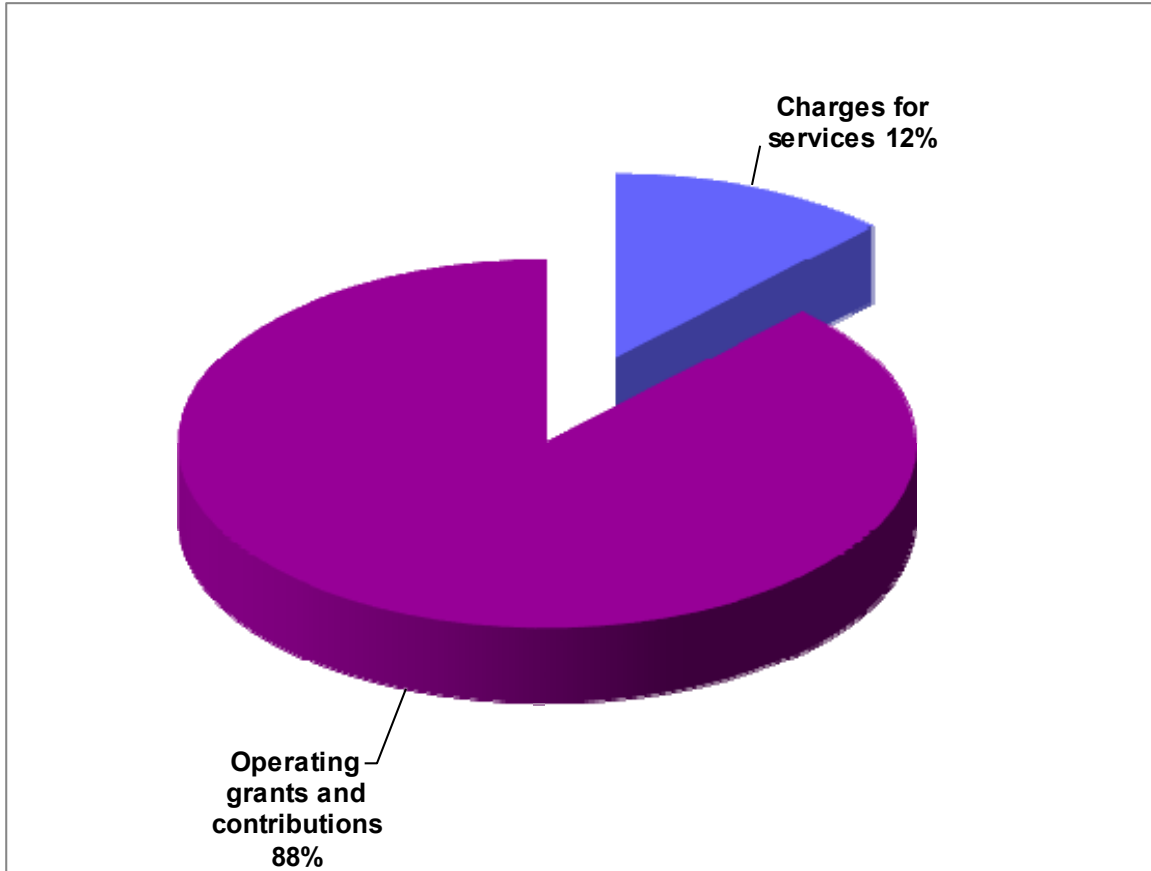
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2021 and 2020
(Amounts in thousands)

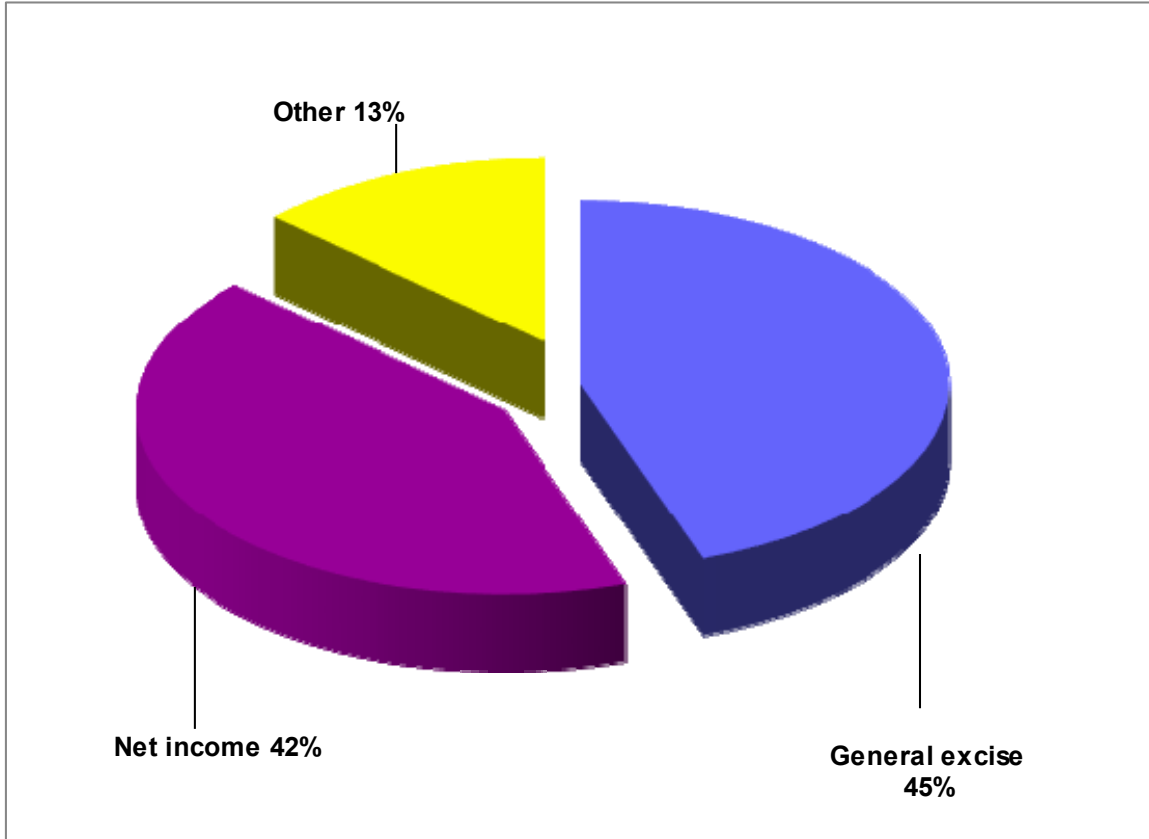
| | Primary Government | | | | | |
|---|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 703,910 | \$ 797,989 | \$ 890,955 | \$ 2,196,094 | \$ 1,594,865 | \$ 2,994,083 |
| Operating grants and contributions | 5,030,769 | 3,597,822 | 3,206,169 | - | 8,236,938 | 3,597,822 |
| Capital grants and contributions | - | - | 83,411 | 95,720 | 83,411 | 95,720 |
| General revenues | | | | | | |
| Taxes | 7,699,115 | 7,571,137 | - | - | 7,699,115 | 7,571,137 |
| Investment income and other | 30,759 | 164,354 | 88,509 | 84,866 | 119,268 | 249,220 |
| Total revenues | <u>13,464,553</u> | <u>12,131,302</u> | <u>4,269,044</u> | <u>2,376,680</u> | <u>17,733,597</u> | <u>14,507,982</u> |
| Expenses | | | | | | |
| General government | 1,867,701 | 1,129,769 | - | - | 1,867,701 | 1,129,769 |
| Public safety | 772,470 | 642,353 | - | - | 772,470 | 642,353 |
| Highways | 531,130 | 531,105 | - | - | 531,130 | 531,105 |
| Conservation of natural resources | 115,658 | 109,093 | - | - | 115,658 | 109,093 |
| Health | 891,325 | 1,138,450 | - | - | 891,325 | 1,138,450 |
| Welfare | 4,579,544 | 3,678,820 | - | - | 4,579,544 | 3,678,820 |
| Lower education | 3,299,413 | 3,595,747 | - | - | 3,299,413 | 3,595,747 |
| Higher education | 984,734 | 1,050,582 | - | - | 984,734 | 1,050,582 |
| Other education | 20,593 | 16,936 | - | - | 20,593 | 16,936 |
| Culture and recreation | 374,727 | 155,261 | - | - | 374,727 | 155,261 |
| Urban redevelopment and housing | 449,870 | 246,495 | - | - | 449,870 | 246,495 |
| Economic development and assistance | 403,426 | 4,868 | - | - | 403,426 | 4,868 |
| Interest expense | 257,218 | 244,994 | - | - | 257,218 | 244,994 |
| Airports | - | - | 600,867 | 559,374 | 600,867 | 559,374 |
| Harbors | - | - | 107,371 | 98,998 | 107,371 | 98,998 |
| Unemployment compensation | - | - | 4,005,272 | 2,147,598 | 4,005,272 | 2,147,598 |
| Nonmajor proprietary funds | - | - | 98,462 | 108,798 | 98,462 | 108,798 |
| Total expenses | <u>14,547,809</u> | <u>12,544,473</u> | <u>4,811,972</u> | <u>2,914,768</u> | <u>19,359,781</u> | <u>15,459,241</u> |
| Change in net position | <u>(1,083,256)</u> | <u>(413,171)</u> | <u>(542,928)</u> | <u>(538,088)</u> | <u>(1,626,184)</u> | <u>(951,259)</u> |
| Net position | | | | | | |
| Beginning of year | (7,695,453) | (7,282,282) | 4,520,098 | 5,058,186 | (3,175,355) | (2,224,096) |
| Adjustment for change in accounting principle | 545,096 | - | - | - | 545,096 | - |
| Beginning of year, as restated | <u>(7,150,357)</u> | <u>(7,282,282)</u> | <u>4,520,098</u> | <u>5,058,186</u> | <u>(2,630,259)</u> | <u>(2,224,096)</u> |
| End of year | <u>\$ (8,233,613)</u> | <u>\$ (7,695,453)</u> | <u>\$ 3,977,170</u> | <u>\$ 4,520,098</u> | <u>\$ (4,256,443)</u> | <u>\$ (3,175,355)</u> |

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

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2021



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2021



Analysis of Changes in Net Position

The State's net position decreased by \$1.6 billion during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to decreases in net position of governmental activities of \$1.1 billion, Unemployment Compensation Fund of \$633.6 million, and Airports of \$64.5 million, and increases in Harbors of \$80.9 million and Nonmajor Proprietary Funds of \$74.3 million.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Governmental Activities

Governmental activities decreased the State's net position by \$1.1 billion. The elements of this decrease are reflected below:

| | Governmental Activities | |
|--|--------------------------------|---------------------|
| | (Amounts in thousands) | |
| | 2021 | 2020 |
| General revenues | | |
| Taxes | \$ 7,699,115 | \$ 7,571,137 |
| Interest and investment income and other | 30,759 | 164,354 |
| Total general revenues | <u>7,729,874</u> | <u>7,735,491</u> |
| Expenses, net of program revenues | | |
| General government | 928,094 | 451,682 |
| Public safety | 603,175 | 506,210 |
| Highways | 243,649 | 369,022 |
| Conservation of natural resources | 4,226 | (1,171) |
| Health | 605,097 | 875,798 |
| Welfare | 1,145,362 | 1,127,849 |
| Lower education | 2,935,058 | 3,253,012 |
| Higher education | 984,690 | 1,050,483 |
| Other education | 20,593 | 16,936 |
| Culture and recreation | 369,012 | 142,028 |
| Urban redevelopment and housing | 408,033 | 201,292 |
| Economic development and assistance | 308,923 | (89,473) |
| Interest expense | 257,218 | 244,994 |
| Total governmental activities expenses, net of program revenues | <u>8,813,130</u> | <u>8,148,662</u> |
| Decrease in governmental activities net position | <u>\$ (1,083,256)</u> | <u>\$ (413,171)</u> |

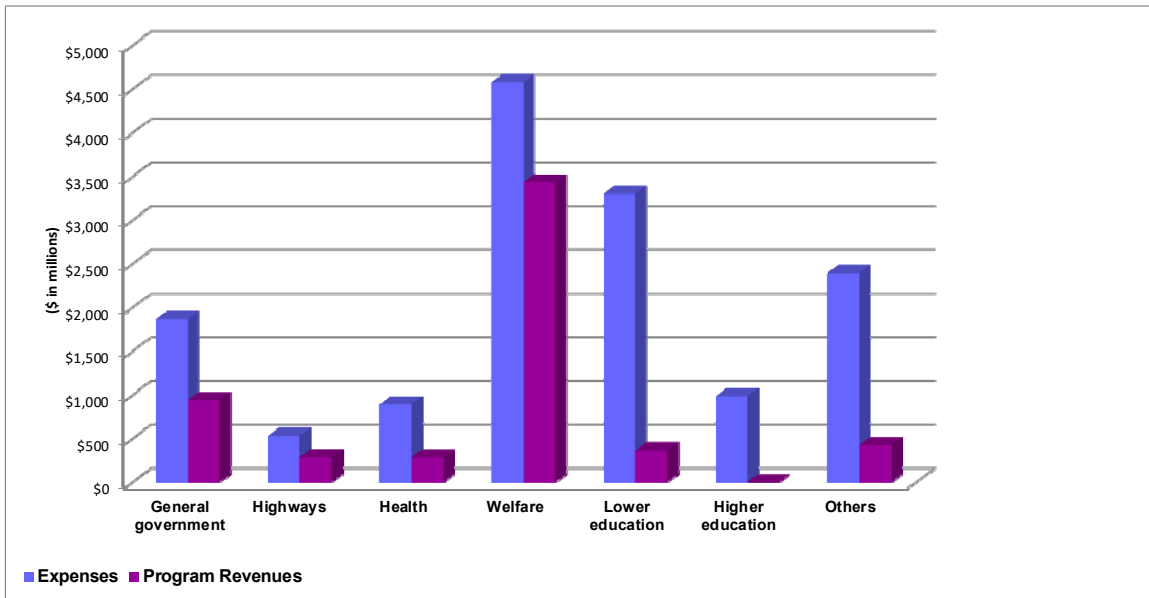
Tax revenues increased by \$128.0 million, or 1.7%, from the previous fiscal year. The increase was primarily due to an increase in individuals' net income taxes of \$592.7 million and a decrease in general excise tax of \$229.5 million due to delayed income tax due dates in 2020 and decreased tourist spending.

Expenses, net of program revenues increased by \$664.5 million mainly due to the increase in program expenses of \$2.0 billion which was netted against an increase of charges for services and operating grants and contributions of \$1.3 billion. The largest variance was in the General Government program with an increase in revenues and expenses of \$261.4 million and \$737.9 million, respectively.

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

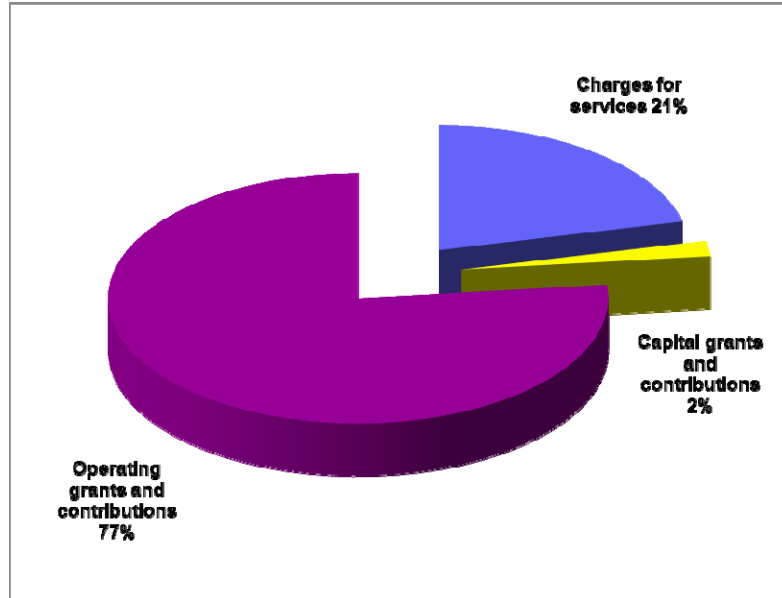
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2021



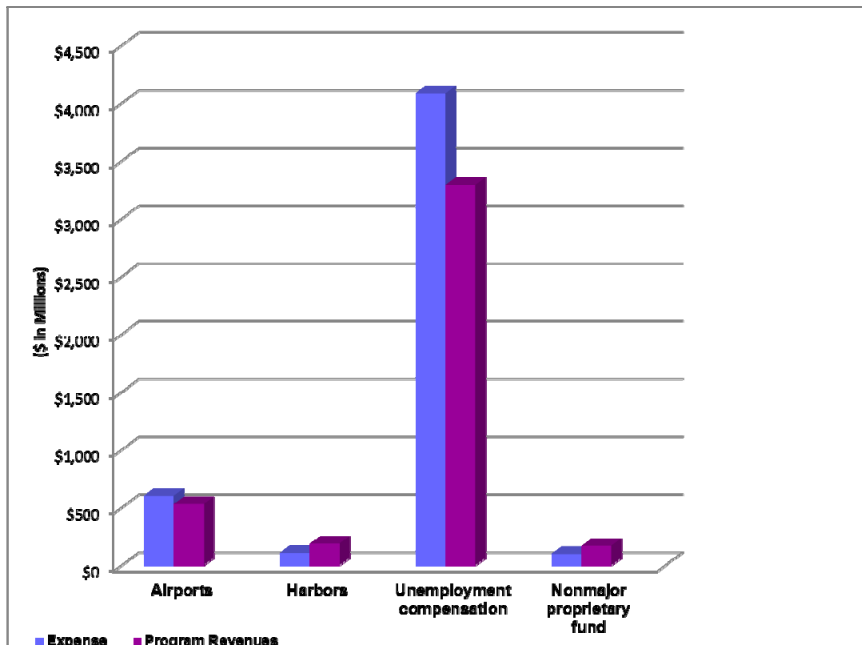
Business-Type Activities

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

**Program Revenues by Source – Business-Type Activities
 Fiscal Year Ended June 30, 2021**



**Expenses and Program Revenues – Business-Type Activities
 Fiscal Year Ended June 30, 2021**



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Business-type activities decreased the State’s net position by \$542.9 million in fiscal 2021, compared to a decrease of \$538.1 million in fiscal 2020. Key elements of this decrease are as follows:

- Airports’ net position decreased \$64.5 million compared to an increase of \$8.2 million in the prior fiscal year. Charges for current services decreased by \$146.4 million primarily due to a decrease in landing fees from lower passenger traffic. Operating and capital grants and contributions increased \$133.6 million due to an increase in federal capital grants and state capital contributions. Airport’s expenses increased \$41.5 million due to increases in personnel costs and interest expense on revenue bonds.
- Harbors’ net position increased \$80.9 million in fiscal 2021 compared to an increase of \$77.3 million in fiscal 2020. Charges for current services increased by \$5.9 million due to increased Wharfage revenues and a decrease in tariff rates, while expenses increased \$8.4 million.
- The Unemployment Compensation Fund’s net position decreased \$633.6 million compared to a decrease of \$704.1 million in the prior fiscal year. The change was primarily due to an increase in unemployment program revenues of \$1.9 billion and increase in unemployment benefits paid of \$1.9 billion.
- The Nonmajor Proprietary Fund’s net position increased \$74.3 million in fiscal 2021 compared to an increase of \$80.5 million in fiscal 2020.
- Key elements of the State’s business-type activities for the fiscal years ended June 30, 2021 and 2020 are as follows:

| | Business-Type Activities (Amounts in thousands) | | | | | | | | | | | |
|----------------------------|--|--------------|---|-----------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------------------------|--|
| | Program Revenues | | | | | | Expenses | | | | Program Revenues Net of Expenses | |
| | Charges for Services | | Operating and Capital Grants and Contributions | | Total | | | | | | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | | |
| Airports | \$ 328,629 | \$ 475,064 | \$ 200,827 | \$ 67,183 | \$ 529,456 | \$ 542,247 | \$ 600,867 | \$ 559,374 | \$ (71,411) | \$ (17,127) | | |
| Harbors | 182,061 | 176,132 | 6,165 | 163 | 188,226 | 176,295 | 107,371 | 98,998 | 80,855 | 77,297 | | |
| Unemployment compensation | 239,096 | 1,391,747 | 3,053,978 | - | 3,293,074 | 1,391,747 | 4,005,272 | 2,147,598 | (712,198) | (755,851) | | |
| Nonmajor proprietary funds | 141,169 | 153,151 | 28,610 | 28,374 | 169,779 | 181,525 | 98,462 | 108,798 | 71,317 | 72,727 | | |
| Total | \$ 890,955 | \$ 2,196,094 | \$ 3,289,580 | \$ 95,720 | \$ 4,180,535 | \$ 2,291,814 | \$ 4,811,972 | \$ 2,914,768 | \$ (631,437) | \$ (622,954) | | |

Financial Analysis of the State’s Individual Funds

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

Governmental Funds

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

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At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of \$4.1 billion. Of this amount, \$247 thousand is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$667.1 million has been committed to specific purposes. An additional \$2.5 billion has been assigned to specific purposes by management. The unassigned fund balance was \$1.0 billion at fiscal year-end.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was \$1.6 billion compared to \$1.3 billion previously reported at June 30, 2020. The fund balance of the State's Capital Projects Fund increased \$159.3 million during the fiscal year. The Capital Projects Fund increase is a result of proceeds from general obligation bond issuance in excess of expenditures. The fund balance of the Med-Quest Special Fund decreased \$9.6 million, Administrative Support Special Revenue Fund increased by \$46.2 million, and other Nonmajor Governmental Funds increased \$369.3 million from the balances previously reported at June 30, 2020.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had a decrease in net position of \$64.5 million, Harbors had an increase in net position of \$80.9 million, the Unemployment Compensation Fund had a decrease in net position of \$633.6 million, and the Nonmajor Proprietary Funds had an increase in net position of \$74.3 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues were \$855.0 million or 10.8% more than the final budget. The positive variance was attributed to favorable tax revenues of \$739.3 million and favorable non-tax revenues of \$115.6 million. General excise tax, corporate income tax, and individual tax all collected more than what was projected by \$58.8 million, \$4.4 million and \$713.6 million, respectively. The favorable variance in non-tax revenues is mainly comprised of charges for current services and pension and social security reimbursements.

The difference between the final budget and actual expenditures on a budgetary basis was \$447.3 million. The difference is mostly due to the Budget and Finance variance of \$160.0 million and education variance of \$115.7 million. The Budget and Finance variance is due to \$54.9 million from savings in reductions to debt service payments from bond refunding and \$58.8 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans. As in previous years, the positive variance in education resulted when the Department of Education carried over \$86.0 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations. Spending restrictions imposed on all executive branch departments resulted in positive variances across most departments.

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Capital Assets

The State’s capital assets for its governmental and business-type activities as of June 30, 2021 amounted to \$15.0 billion (net of accumulated depreciation of \$14.6 billion), an increase of \$191.7 million from fiscal 2020. The increase is due to an increase in governmental activities capital assets of \$290.3 million and in business-type capital assets of \$552.0 million offset by increases in governmental activities and business-type activities accumulated depreciation of \$458.1 million and \$192.5 million, respectively. Major capital improvement projects, which resulted in additions to capital assets in the fiscal year ended June 30, 2021, included the following:

- \$381.8 million for various capital improvement projects and repair and maintenance of public school facilities throughout the State.
- \$314.5 million for various capital improvements at airports statewide.
- \$259.9 million for various highway improvement projects throughout the State.
- \$96.3 million for various building improvement projects throughout the State.

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

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$12.4 billion. Of this amount, \$9.1 billion comprises debt backed by the full faith and credit of the State and \$3.3 billion (i.e., revenue bonds) is revenue-bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State’s total bonded debt is shown below:

Long-Term Debt
June 30, 2021 and 2020
(Amounts in thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General obligation bonds | \$ 8,870,454 | \$ 7,294,070 | \$ 16,239 | \$ 18,690 | \$ 8,886,693 | \$ 7,312,760 |
| Bond anticipation note | 200,000 | 600,000 | - | - | 200,000 | 600,000 |
| Revenue bonds | 753,505 | 623,120 | 2,519,961 | 2,093,075 | 3,273,466 | 2,716,195 |
| Total | \$ 9,823,959 | \$ 8,517,190 | \$ 2,536,200 | \$ 2,111,765 | \$ 12,360,159 | \$ 10,628,955 |

The State’s total long-term debt increased by \$1.7 billion, or 16.3%, during the current fiscal year. The increase is primarily due to bond maturities and issuances of GO bond and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2021, the State’s underlying general obligation bond ratings were Moody’s Investors Service (Aa2), Standard and Poor’s Corporation (AA+), and Fitch Ratings (AA) based on the credit of the State.

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The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2021 was \$549.9 million.

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

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for October 2021 was 6.3%, while the seasonally adjusted national unemployment rate was 4.6%. One year ago, the State's seasonally adjusted unemployment rate stood at 14.2%, while the seasonally adjusted national unemployment rate was 6.9%.

The Council of Revenues in September 2021 revised the State's General Fund tax revenue growth rate for fiscal year 2022 from 3.0% to 6.3%. The Council also revised the General Fund tax revenue growth rate for fiscal years 2023 through 2028 to 4.0%.

Cumulative general fund tax revenues for the first five months of fiscal 2022 was \$3.4 billion, an increase of \$737.4 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 39.8%.

On March 4, 2020, the State of Hawaii Governor proclaimed the spread of COVID-19 in Hawaii to be a disaster, declared a state of emergency, and announced State responses, including the use of disaster relief funds, to address the spread of COVID-19. The Governor subsequently issued twenty-four supplementary proclamations through December 27, 2021, and a series of executive orders with more recent orders focusing on gathering restrictions, vaccination requirements for state and county workers, and Safe Travels Hawaii protocols. While a ten-day quarantine for non-vaccinated, untested travelers remains in effect, vaccinated and travelers testing negative prior to entry are not required to quarantine upon entering the State.

Since the first case was reported on February 17, 2020, there have been over 100,000 confirmed cases and 1,000 deaths from COVID-19 in the state as of December 2021. The State's economy appears to be slowly returning to pre-pandemic levels. Current international arrivals are only marginally above 2020, which were practically zero, and are far below the 2019 average of approximately 8,000 arrivals each day. However, domestic arrivals, which average between 20,000 and 30,000 per day based on seasonality, are on par with 2019. It is not known when international travel might return to pre-pandemic levels at this time due to the ongoing pandemic and impacts of variants. The fiscal impact will depend on the future events outside of the State's control, including actions of the federal government. In response to these budget shortfalls, the Governor has imposed a 10% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2022.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2021

Requests for Information

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

BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2021
(Amounts in thousands)

| | Primary Government | | | Component Units |
|--|------------------------------------|-------------------------------------|---------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,701,560 | \$ 742,627 | \$ 2,444,187 | \$ 1,347,596 |
| Receivables | | | | |
| Taxes | 707,307 | 68,427 | 775,734 | - |
| Accounts and accrued interest, net | - | 70,857 | 70,857 | 209,751 |
| Notes, loans, mortgages and contributions, net | 146,268 | 705,240 | 851,508 | 797,724 |
| Federal government | 126,189 | 28,141 | 154,330 | 621 |
| Premiums | - | 67,869 | 67,869 | - |
| Drug rebate | 68,228 | - | 68,228 | - |
| Other, net | 28,500 | 57,172 | 85,672 | 31,823 |
| Total receivables | <u>1,076,492</u> | <u>997,706</u> | <u>2,074,198</u> | <u>1,039,919</u> |
| Internal balances | 1,617 | (1,617) | - | - |
| Due from component units | 6,000 | - | 6,000 | - |
| Due from primary government | - | - | - | 567,239 |
| Investments | 4,962,794 | 141,532 | 5,104,326 | 1,213,421 |
| Inventories | | | | |
| Materials and supplies | - | 204 | 204 | 23,344 |
| Developments in progress and dwelling units | - | - | - | 39,428 |
| Total inventories | <u>-</u> | <u>204</u> | <u>204</u> | <u>62,772</u> |
| Restricted assets | - | 1,294,757 | 1,294,757 | 93,258 |
| Other assets | | | | |
| Prepaid expenses | 8,023 | 41,556 | 49,579 | 30,202 |
| Other | 3,884 | - | 3,884 | 37,311 |
| Total other assets | <u>11,907</u> | <u>41,556</u> | <u>53,463</u> | <u>67,513</u> |
| Capital assets | | | | |
| Land and land improvements | 2,407,812 | 2,822,116 | 5,229,928 | 564,815 |
| Infrastructure | 10,597,856 | - | 10,597,856 | 320,491 |
| Construction in progress | 949,412 | 1,812,241 | 2,761,653 | 306,045 |
| Buildings, improvements and equipment | 7,129,122 | 3,672,389 | 10,801,511 | 5,326,942 |
| Intangible assets – software | 157,426 | - | 157,426 | - |
| Accumulated depreciation and amortization | (11,307,815) | (3,245,693) | (14,553,508) | (3,236,531) |
| Total capital assets, net | <u>9,933,813</u> | <u>5,061,053</u> | <u>14,994,866</u> | <u>3,281,762</u> |
| Total assets | <u>17,694,183</u> | <u>8,277,818</u> | <u>25,972,001</u> | <u>7,673,480</u> |
| Deferred outflows of resources | | | | |
| Deferred asset retirement obligations | - | - | - | 2,634 |
| Deferred loss on refunding | 103,797 | 8,499 | 112,296 | 10,922 |
| Deferred outflows on net pension liability | 1,249,170 | 43,477 | 1,292,647 | 377,534 |
| Deferred outflows on net other postemployment benefits liability | 1,281,528 | 15,281 | 1,296,809 | 133,065 |
| Total deferred outflows of resources | <u>\$ 2,634,495</u> | <u>\$ 67,257</u> | <u>\$ 2,701,752</u> | <u>\$ 524,155</u> |

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

State of Hawaii
Statement of Net Position
June 30, 2021
(Amounts in thousands)

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Liabilities | | | | |
| Vouchers and contracts payable | \$ 755,571 | \$ 144,847 | \$ 900,418 | \$ 131,868 |
| Other accrued liabilities | 376,344 | 196,472 | 572,816 | 99,026 |
| Advance from federal government | 1,785,138 | - | 1,785,138 | - |
| Due to component units | 567,239 | - | 567,239 | - |
| Due to primary government | - | - | - | 6,000 |
| Unearned revenue | - | - | - | 36,596 |
| Premiums payable | - | 46,411 | 46,411 | - |
| Other | 125,583 | - | 125,583 | 29,479 |
| Long-term liabilities | | | | |
| Due within one year | | | | |
| Payable from restricted assets – revenue bonds payable, net | - | 18,467 | 18,467 | - |
| General obligation (GO) bonds payable | 709,240 | 2,573 | 711,813 | - |
| Notes, mortgages and installment contracts payable | - | - | - | 13,890 |
| Bond anticipation note payable | 200,000 | - | 200,000 | - |
| Accrued vacation and retirement benefits payable | 77,766 | 4,618 | 82,384 | 54,380 |
| Revenue bonds payable, net | 50,837 | - | 50,837 | 18,206 |
| Reserve for losses and loss adjustment costs | 34,311 | 2,446 | 36,757 | 8,024 |
| Capital lease obligations | 7,037 | 1,140 | 8,177 | 3,431 |
| Lease revenue certificates of participation | - | 13,753 | 13,753 | - |
| Customer facility charge revenue bonds | - | 10,350 | 10,350 | - |
| Due more than one year | | | | |
| GO bonds payable | 8,161,214 | 13,666 | 8,174,880 | - |
| Notes, mortgages and installment contracts payable | - | - | - | 29,144 |
| Accrued vacation and retirement benefits payable | 197,034 | 14,368 | 211,402 | 71,999 |
| Revenue bonds payable, net | 702,668 | 2,491,144 | 3,193,812 | 484,427 |
| Reserve for losses and loss adjustment costs | 256,252 | 5,664 | 261,916 | 18,990 |
| Capital lease obligations | 101,628 | 22,385 | 124,013 | 3,514 |
| Lease revenue certificates of participation | - | 173,525 | 173,525 | - |
| Unearned revenue | - | - | - | 20,853 |
| Estimated future costs of land sold | - | - | - | 35,180 |
| Loan payable | - | 717,096 | 717,096 | - |
| Net pension liability | 7,567,480 | 247,308 | 7,814,788 | 2,584,415 |
| Net other postemployment benefits liability | 6,299,019 | 217,857 | 6,516,876 | 2,268,030 |
| Security deposits | - | 3,307 | 3,307 | - |
| Other | 335 | - | 335 | 88,589 |
| Total liabilities | <u>27,974,696</u> | <u>4,347,397</u> | <u>32,322,093</u> | <u>6,006,041</u> |
| Deferred inflows of resources | | | | |
| Deferred inflows on net pension liability | 24,066 | 1,105 | 25,171 | 26,866 |
| Deferred inflows on net other postemployment benefits liability | 563,529 | 19,403 | 582,932 | 171,008 |
| Total deferred inflows of resources | <u>587,595</u> | <u>20,508</u> | <u>608,103</u> | <u>197,874</u> |
| Net position | | | | |
| Net investment in capital assets | 1,147,118 | 2,637,031 | 3,784,149 | 2,752,842 |
| Restricted for | | | | |
| Capital maintenance projects | 276,927 | - | 276,927 | - |
| Health and welfare | 218,960 | - | 218,960 | - |
| Natural resources | 213,864 | - | 213,864 | - |
| Native Hawaiian programs | 385,370 | - | 385,370 | - |
| Education | 291,483 | - | 291,483 | - |
| Regulatory and economic development | 391,656 | - | 391,656 | - |
| Administrative support | 876,500 | - | 876,500 | - |
| Other purposes | 100,916 | - | 100,916 | - |
| Bond requirements and other | 247 | 1,721,912 | 1,722,159 | 1,387,087 |
| Unrestricted | <u>(12,136,654)</u> | <u>(381,773)</u> | <u>(12,518,427)</u> | <u>(2,146,209)</u> |
| Total net position | <u>\$ (8,233,613)</u> | <u>\$ 3,977,170</u> | <u>\$ (4,256,443)</u> | <u>\$ 1,993,720</u> |

State of Hawaii
Statement of Activities
Year Ended June 30, 2021
(Amounts in thousands)

| Functions/Programs | Program Revenues | | | | Net Revenue (Expense) and Changes in Net Position | | | Component Units |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-Type Activities | | |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 1,867,701 | \$ 229,268 | \$ 710,339 | \$ - | \$ (928,094) | \$ - | \$ (928,094) | |
| Public safety | 772,470 | 86,291 | 83,004 | - | (603,175) | - | (603,175) | |
| Highways | 531,130 | 12,459 | 275,022 | - | (243,649) | - | (243,649) | |
| Conservation of natural resources | 115,658 | 72,670 | 38,762 | - | (4,226) | - | (4,226) | |
| Health | 891,325 | 140,442 | 145,786 | - | (605,097) | - | (605,097) | |
| Welfare | 4,579,544 | 100,059 | 3,334,123 | - | (1,145,362) | - | (1,145,362) | |
| Lower education | 3,299,413 | 14,830 | 349,525 | - | (2,935,058) | - | (2,935,058) | |
| Higher education | 984,734 | 44 | - | - | (984,690) | - | (984,690) | |
| Other education | 20,593 | - | - | - | (20,593) | - | (20,593) | |
| Culture and recreation | 374,727 | 3,172 | 2,543 | - | (369,012) | - | (369,012) | |
| Urban redevelopment and housing | 449,870 | 21,976 | 19,861 | - | (408,033) | - | (408,033) | |
| Economic development and assistance | 403,426 | 22,699 | 71,804 | - | (308,923) | - | (308,923) | |
| Interest expense | 257,218 | - | - | - | (257,218) | - | (257,218) | |
| Total governmental activities | <u>14,547,809</u> | <u>703,910</u> | <u>5,030,769</u> | <u>-</u> | <u>(8,813,130)</u> | <u>-</u> | <u>(8,813,130)</u> | |
| Business-type activities | | | | | | | | |
| Airports | 600,867 | 328,629 | 152,191 | 48,636 | - | (71,411) | (71,411) | |
| Harbors | 107,371 | 182,061 | - | 6,165 | - | 80,855 | 80,855 | |
| Unemployment compensation | 4,005,272 | 239,096 | 3,053,978 | - | - | (712,198) | (712,198) | |
| Nonmajor proprietary funds | 98,462 | 141,169 | - | 28,610 | - | 71,317 | 71,317 | |
| Total business-type activities | <u>4,811,972</u> | <u>890,955</u> | <u>3,206,169</u> | <u>83,411</u> | <u>-</u> | <u>(631,437)</u> | <u>(631,437)</u> | |
| Total primary government | <u>\$ 19,359,781</u> | <u>\$ 1,594,865</u> | <u>\$ 8,236,938</u> | <u>\$ 83,411</u> | <u>(8,813,130)</u> | <u>(631,437)</u> | <u>(9,444,567)</u> | |
| Component units | | | | | | | | |
| University of Hawaii | \$ 1,858,606 | \$ 330,249 | \$ 431,568 | \$ - | | | | \$ (1,096,789) |
| Hawaii Housing Finance and Development Corporation | 103,728 | 44,960 | 86,222 | - | | | | 27,454 |
| Hawaii Public Housing Authority | 187,035 | 25,040 | 119,138 | 5,863 | | | | (36,994) |
| Hawaii Health Systems Corporation | 701,899 | 495,180 | 1,323 | 17,856 | | | | (187,540) |
| Hawaii Tourism Authority | 49,245 | 5,839 | - | - | | | | (43,406) |
| Hawaii Community Development Authority | 6,030 | 4,054 | - | - | | | | (1,976) |
| Hawaii Hurricane Relief Fund | 2 | - | - | - | | | | (2) |
| Total component units | <u>\$ 2,906,545</u> | <u>\$ 905,322</u> | <u>\$ 638,251</u> | <u>\$ 23,719</u> | | | | <u>(1,339,253)</u> |
| General revenues | | | | | | | | |
| Taxes | | | | | | | | |
| General excise tax | | | | | 3,438,088 | - | 3,438,088 | - |
| Net income tax – corporations and individuals | | | | | 3,254,330 | - | 3,254,330 | - |
| Public service companies tax | | | | | 125,201 | - | 125,201 | - |
| Transient accommodations tax | | | | | 195,410 | - | 195,410 | 38,005 |
| Tobacco and liquor tax | | | | | 141,522 | - | 141,522 | - |
| Liquid fuel tax | | | | | 69,351 | - | 69,351 | - |
| Tax on premiums of insurance companies | | | | | 188,229 | - | 188,229 | - |
| Vehicle weight and registration tax | | | | | 143,242 | - | 143,242 | - |
| Rental motor/tour vehicle surcharge tax | | | | | 32,206 | - | 32,206 | - |
| Franchise tax | | | | | 5,079 | - | 5,079 | - |
| Other tax | | | | | 106,457 | - | 106,457 | - |
| Interest and investment income | | | | | 30,759 | 88,509 | 119,268 | 170,923 |
| Payments from the primary government, net | | | | | - | - | - | 1,369,942 |
| Gifts and subsidies | | | | | - | - | - | 52,379 |
| Other | | | | | - | - | - | 107,736 |
| Total general revenues | | | | | <u>7,729,874</u> | <u>88,509</u> | <u>7,818,383</u> | <u>1,738,985</u> |
| Change in net position | | | | | <u>(1,083,256)</u> | <u>(542,928)</u> | <u>(1,626,184)</u> | <u>399,732</u> |
| Net position | | | | | | | | |
| Beginning of year | | | | | (7,695,453) | 4,520,098 | (3,175,355) | 1,593,988 |
| Adjustment for change in accounting principle | | | | | 545,096 | - | 545,096 | - |
| Beginning of year, as restated | | | | | <u>(7,150,357)</u> | <u>4,520,098</u> | <u>(2,630,259)</u> | <u>1,593,988</u> |
| End of year | | | | | <u>\$ (8,233,613)</u> | <u>\$ 3,977,170</u> | <u>\$ (4,256,443)</u> | <u>\$ 1,993,720</u> |

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

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State of Hawaii
Governmental Funds
Balance Sheet
June 30, 2021
(Amounts in thousands)

| | General Fund | Capital Projects Fund | Med-Quest Special Revenue Fund | Administrative Support Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|------------------------------|---------------------------------------|--|---------------------------------|---------------------------------|
| Assets | | | | | | |
| Cash and cash equivalents | \$ 300,736 | \$ 7,839 | \$ 9,979 | \$ 694,897 | \$ 688,108 | \$ 1,701,559 |
| Receivables | | | | | | |
| Taxes | 595,936 | - | - | - | - | 595,936 |
| Notes and loans, net of allowance for doubtful accounts of \$48,505 | 1,327 | - | - | - | 144,941 | 146,268 |
| Federal government | - | - | 88,333 | - | 37,856 | 126,189 |
| Drug rebate | - | - | 68,228 | - | - | 68,228 |
| Other | 8,500 | - | - | - | - | 8,500 |
| Due from other funds | 220,916 | - | - | 17,208 | 247 | 238,371 |
| Due from proprietary funds | 20 | 1,597 | - | - | - | 1,617 |
| Due from component units | 6,000 | - | - | - | - | 6,000 |
| Investments | 1,240,087 | 479,746 | 39,916 | 1,953,899 | 1,249,146 | 4,962,794 |
| Other assets | 3,884 | - | - | - | - | 3,884 |
| Total assets | <u>\$ 2,377,406</u> | <u>\$ 489,182</u> | <u>\$ 206,456</u> | <u>\$ 2,666,004</u> | <u>\$ 2,120,298</u> | <u>\$ 7,859,346</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Vouchers and contracts payable | \$ 522,681 | \$ 105,797 | \$ 2,916 | \$ 971 | \$ 122,023 | \$ 754,388 |
| Other accrued liabilities | 271,808 | - | 46,802 | 3,395 | 54,339 | 376,344 |
| Advance from federal government | - | - | - | 1,785,138 | - | 1,785,138 |
| Due to other funds | 17,455 | - | 137,737 | - | 83,179 | 238,371 |
| Due to component units | 4,923 | 562,316 | - | - | - | 567,239 |
| Payable from restricted assets | | | | | | |
| Matured bonds and interest payable | - | - | - | - | 335 | 335 |
| Total liabilities | <u>816,867</u> | <u>668,113</u> | <u>187,455</u> | <u>1,789,504</u> | <u>259,876</u> | <u>3,721,815</u> |
| Fund balances | | | | | | |
| Restricted | - | - | - | - | 247 | 247 |
| Committed | - | 4,311 | - | 465,056 | 197,737 | 667,104 |
| Assigned | 390,666 | - | 19,001 | 411,444 | 1,662,438 | 2,483,549 |
| Unassigned | 1,169,873 | (183,242) | - | - | - | 986,631 |
| Total fund balances | <u>1,560,539</u> | <u>(178,931)</u> | <u>19,001</u> | <u>876,500</u> | <u>1,860,422</u> | <u>4,137,531</u> |
| Total liabilities and fund balances | <u>\$ 2,377,406</u> | <u>\$ 489,182</u> | <u>\$ 206,456</u> | <u>\$ 2,666,004</u> | <u>\$ 2,120,298</u> | <u>\$ 7,859,346</u> |

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

State of Hawaii
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021
(Amounts in thousands)

| | |
|---|-----------------------|
| Total fund balance – Governmental funds | \$ 4,137,531 |
| Amounts reported for governmental activities in the statement of net position are different because | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of | |
| Land and land improvements | 2,407,812 |
| Infrastructure | 10,597,856 |
| Construction in progress | 949,412 |
| Buildings, improvements and equipment | 7,129,122 |
| Intangible assets – software | 157,426 |
| Accumulated depreciation and amortization | <u>(11,307,815)</u> |
| | 9,933,813 |
| Accrued interest and other payables are not recognized in governmental funds. | <u>(125,893)</u> |
| Other assets and liabilities are not available to pay or be used for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables. | <u>138,522</u> |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of | |
| General obligation bonds payable | (8,870,454) |
| Bond anticipation note payable | (200,000) |
| Accrued vacation payable | (274,800) |
| Revenue bonds payable | (753,505) |
| Reserve for losses and loss adjustment costs | (290,563) |
| Net other postemployment benefits liability | (6,299,019) |
| Net pension liability | (7,567,480) |
| Capital lease obligations | (108,665) |
| | <u>(24,364,486)</u> |
| Deferred outflows of resources are for future periods and are not reported in the funds. Those deferred outflows consist of | |
| Deferred loss on refunding | 103,797 |
| Deferred outflows on net pension liability | 1,249,170 |
| Deferred outflows on other postemployment benefits liability | <u>1,281,528</u> |
| | 2,634,495 |
| Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of | |
| Deferred inflows on net pension liability | (24,066) |
| Deferred inflows on other postemployment benefits liability | <u>(563,529)</u> |
| | (587,595) |
| Net position of governmental activities | <u>\$ (8,233,613)</u> |

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

State of Hawaii
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021
(Amounts in thousands)

| | General Fund | Capital Projects Fund | Med-Quest Special Revenue Fund | Administrative Support Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|--------------------------------|---|--------------------------|--------------------------|
| Revenues | | | | | | |
| Taxes | | | | | | |
| General excise tax | \$ 3,195,843 | \$ - | \$ - | \$ 241,912 | \$ - | \$ 3,437,755 |
| Net income tax – corporations and individuals | 3,233,174 | - | - | - | - | 3,233,174 |
| Public service companies tax | 125,201 | - | - | - | - | 125,201 |
| Transient accommodations tax | 194,095 | - | - | - | - | 194,095 |
| Tobacco and liquor tax | 117,925 | - | - | 1,647 | 21,950 | 141,522 |
| Liquid fuel tax | - | - | - | - | 69,351 | 69,351 |
| Tax on premiums of insurance companies | 185,570 | - | - | - | 2,659 | 188,229 |
| Vehicle weight and registration tax | - | - | - | - | 143,242 | 143,242 |
| Rental motor/vehicle surcharge tax | 5 | - | - | - | 32,201 | 32,206 |
| Franchise tax | 3,079 | - | - | - | 2,000 | 5,079 |
| Other | 72,973 | - | - | 19,935 | 13,549 | 106,457 |
| Total taxes | <u>7,127,865</u> | <u>-</u> | <u>-</u> | <u>263,494</u> | <u>284,952</u> | <u>7,676,311</u> |
| Interest and investment income | 14,035 | - | - | 4,943 | 11,781 | 30,759 |
| Charges for current services | 128,101 | - | - | 94,676 | 178,626 | 401,403 |
| Intergovernmental | 9,711 | - | 1,984,369 | 704,445 | 2,042,651 | 4,741,176 |
| Rentals | 292 | - | - | 194 | 30,830 | 31,316 |
| Fines, forfeitures and penalties | 19,329 | - | - | 78 | 12,674 | 32,081 |
| Licenses and fees | 741 | - | - | 303 | 41,533 | 42,577 |
| Revenues from private sources | 8,876 | - | 77,736 | 1,720 | 50,188 | 138,520 |
| Other | 58,015 | - | 92,344 | 1,448 | 204,846 | 356,653 |
| Total revenues | <u>7,366,965</u> | <u>-</u> | <u>2,154,449</u> | <u>1,071,301</u> | <u>2,858,081</u> | <u>13,450,796</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 930,895 | 32,150 | - | 531,953 | 213,339 | 1,708,337 |
| Public safety | 422,017 | 72,657 | - | 26,953 | 225,195 | 746,822 |
| Highways | 3,537 | 132,695 | - | - | 312,415 | 448,647 |
| Conservation of natural resources | 67,198 | 12,984 | - | 29 | 57,248 | 137,459 |
| Health | 725,269 | 72,095 | - | - | 242,921 | 1,040,285 |
| Welfare | 1,265,818 | 5,885 | 2,076,596 | 13,390 | 1,237,758 | 4,599,447 |
| Lower education | 2,693,083 | 259,667 | - | 4,655 | 493,770 | 3,451,175 |
| Higher education | 885,315 | 99,419 | - | - | - | 984,734 |
| Other education | 6,776 | - | - | - | 13,817 | 20,593 |
| Culture and recreation | 64,854 | 13,674 | - | 270,548 | 28,343 | 377,419 |
| Urban redevelopment and housing | 20,703 | 14,604 | - | - | 54,519 | 89,826 |
| Economic development and assistance | 58,068 | 39,951 | - | - | 140,937 | 238,956 |
| Housing | 34,871 | 320,479 | - | - | - | 355,350 |
| Other | - | 4,700 | - | 5,480 | 9,964 | 20,144 |
| Debt service | - | - | - | - | 853,533 | 853,533 |
| Total expenditures | <u>7,178,404</u> | <u>1,080,960</u> | <u>2,076,596</u> | <u>853,008</u> | <u>3,883,759</u> | <u>15,072,727</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>188,561</u> | <u>(1,080,960)</u> | <u>77,853</u> | <u>218,293</u> | <u>(1,025,678)</u> | <u>(1,621,931)</u> |
| Other financing sources (uses) | | | | | | |
| Issuance of GO bonds – par | 747,555 | 995,000 | - | - | 400,000 | 2,142,555 |
| Issuance of GO bonds – premium | 10,272 | - | - | - | - | 10,272 |
| Issuance of revenue and refunding revenue bonds – par | - | 136,091 | - | - | - | 136,091 |
| Issuance of revenue and refunding revenue bonds – premium | - | 45,023 | - | - | - | 45,023 |
| Payment to refunded bond escrow agent | - | - | - | - | (400,000) | (400,000) |
| Transfers in | 985,641 | 64,165 | 3,707 | 277,078 | 1,301,841 | 2,632,432 |
| Transfers out | (1,157,380) | (8) | (91,209) | (1,130,366) | (253,469) | (2,632,432) |
| Total other financing sources (uses) | <u>586,088</u> | <u>1,240,271</u> | <u>(87,502)</u> | <u>(853,288)</u> | <u>1,048,372</u> | <u>1,933,941</u> |
| Net change in fund balances | 774,649 | 159,311 | (9,649) | (634,995) | 22,694 | 312,010 |
| Fund balances | | | | | | |
| Beginning of year, as previously reported | 1,268,589 | (338,242) | 28,650 | 830,325 | 1,491,103 | 3,280,425 |
| Adjustment for change in accounting principle | (482,699) | - | - | 681,170 | 346,625 | 545,096 |
| Beginning of year, as restated | <u>785,890</u> | <u>(338,242)</u> | <u>28,650</u> | <u>1,511,495</u> | <u>1,837,728</u> | <u>3,825,521</u> |
| End of year | <u>\$ 1,560,539</u> | <u>\$ (178,931)</u> | <u>\$ 19,001</u> | <u>\$ 876,500</u> | <u>\$ 1,860,422</u> | <u>\$ 4,137,531</u> |

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

State of Hawaii
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2021
(Amounts in thousands)

| | |
|---|-----------------------|
| Total net change in fund balances – Governmental funds | \$ 312,010 |
| Amounts reported for governmental activities in the statement of activities are different because | |
| Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are | |
| Capital asset additions | 1,162,865 |
| Capital asset disposals | (872,525) |
| Accumulated depreciation on disposals | 93,786 |
| Depreciation expense | (551,839) |
| Excess of capital outlay over depreciation expense | <u>(167,713)</u> |
| Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, this is the amount of proceeds received from general obligation and revenue bonds issued. | <u>(2,333,941)</u> |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of | |
| Bond and BAN principal retirement | 921,526 |
| Capital lease payments | 6,482 |
| Total long-term debt repayment | <u>928,008</u> |
| Because some revenues will not be collected for several months after the State’s fiscal year end, they are not considered available revenues and are deferred in the governmental funds. | <u>22,804</u> |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds | |
| Change in accrued vacation payable | (29,404) |
| Change in reserve for losses and loss adjustment costs | (19,922) |
| Change in accrued interest on bonds payable | (17,931) |
| Change in accrued interest on capital leases | (1,744) |
| Amortization of bond premium and deferred amount on refunding | 94,742 |
| Net pension activity | (464,302) |
| Net other postemployment benefits activity | 594,137 |
| Total | <u>155,576</u> |
| Change in net position of governmental activities | <u>\$ (1,083,256)</u> |

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

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2021
(Amounts in thousands)

| | <u>Airports</u> | <u>Harbors</u> | <u>Unemployment Compensation</u> | <u>Nonmajor Proprietary Funds</u> | <u>Total Proprietary Funds</u> |
|--|--------------------|------------------|--------------------------------------|---|--|
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 432,727 | \$ 170,666 | \$ 5,351 | \$ 133,883 | \$ 742,627 |
| Investments | - | - | - | 141,532 | 141,532 |
| Restricted assets – cash and short-term investments | 185,377 | 35,577 | - | - | 220,954 |
| Receivables | | | | | |
| Taxes | 266 | - | 68,161 | - | 68,427 |
| Accounts and accrued interest, net of allowance for doubtful accounts of \$14,975 | 49,305 | 20,990 | - | 562 | 70,857 |
| Promissory note receivable, net of allowance for doubtful accounts of \$1,925 | - | 255 | - | 53,425 | 53,680 |
| Federal government | 27,921 | - | - | 220 | 28,141 |
| Premiums | - | - | - | 67,869 | 67,869 |
| Other | 30,159 | - | - | 27,013 | 57,172 |
| Materials and supplies inventory | 204 | - | - | - | 204 |
| Prepaid expenses and other assets | 35,541 | 695 | - | 5,320 | 41,556 |
| Total current assets | <u>761,500</u> | <u>228,183</u> | <u>73,512</u> | <u>429,824</u> | <u>1,493,019</u> |
| Noncurrent assets | | | | | |
| Capital assets | | | | | |
| Land and land improvements | 2,179,610 | 642,506 | - | - | 2,822,116 |
| Construction in progress | 1,528,570 | 278,678 | - | 4,993 | 1,812,241 |
| Buildings and improvements | 2,607,049 | 642,349 | - | - | 3,249,398 |
| Equipment | 381,542 | 27,350 | - | 14,099 | 422,991 |
| | 6,696,771 | 1,590,883 | - | 19,092 | 8,306,746 |
| Less: Accumulated depreciation | <u>(2,724,449)</u> | <u>(508,154)</u> | <u>-</u> | <u>(13,090)</u> | <u>(3,245,693)</u> |
| Net capital assets | 3,972,322 | 1,082,729 | - | 6,002 | 5,061,053 |
| Promissory note receivable | - | - | - | 651,560 | 651,560 |
| Restricted assets – net direct financing leases | 21,878 | - | - | - | 21,878 |
| Restricted assets – cash and cash equivalents | 421,006 | 412,867 | - | - | 833,873 |
| Restricted assets – investments | 218,052 | - | - | - | 218,052 |
| Total noncurrent assets | <u>4,633,258</u> | <u>1,495,596</u> | <u>-</u> | <u>657,562</u> | <u>6,786,416</u> |
| Total assets | <u>5,394,758</u> | <u>1,723,779</u> | <u>73,512</u> | <u>1,087,386</u> | <u>8,279,435</u> |
| Deferred outflows of resources | | | | | |
| Deferred loss on refunding | 7,239 | 1,260 | - | - | 8,499 |
| Deferred outflows on net pension liability | 34,190 | 6,620 | - | 2,667 | 43,477 |
| Deferred outflows on net other postemployment benefits liability | 11,928 | 2,428 | - | 925 | 15,281 |
| Total deferred outflows of resources | <u>\$ 53,357</u> | <u>\$ 10,308</u> | <u>\$ -</u> | <u>\$ 3,592</u> | <u>\$ 67,257</u> |

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

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2021
(Amounts in thousands)

| | <u>Airports</u> | <u>Harbors</u> | <u>Unemployment Compensation</u> | <u>Nonmajor Proprietary Funds</u> | <u>Total Proprietary Funds</u> |
|--|---------------------|---------------------|--------------------------------------|---|--|
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Vouchers and contracts payable | \$ 64,958 | \$ 6,156 | \$ 72,283 | \$ 1,450 | \$ 144,847 |
| Payable from restricted assets – contracts payable, accrued interest, and other | 135,964 | 32,069 | - | - | 168,033 |
| Other accrued liabilities | 21,501 | - | - | 917 | 22,418 |
| Due to governmental funds | 20 | 1,597 | - | - | 1,617 |
| Benefit claims payable | - | - | - | 6,021 | 6,021 |
| General obligation bonds payable, current portion | - | 2,573 | - | - | 2,573 |
| Reserve for losses and loss adjustment costs | 2,209 | 237 | - | - | 2,446 |
| Capital lease obligations | - | 1,140 | - | - | 1,140 |
| Lease revenue certificates of participation | 13,753 | - | - | - | 13,753 |
| Customer facility charge revenue bonds | 10,350 | - | - | - | 10,350 |
| Accrued vacation, current portion | 3,664 | 698 | - | 256 | 4,618 |
| Payable from restricted assets – revenue bond payable | 430 | 18,037 | - | - | 18,467 |
| Premiums payable | - | - | - | 46,411 | 46,411 |
| Total current liabilities | 252,849 | 62,507 | 72,283 | 55,055 | 442,694 |
| Noncurrent liabilities | | | | | |
| General obligation bonds payable | - | 13,666 | - | - | 13,666 |
| Accrued vacation | 11,226 | 2,307 | - | 835 | 14,368 |
| Revenue bonds payable, net of unamortized bond premium and bond discount | 2,096,126 | 395,018 | - | - | 2,491,144 |
| Reserve for losses and loss adjustment cost | 4,726 | 938 | - | - | 5,664 |
| Capital lease obligations | - | 22,385 | - | - | 22,385 |
| Lease revenue certificates of participation | 173,525 | - | - | - | 173,525 |
| Loans payable | - | - | 717,096 | - | 717,096 |
| Net pension liability | 192,093 | 40,863 | - | 14,352 | 247,308 |
| Net other postemployment benefits liability | 168,547 | 36,179 | - | 13,131 | 217,857 |
| Security deposits | - | 3,307 | - | - | 3,307 |
| Total noncurrent liabilities | 2,646,243 | 514,663 | 717,096 | 28,318 | 3,906,320 |
| Total liabilities | 2,899,092 | 577,170 | 789,379 | 83,373 | 4,349,014 |
| Deferred inflows of resources | | | | | |
| Deferred inflows on net pension liability | 587 | 121 | - | 397 | 1,105 |
| Deferred inflows on net other postemployment benefits liability | 15,449 | 2,800 | - | 1,154 | 19,403 |
| Total deferred inflows of resources | 16,036 | 2,921 | - | 1,551 | 20,508 |
| Net position | | | | | |
| Net investment in capital assets | 1,943,324 | 687,705 | - | 6,002 | 2,637,031 |
| Restricted for bond requirements and other | 563,873 | 355,683 | - | 802,356 | 1,721,912 |
| Unrestricted | 25,790 | 110,608 | (715,867) | 197,696 | (381,773) |
| Net position | \$ 2,532,987 | \$ 1,153,996 | \$ (715,867) | \$ 1,006,054 | \$ 3,977,170 |

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2021
(Amounts in thousands)

| | Airports | Harbors | Unemployment Compensation | Nonmajor Proprietary Funds | Total Proprietary Funds |
|--|---------------------|---------------------|--------------------------------------|---|--|
| Operating revenues | | | | | |
| Concession fees | \$ 59,180 | \$ - | \$ - | \$ - | \$ 59,180 |
| Unemployment compensation | - | - | 239,096 | - | 239,096 |
| Aviation fuel tax | 1,642 | - | - | - | 1,642 |
| Airport use charges | 61,735 | - | - | - | 61,735 |
| Rentals | 151,910 | 26,896 | - | - | 178,806 |
| Services and others | - | 153,854 | - | - | 153,854 |
| Administrative fees | - | - | - | 5,676 | 5,676 |
| Premium revenue – self insurance | - | - | - | 96,082 | 96,082 |
| Experience refunds, net | - | - | - | 36,505 | 36,505 |
| Other | 8,155 | 1,311 | - | 2,892 | 12,358 |
| Total operating revenues | <u>282,622</u> | <u>182,061</u> | <u>239,096</u> | <u>141,155</u> | <u>844,934</u> |
| Operating expenses | | | | | |
| Personnel services | 246,142 | 25,819 | - | 9,102 | 281,063 |
| Depreciation and amortization | 158,338 | 40,217 | - | 465 | 199,020 |
| Repairs and maintenance | 63,714 | - | - | 339 | 64,053 |
| Airports operations | 37,823 | - | - | - | 37,823 |
| Harbors operations | - | 16,572 | - | - | 16,572 |
| General administration | 14,144 | 11,566 | - | 5,100 | 30,810 |
| Unemployment compensation | - | - | 4,005,272 | - | 4,005,272 |
| Claims | - | - | - | 81,523 | 81,523 |
| Other | 2,615 | - | - | 1,933 | 4,548 |
| Total operating expenses | <u>522,776</u> | <u>94,174</u> | <u>4,005,272</u> | <u>98,462</u> | <u>4,720,684</u> |
| Operating income (loss) | <u>(240,154)</u> | <u>87,887</u> | <u>(3,766,176)</u> | <u>42,693</u> | <u>(3,875,750)</u> |
| Nonoperating revenues (expenses) | | | | | |
| Interest and investment income | 6,928 | - | 78,608 | 2,973 | 88,509 |
| Interest expense | (78,091) | (10,262) | - | - | (88,353) |
| Federal grants | 152,191 | - | 3,053,978 | - | 3,206,169 |
| Loss on disposal of capital assets | (576) | (1,753) | - | - | (2,329) |
| Rental car customer and passenger facility charges | 49,450 | - | - | - | 49,450 |
| Other | (2,867) | (1,182) | - | 14 | (4,035) |
| Total nonoperating revenues (expenses) | <u>127,035</u> | <u>(13,197)</u> | <u>3,132,586</u> | <u>2,987</u> | <u>3,249,411</u> |
| Income (loss) before capital contributions | <u>(113,119)</u> | <u>74,690</u> | <u>(633,590)</u> | <u>45,680</u> | <u>(626,339)</u> |
| Capital contributions | <u>48,636</u> | <u>6,165</u> | <u>-</u> | <u>28,610</u> | <u>83,411</u> |
| Change in net position | <u>(64,483)</u> | <u>80,855</u> | <u>(633,590)</u> | <u>74,290</u> | <u>(542,928)</u> |
| Net position | | | | | |
| Beginning of year | <u>2,597,470</u> | <u>1,073,141</u> | <u>(82,277)</u> | <u>931,764</u> | <u>4,520,098</u> |
| End of year | <u>\$ 2,532,987</u> | <u>\$ 1,153,996</u> | <u>\$ (715,867)</u> | <u>\$ 1,006,054</u> | <u>\$ 3,977,170</u> |

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

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2021
(Amounts in thousands)

| | Airports | Harbors | Unemployment Compensation | Nonmajor Proprietary Funds | Total Proprietary Funds |
|--|---------------------|-------------------|--------------------------------------|---|--|
| Cash flows from operating activities | | | | | |
| Cash received from customers | \$ 242,397 | \$ 177,769 | \$ - | \$ - | \$ 420,166 |
| Cash received from taxes | - | - | 224,080 | - | 224,080 |
| Cash received from employers and employees for premiums and benefits | - | - | - | 675,114 | 675,114 |
| Cash paid to suppliers | (211,903) | (28,833) | - | (4,293) | (245,029) |
| Cash paid to employees | (110,114) | (21,628) | - | (8,751) | (140,493) |
| Cash paid for unemployment compensation | - | - | (4,161,055) | - | (4,161,055) |
| Cash paid for premiums and benefits payable | - | - | - | (618,575) | (618,575) |
| Net cash provided by (used in) operating activities | <u>(79,620)</u> | <u>127,308</u> | <u>(3,936,975)</u> | <u>43,495</u> | <u>(3,845,792)</u> |
| Cash flows from noncapital financing activities | | | | | |
| Proceeds from federal operating grants | 164,551 | - | 3,053,978 | - | 3,218,529 |
| Proceeds from federal loan | - | - | 717,096 | - | 717,096 |
| Net cash provided by noncapital financing activities | <u>164,551</u> | <u>-</u> | <u>3,771,074</u> | <u>-</u> | <u>3,935,625</u> |
| Cash flows from capital and related financing activities | | | | | |
| Acquisition and construction of capital assets | (464,250) | (73,514) | - | (5,016) | (542,780) |
| Proceeds from federal, state and capital grants and contributions | 48,617 | - | - | 28,860 | 77,477 |
| Proceeds from issuance of bonds | - | 175,006 | - | - | 175,006 |
| Proceeds from customer facility charge revenue bonds | 327,245 | - | - | - | 327,245 |
| Principal paid on airports system revenue bonds | (44,690) | - | - | - | (44,690) |
| Repayment of general obligation and revenue bonds principal | - | (19,741) | - | - | (19,741) |
| Bond issue costs paid | (2,921) | - | - | - | (2,921) |
| Payments for lease revenue certificates of participation | (12,116) | - | - | - | (12,116) |
| Interest paid on outstanding debt | (78,754) | - | - | - | (78,754) |
| Proceeds from passenger facility charges program | 14,459 | - | - | - | 14,459 |
| Proceeds from rental car customer facility charges program | 25,595 | - | - | - | 25,595 |
| Principal paid on rental car customer facility charges program | (10,140) | - | - | - | (10,140) |
| Interest paid on bonds | - | (8,635) | - | - | (8,635) |
| Principal paid on capital lease obligation | - | (1,024) | - | - | (1,024) |
| Restricted cash disbursement | - | (6,423) | - | - | (6,423) |
| Reimbursement received for capital assets | - | 1,465 | - | - | 1,465 |
| Receipts – other | 52 | - | - | - | 52 |
| Net cash provided by (used in) capital and related financing activities | <u>(196,903)</u> | <u>67,134</u> | <u>-</u> | <u>23,844</u> | <u>(105,925)</u> |
| Cash flows from investing activities | | | | | |
| Proceeds from sales and maturities of investments | 362,780 | - | - | - | 362,780 |
| Interest received from investments | 5,877 | 2,315 | 78,608 | 729 | 87,529 |
| Purchase of investments | (259,620) | - | - | (54,398) | (314,018) |
| Principal repayments on notes receivable | - | - | - | 50,281 | 50,281 |
| Disbursement of note receivable proceeds | - | - | - | (95,543) | (95,543) |
| Interest income from notes receivable | - | - | - | 1,915 | 1,915 |
| Administrative loan fees | - | - | - | 5,508 | 5,508 |
| Net cash provided by (used in) investing activities | <u>109,037</u> | <u>2,315</u> | <u>78,608</u> | <u>(91,508)</u> | <u>98,452</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(2,935)</u> | <u>196,757</u> | <u>(87,293)</u> | <u>(24,169)</u> | <u>82,360</u> |
| Cash and cash equivalents, including restricted amounts | | | | | |
| Beginning of year | 1,042,045 | 422,353 | 92,644 | 158,052 | 1,715,094 |
| End of year | <u>\$ 1,039,110</u> | <u>\$ 619,110</u> | <u>\$ 5,351</u> | <u>\$ 133,883</u> | <u>\$ 1,797,454</u> |

(continued)

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

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2021
(Amounts in thousands)

| | Airports | Harbors | Unemployment Compensation | Nonmajor Proprietary Funds | Total Proprietary Funds |
|---|--------------------|-------------------|------------------------------|----------------------------------|-------------------------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Operating income (loss) | \$ (240,154) | \$ 87,887 | \$ (3,766,176) | \$ 42,693 | \$ (3,875,750) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | | |
| Depreciation and amortization | 158,338 | 40,217 | - | 465 | 199,020 |
| Provision for uncollectible accounts | 97 | (4,172) | - | - | (4,075) |
| Underpayment of airport use charge to be transferred to the prepaid airport use charge fund | (35,853) | - | - | - | (35,853) |
| Premium reserves held by insurance companies | - | - | - | 3,961 | 3,961 |
| Principal forgiveness of loans | - | - | - | 949 | 949 |
| Interest income from loans | - | - | - | (2,000) | (2,000) |
| Administrative loan fees | - | - | - | (5,676) | (5,676) |
| Non-imposed fringe benefits | - | - | - | 35 | 35 |
| Changes in assets, deferred outflows, liabilities and deferred inflows | | | | | |
| Receivables | (12,086) | (499) | (15,017) | (1,151) | (28,753) |
| Prepaid and other expenses | - | - | - | (39) | (39) |
| Other current assets | (5) | 7 | - | - | 2 |
| Net deferred outflows/inflows of resources | 17,039 | 2,478 | - | 1,228 | 20,745 |
| Vouchers and contracts payable | 19,155 | (1,450) | (155,782) | 342 | (137,735) |
| Net pension liability | 15,124 | 3,575 | - | 1,256 | 19,955 |
| Other postemployment benefits liability | (12,450) | (2,218) | - | (928) | (15,596) |
| Other accrued liabilities | 11,175 | 1,483 | - | 1,691 | 14,349 |
| Benefit claims payable | - | - | - | 669 | 669 |
| Net cash provided by (used in) operating activities | <u>\$ (79,620)</u> | <u>\$ 127,308</u> | <u>\$ (3,936,975)</u> | <u>\$ 43,495</u> | <u>\$ (3,845,792)</u> |
| Supplemental information | | | | | |
| Noncash investing, capital and financing activities | | | | | |
| Amortization of bond discount, bond premium, and loss on refunding | \$ (8,102) | \$ (1,901) | \$ - | \$ - | \$ (10,003) |
| Interest payments relating to special facility revenue bonds | 1,222 | - | - | - | 1,222 |
| Amortization of certificates of participation premium | 432 | - | - | - | 432 |
| Amounts included in contracts payable for the acquisition of capital assets | 87,699 | 17,616 | - | - | 105,315 |
| Payments to refund airports system revenue bonds | (301,355) | - | - | - | (301,355) |
| Proceeds from issuance of refunding airports system revenue bonds | 309,270 | - | - | - | 309,270 |
| Other assets utilized for the acquisition of capital assets | 576 | - | - | - | 576 |
| Noncash capital contributions | - | 4,700 | - | - | 4,700 |
| Bond proceeds deposited into escrow | - | 148,474 | - | - | 148,474 |
| Bond issuance costs settled in escrow | - | 1,182 | - | - | 1,182 |

(concluded)

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

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State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2021
(Amounts in thousands)

| | <u>Custodial Funds</u> | <u>OPEB Trust Fund</u> |
|--|----------------------------|----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 598,561 | \$ 959,134 |
| Receivables | | |
| Taxes | 8,810 | - |
| Employer contributions | - | 390,000 |
| Rebates and other receivables from insurance companies | - | 54,408 |
| Experience refunds due from insurance companies | - | 29,472 |
| Other | - | 13 |
| Investments | | |
| Certificates of deposit | 2,559 | - |
| U.S. government securities | 48,014 | 332,623 |
| Equity securities | - | 477,565 |
| Mutual funds | - | 93,209 |
| Commingled funds | - | 2,341,889 |
| Alternative investments | - | 1,035,332 |
| Real estate | - | 406,477 |
| Derivatives | - | (581) |
| Invested securities lending collateral | - | 8,762 |
| Other assets, primarily due from individuals, businesses and counties | - | 8,165 |
| Total assets | <u>657,944</u> | <u>6,136,468</u> |
| Liabilities and Net Position | | |
| Liabilities | | |
| Vouchers payable | 25,262 | - |
| Due to individuals, businesses and counties | 105,950 | - |
| Premium payable | - | 27,137 |
| Benefit claims payable | - | 21,046 |
| Securities lending collateral | - | 8,762 |
| Other accrued liabilities | - | 2,617 |
| Total liabilities | <u>131,212</u> | <u>59,562</u> |
| Net position restricted for OPEB | <u>\$ 526,732</u> | <u>\$ 6,076,906</u> |

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

State of Hawaii
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021
(Amounts in thousands)

| | Custodial Funds | OPEB Trust Fund |
|--|----------------------------|----------------------------|
| Additions | | |
| Employer contributions | \$ - | \$ 1,532,280 |
| Tax collections | 406,216 | - |
| Custodial collections | 263,075 | - |
| Other collections | 717,760 | - |
| Investment income | | |
| Investing activities | | |
| Interest | - | 62,780 |
| Net appreciation in the fair value of investments | - | 1,006,120 |
| | - | 1,068,900 |
| Less: Investment expenses | - | 9,508 |
| Net investment income from investing activities | - | 1,059,392 |
| Securities lending activities | | |
| Securities lending income | - | 639 |
| Less: Securities lending expenses | - | 140 |
| Net investment income from securities lending activities | - | 499 |
| Total net investment income | - | 1,059,891 |
| Other revenues, net | - | 80 |
| Total additions | 1,387,051 | 2,592,251 |
| Deductions | | |
| Benefits claims expense and carrier payments | - | 497,432 |
| Tax disbursements | 416,014 | - |
| Custodial disbursements | 126,789 | - |
| Other disbursements | 451,579 | - |
| Total deductions | 994,382 | 497,432 |
| Net increase in fiduciary net position | 392,669 | 2,094,819 |
| Net position | | |
| Beginning of year, as previously reported | - | 3,982,087 |
| Adjustment for change in accounting principle | 134,063 | - |
| Beginning of year, as restated | 134,063 | 3,982,087 |
| End of year | \$ 526,732 | \$ 6,076,906 |

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

State of Hawaii
Component Units
Statement of Net Position
June 30, 2021
(Amounts in thousands)

| | University of Hawaii | Hawaii Housing Finance and Development Corporation | Hawaii Public Housing Authority | Hawaii Health Systems Corporation |
|---|---------------------------------|---|--|--|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 305,158 | \$ 641,814 | \$ 98,212 | \$ 170,187 |
| Receivables | | | | |
| Accounts and accrued interest, net of allowance for doubtful accounts of \$62,522 | 94,897 | 41,719 | 985 | 69,898 |
| Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$2,082 | 21,699 | 545 | - | - |
| Federal government | - | - | 621 | - |
| Other, net of allowance for doubtful accounts of \$136 | 21,519 | 2,180 | 34 | 8,090 |
| Due from primary government | 4,177 | 4,562 | 64,448 | 40,317 |
| Investments | 244,317 | - | - | 34,938 |
| Inventories – materials and supplies | 6,576 | - | 824 | 15,944 |
| Prepaid expenses and other assets | 28,975 | 1,025 | - | - |
| Total current assets | <u>727,318</u> | <u>691,845</u> | <u>165,124</u> | <u>339,374</u> |
| Restricted assets | | | | |
| Cash and cash equivalents | - | 17,195 | - | 23,034 |
| Investments | - | 29,873 | - | - |
| Deposits, funded reserves and other | - | 2,582 | - | - |
| Total restricted assets | <u>-</u> | <u>49,650</u> | <u>-</u> | <u>23,034</u> |
| Capital assets | | | | |
| Land and land improvements | 246,723 | 82,724 | 25,340 | 10,807 |
| Infrastructure | 282,371 | - | - | - |
| Construction in progress | 211,300 | - | 40,076 | 37,443 |
| Buildings, improvements and equipment | 3,407,989 | 14,483 | 801,463 | 850,346 |
| Less: Accumulated depreciation | <u>(1,957,270)</u> | <u>(3,804)</u> | <u>(491,711)</u> | <u>(563,501)</u> |
| Total capital assets, net | <u>2,191,113</u> | <u>93,403</u> | <u>375,168</u> | <u>335,095</u> |
| Other assets | | | | |
| Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$2,800 | 27,784 | 723,602 | 8,717 | - |
| Due from primary government | 451,964 | - | - | - |
| Inventories – developments in progress and dwelling units | - | 39,428 | - | - |
| Investments | 744,130 | - | - | - |
| Other assets | 33,989 | - | - | 3,019 |
| Total other assets | <u>1,257,867</u> | <u>763,030</u> | <u>8,717</u> | <u>3,019</u> |
| Total assets | <u>4,176,298</u> | <u>1,597,928</u> | <u>549,009</u> | <u>700,522</u> |
| Deferred outflows of resources | | | | |
| Deferred asset retirement obligations | 2,634 | - | - | - |
| Deferred loss on refunding | 10,922 | - | - | - |
| Deferred outflows on net pension liability | 297,194 | 1,849 | 6,802 | 70,597 |
| Deferred outflows on net other postemployment benefits liability | 94,669 | 731 | 2,720 | 34,058 |
| Total deferred outflows of resources | <u>\$ 405,419</u> | <u>\$ 2,580</u> | <u>\$ 9,522</u> | <u>\$ 104,655</u> |

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

| <u>Hawaii Tourism Authority</u> | <u>Hawaii Community Development Authority</u> | <u>Hawaii Hurricane Relief Fund</u> | <u>Total Component Units</u> |
|---|---|---|--------------------------------------|
| \$ 104,590 | \$ 27,522 | \$ 113 | \$ 1,347,596 |
| 683 | 623 | 946 | 209,751 |
| - | - | - | 22,244 |
| - | - | - | 621 |
| - | - | - | 31,823 |
| - | 1,771 | - | 115,275 |
| - | - | 190,036 | 469,291 |
| - | - | - | 23,344 |
| 202 | - | - | 30,202 |
| <u>105,475</u> | <u>29,916</u> | <u>191,095</u> | <u>2,250,147</u> |
| 20,574 | - | - | 60,803 |
| - | - | - | 29,873 |
| - | - | - | 2,582 |
| <u>20,574</u> | <u>-</u> | <u>-</u> | <u>93,258</u> |
| 131,497 | 67,724 | - | 564,815 |
| - | 38,120 | - | 320,491 |
| 3,061 | 14,165 | - | 306,045 |
| 235,589 | 17,072 | - | 5,326,942 |
| (177,217) | (43,028) | - | (3,236,531) |
| <u>192,930</u> | <u>94,053</u> | <u>-</u> | <u>3,281,762</u> |
| - | 15,377 | - | 775,480 |
| - | - | - | 451,964 |
| - | - | - | 39,428 |
| - | - | - | 744,130 |
| - | 303 | - | 37,311 |
| - | 15,680 | - | 2,048,313 |
| <u>318,979</u> | <u>139,649</u> | <u>191,095</u> | <u>7,673,480</u> |
| - | - | - | 2,634 |
| - | - | - | 10,922 |
| 973 | 119 | - | 377,534 |
| 366 | 521 | - | 133,065 |
| <u>\$ 1,339</u> | <u>\$ 640</u> | <u>\$ -</u> | <u>\$ 524,155</u> |

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2021
(Amounts in thousands)

| | University of Hawaii | Hawaii Housing Finance and Development Corporation | Hawaii Public Housing Authority | Hawaii Health Systems Corporation |
|---|-------------------------|---|--|---|
| Liabilities | | | | |
| Current liabilities | | | | |
| Vouchers and contracts payable | \$ 62,698 | \$ 2,591 | \$ 6,685 | \$ 59,468 |
| Other accrued liabilities | 90,651 | 4,413 | 3,673 | - |
| Due to primary government | 6,000 | - | - | - |
| Unearned revenue | 33,616 | 385 | 1,451 | 919 |
| Notes, mortgages and installation contracts payable | - | 15 | - | 13,875 |
| Accrued vacation and retirement benefits payable | 40,711 | - | - | 13,410 |
| Revenue bonds payable, net | 17,040 | 1,166 | - | - |
| Reserve for losses and loss adjustment costs | 5,421 | - | - | 2,603 |
| Capital lease obligations | 1,578 | - | - | 1,853 |
| Other liabilities | 10,105 | - | 1,733 | 12,345 |
| Total current liabilities | <u>267,820</u> | <u>8,570</u> | <u>13,542</u> | <u>104,473</u> |
| Noncurrent liabilities | | | | |
| Notes, mortgages and installment contracts payable | 7,400 | 71 | - | 21,673 |
| Accrued vacation and retirement benefits payable | 50,040 | - | - | 21,332 |
| Revenue bonds payable, net | 477,128 | 7,299 | - | - |
| Reserve for losses and loss adjustment costs | 10,036 | - | - | 8,954 |
| Capital lease obligations | - | - | - | 3,514 |
| Unearned revenue | - | 20,853 | - | - |
| Estimated future cost of land sold | - | 35,180 | - | - |
| Net pension liability | 1,889,437 | 11,764 | 44,225 | 627,818 |
| Net other postemployment benefits liability | 1,699,884 | 9,590 | 37,602 | 513,050 |
| Other liabilities | 53,294 | 1,743 | 1,943 | 20,780 |
| Total noncurrent liabilities | <u>4,187,219</u> | <u>86,500</u> | <u>83,770</u> | <u>1,217,121</u> |
| Total liabilities | <u>4,455,039</u> | <u>95,070</u> | <u>97,312</u> | <u>1,321,594</u> |
| Deferred inflows of resources | | | | |
| Deferred inflows on net pension liability | 25,994 | 237 | 128 | 398 |
| Deferred inflows on net other postemployment benefits liability | 122,170 | 915 | 3,389 | 43,933 |
| Total deferred inflows of resources | <u>148,164</u> | <u>1,152</u> | <u>3,517</u> | <u>44,331</u> |
| Net position | | | | |
| Net investment in capital assets | 1,694,428 | 93,317 | 375,167 | 302,948 |
| Restricted | | | | |
| Nonexpendable | 1,157,948 | - | - | - |
| Expendable | 10,493 | - | - | - |
| Legislation and contractual agreements | - | 93,221 | 207 | - |
| Lender covenants and other | - | - | - | 8,700 |
| Capital projects | - | - | - | - |
| Other | - | - | - | - |
| Unrestricted | <u>(2,884,355)</u> | <u>1,317,748</u> | <u>82,328</u> | <u>(872,396)</u> |
| Total net position | <u>\$ (21,486)</u> | <u>\$ 1,504,286</u> | <u>\$ 457,702</u> | <u>\$ (560,748)</u> |

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

| <u>Hawaii Tourism Authority</u> | <u>Hawaii Community Development Authority</u> | <u>Hawaii Hurricane Relief Fund</u> | <u>Total Component Units</u> |
|---|---|---|--------------------------------------|
| \$ 135 | \$ 291 | \$ - | \$ 131,868 |
| 145 | 144 | - | 99,026 |
| - | - | - | 6,000 |
| - | 225 | - | 36,596 |
| - | - | - | 13,890 |
| 158 | 101 | - | 54,380 |
| - | - | - | 18,206 |
| - | - | - | 8,024 |
| - | - | - | 3,431 |
| - | 1,391 | 3,905 | 29,479 |
| <u>438</u> | <u>2,152</u> | <u>3,905</u> | <u>400,900</u> |
| - | - | - | 29,144 |
| 404 | 223 | - | 71,999 |
| - | - | - | 484,427 |
| - | - | - | 18,990 |
| - | - | - | 3,514 |
| - | - | - | 20,853 |
| - | - | - | 35,180 |
| 6,934 | 4,237 | - | 2,584,415 |
| 5,234 | 2,670 | - | 2,268,030 |
| - | 10,829 | - | 88,589 |
| <u>12,572</u> | <u>17,959</u> | <u>-</u> | <u>5,605,141</u> |
| <u>13,010</u> | <u>20,111</u> | <u>3,905</u> | <u>6,006,041</u> |
| 54 | 55 | - | 26,866 |
| 467 | 134 | - | 171,008 |
| <u>521</u> | <u>189</u> | <u>-</u> | <u>197,874</u> |
| 192,929 | 94,053 | - | 2,752,842 |
| - | - | - | 1,157,948 |
| - | - | - | 10,493 |
| - | - | - | 93,428 |
| - | - | - | 8,700 |
| - | 2,660 | - | 2,660 |
| 113,858 | - | - | 113,858 |
| - | 23,276 | 187,190 | (2,146,209) |
| <u>\$ 306,787</u> | <u>\$ 119,989</u> | <u>\$ 187,190</u> | <u>\$ 1,993,720</u> |

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2021
(Amounts in thousands)

| | University of Hawaii | Hawaii Housing Finance and Development Corporation | Hawaii Public Housing Authority | Hawaii Health Systems Corporation |
|------------------------------------|---------------------------------|---|--|--|
| Expenses | \$ 1,858,606 | \$ 103,728 | \$ 187,035 | \$ 701,899 |
| Program revenues | | | | |
| Charges for services | 330,249 | 44,960 | 25,040 | 495,180 |
| Operating grants and contributions | 431,568 | 86,222 | 119,138 | 1,323 |
| Capital grants and contributions | - | - | 5,863 | 17,856 |
| Total program revenues | <u>761,817</u> | <u>131,182</u> | <u>150,041</u> | <u>514,359</u> |
| Net program revenues (expenses) | <u>(1,096,789)</u> | <u>27,454</u> | <u>(36,994)</u> | <u>(187,540)</u> |
| General revenues (expenses) | | | | |
| Interest and investment income | 170,160 | - | - | 171 |
| Transient accommodations tax | - | - | - | - |
| Payments from State, net | 913,371 | 300,668 | 27,908 | 129,100 |
| Gifts and subsidies | 52,379 | - | - | - |
| Other | 52,154 | 31,667 | 207 | 68,315 |
| Net general revenues (expenses) | <u>1,188,064</u> | <u>332,335</u> | <u>28,115</u> | <u>197,586</u> |
| Change in net position | <u>91,275</u> | <u>359,789</u> | <u>(8,879)</u> | <u>10,046</u> |
| Net position | | | | |
| Beginning of year | <u>(112,761)</u> | <u>1,144,497</u> | <u>466,581</u> | <u>(570,794)</u> |
| End of year | <u>\$ (21,486)</u> | <u>\$ 1,504,286</u> | <u>\$ 457,702</u> | <u>\$ (560,748)</u> |

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

| Hawaii Tourism Authority | Hawaii Community Development Authority | Hawaii Hurricane Relief Fund | Total Component Units |
|---|---|---|--------------------------------------|
| \$ 49,245 | \$ 6,030 | \$ 2 | \$ 2,906,545 |
| 5,839 | 4,054 | - | 905,322 |
| - | - | - | 638,251 |
| - | - | - | 23,719 |
| <u>5,839</u> | <u>4,054</u> | <u>-</u> | <u>1,567,292</u> |
| <u>(43,406)</u> | <u>(1,976)</u> | <u>(2)</u> | <u>(1,339,253)</u> |
| 596 | 255 | (259) | 170,923 |
| 38,005 | - | - | 38,005 |
| - | 2,800 | (3,905) | 1,369,942 |
| - | - | - | 52,379 |
| <u>1,654</u> | <u>(46,261)</u> | <u>-</u> | <u>107,736</u> |
| <u>40,255</u> | <u>(43,206)</u> | <u>(4,164)</u> | <u>1,738,985</u> |
| <u>(3,151)</u> | <u>(45,182)</u> | <u>(4,166)</u> | <u>399,732</u> |
| <u>309,938</u> | <u>165,171</u> | <u>191,356</u> | <u>1,593,988</u> |
| <u>\$ 306,787</u> | <u>\$ 119,989</u> | <u>\$ 187,190</u> | <u>\$ 1,993,720</u> |

1. Summary of Significant Accounting Policies

The basic financial statements of the State of Hawaii (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The State's significant accounting policies are described below.

Reporting Entity

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

Primary Government

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

Executive:

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

Judicial

Legislative

Discretely Presented Component Units

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

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

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

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

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

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

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2021

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

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

East Hawaii Region:

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

Kauai Region:

Kauai Veterans Memorial Hospital
Samuel Mahelona Memorial Hospital

West Hawaii Region:

Kona Community Hospital
Kohala Hospital

Oahu Region:

Leahi Hospital
Maluhia

Kahuku Medical Center

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

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

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2021

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

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

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

The HCDA financial statements were restated to correct errors made in the prior period. The errors resulted in an understatement of liabilities and overstatement of capital assets of approximately \$88,000 and \$46,200,000, respectively. These corrections are reflected in current year activity in the component unit's statement of activities as management determined the prior period misstatements did not have a material effect on the component unit's financial statements.

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

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

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2021

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

Funds and major individual Proprietary Funds are reported as separate columns in the Fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Governmental Funds Financial Statements

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues which are not considered susceptible to accrual and, therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchise taxes.

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

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

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements

The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above.

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

Fund Accounting

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

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

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

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

The nonmajor Governmental Funds are comprised of the following:

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

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

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

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- **Department of Transportation – Harbors Division** (Harbors) – Harbors maintains and operates the State’s commercial harbors system.
- **Unemployment Compensation Fund** – This fund accounts for the unemployment compensation benefits to qualified recipients.

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

Fiduciary Fund Types –

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

Component Units – Component Units are comprised of the following:

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

Cash and Cash Equivalents

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

Receivables and Payables

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

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

Investments

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

Inventories

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

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

Restricted Assets

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

Capital Assets

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

Major outlays for capital assets and improvements capitalized as projects are constructed to the extent the State's capitalization thresholds are met.

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

The deferred outflow of resources and deferred inflow of resources related to pensions resulted from differences between expected and actual experiences on pension plan investments, changes in assumptions, and changes in proportion on pension plan investments will be amortized over the estimated average remaining service life of the plan members. The deferred outflow of resources and deferred inflow of resources related to OPEB resulted from differences between expected and actual experiences and changes in assumptions which will be amortized over the estimated remaining service life of the plan members. The net difference between projected and actual earnings on plan investments for both pension and OPEB resulted in a deferred outflow of resources which is amortized over five years. The State's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year.

Compensated Absences

It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

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

Net Position and Fund Balance

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

The State classifies fund balances based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GAAP. Classifications include:

- **Restricted** – Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other governments.

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

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

The following table presents the State’s fund balances by major function at June 30, 2021 (amounts expressed in thousands):

| | General Fund | Capital Projects Fund | Med-Quest Special Revenue Fund | Administrative Support Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------|-----------------------|--------------------------------|---|--------------------------|--------------------------|
| Restricted for | | | | | | |
| Debt service | \$ - | \$ - | \$ - | \$ - | \$ 247 | \$ 247 |
| | - | - | - | - | 247 | 247 |
| Committed to | | | | | | |
| General government | - | - | - | 463,169 | - | 463,169 |
| Public safety | - | - | - | - | 85,257 | 85,257 |
| Highways | - | 4,311 | - | - | - | 4,311 |
| Health | - | - | - | - | 112,480 | 112,480 |
| Culture and recreation | - | - | - | 1,887 | - | 1,887 |
| | - | 4,311 | - | 465,056 | 197,737 | 667,104 |
| Assigned to | | | | | | |
| General government | 38,765 | - | - | 409,774 | 75,207 | 523,746 |
| Public safety | 19,373 | - | - | - | 78,825 | 98,198 |
| Highways | 6,244 | - | - | - | 276,927 | 283,171 |
| Conservation of natural resources | 16,735 | - | - | - | 215,823 | 232,558 |
| Health | 79,909 | - | - | - | 78,517 | 158,426 |
| Welfare | 122,233 | - | 19,001 | - | 8,962 | 150,196 |
| Education | 78,387 | - | - | - | 291,099 | 369,486 |
| Culture and recreation | 5,165 | - | - | 1,670 | 385 | 7,220 |
| Urban development and housing | 3,810 | - | - | - | 385,367 | 389,177 |
| Economic development | 20,045 | - | - | - | 251,326 | 271,371 |
| | 390,666 | - | 19,001 | 411,444 | 1,662,438 | 2,483,549 |
| Unassigned | 1,169,873 | (183,242) | - | - | - | 986,631 |
| Total | \$ 1,560,539 | \$ (178,931) | \$ 19,001 | \$ 876,500 | \$ 1,860,422 | \$ 4,137,531 |

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

- **Urban development and housing** – To develop and deliver Hawaiian home lands to native Hawaiians by identifying and assessing the needs of beneficiaries of the Hawaiian Homes Commission Act; to develop, market and manage lands not immediately needed; to develop lands for homesteading and income-producing purposes; and to develop waiting lists of applicants for homestead leases.
- **Highways** – To provide a safe, efficient, accessible and sustainable inter-modal transportation system that ensures the mobility of people and enhances and/or preserves economic prosperity and the quality of life. This is accomplished through planning, designing and supervising the construction and maintenance of the State Highway System.
- **Education** – For the public education system, to serve the community by developing the academic achievement, character and social-emotional well-being of the State’s students to the fullest potential and to work with partners, families and communities to ensure that all students reach their aspirations from early learning through college, career and citizenship. For the public charter commission, to authorize high-quality public charter schools throughout the State.
- **Health** – To administer programs designed to protect, preserve, care for, and improve the physical and mental health of the people of the State.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the ERS, and additions to/deductions from the ERS fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about EUTF’s fiduciary net position, and additions to/deductions from the EUTF’s fiduciary net position have been determined on the same basis as they are reported by the EUTF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

Nonexchange Transactions

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

Medicare and Medicaid Reimbursements

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

Fair Value Measurements

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

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

Risk Management

The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first \$1,000,000 per occurrence of property losses such as fires and 3% of a property's replacement cost value for catastrophic losses such as hurricanes, earthquakes and floods; the first \$5,000,000 with respect to general liability claims; and the first \$500,000 of losses due to crime and cyber liability. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is \$200,000,000, except for terrorism, which is \$100,000,000 per occurrence. The annual aggregate limit for general liability losses is \$9,000,000 per occurrence, \$50,000,000 for cyber liability losses and, for crime losses, the limit per occurrence is \$10,000,000 with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in the amount of \$35,000,000 per occurrence and \$39,000,000 in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

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

are reported in current operations. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

Deferred Compensation Plan

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

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

Use of Estimates

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

Newly Issued Accounting Pronouncements

GASB Statement No. 84

During fiscal year 2021, the State implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain assets and liabilities previously reported as part of the agency fund classification of the statement of fiduciary net position are now reported on the governmental fund balance sheet.

The adoption of Statement No. 84 resulted in the restatement of the State's July 1, 2020 governmental activities, governmental funds, and custodial funds to reflect assets and liabilities of nonfiduciary activities from net position and fund balance for governmental activities, custodial funds to governmental funds of approximately \$545,000,000.

GASB Statement No. 87

The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019, postponed by GASB Statement No. 95 for eighteen months. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 90

During fiscal year 2021, the State implemented GASB Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. This Statement did not have a material effect on State’s financial statements.

GASB Statement No. 92

The GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective at multiple periods depending on when certain Statements are implemented, postponed by GASB Statement No. 95 for one year. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 93

The GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020, postponed by GASB Statement No. 95 for one year. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 94

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

GASB Statement No. 96

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

GASB Statement No. 97

The GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The main objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this Statement are effective immediately while other requirements, like reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 98

During fiscal year 2021, the State implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym, ACFR. The new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounded like a profoundly objectionable racial slur. This Statement's introduction of the new term, ACFR, is founded on a commitment to promoting inclusiveness. The adoption of this Statement did not have any effect on the State's financial statements.

2. Cash and Investments

The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions.

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Cash

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

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) for the Primary Government as of June 30, 2021 was \$2,444,187,000 and \$1,294,757,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2021 was \$1,557,695,000.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately \$2,273,356,000 at June 30, 2021. Of that amount, approximately \$1,329,361,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of \$4,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments

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

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

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

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

The following table presents the fair value of the State's investments by level of input at June 30, 2021 (amounts expressed in thousands):

| | Reported Value | Fair Value Measurements Using | | |
|---|----------------|---|---|---|
| | | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments – Primary government | | | | |
| Investments by fair value level | | | | |
| U.S. government securities | \$ 4,711,633 | \$ 1,944,547 | \$ 2,767,086 | \$ - |
| Mutual funds | 141,532 | 141,532 | - | - |
| Total investments by fair value level | 4,853,165 | \$ 2,086,079 | \$ 2,767,086 | \$ - |
| Investments measured at amortized cost | | | | |
| Certificates of deposit | 251,161 | | | |
| Total investments | \$ 5,104,326 | | | |
| Investments – Fiduciary funds | | | | |
| Investments by fair value level | | | | |
| Equity securities | \$ 477,565 | \$ 477,565 | \$ - | \$ - |
| U.S. government securities | 380,637 | 19,815 | 360,822 | - |
| Mutual funds | 93,209 | 93,209 | - | - |
| Derivatives | (581) | - | (581) | - |
| | 950,830 | \$ 590,589 | \$ 360,241 | \$ - |
| Investments at net asset value (NAV) | | | | |
| Commingled funds | | | | |
| Domestic equity | 1,292,277 | | | |
| International equity | 781,533 | | | |
| Domestic inflation-linked fixed income | 268,079 | | | |
| Real estate | 406,477 | | | |
| Alternative investments | 1,035,332 | | | |
| Total investments at fair value | 4,734,528 | | | |
| Investments measured at amortized cost | | | | |
| Certificates of deposit | 2,559 | | | |
| Total investments | \$ 4,737,087 | | | |
| Invested securities lending collateral at NAV | | | | |
| Money market fund | \$ 8,762 | | | |

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

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

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

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

The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that the State’s investments have fluctuated since June 30, 2021.

| (amounts expressed in thousands) | Fair Value | Unfunded Commitments | Redemption Frequency | Required Redemption Notice |
|--|---------------------|----------------------|--------------------------------|---------------------------------------|
| Investments measured at NAV | | | | |
| Commingled funds | | | | |
| Domestic equity | \$ 1,292,277 | None | Daily/Monthly | Same as trade date/ Trade date – 2 |
| International equity | 781,533 | None | Daily | Same as trade date |
| Domestic inflation-linked fixed income | 268,079 | None | Daily | Trade date – 2 |
| Real estate | 406,477 | \$ 37,606 | Quarterly | Various up to trade date – 90 |
| Alternative investments | 1,035,332 | 411,508 | Monthly/Quarterly/ Annually | Various up to trade date – 90 |
| Total investments measured at NAV | <u>\$ 3,783,698</u> | | | |
| Invested securities lending collateral | | | | |
| Money market fund | <u>\$ 8,762</u> | | | Same as trade date |

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- **Domestic equity** – Northern Trust Russell 3000 Index Fund – Lending – primary objective is to approximate the risk and return characteristics of the Russell 3000 Index. This Index is commonly used to represent the broad U.S. equity market.
- **International equity** – Northern Trust Collective All Country World Index EX-US Fund – Lending – primary objective is to provide investment results that approximate the overall performance of the MSCI All Country World Index ex-US Index.
- **Domestic inflation-linked fixed income** – BlackRock U.S. Inflation-Linked Bond Fund B – primary objective is to maximize real return by investing in inflation-linked fixed income securities issued by the U.S. government.
- **Money market fund** – The Northern Trust Corporation Liquid Asset Portfolio is a money market fund that seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market investments.

The following table presents the State’s investments by maturity period at June 30, 2021 (amounts expressed in thousands):

| | Reported Value | Maturity (in years) | | |
|---|-------------------|---------------------|--------------|-----------|
| | | Less than 1 | 1-5 | >5 |
| Investments – Primary government | | | | |
| Certificates of deposit | \$ 251,161 | \$ 221,496 | \$ 29,665 | \$ - |
| U.S. government securities | 4,711,633 | 1,762,151 | 2,883,519 | 65,963 |
| | 4,962,794 | \$ 1,983,647 | \$ 2,913,184 | \$ 65,963 |
| Mutual funds | 141,532 | | | |
| Total investments | \$ 5,104,326 | | | |
| Investments – Fiduciary funds | | | | |
| Certificates of deposit | \$ 2,559 | \$ 2,258 | \$ 301 | \$ - |
| U.S. government securities | 380,637 | 350,580 | 29,385 | 672 |
| Derivatives | (581) | - | (581) | - |
| | 382,615 | \$ 352,838 | \$ 29,105 | \$ 672 |
| Equity securities | 477,565 | | | |
| Mutual funds | 93,209 | | | |
| Commingled funds | 2,341,889 | | | |
| Real estate | 406,477 | | | |
| Alternative investments | 1,035,332 | | | |
| Total investments | \$ 4,737,087 | | | |

Interest Rate Risk

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

Credit Risk

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

Custodial Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Securities Lending

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

Cash collateral is invested in a separate account by the custodian bank using approved lender's investment guidelines. As such, maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. The EUTF does not impose any

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restrictions on the amount of loans the bank custodian makes on behalf of the EUTF. The securities lending program in which the EUTF participates only allows pledging or selling securities in the case of borrower default.

At June 30, 2021, the total securities lent for collateral amounted to \$126,171,000. The total cash and noncash collateral received amounted to \$8,762,000 and \$120,985,000, respectively.

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

3. Capital Assets

For the fiscal year ended June 30, 2021, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

| | Governmental Activities | | | |
|---|------------------------------------|-------------------|---------------------|-------------------------------------|
| | Balance at July 1, 2020 | Additions | Deductions | Balance at June 30, 2021 |
| Capital assets not being depreciated | | | | |
| Land and land improvements | \$ 2,371,333 | \$ 41,404 | \$ (4,925) | \$ 2,407,812 |
| Construction in progress | 1,106,707 | 489,552 | (646,847) | 949,412 |
| Total capital assets not being depreciated | <u>3,478,040</u> | <u>530,956</u> | <u>(651,772)</u> | <u>3,357,224</u> |
| Capital assets being depreciated | | | | |
| Infrastructure | 10,428,613 | 174,233 | (4,990) | 10,597,856 |
| Buildings and improvements | 6,061,331 | 420,911 | (180,121) | 6,302,121 |
| Equipment | 828,677 | 33,966 | (35,642) | 827,001 |
| Intangible assets – software | 154,627 | 2,799 | - | 157,426 |
| Total capital assets being depreciated | <u>17,473,248</u> | <u>631,909</u> | <u>(220,753)</u> | <u>17,884,404</u> |
| Less: Accumulated depreciation and amortization | | | | |
| Infrastructure | (6,775,286) | (225,002) | 7,986 | (6,992,302) |
| Buildings and improvements | (3,300,182) | (249,359) | 52,113 | (3,497,428) |
| Equipment | (643,917) | (69,256) | 33,687 | (679,486) |
| Intangible assets – software | (130,377) | (8,222) | - | (138,599) |
| Total accumulated depreciation and amortization | <u>(10,849,762)</u> | <u>(551,839)</u> | <u>93,786</u> | <u>(11,307,815)</u> |
| Total capital assets, net | <u>\$ 10,101,526</u> | <u>\$ 611,026</u> | <u>\$ (778,739)</u> | <u>\$ 9,933,813</u> |
| | | | | |
| | Business-type Activities | | | |
| | Balance at July 1, 2020 | Additions | Deductions | Balance at June 30, 2021 |
| Capital assets not being depreciated | | | | |
| Land and land improvements | \$ 690,206 | \$ 7,565 | \$ - | \$ 697,771 |
| Construction in progress | 1,731,677 | 539,499 | (458,935) | 1,812,241 |
| Total capital assets not being depreciated | <u>2,421,883</u> | <u>547,064</u> | <u>(458,935)</u> | <u>2,510,012</u> |
| Capital assets being depreciated | | | | |
| Land and improvements | 1,937,550 | 186,795 | - | 2,124,345 |
| Buildings and improvements | 3,020,241 | 229,157 | - | 3,249,398 |
| Equipment | 375,075 | 54,543 | (6,627) | 422,991 |
| Total capital assets being depreciated | <u>5,332,866</u> | <u>470,495</u> | <u>(6,627)</u> | <u>5,796,734</u> |
| Less: Accumulated depreciation | | | | |
| Land and improvements | (1,079,370) | (86,806) | - | (1,166,176) |
| Buildings and improvements | (1,663,607) | (106,394) | - | (1,770,001) |
| Equipment | (310,163) | (5,820) | 6,467 | (309,516) |
| Total accumulated depreciation | <u>(3,053,140)</u> | <u>(199,020)</u> | <u>6,467</u> | <u>(3,245,693)</u> |
| Total capital assets, net | <u>\$ 4,701,609</u> | <u>\$ 818,539</u> | <u>\$ (459,095)</u> | <u>\$ 5,061,053</u> |

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Depreciation expense for the fiscal year ended June 30, 2021 was charged to functions/ programs of the Primary Government as follows (amounts expressed in thousands):

| | |
|---|-------------------|
| Governmental activities | |
| Highways | \$ 212,430 |
| Lower education | 107,129 |
| General government | 129,944 |
| Welfare | 11,581 |
| Urban redevelopment and housing | 23,072 |
| Conservation of natural resources | 32,894 |
| Public safety | 16,394 |
| Health | 10,027 |
| Culture and recreation | 3,906 |
| Economic development and assistance | 4,462 |
| Total depreciation expense – governmental activities | <u>\$ 551,839</u> |
| | |
| Business-type activities | |
| Airports | \$ 158,338 |
| Harbors | 40,217 |
| EUTF | 105 |
| DWTLF | 222 |
| WPCF | 138 |
| Total depreciation expense – business-type activities | <u>\$ 199,020</u> |

4. General Obligation Bonds Payable

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

All issues contain call provisions except Series EL, issued November 21, 2013; Series EX, issued October 29, 2015; Series FJ, issued October 13, 2016; Series FR, issued December 12, 2017; and Series GA, issued October 21, 2020. Stated interest rates range from 1.00% to 5.53%.

During fiscal year 2021, the State issued two separate offerings of general obligation bonds:

- On August 12, 2020, the State issued \$995,000,000 of taxable general obligation bonds of 2020 Series FZ.
- On October 21, 2020, the State issued \$147,555,000 of general obligation bonds of 2020 Series GA, \$600,000,000 of taxable general obligation bonds of 2020 Series GB, and \$400,000,000 of taxable general obligation refunding bonds of 2020 Series GC.

New issue Series GA was issued at a premium, which will be amortized over the life of the bond using the effective rate method. The bonds within Series FZ that mature on or after August 1,

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2031 are subject to optional redemption with restrictions. The bonds within Series GB are subject to optional redemption.

Refunding Series GC has interest rates of 0.85% to 2.78% and were used to advance refund \$400,000,000 of bond anticipation notes (BAN) previously issued. The net proceeds of \$400,000,000 related to the issuance of Series GC were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the previously issued BAN. As a result, a portion of the BAN is considered to be defeased and the related liabilities have been removed from the Government-Wide financial statements. Due to the advance refunding, the State increased its total debt service payments over the next 20 years by \$112,787,000 and resulted in an economic loss (difference between present values of the debt service payments on the old and new debt) of \$25,200,000.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2021, \$1,771,175,000 of bonds outstanding are considered defeased from prior years' refunding bonds. At June 30, 2021, the general obligation bonds consisted of the following (amounts expressed in thousands):

| | |
|---|---------------------|
| Callable | \$ 8,160,773 |
| Noncallable | <u>203,670</u> |
| Total general obligation bonds outstanding | 8,364,443 |
| Add: Unamortized bond premium | 522,250 |
| Less: Amount recorded as a liability of proprietary funds – Harbors | <u>(16,239)</u> |
| Amount recorded in the governmental activities of the primary government | <u>\$ 8,870,454</u> |

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A summary of general obligation bonds outstanding by series as of June 30, 2021 is as follows (amounts expressed in thousands):

| <u>Series</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Maturity Dates</u> | <u>Original Amount of Issue</u> | <u>Outstanding Amount</u> |
|---------------|----------------------|-----------------------|-------------------------|---------------------------------|---------------------------|
| DQ | June 23, 2009 | 3.600%–5.000% | June 1, 2020–2026 | \$ 500,000 | \$ 11,930 |
| DS | November 5, 2009 | 0.800%–1.450% | September 15, 2019–2024 | 32,000 | 11,960 |
| DX | February 18, 2010 | 4.450%–5.530% | February 1, 2020–2030 | 500,000 | 325,225 |
| DZ | December 7, 2011 | 3.500%–5.000% | December 1, 2019–2031 | 800,000 | 33,180 |
| EA | December 7, 2011 | 3.000%–5.000% | December 1, 2019–2023 | 403,455 | 169,195 |
| EE | December 4, 2012 | 1.000%–5.000% | November 1, 2019–2032 | 444,000 | 157,625 |
| EF | December 4, 2012 | 5.000% | November 1, 2019–2024 | 396,990 | 218,285 |
| EG | December 4, 2012 | 1.600%–3.625% | November 1, 2019–2032 | 26,000 | 20,410 |
| EH | November 21, 2013 | 4.000%–5.000% | August 1, 2019–2033 | 635,000 | 316,095 |
| EL | November 21, 2013 | 1.500%–5.000% | August 1, 2019–2023 | 50,860 | 23,595 |
| EM | November 21, 2013 | 2.450%–4.800% | August 1, 2019–2033 | 25,000 | 21,345 |
| EN | November 21, 2013 | 2.450%–4.800% | August 1, 2019–2033 | 29,795 | 24,200 |
| EO | November 25, 2014 | 3.000%–5.000% | August 1, 2019–2034 | 575,000 | 496,015 |
| EP | November 25, 2014 | 5.000% | August 1, 2019–2026 | 209,015 | 164,320 |
| EQ | November 25, 2014 | 2.035%–3.915% | August 1, 2019–2034 | 25,000 | 22,510 |
| ET | October 29, 2015 | 2.000%–5.000% | October 1, 2019–2035 | 190,000 | 166,965 |
| EU | October 29, 2015 | 2.000%–3.500% | October 1, 2019–2035 | 35,000 | 30,285 |
| EX | October 29, 2015 | 2.000%–4.000% | October 1, 2019–2025 | 25,035 | 18,415 |
| EY | October 29, 2015 | 5.000% | October 1, 2020–2027 | 212,120 | 190,010 |
| EZ | October 29, 2015 | 5.000% | October 1, 2019–2028 | 215,590 | 180,640 |
| FA | October 29, 2015 | 1.950%–4.400% | October 1, 2019–2035 | 25,000 | 21,730 |
| FB | April 14, 2016 | 3.000%–5.000% | April 1, 2020–2036 | 500,000 | 441,795 |
| FE | April 14, 2016 | 3.000%–5.000% | October 1, 2019–2028 | 219,690 | 184,000 |
| FF | April 14, 2016 | 1.309%–2.902% | October 1, 2019–2028 | 119,730 | 97,765 |
| FG | October 13, 2016 | 3.000%–5.000% | October 1, 2019–2036 | 375,000 | 347,385 |
| FH | October 13, 2016 | 3.000%–5.000% | October 1, 2021–2031 | 379,295 | 379,295 |
| FI | October 13, 2016 | 2.000%–5.000% | October 1, 2021–2033 | 2,710 | 2,710 |
| FJ | October 13, 2016 | 1.151%–1.921% | October 1, 2019–2022 | 25,000 | 10,215 |
| FK | May 24, 2017 | 2.000%–5.000% | May 1, 2020–2037 | 575,000 | 530,800 |
| FN | May 24, 2017 | 5.000% | October 1, 2021–2031 | 229,355 | 229,355 |
| FP | May 24, 2017 | 1.850%–3.940% | May 1, 2020–2037 | 7,500 | 6,845 |
| FR | December 12, 2017 | 2.000%–2.180% | October 1, 2019–2021 | 15,090 | 3,890 |
| FS | December 12, 2017 | 2.220%–2.950% | October 1, 2022–2033 | 275,363 | 275,363 |
| FT | February 14, 2018 | 3.000%–5.000% | January 1, 2022–2038 | 631,215 | 631,215 |
| FW | February 21, 2019 | 2.000%–5.000% | January 1, 2023–2039 | 431,665 | 431,665 |
| FX | February 21, 2019 | 2.650%–3.250% | January 1, 2020–2022 | 75,000 | 25,655 |
| FZ | August 5, 2020 | 0.670%–2.293% | August 1, 2025–2040 | 995,000 | 995,000 |
| GA | October 21, 2020 | 5.000% | October 1, 2021 | 147,555 | 147,555 |
| GB | October 21, 2020 | 0.429%–0.852% | October 1, 2022–2025 | 600,000 | 600,000 |
| GC | October 21, 2020 | 0.852%–2.782% | October 1, 2025–2040 | 400,000 | 400,000 |
| | | | | | <u>\$ 8,364,443</u> |

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

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A summary of the general obligation bond premium activity for fiscal year 2021 is as follows (amounts expressed in thousands):

| | |
|--------------------------------|--------------------------|
| Balance – July 1, 2020 | \$ 608,162 |
| GO bond series GA | 10,272 |
| Current-year amortization | <u>(96,184)</u> |
| Balance – June 30, 2021 | <u>\$ 522,250</u> |

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

| Fiscal Year | Principal | Interest | Total |
|--------------------|----------------------------|----------------------------|-----------------------------|
| 2022 | \$ 629,493 | \$ 291,771 | \$ 921,264 |
| 2023 | 609,674 | 265,784 | 875,458 |
| 2024 | 617,384 | 241,916 | 859,300 |
| 2025 | 599,619 | 220,334 | 819,953 |
| 2026 | 675,205 | 198,654 | 873,859 |
| 2027–2031 | 2,349,066 | 686,899 | 3,035,965 |
| 2032–2036 | 1,824,075 | 268,979 | 2,093,054 |
| 2037–2041 | 764,435 | 39,458 | 803,893 |
| | <u>\$ 8,068,951</u> | <u>\$ 2,213,795</u> | <u>\$ 10,282,746</u> |

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

| Fiscal Year | Principal | Interest | Total |
|--------------------|--------------------------|-------------------------|--------------------------|
| 2022 | \$ 3,890 | \$ 7,169 | \$ 11,059 |
| 2023 | 19,971 | 6,905 | 26,876 |
| 2024 | 20,424 | 6,451 | 26,875 |
| 2025 | 20,900 | 5,975 | 26,875 |
| 2026 | 21,401 | 5,475 | 26,876 |
| 2027–2031 | 115,456 | 18,922 | 134,378 |
| 2032–2036 | 77,211 | 3,416 | 80,627 |
| | <u>\$ 279,253</u> | <u>\$ 54,313</u> | <u>\$ 333,566</u> |

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

| Fiscal Year | Principal | Interest | Total |
|--------------------|--------------------------|------------------------|--------------------------|
| 2022 | <u>\$ 200,000</u> | <u>\$ 1,760</u> | <u>\$ 201,760</u> |

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

| Fiscal Year | Principal | Interest | Total |
|-------------|-----------|----------|-----------|
| 2022 | \$ 2,573 | \$ 808 | \$ 3,381 |
| 2023 | 2,700 | 680 | 3,380 |
| 2024 | 2,835 | 546 | 3,381 |
| 2025 | 2,977 | 404 | 3,381 |
| 2026 | 3,125 | 256 | 3,381 |
| 2027–2030 | 2,029 | 144 | 2,173 |
| | \$ 16,239 | \$ 2,838 | \$ 19,077 |

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, 2021 was \$549,899,000.

At June 30, 2021, general obligation bonds authorized but unissued were approximately \$3,164,259,000.

5. Revenue Bonds Payable

Governmental Activities

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

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

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

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On September 8, 2016, Highways issued \$103,395,000 in State of Hawaii Highway Revenue Bonds of 2016 Series A, with interest rates ranging from 2.0% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually on January 1 through 2036.

On September 8, 2016, Highways issued \$101,090,000 in State of Hawaii Highway Revenue Bonds of 2016, Series B, with interest rates ranging from 1.3% to 5.0% to advance refund \$111,590,000 of certain highway revenue bonds previously issued. Due to the advanced refunding, the Highways increased its total debt service payments over the next 10 years by \$14,904,000 and incurred an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$13,575,000. The bonds are payable annually on January 1, commencing 2021 through 2030.

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

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

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

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

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

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

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

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

The following is a summary of the State's revenue bonds issued and outstanding at June 30, 2021 (amounts expressed in thousands):

| Series | Date of Issue | Interest Rates | Maturity Dates | Original Amount of Issue | Outstanding Amount |
|-------------------------------|----------------------|-----------------------|-----------------------|---------------------------------|---------------------------|
| Highways | | | | | |
| 2005B | March 15, 2005 | 5.25% | July 1, 2019–2021 | \$ 123,915 | \$ 4,425 |
| 2011A | December 15, 2011 | 2.50%–5.00% | January 1, 2020–2032 | 112,270 | 32,335 |
| 2011B | December 15, 2011 | 4.00% | January 1, 2023 | 5,095 | 5,095 |
| 2014A | August 14, 2014 | 5.00% | January 1, 2020–2034 | 103,375 | 78,225 |
| 2014B | August 14, 2014 | 5.00% | January 1, 2020–2026 | 32,285 | 18,005 |
| 2016A | September 8, 2016 | 1.25%–5.00% | January 1, 2020–2036 | 103,395 | 86,455 |
| 2016B | September 8, 2016 | 4.00%–5.00% | January 1, 2021–2030 | 101,090 | 94,415 |
| 2019A | December 11, 2019 | 3.00%–5.00% | January 1, 2023–2040 | 81,835 | 81,835 |
| 2021 | June 9, 2021 | 5.00% | January 1, 2027–2041 | 137,205 | 137,205 |
| DHHL | | | | | |
| 2017 | August 25, 2017 | 3.00%–5.00% | April 1, 2020–2032 | 30,940 | 24,915 |
| DBEDT | | | | | |
| 2014A-A2 | November 13, 2014 | 3.242% | January 1, 2031 | 100,000 | 92,429 |
| | | | | | 655,339 |
| Add: Unamortized bond premium | | | | | 98,166 |
| | | | | | <u>\$ 753,505</u> |

A summary of the revenue bond premium activity for fiscal year 2021 is as follows (amounts expressed in thousands):

| | Revenue Bonds |
|--------------------------------|----------------------|
| Balance – July 1, 2020 | \$ 62,605 |
| Current-year additions | 43,909 |
| Current-year amortization | (8,348) |
| Balance – June 30, 2021 | <u>\$ 98,166</u> |

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

| Fiscal Year | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------------|------------------------|---------------------|
| 2022 | \$ 40,066 | \$ 26,831 | \$ 66,897 |
| 2023 | 40,122 | 28,253 | 68,375 |
| 2024 | 41,620 | 26,762 | 68,382 |
| 2025 | 43,118 | 24,917 | 68,035 |
| 2026 | 44,979 | 23,052 | 68,031 |
| 2027–2031 | 201,379 | 84,472 | 285,851 |
| 2032–2036 | 145,040 | 45,691 | 190,731 |
| 2037–2041 | 99,015 | 15,335 | 114,350 |
| | <u>\$ 655,339</u> | <u>\$ 275,313</u> | <u>\$ 930,652</u> |

Business-Type Activities

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

Airports System Revenue Bonds

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

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The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2021 (amounts expressed in thousands):

| Series | Interest Rates | Final Maturity Date (July 1) | Original Amount of Issue | Outstanding Amount |
|----------------------------|----------------|------------------------------|--------------------------|---------------------|
| 2011, refunding | 2.00%–5.00% | 2024 | \$ 300,885 | \$ 56,615 |
| 2015A, non-refunding | 4.125%–5.00% | 2045 | 235,135 | 235,135 |
| 2015B, non-refunding | 4.00% | 2045 | 9,125 | 9,125 |
| 2018A, non-refunding | 5.00% | 2048 | 388,560 | 388,560 |
| 2018B, non-refunding | 3.00%–5.00% | 2027 | 26,125 | 26,125 |
| 2018C, refunding | 3.58% | 2028 | 93,175 | 93,175 |
| 2018D, refunding | 5.00% | 2034 | 142,150 | 142,150 |
| 2020A, nonrefunding | 4.00%–5.00% | 2045 | 113,140 | 113,140 |
| 2020B, nonrefunding | 3.48% | 2050 | 165,885 | 165,885 |
| 2020C, nonrefunding | 5.00% | 2050 | 20,295 | 20,295 |
| 2020D, refunding | 4.00%–5.00% | 2039 | 184,855 | 184,855 |
| 2020E, refunding | 1.39%–2.33% | 2030 | 98,315 | 98,315 |
| | | | <u>\$ 1,777,645</u> | <u>1,533,375</u> |
| Add: Unamortized premium | | | | 127,640 |
| Less: Unamortized discount | | | | (59) |
| | | | | <u>1,660,956</u> |
| Less: Current portion | | | | (430) |
| Noncurrent portion | | | | <u>\$ 1,660,526</u> |

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

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

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

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

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On April 7, 2020, the Airports Division issued the Series 2018C and Series 2018D Bonds to refund a portion of its outstanding Series 2010A Bonds. Of the net proceeds of \$247,641,537 (after payment of \$154,328 in underwriting fees, insurance, and other costs), along with an additional \$4,204,417 from the debt service reserve account, \$251,691,625 was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds on July 1, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$7,137 (deferred gain on refunding of \$1,309,991 for Series 2018C Bonds and deferred loss on refunding of \$1,302,854 for Series 2018D Bonds). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 9 to 15 years.

On October 21, 2020, the Airports Division issued \$113,140,000, \$165,885,000, \$20,295,000, \$184,855,000, and \$98,315,000 of airports system revenue bonds (Series 2020A (AMT), Series 2020B (Taxable), Series 2020C (Non-AMT), Series 2020D (Non-AMT), and Series 2020E (Taxable), respectively) at interest rates ranging from 1.392% to 5.00% to pay costs of capital improvement projects at certain facilities of the State's airports system, capitalized interest on the Series 2020 Bonds, a deposit into the Debt Service Account, and certain costs of issuance relating to the Series 2020 Bonds. The Series 2020D and 2020E Bonds were issued to refund the remaining outstanding Series 2010A Bonds and a portion of the outstanding Series 2011 Bond. Of the net proceeds of \$309,640,992 (after payment of \$1,410,349 in underwriting fees, insurance, and other costs), along with an additional \$1,038,974 from the debt service reserve account, \$309,269,617 was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the refunded portion of Refunding Series 2010A bonds and the Refunding Series 2011 bond on November 6, 2020. As a result, the refunded portion of the Refunding Series 2010A bonds and the Refunding Series 2011 bond are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$7,914,822 (deferred loss on refunding of \$5,177,695 for Series 2020D Bond and deferred loss on refunding of \$2,737,127 for Series 2020E Bond). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the next 4 to 19 years.

Airports Special Facility Leases and Revenue Bonds

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

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\$25,255,000 Issue

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

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

Special facility revenue bonds payable at June 30, 2021 consisted of \$21,725,000, and are classified as noncurrent.

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

In July 2017, Airports issued \$249,805,000 of Airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70% to 4.14%. The Series 2017 Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirement for the Series 2017 Bonds and to pay certain costs of issuance relating to the Series 2017 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports system. At June 30, 2021, the outstanding balance of the Series 2017A Bonds is \$234,430,000 with a maturity date of July 1, 2047.

In August 2019, the Airports Division issued \$194,710,000 of airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819% to 2.733%. The Series 2019A Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2019 Bonds and to pay certain costs of issuance relating to the Series 2019 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports System. At June 30, 2021, the outstanding balance of the Series 2019A Bonds is \$189,795,000 with a maturity of July 1, 2047.

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Harbors Revenue Bonds

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

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2021 (amounts expressed in thousands):

| Year of Issue | Final Redemption Date | Interest Rates | Original Amount of Issue | Current | | Total | Noncurrent |
|-------------------------------------|-----------------------|----------------|--------------------------|----------------------------|---------------------|------------------|-------------------|
| | | | | Principal Due July 1, 2021 | Due January 1, 2022 | | |
| 2013 | July 1, 2029 | 3.25% | \$ 23,615 | \$ 60 | \$ - | \$ 60 | \$ 13,285 |
| 2016 | January 1, 2031 | 1.99%–3.09% | 113,660 | 2,605 | 5,495 | 8,100 | 75,575 |
| 2016 | July 1, 2040 | 0.60%–5.00% | 266,550 | 5,960 | - | 5,960 | 260,590 |
| | | | <u>\$ 403,825</u> | <u>\$ 8,625</u> | <u>\$ 5,495</u> | <u>14,120</u> | <u>349,450</u> |
| Add: Unamortized premium (discount) | | | | | | <u>3,917</u> | <u>45,568</u> |
| | | | | | | <u>\$ 18,037</u> | <u>\$ 395,018</u> |

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

| Fiscal Year | Principal | Interest | Total |
|-------------|---------------------|---------------------|---------------------|
| 2022 | \$ 24,900 | \$ 96,927 | \$ 121,827 |
| 2023 | 31,290 | 95,433 | 126,723 |
| 2024 | 61,300 | 93,940 | 155,240 |
| 2025 | 66,090 | 91,553 | 157,643 |
| 2026 | 70,825 | 89,287 | 160,112 |
| 2027–2031 | 412,230 | 404,551 | 816,781 |
| 2032–2036 | 477,985 | 312,489 | 790,474 |
| 2037–2041 | 425,385 | 214,729 | 640,114 |
| 2042–2046 | 427,250 | 122,298 | 549,548 |
| 2047–2051 | 345,640 | 32,655 | 378,295 |
| | <u>\$ 2,342,895</u> | <u>\$ 1,553,862</u> | <u>\$ 3,896,757</u> |

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

Revenue Bonds Authorized, but Unissued

At June 30, 2021, revenue bonds authorized, but unissued, were approximately \$6,109,492,000.

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Special Purpose Revenue Bonds

HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2021 amounted to approximately \$2,083,860,000. At June 30, 2021, special purpose revenue bonds of \$1,217,580,000 were authorized, but unissued.

6. Changes in Long-Term Liabilities

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

| | Governmental Activities | | | | | |
|--|---------------------------------|---------------------|-----------------------|----------------------|---------------------|-------------------|
| | Balance | | | | Balance | Due Within |
| | July 1, 2020 | Additions | Deductions | June 30, 2021 | One Year | |
| General obligation bonds payable | \$ 6,402,845 | \$ 2,142,555 | \$ (476,449) | \$ 8,068,951 | \$ 629,493 | |
| Add: Unamortized premium | 608,162 | 10,272 | (96,184) | 522,250 | 75,857 | |
| Direct placements | 283,063 | - | (3,810) | 279,253 | 3,890 | |
| Total general obligation bonds payable | 7,294,070 | 2,152,827 | (576,443) | 8,870,454 | 709,240 | |
| Revenue bonds payable | 560,515 | 136,091 | (41,267) | 655,339 | 40,066 | |
| Add: Unamortized premium | 62,605 | 45,023 | (9,462) | 98,166 | 10,771 | |
| Total revenue bonds payable | 623,120 | 181,114 | (50,729) | 753,505 | 50,837 | |
| Bond anticipation note | 600,000 | - | (400,000) | 200,000 | 200,000 | |
| Accrued vacation payable | 245,396 | 112,053 | (82,649) | 274,800 | 77,766 | |
| Reserve for losses and loss adjustment costs | 270,641 | 61,754 | (41,832) | 290,563 | 34,311 | |
| Net pension liability | 6,999,063 | 972,383 | (403,966) | 7,567,480 | - | |
| Net other postemployment benefits liability | 6,744,270 | 611,807 | (1,057,058) | 6,299,019 | - | |
| Capital lease obligations | 115,147 | - | (6,482) | 108,665 | 7,037 | |
| Total | <u>\$ 22,891,707</u> | <u>\$ 4,091,938</u> | <u>\$ (2,619,159)</u> | <u>\$ 24,364,486</u> | <u>\$ 1,079,191</u> | |
| | | | | | | |
| | Business-type Activities | | | | | |
| | Balance | | | | Balance | Due Within |
| | July 1, 2020 | Additions | Deductions | June 30, 2021 | One Year | |
| General obligation bonds payable, net | \$ 18,690 | \$ - | \$ (2,451) | \$ 16,239 | \$ 2,573 | |
| Revenue bonds payable | 2,012,690 | 849,040 | (518,835) | 2,342,895 | 24,900 | |
| Add: Unamortized premium, net | 80,385 | 107,448 | (10,767) | 177,066 | 3,917 | |
| Total revenue bonds payable | 2,093,075 | 956,488 | (529,602) | 2,519,961 | 28,817 | |
| Accrued vacation and retirement benefits payable | 16,660 | 8,436 | (6,110) | 18,986 | 4,618 | |
| Reserve for losses and loss adjustment costs | 6,944 | 3,062 | (1,896) | 8,110 | 2,446 | |
| Net pension liability | 227,353 | 41,321 | (21,366) | 247,308 | - | |
| Net other postemployment benefits liability | 233,452 | 6,399 | (21,994) | 217,857 | - | |
| Capital lease obligations | 224,375 | - | (13,572) | 210,803 | 14,893 | |
| Total | <u>\$ 2,820,549</u> | <u>\$ 1,015,706</u> | <u>\$ (596,991)</u> | <u>\$ 3,239,264</u> | <u>\$ 53,347</u> | |

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 85%, 14%, and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds, and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2021.

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

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7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2021 (amounts expressed in thousands):

| | <u>Due From</u> | <u>Due To</u> |
|---|-------------------|-------------------|
| Governmental Funds | | |
| General Fund | | |
| Special Revenue Funds | \$ 83,179 | \$ 17,208 |
| Med-Quest Special Revenue Fund | 137,737 | - |
| Proprietary Fund | 20 | - |
| Debt Service Fund | - | 247 |
| | <u>220,936</u> | <u>17,455</u> |
| Capital Projects Fund | | |
| Proprietary Fund | <u>1,597</u> | <u>-</u> |
| Med-Quest Special Revenue Fund | | |
| General Fund | <u>-</u> | <u>137,737</u> |
| Administrative Support Special Revenue Fund | | |
| General Fund | <u>17,208</u> | <u>-</u> |
| Nonmajor Governmental Funds | | |
| General Fund | <u>247</u> | <u>83,179</u> |
| Proprietary Funds | | |
| Airports | - | 20 |
| Harbors | - | 1,597 |
| | <u>-</u> | <u>1,617</u> |
| | <u>\$ 239,988</u> | <u>\$ 239,988</u> |

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

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8. Transfers

Transfers between funds occur when a fund receiving revenues transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2021, transfers by fund were as follows (amounts expressed in thousands):

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| Governmental Funds | | |
| General Fund | | |
| Med-Quest Special Revenue Fund | \$ 90,132 | \$ 3,461 |
| Capital Projects Fund | - | 1,145 |
| Administrative Support Special Revenue Fund | 789,136 | 268,778 |
| Nonmajor Governmental Funds | <u>106,373</u> | <u>883,996</u> |
| | <u>985,641</u> | <u>1,157,380</u> |
| Capital Projects Fund | | |
| General Fund | 1,145 | - |
| Administrative Support Special Revenue Fund | - | 8 |
| Nonmajor Governmental Funds | <u>63,020</u> | <u>-</u> |
| | <u>64,165</u> | <u>8</u> |
| Med-Quest Special Revenue Fund | | |
| General Fund | 3,461 | 90,132 |
| Nonmajor Governmental Funds | <u>246</u> | <u>1,077</u> |
| | <u>3,707</u> | <u>91,209</u> |
| Administrative Support Special Revenue Fund | | |
| General Fund | 268,778 | 789,136 |
| Capital Projects Fund | 8 | - |
| Nonmajor Governmental Funds | <u>8,292</u> | <u>341,230</u> |
| | <u>277,078</u> | <u>1,130,366</u> |
| Nonmajor Governmental Funds | | |
| General Fund | 883,996 | 106,373 |
| Capital Projects Fund | - | 63,020 |
| Med-Quest Special Revenue Fund | 1,077 | 246 |
| Administrative Support Special Revenue Fund | 341,230 | 8,292 |
| Other Nonmajor Governmental Funds | <u>75,538</u> | <u>75,538</u> |
| | <u>1,301,841</u> | <u>253,469</u> |
| | <u>\$ 2,632,432</u> | <u>\$ 2,632,432</u> |

The General Fund transferred approximately \$784,125,000 to the Nonmajor Governmental Funds for debt service payments and approximately \$99,861,000 to subsidize various Special Revenue Funds' programs, and approximately \$1,145,000 to the Capital Projects Fund to finance capital projects. Approximately \$63,020,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

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9. Leases

Lease Commitments

Governmental Activities

The State leases office facilities and equipment under various operating leases expiring through fiscal 2030. Future minimum lease commitments for noncancelable operating leases as of June 30, 2021 were as follows (amounts expressed in thousands):

| Fiscal Year | | |
|-------------------------------------|----|---------------|
| 2022 | \$ | 15,474 |
| 2023 | | 10,298 |
| 2024 | | 7,474 |
| 2025 | | 4,384 |
| 2026 | | 1,559 |
| 2027–2031 | | <u>2,737</u> |
| Total future minimum lease payments | \$ | <u>41,926</u> |

Rent expenditures for operating leases for the fiscal year ended June 30, 2021 amounted to approximately \$34,003,000.

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

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

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

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

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

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

| Fiscal Year | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 7,037 | \$ 3,898 | \$ 10,935 |
| 2023 | 7,761 | 3,620 | 11,381 |
| 2024 | 8,457 | 3,312 | 11,769 |
| 2025 | 9,221 | 2,972 | 12,193 |
| 2026 | 10,029 | 2,604 | 12,633 |
| 2027–2031 | 52,851 | 7,633 | 60,484 |
| 2032–2034 | 13,309 | 486 | 13,795 |
| Total future minimum lease payments | <u>\$ 108,665</u> | <u>\$ 24,525</u> | <u>\$ 133,190</u> |

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

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

Business-Type Activities

Airports – Lease Revenue Certificates of Participation

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

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

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

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

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

At June 30, 2021, the outstanding balance of the lease revenue COPS and the unamortized premium were approximately \$186,431,000 and \$846,000, respectively. Future lease rent payments for the lease revenue COPS as of June 30, 2021 are as follows (amounts expressed in thousands):

| Fiscal Year | Principal | Interest | Total |
|-------------|------------|-----------|------------|
| 2022 | \$ 13,753 | \$ 7,982 | \$ 21,735 |
| 2023 | 15,204 | 7,343 | 22,547 |
| 2024 | 17,224 | 6,633 | 23,857 |
| 2025 | 19,760 | 5,797 | 25,557 |
| 2026 | 20,755 | 4,827 | 25,582 |
| 2027–2031 | 86,115 | 8,874 | 94,989 |
| 2032–2034 | 14,467 | 602 | 15,069 |
| | \$ 187,278 | \$ 42,058 | \$ 229,336 |

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Harbors – Equipment Lease Agreement

Harbors entered into an equipment lease purchase agreement to fund the installation and acquisition of energy conservation measures at selected Harbors Division locations. Annual lease payments commenced on October 1, 2017 and will continue through October 1, 2032 at an interest rate of 2.74%. Future minimum lease commitments as of June 30, 2021 are as follows (amounts expressed in thousands):

| Fiscal Year | Principal | Interest | Total |
|-------------|-----------|----------|-----------|
| 2022 | \$ 1,140 | \$ 645 | \$ 1,785 |
| 2023 | 1,264 | 613 | 1,877 |
| 2024 | 1,396 | 579 | 1,975 |
| 2025 | 1,537 | 540 | 2,077 |
| 2026 | 1,687 | 498 | 2,185 |
| 2027–2031 | 11,035 | 1,707 | 12,742 |
| 2032–2033 | 5,466 | 223 | 5,689 |
| | \$ 23,525 | \$ 4,805 | \$ 28,330 |

Lease Rentals

Airports – Airport-Airline Lease Agreement

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

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

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support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Airports – Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2021 have been transferred to the PAUCF.

Airports – Aviation Fuel Tax

In May 1996, the Department of Taxation issued a tax information release which stated that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to approximately \$1,642,000 for fiscal year 2021.

Airports – System Rates and Charges

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

- Landing fees amounted to approximately \$63,452,000 for fiscal year 2021. Airport landing fees are shown, net of aviation fuel tax credits of approximately \$1,717,000, for fiscal year 2021 on the statement of revenues, expenses, and changes in net position, which resulted in net airport landing fees of approximately \$61,735,000 for fiscal year 2021. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. Airport interisland landing fees for signatory airlines were set at 48% of the airport landing fees for overseas flights for fiscal year 2021, and are scheduled to increase 1% annually until it reaches 100%.
- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately \$65,711,000 for fiscal year 2021. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per enplaning or deplaning passengers.
- Exclusive use premise charges amounted to approximately \$64,345,000 for fiscal year 2021, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately \$28,829,000 for fiscal year 2021.

Airports – Other Operating Leases

Airports leases certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2021 was approximately \$61,534,000.

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Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, accounted for approximately 0% of total concession fees revenues for the fiscal year ended June 30, 2021. Airports has waived the minimum annual guarantee requirement for certain eligible concessionaires, including DFS, through December 2021 and will continue with the waiver until further notice.

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

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

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

Harbors – Leasing Operations

Harbors leases land, wharf and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through August 2087. Those leases generally call for rental increases every five to ten years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2021 amounted to \$26,896,000 and have been included in rental revenues.

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The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2021 (amounts expressed in thousands):

| Fiscal Year | Proprietary Funds | | |
|-------------|-------------------|-------------------|-------------------|
| | Airports | Harbors | Total |
| 2022 | \$ 32,299 | \$ 8,243 | \$ 40,542 |
| 2023 | 30,669 | 8,282 | 38,951 |
| 2024 | 30,430 | 8,178 | 38,608 |
| 2025 | 29,158 | 8,086 | 37,244 |
| 2026 | 35,656 | 8,168 | 43,824 |
| 2027-2031 | 77,725 | 39,089 | 116,814 |
| 2032-2036 | 12,636 | 29,867 | 42,503 |
| 2037-2041 | 5,903 | 25,315 | 31,218 |
| 2042-2046 | 6,659 | 17,244 | 23,903 |
| 2047-2051 | 7,539 | 7,903 | 15,442 |
| 2052-2056 | - | 7,723 | 7,723 |
| 2057-2061 | - | 6,085 | 6,085 |
| 2062-2066 | - | 5,137 | 5,137 |
| 2067-2071 | - | 5,137 | 5,137 |
| 2072-2076 | - | 5,137 | 5,137 |
| 2077-2081 | - | 5,137 | 5,137 |
| 2082-2086 | - | 5,137 | 5,137 |
| 2087-2088 | - | 1,160 | 1,160 |
| | <u>\$ 268,674</u> | <u>\$ 201,028</u> | <u>\$ 469,702</u> |

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2021, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

| | |
|---|------------------|
| Total minimum lease payments receivable | \$ 28,040 |
| Less: Amount representing interest | <u>(7,790)</u> |
| | 20,250 |
| Cash with trustee and other | <u>1,628</u> |
| | <u>\$ 21,878</u> |

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Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2021 consisted of the following (amounts expressed in thousands):

| Fiscal Year | | |
|--------------------|----|---------------|
| 2022 | \$ | 1,222 |
| 2023 | | 1,222 |
| 2024 | | 1,222 |
| 2025 | | 1,222 |
| 2026 | | 1,222 |
| 2027–2028 | | 23,558 |
| | \$ | <u>29,668</u> |

10. Significant Transactions with Component Units

Hawaii Health Systems Corporation

The amount due to the State of \$19,008,000 at June 30, 2021 was comprised of cash advances that was assumed by the HHSC.

Hawaii Hurricane Relief Fund

In 2002, Act 179, SLH 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2021, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$3,905,000.

Hawaii Tourism Authority

The governor’s Sixth Supplementary (emergency) Proclamation, issued on April 25, 2020, suspended specific provisions of law. Included were Sections 237D-6.5(b), HRS, distribution of the TAT. In June 2021, the Governor temporarily restarted the distribution of TAT revenues to the Authority. Total TAT revenues deposited into the Convention Center Fund and Tourism Fund was \$16,500,000 and \$21,505,000, respectively, for the fiscal year ended June 30, 2021.

11. Retirement Benefits

Pension Plan

Plan Description

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

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement plans. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

- Retirement Benefits – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or surviving dependent children, no benefit is payable.

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

Contributory Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

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

- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.
- Death Benefits – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

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

- Disability and Death Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service are required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Class for Members Hired Prior to July 1, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- Disability Benefits – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

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

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member’s contributions and accrued interest plus a percentage multiplied by 150%, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

- *Retirement Benefits* – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.
- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member’s contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2021 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the State was approximately \$632,633,000 for the fiscal year ended June 30, 2021.

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Per Act 17 SLH 2017, employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for police and firefighters increased to 41% on July 1, 2020. The rate for all other employees increased to 24% on July 1, 2020.

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

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

At June 30, 2021, the State reported a liability of approximately \$7.8 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2020, the State's proportion was 55.8385%, which was a decrease of 0.0894% from its proportion measured as of June 30, 2019.

There was no change in actuarial assumptions as of June 30, 2019 to June 30, 2020. There were no changes between the measurement date, June 30, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the proportionate share of the net pension liability.

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For the fiscal year ended June 30, 2021, the State recognized pension expense of approximately \$1,105,385,000. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 93,416 | \$ - |
| Changes in assumptions | 225,962 | (104) |
| Net difference between projected and actual earnings on pension plan investments | 294,825 | - |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 45,813 | (25,067) |
| State contributions subsequent to the measurement date | 632,631 | - |
| Total | <u>\$ 1,292,647</u> | <u>\$ (25,171)</u> |

At June 30, 2021, the approximate \$632,631,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

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

| Fiscal Year | |
|--------------------|-------------------|
| 2022 | \$ 256,137 |
| 2023 | 130,923 |
| 2024 | 141,390 |
| 2025 | 104,187 |
| 2026 | 2,208 |
| | <u>\$ 634,845</u> |

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

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

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

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

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--|------------------------------|---|
| Strategic allocation (risk-based classes) | | |
| Broad growth | 63.0% | 7.1% |
| Principal protection | <u>37.0%</u> | 3.7% |
| Total investments | <u>100.0%</u> | |

Discount Rate

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

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

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------------------|--------------------------------------|------------------------------------|
| State’s proportionate share of the net pension liability | <u>\$ 10,039,156</u> | <u>\$ 7,814,788</u> | <u>\$ 5,981,005</u> |

Pension Plan Fiduciary Net Position

The pension plan’s fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ERS financial report. The ERS complete financial statements are available at <http://ers.ehawaii.gov/resources/financials>.

Payables to the Pension Plan

The State’s employer contributions payable to the ERS by fiscal year end was paid by June 30, 2021. Excess payments of \$10,063,000 are being applied to amounts due in fiscal year 2022.

Postemployment Healthcare and Life Insurance Benefits

Plan Description

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

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

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Employees Covered by Benefit Terms

At July 1, 2020, the State had the following number of plan members covered:

| | |
|---|---------------|
| Inactive plan members or beneficiaries currently receiving benefits | 37,767 |
| Inactive plan members entitled to but not yet receiving benefits | 7,576 |
| Active plan members | <u>50,831</u> |
| Total plan members | <u>96,174</u> |

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$621,839,000 for the fiscal year ended June 30, 2021. The employer is required to make all contributions for members.

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

At June 30, 2021, the State reported a net OPEB liability of approximately \$6.5 billion. The net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

There were no changes between the measurement date, July 1, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the net OPEB liability.

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For the fiscal year ended June 30, 2021, the State recognized OPEB expense of approximately \$591,155,000. At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ (545,126) |
| Changes in assumptions | 78,751 | (37,806) |
| Net difference between projected and actual earnings on OPEB plan investments | 77,156 | - |
| State contributions subsequent to the measurement date | 1,140,902 | - |
| Total | <u>\$ 1,296,809</u> | <u>\$ (582,932)</u> |

At June 30, 2021, the approximate \$1,140,902,000 reported as deferred outflows of resources related to OPEB resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022.

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

| | |
|--------------------|---------------------|
| Fiscal Year | |
| 2022 | \$ (85,675) |
| 2023 | (82,506) |
| 2024 | (81,697) |
| 2025 | (76,825) |
| 2026 | (100,322) |
| | <u>\$ (427,025)</u> |

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Actuarial Assumptions

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018 as conducted for the ERS:

| | |
|-----------------------------|--|
| Inflation | 2.50% |
| Salary increases | 3.50% to 7.00% including inflation |
| Investment rate of return | 7.00% |
| Healthcare cost trend rates | |
| PPO* | Initial rate of 7.50%; declining to a rate of 4.70% after 13 years |
| HMO* | Initial rate of 7.50%; declining to a rate of 4.70% after 13 years |
| Contribution | Initial rate of 5.00% ; declining to a rate of 4.70% after 10 years |
| Dental | Initial rate of 5.00% for the first year; followed by 4.00% for all future years |
| Vision | Initial rate of 0.00% for the first year; followed by 2.50% for all future years |
| Life insurance | 0.00% |

* Blended rates for medical and prescription drugs.

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

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

| Asset Class | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-------------------------|-------------------------------------|--|
| Private equity | 10.0% | 9.66% |
| U.S. microcap | 6.0% | 7.85% |
| U.S. equity | 14.0% | 6.23% |
| Non-U.S. equity | 16.0% | 7.72% |
| Global options | 6.0% | 4.65% |
| Core real estate | 10.0% | 5.98% |
| Private credit | 6.0% | 5.50% |
| Core bonds | 3.0% | 0.08% |
| TIPS | 5.0% | 0.11% |
| Long treasuries | 6.0% | 0.86% |
| Alternative risk premia | 5.0% | 1.56% |
| Trend following | 8.0% | 2.21% |
| Reinsurance | 5.0% | 4.34% |
| Total investments | <u>100.0%</u> | |

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This temporary Act 268 suspension would not derail the plan's long-term funding progress. Even if Act 268 is suspended through fiscal year ending June 30, 2025, the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Act 229, SLH 2021 suspends the contribution requirement for fiscal years 2022 and 2023. The State made its full Annual Required Contribution in fiscal year 2021 and intends to make contributions for fiscal years 2022 and 2023. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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OPEB Plan Fiduciary Net Position

The OPEB plan's fiduciary net position has been determined on the same basis used by the OPEB plan. The EUTF's financial statements are prepared using the accrual basis of accounting under which revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the cash flows. Employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued EUTF financial report. The EUTF's complete financial statements are available at <https://eutf.hawaii.gov/reports/>.

Changes in Net OPEB Liability

The following table represents a schedule of changes in the net OPEB liability. The ending balances are as of the measurement date, July 1, 2020.

| | <u>Total OPEB Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net OPEB Liability</u> |
|--|---------------------------------|--|-------------------------------|
| Beginning balance | \$ 8,465,089 | \$ 1,487,367 | \$ 6,977,722 |
| Service cost | 188,421 | - | 188,421 |
| Interest on the total OPEB liability | 605,064 | - | 605,064 |
| Difference between expected and actual experience | (553,961) | - | (553,961) |
| Changes of assumptions | (45,357) | - | (45,357) |
| Employer contributions | - | 621,839 | (621,839) |
| Net investment income | - | 33,201 | (33,201) |
| Benefit payments | (278,276) | (278,276) | - |
| Administrative expense | - | (235) | 235 |
| Other | - | 208 | (208) |
| Net changes | <u>(84,109)</u> | <u>376,737</u> | <u>(460,846)</u> |
| Ending balance | <u>\$ 8,380,980</u> | <u>\$ 1,864,104</u> | <u>\$ 6,516,876</u> |

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

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------------------|--------------------------------------|------------------------------------|
| State's proportionate share of the net OPEB liability | <u>\$ 7,819,763</u> | <u>\$ 6,516,876</u> | <u>\$ 5,490,207</u> |

The following table presents the State's net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the State's net OPEB liability would be if it were calculated using the trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate (amounts expressed in thousands):

| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
|---|------------------------|---|------------------------|
| State's proportionate share of the net OPEB liability | <u>\$ 5,443,763</u> | <u>\$ 6,516,876</u> | <u>\$ 7,904,935</u> |

Payables to the OPEB Plan

The State's employer contributions payable to the EUTF was \$390,000,000 as of June 30, 2021.

12. Commitments and Contingencies

Commitments

General Obligation Bonds

The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2021, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

| Special Revenue Funds | |
|------------------------------|------------------|
| Agriculture | \$ 4,624 |
| Natural Resources | 31,122 |
| | <u>\$ 35,746</u> |

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Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2021, accumulated sick leave was approximately \$1,309,816,000.

Intergovernmental Expenditures

In accordance with HRS Section 237D-6.5, as amended by Act 1, SLH Special Session 2017, \$103,000,000 in transient accommodation tax revenues collected are to be distributed annually to the counties. On April 25, 2020, the Governor issued the Sixth Supplementary Proclamation amending and restating prior proclamations and executive orders related to the COVID-19 emergency that suspended the distribution of transient accommodation tax revenues to the counties. In June 2021, the Governor temporarily restarted the distribution of TAT revenues to the counties.

Pursuant to HRS Section 248-2.7, the State has established a mass transit Special Fund. For the period beginning on January 1, 2018 to December 31, 2030, transient accommodations tax and surcharge on state tax revenues allocated to the mass transit special fund pursuant to HRS Sections 237D-2(e), and 248-2.6 shall be deposited into the special fund. As of June 30, 2021, the City and County of Honolulu, Hawaii County, and Kauai County had adopted ordinances for a surcharge.

Encumbrances

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

Significant encumbrances at June 30, 2021 include (amounts expressed in thousands):

| Fund Type | |
|--|---------------------|
| General | \$ 486,547 |
| Capital Projects | 1,901,868 |
| Med-Quest Special Revenue | 31,065 |
| Administrative Support Special Revenue | 18,310 |
| Other Governmental | 1,632,919 |
| | <u>\$ 4,070,709</u> |

Guarantees of Indebtedness

The State is authorized to guarantee indebtedness of others at a maximum amount of approximately \$233,500,000 for aquaculture/agriculture loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units – HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2021.

Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2021, the Enterprise Funds had commitments of approximately \$1,122,092,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the years ended June 30, 2021, 2020 and 2019 approximated \$1,580,000, \$466,000 and \$10,553,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement (MSA) will pay the State approximately \$1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State received approximately \$37,461,000 during the fiscal year ended June 30, 2021. As of June 30, 2021, the State expects to receive \$20,000,000 for the first six months of fiscal 2022.

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

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the Ceded Lands) to the State of Hawaii to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law to better the conditions of native Hawaiians. In 1979, the Legislature adopted HRS Chapter 10 (Chapter 10), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the *OHA v. HHA* case discussed below, the Legislature, the state and federal courts, and the State's governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

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

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

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

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

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

Department of Hawaiian Home Lands

In 1991, the Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (HHCA) to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,721 individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Plaintiffs filed an Application for Transfer to the Supreme Court of Hawaii on December 31, 2018 and State Defendants informed the Supreme Court that they did not oppose the application in a response to the application on January 7, 2019. The case was fully briefed and oral argument was presented in the Supreme Court on August 21, 2019. The case was taken under advisement by the court.

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

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

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The Supreme Court directed that the case be remanded to the Circuit Court for further proceedings consistent with its opinion, and judgment on appeal was entered on July 21, 2020. On July 24, 2020, Plaintiffs' counsel filed motions for attorneys' fees and costs, seeking over a million dollars in lodestar and enhanced fees for their work on the appeal and interim fees. The State opposed the amount requested. The motions were granted in part and denied in part by the Supreme Court of Hawaii, which reduced the total amount to approximately \$370,000. While it is not possible to predict the outcome of this litigation or the scope of damages, if any, the cost to the State could be substantial and could have a material adverse effect on the State's financial condition.

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

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

A final judgment in favor of the State was filed on September 23, 2009, and the Plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the Plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. On May 4, 2011, the State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment. In the Hawaii Supreme Court, DHHL and the Hawaiian Homes

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Commission and its members changed their position, and no longer supported the political question doctrine defense.

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

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

On December 21, 2015, after judgment was entered, the State filed a motion for reconsideration or to alter or amend the judgment and order, which the court granted in part and denied in part. The court rejected the State’s position that (1) the legislature, not the courts, has the exclusive prerogative to decide what is a “sufficient sum” for DHHL’s budget under Article XII, Section 1, and (2) there was insufficient evidence to support the court’s conclusion that the “sufficient sum” for DHHL’s budget is more than \$28 million for fiscal year 2016. The court granted reconsideration with the State’s position that the judicial courts lack the authority, under the separation of powers doctrine, to order the legislative branch to appropriate any particular amount of funds to DHHL. The court amended its original Order to state that \$9,632,000 is not sufficient and that the State is required to fund DHHL’s expenses by making sufficient general funds available to DHHL for fiscal year 2016.

The Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiffs filed a notice of cross-appeal, both filed in the Intermediate Court of Appeals. Briefing in both appeals is completed, and on February 23, 2017, the Legislature was allowed, and filed an amicus curiae brief in support of the State’s positions. On March 8, 2017, in response to the DHHL’s application for transfer, the Hawaii Supreme Court transferred the appeal and cross-appeal from the Intermediate Court of Appeals to the Hawaii Supreme Court.

The Hawaii Supreme Court heard oral arguments in the appeal and cross-appeal on July 6, 2017. By its decision filed on February 9, 2018, the Hawaii Supreme Court vacated and remanded the case to the circuit court after holding that the circuit court is to use a baseline of \$1,300,000 to \$1,600,000, adjusted for inflation, to determine whether the State provided sufficient sums for DHHL's administrative and operating budget. The case has been assigned to the circuit court, and the court set a status conference for December 16, 2019. On remand, the circuit court directed, and the parties filed motions that set out their positions on how the court should proceed in response to the *Nelson II* decision. The motions were heard on June 1, 2020, and denied in a Minute Order filed on June 23, 2020 which provides that the circuit court will hold an evidentiary hearing, applying the Hawaii Rules of Evidence, to complete the task the court was given on remand: to determine the administrative and operating budget for the fiscal year 2016 budget by using the 1978 baseline of \$1,300,000 to \$1,600,000 adjusted for inflation.

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

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

Land Use Commission

On February 23, 2017, the Plaintiff filed a regulatory-taking suit in the Circuit Court of the First Circuit, claiming that the Land Use Commission's (LUC) April 25, 2011 order reverting certain property from an urban classification to an agricultural classification resulted in a regulatory taking under the federal and State constitutions. The Complaint was removed to the U.S. District Court for the District of Hawaii. On June 13, 2017, the District Court dismissed the Complaint as barred by a two-year statute of limitations. The Plaintiff appealed to the Ninth Circuit, which, in turn, certified the question of which statute of limitations applied to a regulatory-taking claim brought under the State constitution to the Hawaii Supreme Court. On December 17, 2020, the Hawaii Supreme Court ruled that the statute of limitations for a regulatory-taking claim brought under the State constitution is six years. On January 25, 2021, the Ninth Circuit vacated the District Court's judgment and remanded the case to the District Court for further proceedings.

On April 12, 2021, the Plaintiff served their Initial Disclosures upon the State, claiming \$360 million in damages.

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Trial is set for October 18, 2022, with discovery cut-off on August 22, 2022. The litigation is currently in the discovery phase. The State is vigorously defending against the Plaintiff's claims.

Hawaii Employer-Union Health Benefits Trust Fund

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

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

In December 2010, the Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (nka *James Dannenberg, et al. v. State of Hawaii, et al.*) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) healthcare benefits that are equivalent to those provided to State and county active employees; and/or (b) healthcare benefits that are equivalent to benefits provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees, who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for healthcare because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for healthcare that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. In January 2011, the Defendants filed an answer denying the substantive allegations of the Second Amended Complaint.

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

On December 10, 2012, the Plaintiffs filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that the Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against the Plaintiffs on all of the Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of the Plaintiffs by not providing healthcare benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of the Plaintiffs by not providing healthcare benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit Court on October 30, 2013, and taken under advisement. On October 16, 2014, the Court issued an Order Denying Plaintiffs' Motion for Partial Summary Judgment and Order Granting State Defendants' Motion for Partial Summary Judgment (Order). The Court ruled that the Plaintiffs' accrued health benefits have not been reduced, diminished or impaired inasmuch as the health benefits that retirees received under the Hawaii Public Employees Health Fund. The Plaintiffs filed a motion for reconsideration of the Order or alternatively for an interlocutory appeal. On November 13, 2014, the Court issued a Minute Order denying the motion. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing was completed in October 2015. In October 2016, the Hawaii Supreme Court issued an opinion affirming the circuit court's decision in the State's favor, but also ruled that the State was not entitled to judgment as a matter of law, and remanded the case to the trial court. The Plaintiffs filed their Third Amended Complaint on December 28, 2017. Since that time, the parties have conducted discovery and have filed several motions, including motions related to the purported class of plaintiffs. The State's motion to decertify the class was granted. On December 3, 2018, the Plaintiffs consequently filed a Motion for Recertification of the Class and for Certification of a Damages Subclass. On February 6, 2019, the Court granted the Plaintiffs' Motion for Recertification and an Order granting the Plaintiffs' Motion for Recertification was filed on June 21, 2019.

A trial date was set commencing October 26, 2021 and the State intends to vigorously defend all claims brought against the State, the EUTF, and the EUTF Board in the case. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the Plaintiffs' claims in their favor in this case could have a material adverse effect on the State's financial condition.

The State has been vigorously defending this case, having conducted extensive discovery and filed and defended numerous motions in court, and continues to do so. Trial commenced on November 3, 2021, and phase one of the trial was completed on November 30, 2021. The parties will be submitting Findings of Facts and Conclusions of Law for the Court to review and rule upon in January 2022. The next phase of the trial will commence sometime thereafter.

Tax Foundation of Hawaii

On October 21, 2015, the Tax Foundation of Hawaii filed a class action lawsuit against the State of Hawaii seeking a judicial determination that the 10% withheld from the County Surcharge on State General Excise Tax under Section 248-2.6(a), HRS, is unconstitutional because it exceeds the actual cost for the State to assess, collect and distribute the County Surcharges to the City and County of Honolulu (*Tax Foundation of the State of Hawaii v. State of Hawaii, Case No. 15-a-2020-10, 1st Cir.*). Since 2007, the Department of Budget and Finance has transferred \$228.4 million from County Surcharge Proceeds into the General Fund (through December 31, 2018). The circuit court entered a final judgment in favor of the State on June 1, 2016, and the plaintiff has appealed that ruling to the State Intermediate Court of Appeals and that ruling is pending. On January 13, 2017, the case was transferred to the Hawaii Supreme Court. On July 6, 2017, the case was argued and the Court took the case under advisement. On March 21, 2019, the Hawaii Supreme Court issued an opinion in the State's favor concluding that the withholding of 10% of the County Surcharge was permitted by statute. The case was remanded back to the circuit court with instructions to grant the State's motion for summary judgment.

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

13. Risk Management

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

Property Insurance

The State has an insurance policy with various insurers for property coverage. The limit of loss per occurrence is \$200,000,000, except for terrorism losses, which has a \$100,000,000 per occurrence limit. There are two different types of deductibles for the property coverage. The

deductible for losses such as hurricanes, floods and earthquakes are 3% of the replacement costs to the property subject to a \$1,000,000 per occurrence minimum. The deductible for all other perils such as a fire is \$1,000,000. The deductible for terrorism coverage is \$1,000,000.

Crime Insurance

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

General Liability (Including Torts)

Liability (tort and auto) claims up to \$25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, employment liability, and employee benefits liability insurance policy in force with a \$5,000,000 self-insured retention per occurrence. The annual per occurrence limit is \$7,500,000 for wrongful action and \$12,500,000 for Products/Completed Operations, Error & Omission and Employee Benefits Liability, and for crime loss, \$10,000,000 with no aggregate limit. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are typically paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of \$50,000,000 with a deductible of \$1,000,000 per occurrence. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry – Data Security Standard coverage.

Medical Insurance

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

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$25,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2021, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net

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position, as those losses will be liquidated with future expendable resources. The estimated losses are generally paid from legislative appropriations of the State's General Fund.

The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities at June 30, 2021 and 2020, respectively (amounts expressed in thousands):

| | <u>2021</u> | <u>2020</u> |
|--|-------------------|-------------------|
| Unpaid losses and loss adjustment costs | | |
| Beginning of the fiscal year | \$ 270,641 | \$ 276,493 |
| Incurred losses and loss adjustment costs | | |
| Provision for insured events of current fiscal year | 62,608 | 47,698 |
| Change in provision for insured events of prior fiscal years | (854) | (15,226) |
| Total incurred losses and loss adjustment costs | <u>61,754</u> | <u>32,472</u> |
| Payments | | |
| Losses and loss adjustment costs attributable to insured events of current fiscal year | (5,715) | (17,536) |
| Losses and loss adjustment costs attributable to insured events of prior fiscal year | (36,117) | (20,788) |
| Total payments | <u>(41,832)</u> | <u>(38,324)</u> |
| Unpaid losses and loss adjustment costs | | |
| End of the fiscal year | <u>\$ 290,563</u> | <u>\$ 270,641</u> |

14. Subsequent Events

As of June 2021, the State received approximately \$1.79 billion in funding from the American Rescue Plan Act. The balance will be applied to fiscal year 2022 eligible expenses.

On October 12, 2021, the State issued general obligations bonds as follows:

- \$700,000,000 of taxable general obligations bonds Series GD.
- \$200,000,000 of taxable general obligation refunding bonds Series GE.
- \$25,800,000 of taxable general obligation refunding bonds Series GF.
- \$83,750,000 of taxable general obligation refunding bonds Series GG.
- \$138,700,000 of taxable general obligation refunding bonds Series GH.
- \$105,000,000 of taxable general obligation refunding bonds Series GI.
- \$629,705,000 of taxable general obligation refunding bonds Series GJ.

The bonds within Series GD and GE that mature on or after August 1, 2031 are subject to optional redemption with restrictions.

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Act 001, Special Session 2021, amended specific provisions of law. Included were Sections 237D 6.5, HRS, distribution of the transient accommodation tax (TAT). Effective July 1, 2021, the State discontinued TAT distributions to the counties.

Act 229, SLH 2021, amended specific provisions of law. Included were Sections 87A-42, HRS, other postemployment benefits trust. Effective July 1, 2021, annual required contributions to the employer union health benefits trust fund are suspended through fiscal year 2023. The provisions under this Act shall be repealed on June 30, 2023.

In November 2021, the U.S. Congress passed and the President signed an approximately \$1.2 trillion package that would deliver funding for infrastructure spending over five years on roads, bridges, and other projects. The State will use the funds for transportation, broadband, energy, water, recycling, and other eligible expenses.

In December 2021, the State Department of Health issued an emergency order to the United States Department of the Navy to suspend operations at the Red Hill Bulk Fuel Storage Facility in order to take measures to treat contaminated drinking water at the Red Hill shaft and safely remove fuel from the 20 underground storage tanks. The extent of damages to the State, if any, are not known at this time.

HHSC

In June 2021, provisions under HRS Section 323F-2, Hawaii Health Systems Corporation, were amended by Act 212, SLH 2021 which initiated the transition of the HHSC Oahu Region into the State Department of Health. The transfer is required to be completed no later than December 31, 2022.

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

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

General Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2021

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2021

Administrative Support Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2021

Notes to Required Supplementary Information – Budgetary Control – Year Ended June 30, 2021

Major Governmental Funds – Reconciliation of the Budgetary to GAAP Basis – Year Ended June 30, 2021

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

Schedule of Pension Contributions – Last Ten Fiscal Years

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

Schedule of OPEB Contributions – Last Ten Fiscal Years

State of Hawaii
General Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2021
(Amounts in thousands)

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Variance With Final Budget – Positive (Negative)</u> |
|--|----------------------------|-------------------------|---|---|
| Revenues | | | | |
| Taxes | | | | |
| General excise tax | \$ 3,807,433 | \$ 2,995,542 | \$ 3,054,356 | \$ 58,814 |
| Net income tax | | | | |
| Corporations | 157,049 | 181,906 | 186,347 | 4,441 |
| Individuals | 2,776,598 | 2,640,953 | 3,354,561 | 713,608 |
| Inheritance and estate tax | 21,611 | 47,778 | 31,275 | (16,503) |
| Liquor permits and tax | 53,585 | 29,705 | 45,178 | 15,473 |
| Public service companies tax | 136,572 | 136,917 | 125,201 | (11,716) |
| Tobacco tax | 76,058 | 73,899 | 72,747 | (1,152) |
| Tax on premiums of insurance companies | 178,000 | 155,000 | 185,570 | 30,570 |
| Franchise tax (banks and other financial institutions) | 32,718 | 37,153 | 3,079 | (34,074) |
| Transient accommodations tax | 418,986 | 166,515 | 149,647 | (16,868) |
| Other taxes, primarily conveyances tax | 52,378 | 45,739 | 42,485 | (3,254) |
| Total taxes | <u>7,710,988</u> | <u>6,511,107</u> | <u>7,250,446</u> | <u>739,339</u> |
| Non-taxes | | | | |
| Interest and investment income | 10,026 | 11,230 | 14,035 | 2,805 |
| Charges for current services | 376,620 | 270,198 | 292,332 | 22,134 |
| Intergovernmental | 11,471 | 11,316 | 9,711 | (1,605) |
| Rentals | 827 | 829 | 292 | (537) |
| Fines, forfeitures and penalties | 21,868 | 16,799 | 19,329 | 2,530 |
| Licenses and fees | 1,034 | 624 | 741 | 117 |
| Revenues from private sources | 3,001 | 3,000 | 8,876 | 5,876 |
| Debt service requirements | 6,519 | 6,519 | 6,519 | - |
| Other | 314,036 | 1,067,454 | 1,151,757 | 84,303 |
| Total non-taxes | <u>745,402</u> | <u>1,387,969</u> | <u>1,503,592</u> | <u>115,623</u> |
| Total revenues | <u>8,456,390</u> | <u>7,899,076</u> | <u>8,754,038</u> | <u>854,962</u> |
| Expenditures | | | | |
| Department | | | | |
| Accounting and General Services | 105,890 | 109,396 | 98,273 | 11,123 |
| Agriculture | 15,203 | 16,116 | 13,135 | 2,981 |
| Attorney General | 36,187 | 38,287 | 34,024 | 4,263 |
| Budget and Finance | 3,936,396 | 3,901,883 | 3,741,877 | 160,006 |
| Business, Economic Development and Tourism | 30,543 | 11,124 | 26,199 | (15,075) |
| Commerce and Consumer Affairs | - | - | - | - |
| Defense | 23,101 | 23,746 | 16,722 | 7,024 |
| Education | 1,807,588 | 1,855,336 | 1,739,671 | 115,665 |
| Governor | 3,914 | 4,279 | 3,602 | 677 |
| Hawaiian Home Lands | 15,523 | 16,202 | 14,007 | 2,195 |
| Health | 652,738 | 665,275 | 635,322 | 29,953 |
| Human Resources Development | 19,801 | 20,345 | 17,980 | 2,365 |
| Human Services | 1,315,244 | 1,313,794 | 1,251,104 | 62,690 |
| Judiciary | 162,964 | 167,520 | 166,649 | 871 |
| Labor and Industrial Relations | 22,007 | 23,152 | 20,850 | 2,302 |
| Land and Natural Resources | 64,407 | 67,134 | 61,914 | 5,220 |
| Legislature | 41,064 | 41,064 | 15,880 | 25,184 |
| Lieutenant Governor | 928 | 983 | 932 | 51 |
| Public Safety | 265,992 | 274,394 | 267,859 | 6,535 |
| Taxation | 29,885 | 32,218 | 27,999 | 4,219 |
| Transportation – Highways | - | 7,000 | 6,999 | 1 |
| University of Hawaii | 531,935 | 552,307 | 533,244 | 19,063 |
| Total expenditures | <u>9,081,310</u> | <u>9,141,555</u> | <u>8,694,242</u> | <u>447,313</u> |
| Excess (deficiency) of expenditures over (under) revenues | (624,920) | (1,242,479) | 59,796 | 1,302,275 |
| Other financing sources | <u>40,490</u> | <u>182,862</u> | <u>896,635</u> | <u>713,773</u> |
| Excess (deficiency) of expenditures and other sources over (under) revenues | <u>\$ (584,430)</u> | <u>\$ (1,059,617)</u> | <u>\$ 956,431</u> | <u>\$ 2,016,048</u> |

State of Hawaii**Med-Quest Special Revenue Fund****Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)****Year Ended June 30, 2021****(Amounts in thousands)**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual (Budgetary Basis)</u> | <u>Variance With Final Budget – Positive (Negative)</u> |
|--------------------------------------|----------------------------|-------------------------|---|---|
| Revenues – non-taxes | | | | |
| Intergovernmental | \$ - | \$ - | \$ 86 | \$ 86 |
| Revenues from private sources | - | - | 77,736 | 77,736 |
| Other | - | - | 3,707 | 3,707 |
| Total revenues – non-taxes | <u>-</u> | <u>-</u> | <u>81,529</u> | <u>81,529</u> |
| Total revenues | <u>-</u> | <u>-</u> | <u>81,529</u> | <u>81,529</u> |
| Expenditures | | | | |
| Department | | | | |
| Human Services | <u>118,705</u> | <u>118,705</u> | <u>92,005</u> | <u>26,700</u> |
| Total expenditures | <u>118,705</u> | <u>118,705</u> | <u>92,005</u> | <u>26,700</u> |
| Excess of expenditures over revenues | <u>\$ (118,705)</u> | <u>\$ (118,705)</u> | <u>\$ (10,476)</u> | <u>\$ 108,229</u> |

State of Hawaii

Administrative Support Special Revenue Fund

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

Year Ended June 30, 2021

(Amounts in thousands)

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
|--|---------------------|---------------------|--------------------------------|--|
| Revenues | | | | |
| Taxes | | | | |
| Tobacco tax | \$ 1,752 | \$ 1,702 | \$ 1,647 | \$ (55) |
| Transient accommodations tax | 63,542 | 18,002 | 19,935 | 1,933 |
| Total taxes | <u>65,294</u> | <u>19,704</u> | <u>21,582</u> | <u>1,878</u> |
| Non-taxes | | | | |
| Interest and investment income | 3,331 | 3,401 | 1,744 | (1,657) |
| Charges for current services | 51,064 | 62,451 | 96,835 | 34,384 |
| Rentals | 4,351 | 4,351 | 3,591 | (760) |
| Fines, forfeitures and penalties | 225 | 156 | 78 | (78) |
| Licenses and fees | 200 | 225 | 303 | 78 |
| Revenues from private sources | 1,675 | 1,675 | 1,720 | 45 |
| Other | 11,759 | 11,037 | 258,666 | 247,629 |
| Total non-taxes | <u>72,605</u> | <u>83,296</u> | <u>362,937</u> | <u>279,641</u> |
| Total revenues | <u>137,899</u> | <u>103,000</u> | <u>384,519</u> | <u>281,519</u> |
| Expenditures | | | | |
| Department | | | | |
| Accounting and General Services | 80,042 | 80,457 | 58,388 | 22,069 |
| Attorney General | 28,421 | 29,339 | 22,643 | 6,696 |
| Budget and Finance | 403,760 | 388,319 | 247,751 | 140,568 |
| Human Resources Development | 5,861 | 5,867 | 480 | 5,387 |
| Governor | 36,867 | 36,867 | 131 | 36,736 |
| Taxation | 3,545 | 3,570 | 1,737 | 1,833 |
| Total expenditures | <u>558,496</u> | <u>544,419</u> | <u>331,130</u> | <u>213,289</u> |
| Excess (deficiency) of expenditures over (under) revenues | <u>\$ (420,597)</u> | <u>\$ (441,419)</u> | <u>\$ 53,389</u> | <u>\$ 494,808</u> |

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control (Unaudited) Year Ended June 30, 2021

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2019 (Act 113, SLH 2019) and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH. During July 2020, Act 7, SLH 2020 and Act 9, SLH 2020 retroactively amended certain budgeted expenditures from the General Appropriations Act of 2019.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2019–2021 biennial budget and executive supplemental budget.

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

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

The legal level of budgetary control for expenditures is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2021, there were no expenditures in excess of appropriations in the individual funds.

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

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

State of Hawaii
Major Governmental Funds
Reconciliation of the Budgetary to GAAP Basis (Unaudited)
Year Ended June 30, 2021
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2021 follows (amounts expressed in thousands):

| | <u>General Fund</u> | <u>Med-Quest Special Revenue Fund</u> | <u>Administrative Support Special Revenue Fund</u> |
|---|-------------------------|---|--|
| Deficiency of revenues and other sources under expenditures – actual (budgetary basis) | \$ 956,431 | \$ (10,476) | \$ 53,389 |
| Transfers | (587,225) | 87,068 | 1,039,111 |
| Reserve for encumbrances at fiscal year end* | 415,043 | 2,456 | 6,123 |
| Expenditures for liquidation of prior fiscal year encumbrances | (519,909) | (642,269) | (1,586,140) |
| Revenues and expenditures for unbudgeted programs and capital projects accounts, net | (1,147) | 634,861 | 2,806,857 |
| Tax refunds payable | 42,372 | - | - |
| Accrued liabilities | 47,948 | (8,085) | (315,909) |
| Accrued revenues | (164,952) | 14,298 | (1,785,138) |
| Excess of revenues over expenditures – GAAP basis | <u>\$ 188,561</u> | <u>\$ 77,853</u> | <u>\$ 218,293</u> |

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

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| State of Hawaii, excluding UH** | | | | | | | | |
| State's proportion of the net pension liability | 55.839% | 55.749% | 56.090% | 56.607% | 56.600% | 57.238% | 58.483% | 57.638% |
| State's proportionate share of the net pension liability | \$ 8,510 | \$ 7,865 | \$ 7,438 | \$ 7,331 | \$ 7,567 | \$ 4,999 | \$ 4,689 | \$ 5,148 |
| State's covered payroll | \$ 2,689 | \$ 2,616 | \$ 2,540 | \$ 2,559 | \$ 2,496 | \$ 2,424 | \$ 2,341 | \$ 2,177 |
| State's proportionate share of the net pension liability as a percentage of its covered payroll | 316.5% | 300.6% | 292.8% | 286.5% | 303.2% | 206.2% | 200.3% | 236.5% |
| Plan fiduciary net position as a percentage of total net pension liability | 53.2% | 54.9% | 55.5% | 54.8% | 51.3% | 62.4% | 63.9% | 58.0% |
| UH | | | | | | | | |
| Proportion of the net pension liability | 12.344% | 12.641% | 12.732% | 12.730% | 12.750% | 13.110% | 13.600% | 13.750% |
| Proportionate share of the net pension liability | \$ 1,889 | \$ 1,791 | \$ 1,696 | \$ 1,649 | \$ 1,704 | \$ 1,145 | \$ 1,090 | \$ 1,228 |
| Covered payroll | \$ 606 | \$ 603 | \$ 592 | \$ 587 | \$ 569 | \$ 565 | \$ 551 | \$ 518 |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 311.7% | 297.0% | 286.5% | 280.9% | 299.5% | 202.7% | 197.8% | 237.1% |
| Plan fiduciary net position as a percentage of total net pension liability | 53.2% | 54.9% | 55.5% | 54.8% | 51.3% | 62.4% | 63.9% | 58.0% |

* Information for 2012–2013 is unavailable.

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| State of Hawaii, excluding UH** | | | | | | | | |
| Statorily required contribution | \$ 692 | \$ 606 | \$ 508 | \$ 470 | \$ 445 | \$ 432 | \$ 410 | \$ 380 |
| Contributions in relation to the contractually required contribution | <u>692</u> | <u>606</u> | <u>508</u> | <u>470</u> | <u>445</u> | <u>432</u> | <u>410</u> | <u>380</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's covered payroll | \$ 2,813 | \$ 2,689 | \$ 2,616 | \$ 2,540 | \$ 2,559 | \$ 2,496 | \$ 2,424 | \$ 2,341 |
| Contributions as a percentage of covered payroll | 24.6% | 22.5% | 19.4% | 18.5% | 17.4% | 17.3% | 16.9% | 16.2% |
| UH | | | | | | | | |
| Statorily required contribution | \$ 147 | \$ 134 | \$ 115 | \$ 111 | \$ 99 | \$ 97 | \$ 94 | \$ 88 |
| Contributions in relation to the contractually required contribution | <u>147</u> | <u>134</u> | <u>115</u> | <u>111</u> | <u>99</u> | <u>97</u> | <u>94</u> | <u>88</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 606 | \$ 606 | \$ 603 | \$ 592 | \$ 587 | \$ 569 | \$ 565 | \$ 551 |
| Contributions as a percentage of covered payroll | 24.3% | 22.1% | 19.1% | 18.8% | 16.9% | 17.0% | 16.6% | 16.0% |

* Information for 2012–2013 is unavailable.

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service cost | \$ 246,846 | \$ 236,384 | \$ 229,157 | \$ 220,828 |
| Interest | 792,683 | 745,104 | 709,522 | 670,530 |
| Differences between expected and actual experience | (725,733) | (6,204) | (209,802) | - |
| Changes of assumptions or other inputs | (59,421) | 59,886 | 126,979 | - |
| Benefit payments | <u>(364,565)</u> | <u>(356,827)</u> | <u>(345,476)</u> | <u>(331,522)</u> |
| Net change in total OPEB liability | (110,190) | 678,343 | 510,380 | 559,836 |
| Total OPEB liability – beginning | <u>11,382,909</u> | <u>10,704,566</u> | <u>10,194,186</u> | <u>9,634,350</u> |
| Total OPEB liability – ending | <u>\$ 11,272,719</u> | <u>\$ 11,382,909</u> | <u>\$ 10,704,566</u> | <u>\$ 10,194,186</u> |
| Plan fiduciary net position | | | | |
| Employer contributions | \$ 814,659 | \$ 787,110 | \$ 682,605 | \$ 659,271 |
| Net investment income | 43,497 | 71,563 | 78,648 | 66,007 |
| Benefit payments | (364,565) | (356,827) | (345,476) | (331,522) |
| Administrative expense | (307) | (492) | (258) | (169) |
| Other | <u>273</u> | <u>165,770</u> | <u>-</u> | <u>5,300</u> |
| Net change in plan fiduciary net position | 493,557 | 667,124 | 415,519 | 398,887 |
| Plan fiduciary net position – beginning | <u>1,962,159</u> | <u>1,295,035</u> | <u>879,516</u> | <u>480,629</u> |
| Plan fiduciary net position – ending | <u>\$ 2,455,716</u> | <u>\$ 1,962,159</u> | <u>\$ 1,295,035</u> | <u>\$ 879,516</u> |
| Net OPEB liability – ending | <u>\$ 8,817,003</u> | <u>\$ 9,420,750</u> | <u>\$ 9,409,531</u> | <u>\$ 9,314,670</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 27.85% | 20.83% | 13.76% | 9.44% |
| Covered payroll | \$ 2,688,865 | \$ 2,615,866 | \$ 2,539,755 | \$ 2,559,162 |
| Net OPEB liability as a percentage of covered payroll | 327.91% | 360.14% | 370.49% | 363.97% |

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

* Information for 2012–2017 is unavailable.

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

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

| | |
|-------------------------------|--|
| Actuarial valuation date | July 1, 2019 |
| Actuarial cost method | Entry age normal |
| Amortization method** | Level percent, closed |
| Remaining amortization period | 24 years |
| Asset valuation method | Market |
| Actuarial assumptions | |
| Investment rate of return | 7.0% |
| Projected salary increases | 3.5% |
| Healthcare inflation rates | |
| PPO*** | 10.0% initial, 4.86% after 13 years |
| HMO*** | 10.0% initial, 4.86% after 13 years |
| Dental | 5% initial rate for first three years, declining to 4.0% for all future years |
| Vision | 0.0% initial rate for first three years, then 2.5% for all future years |
| Medicare Part B | 4.0% and 5.0% initial, 4.7% after 12 years |

* Information for 2012–2017 is unavailable.

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

*** Blended rates for medical and prescription drugs.

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SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2021

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- **Highways** – Accounts for programs related to maintaining and operating land transportation facilities.
- **Natural Resources** – Accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.
- **Health** – Accounts for programs related to mental health, nutrition services, communicable disease, and for other public health services.
- **Human Services** – Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.
- **Education** – Accounts for programs related to instructional education, school food services, and student driver education.
- **Economic Development** – Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.
- **Employment** – Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.
- **Regulatory** – Accounts for programs related to consumer protection, business registration, and cable television regulation.
- **Hawaiian Programs** – Accounts for programs related to the betterment of the conditions of native Hawaiians.
- **All Other** – Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund

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

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021
(Amounts in thousands)

| | Special Revenue Funds | | | | | |
|--|-----------------------|-------------------|-------------------|-------------------|-------------------|----------------------|
| | Highways | Natural Resources | Health | Human Services | Education | Economic Development |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 73,151 | \$ 64,023 | \$ 50,755 | \$ 15,315 | \$ 184,799 | \$ 113,644 |
| Notes and loans receivable, net | - | 21,165 | - | - | - | 62,530 |
| Due from federal government | - | - | - | 37,856 | - | - |
| Due from other funds | - | - | - | - | - | - |
| Investments | 248,660 | 138,219 | 170,766 | 50,659 | 141,287 | 11,003 |
| Total assets | <u>\$ 321,811</u> | <u>\$ 223,407</u> | <u>\$ 221,521</u> | <u>\$ 103,830</u> | <u>\$ 326,086</u> | <u>\$ 187,177</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Vouchers and contracts payable | \$ 38,162 | \$ 2,385 | \$ 19,021 | \$ 16,149 | \$ 11,008 | \$ 1,143 |
| Other accrued liabilities | 6,722 | 2,268 | 11,503 | 540 | 23,595 | 438 |
| Due to other funds | - | 4,890 | - | 78,179 | - | - |
| Payable from restricted assets – Matured bonds and interest payable | - | - | - | - | - | - |
| Total liabilities | <u>44,884</u> | <u>9,543</u> | <u>30,524</u> | <u>94,868</u> | <u>34,603</u> | <u>1,581</u> |
| Fund balances | | | | | | |
| Restricted | - | - | - | - | - | - |
| Committed | - | - | 112,480 | - | - | - |
| Assigned | 276,927 | 213,864 | 78,517 | 8,962 | 291,483 | 185,596 |
| Total fund balances | <u>276,927</u> | <u>213,864</u> | <u>190,997</u> | <u>8,962</u> | <u>291,483</u> | <u>185,596</u> |
| Total liabilities and fund balances | <u>\$ 321,811</u> | <u>\$ 223,407</u> | <u>\$ 221,521</u> | <u>\$ 103,830</u> | <u>\$ 326,086</u> | <u>\$ 187,177</u> |

See accompanying independent auditors' report.

| Employment | Regulatory | Hawaiian Programs | All Other | Total | Debt Service Fund | Total Nonmajor Governmental Funds |
|-------------------|-------------------|--------------------------|-------------------|---------------------|--------------------------|--|
| \$ 39,699 | \$ 36,625 | \$ 67,152 | \$ 42,610 | \$ 687,773 | \$ 335 | \$ 688,108 |
| - | - | 61,246 | - | 144,941 | - | 144,941 |
| - | - | - | - | 37,856 | - | 37,856 |
| - | - | - | - | - | 247 | 247 |
| 34,340 | 107,508 | 262,138 | 84,566 | 1,249,146 | - | 1,249,146 |
| \$ 74,039 | \$ 144,133 | \$ 390,536 | \$ 127,176 | \$ 2,119,716 | \$ 582 | \$ 2,120,298 |
| \$ 5,268 | \$ 554 | \$ 5,166 | \$ 23,167 | \$ 122,023 | \$ - | \$ 122,023 |
| 3,042 | 3,248 | - | 2,983 | 54,339 | - | 54,339 |
| - | - | - | 110 | 83,179 | - | 83,179 |
| - | - | - | - | - | 335 | 335 |
| 8,310 | 3,802 | 5,166 | 26,260 | 259,541 | 335 | 259,876 |
| - | - | - | - | - | 247 | 247 |
| - | 85,257 | - | - | 197,737 | - | 197,737 |
| 65,729 | 55,074 | 385,370 | 100,916 | 1,662,438 | - | 1,662,438 |
| 65,729 | 140,331 | 385,370 | 100,916 | 1,860,175 | 247 | 1,860,422 |
| \$ 74,039 | \$ 144,133 | \$ 390,536 | \$ 127,176 | \$ 2,119,716 | \$ 582 | \$ 2,120,298 |

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2021
(Amounts in thousands)

| | Special Revenue Funds | | | | | |
|---|-----------------------|-------------------|-------------------|------------------|-------------------|----------------------|
| | Highways | Natural Resources | Health | Human Services | Education | Economic Development |
| Revenues | | | | | | |
| Taxes | | | | | | |
| Franchise tax | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Tobacco and liquor taxes | - | - | 21,950 | - | - | - |
| Liquid fuel tax | 67,674 | 204 | - | - | - | - |
| Tax on premiums of insurance companies | - | - | - | - | - | - |
| Vehicle weight and registration tax | 137,526 | - | 5,716 | - | - | - |
| Rental motor/tour vehicle surcharge tax | 32,201 | - | - | - | - | - |
| Other | - | 9,949 | 1,117 | - | - | 1,210 |
| Total taxes | <u>237,401</u> | <u>10,153</u> | <u>28,783</u> | <u>-</u> | <u>-</u> | <u>1,210</u> |
| Interest and investment income | 1,297 | 1,747 | 1,479 | 13 | 356 | 809 |
| Charges for current services | 4,402 | 35,994 | 47,849 | 231 | 6,275 | 15,228 |
| Intergovernmental | 145,454 | 24,866 | 136,191 | 1,255,790 | 338,234 | 13,649 |
| Rentals | 1,252 | 9,623 | - | - | 398 | 1,430 |
| Fines, forfeitures and penalties | 4,680 | 276 | 1,459 | - | - | - |
| Licenses and fees | 2,125 | 686 | 2,713 | 62 | 1 | 14 |
| Revenues from private sources | - | 26 | 37,145 | 34 | 8,250 | 1,699 |
| Other | 128,930 | 2,022 | - | 1,997 | 15,336 | 8,511 |
| Total revenues | <u>525,541</u> | <u>85,393</u> | <u>255,619</u> | <u>1,258,127</u> | <u>368,850</u> | <u>42,550</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | - | 8,376 | 73,263 | 4,650 | 14,100 | 75,049 |
| Public safety | - | 1,941 | - | - | - | - |
| Highways | 312,415 | - | - | - | - | - |
| Conservation of natural resources | - | 57,248 | - | - | - | - |
| Health | - | - | 242,921 | - | - | - |
| Welfare | - | - | - | 1,236,365 | - | - |
| Lower education | - | - | - | - | 493,770 | - |
| Other education | - | - | - | 13,817 | - | - |
| Culture and recreation | - | 9,840 | - | - | 2,652 | - |
| Urban redevelopment and housing | - | - | - | 1,379 | - | - |
| Economic development and assistance | - | 2,825 | - | 189 | - | 57,365 |
| Other | 911 | - | 5,558 | - | - | - |
| Debt service | - | - | - | - | - | - |
| Total expenditures | <u>313,326</u> | <u>80,230</u> | <u>321,742</u> | <u>1,256,400</u> | <u>510,522</u> | <u>132,414</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>212,215</u> | <u>5,163</u> | <u>(66,123)</u> | <u>1,727</u> | <u>(141,672)</u> | <u>(89,864)</u> |
| Other financing sources (uses) | | | | | | |
| Issuance of GO and refunding GO bonds – par | - | - | - | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - | - |
| Transfers in | 53 | 3,111 | 41,988 | 18,488 | 145,512 | 108,957 |
| Transfers out | (115,487) | (37,423) | (50,107) | (22,311) | (2,009) | (16,141) |
| Total other financing sources (uses) | <u>(115,434)</u> | <u>(34,312)</u> | <u>(8,119)</u> | <u>(3,823)</u> | <u>143,503</u> | <u>92,816</u> |
| Net change in fund balances | <u>96,781</u> | <u>(29,149)</u> | <u>(74,242)</u> | <u>(2,096)</u> | <u>1,831</u> | <u>2,952</u> |
| Fund balances | | | | | | |
| Beginning of year | 155,486 | 168,884 | 238,313 | 5,641 | 191,276 | 171,388 |
| Adjustment for change in accounting principle | 24,660 | 74,129 | 26,926 | 5,417 | 98,376 | 11,256 |
| Beginning of year, as restated | <u>180,146</u> | <u>243,013</u> | <u>265,239</u> | <u>11,058</u> | <u>289,652</u> | <u>182,644</u> |
| End of year | <u>\$ 276,927</u> | <u>\$ 213,864</u> | <u>\$ 190,997</u> | <u>\$ 8,962</u> | <u>\$ 291,483</u> | <u>\$ 185,596</u> |

See accompanying independent auditors' report.

| <u>Employment</u> | <u>Regulatory</u> | <u>Hawaiian Programs</u> | <u>All Other</u> | <u>Total</u> | <u>Debt Service Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
|-------------------|-------------------|--------------------------|-------------------|---------------------|--------------------------|--|
| \$ - | \$ 2,000 | \$ - | \$ - | \$ 2,000 | \$ - | \$ 2,000 |
| - | - | - | - | 21,950 | - | 21,950 |
| - | - | - | 1,473 | 69,351 | - | 69,351 |
| - | 2,659 | - | - | 2,659 | - | 2,659 |
| - | - | - | - | 143,242 | - | 143,242 |
| - | - | - | - | 32,201 | - | 32,201 |
| 1,273 | - | - | - | 13,549 | - | 13,549 |
| <u>1,273</u> | <u>4,659</u> | <u>-</u> | <u>1,473</u> | <u>284,952</u> | <u>-</u> | <u>284,952</u> |
| 18 | 622 | 5,263 | 177 | 11,781 | - | 11,781 |
| 2,363 | 29,096 | 2,412 | 34,776 | 178,626 | - | 178,626 |
| 47,236 | 36 | 4,938 | 76,257 | 2,042,651 | - | 2,042,651 |
| - | - | 16,565 | 1,562 | 30,830 | - | 30,830 |
| 2 | 4,456 | - | 1,801 | 12,674 | - | 12,674 |
| - | 34,999 | - | 933 | 41,533 | - | 41,533 |
| - | - | 3,000 | 34 | 50,188 | - | 50,188 |
| - | 1,061 | 11,004 | 35,985 | 204,846 | - | 204,846 |
| <u>50,892</u> | <u>74,929</u> | <u>43,182</u> | <u>152,998</u> | <u>2,858,081</u> | <u>-</u> | <u>2,858,081</u> |
| - | 12,884 | - | 25,017 | 213,339 | - | 213,339 |
| 1,828 | 46,513 | - | 174,913 | 225,195 | - | 225,195 |
| - | - | - | - | 312,415 | - | 312,415 |
| - | - | - | - | 57,248 | - | 57,248 |
| - | - | - | - | 242,921 | - | 242,921 |
| - | - | - | 1,393 | 1,237,758 | - | 1,237,758 |
| - | - | - | - | 493,770 | - | 493,770 |
| - | - | - | - | 13,817 | - | 13,817 |
| - | - | - | 15,851 | 28,343 | - | 28,343 |
| - | - | 53,140 | - | 54,519 | - | 54,519 |
| 80,558 | - | - | - | 140,937 | - | 140,937 |
| 3,495 | - | - | - | 9,964 | - | 9,964 |
| - | - | - | - | - | 853,533 | 853,533 |
| <u>85,881</u> | <u>59,397</u> | <u>53,140</u> | <u>217,174</u> | <u>3,030,226</u> | <u>853,533</u> | <u>3,883,759</u> |
| <u>(34,989)</u> | <u>15,532</u> | <u>(9,958)</u> | <u>(64,176)</u> | <u>(172,145)</u> | <u>(853,533)</u> | <u>(1,025,678)</u> |
| - | - | - | - | - | 400,000 | 400,000 |
| - | - | - | - | - | (400,000) | (400,000) |
| 24,809 | 1,016 | - | 104,279 | 448,213 | 853,628 | 1,301,841 |
| (345) | (4,785) | (3,001) | (1,860) | (253,469) | - | (253,469) |
| <u>24,464</u> | <u>(3,769)</u> | <u>(3,001)</u> | <u>102,419</u> | <u>194,744</u> | <u>853,628</u> | <u>1,048,372</u> |
| (10,525) | 11,763 | (12,959) | 38,243 | 22,599 | 95 | 22,694 |
| 17,014 | 107,462 | 393,280 | 42,207 | 1,490,951 | 152 | 1,491,103 |
| 59,240 | 21,106 | 5,049 | 20,466 | 346,625 | - | 346,625 |
| <u>76,254</u> | <u>128,568</u> | <u>398,329</u> | <u>62,673</u> | <u>1,837,576</u> | <u>152</u> | <u>1,837,728</u> |
| <u>\$ 65,729</u> | <u>\$ 140,331</u> | <u>\$ 385,370</u> | <u>\$ 100,916</u> | <u>\$ 1,860,175</u> | <u>\$ 247</u> | <u>\$ 1,860,422</u> |

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2021
(Amounts in thousands)

| | Highways | | | Natural Resources | | |
|---|--------------------|--------------------------|--|--------------------|--------------------------|--|
| | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
| Revenue | | | | | | |
| Taxes | | | | | | |
| Liquid fuel tax – Highways | \$ 83,972 | \$ 67,674 | \$ (16,298) | \$ 250 | \$ 204 | \$ (46) |
| Vehicle registration fee tax | 46,712 | 49,380 | 2,668 | - | 1,473 | 1,473 |
| State vehicle weight tax | 84,908 | 88,146 | 3,238 | - | - | - |
| Rental/tour vehicle surcharge tax | 58,573 | 32,201 | (26,372) | - | - | - |
| Employment and training fund assessment | - | - | - | - | - | - |
| Tobacco tax | - | - | - | - | - | - |
| Conveyances tax | - | - | - | 6,800 | 5,100 | (1,700) |
| Environmental response tax | - | - | - | 3,800 | 3,349 | (451) |
| Transient accommodations tax | - | - | - | 4,500 | 1,500 | (3,000) |
| Franchise tax | - | - | - | - | - | - |
| Tax on premiums of insurance companies | - | - | - | - | - | - |
| Total taxes | <u>274,165</u> | <u>237,401</u> | <u>(36,764)</u> | <u>15,350</u> | <u>11,626</u> | <u>(3,724)</u> |
| Non-taxes | | | | | | |
| Interest and investment income | 2,786 | 1,264 | (1,522) | 1,244 | 1,344 | 100 |
| Charges for current services | 50,204 | 39,603 | (10,601) | 37,635 | 49,697 | 12,062 |
| Intergovernmental | - | 1,336 | 1,336 | - | 36 | 36 |
| Rentals | 1,000 | 1,252 | 252 | 8,827 | 11,185 | 2,358 |
| Fines, forfeitures and penalties | 4,733 | 4,680 | (53) | 82 | 351 | 269 |
| Licenses and fees | 2,153 | 2,125 | (28) | 829 | 689 | (140) |
| Revenues from private sources | - | - | - | 336 | 26 | (310) |
| Other | 56 | 22,954 | 22,898 | 3,770 | 11,710 | 7,940 |
| Total non-taxes | <u>60,932</u> | <u>73,214</u> | <u>12,282</u> | <u>52,723</u> | <u>75,038</u> | <u>22,315</u> |
| Total revenues | <u>335,097</u> | <u>310,615</u> | <u>(24,482)</u> | <u>68,073</u> | <u>86,664</u> | <u>18,591</u> |
| Expenditures | | | | | | |
| Department | | | | | | |
| Agriculture | - | - | - | 34,634 | 24,418 | 10,216 |
| Business, Economic Development and Tourism | - | - | - | - | - | - |
| Commerce and Consumer Affairs | - | - | - | - | - | - |
| Defense | - | - | - | - | - | - |
| Education | - | - | - | - | - | - |
| Hawaiian Home Lands | - | - | - | - | - | - |
| Health | - | - | - | - | - | - |
| Human Services | - | - | - | - | - | - |
| Judiciary | - | - | - | - | - | - |
| Labor and Industrial Relations | - | - | - | - | - | - |
| Land and Natural Resources | - | - | - | 69,181 | 47,922 | 21,259 |
| Public Safety | - | - | - | - | - | - |
| Legislature | - | - | - | - | - | - |
| Transportation – Highways | 363,045 | 251,875 | 111,170 | - | - | - |
| Total expenditures | <u>363,045</u> | <u>251,875</u> | <u>111,170</u> | <u>103,815</u> | <u>72,340</u> | <u>31,475</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (27,948)</u> | <u>\$ 58,740</u> | <u>\$ 86,688</u> | <u>\$ (35,742)</u> | <u>\$ 14,324</u> | <u>\$ 50,066</u> |

See accompanying independent auditors' report.

| Health | | | Human Services | | |
|----------------|--------------------------|--|----------------|--------------------------|--|
| Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5,745 | 5,716 | (29) | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 23,906 | 21,950 | (1,956) | - | - | - |
| - | - | - | - | - | - |
| 1,291 | 1,116 | (175) | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>30,942</u> | <u>28,782</u> | <u>(2,160)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 5,765 | 997 | (4,768) | - | 12 | 12 |
| 96,138 | 89,094 | (7,044) | 305 | 231 | (74) |
| 24,860 | 4,508 | (20,352) | 240 | 749 | 509 |
| - | - | - | - | - | - |
| 1,388 | 1,459 | 71 | - | - | - |
| 3,753 | 2,713 | (1,040) | 128 | 62 | (66) |
| 36,030 | 37,145 | 1,115 | 35 | 34 | (1) |
| 46,190 | 3,444 | (42,746) | 1,000 | 1,138 | 138 |
| <u>214,124</u> | <u>139,360</u> | <u>(74,764)</u> | <u>1,708</u> | <u>2,226</u> | <u>518</u> |
| <u>245,066</u> | <u>168,142</u> | <u>(76,924)</u> | <u>1,708</u> | <u>2,226</u> | <u>518</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 228,759 | 198,260 | 30,499 | - | - | - |
| - | - | - | 27,335 | 22,689 | 4,646 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>228,759</u> | <u>198,260</u> | <u>30,499</u> | <u>27,335</u> | <u>22,689</u> | <u>4,646</u> |
| \$ 16,307 | \$ (30,118) | \$ (46,425) | \$ (25,627) | \$ (20,463) | \$ 5,164 |

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2021
(Amounts in thousands)

| | Education | | | Economic Development | | |
|---|--------------|--------------------------|--|----------------------|--------------------------|--|
| | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
| Revenue | | | | | | |
| Taxes | | | | | | |
| Liquid fuel tax – Highways | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Vehicle registration fee tax | - | - | - | - | - | - |
| State vehicle weight tax | - | - | - | - | - | - |
| Rental/tour vehicle surcharge tax | - | - | - | - | - | - |
| Employment and training fund assessment | - | - | - | - | - | - |
| Tobacco tax | - | - | - | - | - | - |
| Conveyances tax | - | - | - | - | - | - |
| Environmental response tax | - | - | - | 1,300 | 1,210 | (90) |
| Transient accommodations tax | - | - | - | - | - | - |
| Franchise tax | - | - | - | - | - | - |
| Tax on premiums of insurance companies | - | - | - | - | - | - |
| Total taxes | - | - | - | 1,300 | 1,210 | (90) |
| Non-taxes | | | | | | |
| Interest and investment income | 185 | 179 | (6) | 2,799 | 786 | (2,013) |
| Charges for current services | 44,638 | 5,615 | (39,023) | 16,626 | 15,228 | (1,398) |
| Intergovernmental | 150 | 4,478 | 4,328 | - | 5,118 | 5,118 |
| Rentals | 90 | 398 | 308 | 2,076 | 1,430 | (646) |
| Fines, forfeitures and penalties | - | - | - | - | - | - |
| Licenses and fees | - | 1 | 1 | 5 | 13 | 8 |
| Revenues from private sources | 75 | 75 | - | 3,032 | 1,699 | (1,333) |
| Other | 2,452 | 6,512 | 4,060 | 3,476 | 5,126 | 1,650 |
| Total non-taxes | 47,590 | 17,258 | (30,332) | 28,014 | 29,400 | 1,386 |
| Total revenues | 47,590 | 17,258 | (30,332) | 29,314 | 30,610 | 1,296 |
| Expenditures | | | | | | |
| Department | | | | | | |
| Agriculture | - | - | - | - | - | - |
| Business, Economic Development and Tourism | - | - | - | 227,966 | 149,821 | 78,145 |
| Commerce and Consumer Affairs | - | - | - | - | - | - |
| Defense | - | - | - | - | - | - |
| Education | 106,572 | 25,218 | 81,354 | - | - | - |
| Hawaiian Home Lands | - | - | - | - | - | - |
| Health | - | - | - | - | - | - |
| Human Services | - | - | - | - | - | - |
| Judiciary | - | - | - | - | - | - |
| Labor and Industrial Relations | - | - | - | - | - | - |
| Land and Natural Resources | - | - | - | - | - | - |
| Public Safety | - | - | - | - | - | - |
| Legislature | - | - | - | - | - | - |
| Transportation – Highways | - | - | - | - | - | - |
| Total expenditures | 106,572 | 25,218 | 81,354 | 227,966 | 149,821 | 78,145 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (58,982) | \$ (7,960) | \$ 51,022 | \$ (198,652) | \$ (119,211) | \$ 79,441 |

See accompanying independent auditors' report.

| Employment | | | Regulatory | | |
|--------------------|--------------------------|--|--------------------|--------------------------|--|
| Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 1,349 | 1,292 | (57) | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 2,000 | 2,000 | - |
| - | - | - | 2,500 | 2,662 | 162 |
| <u>1,349</u> | <u>1,292</u> | <u>(57)</u> | <u>4,500</u> | <u>4,662</u> | <u>162</u> |
| 11,500 | 49 | (11,451) | 314 | 769 | 455 |
| 2,230 | 2,357 | 127 | 27,623 | 26,966 | (657) |
| - | 1,084 | 1,084 | - | - | - |
| - | - | - | - | - | - |
| 1 | 1,981 | 1,980 | 2,850 | 7,704 | 4,854 |
| - | - | - | 36,574 | 35,846 | (728) |
| - | - | - | - | - | - |
| - | - | - | 2,121 | - | (2,121) |
| <u>13,731</u> | <u>5,471</u> | <u>(8,260)</u> | <u>69,482</u> | <u>71,285</u> | <u>1,803</u> |
| <u>15,080</u> | <u>6,763</u> | <u>(8,317)</u> | <u>73,982</u> | <u>75,947</u> | <u>1,965</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 87,875 | 72,023 | 15,852 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 38,910 | 23,225 | 15,685 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>38,910</u> | <u>23,225</u> | <u>15,685</u> | <u>87,875</u> | <u>72,023</u> | <u>15,852</u> |
| <u>\$ (23,830)</u> | <u>\$ (16,462)</u> | <u>\$ 7,368</u> | <u>\$ (13,893)</u> | <u>\$ 3,924</u> | <u>\$ 17,817</u> |

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2021
(Amounts in thousands)

| | Hawaiian Programs | | | All Other | | |
|---|-------------------|--------------------------|--|--------------|--------------------------|--|
| | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) | Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
| Revenue | | | | | | |
| Taxes | | | | | | |
| Liquid fuel tax – Highways | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Vehicle registration fee tax | - | - | - | - | - | - |
| State vehicle weight tax | - | - | - | - | - | - |
| Rental/tour vehicle surcharge tax | - | - | - | - | - | - |
| Employment and training fund assessment | - | - | - | - | - | - |
| Tobacco tax | - | - | - | - | - | - |
| Conveyances tax | - | - | - | - | - | - |
| Environmental response tax | - | - | - | - | - | - |
| Transient accommodations tax | - | - | - | - | - | - |
| Franchise tax | - | - | - | - | - | - |
| Tax on premiums of insurance companies | - | - | - | - | - | - |
| Total taxes | - | - | - | - | - | - |
| Non-taxes | | | | | | |
| Interest and investment income | 80 | 187 | 107 | 46 | 43 | (3) |
| Charges for current services | - | 12 | 12 | 8,719 | 20,816 | 12,097 |
| Intergovernmental | - | - | - | 586 | 1,675 | 1,089 |
| Rentals | 16,938 | 15,346 | (1,592) | - | - | - |
| Fines, forfeitures and penalties | - | - | - | 2,181 | 1,723 | (458) |
| Licenses and fees | - | - | - | 948 | 930 | (18) |
| Revenues from private sources | - | 3,000 | 3,000 | 36 | 34 | (2) |
| Other | 3,610 | 7,856 | 4,246 | 5,462 | 11,546 | 6,084 |
| Total non-taxes | 20,628 | 26,401 | 5,773 | 17,978 | 36,767 | 18,789 |
| Total revenues | 20,628 | 26,401 | 5,773 | 17,978 | 36,767 | 18,789 |
| Expenditures | | | | | | |
| Department | | | | | | |
| Agriculture | - | - | - | - | - | - |
| Business, Economic Development and Tourism | - | - | - | - | - | - |
| Commerce and Consumer Affairs | - | - | - | - | - | - |
| Defense | - | - | - | 61,000 | 51,667 | 9,333 |
| Education | - | - | - | - | - | - |
| Hawaiian Home Lands | 30,345 | 24,192 | 6,153 | - | - | - |
| Health | - | - | - | - | - | - |
| Human Services | - | - | - | - | - | - |
| Judiciary | - | - | - | 16,785 | 9,971 | 6,814 |
| Labor and Industrial Relations | - | - | - | - | - | - |
| Land and Natural Resources | - | - | - | - | - | - |
| Public Safety | - | - | - | 25,230 | 16,569 | 8,661 |
| Legislature | - | - | - | 7,121 | 6,688 | 433 |
| Transportation – Highways | - | - | - | - | - | - |
| Total expenditures | 30,345 | 24,192 | 6,153 | 110,136 | 84,895 | 25,241 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (9,717) | \$ 2,209 | \$ 11,926 | \$ (92,158) | \$ (48,128) | \$ 44,030 |

See accompanying independent auditors' report.

| Total Special Revenue Funds | | |
|-----------------------------|--------------------------|--|
| Final Budget | Actual (Budgetary Basis) | Variance With Final Budget Positive (Negative) |
| \$ 84,222 | \$ 67,878 | \$ (16,344) |
| 52,457 | 56,569 | 4,112 |
| 84,908 | 88,146 | 3,238 |
| 58,573 | 32,201 | (26,372) |
| 1,349 | 1,292 | (57) |
| 23,906 | 21,950 | (1,956) |
| 6,800 | 5,100 | (1,700) |
| 6,391 | 5,675 | (716) |
| 4,500 | 1,500 | (3,000) |
| 2,000 | 2,000 | - |
| 2,500 | 2,662 | 162 |
| <u>327,606</u> | <u>284,973</u> | <u>(42,633)</u> |
| 24,719 | 5,630 | (19,089) |
| 284,118 | 249,619 | (34,499) |
| 25,836 | 18,984 | (6,852) |
| 28,931 | 29,611 | 680 |
| 11,235 | 17,898 | 6,663 |
| 44,390 | 42,379 | (2,011) |
| 39,544 | 42,013 | 2,469 |
| 68,137 | 70,286 | 2,149 |
| <u>526,910</u> | <u>476,420</u> | <u>(50,490)</u> |
| <u>854,516</u> | <u>761,393</u> | <u>(93,123)</u> |
| 34,634 | 24,418 | 10,216 |
| 227,966 | 149,821 | 78,145 |
| 87,875 | 72,023 | 15,852 |
| 61,000 | 51,667 | 9,333 |
| 106,572 | 25,218 | 81,354 |
| 30,345 | 24,192 | 6,153 |
| 228,759 | 198,260 | 30,499 |
| 27,335 | 22,689 | 4,646 |
| 16,785 | 9,971 | 6,814 |
| 38,910 | 23,225 | 15,685 |
| 69,181 | 47,922 | 21,259 |
| 25,230 | 16,569 | 8,661 |
| 7,121 | 6,688 | 433 |
| <u>363,045</u> | <u>251,875</u> | <u>111,170</u> |
| <u>1,324,758</u> | <u>924,538</u> | <u>400,220</u> |
| <u>\$ (470,242)</u> | <u>\$ (163,145)</u> | <u>\$ 307,097</u> |

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2021
(Amounts in thousands)

| | |
|--|---------------------|
| Excess of revenues and other sources over expenditures – actual (budgetary basis) | \$ (163,145) |
| Reserve for encumbrance at year end* | 159,425 |
| Expenditures for liquidation of prior fiscal year encumbrances | (667,369) |
| Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds | 283,687 |
| Transfers | 212,284 |
| Accrued liabilities | (984,500) |
| Accrued revenues | 987,473 |
| Excess of expenditures over revenues – GAAP basis | <u>\$ (172,145)</u> |

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

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2021
(Amounts in thousands)

| | Employer- Union Trust Fund | Water Pollution Control Revolving Fund | Drinking Water Treatment Revolving Loan Fund | Total Nonmajor Proprietary Funds |
|--|----------------------------------|--|---|--|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 25,716 | \$ 87,143 | \$ 21,024 | \$ 133,883 |
| Investments | 141,532 | - | - | 141,532 |
| Receivables | | | | |
| Accounts and accrued interest | - | 373 | 189 | 562 |
| Promissory note receivable | - | 38,993 | 14,432 | 53,425 |
| Federal government | - | - | 220 | 220 |
| Premiums | 67,869 | - | - | 67,869 |
| Other | 24,872 | 1,319 | 822 | 27,013 |
| Prepaid expenses and other assets | 5,320 | - | - | 5,320 |
| Total current assets | <u>265,309</u> | <u>127,828</u> | <u>36,687</u> | <u>429,824</u> |
| Capital assets | 15,627 | 702 | 2,763 | 19,092 |
| Less: Accumulated depreciation | (10,420) | (386) | (2,284) | (13,090) |
| Net capital assets | 5,207 | 316 | 479 | 6,002 |
| Promissory note receivable | - | 446,159 | 205,401 | 651,560 |
| Total noncurrent assets | <u>5,207</u> | <u>446,475</u> | <u>205,880</u> | <u>657,562</u> |
| Total assets | <u>270,516</u> | <u>574,303</u> | <u>242,567</u> | <u>1,087,386</u> |
| Deferred outflows of resources | | | | |
| Deferred outflows on net pension liability | 1,301 | 913 | 453 | 2,667 |
| Deferred outflows on net other postemployment benefits liability | 531 | 233 | 161 | 925 |
| Total deferred outflows of resources | <u>\$ 1,832</u> | <u>\$ 1,146</u> | <u>\$ 614</u> | <u>\$ 3,592</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Vouchers and contracts payable | \$ 749 | \$ 163 | \$ 538 | \$ 1,450 |
| Other accrued liabilities | 917 | - | - | 917 |
| Benefits claims payable | 6,021 | - | - | 6,021 |
| Accrued vacation, current portion | 131 | 75 | 50 | 256 |
| Premiums payable | 46,411 | - | - | 46,411 |
| Total current liabilities | <u>54,229</u> | <u>238</u> | <u>588</u> | <u>55,055</u> |
| Noncurrent liabilities | | | | |
| Accrued vacation | 468 | 224 | 143 | 835 |
| Net pension liability | 7,096 | 4,397 | 2,859 | 14,352 |
| Net other postemployment benefits liability | 6,963 | 3,515 | 2,653 | 13,131 |
| Total noncurrent liabilities | <u>14,527</u> | <u>8,136</u> | <u>5,655</u> | <u>28,318</u> |
| Total liabilities | <u>68,756</u> | <u>8,374</u> | <u>6,243</u> | <u>83,373</u> |
| Deferred inflows of resources | | | | |
| Deferred inflows on net pension liability | 26 | 10 | 361 | 397 |
| Deferred inflows on net other postemployment benefits liability | 663 | 277 | 214 | 1,154 |
| Total deferred inflows of resources | <u>689</u> | <u>287</u> | <u>575</u> | <u>1,551</u> |
| Net position | | | | |
| Net investment in capital assets | 5,207 | 316 | 479 | 6,002 |
| Restricted for bond requirements and other | - | 566,472 | 235,884 | 802,356 |
| Unrestricted | 197,696 | - | - | 197,696 |
| Total net position | <u>\$ 202,903</u> | <u>\$ 566,788</u> | <u>\$ 236,363</u> | <u>\$ 1,006,054</u> |

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2021
(Amounts in thousands)

| | Employer- Union Trust Fund | Water Pollution Control Revolving Fund | Drinking Water Treatment Revolving Loan Fund | Total Nonmajor Proprietary Funds |
|--|----------------------------------|--|---|--|
| Operating revenues | | | | |
| Administrative fees | \$ - | \$ 3,190 | \$ 2,486 | \$ 5,676 |
| Premium revenue – self insurance | 96,082 | - | - | 96,082 |
| Experience refunds, net | 36,505 | - | - | 36,505 |
| Other | 891 | 1,374 | 627 | 2,892 |
| Total operating revenues | <u>133,478</u> | <u>4,564</u> | <u>3,113</u> | <u>141,155</u> |
| Operating expenses | | | | |
| Personnel services | 6,119 | 1,794 | 1,189 | 9,102 |
| Depreciation | 105 | 138 | 222 | 465 |
| Repairs and maintenance | 197 | - | 142 | 339 |
| General administration | 3,011 | 999 | 1,090 | 5,100 |
| Claims | 81,523 | - | - | 81,523 |
| Other | 384 | 9 | 1,540 | 1,933 |
| Total operating expenses | <u>91,339</u> | <u>2,940</u> | <u>4,183</u> | <u>98,462</u> |
| Operating income (loss) | 42,139 | 1,624 | (1,070) | 42,693 |
| Nonoperating revenues | | | | |
| Interest and investment income | 2,219 | 605 | 149 | 2,973 |
| Other | - | - | 14 | 14 |
| Total nonoperating revenues | <u>2,219</u> | <u>605</u> | <u>163</u> | <u>2,987</u> |
| Income (loss) before capital contributions | 44,358 | 2,229 | (907) | 45,680 |
| Capital contributions | - | 14,793 | 13,817 | 28,610 |
| Change in net position | <u>44,358</u> | <u>17,022</u> | <u>12,910</u> | <u>74,290</u> |
| Net position | | | | |
| Beginning of year | 158,545 | 549,766 | 223,453 | 931,764 |
| End of year | <u>\$ 202,903</u> | <u>\$ 566,788</u> | <u>\$ 236,363</u> | <u>\$ 1,006,054</u> |

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2021
(Amounts in thousands)

| | Employer- Union Trust Fund | Water Pollution Control Revolving Fund | Drinking Water Treatment Revolving Loan Fund | Total Nonmajor Proprietary Funds |
|---|----------------------------------|--|---|--|
| Cash flows from operating activities | | | | |
| Cash received from employers and employees for premiums and benefits | \$ 675,114 | \$ - | \$ - | \$ 675,114 |
| Cash paid to suppliers | (2,857) | (118) | (1,318) | (4,293) |
| Cash paid to employees | (4,997) | (2,238) | (1,516) | (8,751) |
| Cash paid for premiums and benefits payable | (618,575) | - | - | (618,575) |
| Net cash provided by (used in) operating activities | <u>48,685</u> | <u>(2,356)</u> | <u>(2,834)</u> | <u>43,495</u> |
| Cash flows from capital financing activities | | | | |
| Purchase of equipment | (5,016) | - | - | (5,016) |
| Proceeds from federal, state and capital grants and contributions | - | 14,792 | 14,068 | 28,860 |
| Net cash provided by (used in) capital financing activities | <u>(5,016)</u> | <u>14,792</u> | <u>14,068</u> | <u>23,844</u> |
| Cash flows from investing activities | | | | |
| Purchase of investments | (54,398) | - | - | (54,398) |
| Principal repayments on notes receivable | - | 37,034 | 13,247 | 50,281 |
| Disbursement of notes receivable proceeds | - | (65,079) | (30,464) | (95,543) |
| Interest income from notes receivable | - | 1,358 | 557 | 1,915 |
| Administrative loan fees | - | 3,064 | 2,444 | 5,508 |
| Interest received from investments | - | 572 | 157 | 729 |
| Net cash used in investing activities | <u>(54,398)</u> | <u>(23,051)</u> | <u>(14,059)</u> | <u>(91,508)</u> |
| Net decrease in cash and cash equivalents | <u>(10,729)</u> | <u>(10,615)</u> | <u>(2,825)</u> | <u>(24,169)</u> |
| Cash and cash equivalents, including restricted amounts | | | | |
| Beginning of year | 36,445 | 97,758 | 23,849 | 158,052 |
| End of year | <u>\$ 25,716</u> | <u>\$ 87,143</u> | <u>\$ 21,024</u> | <u>\$ 133,883</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ 42,139 | \$ 1,624 | \$ (1,070) | \$ 42,693 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Depreciation | 105 | 138 | 222 | 465 |
| Principal forgiveness of loan | - | - | 949 | 949 |
| Interest income from loans | - | (1,373) | (627) | (2,000) |
| Administrative loan fees | - | (3,190) | (2,486) | (5,676) |
| Non-imposed fringe benefits | - | 23 | 12 | 35 |
| Premium reserves held by insurance companies | 3,961 | - | - | 3,961 |
| Change in assets, deferred outflows, liabilities and deferred inflows | | | | |
| Receivables | (1,138) | (13) | - | (1,151) |
| Prepaid and other expenses | (39) | - | - | (39) |
| Net deferred outflows/inflows of resources | 717 | 264 | 247 | 1,228 |
| Vouchers and contracts payable | 390 | 46 | (94) | 342 |
| Net pension liability | 727 | 352 | 177 | 1,256 |
| Other postemployment benefits liability | (537) | (227) | (164) | (928) |
| Other accrued liabilities | 1,691 | - | - | 1,691 |
| Benefits claim payable | 669 | - | - | 669 |
| Net cash provided by (used in) operating activities | <u>\$ 48,685</u> | <u>\$ (2,356)</u> | <u>\$ (2,834)</u> | <u>\$ 43,495</u> |

See accompanying independent auditors' report.

State of Hawaii
Fiduciary Funds
Combining Statement of Fiduciary Net Position – Custodial Funds
June 30, 2021
(Amounts in thousands)

| | <u>Tax Collections</u> | <u>Custodial and Clearance</u> | <u>Other</u> | <u>Total Custodial Funds</u> |
|---|----------------------------|------------------------------------|-------------------|--------------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 7,100 | \$ - | \$ 591,461 | \$ 598,561 |
| Receivables – taxes | - | - | 8,810 | 8,810 |
| Investments | 22,611 | 26,126 | 1,836 | 50,573 |
| Total assets | <u>\$ 29,711</u> | <u>\$ 26,126</u> | <u>\$ 602,107</u> | <u>\$ 657,944</u> |
| Liabilities | | | | |
| Vouchers payable | \$ 20,624 | \$ 17 | \$ 4,621 | \$ 25,262 |
| Due to individuals, businesses and counties | - | 105,950 | - | 105,950 |
| Total liabilities | <u>20,624</u> | <u>105,967</u> | <u>4,621</u> | <u>131,212</u> |
| Net position | <u>\$ 9,087</u> | <u>\$ (79,841)</u> | <u>\$ 597,486</u> | <u>\$ 526,732</u> |

See accompanying independent auditors' report.

State of Hawaii
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position – Custodial Funds
Year Ended June 30, 2021
(Amounts in thousands)

| | <u>Tax Collections</u> | <u>Custodial and Clearance</u> | <u>Other</u> | <u>Total Custodial Funds</u> |
|---|----------------------------|------------------------------------|-------------------|--------------------------------------|
| Additions | | | | |
| Tax collections | \$ 406,216 | \$ - | \$ - | \$ 406,216 |
| Custodial collections | - | 263,075 | - | 263,075 |
| Other collections | - | - | 717,760 | 717,760 |
| Total additions | <u>406,216</u> | <u>263,075</u> | <u>717,760</u> | <u>1,387,051</u> |
| Deductions | | | | |
| Tax disbursements | 416,014 | - | - | 416,014 |
| Custodial disbursements | - | 126,789 | - | 126,789 |
| Other disbursements | - | - | 451,579 | 451,579 |
| Total deductions | <u>416,014</u> | <u>126,789</u> | <u>451,579</u> | <u>994,382</u> |
| Change in net position | <u>(9,798)</u> | <u>136,286</u> | <u>266,181</u> | <u>392,669</u> |
| Net position | | | | |
| Beginning of year, as previously reported | - | - | - | - |
| Adjustment for change in accounting principle | 18,885 | (216,127) | 331,305 | 134,063 |
| Beginning of year, as restated | <u>18,885</u> | <u>(216,127)</u> | <u>331,305</u> | <u>134,063</u> |
| End of year | <u>\$ 9,087</u> | <u>\$ (79,841)</u> | <u>\$ 597,486</u> | <u>\$ 526,732</u> |

See accompanying independent auditors' report.

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

State of Hawaii
Statistical Section (Unaudited)
June 30, 2021

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

| <u>Contents</u> | <u>Page(s)</u> |
|---|----------------|
| Financial Trends Information: These schedules contain trend information to help the reader understand how the State’s financial performance and well-being have changed over time. | 162–171 |
| Revenue Capacity Information: These schedules contain information to help the reader assess the State’s most significant local revenue sources, the general excise tax and net income tax. | 172–179 |
| Debt Capacity Information: These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future. | 180–186 |
| Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the State’s financial activities take place. | 187–189 |
| Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the State’s financial report relates to the services provided and the activities performed by the State. | 190–195 |

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

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Governmental activities | | | | | |
| Net investment in capital assets | \$ 1,147,118 | \$ 2,478,200 | \$ 2,459,159 | \$ 2,661,730 | \$ 2,787,289 |
| Restricted | 2,755,923 | 2,345,000 | 2,089,246 | 2,028,259 | 1,799,903 |
| Unrestricted | <u>(12,136,654)</u> | <u>(12,518,653)</u> | <u>(11,830,687)</u> | <u>(11,381,725)</u> | <u>(7,996,567)</u> |
| Total governmental activities net position | <u>\$ (8,233,613)</u> | <u>\$ (7,695,453)</u> | <u>\$ (7,282,282)</u> | <u>\$ (6,691,736)</u> | <u>\$ (3,409,375)</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | \$ 2,637,031 | \$ 2,629,344 | \$ 2,459,973 | \$ 2,183,188 | \$ 2,022,844 |
| Restricted | 1,721,912 | 1,639,488 | 1,580,020 | 1,444,009 | 1,309,392 |
| Unrestricted | <u>(381,773)</u> | <u>251,266</u> | <u>1,018,193</u> | <u>1,075,059</u> | <u>1,141,536</u> |
| Total business-type activities net position | <u>\$ 3,977,170</u> | <u>\$ 4,520,098</u> | <u>\$ 5,058,186</u> | <u>\$ 4,702,256</u> | <u>\$ 4,473,772</u> |
| Primary government | | | | | |
| Net investment in capital assets | \$ 3,784,149 | \$ 5,107,544 | \$ 4,919,132 | \$ 4,844,918 | \$ 4,810,133 |
| Restricted | 4,477,835 | 3,984,488 | 3,669,266 | 3,472,268 | 3,109,295 |
| Unrestricted | <u>(12,518,427)</u> | <u>(12,267,387)</u> | <u>(10,812,494)</u> | <u>(10,306,666)</u> | <u>(6,855,031)</u> |
| Total primary government net position | <u>\$ (4,256,443)</u> | <u>\$ (3,175,355)</u> | <u>\$ (2,224,096)</u> | <u>\$ (1,989,480)</u> | <u>\$ 1,064,397</u> |

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

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

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

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

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

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|-----------------------|-----------------------|---------------------|---------------------|---------------------|
| \$ 2,727,055 | \$ 2,826,649 | \$ 2,772,220 | \$ 2,863,379 | \$ 2,794,481 |
| 1,591,701 | 1,445,824 | 1,128,678 | 1,051,548 | 930,294 |
| (7,190,837) | (7,379,890) | (3,096,065) | (2,669,391) | (2,394,874) |
| <u>\$ (2,872,081)</u> | <u>\$ (3,107,417)</u> | <u>\$ 804,833</u> | <u>\$ 1,245,536</u> | <u>\$ 1,329,901</u> |
| | | | | |
| \$ 1,871,554 | \$ 1,773,613 | \$ 1,653,902 | \$ 1,599,483 | \$ 1,560,267 |
| 1,305,799 | 1,227,441 | 1,160,551 | 1,068,146 | 966,042 |
| 1,058,108 | 995,207 | 1,050,981 | 899,740 | 649,583 |
| <u>\$ 4,235,461</u> | <u>\$ 3,996,261</u> | <u>\$ 3,865,434</u> | <u>\$ 3,567,369</u> | <u>\$ 3,175,892</u> |
| | | | | |
| \$ 4,598,609 | \$ 4,600,262 | \$ 4,426,122 | \$ 4,462,862 | \$ 4,354,748 |
| 2,897,500 | 2,673,265 | 2,289,229 | 2,119,694 | 1,896,336 |
| (6,132,729) | (6,384,683) | (2,045,084) | (1,769,651) | (1,745,291) |
| <u>\$ 1,363,380</u> | <u>\$ 888,844</u> | <u>\$ 4,670,267</u> | <u>\$ 4,812,905</u> | <u>\$ 4,505,793</u> |

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | |
|---|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Expenses | | | | | |
| Governmental activities | | | | | |
| General government | \$ 1,867,701 | \$ 1,129,769 | \$ 1,054,935 | \$ 920,547 | \$ 631,052 |
| Public safety | 772,470 | 642,353 | 675,663 | 639,888 | 552,671 |
| Highways | 531,130 | 531,105 | 552,741 | 614,847 | 457,374 |
| Conservation of natural resources | 115,658 | 109,093 | 224,266 | 118,637 | 161,924 |
| Health | 891,325 | 1,138,450 | 1,019,160 | 874,898 | 889,216 |
| Welfare | 4,579,544 | 3,678,820 | 3,379,304 | 3,542,771 | 3,481,679 |
| Lower education | 3,299,413 | 3,595,747 | 3,527,097 | 3,404,645 | 3,157,517 |
| Higher education | 984,734 | 1,050,582 | 950,253 | 950,843 | 899,199 |
| Other education | 20,593 | 16,936 | 18,376 | 23,827 | 27,248 |
| Culture and recreation | 374,727 | 155,261 | 110,711 | 89,647 | 106,875 |
| Urban redevelopment and housing | 449,870 | 246,495 | 179,794 | 392,921 | 245,819 |
| Economic development and assistance | 403,426 | 4,868 | 174,629 | 170,200 | 161,077 |
| Interest expense | 257,218 | 244,994 | 251,294 | 311,340 | 212,042 |
| Total governmental activities expenses | <u>14,547,809</u> | <u>12,544,473</u> | <u>12,118,223</u> | <u>12,055,011</u> | <u>10,983,693</u> |
| Business-type activities | | | | | |
| Airports | 600,867 | 559,374 | 469,321 | 429,884 | 408,517 |
| Harbors | 107,371 | 98,998 | 85,007 | 92,978 | 101,180 |
| Unemployment compensation | 4,005,272 | 2,147,598 | 165,134 | 177,009 | 173,735 |
| Nonmajor proprietary funds | 98,462 | 108,798 | 103,954 | 96,548 | 110,907 |
| Total business-type activities expenses | <u>4,811,972</u> | <u>2,914,768</u> | <u>823,416</u> | <u>796,419</u> | <u>794,339</u> |
| Total primary government expenses | <u>\$ 19,359,781</u> | <u>\$ 15,459,241</u> | <u>\$ 12,941,639</u> | <u>\$ 12,851,430</u> | <u>\$ 11,778,032</u> |
| Program revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| General government | \$ 229,268 | \$ 292,428 | \$ 302,275 | \$ 319,043 | \$ 289,116 |
| Health | 140,442 | 130,082 | 138,013 | 126,046 | 143,363 |
| Other | 334,200 | 375,479 | 393,958 | 479,847 | 357,034 |
| Operating grants and contributions | 5,030,769 | 3,597,822 | 3,082,678 | 3,154,479 | 3,068,752 |
| Capital grants and contributions | - | - | - | - | - |
| Total governmental activities program revenues | <u>5,734,679</u> | <u>4,395,811</u> | <u>3,916,924</u> | <u>4,079,415</u> | <u>3,858,265</u> |
| Business-type activities | | | | | |
| Charges for services | | | | | |
| Airports | 328,629 | 475,064 | 562,436 | 587,602 | 511,018 |
| Unemployment compensation | 239,096 | 1,391,747 | 193,093 | 186,239 | 176,212 |
| Others | 323,230 | 329,283 | 296,920 | 283,586 | 269,694 |
| Operating grants and contributions | 3,206,169 | - | - | - | - |
| Capital grants and contributions | 83,411 | 95,720 | 78,010 | 37,956 | 51,091 |
| Total business-type activities program revenues | <u>4,180,535</u> | <u>2,291,814</u> | <u>1,130,459</u> | <u>1,095,383</u> | <u>1,008,015</u> |
| Total primary government program revenues | <u>\$ 9,915,214</u> | <u>\$ 6,687,625</u> | <u>\$ 5,047,383</u> | <u>\$ 5,174,798</u> | <u>\$ 4,866,280</u> |
| Net (expense) revenue | | | | | |
| Governmental activities | \$ (8,813,130) | \$ (8,148,662) | \$ (8,201,299) | \$ (7,975,596) | \$ (7,125,428) |
| Business-type activities | (631,437) | (622,954) | 307,043 | 298,964 | 213,676 |
| Total primary government net expenses | <u>\$ (9,444,567)</u> | <u>\$ (8,771,616)</u> | <u>\$ (7,894,256)</u> | <u>\$ (7,676,632)</u> | <u>\$ (6,911,752)</u> |

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

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

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

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 688,394 | \$ 595,278 | \$ 567,941 | \$ 531,839 | \$ 552,788 |
| | 485,985 | 504,343 | 533,727 | 451,946 | 502,002 |
| | 399,997 | 426,142 | 554,039 | 490,091 | 516,924 |
| | 107,740 | 89,176 | 101,587 | 52,208 | 96,349 |
| | 878,610 | 871,563 | 849,493 | 813,190 | 773,288 |
| | 3,343,392 | 3,196,602 | 2,879,813 | 2,798,053 | 2,464,582 |
| | 2,840,782 | 2,729,789 | 2,685,037 | 2,592,125 | 2,598,444 |
| | 673,217 | 761,837 | 693,292 | 654,611 | 672,716 |
| | 23,379 | 21,664 | 21,766 | 20,086 | 16,753 |
| | 106,511 | 84,265 | 104,303 | 94,679 | 111,628 |
| | 122,981 | 115,653 | 137,160 | 173,677 | 23,888 |
| | 163,935 | 179,485 | 166,455 | 172,602 | 209,460 |
| | 210,204 | 247,059 | 239,760 | 241,677 | 243,938 |
| | <u>10,045,127</u> | <u>9,822,856</u> | <u>9,534,373</u> | <u>9,086,784</u> | <u>8,782,760</u> |
| | 377,393 | 350,041 | 346,699 | 366,918 | 353,541 |
| | 93,088 | 87,031 | 89,327 | 90,548 | 84,826 |
| | 144,481 | 186,893 | 244,947 | 336,931 | 468,610 |
| | 112,323 | 112,209 | 87,031 | 66,119 | 169,166 |
| | <u>727,285</u> | <u>736,174</u> | <u>768,004</u> | <u>860,516</u> | <u>1,076,143</u> |
| \$ | <u>10,772,412</u> | <u>\$ 10,559,030</u> | <u>\$ 10,302,377</u> | <u>\$ 9,947,300</u> | <u>\$ 9,858,903</u> |
| \$ | 209,598 | \$ 248,915 | \$ 223,066 | \$ 267,081 | \$ 266,878 |
| | 136,429 | 136,547 | 130,338 | 56,963 | 32,339 |
| | 371,823 | 314,099 | 287,937 | 170,603 | 121,928 |
| | 2,986,842 | 2,809,460 | 2,660,770 | 2,589,537 | 2,370,437 |
| | 113,006 | 139,977 | 97,290 | 96,184 | 97,322 |
| | <u>3,817,698</u> | <u>3,648,998</u> | <u>3,399,401</u> | <u>3,180,368</u> | <u>2,888,904</u> |
| | 459,269 | 434,489 | 404,442 | 431,708 | 343,279 |
| | 187,215 | 239,375 | 353,546 | 507,096 | 533,963 |
| | 218,552 | 238,852 | 203,979 | 215,243 | 272,317 |
| | - | - | - | - | - |
| | 80,173 | 72,140 | 98,628 | 64,313 | 85,899 |
| | <u>945,209</u> | <u>984,856</u> | <u>1,060,595</u> | <u>1,218,360</u> | <u>1,235,458</u> |
| \$ | <u>4,762,907</u> | <u>\$ 4,633,854</u> | <u>\$ 4,459,996</u> | <u>\$ 4,398,728</u> | <u>\$ 4,124,362</u> |
| \$ | (6,227,429) | \$ (6,173,858) | \$ (6,134,972) | \$ (5,906,416) | \$ (5,893,856) |
| | 217,924 | 248,682 | 292,591 | 357,844 | 159,315 |
| \$ | <u>(6,009,505)</u> | <u>\$ (5,925,176)</u> | <u>\$ (5,842,381)</u> | <u>\$ (5,548,572)</u> | <u>\$ (5,734,541)</u> |

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| General revenues and other changes in net position | | | | | |
| Governmental activities | | | | | |
| Taxes | | | | | |
| General excise tax | \$ 3,438,088 | \$ 3,667,538 | \$ 3,794,587 | \$ 3,553,975 | \$ 3,189,599 |
| Net income tax – corporations and individuals | 3,254,330 | 2,661,618 | 2,728,991 | 2,407,338 | 2,330,408 |
| Public service companies tax | 125,201 | 134,639 | 126,691 | 117,641 | 122,159 |
| Transient accommodations tax | 195,410 | 304,012 | 356,670 | 304,521 | 299,712 |
| Tobacco and liquor tax | 141,522 | 150,065 | 151,438 | 157,988 | 160,906 |
| Liquid fuel tax | 69,351 | 79,187 | 85,146 | 85,211 | 84,933 |
| Tax on premiums of insurance companies | 188,229 | 183,563 | 176,420 | 162,318 | 166,836 |
| Vehicle weight and registration tax | 143,242 | 125,119 | 136,142 | 135,080 | 132,974 |
| Rental motor/tour vehicle surcharge tax | 32,206 | 72,502 | 57,994 | 54,846 | 53,189 |
| Franchise tax | 5,079 | 35,271 | 26,808 | 15,712 | 11,174 |
| Other tax | 106,457 | 157,623 | 156,632 | 145,861 | 103,204 |
| Interest and investment income | 30,759 | 164,354 | 40,141 | 36,527 | 30,676 |
| Other | - | - | (2,797) | 4,538 | - |
| Assumption agreement with State, net | - | - | - | (250,697) | - |
| Debt cancellation with State | - | - | (224,110) | - | - |
| Total governmental activities | <u>7,729,874</u> | <u>7,735,491</u> | <u>7,610,753</u> | <u>6,930,859</u> | <u>6,685,770</u> |
| Business-type activities | | | | | |
| Interest and investment income | 88,509 | 84,866 | 48,887 | 27,352 | 25,324 |
| Other | - | - | - | - | - |
| Total business-type activities | <u>88,509</u> | <u>84,866</u> | <u>48,887</u> | <u>27,352</u> | <u>25,324</u> |
| Total primary government | <u>\$ 7,818,383</u> | <u>\$ 7,820,357</u> | <u>\$ 7,659,640</u> | <u>\$ 6,958,211</u> | <u>\$ 6,711,094</u> |
| Changes in net position | | | | | |
| Governmental activities | \$ (1,083,256) | \$ (413,171) | \$ (590,546) | \$ (1,044,737) | \$ (439,658) |
| Business-type activities | (542,928) | (538,088) | 355,930 | 326,316 | 239,000 |
| Total primary government | <u>\$ (1,626,184)</u> | <u>\$ (951,259)</u> | <u>\$ (234,616)</u> | <u>\$ (718,421)</u> | <u>\$ (200,658)</u> |

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

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

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

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|----|------------------|------------------|------------------|------------------|------------------|
| \$ | 3,192,469 | \$ 3,021,418 | \$ 2,816,346 | \$ 2,991,792 | \$ 2,774,636 |
| | 2,160,872 | 2,073,015 | 1,840,890 | 1,795,683 | 1,633,085 |
| | 152,760 | 163,481 | 166,179 | 163,930 | 150,528 |
| | 233,082 | 202,345 | 188,721 | 186,377 | 138,529 |
| | 161,239 | 165,137 | 155,990 | 161,066 | 170,824 |
| | 89,702 | 88,449 | 88,707 | 87,645 | 88,842 |
| | 154,690 | 147,767 | 139,074 | 133,585 | 119,472 |
| | 130,051 | 125,113 | 124,686 | 121,605 | 98,187 |
| | 54,873 | 51,941 | 42,853 | 52,112 | 106,417 |
| | 14,691 | 19,930 | 38,983 | 22,673 | 7,229 |
| | 109,072 | 76,222 | 96,131 | 80,081 | 70,873 |
| | 22,564 | 16,024 | 13,163 | 25,502 | 5,347 |
| | (13,300) | - | - | - | - |
| | - | - | - | - | - |
| | - | - | - | - | - |
| | <u>6,462,765</u> | <u>6,150,842</u> | <u>5,711,723</u> | <u>5,822,051</u> | <u>5,363,969</u> |
| | 21,276 | 17,567 | 12,805 | 14,633 | 4,164 |
| | - | - | - | 19,000 | - |
| | <u>21,276</u> | <u>17,567</u> | <u>12,805</u> | <u>33,633</u> | <u>4,164</u> |
| \$ | <u>6,484,041</u> | <u>6,168,409</u> | <u>5,724,528</u> | <u>5,855,684</u> | <u>5,368,133</u> |
| \$ | 235,336 | \$ (23,016) | \$ (423,249) | \$ (84,365) | \$ (529,887) |
| | 239,200 | 266,249 | 305,396 | 391,477 | 163,479 |
| \$ | <u>474,536</u> | <u>243,233</u> | <u>(117,853)</u> | <u>307,112</u> | <u>(366,408)</u> |

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | |
|-------------------------------------|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| General Fund | | | | | |
| Assigned | \$ 390,666 | \$ 479,071 | \$ 475,242 | \$ 503,201 | \$ 400,529 |
| Unassigned | 1,169,873 | 789,518 | 1,147,073 | 974,719 | 1,305,542 |
| Total General Fund | <u>\$ 1,560,539</u> | <u>\$ 1,268,589</u> | <u>\$ 1,622,315</u> | <u>\$ 1,477,920</u> | <u>\$ 1,706,071</u> |
| All other governmental funds | | | | | |
| Restricted | \$ 247 | \$ 16,018 | \$ 22,006 | \$ 25,653 | \$ 110,750 |
| Committed | 667,104 | 1,041,570 | 823,958 | 805,502 | 688,980 |
| Assigned | 2,092,883 | 1,316,396 | 1,267,999 | 1,226,984 | 1,117,520 |
| Unassigned | <u>(183,242)</u> | <u>(362,148)</u> | <u>(210,972)</u> | <u>(68,660)</u> | <u>(116,880)</u> |
| Total all other governmental funds | <u>\$ 2,576,992</u> | <u>\$ 2,011,836</u> | <u>\$ 1,902,991</u> | <u>\$ 1,989,479</u> | <u>\$ 1,800,370</u> |

| 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|------------------|------------------|------------------|------------------|
| \$ 394,581 | \$ 205,242 | \$ 256,483 | \$ 271,020 | \$ 236,779 |
| <u>1,400,783</u> | <u>1,384,053</u> | <u>1,079,180</u> | <u>1,154,253</u> | <u>570,659</u> |
| \$ 1,795,364 | \$ 1,589,295 | \$ 1,335,663 | \$ 1,425,273 | \$ 807,438 |
| | | | | |
| \$ 15,557 | \$ 25,370 | \$ 27,145 | \$ 21,854 | \$ 109 |
| 401,313 | 449,290 | 497,932 | 486,240 | 518,374 |
| 1,199,080 | 1,009,503 | 739,279 | 612,762 | 532,466 |
| <u>(340,671)</u> | <u>(576,980)</u> | <u>(588,405)</u> | <u>(611,097)</u> | <u>(408,575)</u> |
| \$ 1,275,279 | \$ 907,183 | \$ 675,951 | \$ 509,759 | \$ 642,374 |

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds (Unaudited)
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | |
|--|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Revenues | | | | | |
| Taxes | | | | | |
| General excise tax | \$ 3,437,755 | \$ 3,632,630 | \$ 3,794,585 | \$ 3,553,975 | \$ 3,189,599 |
| Net income tax – corporations and individuals | 3,233,174 | 2,657,551 | 2,718,654 | 2,456,674 | 2,286,017 |
| Public service companies tax | 125,201 | 134,639 | 126,691 | 117,641 | 122,159 |
| Transient accommodations tax | 194,095 | 303,176 | 356,670 | 304,521 | 299,712 |
| Tobacco and liquor tax | 141,522 | 150,065 | 151,438 | 157,988 | 160,906 |
| Liquid fuel tax | 69,351 | 79,187 | 85,146 | 85,211 | 84,933 |
| Tax on premiums of insurance companies | 188,229 | 183,563 | 176,420 | 162,318 | 166,836 |
| Vehicle weight and registration tax | 143,242 | 125,119 | 136,142 | 135,080 | 132,974 |
| Rental motor/tour vehicle surcharge tax | 32,206 | 72,502 | 57,994 | 54,846 | 53,189 |
| Franchise tax | 5,079 | 35,271 | 26,808 | 15,712 | 11,174 |
| Other | 106,457 | 157,591 | 156,632 | 145,861 | 103,204 |
| Total taxes | 7,676,311 | 7,531,294 | 7,787,180 | 7,189,827 | 6,610,703 |
| Interest and investment income | 30,759 | 164,354 | 40,141 | 36,527 | 30,676 |
| Charges for current services | 401,403 | 495,009 | 518,531 | 477,717 | 460,211 |
| Intergovernmental | 4,741,176 | 3,333,396 | 2,783,538 | 2,878,717 | 2,938,557 |
| Rentals | 31,316 | 35,035 | 38,031 | 35,466 | 35,530 |
| Fines, forfeitures and penalties | 32,081 | 28,579 | 37,513 | 38,767 | 39,203 |
| Licenses and fees | 42,577 | 45,763 | 47,965 | 47,066 | 46,893 |
| Revenues from private sources | 138,520 | 128,401 | 122,017 | 184,661 | 105,857 |
| Other | 356,653 | 329,624 | 369,425 | 428,066 | 248,389 |
| Total revenues | 13,450,796 | 12,091,455 | 11,744,341 | 11,316,814 | 10,516,019 |
| Expenditures | | | | | |
| Current | | | | | |
| General government | 1,708,337 | 1,137,274 | 1,007,554 | 807,032 | 701,083 |
| Public safety | 746,822 | 612,091 | 634,120 | 579,980 | 531,545 |
| Highways | 448,647 | 500,212 | 526,148 | 609,538 | 461,523 |
| Conservation of natural resources | 137,459 | 167,383 | 145,383 | 157,639 | 180,697 |
| Health | 1,040,285 | 1,096,444 | 1,009,545 | 827,592 | 873,703 |
| Welfare | 4,599,447 | 3,653,210 | 3,332,469 | 3,495,974 | 3,442,279 |
| Lower education | 3,451,175 | 3,351,308 | 3,334,110 | 3,226,275 | 2,973,583 |
| Higher education | 984,734 | 1,050,582 | 950,253 | 950,843 | 899,199 |
| Other education | 20,593 | 16,936 | 18,376 | 23,827 | 27,248 |
| Culture and recreation | 377,419 | 143,739 | 116,381 | 104,964 | 104,655 |
| Urban redevelopment and housing | 89,826 | 78,061 | 79,236 | 124,292 | 63,807 |
| Economic development and assistance | 238,956 | 166,387 | 152,592 | 167,614 | 179,127 |
| Housing | 355,350 | 153,411 | 85,032 | 256,386 | 133,010 |
| Other | 20,144 | 13,293 | 13,691 | 12,388 | 10,613 |
| Debt service | | | | | |
| Principal | 522,640 | 564,222 | 464,518 | 464,518 | 484,274 |
| Interest and others | 330,893 | 332,279 | 390,856 | 321,150 | 296,482 |
| Total expenditures | 15,072,727 | 13,036,832 | 12,260,264 | 12,130,012 | 11,362,828 |
| Excess of expenditures over revenues | (1,621,931) | (945,377) | (515,923) | (813,198) | (846,809) |
| Other financing sources (uses) | | | | | |
| Proceeds from borrowing and refunding | 2,333,941 | 700,496 | 644,962 | 1,200,004 | 2,161,677 |
| Payments to escrow agent | (400,000) | - | (69,730) | (424,887) | (879,070) |
| Transfers in | 2,632,432 | 1,324,903 | 1,214,773 | 1,291,815 | 1,444,931 |
| Transfers out | (2,632,432) | (1,324,903) | (1,214,773) | (1,291,815) | (1,444,931) |
| Other | - | - | (1,402) | (961) | - |
| Total other financing sources | 1,933,941 | 700,496 | 573,830 | 774,156 | 1,282,607 |
| Net change in fund balances | \$ 312,010 | \$ (244,881) | \$ 57,907 | \$ (39,042) | \$ 435,798 |
| Total debt service as a percent of noncapital expenditures (1) | 6.1% | 7.7% | 7.5% | 7.0% | 7.3% |

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

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|----|-------------------|-------------------|------------------|-------------------|-------------------|
| \$ | 3,192,469 | \$ 3,021,418 | \$ 2,816,346 | \$ 2,991,792 | \$ 2,774,636 |
| | 2,157,879 | 2,047,327 | 1,840,963 | 1,804,409 | 1,633,412 |
| | 152,760 | 163,481 | 166,179 | 163,930 | 150,528 |
| | 233,082 | 202,345 | 188,721 | 186,377 | 138,529 |
| | 161,239 | 165,137 | 155,990 | 161,066 | 170,824 |
| | 89,702 | 88,449 | 88,707 | 87,645 | 88,842 |
| | 154,690 | 147,767 | 139,074 | 133,585 | 119,472 |
| | 130,051 | 125,113 | 124,686 | 121,605 | 98,187 |
| | 54,873 | 51,941 | 42,853 | 52,112 | 106,417 |
| | 14,691 | 19,930 | 38,983 | 22,673 | 7,229 |
| | 109,072 | 76,222 | 96,131 | 80,079 | 70,873 |
| | <u>6,450,508</u> | <u>6,109,130</u> | <u>5,698,633</u> | <u>5,805,273</u> | <u>5,358,949</u> |
| | 22,564 | 16,024 | 13,163 | 25,502 | 5,347 |
| | 431,181 | 384,380 | 363,791 | 369,269 | 337,765 |
| | 2,995,768 | 2,803,989 | 2,650,876 | 2,372,480 | 2,238,639 |
| | 32,371 | 31,127 | 31,846 | 28,633 | 25,421 |
| | 35,738 | 37,201 | 33,087 | 36,802 | 35,083 |
| | 45,738 | 42,463 | 47,209 | 46,839 | 46,390 |
| | 126,450 | 121,366 | 112,916 | 104,670 | 65,085 |
| | 169,533 | 191,472 | 173,483 | 235,516 | 152,091 |
| | <u>10,309,851</u> | <u>9,737,152</u> | <u>9,125,004</u> | <u>9,024,984</u> | <u>8,264,770</u> |
| | 673,236 | 573,820 | 543,129 | 408,538 | 487,596 |
| | 479,047 | 484,960 | 519,954 | 432,024 | 454,957 |
| | 389,744 | 455,563 | 403,559 | 418,991 | 414,629 |
| | 181,563 | 145,516 | 108,703 | 92,601 | 98,428 |
| | 876,820 | 855,797 | 828,088 | 779,755 | 729,841 |
| | 3,349,414 | 3,192,807 | 2,945,370 | 2,773,241 | 2,443,936 |
| | 2,828,013 | 2,619,156 | 2,603,774 | 2,358,763 | 2,330,130 |
| | 673,217 | 761,837 | 693,292 | 654,611 | 672,716 |
| | 23,379 | 21,664 | 21,766 | 20,086 | 16,753 |
| | 101,351 | 96,676 | 107,846 | 107,940 | 109,974 |
| | 54,446 | 71,384 | 65,228 | 66,243 | 48,484 |
| | 159,483 | 176,919 | 158,379 | 157,468 | 147,445 |
| | 58,381 | 48,565 | 63,683 | 112,614 | 46,133 |
| | 20,193 | 15,179 | 29,818 | 32,716 | 12,108 |
| | 444,791 | 444,791 | 458,983 | 399,382 | 313,721 |
| | 315,321 | 289,524 | 278,315 | 288,267 | 274,039 |
| | <u>10,628,399</u> | <u>10,254,158</u> | <u>9,829,887</u> | <u>9,103,240</u> | <u>8,600,890</u> |
| | <u>(318,548)</u> | <u>(517,006)</u> | <u>(704,883)</u> | <u>(78,256)</u> | <u>(336,120)</u> |
| | 1,835,677 | 1,518,709 | 948,190 | 1,066,848 | 1,600,308 |
| | (989,950) | (516,839) | (185,560) | (503,372) | (565,801) |
| | 1,276,279 | 1,171,272 | 1,066,780 | 1,033,917 | 950,717 |
| | (1,276,279) | (1,171,272) | (1,066,780) | (1,033,917) | (950,717) |
| | 46,986 | - | 18,835 | - | - |
| | <u>892,713</u> | <u>1,001,870</u> | <u>781,465</u> | <u>563,476</u> | <u>1,034,507</u> |
| \$ | <u>574,165</u> | <u>\$ 484,864</u> | <u>\$ 76,582</u> | <u>\$ 485,220</u> | <u>\$ 698,387</u> |
| | <u>7.6%</u> | <u>7.7%</u> | <u>7.9%</u> | <u>8.0%</u> | <u>7.2%</u> |

State of Hawaii
Revenue Capacity Information
Personal Income by Industry (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in millions)

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Farm earnings | \$ 286 | \$ 249 | \$ 271 | \$ 284 | \$ 274 |
| Nonfarm wage and salary worker | | | | | |
| Goods-producing industries | | | | | |
| Forestry, fishing-related activities, and other | 94 | 90 | 97 | 94 | 87 |
| Mining | 27 | 32 | 31 | 35 | 35 |
| Construction | 4,786 | 4,531 | 4,538 | 4,372 | 4,391 |
| Manufacturing – durable and nondurable goods | 976 | 948 | 975 | 959 | 921 |
| Subtotal goods – producing industries | 5,883 | 5,601 | 5,641 | 5,460 | 5,434 |
| Service-producing industries | | | | | |
| Transportation, communication and utilities | 2,965 | 4,802 | 3,064 | 2,965 | 2,714 |
| Trade | 4,784 | 3,170 | 4,841 | 4,659 | 4,574 |
| Information | 865 | 830 | 893 | 766 | 711 |
| Finance, insurance and real estate | 4,216 | 3,714 | 3,626 | 3,373 | 3,192 |
| Service | 20,480 | 21,500 | 21,964 | 21,051 | 19,595 |
| State and local government | 7,601 | 7,313 | 7,235 | 6,907 | 6,970 |
| Federal government | 8,746 | 9,219 | 8,990 | 8,505 | 8,491 |
| Subtotal service-producing industries | 49,657 | 50,548 | 50,613 | 48,226 | 46,247 |
| Total nonfarm wage and salary worker | 55,540 | 56,149 | 56,254 | 53,686 | 51,681 |
| Other (1) | 29,613 | 27,963 | 23,638 | 22,506 | 21,042 |
| Total personal income | \$ 85,439 | \$ 84,361 | \$ 80,163 | \$ 76,476 | \$ 72,997 |
| Total direct income tax rate (2) | N/A | N/A | N/A | N/A | N/A |

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

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

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

| 2016 | 2015 | 2014 | 2013 | 2012 |
|---------------|---------------|---------------|---------------|---------------|
| \$ 284 | \$ 318 | \$ 349 | \$ 243 | \$ 288 |
| 76 | 76 | 66 | 60 | 60 |
| 39 | 41 | 37 | 39 | 35 |
| 4,038 | 3,542 | 3,328 | 3,236 | 3,046 |
| 918 | 878 | 833 | 804 | 767 |
| <u>5,071</u> | <u>4,537</u> | <u>4,264</u> | <u>4,139</u> | <u>3,908</u> |
| 2,639 | 2,424 | 2,316 | 2,178 | 1,889 |
| 4,419 | 4,130 | 4,089 | 3,929 | 3,768 |
| 742 | 718 | 711 | 692 | 645 |
| 3,051 | 3,110 | 3,267 | 2,752 | 2,329 |
| 19,087 | 17,608 | 17,126 | 16,423 | 15,438 |
| 6,949 | 6,426 | 6,089 | 5,873 | 5,425 |
| 8,614 | 8,400 | 8,139 | 8,507 | 10,094 |
| <u>45,501</u> | <u>42,816</u> | <u>41,737</u> | <u>40,354</u> | <u>39,588</u> |
| <u>50,572</u> | <u>47,353</u> | <u>46,001</u> | <u>44,493</u> | <u>43,496</u> |
| <u>19,814</u> | <u>19,092</u> | <u>18,270</u> | <u>18,473</u> | <u>16,144</u> |
| \$ 70,670 | \$ 66,763 | \$ 64,620 | \$ 63,209 | \$ 59,928 |
| <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates (Unaudited)
Ten Years Ending December 31, 2021

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

| Year | Top Rate | Single | Top Rate | Married Filing Jointly | Top Rate | Head of Household |
|-------------|-------------------|---------------|-------------------|-------------------------------|-------------------|--------------------------|
| 2021 | 11.00% + \$16,379 | \$ 200,000 | 11.00% + \$32,757 | \$ 400,000 | 11.00% + \$24,568 | \$ 300,000 |
| 2020 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |
| 2019 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |
| 2018 | 8.25% + \$3,214 | 48,000 | 8.25% + \$6,427 | 96,000 | 8.25% + \$4,820 | 72,000 |
| 2017 | 8.25% + \$3,214 | 48,000 | 8.25% + \$6,427 | 96,000 | 8.25% + \$4,820 | 72,000 |
| 2016 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |
| 2015 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |
| 2014 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |
| 2013 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |
| 2012 | 11.00% + \$16,379 | 200,000 | 11.00% + \$32,757 | 400,000 | 11.00% + \$24,568 | 300,000 |

Source: State of Hawaii, Department of Taxation.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in millions)

| | Fiscal Year Ended June 30, | | | | |
|------------------------------------|-----------------------------------|-------------------|-------------------|-------------------|------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Taxable sales by activities | | | | | |
| Retailing | \$ 33,368 | \$ 35,679 | \$ 36,801 | \$ 35,454 | \$ 30,747 |
| Services | 15,345 | 16,750 | 16,927 | 16,375 | 14,162 |
| Contracting | 10,029 | 9,541 | 9,706 | 8,914 | 8,418 |
| Hotel rentals | 1,989 | 5,215 | 5,669 | 5,527 | 4,898 |
| All other rentals | 7,533 | 8,667 | 8,564 | 8,171 | 6,669 |
| All other (4%) | 4,493 | 5,893 | 6,543 | 6,545 | 5,918 |
| Subtotal | <u>72,757</u> | <u>81,745</u> | <u>84,210</u> | <u>80,986</u> | <u>70,812</u> |
| Producing | 342 | 303 | 296 | 359 | 324 |
| Manufacturing | 522 | 561 | 596 | 640 | 731 |
| Wholesaling | 16,837 | 17,417 | 18,062 | 17,590 | 14,462 |
| Use (0.5%) | 6,512 | 6,886 | 7,280 | 7,640 | 6,799 |
| Services (intermediary) | 865 | 1,007 | 1,005 | 903 | 870 |
| Insurance solicitors | 664 | 702 | 754 | 650 | 495 |
| Subtotal | <u>25,742</u> | <u>26,876</u> | <u>27,993</u> | <u>27,782</u> | <u>23,681</u> |
| Total all activities | <u>\$ 98,499</u> | <u>\$ 108,621</u> | <u>\$ 112,203</u> | <u>\$ 108,768</u> | <u>\$ 94,493</u> |

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

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

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

| 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|------------------|------------------|------------------|------------------|
| \$ 29,498 | \$ 29,987 | \$ 31,152 | \$ 29,636 | \$ 29,095 |
| 13,667 | 13,361 | 13,795 | 12,985 | 12,696 |
| 8,185 | 7,322 | 7,046 | 7,547 | 6,253 |
| 4,442 | 4,328 | 4,279 | 3,871 | 3,431 |
| 6,474 | 6,544 | 6,472 | 6,377 | 6,154 |
| 5,407 | 5,486 | 5,683 | 5,337 | 5,160 |
| <u>67,673</u> | <u>67,028</u> | <u>68,427</u> | <u>65,753</u> | <u>62,789</u> |
| 295 | 321 | 436 | 399 | 401 |
| 734 | 716 | 1,876 | 639 | 681 |
| 13,864 | 14,294 | 14,675 | 14,430 | 14,442 |
| 7,354 | 7,127 | 6,489 | 8,867 | 8,005 |
| 708 | 716 | 1,096 | 628 | 653 |
| 485 | 489 | 485 | 464 | 477 |
| <u>23,440</u> | <u>23,663</u> | <u>25,057</u> | <u>25,427</u> | <u>24,659</u> |
| <u>\$ 91,113</u> | <u>\$ 90,691</u> | <u>\$ 93,484</u> | <u>\$ 91,180</u> | <u>\$ 87,448</u> |

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | 2021 | | 2020 | | 2019 | | 2018 | | Fiscal Year Ended June 30, 2017 | |
|--------------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|------------------------------------|---------------------|
| | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total |
| Retailing | \$ 1,334,715 | 43.3% | \$ 1,427,180 | 41.5% | \$ 1,472,039 | 41.5% | \$ 1,418,176 | 41.8% | \$ 1,229,860 | 38.0% |
| Services | 613,791 | 19.9% | 670,010 | 19.5% | 677,082 | 19.1% | 655,007 | 19.3% | 566,466 | 17.5% |
| Contracting | 401,141 | 13.0% | 381,641 | 11.1% | 388,249 | 11.0% | 356,576 | 10.5% | 336,717 | 10.4% |
| Theater, amusement, etc. | 8,537 | 0.3% | 16,661 | 0.5% | 19,978 | 0.6% | 19,182 | 0.6% | 17,248 | 0.5% |
| Interest | 83,679 | 2.7% | 127,396 | 3.7% | 141,903 | 4.0% | 142,359 | 4.2% | 134,441 | 4.2% |
| Commissions | 51,715 | 1.7% | 51,076 | 1.5% | 54,981 | 1.6% | 55,832 | 1.6% | 49,209 | 1.5% |
| Hotel rentals | 79,578 | 2.6% | 208,581 | 6.1% | 226,764 | 6.4% | 221,084 | 6.5% | 195,919 | 6.0% |
| All other rentals | 301,321 | 9.8% | 346,685 | 10.1% | 342,572 | 9.7% | 326,823 | 9.6% | 266,758 | 8.2% |
| Use (4%) | 35,784 | 1.2% | 40,580 | 1.2% | 44,847 | 1.3% | 44,390 | 1.3% | 35,845 | 1.1% |
| All other (4%) | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.0% |
| Producing | 1,712 | 0.1% | 1,514 | 0.1% | 1,480 | 0.0% | 1,794 | 0.1% | 1,619 | 0.1% |
| Manufacturing | 2,612 | 0.1% | 2,807 | 0.1% | 2,981 | 0.1% | 3,201 | 0.1% | 3,657 | 0.1% |
| Wholesaling | 84,183 | 2.7% | 87,088 | 2.5% | 90,308 | 2.6% | 87,952 | 2.6% | 72,309 | 2.2% |
| Use (0.5%) | 32,560 | 1.1% | 34,428 | 1.0% | 36,398 | 1.0% | 38,201 | 1.1% | 33,996 | 1.0% |
| Services (Intermediary) | 4,324 | 0.1% | 5,033 | 0.1% | 5,026 | 0.1% | 4,514 | 0.1% | 4,352 | 0.1% |
| Insurance solicitors | 996 | 0.0% | 1,053 | 0.0% | 1,131 | 0.0% | 975 | 0.0% | 743 | 0.1% |
| Unallocated collections | 43,546 | 1.4% | 34,405 | 1.0% | 35,650 | 1.0% | 19,500 | 0.6% | 290,086 | 9.0% |
| Total | \$ 3,080,194 | 100.0% | \$ 3,436,138 | 100.0% | \$ 3,541,389 | 100.0% | \$ 3,395,566 | 100.0% | \$ 3,239,225 | 100.0% |

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

Note: Information for number of filers is not available.

| 2016 | | 2015 | | 2014 | | 2013 | | 2012 | |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Tax Liability | Percentage of Total | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total | Tax Liability | Percentage of Total |
| \$ 1,179,911 | 36.8% | \$ 1,199,488 | 39.4% | \$ 1,246,061 | 43.3% | \$ 1,185,446 | 40.3% | \$ 1,163,805 | 43.1% |
| 546,684 | 17.1% | 534,442 | 17.5% | 551,784 | 19.2% | 519,419 | 17.6% | 507,864 | 18.9% |
| 327,394 | 10.2% | 292,874 | 9.6% | 281,839 | 9.8% | 301,875 | 10.3% | 250,122 | 9.3% |
| 15,931 | 0.5% | 15,955 | 0.5% | 15,619 | 0.5% | 15,986 | 0.5% | 15,776 | 0.6% |
| 1 | 0.0% | 1 | 0.0% | 3 | 0.0% | 3 | 0.0% | 4 | 0.0% |
| 44,777 | 1.4% | 45,619 | 1.5% | 45,125 | 1.6% | 42,064 | 1.4% | 38,848 | 1.4% |
| 177,671 | 5.5% | 173,100 | 5.7% | 171,162 | 5.9% | 154,837 | 5.3% | 137,222 | 5.1% |
| 258,977 | 8.1% | 261,743 | 8.6% | 258,886 | 9.0% | 255,074 | 8.7% | 246,151 | 9.1% |
| 35,620 | 1.1% | 39,884 | 1.3% | 40,277 | 1.4% | 41,015 | 1.4% | 41,797 | 1.5% |
| 119,948 | 3.7% | 118,014 | 3.9% | 126,306 | 4.4% | 114,396 | 3.9% | 109,989 | 4.1% |
| 1,473 | 0.0% | 1,605 | 0.1% | 2,181 | 0.1% | 1,997 | 0.1% | 2,004 | 0.1% |
| 3,670 | 0.1% | 3,581 | 0.1% | 9,380 | 0.3% | 3,194 | 0.1% | 3,402 | 0.1% |
| 69,322 | 2.2% | 71,471 | 2.3% | 73,373 | 2.5% | 72,149 | 2.4% | 72,210 | 2.7% |
| 36,872 | 1.2% | 35,634 | 1.2% | 32,446 | 1.1% | 44,337 | 1.5% | 40,026 | 1.5% |
| 3,539 | 0.1% | 3,578 | 0.1% | 5,480 | 0.2% | 3,139 | 0.1% | 3,265 | 0.1% |
| 728 | 0.0% | 733 | 0.0% | 728 | 0.0% | 697 | 0.0% | 716 | 0.0% |
| 383,736 | 12.0% | 250,484 | 8.2% | 19,893 | 0.7% | 188,859 | 6.4% | 64,750 | 2.4% |
| <u>\$ 3,206,254</u> | <u>100.0%</u> | <u>\$ 3,048,206</u> | <u>100.0%</u> | <u>\$ 2,880,543</u> | <u>100.0%</u> | <u>\$ 2,944,487</u> | <u>100.0%</u> | <u>\$ 2,697,951</u> | <u>100.0%</u> |

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands except per capita data)

| | Fiscal Year Ended June 30, | | | | |
|--|-----------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Governmental activities | | | | | |
| General obligation bonds | \$ 8,870,454 | \$ 7,294,070 | \$ 7,914,382 | \$ 7,912,206 | \$ 7,635,827 |
| Revenue bonds | 753,505 | 623,120 | 571,306 | 633,073 | 692,742 |
| Capital leases | 108,665 | 115,147 | 122,922 | 129,897 | 143,622 |
| Total governmental activities | <u>9,732,624</u> | <u>8,032,337</u> | <u>8,608,610</u> | <u>8,675,176</u> | <u>8,472,191</u> |
| Business-type activities | | | | | |
| General obligation bonds | 16,239 | 18,690 | 21,026 | 23,255 | 25,377 |
| Revenue bonds | 2,519,961 | 2,093,075 | 1,968,315 | 1,567,305 | 1,375,442 |
| Lease revenue certificates of participation | 210,803 | 224,375 | 236,147 | 244,979 | 252,806 |
| Loan payable | - | - | 76,000 | 76,000 | 76,000 |
| Total business-type activities | <u>2,747,003</u> | <u>2,336,140</u> | <u>2,301,488</u> | <u>1,911,539</u> | <u>1,729,625</u> |
| Total primary government | <u>\$ 12,479,627</u> | <u>\$ 10,368,477</u> | <u>\$ 10,910,098</u> | <u>\$ 10,586,715</u> | <u>\$ 10,201,816</u> |
| Hawaii total personal income | \$ 85,439,000 | \$ 84,361,000 | \$ 80,163,000 | \$ 76,476,000 | \$ 72,997,000 |
| Debt as a percentage of personal income | 14.6% | 12.3% | 13.6% | 13.8% | 14.0% |
| Hawaii population | 1,455 | 1,416 | 1,422 | 1,435 | 1,428 |
| Amount of debt per capita | \$ 8,577 | \$ 7,322 | \$ 7,672 | \$ 7,378 | \$ 7,144 |

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

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

| 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|------------------|------------------|------------------|------------------|
| \$ 6,953,431 | \$ 6,503,281 | \$ 5,784,139 | \$ 5,534,921 | \$ 5,475,348 |
| 615,120 | 666,202 | 412,725 | 441,150 | 468,180 |
| 149,477 | 96,175 | 102,622 | 89,879 | 95,340 |
| <u>7,718,028</u> | <u>7,265,658</u> | <u>6,299,486</u> | <u>6,065,950</u> | <u>6,038,868</u> |
| 27,400 | 29,332 | 31,176 | 32,934 | 34,611 |
| 1,429,980 | 1,218,943 | 1,278,137 | 1,326,112 | 1,370,314 |
| 179,985 | 172,864 | 173,771 | - | - |
| 34,910 | 34,910 | - | - | - |
| <u>1,672,275</u> | <u>1,456,049</u> | <u>1,483,084</u> | <u>1,359,046</u> | <u>1,404,925</u> |
| \$ 9,390,303 | \$ 8,721,707 | \$ 7,782,570 | \$ 7,424,996 | \$ 7,443,793 |
| \$ 71,767,000 | \$ 66,763,000 | \$ 64,620,000 | \$ 63,209,000 | \$ 59,928,000 |
| 13.1% | 13.1% | 12.0% | 11.7% | 12.4% |
| 1,429 | 1,432 | 1,420 | 1,404 | 1,392 |
| \$ 6,571 | \$ 6,091 | \$ 5,481 | \$ 5,288 | \$ 5,348 |

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands except ratio data)

| Fiscal Year | Taxable Sales (1) | Population (2) | General Obligation Bonded Debt (3)(4) | Less: Debt Services Monies Available (3) | Net General Obligation Bonded Debt | Percentage of Taxable Sales | Net General Obligation Bonded Debt Per Capita |
|--------------------|--------------------------|-----------------------|--|---|---|------------------------------------|--|
| 2021 | \$ 98,499,000 | 1,455 | \$ 8,886,693 | \$ 247 | \$ 8,886,446 | 9.0% | 6,108 |
| 2020 | 108,621,000 | 1,416 | 7,312,760 | 152 | 7,312,608 | 6.7% | 5,164 |
| 2019 | 112,203,000 | 1,422 | 7,935,408 | - | 7,935,408 | 7.1% | 5,580 |
| 2018 | 108,768,000 | 1,435 | 7,935,461 | - | 7,935,461 | 7.3% | 5,530 |
| 2017 | 94,493,000 | 1,428 | 7,661,204 | 35 | 7,661,169 | 8.1% | 5,365 |
| 2016 | 91,113,000 | 1,429 | 6,980,831 | 35 | 6,980,796 | 7.7% | 4,885 |
| 2015 | 90,691,000 | 1,432 | 6,532,613 | 35 | 6,532,578 | 7.2% | 4,562 |
| 2014 | 93,484,000 | 1,420 | 5,815,315 | 35 | 5,815,280 | 6.2% | 4,095 |
| 2013 | 91,181,000 | 1,404 | 5,567,855 | 63 | 5,567,792 | 6.1% | 3,966 |
| 2012 | 87,448,000 | 1,392 | 5,509,959 | 64 | 5,509,895 | 6.3% | 3,958 |

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

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | |
|---|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Average general fund revenues of the three preceding fiscal years | \$ 7,930,471 | \$ 7,732,620 | \$ 7,637,553 | \$ 7,359,330 | \$ 6,997,106 |
| Constitutional debt limit percentage | 18.5% | 18.5% | 18.5% | 18.5% | 18.5% |
| Constitutional debt limit for total principal and interest payable in a current or future year | 1,467,137 | 1,430,535 | 1,412,947 | 1,361,476 | 1,294,465 |
| Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year | (917,238) | (753,610) | (836,170) | (792,143) | (739,852) |
| Legal debt margin | <u>\$ 549,899</u> | <u>\$ 676,925</u> | <u>\$ 576,777</u> | <u>\$ 569,333</u> | <u>\$ 554,613</u> |
| Legal debt margin as a percentage of the debt limit | <u>37.5%</u> | <u>47.3%</u> | <u>40.8%</u> | <u>41.8%</u> | <u>42.8%</u> |

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

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|------------------|------------------|------------------|------------------|------------------|
| \$ 6,577,966 | \$ 6,294,642 | \$ 5,987,800 | \$ 5,659,152 | \$ 5,197,547 |
| <u>18.5%</u> | <u>18.5%</u> | <u>18.5%</u> | <u>18.5%</u> | <u>18.5%</u> |
| 1,216,924 | 1,164,509 | 1,107,743 | 1,046,943 | 961,546 |
| <u>(712,592)</u> | <u>(693,934)</u> | <u>(693,677)</u> | <u>(693,592)</u> | <u>(667,041)</u> |
| \$ 504,332 | \$ 470,575 | \$ 414,066 | \$ 353,351 | \$ 294,505 |
| <u>41.4%</u> | <u>40.4%</u> | <u>37.4%</u> | <u>33.8%</u> | <u>30.6%</u> |

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage (Unaudited)
Ten Years Ended June 30, 2021
(Amounts in thousands)

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenue bonds – Airports | | | | | | | | | | |
| Gross revenue (1) | \$ 403,145 | \$ 486,117 | \$ 495,315 | \$ 466,317 | \$ 431,726 | \$ 381,404 | \$ 355,948 | \$ 341,155 | \$ 385,841 | \$ 319,542 |
| Less: Operating expenses (2) | 364,439 | 339,043 | 316,905 | 299,799 | 288,644 | 259,223 | 253,581 | 246,982 | 244,328 | 230,224 |
| Net available revenue | 38,706 | 147,074 | 178,410 | 166,518 | 143,082 | 122,181 | 102,367 | 94,173 | 141,513 | 89,318 |
| Debt services | | | | | | | | | | |
| Principal | 430 | 44,690 | 42,585 | 40,755 | 38,935 | 37,290 | 35,725 | 34,210 | 40,305 | 30,579 |
| Interest (3) | 53,947 | 51,751 | 47,423 | 46,454 | 45,182 | 42,532 | 41,671 | 23,414 | 40,705 | 34,440 |
| Total debt services | 54,377 | 96,441 | 90,008 | 87,209 | 84,117 | 79,822 | 77,396 | 57,624 | 81,010 | 65,019 |
| Coverage (4) | 71% | 153% | 198% | 191% | 170% | 153% | 132% | 163% | 175% | 137% |
| Revenue bonds – Harbors | | | | | | | | | | |
| Gross revenue (5) | \$ 183,738 | \$ 183,623 | \$ 198,605 | \$ 170,560 | \$ 140,052 | \$ 131,858 | \$ 124,663 | \$ 122,379 | \$ 114,640 | \$ 104,678 |
| Less: Operating expenses (6) | 48,491 | 48,834 | 47,461 | 53,543 | 53,396 | 47,133 | 43,132 | 43,837 | 44,048 | 41,202 |
| Net available revenue | 135,247 | 134,789 | 151,144 | 117,017 | 86,656 | 84,725 | 81,531 | 78,542 | 70,592 | 63,476 |
| Debt services | | | | | | | | | | |
| Principal | 28,350 | 28,940 | 28,936 | 29,114 | 31,176 | 31,187 | 31,176 | 31,528 | 31,531 | 27,770 |
| Coverage (4) | 477% | 466% | 522% | 402% | 278% | 272% | 262% | 249% | 224% | 229% |
| Revenue bonds – Highways | | | | | | | | | | |
| Gross revenue | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$ 255,431 | \$ 256,102 | \$ 232,543 |
| Less: Operating expenses | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 205,872 | 184,696 | 173,811 |
| Net available revenue | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 49,559 | 71,406 | 58,732 |
| Debt services | | | | | | | | | | |
| Principal | 30,695 | 29,845 | 42,735 | 40,765 | 37,790 | 34,920 | 31,890 | 28,825 | 27,170 | 22,465 |
| Interest | 20,382 | 17,630 | 19,299 | 21,186 | 19,320 | 20,571 | 19,402 | 19,036 | 20,245 | 18,906 |
| Total debt services | 51,077 | 47,475 | 62,034 | 61,951 | 57,110 | 55,491 | 51,292 | 47,861 | 47,415 | 41,371 |
| Coverage (7) | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 104% | 151% | 142% |
| Revenue bonds – Department of Hawaiian Home Lands | | | | | | | | | | |
| Revenue | \$ 15,922 | \$ 16,434 | \$ 17,361 | \$ 17,564 | \$ 15,867 | \$ 14,730 | \$ 15,230 | \$ 15,763 | \$ 12,585 | \$ 12,078 |
| Less: Operating expenses | - | - | - | - | - | - | - | - | - | - |
| Net available revenue | 15,922 | 16,434 | 17,361 | 17,564 | 15,867 | 14,730 | 15,230 | 15,763 | 12,585 | 12,078 |
| Debt services | | | | | | | | | | |
| Principal | 1,695 | 1,655 | 1,575 | 1,100 | 850 | 810 | 775 | 740 | 710 | 680 |
| Interest | 1,306 | 1,372 | 1,435 | 887 | 2,163 | 2,201 | 2,237 | 2,270 | 2,301 | 2,328 |
| Total debt services | 3,001 | 3,027 | 3,010 | 1,987 | 3,013 | 3,011 | 3,012 | 3,010 | 3,011 | 3,008 |
| Coverage (4) | 531% | 543% | 577% | 884% | 527% | 489% | 506% | 524% | 418% | 402% |

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

N/A Not available.

Coverage equals net available revenue divided by debt services.

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

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics (Unaudited)
Ten Years Ended June 30, 2021

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Population (in thousands) | | | | | | | | | | |
| State | 1,455 | 1,416 | 1,422 | 1,435 | 1,428 | 1,429 | 1,432 | 1,420 | 1,404 | 1,392 |
| Percentage change | 2.75% | (0.42%) | (0.91%) | 0.49% | (0.07%) | (0.21%) | 0.85% | 1.14% | 0.86% | 5.77% |
| National | 332,473 | 329,872 | 331,884 | 327,734 | 325,719 | 323,128 | 321,419 | 318,857 | 316,129 | 313,914 |
| Percentage change | 0.79% | (0.61%) | 1.27% | 0.62% | 0.80% | 0.53% | 0.80% | 0.86% | 0.71% | 0.75% |
| Total personal income (in millions) | | | | | | | | | | |
| State | \$ 85,439 | \$ 84,361 | \$ 80,163 | \$ 76,476 | \$ 72,997 | \$ 70,670 | \$ 66,763 | \$ 64,620 | \$ 63,209 | \$ 59,928 |
| Percentage change | 1.28% | 5.24% | 4.82% | 4.77% | 3.29% | 5.85% | 3.32% | 2.23% | 5.47% | 3.34% |
| National | \$18,670,430 | \$17,829,250 | \$17,855,326 | \$17,189,635 | \$16,152,011 | \$15,725,128 | \$14,991,944 | \$14,420,041 | \$13,904,502 | \$13,150,560 |
| Percentage change | 4.72% | (0.15%) | 3.87% | 6.42% | 2.71% | 4.89% | 3.97% | 3.71% | 5.73% | 3.62% |
| Per capita personal income (in thousands) | | | | | | | | | | |
| State | \$ 58,721 | \$ 59,577 | \$ 56,373 | \$ 53,293 | \$ 51,118 | \$ 49,454 | \$ 46,622 | \$ 45,507 | \$ 45,021 | \$ 43,052 |
| Percentage change | (1.44%) | 5.68% | 5.78% | 4.25% | 3.36% | 6.07% | 2.45% | 1.08% | 4.57% | 1.84% |
| National | \$ 56,156 | \$ 54,049 | \$ 53,890 | \$ 52,450 | \$ 49,589 | \$ 48,665 | \$ 46,643 | \$ 45,224 | \$ 43,984 | \$ 41,892 |
| Percentage change | 3.90% | 0.30% | 2.75% | 5.77% | 1.90% | 4.34% | 3.14% | 2.82% | 4.99% | 2.85% |
| Resident civilian labor force and employment | | | | | | | | | | |
| Civilian labor force employed | 576,163 | 612,221 | 656,546 | 669,642 | 672,675 | 660,942 | 645,092 | 624,638 | 615,546 | 615,333 |
| Unemployed | 70,075 | 45,125 | 18,013 | 14,508 | 19,800 | 22,563 | 27,729 | 30,142 | 33,913 | 43,321 |
| Unemployment rate | 7.10% | 6.86% | 2.70% | 2.10% | 2.90% | 3.30% | 4.10% | 4.60% | 5.20% | 6.60% |

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

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

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers (Unaudited)
June 30, 2021 and June 30, 2012

| 2021 | | | 2012 | | |
|--------------------------------------|-----------|--------------------------------------|-----------------------------------|-----------|--------------------------------------|
| Employer | Employees | Percentage of Total State Employment | Employer | Employees | Percentage of Total State Employment |
| Bank of Hawaii Corp | 1,991 | 0.3% | Alexander & Baldwin, Inc. | 2,100 | 0.3% |
| First Hawaiian Bank | 2,139 | 0.3% | Bank of Hawaii Corp | 2,451 | 0.4% |
| Hawai'i Pacific Health | 7,102 | 1.1% | Hawai'i Pacific Health | 5,728 | 0.9% |
| Hawaiian Airlines | 6,751 | 1.0% | Hawaiian Airlines | 4,314 | 0.7% |
| Hawaiian Electric Industries, Inc. | 3,702 | 0.6% | Hawaiian Electric Industries, Inc | 3,654 | 0.6% |
| L&L Hawaii | 1,955 | 0.3% | Kaiser Permanente Hawaii | 4,478 | 0.7% |
| Securitas Security Services USA Inc. | 2,261 | 0.4% | Kamehameha Schools | 2,300 | 0.5% |
| Servco Pacific Inc. | 2,058 | 0.3% | Kyo-ya Co., Ltd | 3,410 | 0.5% |
| TD Food Group Inc. | 2,055 | 0.3% | Outrigger Enterprise Group | 2,918 | 0.4% |
| The Queen's Health Systems | 7,913 | 1.2% | The Queen's Health Systems | 5,176 | 0.8% |

Note: Total Annual Average Employment for Hawaii for fiscal year 2021 – 646,000 and for fiscal year 2012 – 656,000.

Listed alphabetically.

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

State of Hawaii
Demographic and Economic Information
State Employees by Function (Unaudited)
Ten Years Ended June 30, 2021

| | Fiscal Year Ended June 30, | | | | | | | | | |
|-------------------------------------|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| General government | 4,160 | 4,478 | 4,533 | 4,517 | 4,538 | 4,537 | 4,571 | 4,572 | 4,419 | 4,394 |
| Public safety | 3,094 | 3,161 | 3,207 | 3,265 | 3,336 | 3,316 | 3,197 | 3,175 | 2,981 | 2,903 |
| Transportation | 2,228 | 2,258 | 2,210 | 2,229 | 2,234 | 2,263 | 2,295 | 2,254 | 2,275 | 2,202 |
| Conservation of natural resources | 1,058 | 1,144 | 1,079 | 1,051 | 1,008 | 1,015 | 1,007 | 1,007 | 972 | 929 |
| Health | 5,103 | 5,204 | 5,246 | 5,325 | 5,127 | 6,544 | 6,731 | 6,813 | 7,136 | 6,919 |
| Welfare | 1,859 | 1,915 | 1,948 | 1,957 | 1,940 | 1,913 | 1,927 | 1,941 | 1,940 | 1,800 |
| Lower education | 21,581 | 21,995 | 22,122 | 22,016 | 21,531 | 21,841 | 21,707 | 21,797 | 21,976 | 21,909 |
| Higher education | 8,269 | 8,633 | 8,660 | 8,647 | 8,620 | 8,746 | 8,802 | 9,080 | 8,978 | 8,795 |
| Other education | 452 | 497 | 493 | 508 | 486 | 496 | 488 | 492 | - | 454 |
| Urban redevelopment and housing | 124 | 136 | 138 | 132 | 130 | 118 | 123 | 127 | 116 | 127 |
| Economic development and assistance | 810 | 698 | 702 | 814 | 730 | 749 | 761 | 759 | 781 | 815 |
| Total | 48,738 | 50,119 | 50,338 | 50,461 | 49,680 | 51,538 | 51,609 | 52,017 | 51,574 | 51,247 |

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

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2021

| | Fiscal Year Ended June 30, | | | | |
|--|----------------------------|----------|----------|----------|----------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| General government | | | | | |
| Tax Commission | | | | | |
| Total individual net income returns | 883,260 | 693,152 | 838,441 | 808,183 | 704,250 |
| Number of individual net income returns filed electronically | 687,282 | 543,820 | 579,720 | 552,464 | 536,273 |
| Percentage of individual net income returns transmitted electronically | 77.81% | 78.46% | 69.14% | 68.36% | 76.15% |
| Public safety | | | | | |
| Inmate population | | | | | |
| In-state facilities | 2,981 | 3,326 | 3,991 | 4,017 | 4,052 |
| Out-of-state facilities | 1,189 | 1,199 | 1,507 | 1,460 | 1,617 |
| Total | 4,170 | 4,525 | 5,498 | 5,477 | 5,669 |
| Conservation and natural resources | | | | | |
| Parks and Recreation | | | | | |
| Number of state-owned parks | 50 | 50 | 51 | 52 | 54 |
| Health | | | | | |
| Environmental health | | | | | |
| Air quality sites monitored | 20 | 21 | 20 | 20 | 14 |
| Water quality stations | 197 | 197 | 197 | 187 | 169 |
| Revolving loan funds | 214 | 208 | 200 | 192 | 186 |
| Mental health | | | | | |
| Adult consumers served | 7,792 | 7,990 | 7,124 | 8,328 | 9,295 |
| Individuals with developmental disabilities served | 3,424 | 3,548 | 3,251 | 2,956 | 2,863 |
| Welfare | | | | | |
| Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF) | | | | | |
| Families per-month average | 6,782 | 4,569 | 4,362 | 4,813 | 5,750 |
| Average time on assistance | 24.0 | 16.7 | 19.7 | 18.1 | 18.1 |
| Monthly benefits paid for the month of July (in millions) | \$ 4.15 | \$ 2.71 | \$ 2.48 | \$ 2.26 | \$ 2.98 |
| General assistance | | | | | |
| Individuals per month | 6,529 | 5,634 | 5,396 | 5,575 | 5,651 |
| Food stamp program | | | | | |
| Number of persons participating | 176,513 | 154,669 | 154,161 | 164,788 | 170,850 |
| Number of households participating | 97,382 | 79,811 | 79,702 | 84,297 | 85,491 |
| Benefits issued (in millions) | \$ 57.32 | \$ 37.07 | \$ 36.89 | \$ 39.78 | \$ 40.26 |
| Medicaid programs | | | | | |
| Med-Quest enrollment | 428,580 | 361,912 | 336,202 | 353,058 | 352,991 |

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--------------|--------------|--------------|--------------|--------------|
| 768,261 | 715,706 | 737,205 | 612,373 | 703,262 |
| 529,527 | 509,409 | 483,817 | 397,178 | 430,421 |
| 68.93% | 71.18% | 65.63% | 64.86% | 61.20% |
| 4,584 | 4,683 | 4,456 | 4,438 | 4,396 |
| 1,386 | 1,341 | 1,363 | 1,415 | 1,677 |
| <u>5,970</u> | <u>6,024</u> | <u>5,819</u> | <u>5,853</u> | <u>6,073</u> |
| 54 | 52 | 51 | 53 | 53 |
| 14 | 14 | 13 | 14 | 12 |
| 160 | 161 | 173 | 173 | 193 |
| 176 | 159 | 149 | 133 | 120 |
| 7,828 | 8,282 | 10,408 | 10,728 | 11,062 |
| 2,738 | 2,705 | 2,615 | 2,599 | 2,558 |
| 6,918 | 8,102 | 8,927 | 10,075 | 10,300 |
| 18.1 | 17.5 | N/A | 14.6 | 13.5 |
| \$ 3.90 | \$ 3.60 | \$ 4.10 | \$ 5.47 | \$ 6.42 |
| 5,676 | 5,699 | 5,598 | 5,687 | 5,633 |
| 173,780 | 191,918 | 193,565 | 187,062 | 172,676 |
| 87,636 | 96,502 | 98,440 | 94,649 | 86,418 |
| \$ 40.23 | \$ 49.90 | \$ 43.39 | \$ 40.33 | \$ 37.18 |
| 350,358 | 332,197 | 325,510 | 292,423 | 287,902 |

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2021

| | Fiscal Year Ended June 30, | | | | |
|---|----------------------------|---------------|---------------|---------------|---------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Lower education | | | | | |
| Number of schools | 294 | 293 | 292 | 292 | 290 |
| Number of students | 176,441 | 181,088 | 181,278 | 180,837 | 181,550 |
| Staff | | | | | |
| Classroom teachers | 12,136 | 12,221 | 12,132 | 12,033 | 11,782 |
| Librarians | 114 | 126 | 135 | 143 | 149 |
| Counselors | 659 | 660 | 660 | 653 | 634 |
| Administrators | 1,095 | 1,093 | 1,056 | 1,036 | 995 |
| Other support staff | 9,246 | 9,236 | 9,194 | 9,277 | 9,039 |
| Total | <u>23,250</u> | <u>23,336</u> | <u>23,177</u> | <u>23,142</u> | <u>22,599</u> |
| Higher education | | | | | |
| Enrollment | | | | | |
| Number of credit students | <u>49,773</u> | <u>49,594</u> | <u>49,977</u> | <u>51,063</u> | <u>51,674</u> |
| Degrees earned | | | | | |
| Certificates/Associate Degrees/Advanced Professional certificates | 4,801 | 4,800 | 5,191 | 4,912 | 5,102 |
| Bachelor's degrees | 4,558 | 4,473 | 4,681 | 4,693 | 4,735 |
| Master's degrees/Professional diploma | 905 | 1,031 | 868 | 1,035 | 1,040 |
| Doctor's degrees/First Professional | 443 | 489 | 479 | 513 | 482 |
| Other | 56 | 54 | 80 | 62 | 49 |
| Total | <u>10,763</u> | <u>10,847</u> | <u>11,299</u> | <u>11,215</u> | <u>11,408</u> |
| Degrees by campus/college | | | | | |
| University of Hawaii at Manoa | 4,461 | 4,519 | 4,551 | 4,726 | 4,712 |
| University of Hawaii at Hilo | 775 | 801 | 895 | 942 | 955 |
| University of Hawaii at West Oahu | 706 | 709 | 643 | 613 | 623 |
| Hawaii Community College | 530 | 552 | 587 | 586 | 576 |
| Honolulu Community College | 756 | 922 | 906 | 778 | 900 |
| Kapiolani Community College | 1,084 | 1,100 | 1,212 | 1,276 | 1,356 |
| Kauai Community College | 307 | 290 | 343 | 211 | 258 |
| Leeward Community College | 1,293 | 1,087 | 1,135 | 1,102 | 1,019 |
| Maui Community College | 572 | 593 | 701 | 638 | 668 |
| Windward Community College | 279 | 274 | 326 | 343 | 341 |
| Total | <u>10,763</u> | <u>10,847</u> | <u>11,299</u> | <u>11,215</u> | <u>11,408</u> |

N/A Not available.

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

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---------------|---------------|---------------|---------------|---------------|
| 290 | 289 | 288 | 286 | 286 |
| 181,995 | 182,384 | 185,273 | 183,251 | 181,213 |
| 11,747 | 11,663 | 11,781 | 11,632 | 11,458 |
| 160 | 173 | 185 | 192 | 199 |
| 634 | 623 | 625 | 629 | 627 |
| 943 | 914 | 833 | 823 | 806 |
| 9,113 | 9,052 | 9,014 | 8,987 | 8,975 |
| <u>22,597</u> | <u>22,425</u> | <u>22,438</u> | <u>22,263</u> | <u>22,065</u> |
| | | | | |
| <u>53,418</u> | <u>55,756</u> | <u>57,052</u> | <u>58,941</u> | <u>60,295</u> |
| | | | | |
| 5,192 | 4,830 | 5,158 | 4,097 | 3,638 |
| 4,841 | 4,599 | 4,408 | 4,236 | 4,055 |
| 1,126 | 1,035 | 1,179 | 1,095 | 1,287 |
| 472 | 579 | 467 | 508 | 494 |
| 49 | 61 | 66 | 65 | 154 |
| <u>11,680</u> | <u>11,104</u> | <u>11,278</u> | <u>10,001</u> | <u>9,628</u> |
| | | | | |
| 5,104 | 4,923 | 4,949 | 4,737 | 4,767 |
| 893 | 905 | 806 | 809 | 915 |
| 474 | 439 | 352 | 349 | 301 |
| 693 | 569 | 669 | 552 | 452 |
| 886 | 725 | 683 | 551 | 565 |
| 1,383 | 1,335 | 1,513 | 1,193 | 987 |
| 248 | 264 | 203 | 216 | 196 |
| 1,057 | 1,000 | 1,090 | 770 | 721 |
| 594 | 575 | 660 | 601 | 560 |
| 348 | 369 | 353 | 223 | 164 |
| <u>11,680</u> | <u>11,104</u> | <u>11,278</u> | <u>10,001</u> | <u>9,628</u> |

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function (Unaudited)
Ten Years Ended June 30, 2021

| | Fiscal Year Ended June 30, | | | | | | | | | |
|---|----------------------------|-------|-------|-------|-------|-------|-------|-------|------|------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| General government | | | | | | | | | | |
| Department of Accounting and General Services | | | | | | | | | | |
| Buildings | 84 | 79 | 79 | 79 | 79 | 81 | 79 | 78 | 74 | 74 |
| Vehicles | 677 | 692 | 675 | 644 | 644 | 673 | 650 | 650 | 608 | 600 |
| Department of the Attorney General | | | | | | | | | | |
| Buildings | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 |
| Vehicles | 8 | 4 | 3 | 3 | 3 | 4 | 3 | 3 | 3 | 3 |
| The Judiciary | | | | | | | | | | |
| Buildings | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 18 |
| Vehicles | - | - | - | - | 18 | 18 | 18 | 18 | 18 | 18 |
| Other departments | | | | | | | | | | |
| Buildings | 19 | 21 | 21 | 21 | 21 | 21 | 23 | 23 | 22 | 24 |
| Vehicles | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 4 |
| Public safety | | | | | | | | | | |
| Department of Public Safety | | | | | | | | | | |
| Buildings and correction facilities | 83 | 76 | 76 | 76 | 76 | 76 | 77 | 75 | 74 | 74 |
| Vehicles | 367 | 370 | 354 | 353 | 290 | 302 | 306 | 279 | 274 | 277 |
| Department of Defense | | | | | | | | | | |
| Buildings | 63 | 99 | 99 | 99 | 99 | 99 | 99 | 98 | 98 | 97 |
| Vehicles | 126 | 126 | 128 | 121 | 108 | 104 | 96 | 128 | 118 | 112 |
| Department of Commerce and Consumer Affairs | | | | | | | | | | |
| Buildings | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Highways | | | | | | | | | | |
| Department of Transportation | | | | | | | | | | |
| Highway lane miles | 2,477 | 2,478 | 2,497 | 2,489 | 2,489 | 2,487 | 2,477 | 2,488 | N/A | N/A |
| Highway bridges | 752 | 752 | 752 | 752 | 752 | 752 | 752 | 752 | N/A | N/A |
| Buildings | 41 | 40 | 40 | 40 | 40 | 40 | 39 | 37 | 36 | 36 |
| Vehicles | 1,065 | 1,063 | 1,077 | 1,101 | 1,043 | 989 | 971 | 982 | 984 | 951 |

(continued)

N/A Not available.

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles – State of Hawaii, Department of Transportation.
Land Area and Highway Bridges – State of Hawaii, Data Book 2021.

| | Fiscal Year Ended June 30, | | | | | | | | | |
|--|----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Conservation of natural resources | | | | | | | | | | |
| Department of Land and Natural Resources | | | | | | | | | | |
| Land area (in square miles) | 6,423 | 6,423 | 6,423 | 6,423 | 6,423 | 6,423 | 6,423 | 6,423 | 6,423 | 6,423 |
| Buildings | 102 | 97 | 97 | 97 | 97 | 97 | 97 | 96 | 94 | 93 |
| Vehicles | 968 | 982 | 969 | 927 | 886 | 855 | 824 | 785 | 788 | 756 |
| Department of Agriculture | | | | | | | | | | |
| Buildings | 35 | 33 | 33 | 33 | 33 | 33 | 33 | 32 | 32 | 32 |
| Vehicles | 158 | 164 | 165 | 163 | 159 | 161 | 164 | 166 | 167 | 170 |
| Health | | | | | | | | | | |
| Department of Health | | | | | | | | | | |
| Buildings | 71 | 73 | 73 | 73 | 73 | 74 | 74 | 74 | 74 | 74 |
| Vehicles | 270 | 272 | 278 | 269 | 258 | 241 | 230 | 227 | 238 | 252 |
| Welfare | | | | | | | | | | |
| Department of Human Services | | | | | | | | | | |
| Buildings | 20 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Vehicles | 95 | 93 | 94 | 95 | 99 | 99 | 104 | 116 | 110 | 107 |
| Lower education | | | | | | | | | | |
| Department of Education | | | | | | | | | | |
| Buildings | 9 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Other education | | | | | | | | | | |
| Department of Education – libraries | | | | | | | | | | |
| Buildings | 40 | 39 | 39 | 38 | 38 | 39 | 38 | 38 | 38 | 34 |
| Vehicles | 27 | 31 | 33 | 33 | 29 | 29 | 29 | 25 | 27 | 28 |
| Urban redevelopment and housing | | | | | | | | | | |
| Department of Hawaiian Home Lands | | | | | | | | | | |
| Buildings | 21 | 19 | 19 | 19 | 19 | 19 | 18 | 18 | 18 | 18 |
| Vehicles | 50 | 50 | 46 | 47 | 42 | 39 | 36 | 33 | 37 | 33 |
| Economic development and assistance | | | | | | | | | | |
| Department of Business, Economic Development and Tourism | | | | | | | | | | |
| Buildings | 38 | 33 | 33 | 32 | 32 | 32 | 32 | 32 | 32 | 33 |
| Vehicles | 26 | 29 | 32 | 32 | 30 | 32 | 32 | 28 | 30 | 32 |
| Department of Labor and Industrial Relations | | | | | | | | | | |
| Buildings | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Vehicles | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |

(concluded)

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