

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023



KEITH A. REGAN
COMPTROLLER

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2023



KEITH A. REGAN
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2023



Keith A. Regan
Comptroller



Meoh-Leng Silliman
Deputy Comptroller

Governor
Director of Finance
Director of Taxation
Comptroller
Deputy Comptroller

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

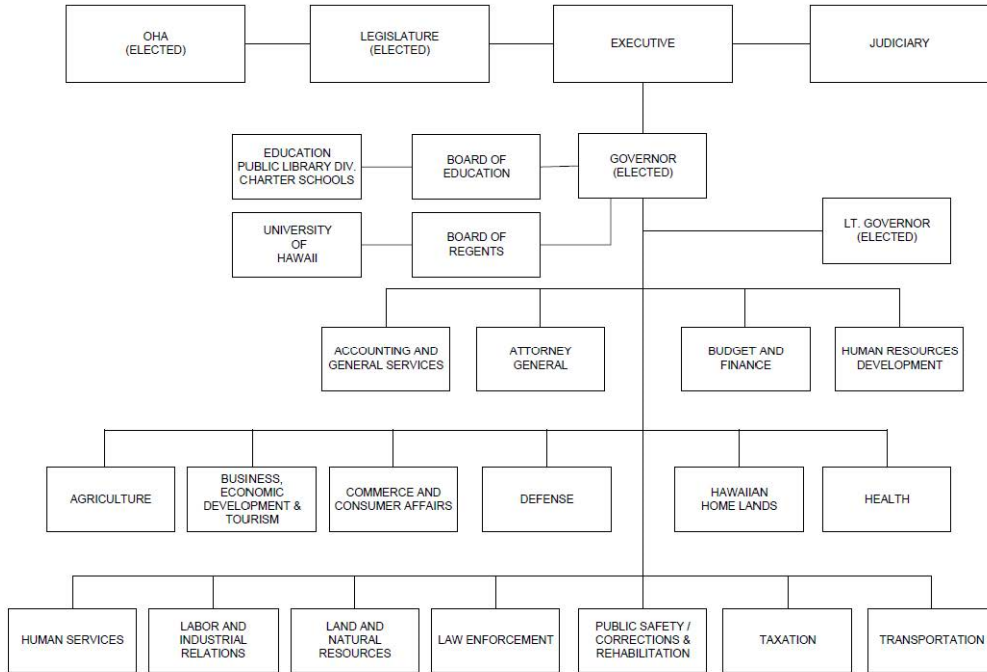
Notes:

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

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

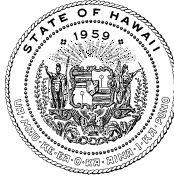
An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

State of Hawaii
Organizational Chart
June 30, 2023



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

JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



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

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

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

March 27, 2024

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

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Annual Comprehensive Financial Report (ACFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2023. 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 second quarter of 2023, Hawaii's economic indicators were mixed. Visitor arrivals, wage and salary jobs, and private building authorizations all increased. compared to the second quarter 2022. However, government contracts awarded, and State general fund tax revenues decreased.

Labor

Labor market conditions in Hawaii were mostly positive in 2023. During the first nine months of 2023, Hawaii's total civilian employment averaged 655,850 persons, an increase of 3,950 persons or 0.6% over the same period in 2022. The number of wage and salary jobs averaged 635,100. Job increases were most notable in food services & drinking places 4,800, accommodation 2,500, government 2,000, educational services 1,300 and transportation, warehousing & utilities 1,200. Only the financial activities sector experienced a decline (500). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 3.0% for the first nine months of 2023, compared to 3.4% for the same period in 2022.

Taxes

The State General Fund tax revenues decreased \$134.9 million, or -1.8%, during the first nine months of 2023 compared to the same period in 2022. Among its components, net individual income tax collections decreased \$251.2 million or -8.7%, while general excise and use tax (GET) collections increased \$180.1 million or 5.6%, and transient accommodations tax (TAT) collections were up \$20.1 million or 3.1%. Net corporate income tax revenues increased \$44.6 million or 18.9%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased \$10.9 million, or 6.3% in the first half of 2023 compared to the same period in 2022. Among its components, an incline was seen in wages and salaries which increased by \$5.8 million or 7.0%, supplemental wages and salaries which increased by \$1.2 million or 5.0% and dividends, interest and rent increased \$3.2 million or 9.3%. The remaining categories had inclines that ranged from 2.1% to 13.5%. Contributions for government social insurance, which are subtracted from personal income, increased by 7.2%.

Prices

Honolulu's consumer price index (CPI) increased 3.4% for the first half of 2023 compared to the same period in 2022, which is 1.5% below United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in apparel (15.6%), other goods and services (10.3%), food and beverages (4.5%), recreation (4.4%), education and communication (2.7%), housing (2.2%) and transportation (1.7%) compared to the first half of 2022.

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2023, total visitor arrivals by air increased 388,285 or 5.7% compared to the same period of 2022. Domestic arrivals (visitors on flights originating inside of the U.S.) decreased -2.3% while international arrivals increased 93.1%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 3.0% in the first nine months of 2023 compared to the same period of 2022 and total visitor spending increased \$1.1 billion or 7.9% over the same period. Statewide, hotel occupancy rate averaged 75.3% in the first nine months of 2023, 1.0% higher than the average rate during the same period of 2022.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. However, the indicators of Hawaii's construction industry were mixed in 2023. Construction jobs and private building authorizations increased but government contracts awarded, and state government CIP expenditures decreased. In the first nine months of 2023, the construction sector increased 100 jobs or 0.3% from the same period of 2022. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the construction job market from third quarter of 2011 to 2022 is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

Outlook for Hawaii's Economy

The wildfire tragedy in Lahaina on August 8, 2023, destroyed over 2,000 residential homes and took the lives of 115 people. The disaster area had more than 800 business establishments with about 7,000 employees. As a result of this devastation, unemployment insurance claims filed jumped from an average of 130 cases per week to as high as 4,449 and air passenger count to Kahului Airport decreased by over 70% a day.

Prior to the wildfire, Hawaii's economy continued its recovery from COVID-19 pandemic. Year-to-date through July 2023, visitor arrivals recovered to 95.6% of the 2019 level while total visitor expenditures were 21.6% higher than the same seven months in 2019.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The August 2023 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2023 to increase 2.0% and projects a positive 0.8% U.S. economic growth rate for 2024. 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 1.1% in 2023, 1.5% in 2024, over 2.0% in 2025 and 2026 due to the expectation that reconstruction activities on Maui will begin.

The visitor arrivals are projected to be 9.8 million in 2023, lower than previously projected. Visitor growth from both the domestic market and international market will be seen in Oahu, Neighbor islands and, especially Maui, will see fewer visitors. Visitor arrivals are expected to increase to over 10 million from 2024. By 2026, visitor arrivals will be fully recovered to the pre-pandemic level. Visitor spending is projected to be \$21.2 billion in 2023 and expected to increase to \$23.6 billion by 2026.

DBEDT projects total non-agricultural wage and salary jobs to increase by 1.8% in 2023, The payroll job counts will increase by 1.9% in 2024, 1.7% in 2025 and 1.5% in 2026. The unemployment rate is expected to be at 3.0% in 2023 and will improve to 2.7% in 2024, 2.5% in 2025 and 2.3% in 2026.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, is expected to be at 2.8% in 2023, still lower than the projected U.S. consumer inflation rate of 4.0% for the same year. Hawaii consumer inflation is expected to decrease to 2.3% by 2026.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2021 (Act 88, SLH 2021), as amended by the Supplemental Appropriations Act of 2022 (Act 248 SLH 2022) and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

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

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. Of the 15 collective bargaining units, 13 include State employees. Units 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15 have collective bargaining agreements in effect through June 30, 2025, while unit 5 has collective bargaining agreements in effect through June 30, 2027.

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, 2023. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,



KEITH A. REGAN
Comptroller, State of Hawaii



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Hawaii

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

PART II: FINANCIAL SECTION



Report of Independent Auditors

The Auditor
State of Hawaii

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the State of Hawaii’s basic financial statements (pages 30–122) as listed in the accompanying table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Department of Transportation – Airports Division, which is a major enterprise fund; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund, and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; and the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit’s Total Assets	Percent of Opinion Unit’s Total Revenues/Additions
Business-Type Activities	74 %	58 %
Aggregate Discretely Presented Component Units	40 %	36 %
Fiduciary Funds	94 %	55 %

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

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Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, effective July 1, 2022, the State of Hawaii adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis (pages 13–28), budgetary comparison information (pages 125–131 and 142–148), Schedule of the Proportionate Share of the Net Pension Liability (page 132), Schedule of Pension Contributions (page 133), Schedule of the Proportionate Share of the Net OPEB Liability (page 134), and Schedule of OPEB Contributions (page 135) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii’s basic financial statements. The combining and individual nonmajor fund financial statements (pages 138–141 and 149–153) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory (pages 1–7) and statistical sections (pages 156–189) but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2024, 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
March 27, 2024

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023. 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. 96

During fiscal year 2023, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement established criteria for accounting and financial reporting for subscription-based technology arrangements for government end users. It requires recognition of certain subscription assets and liabilities.

The adoption of Statement No. 96 resulted in an increase in capital assets and liabilities of approximately \$33,614,000 as of July 1, 2022.

Government-Wide Highlights

The liabilities and deferred inflows of resources of the State exceeded its assets and deferred outflows of resources at June 30, 2023 by \$1.6 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$7.4 billion, an increase of \$2.5 billion from the previous year. Net position of governmental activities and business-type activities increased by \$3.2 billion and \$553.9 million, respectively, due to current year activity. The total deferred outflows of resources was \$1.7 billion, a \$255.9 million increase. This was due to the increase in deferred outflows, net other postemployment benefits (OPEB) liability in the amount of \$294.4 million. The deferred inflows of resources decreased to \$3.4 billion. This was due to the decrease in deferred inflows on net pension liability in the amount of \$610.7 million offset by the \$494.1 million increase in deferred inflows on net OPEB liability.

Fund Highlights

At June 30, 2023, the State's Governmental Funds reported combined ending fund balances of \$7.2 billion, an increase of \$2.1 billion from the prior fiscal year-end. Of this amount, \$4.6 billion, or 63.1%, 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 \$5.6 billion at June 30, 2023, an increase of \$553.9 million during the fiscal year.

Liabilities

The State's liabilities decreased during the current year to \$27.5 billion, a decrease of \$729.2 million.

The State's liability for postemployment benefits other than pension decreased to \$4.8 billion, a decrease of \$650.4 million for the fiscal year ended June 30, 2023.

The State's liability for pensions increased to \$6.8 billion, an increase of \$467.9 million for the fiscal year ended June 30, 2023.

During fiscal 2023, the State issued \$800 million in taxable General Obligation bonds.

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Overview of the Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

The Government-Wide financial statements can be found on pages 30–32 of this report.

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Fund Financial Statements

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

Governmental Funds

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

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

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

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

The basic Governmental Funds financial statements can be found on pages 34–37 of this report.

Proprietary Funds

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

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

The basic Proprietary Funds financial statements can be found on pages 38–42 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 44–45 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements. The notes to basic financial statements can be found on pages 52–122 of this report.

Required Supplementary Information

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

Other Supplementary Information

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

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

Government-Wide Financial Analysis

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

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Net position is a useful indicator of a government's financial position. For the State, assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources by \$1.6 billion as of June 30, 2023, and net position increased \$3.7 billion, or negative 172.9%, from June 30, 2022 balances. The net position of the governmental activities increased by \$3.2 billion, or negative 44.0%, and business-type activities had an increase of \$553.9 million, or 10.9%, due to the fiscal year 2023 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2023 and 2022
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 10,420,900	\$ 8,466,719	\$ 4,519,835	\$ 4,134,626	\$ 14,940,735	\$ 12,601,345
Capital assets, net	10,492,344	10,316,257	5,300,745	5,163,400	15,793,089	15,479,657
Total assets	<u>\$ 20,913,244</u>	<u>\$ 18,782,976</u>	<u>\$ 9,820,580</u>	<u>\$ 9,298,026</u>	<u>\$ 30,733,824</u>	<u>\$ 28,081,002</u>
Deferred outflows of resources						
Deferred loss on refunding	\$ 84,252	\$ 98,645	\$ 5,993	\$ 7,007	\$ 90,245	\$ 105,652
Deferred outflows on net pension liability	811,886	830,429	28,658	33,220	840,544	863,649
Deferred outflows on net other postemployment benefits liability	772,548	484,031	17,574	11,664	790,122	495,695
Total deferred outflows of resources	<u>\$ 1,668,686</u>	<u>\$ 1,413,105</u>	<u>\$ 52,225</u>	<u>\$ 51,891</u>	<u>\$ 1,720,911</u>	<u>\$ 1,464,996</u>
Liabilities						
Long-term liabilities	\$ 21,632,757	\$ 22,158,365	\$ 3,338,737	\$ 3,348,140	\$ 24,971,494	\$ 25,506,505
Other liabilities	2,240,175	2,467,095	305,572	272,874	2,545,747	2,739,969
Total liabilities	<u>\$ 23,872,932</u>	<u>\$ 24,625,460</u>	<u>\$ 3,644,309</u>	<u>\$ 3,621,014</u>	<u>\$ 27,517,241</u>	<u>\$ 28,246,474</u>
Deferred inflows of resources						
Deferred inflows on leases	\$ 830,371	\$ 832,753	\$ 536,318	\$ 571,171	\$ 1,366,689	\$ 1,403,924
Deferred inflows on unavailable revenues	57,105	-	-	-	57,105	-
Deferred inflows on net pension liability	453,767	1,029,046	32,859	68,277	486,626	1,097,323
Deferred inflows on net other postemployment benefits liability	1,416,140	937,969	36,573	20,636	1,452,713	958,605
Total deferred inflows of resources	<u>\$ 2,757,383</u>	<u>\$ 2,799,768</u>	<u>\$ 605,750</u>	<u>\$ 660,084</u>	<u>\$ 3,363,133</u>	<u>\$ 3,459,852</u>
Net position						
Net investment in capital assets	\$ 1,298,234	\$ 1,012,903	\$ 2,601,058	\$ 2,568,292	\$ 3,899,292	\$ 3,581,195
Restricted	3,129,087	2,373,911	1,949,115	1,814,854	5,078,202	4,188,765
Unrestricted	<u>(8,475,706)</u>	<u>(10,615,961)</u>	<u>1,072,573</u>	<u>685,673</u>	<u>(7,403,133)</u>	<u>(9,930,288)</u>
Total net position	<u>\$ (4,048,385)</u>	<u>\$ (7,229,147)</u>	<u>\$ 5,622,746</u>	<u>\$ 5,068,819</u>	<u>\$ 1,574,361</u>	<u>\$ (2,160,328)</u>

Analysis of Net Position

The State's net position (\$3.9 billion or 247.7%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position (\$5.1 billion or 322.6%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$7.4 billion or 470.2% represents unrestricted net position.

At June 30, 2023, 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 \$4.8 billion and net pension liability of \$6.8 billion.

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Changes in Net Position

The State's net position increased by \$3.7 billion, or negative 172.9%, during the fiscal year ended June 30, 2023. Approximately 58.5% of the State's total revenues came from taxes, while 28.7% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 12.8% 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.

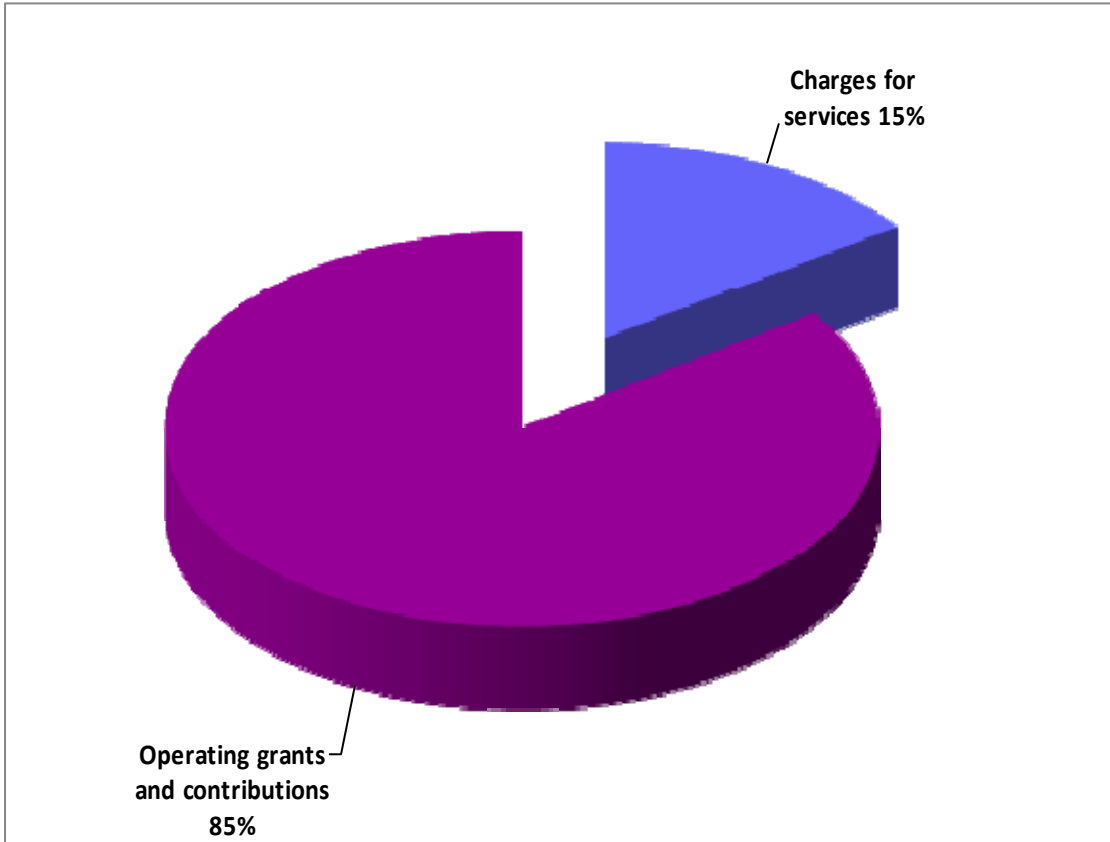
Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	\$ 945,827	\$ 816,335	\$ 1,341,790	\$ 1,108,486	\$ 2,287,617	\$ 1,924,821
Operating grants and contributions	5,242,283	6,121,649	75,471	1,387,833	5,317,754	7,509,482
Capital grants and contributions	-	-	116,033	45,611	116,033	45,611
General revenues						
Taxes	11,079,512	9,459,441	-	-	11,079,512	9,459,441
Investment income and other	61,588	(251,345)	61,913	3,001	123,501	(248,344)
Total revenues	<u>17,329,210</u>	<u>16,146,080</u>	<u>1,595,207</u>	<u>2,544,931</u>	<u>18,924,417</u>	<u>18,691,011</u>
Expenses						
General government	1,304,460	2,309,934	-	-	1,304,460	2,309,934
Public safety	685,370	740,183	-	-	685,370	740,183
Highways	574,921	565,191	-	-	574,921	565,191
Conservation of natural resources	290,192	118,553	-	-	290,192	118,553
Health	953,881	1,103,928	-	-	953,881	1,103,928
Welfare	4,976,910	4,882,816	-	-	4,976,910	4,882,816
Lower education	3,572,983	3,389,834	-	-	3,572,983	3,389,834
Higher education	1,097,173	919,350	-	-	1,097,173	919,350
Other education	18,358	16,933	-	-	18,358	16,933
Culture and recreation	143,857	117,785	-	-	143,857	117,785
Urban redevelopment and housing	164,714	201,311	-	-	164,714	201,311
Economic development and assistance	114,320	265,549	-	-	114,320	265,549
Interest expense	251,309	219,989	-	-	251,309	219,989
Airports	-	-	649,344	616,382	649,344	616,382
Harbors	-	-	103,772	107,980	103,772	107,980
Unemployment compensation	-	-	171,537	608,094	171,537	608,094
Nonmajor proprietary funds	-	-	116,627	120,826	116,627	120,826
Total expenses	<u>14,148,448</u>	<u>14,851,356</u>	<u>1,041,280</u>	<u>1,453,282</u>	<u>15,189,728</u>	<u>16,304,638</u>
Change in net position	<u>3,180,762</u>	<u>1,294,724</u>	<u>553,927</u>	<u>1,091,649</u>	<u>3,734,689</u>	<u>2,386,373</u>
Net position						
Beginning of year	(7,229,147)	(8,523,871)	5,068,819	3,977,170	(2,160,328)	(4,546,701)
End of year	<u>\$ (4,048,385)</u>	<u>\$ (7,229,147)</u>	<u>\$ 5,622,746</u>	<u>\$ 5,068,819</u>	<u>\$ 1,574,361</u>	<u>\$ (2,160,328)</u>

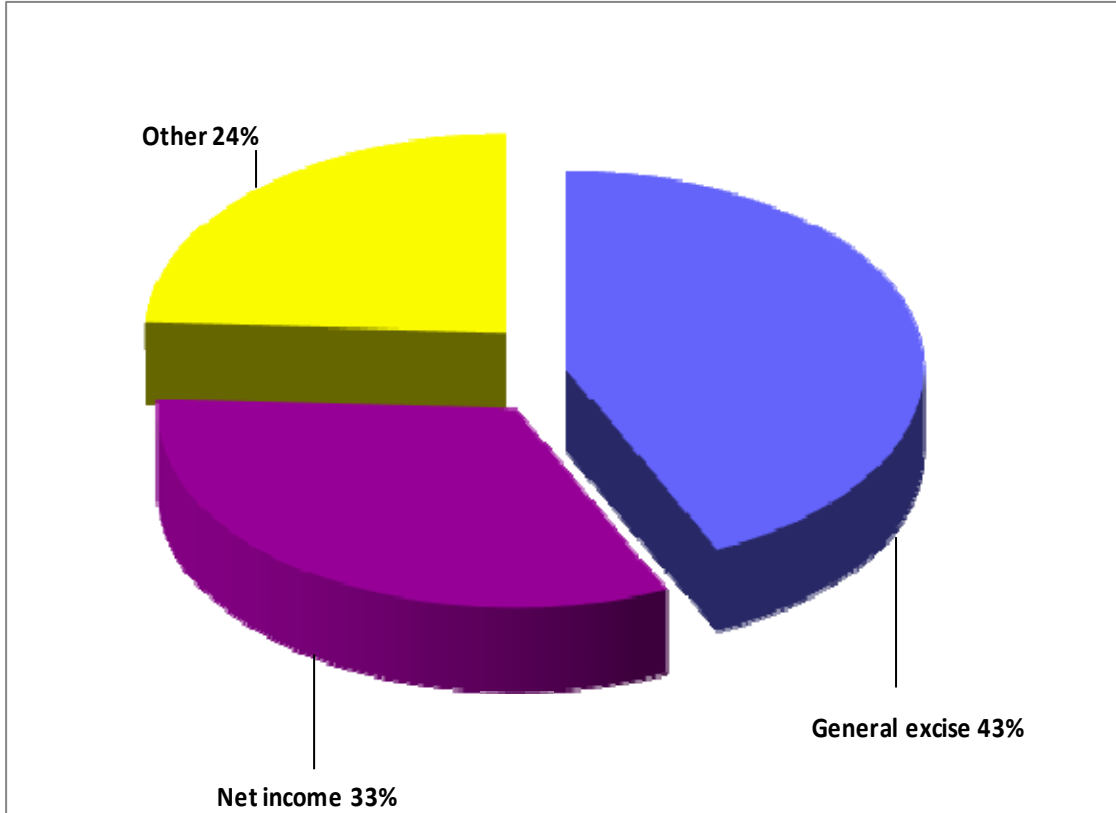
State of Hawaii
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The following charts depict revenues of the governmental activities for the fiscal year:

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2023



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2023



Analysis of Changes in Net Position

The State's net position increased by \$3.7 billion during the current fiscal year. This is explained in the governmental and business-type activities discussion and is primarily due to increases in net position of governmental activities of \$3.2 billion, Unemployment Compensation Fund of \$278.0 million, Airports of \$124.3 million, Harbors of \$111.4 million, and Nonmajor Proprietary Funds of \$40.2 million.

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Governmental Activities

Governmental activities increased the State's net position by \$3.2 billion. The elements of this increase are reflected below:

	Governmental Activities	
	(Amounts in thousands)	
	2023	2022
General revenues		
Taxes	\$ 11,079,512	\$ 9,459,441
Interest and investment income and other	61,588	(251,345)
Total general revenues	<u>11,141,100</u>	<u>9,208,096</u>
Expenses, net of program revenues		
General government	691,454	894,830
Public safety	426,838	480,121
Highways	281,662	270,017
Conservation of natural resources	142,953	(31,306)
Health	602,687	751,251
Welfare	1,203,085	1,197,030
Lower education	3,028,794	2,823,233
Higher education	1,096,803	918,934
Other education	18,358	16,933
Culture and recreation	131,568	102,423
Urban redevelopment and housing	101,181	126,932
Economic development and assistance	(16,354)	142,985
Interest expense	251,309	219,989
Total governmental activities expenses, net of program revenues	<u>7,960,338</u>	<u>7,913,372</u>
Increase in governmental activities, net position	<u>\$ 3,180,762</u>	<u>\$ 1,294,724</u>

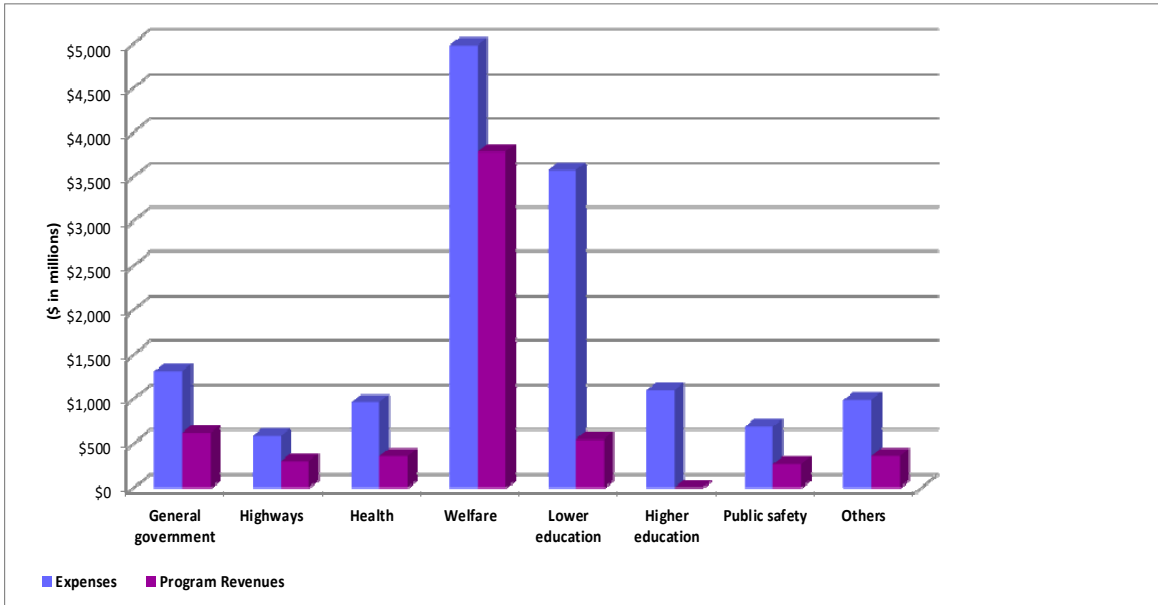
Tax revenues increased by \$1.6 billion, or 17.1%, from the previous fiscal year. The increase was primarily due to an increase in general excise tax of \$882.4 million and transient accommodation taxes of \$184.3 million. These tax increases are attributed to the increase in tourism activities compared to the previous year.

Expenses, net of program revenues increased by \$47.0 million mainly due to the decrease in program expenses of \$702.9 million, which was netted against a decrease of charges for services and operating grants and contributions of \$749.9 million. The largest variances were lower and higher education and conservation of natural resources expenses.

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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, 2023

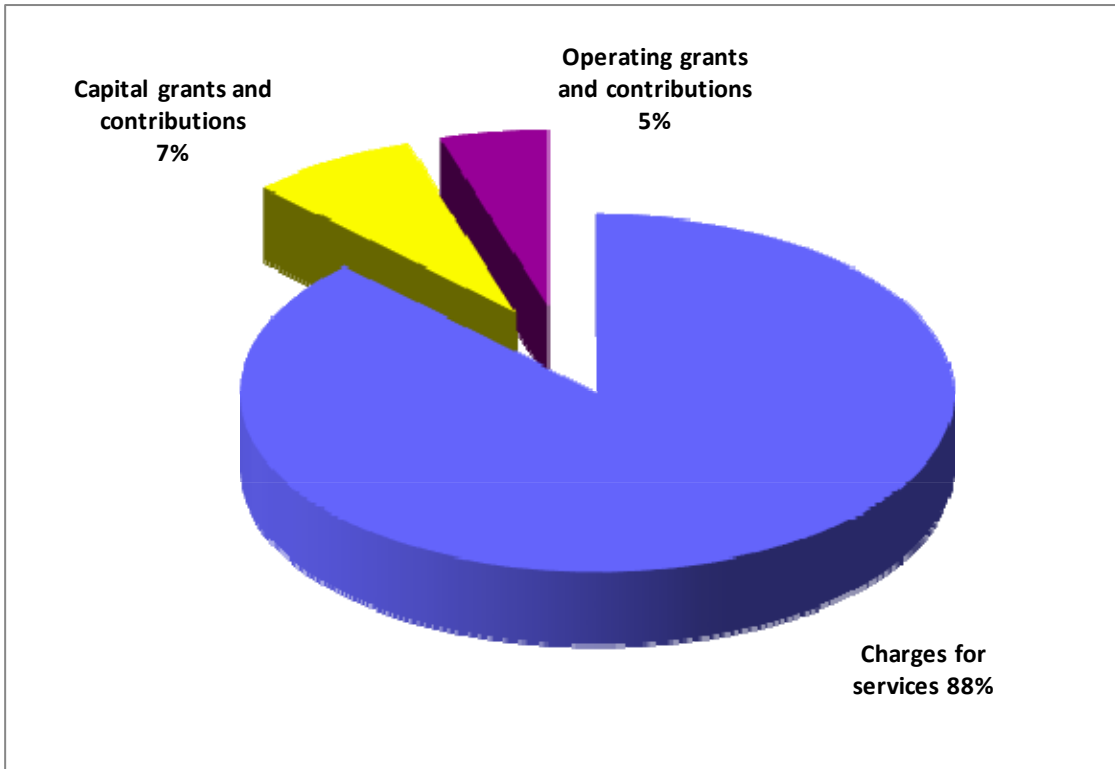


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Business-Type Activities

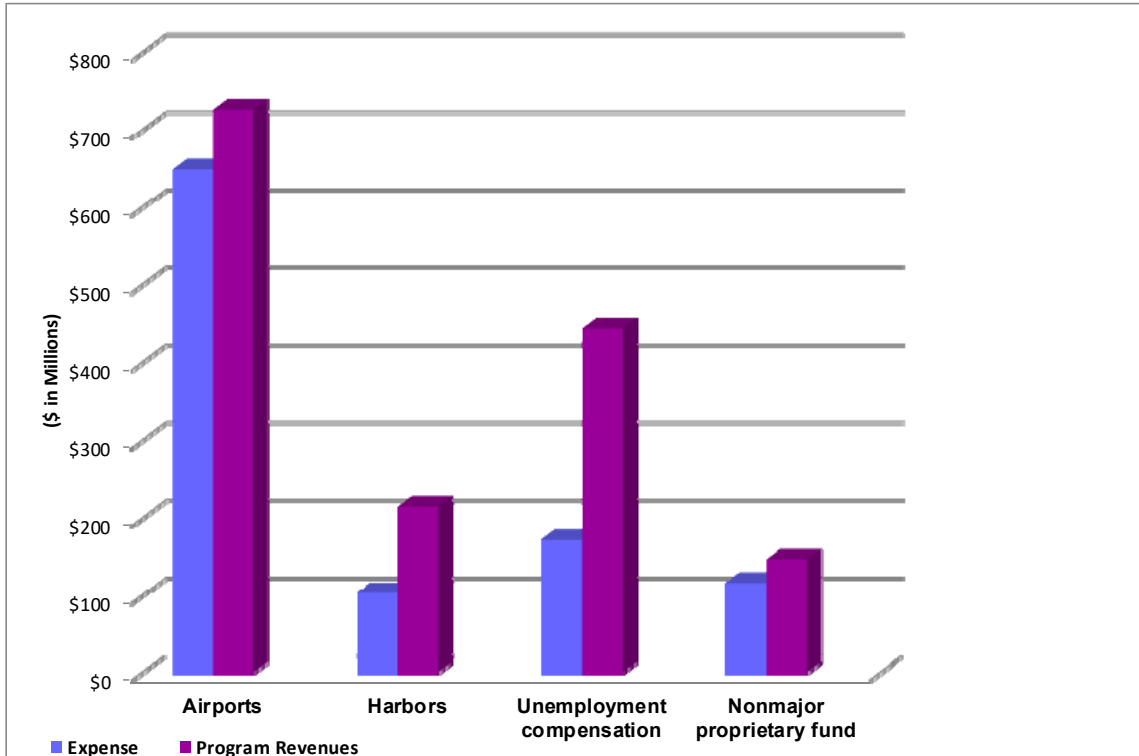
The following charts depict revenues and expenses of the business-type activities for the fiscal year:

Program Revenues by Source – Business-Type Activities
Fiscal Year Ended June 30, 2023



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Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2023



Business-type activities increased (decreased) the State’s net position by \$553.9 million in fiscal 2023, compared to an increase of \$1.1 billion in fiscal 2022. Key elements of this increase are as follows:

- Airports’ net position increased \$124.3 million compared to an increase of \$43.9 million in fiscal 2022. Operating revenues increased by \$48.2 million due to an increase in passenger traffic.
- Harbors’ net position increased \$111.4 million in fiscal 2023 compared to an increase of \$93.9 million in fiscal 2022. Charges for current services increased by \$13.5 million due to increased Wharfage revenues and tariff rates.
- The Unemployment Compensation Fund’s net position increased \$278.0 million compared to an increase of \$930.9 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of \$436.6 million, as the unemployment rate has improved.
- The Nonmajor Proprietary Fund’s net position increased \$40.2 million in fiscal 2023 compared to an increase of \$23.0 million in fiscal 2022.

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- Key elements of the State's business-type activities for the fiscal years ended June 30, 2023 and 2022 are as follows:

	Business-Type Activities									
	(Amounts in thousands)									
	Program Revenues						Expenses			
	Charges for Services		Operating and Capital Grants and Contributions		Total				Program Revenues Net of Expenses	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	
Airports	\$ 604,719	\$ 539,502	\$ 121,393	\$ 111,491	\$ 726,112	\$ 650,993	\$ 649,344	\$ 616,382	\$ 76,768	\$ 34,611
Harbors	215,147	201,640	29	243	215,176	201,883	103,772	107,980	111,404	93,903
Unemployment compensation	416,064	243,660	29,099	1,294,070	445,163	1,537,730	171,537	608,094	273,626	929,636
Nonmajor proprietary funds	105,860	123,684	40,983	27,640	146,843	151,324	116,627	120,826	30,216	30,498
Total	\$ 1,341,790	\$ 1,108,486	\$ 191,504	\$ 1,433,444	\$ 1,533,294	\$ 2,541,930	\$ 1,041,280	\$ 1,453,282	\$ 492,014	\$ 1,088,648

Financial Analysis of the State's Individual Funds

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

Governmental Funds

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

At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of \$7.2 billion. Of this amount, \$254 thousand is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$101.7 million has been committed to specific purposes and \$4.1 billion has been assigned to specific purposes by management. The unassigned fund balance was \$3.1 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 \$4.6 billion compared to \$3.1 billion previously reported at June 30, 2022. This increase is due to the increase in tax revenues, netted against an increase in expenses as the economy improved. The fund balance of the State's Capital Projects Fund decreased \$70.6 million during the fiscal year. The Capital Projects Fund decrease is a result of expenditures in excess of proceeds from general obligation bond issuances. The fund balance of the Med-Quest Special Revenue Fund decreased \$2.2 million compared to the previous year due to an increase in welfare expenditures because of higher costs of medical related goods and services. The fund balance of the Administrative Support Special Revenue Fund increased by \$607.9 million as a result of less expenditures during the year. The fund balance of the Natural Resources Special Revenue Fund increased by \$20.4 million mainly due to increased revenues from interest and investment income and inter-governmental revenues. The fund balance of the Hawaiian Programs Special Revenue Fund increased by \$54.2 million due to increased revenues from interest and investment income. The fund balance of the other Nonmajor Governmental Funds increased \$74.9 million mainly due to a significant decrease in expenditure for public safety.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of \$124.3 million, Harbors had an increase in net position of \$111.4 million, the Unemployment Compensation Fund had an increase in net position of \$278.0 million, and the Nonmajor Proprietary Funds had an increase in net position of \$40.2 million. Other factors concerning the finances

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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 on a budgetary basis were \$116.7 million, or negative 1.1%, less than the final budget. The negative variance was attributed to unfavorable tax revenues of \$282.8 million, netted against favorable non-tax revenues of \$166.1 million. The unfavorable variance in tax revenues is mainly comprised of individual tax and transient accommodations tax, which collected less than what was projected by \$921.9 million and \$35.7 million, respectively. The favorable variance in non-tax revenues is mainly comprised of pension and social security reimbursements.

The difference between the final budget and actual expenditures on a budgetary basis was \$2.3 billion. The difference is mostly due to the Budget and Finance variance of \$343.1 million, education variance of \$368.0 million, Hawaiian Home Lands variance of \$605.1 million, Attorney General variance of \$346.5 million, and Business, Economic Development and Tourism variance of \$360.8 million. The Budget and Finance variance is mostly due to \$13.3 million savings and \$300.0 million carried over unencumbered appropriations into the next fiscal year for 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 \$156.3 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations. The Hawaiian Home Lands variance is also mostly due to unencumbered appropriations carried over into the next fiscal year. Spending restrictions imposed on all executive branch departments resulted in positive variances across most departments.

Capital Assets

The State's capital assets for its governmental and business-type activities as of June 30, 2023 amounted to \$15.8 billion (net of accumulated depreciation of \$16.0 billion), an increase of \$313.4 million from June 30, 2022. The increase is due to an increase in governmental activities capital assets of \$627.7 million and in business-type capital assets of \$364.0 million, offset by increases in governmental activities and business-type activities accumulated depreciation and amortization of \$472.5 million and \$226.7 million, respectively. Major capital improvement projects, which resulted in additions to capital assets in the fiscal year ended June 30, 2023, included the following:

- \$554.4 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- \$221.2 million for various capital improvements at airports statewide.
- \$162.2 million for capital improvements for UH facilities.
- \$123.9 million for various building improvement projects throughout the State.
- \$109.1 million for various highway improvement projects throughout the State.

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

State of Hawaii
Management’s Discussion and Analysis (Unaudited)
June 30, 2023

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$12.4 billion. Of this amount, \$9.0 billion comprises debt backed by the full faith and credit of the State and \$3.3 billion is revenue-bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State’s total bonded debt is shown below:

Long-Term Debt
June 30, 2023 and 2022
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 9,024,693	\$ 9,041,510	\$ 10,966	\$ 13,667	\$ 9,035,659	\$ 9,055,177
Revenue bonds	650,537	700,427	2,671,137	2,716,839	3,321,674	3,417,266
Total	\$ 9,675,230	\$ 9,741,937	\$ 2,682,103	\$ 2,730,506	\$ 12,357,333	\$ 12,472,443

The State’s total long-term debt decreased by \$115.1 million, or 0.9%, during the current fiscal year. The decrease is primarily due to bond maturities, refunding of debt, and issuances of general obligation bond and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2023, the State’s underlying general obligation bond ratings were Moody’s Investors Service (Aa2), Standard and Poor’s Corporation (AA+), and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2023 was \$748.4 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 2023 was 2.9%, while the seasonally adjusted national unemployment rate was 3.8%. One year ago, the State’s seasonally adjusted unemployment rate stood at 3.3%, while the seasonally adjusted national unemployment rate was 3.7%.

The Council of Revenues in September 2023 revised the State’s General Fund tax revenue growth rate for fiscal year 2024 from 4.0% to 1.3%. The Council also revised the General Fund tax revenue growth rate for fiscal year 2025 to 5.2% and maintained its forecast for fiscal years 2026 through 2030 at 3.5%.

Cumulative general fund tax revenues for the first five months of fiscal year 2024 was \$3.7 billion, an increase of \$290.3 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 1.0%.

There was a wildfire tragedy in Lahaina, Maui on August 8, 2023. It took the lives of at least 115 people, destroyed over 2,000 residential homes, and affected more than 800 establishments with about 7,000 employees. The State is assessing the damage which is expected to be significant. The State is unable to make an estimate at this time. In response to these uncertainties, the Governor has imposed a 10% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2024.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Requests for Information

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

BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2023
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 892,713	\$ 1,398,910	\$ 2,291,623	\$ 1,236,726
Receivables				
Taxes	507,702	143,187	650,889	-
Accounts and accrued interest, net	107,411	91,288	198,699	271,521
Notes, loans, mortgages and contributions, net	182,497	752,984	935,481	987,926
Federal government	-	32,586	32,586	2,654
Premiums	-	61,480	61,480	-
Drug rebate	89,634	-	89,634	-
Settlement	57,105	-	57,105	-
Other, net	20,001	11,764	31,765	33,288
Total receivables	964,350	1,093,289	2,057,639	1,295,389
Internal balances	1,617	(1,617)	-	-
Due from component units	70,412	-	70,412	-
Due from primary government	-	-	-	800,999
Due from custodial fund	34,363	-	34,363	-
Due from other governments	42,948	-	42,948	-
Investments	7,554,152	164,024	7,718,176	1,670,116
Inventories				
Materials and supplies	-	272	272	25,198
Developments in progress and dwelling units	-	-	-	53,911
Total inventories	-	272	272	79,109
Restricted assets	-	1,321,198	1,321,198	161,807
Other assets				
Prepaid expenses	10,439	6,138	16,577	28,378
Leases receivable	849,906	535,850	1,385,756	36,304
Other	-	1,771	1,771	40,405
Total other assets	860,345	543,759	1,404,104	105,087
Capital assets				
Land and land improvements	2,426,247	3,029,244	5,455,491	617,209
Infrastructure	10,957,267	-	10,957,267	365,308
Construction in progress	1,136,038	1,189,360	2,325,398	369,816
Buildings, improvements and equipment	8,057,472	4,759,518	12,816,990	5,589,500
Intangible assets – software	168,162	-	168,162	-
Subscription assets	50,762	-	50,762	33,416
Accumulated depreciation and amortization	(12,303,604)	(3,677,377)	(15,980,981)	(3,611,448)
Total capital assets, net	10,492,344	5,300,745	15,793,089	3,363,801
Total assets	20,913,244	9,820,580	30,733,824	8,713,034
Deferred outflows of resources				
Deferred asset retirement obligations	-	-	-	2,942
Deferred loss on refunding	84,252	5,993	90,245	8,407
Deferred outflows on net pension liability	811,886	28,658	840,544	243,078
Deferred outflows on net other postemployment benefits liability	772,548	17,574	790,122	157,804
Total deferred outflows of resources	\$ 1,668,686	\$ 52,225	\$ 1,720,911	\$ 412,231

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

State of Hawaii
Statement of Net Position
June 30, 2023
(Amounts in thousands)

	Primary Government			Component Units
	Governmental	Business-Type	Total	
	Activities	Activities		
Liabilities				
Vouchers and contracts payable	\$ 458,712	\$ 91,506	\$ 550,218	\$ 167,286
Other accrued liabilities	367,127	157,083	524,210	102,030
Advance from federal government	342,980	-	342,980	-
Due to federal government	155,427	-	155,427	-
Due to component units	800,999	-	800,999	-
Due to primary government	-	-	-	70,412
Unearned revenue	-	-	-	38,836
Premiums payable	-	56,983	56,983	-
Other	114,930	-	114,930	44,041
Long-term liabilities				
Due within one year				
Payable from restricted assets – revenue bonds payable, net	-	52,746	52,746	-
General obligation (GO) bonds payable	774,622	2,835	777,457	-
Notes, mortgages and installment contracts payable	-	-	-	10,418
Accrued vacation and retirement benefits payable	97,549	8,257	105,806	52,515
Revenue bonds payable, net	50,794	-	50,794	22,183
Reserve for losses and loss adjustment costs	64,990	4,865	69,855	6,234
Leases payable	11,877	184	12,061	106
Subscriptions payable	13,302	-	13,302	4,190
Financed purchases	8,456	1,396	9,852	4,134
Lease revenue certificates of participation	-	17,224	17,224	-
Customer facility charge revenue bonds	-	10,815	10,815	-
Due more than one year				
Prepaid airport use charge fund	-	35,942	35,942	-
GO bonds payable	8,250,071	8,131	8,258,202	-
Notes, mortgages and installment contracts payable	-	-	-	116,901
Accrued vacation and retirement benefits payable	183,257	10,418	193,675	75,645
Revenue bonds payable, net	599,743	2,607,576	3,207,319	428,594
Reserve for losses and loss adjustment costs	277,244	6,382	283,626	19,693
Leases payable	48,627	769	49,396	507
Subscriptions payable	17,953	-	17,953	13,563
Financed purchases	82,190	19,725	101,915	14,082
Lease revenue certificates of participation	-	140,251	140,251	-
Unearned revenue	-	-	-	22,133
Net pension liability	6,580,526	210,648	6,791,174	2,143,239
Net other postemployment benefits liability	4,571,221	194,401	4,765,622	2,052,283
Security deposits	-	4,369	4,369	-
Other	335	1,803	2,138	64,871
Total liabilities	<u>23,872,932</u>	<u>3,644,309</u>	<u>27,517,241</u>	<u>5,473,896</u>
Deferred inflows of resources				
Deferred inflows on leases	830,371	536,318	1,366,689	45,900
Deferred inflows on unavailable revenues	57,105	-	57,105	-
Deferred inflows on net pension liability	453,767	32,859	486,626	267,722
Deferred inflows on net other postemployment benefits liability	1,416,140	36,573	1,452,713	331,358
Total deferred inflows of resources	<u>2,757,383</u>	<u>605,750</u>	<u>3,363,133</u>	<u>644,980</u>
Net position				
Net investment in capital assets	1,298,234	2,601,058	3,899,292	2,769,998
Restricted for				
Capital maintenance projects	280,623	-	280,623	-
Health and welfare	172,560	-	172,560	-
Natural resources	224,680	-	224,680	-
Native Hawaiian programs	418,086	-	418,086	-
Education	341,298	-	341,298	-
Regulatory and economic development	379,292	-	379,292	-
Administrative support	1,221,531	-	1,221,531	-
Other purposes	90,763	-	90,763	-
Bond requirements and other	254	1,949,115	1,949,369	1,544,115
Unrestricted	(8,475,706)	1,072,573	(7,403,133)	(1,307,724)
Total net position	<u>\$ (4,048,385)</u>	<u>\$ 5,622,746</u>	<u>\$ 1,574,361</u>	<u>\$ 3,006,389</u>

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

State of Hawaii
Statement of Activities
Year Ended June 30, 2023
(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	\$ 1,304,460	\$ 310,304	\$ 302,702	\$ -	\$ (691,454)	\$ -	\$ (691,454)	
Public safety	685,370	100,803	157,729	-	(426,838)	-	(426,838)	
Highways	574,921	13,503	279,756	-	(281,662)	-	(281,662)	
Conservation of natural resources	290,192	108,271	38,968	-	(142,953)	-	(142,953)	
Health	953,881	119,847	231,347	-	(602,687)	-	(602,687)	
Welfare	4,976,910	175,835	3,597,990	-	(1,203,085)	-	(1,203,085)	
Lower education	3,572,983	46,398	497,791	-	(3,028,794)	-	(3,028,794)	
Higher education	1,097,173	362	8	-	(1,096,803)	-	(1,096,803)	
Other education	18,358	-	-	-	(18,358)	-	(18,358)	
Culture and recreation	143,857	774	11,515	-	(131,568)	-	(131,568)	
Urban redevelopment and housing	164,714	34,851	28,682	-	(101,181)	-	(101,181)	
Economic development and assistance	114,320	34,879	95,795	-	16,354	-	16,354	
Interest expense	251,309	-	-	-	(251,309)	-	(251,309)	
Total governmental activities	<u>14,148,448</u>	<u>945,827</u>	<u>5,242,283</u>	<u>-</u>	<u>(7,960,338)</u>	<u>-</u>	<u>(7,960,338)</u>	
Business-type activities								
Airports	649,344	604,719	46,372	75,021	-	76,768	76,768	
Harbors	103,772	215,147	-	29	-	111,404	111,404	
Unemployment compensation	171,537	416,064	29,099	-	-	273,626	273,626	
Nonmajor proprietary funds	<u>116,627</u>	<u>105,860</u>	<u>-</u>	<u>40,983</u>	<u>-</u>	<u>30,216</u>	<u>30,216</u>	
Total business-type activities	<u>1,041,280</u>	<u>1,341,790</u>	<u>75,471</u>	<u>116,033</u>	<u>-</u>	<u>492,014</u>	<u>492,014</u>	
Total primary government	<u>\$ 15,189,728</u>	<u>\$ 2,287,617</u>	<u>\$ 5,317,754</u>	<u>\$ 116,033</u>	<u>(7,960,338)</u>	<u>492,014</u>	<u>(7,468,324)</u>	
Component units								
University of Hawaii	\$ 1,716,830	\$ 370,952	\$ 499,330	\$ -				\$ (846,548)
Hawaii Housing Finance and Development Corporation	25,606	19,657	96,952	-				91,003
Hawaii Public Housing Authority	195,154	28,992	148,273	7,335				(10,554)
Hawaii Health Systems Corporation	770,081	636,579	2,025	24,362				(107,115)
Hawaii Tourism Authority	58,730	16,013	50,542	-				7,825
Hawaii Community Development Authority	6,416	4,321	-	-				(2,095)
Hawaii Hurricane Relief Fund	26	-	-	-				(26)
Total component units	<u>\$ 2,772,843</u>	<u>\$ 1,076,514</u>	<u>\$ 797,122</u>	<u>\$ 31,697</u>				<u>(867,510)</u>
General revenues								
Taxes								
General excise tax					4,772,516	-	4,772,516	-
Net income tax – corporations and individuals					3,627,205	-	3,627,205	-
Public service companies tax					142,195	-	142,195	-
Transient accommodations tax					843,929	-	843,929	11,000
Tobacco and liquor tax					132,051	-	132,051	-
Liquid fuel tax					79,272	-	79,272	-
Tax on premiums of insurance companies					207,073	-	207,073	-
Vehicle weight and registration tax					139,514	-	139,514	-
Rental motor/tour vehicle surcharge tax					101,450	-	101,450	-
Franchise tax					30,969	-	30,969	-
Other tax					1,003,338	-	1,003,338	-
Interest and dividend income					193,071	61,913	254,984	73,306
Net decrease in fair value of investments					(131,483)	-	(131,483)	-
Payments from the primary government, net					-	-	-	1,216,543
Gifts and subsidies					-	-	-	47,497
Other					-	-	-	182,897
Total general revenues					<u>11,141,100</u>	<u>61,913</u>	<u>11,203,013</u>	<u>1,531,243</u>
Change in net position					<u>3,180,762</u>	<u>553,927</u>	<u>3,734,689</u>	<u>663,733</u>
Net position								
Beginning of year					<u>(7,229,147)</u>	<u>5,068,819</u>	<u>(2,160,328)</u>	<u>2,342,656</u>
End of year					<u>\$ (4,048,385)</u>	<u>\$ 5,622,746</u>	<u>\$ 1,574,361</u>	<u>\$ 3,006,389</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, 2023
(Amounts in thousands)**

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets								
Cash and cash equivalents	\$ 308,712	\$ 4,967	\$ 6,252	\$ 156,407	\$ 20,050	\$ 28,520	\$ 367,805	\$ 892,713
Receivables								
Taxes	352,712	-	-	-	-	-	-	352,712
Notes and loans, net of allowance for doubtful accounts of \$42,275	1,285	-	-	-	19,185	94,825	67,202	182,497
Drug rebate	-	-	89,634	-	-	-	-	89,634
Lease	-	-	-	1,078	410,642	398,463	39,723	849,906
Settlement	-	-	-	-	-	-	57,105	57,105
Other	37,114	6,648	-	20,063	9,012	12,212	22,362	107,411
Due from other funds	107,651	-	60,041	172,866	-	-	254	340,812
Due from proprietary funds	20	1,597	-	-	-	-	-	1,617
Due from custodial funds	29,835	-	-	-	-	-	4,528	34,363
Due from component units	6,000	-	-	64,412	-	-	-	70,412
Due from other governments	-	-	-	42,948	-	-	-	42,948
Investments	4,194,860	463,151	63,385	1,117,399	203,262	277,459	1,234,636	7,554,152
Total assets	<u>\$ 5,038,189</u>	<u>\$ 476,363</u>	<u>\$ 219,312</u>	<u>\$ 1,575,173</u>	<u>\$ 662,151</u>	<u>\$ 811,479</u>	<u>\$ 1,793,615</u>	<u>\$ 10,576,282</u>
Liabilities								
Vouchers and contracts payable	\$ 145,491	\$ 148,994	\$ 6,582	\$ 23,514	\$ 4,055	\$ 5,911	\$ 124,165	\$ 458,712
Other accrued liabilities	265,446	-	34,056	3,481	1,899	-	62,245	367,127
Advance from federal government	-	-	-	325,617	17,363	-	-	342,980
Due to federal government	-	-	117,348	-	-	-	38,079	155,427
Due to other funds	60,295	-	52,638	-	11,323	-	216,556	340,812
Due to component units	7,990	793,009	-	-	-	-	-	800,999
Payable from restricted assets								
Matured bonds and interest payable	-	-	-	-	-	-	335	335
Total liabilities	<u>479,222</u>	<u>942,003</u>	<u>210,624</u>	<u>352,612</u>	<u>34,640</u>	<u>5,911</u>	<u>441,380</u>	<u>2,466,392</u>
Deferred inflows of resources								
Deferred inflows on leases	-	-	-	1,030	402,831	387,482	39,028	830,371
Deferred inflows on unavailable revenues	-	-	-	-	-	-	57,105	57,105
Fund balances								
Restricted	-	-	-	-	-	-	254	254
Committed	-	-	-	-	2,154	-	99,543	101,697
Assigned	940,472	-	8,688	1,221,531	222,526	418,086	1,255,037	4,066,340
Unassigned	3,618,495	(465,640)	-	-	-	-	(98,732)	3,054,123
Total fund balances	<u>4,558,967</u>	<u>(465,640)</u>	<u>8,688</u>	<u>1,221,531</u>	<u>224,680</u>	<u>418,086</u>	<u>1,256,102</u>	<u>7,222,414</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,038,189</u>	<u>\$ 476,363</u>	<u>\$ 219,312</u>	<u>\$ 1,575,173</u>	<u>\$ 662,151</u>	<u>\$ 811,479</u>	<u>\$ 1,793,615</u>	<u>\$ 10,576,282</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, 2023
(Amounts in thousands)

Total fund balance – Governmental funds	<u>\$ 7,222,414</u>
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	2,426,247
Infrastructure	10,957,267
Construction in progress	1,136,038
Buildings, improvements and equipment	8,057,472
Intangible assets – software	168,162
Subscription assets	50,762
Accumulated depreciation and amortization	<u>(12,303,604)</u>
	<u>10,492,344</u>
Accrued interest and other payables are not recognized in governmental funds.	<u>(114,925)</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>185,425</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(9,024,693)
Accrued vacation payable	(280,806)
Revenue bonds payable	(650,537)
Reserve for losses and loss adjustment costs	(342,234)
Leases payable	(60,504)
Subscriptions payable	(31,255)
Net other postemployment benefits liability	(4,571,221)
Net pension liability	(6,580,526)
Financed purchases	<u>(90,646)</u>
	<u>(21,632,422)</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	84,252
Deferred outflows on net pension liability	811,886
Deferred outflows on other postemployment benefits liability	<u>772,548</u>
	<u>1,668,686</u>
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of	
Deferred inflows on net pension liability	(453,767)
Deferred inflows on other postemployment benefits liability	<u>(1,416,140)</u>
	<u>(1,869,907)</u>
Net position of governmental activities	<u>\$ (4,048,385)</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, 2023
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues								
Taxes								
General excise tax	\$ 4,425,593	\$ -	\$ -	\$ 322,827	\$ -	\$ -	\$ -	\$ 4,748,420
Net income tax – corporations and individuals	3,631,310	-	-	-	-	-	-	3,631,310
Public service companies tax	142,195	-	-	-	-	-	-	142,195
Transient accommodations tax	755,022	-	-	82,707	4,500	-	-	842,229
Tobacco and liquor tax	113,583	-	-	1,289	-	-	17,179	132,051
Liquid fuel tax	-	-	-	-	233	-	79,039	79,272
Tax on premiums of insurance companies	203,791	-	-	-	-	-	3,283	207,074
Vehicle weight and registration tax	-	-	-	-	-	-	139,514	139,514
Rental motor/vehicle surcharge tax	8	-	-	-	-	-	101,442	101,450
Franchise tax	28,969	-	-	-	-	-	2,000	30,969
Other	992,387	-	-	-	5,100	-	5,827	1,003,314
Total taxes	10,292,858	-	-	406,823	9,833	-	348,284	11,057,798
Interest and dividend income	91,353	5,398	-	33,373	6,348	16,649	39,950	193,071
Net increase (decrease) in fair value of investments	(26,846)	6,001	(2,665)	(55,186)	(7,602)	(7,139)	(38,046)	(131,483)
Charges for current services	124,420	-	-	134,594	49,302	3,180	168,699	480,195
Intergovernmental	16,764	-	2,294,921	438,400	26,196	10,211	2,020,971	4,807,463
Rentals	196	-	-	969	10,858	19,691	11,023	42,737
Fines, forfeitures and penalties	15,978	-	-	115	438	-	15,547	32,078
Licenses and fees	912	-	-	298	895	-	47,402	49,507
Revenues from private sources	6,918	-	74,886	2,320	21	3,000	58,847	145,992
Other	178,890	-	138,913	1,903	18,475	24,033	268,750	630,964
Total revenues	10,701,443	11,399	2,506,055	963,609	114,764	69,625	2,941,427	17,308,322
Expenditures								
Current								
General government	852,277	29,527	-	774,387	6,167	-	34,200	1,696,558
Public safety	441,535	72,335	-	22,057	3,324	-	187,591	726,842
Highways	-	254,181	-	-	-	-	345,705	599,886
Conservation of natural resources	83,288	11,873	-	-	67,963	-	2,934	166,058
Health	658,965	49,634	-	-	-	-	291,833	1,000,432
Welfare	1,389,649	8,147	2,435,793	12,555	-	-	1,160,624	5,006,768
Lower education	3,122,020	334,323	-	4,562	-	-	610,539	4,071,444
Higher education	940,609	156,447	-	117	-	-	-	1,097,173
Other education	7,752	-	-	-	-	-	10,606	18,358
Culture and recreation	78,546	13,930	-	5,873	14,675	-	27,740	140,764
Urban redevelopment and housing	32,142	22,907	-	-	-	10,255	17,864	83,168
Economic development and assistance	59,770	59,894	-	-	2,296	-	97,416	219,376
Housing	25,521	69,507	-	-	-	-	-	95,028
Other	3,728	-	-	5,038	-	2,213	2,596	13,575
Debt service	-	-	-	-	-	-	1,107,854	1,107,854
Total expenditures	7,695,802	1,082,705	2,435,793	824,589	94,425	12,468	3,897,502	16,043,284
Excess (deficiency) of revenues over (under) expenditures	3,005,641	(1,071,306)	70,262	139,020	20,339	57,157	(956,075)	1,265,038
Other financing sources (uses)								
Issuance of GO bonds – par	-	800,000	-	-	-	-	-	800,000
Issuance of GO bonds – premium	8,194	-	-	-	-	-	-	8,194
Issuance of leases	13,561	-	-	-	-	-	-	13,561
Issuance of subscription assets	10,707	-	-	-	-	-	6,440	17,147
Other financing uses – other	-	(38)	-	-	-	-	-	(38)
Transfers in	175,255	205,747	2,438	643,385	7,894	-	1,383,406	2,418,125
Transfers out	(1,794,048)	(4,987)	(74,907)	(174,500)	(7,851)	(3,006)	(358,826)	(2,418,125)
Total other financing sources (uses)	(1,586,331)	1,000,722	(72,469)	468,885	43	(3,006)	1,031,020	838,864
Net change in fund balances	1,419,310	(70,584)	(2,207)	607,905	20,382	54,151	74,945	2,103,902
Fund balances								
Beginning of year	3,139,657	(395,056)	10,895	613,626	204,298	363,935	1,181,157	5,118,512
End of year	\$ 4,558,967	\$ (465,640)	\$ 8,688	\$ 1,221,531	\$ 224,680	\$ 418,086	\$ 1,256,102	\$ 7,222,414

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, 2023
(Amounts in thousands)

Total net change in fund balances – Governmental funds	<u>\$ 2,103,902</u>
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization expense.	
In the current period, these amounts are	
Capital asset additions	1,480,574
Capital asset disposals	(852,858)
Accumulated depreciation on disposals	21,754
Depreciation and amortization expense	<u>(494,271)</u>
Excess of capital outlay over depreciation expense	<u>155,199</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>(808,194)</u>
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
In the current year, these amounts consist of	
Bond principal retirement	794,603
Financed purchase payments	<u>10,985</u>
Total long-term debt repayment	<u>805,588</u>
Because some revenues will not be collected for several months after the State’s fiscal year-end, they are not considered available revenues and are deferred in the governmental funds.	<u>21,714</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	(7,465)
Change in reserve for losses and loss adjustment costs	285,067
Change in accrued interest on bonds payable	(3,668)
Change in leases payable	294
Change in subscriptions payable	2,359
Change in accrued interest on financed purchases	(1,504)
Amortization of bond premium and deferred amount on refunding	59,112
Net pension activity	121,441
Net other postemployment benefits activity	<u>446,917</u>
Total	<u>902,553</u>
Change in net position of governmental activities	<u>\$ 3,180,762</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, 2023
(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	\$ 653,753	\$ 226,629	\$ 355,532	\$ 162,996	\$ 1,398,910
Investments	-	-	-	164,024	164,024
Restricted assets – cash and short-term investments	279,660	35,292	-	-	314,952
Receivables					
Taxes	249	-	142,938	-	143,187
Accounts and accrued interest, net of allowance for doubtful accounts of \$11,945	68,652	22,043	-	593	91,288
Promissory notes receivable, net of allowance for doubtful accounts of \$952	-	-	-	62,003	62,003
Federal government	32,267	-	-	319	32,586
Premiums	-	-	-	61,480	61,480
Leases	100,870	4,183	-	-	105,053
Other	4,802	-	-	6,962	11,764
Materials and supplies inventory	272	-	-	-	272
Prepaid expenses and other assets	-	1,087	-	5,051	6,138
Total current assets	<u>1,140,525</u>	<u>289,234</u>	<u>498,470</u>	<u>463,428</u>	<u>2,391,657</u>
Noncurrent assets					
Capital assets					
Land and land improvements	2,377,334	651,910	-	-	3,029,244
Construction in progress	728,202	461,158	-	-	1,189,360
Buildings and improvements	3,647,172	663,531	-	881	4,311,584
Equipment	390,655	34,454	-	22,825	447,934
	<u>7,143,363</u>	<u>1,811,053</u>	<u>-</u>	<u>23,706</u>	<u>8,978,122</u>
Less: Accumulated depreciation	<u>(3,077,701)</u>	<u>(584,219)</u>	<u>-</u>	<u>(15,457)</u>	<u>(3,677,377)</u>
Net capital assets	4,065,662	1,226,834	-	8,249	5,300,745
Promissory notes receivable	-	-	-	690,981	690,981
Leases receivable	372,645	58,152	-	-	430,797
Restricted assets – cash and cash equivalents	376,620	384,656	-	-	761,276
Restricted assets – investments	232,005	-	-	-	232,005
Restricted assets – other	12,965	-	-	-	12,965
Other	1,771	-	-	-	1,771
Total noncurrent assets	<u>5,061,668</u>	<u>1,669,642</u>	<u>-</u>	<u>699,230</u>	<u>7,430,540</u>
Total assets	<u>6,202,193</u>	<u>1,958,876</u>	<u>498,470</u>	<u>1,162,658</u>	<u>9,822,197</u>
Deferred outflows of resources					
Deferred loss on refunding	5,206	787	-	-	5,993
Deferred outflows on net pension liability	24,995	1,698	-	1,965	28,658
Deferred outflows on net other postemployment benefits liability	13,678	2,742	-	1,154	17,574
Total deferred outflows of resources	<u>\$ 43,879</u>	<u>\$ 5,227</u>	<u>\$ -</u>	<u>\$ 3,119</u>	<u>\$ 52,225</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, 2023
(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	\$ 77,389	\$ 7,291	\$ 5,455	\$ 1,371	\$ 91,506
Payable from restricted assets – contracts payable, accrued interest, and other	94,421	30,731	-	-	125,152
Other accrued liabilities	23,407	-	-	1,215	24,622
Due to governmental funds	20	1,597	-	-	1,617
Benefit claims payable	-	-	-	7,309	7,309
General obligation bonds payable, current portion	-	2,835	-	-	2,835
Reserve for losses and loss adjustment costs	4,766	99	-	-	4,865
Leases payable, current portion	-	-	-	184	184
Financed purchases	-	1,396	-	-	1,396
Lease revenue certificates of participation	17,224	-	-	-	17,224
Customer facility charge revenue bonds	10,815	-	-	-	10,815
Accrued vacation, current portion	7,100	849	-	308	8,257
Payable from restricted assets – revenue bonds payable	33,650	19,096	-	-	52,746
Premiums payable	-	-	-	56,983	56,983
Total current liabilities	<u>268,792</u>	<u>63,894</u>	<u>5,455</u>	<u>67,370</u>	<u>405,511</u>
Noncurrent liabilities					
General obligation bonds payable	-	8,131	-	-	8,131
Accrued vacation	7,713	1,943	-	762	10,418
Revenue bonds payable, net of unamortized bond premium and bond discount	2,255,755	351,821	-	-	2,607,576
Reserve for losses and loss adjustment cost	4,958	1,424	-	-	6,382
Leases payable	45	-	-	724	769
Financed purchases	-	19,725	-	-	19,725
Lease revenue certificates of participation	140,251	-	-	-	140,251
Net pension liability	158,863	39,326	-	12,459	210,648
Net other postemployment benefits liability	150,342	32,442	-	11,617	194,401
Prepaid airport use charge fund	35,942	-	-	-	35,942
Security deposits	-	4,369	-	-	4,369
Other	-	1,803	-	-	1,803
Total noncurrent liabilities	<u>2,753,869</u>	<u>460,984</u>	<u>-</u>	<u>25,562</u>	<u>3,240,415</u>
Total liabilities	<u>3,022,661</u>	<u>524,878</u>	<u>5,455</u>	<u>92,932</u>	<u>3,645,926</u>
Deferred inflows of resources					
Deferred inflows on leases	476,475	59,843	-	-	536,318
Deferred inflows on net pension liability	17,051	14,524	-	1,284	32,859
Deferred inflows on net other postemployment benefits liability	28,720	5,555	-	2,298	36,573
Total deferred inflows of resources	<u>522,246</u>	<u>79,922</u>	<u>-</u>	<u>3,582</u>	<u>605,750</u>
Net position					
Net investment in capital assets	1,783,568	810,148	-	7,342	2,601,058
Restricted for bond requirements and other	677,690	399,411	-	872,014	1,949,115
Unrestricted	239,907	149,744	493,015	189,907	1,072,573
Net position	<u>\$ 2,701,165</u>	<u>\$ 1,359,303</u>	<u>\$ 493,015</u>	<u>\$ 1,069,263</u>	<u>\$ 5,622,746</u>

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
Year Ended June 30, 2023
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	\$ 182,956	\$ -	\$ -	\$ -	\$ 182,956
Unemployment compensation	-	-	416,064	-	416,064
Aviation fuel tax	3,066	-	-	-	3,066
Airport use charges	98,213	-	-	-	98,213
Rentals	197,408	34,262	-	-	231,670
Services and others	-	178,400	-	-	178,400
Administrative fees	-	-	-	6,652	6,652
Premium revenue – self insurance	-	-	-	105,104	105,104
Experience refunds, net	-	-	-	(11,577)	(11,577)
Other	8,588	2,485	-	5,666	16,739
Total operating revenues	<u>490,231</u>	<u>215,147</u>	<u>416,064</u>	<u>105,845</u>	<u>1,227,287</u>
Operating expenses					
Personnel services	205,803	28,284	-	8,255	242,342
Depreciation and amortization	187,999	38,172	-	1,859	228,030
Repairs and maintenance	71,969	-	-	510	72,479
Airports operations	59,524	-	-	-	59,524
Harbors operations	-	25,169	-	-	25,169
General administration	26,060	15,006	-	5,359	46,425
Unemployment compensation	-	-	171,537	-	171,537
Claims	-	-	-	93,509	93,509
Other	9,478	-	-	7,135	16,613
Total operating expenses	<u>560,833</u>	<u>106,631</u>	<u>171,537</u>	<u>116,627</u>	<u>955,628</u>
Operating income (loss)	<u>(70,602)</u>	<u>108,516</u>	<u>244,527</u>	<u>(10,782)</u>	<u>271,659</u>
Nonoperating revenues (expenses)					
Interest and investment income	47,559	-	4,338	10,016	61,913
Interest expense	(88,511)	-	-	-	(88,511)
Federal grants	46,372	-	29,099	-	75,471
Loss on disposal of capital assets	-	(217)	-	-	(217)
Rental car customer and passenger facility charges	114,488	-	-	-	114,488
Other	-	3,076	-	15	3,091
Total nonoperating revenues	<u>119,908</u>	<u>2,859</u>	<u>33,437</u>	<u>10,031</u>	<u>166,235</u>
Income (loss) before capital contributions	<u>49,306</u>	<u>111,375</u>	<u>277,964</u>	<u>(751)</u>	<u>437,894</u>
Capital contributions	75,021	29	-	40,983	116,033
Change in net position	<u>124,327</u>	<u>111,404</u>	<u>277,964</u>	<u>40,232</u>	<u>553,927</u>
Net position					
Beginning of year	2,576,838	1,247,899	215,051	1,029,031	5,068,819
End of year	<u>\$ 2,701,165</u>	<u>\$ 1,359,303</u>	<u>\$ 493,015</u>	<u>\$ 1,069,263</u>	<u>\$ 5,622,746</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, 2023
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 498,867	\$ 214,536	\$ -	\$ -	\$ 713,403
Cash received from taxes	-	-	339,949	-	339,949
Cash received from employers and employees for premiums and benefits	-	-	-	673,473	673,473
Cash paid to suppliers	(142,760)	(40,259)	-	(5,709)	(188,728)
Cash paid to employees	(214,541)	(21,129)	-	(9,525)	(245,195)
Cash paid for unemployment compensation	-	-	(174,463)	-	(174,463)
Cash paid for premiums and benefits payable	-	-	-	(652,730)	(652,730)
Net cash provided by operating activities	<u>141,566</u>	<u>153,148</u>	<u>165,486</u>	<u>5,509</u>	<u>465,709</u>
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	48,193	-	29,099	-	77,292
Net cash provided by noncapital financing activities	<u>48,193</u>	<u>-</u>	<u>29,099</u>	<u>-</u>	<u>77,292</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(230,328)	(99,998)	-	(49)	(330,375)
Proceeds from federal, state and capital grants and contributions	51,900	-	-	40,527	92,427
Principal paid on airports system revenue bonds	(124,278)	-	-	-	(124,278)
Repayment of general obligation and revenue bonds principal	-	(22,971)	-	-	(22,971)
Proceeds from airports system revenue bonds	106,215	-	-	-	106,215
Interest paid on bonds	-	(15,188)	-	-	(15,188)
Principal paid on financed purchases	-	(1,264)	-	-	(1,264)
Principal paid on leases	-	-	-	(204)	(204)
Net cash provided by (used in) capital and related financing activities	<u>(196,491)</u>	<u>(139,421)</u>	<u>-</u>	<u>40,274</u>	<u>(295,638)</u>
Cash flows from investing activities					
Interest received from investments	38,309	10,938	4,338	2,254	55,839
Purchase of investments	(3,462)	-	-	(3,303)	(6,765)
Principal repayments on notes receivable	-	-	-	59,501	59,501
Disbursement of note receivable proceeds	-	-	-	(90,250)	(90,250)
Interest income from notes receivable	-	-	-	6,276	6,276
Administrative loan fees	-	-	-	6,467	6,467
Net cash provided by (used in) investing activities	<u>34,847</u>	<u>10,938</u>	<u>4,338</u>	<u>(19,055)</u>	<u>31,068</u>
Net increase in cash and cash equivalents	28,115	24,665	198,923	26,728	278,431
Cash and cash equivalents, including restricted amounts					
Beginning of year	1,281,918	621,912	156,609	136,268	2,196,707
End of year	<u>\$ 1,310,033</u>	<u>\$ 646,577</u>	<u>\$ 355,532</u>	<u>\$ 162,996</u>	<u>\$ 2,475,138</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, 2023
(Amounts in thousands)

	<u>Airports</u>	<u>Harbors</u>	<u>Unemployment Compensation</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ (70,602)	\$ 108,516	\$ 244,527	\$ (10,782)	\$ 271,659
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	187,999	38,172	-	1,859	228,030
Provision for uncollectible accounts	-	(1,115)	-	-	(1,115)
Premium reserves held by insurance companies	-	-	-	15,651	15,651
Principal forgiveness of loans	-	-	-	6,662	6,662
Interest income from loans	-	-	-	(2,132)	(2,132)
Administrative loan fees	-	-	-	(6,652)	(6,652)
Non-imposed fringe benefits	-	-	-	41	41
Changes in operating assets, deferred outflows, liabilities and deferred inflows					
Receivables	9,371	4,553	(76,077)	(10,266)	(72,419)
Prepaid and other expenses	-	-	-	35	35
Other current assets	(23)	-	-	-	(23)
Net deferred outflows/inflows of resources	(9,237)	(16,204)	-	(727)	(26,168)
Vouchers and contracts payable	22,801	(1,686)	(2,964)	(652)	17,499
Net pension liability	11,261	20,131	-	1,205	32,597
Other postemployment benefits liability	(10,656)	(2,215)	-	(923)	(13,794)
Other accrued liabilities	652	2,996	-	10,795	14,443
Benefit claims payable	-	-	-	1,395	1,395
Net cash provided by operating activities	<u>\$ 141,566</u>	<u>\$ 153,148</u>	<u>\$ 165,486</u>	<u>\$ 5,509</u>	<u>\$ 465,709</u>
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	\$ 11,572	\$ (3,686)	\$ -	\$ -	\$ 7,886
Amortization of certificates of participation premium	323	-	-	-	323
Amounts included in contracts payable for the acquisition of capital assets	-	20,331	-	-	20,331

(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, 2023
(Amounts in thousands)

	Custodial Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	\$ 398,989	\$ 1,249,146
Receivables		
Taxes	10,120	-
Employer contributions	-	46
Premium receivable	-	20
Rebates and other receivables from insurance companies	-	34,560
Experience refunds due from insurance companies	-	3,731
Other	3,993	56
Investments		
Certificates of deposit	7,429	-
U.S. government securities	33,017	368,316
Equity securities	825	365,125
Mutual funds	-	134,540
Commingled funds	-	2,380,136
Alternative investments	-	2,157,731
Real estate	-	521,239
Derivatives	-	(2,911)
Invested securities lending collateral	-	37,247
Other assets, primarily due from individuals, businesses and counties	-	8,165
Total assets	<u>454,373</u>	<u>7,257,147</u>
Liabilities		
Liabilities		
Vouchers payable	363,868	-
Due to other funds	34,363	-
Premium payable	-	53,254
Benefit claims payable	-	28,574
Securities lending collateral	-	37,247
Other accrued liabilities	-	2,461
Total liabilities	<u>398,231</u>	<u>121,536</u>
Net position		
Restricted for OPEB	-	7,135,611
Restricted for other purposes	56,142	-
Net position	<u>\$ 56,142</u>	<u>\$ 7,135,611</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, 2023
(Amounts in thousands)

	Custodial Funds	OPEB Trust Fund
Additions		
Employer contributions	\$ -	\$ 1,141,075
Tax collections	603,563	-
Custodial collections	553,563	-
Other collections	13,442	-
Investment income		
Investing activities		
Interest	-	95,225
Net appreciation in the fair value of investments	-	204,952
	-	300,177
Less: Investment expenses	-	10,397
Net investment income from investing activities	-	289,780
Securities lending activities		
Securities lending income	-	334
Less: Securities lending expenses	-	73
Net investment income from securities lending activities	-	261
Total net investment income	-	290,041
Other revenues, net	-	1,518
Total additions	1,170,568	1,432,634
Deductions		
Benefits claims expense and carrier payments	-	582,893
Tax disbursements	615,872	-
Custodial disbursements	604,750	-
Other disbursements	870,070	-
Total deductions	2,090,692	582,893
Net increase (decrease) in fiduciary net position	(920,124)	849,741
Net position		
Beginning of year	976,266	6,285,870
End of year	\$ 56,142	\$ 7,135,611

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

State of Hawaii
Component Units
Statement of Net Position
June 30, 2023
(Amounts in thousands)

	<u>University of Hawaii</u>	<u>Hawaii Housing Finance and Development Corporation</u>	<u>Hawaii Public Housing Authority</u>	<u>Hawaii Health Systems Corporation</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 169,443	\$ 606,789	\$ 110,772	\$ 206,919
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of \$73,287	121,392	58,344	1,474	86,323
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$2,584	29,488	530	-	-
Leases	-	270	-	1,410
Federal government	-	-	2,654	-
Other, net of allowance for doubtful accounts of \$136	16,807	3,102	61	13,318
Due from primary government	1,565	104,025	72,114	45,859
Investments	675,449	-	-	21,977
Inventories – materials and supplies	5,086	-	747	19,365
Prepaid expenses and other assets	26,993	910	475	-
Total current assets	<u>1,046,223</u>	<u>773,970</u>	<u>188,297</u>	<u>395,171</u>
Restricted assets				
Cash and cash equivalents	15,782	21,390	6,024	58,918
Investments	-	19,311	-	-
Deposits, funded reserves and other	-	1,055	-	-
Total restricted assets	<u>15,782</u>	<u>41,756</u>	<u>6,024</u>	<u>58,918</u>
Capital assets				
Land and land improvements	262,820	82,705	25,518	41,218
Infrastructure	313,844	-	-	-
Construction in progress	261,565	-	56,710	48,024
Buildings, improvements and equipment	3,609,805	5,342	819,741	895,951
Subscription assets	-	-	-	33,416
Less: Accumulated depreciation and amortization	<u>(2,202,491)</u>	<u>(4,009)</u>	<u>(539,432)</u>	<u>(625,316)</u>
Total capital assets, net	<u>2,245,543</u>	<u>84,038</u>	<u>362,537</u>	<u>393,293</u>
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$4,892	52,925	882,049	7,178	-
Leases receivable	-	4,671	-	18,738
Due from primary government	542,039	-	-	-
Inventories – developments in progress and dwelling units	-	53,911	-	-
Investments	783,725	-	-	13,838
Other assets	38,576	-	-	1,541
Total other assets	<u>1,417,265</u>	<u>940,631</u>	<u>7,178</u>	<u>34,117</u>
Total assets	<u>4,724,813</u>	<u>1,840,395</u>	<u>564,036</u>	<u>881,499</u>
Deferred outflows of resources				
Deferred asset retirement obligations	2,942	-	-	-
Deferred loss on refunding	8,407	-	-	-
Deferred outflows on net pension liability	174,693	2,187	4,007	61,781
Deferred outflows on net other postemployment benefits liability	117,558	743	2,992	35,356
Total deferred outflows of resources	<u>\$ 303,600</u>	<u>\$ 2,930</u>	<u>\$ 6,999</u>	<u>\$ 97,137</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>
\$ 109,588	\$ 32,188	\$ 1,027	\$ 1,236,726
1,594	1,102	1,292	271,521
-	-	-	30,018
-	730	-	2,410
-	-	-	2,654
-	-	-	33,288
14,871	20,526	-	258,960
1,558	-	171,098	870,082
-	-	-	25,198
-	-	-	28,378
<u>127,611</u>	<u>54,546</u>	<u>173,417</u>	<u>2,759,235</u>
-	-	-	102,114
39,327	-	-	58,638
-	-	-	1,055
<u>39,327</u>	<u>-</u>	<u>-</u>	<u>161,807</u>
131,497	73,451	-	617,209
-	51,464	-	365,308
1,868	1,649	-	369,816
240,818	17,843	-	5,589,500
-	-	-	33,416
<u>(193,721)</u>	<u>(46,479)</u>	<u>-</u>	<u>(3,611,448)</u>
<u>180,462</u>	<u>97,928</u>	<u>-</u>	<u>3,363,801</u>
-	15,756	-	957,908
-	10,485	-	33,894
-	-	-	542,039
-	-	-	53,911
2,471	-	-	800,034
-	288	-	40,405
<u>2,471</u>	<u>26,529</u>	<u>-</u>	<u>2,428,191</u>
<u>349,871</u>	<u>179,003</u>	<u>173,417</u>	<u>8,713,034</u>
-	-	-	2,942
-	-	-	8,407
227	183	-	243,078
576	579	-	157,804
<u>\$ 803</u>	<u>\$ 762</u>	<u>\$ -</u>	<u>\$ 412,231</u>

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2023
(Amounts in thousands)

	<u>University of Hawaii</u>	<u>Hawaii Housing Finance and Development Corporation</u>	<u>Hawaii Public Housing Authority</u>	<u>Hawaii Health Systems Corporation</u>
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 77,739	\$ 345	\$ 8,557	\$ 79,706
Other accrued liabilities	96,641	794	4,285	-
Due to primary government	6,155	27,177	-	-
Unearned revenue	31,141	423	587	-
Notes, mortgages and installation contracts payable	-	15	-	10,403
Accrued vacation and retirement benefits payable	32,698	-	-	19,545
Revenue bonds payable, net	21,155	1,028	-	-
Reserve for losses and loss adjustment costs	3,707	-	-	2,527
Leases payable	-	-	-	-
Subscriptions payable	-	-	-	4,190
Financed purchases	77	-	-	4,057
Other liabilities	6,566	-	1,561	1,510
Total current liabilities	<u>275,879</u>	<u>29,782</u>	<u>14,990</u>	<u>121,938</u>
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	92,711	42	-	24,148
Accrued vacation and retirement benefits payable	54,248	-	-	20,881
Revenue bonds payable, net	425,937	2,657	-	-
Reserve for losses and loss adjustment costs	10,372	-	-	9,321
Leases payable	-	-	-	-
Subscriptions payable	-	-	-	13,563
Financed purchases	-	-	-	14,082
Unearned revenue	-	22,133	-	-
Net pension liability	1,529,823	10,051	37,966	555,205
Net other postemployment benefits liability	1,543,369	8,423	33,424	459,810
Other liabilities	27,529	831	2,016	23,666
Total noncurrent liabilities	<u>3,683,989</u>	<u>44,137</u>	<u>73,406</u>	<u>1,120,676</u>
Total liabilities	<u>3,959,868</u>	<u>73,919</u>	<u>88,396</u>	<u>1,242,614</u>
Deferred inflows of resources				
Deferred inflows on net leases	10,223	4,856	-	19,694
Deferred inflows on net pension liability	201,323	2,116	3,562	60,017
Deferred inflows on net other postemployment benefits liability	245,370	1,643	6,422	77,067
Total deferred inflows of resources	<u>456,916</u>	<u>8,615</u>	<u>9,984</u>	<u>156,778</u>
Net position				
Net investment in capital assets	1,722,852	83,982	362,538	322,849
Restricted				
Nonexpendable	1,337,208	-	-	-
Expendable	10,493	-	-	-
Legislation and contractual agreements	-	84,328	1,537	-
Lender covenants and other	-	-	-	5,146
Capital projects	-	-	-	-
Other	-	-	-	-
Unrestricted	<u>(2,458,924)</u>	<u>1,592,481</u>	<u>108,580</u>	<u>(748,751)</u>
Total net position	<u>\$ 611,629</u>	<u>\$ 1,760,791</u>	<u>\$ 472,655</u>	<u>\$ (420,756)</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>
\$ 701	\$ 238	\$ -	\$ 167,286
125	185	-	102,030
37,080	-	-	70,412
6,450	235	-	38,836
-	-	-	10,418
132	140	-	52,515
-	-	-	22,183
-	-	-	6,234
-	106	-	106
-	-	-	4,190
-	-	-	4,134
8,248	21,767	4,389	44,041
<u>52,736</u>	<u>22,671</u>	<u>4,389</u>	<u>522,385</u>
-	-	-	116,901
207	309	-	75,645
-	-	-	428,594
-	-	-	19,693
-	507	-	507
-	-	-	13,563
-	-	-	14,082
-	-	-	22,133
6,063	4,131	-	2,143,239
4,808	2,449	-	2,052,283
-	10,829	-	64,871
<u>11,078</u>	<u>18,225</u>	<u>-</u>	<u>4,951,511</u>
<u>63,814</u>	<u>40,896</u>	<u>4,389</u>	<u>5,473,896</u>
-	11,127	-	45,900
571	133	-	267,722
536	320	-	331,358
<u>1,107</u>	<u>11,580</u>	<u>-</u>	<u>644,980</u>
180,462	97,315	-	2,769,998
-	-	-	1,337,208
-	-	-	10,493
-	-	-	85,865
-	-	-	5,146
-	112	-	112
105,291	-	-	105,291
-	29,862	169,028	(1,307,724)
<u>\$ 285,753</u>	<u>\$ 127,289</u>	<u>\$ 169,028</u>	<u>\$ 3,006,389</u>

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2023
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	<u>\$ 1,716,830</u>	<u>\$ 25,606</u>	<u>\$ 195,154</u>	<u>\$ 770,081</u>
Program revenues				
Charges for services	370,952	19,657	28,992	636,579
Operating grants and contributions	499,330	96,952	148,273	2,025
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>7,335</u>	<u>24,362</u>
Total program revenues	<u>870,282</u>	<u>116,609</u>	<u>184,600</u>	<u>662,966</u>
Net program revenues (expenses)	<u>(846,548)</u>	<u>91,003</u>	<u>(10,554)</u>	<u>(107,115)</u>
General revenues (expenses)				
Interest and investment income	63,323	-	-	7,072
Transient accommodations tax	-	-	-	-
Payments from State, net	1,004,289	61,984	19,403	118,989
Gifts and subsidies	47,497	-	-	-
Other	<u>134,760</u>	<u>(1,745)</u>	<u>493</u>	<u>43,057</u>
Net general revenues (expenses)	<u>1,249,869</u>	<u>60,239</u>	<u>19,896</u>	<u>169,118</u>
Change in net position	<u>403,321</u>	<u>151,242</u>	<u>9,342</u>	<u>62,003</u>
Net position				
Beginning of year	208,308	1,609,549	463,313	(482,759)
End of year	<u>\$ 611,629</u>	<u>\$ 1,760,791</u>	<u>\$ 472,655</u>	<u>\$ (420,756)</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
<u>\$ 58,730</u>	<u>\$ 6,416</u>	<u>\$ 26</u>	<u>\$ 2,772,843</u>
16,013	4,321	-	1,076,514
50,542	-	-	797,122
-	-	-	31,697
<u>66,555</u>	<u>4,321</u>	<u>-</u>	<u>1,905,333</u>
<u>7,825</u>	<u>(2,095)</u>	<u>(26)</u>	<u>(867,510)</u>
1,599	838	474	73,306
11,000	-	-	11,000
15,000	1,267	(4,389)	1,216,543
-	-	-	47,497
<u>463</u>	<u>5,869</u>	<u>-</u>	<u>182,897</u>
<u>28,062</u>	<u>7,974</u>	<u>(3,915)</u>	<u>1,531,243</u>
<u>35,887</u>	<u>5,879</u>	<u>(3,941)</u>	<u>663,733</u>
249,866	121,410	172,969	2,342,656
<u>\$ 285,753</u>	<u>\$ 127,289</u>	<u>\$ 169,028</u>	<u>\$ 3,006,389</u>

State of Hawaii
Notes to Basic Financial Statements
June 30, 2023

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
- Law Enforcement
- Public Safety
- Taxation
- Transportation

Judicial

Legislative

State of Hawaii
Notes to Basic Financial Statements
June 30, 2023

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.

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2023

- **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. Its mission is to strategically manage Hawaii tourism in a sustainable manner consistent with economic goals, cultural values, preservation of natural resources, community desires, and visitor industry needs.

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

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2023

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

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

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

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

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

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

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

Government-Wide and Fund Financial Statements

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2023

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.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2023

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

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements

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

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

Fund Accounting

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

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

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

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

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The nonmajor Governmental Funds are comprised of the following:

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

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

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

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

Fiduciary Fund Types –

- **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.

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- **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 GAAP.

Inventories

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

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

Restricted Assets

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

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.

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

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

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

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

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

Leases

Lessee

The State has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the government-wide financial statements and its proprietary fund financial statements. The State recognizes lease liabilities with an initial, individual value of \$100,000 or more for land and building leases and \$25,000 or more for equipment and others, with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

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

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

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

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

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

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

Lessor

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

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

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

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

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

Subscription-Based Information Technology Arrangement

The State has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the government-wide financial statements and its proprietary fund financial statements. The State recognizes subscription liabilities with an initial, individual value of \$500,000 or more with a subscription term greater than one year. Variable payments based on future performance of the State, usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a subscription-based information technology arrangement (SBITA), the State initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- **Preliminary project stage** – Outlays are expensed as incurred.
- **Initial implementation stage** – Outlays are capitalized as an addition to the subscription asset.
- **Operation and additional implementation stage** – Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the State elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2022.

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

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the State has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

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

- The State uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the State generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancellable period of the SBITAs. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the State is reasonably certain to exercise.
- The State monitors changes in circumstances that would require a remeasurement of its subscription liability.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

The deferred outflow of resources and deferred inflow of resources related to pensions resulted from differences between expected and actual experiences on pension plan investments, changes in assumptions and changes in proportion on pension plan investments, which will be amortized over the estimated average remaining service life of the plan members. The deferred outflow of resources and deferred inflow of resources related to OPEB resulted from differences between expected and actual experiences and changes in assumptions which will be amortized over the estimated remaining service life of the plan members. The net difference between projected and actual earnings on plan investments for both pension and OPEB resulted in a deferred outflow or inflow 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.

The State defers recognition of lease income for lease receivables and recognizes revenue over the lease term.

Compensated Absences

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

Long-term Obligations

In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference

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between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs, except any portion related to prepaid insurance costs, are expensed in the period incurred. Amortization of bond premiums or discounts, prepaid insurance costs, and deferred amounts on refunding are included in interest expense.

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

Net Position and Fund Balance

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

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

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

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.

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The following table presents the State’s fund balances by major function at June 30, 2023 (amounts expressed in thousands):

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	National Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for								
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 254	\$ 254
	-	-	-	-	-	-	254	254
Committed to								
Public safety	-	-	-	-	-	-	99,543	99,543
Culture and recreation	-	-	-	-	2,154	-	-	2,154
	-	-	-	-	2,154	-	99,543	101,697
Assigned to								
General government	56,041	-	-	1,207,782	-	-	4,434	1,268,257
Public safety	53,604	-	-	-	-	-	175,842	229,446
Highways	-	-	-	-	-	-	280,623	280,623
Conservation of natural resources	28,519	-	-	-	222,526	-	-	251,045
Health	86,631	-	-	-	-	-	208,942	295,573
Welfare	157,774	-	8,688	-	-	-	-	166,462
Education	300,267	-	-	-	-	-	339,590	639,857
Culture and recreation	20,817	-	-	13,749	-	-	15,489	50,055
Urban development and housing	193,053	-	-	-	-	418,086	-	611,139
Economic development	43,766	-	-	-	-	-	230,117	273,883
	940,472	-	8,688	1,221,531	222,526	418,086	1,255,037	4,066,340
Unassigned	3,618,495	(465,640)	-	-	-	-	(98,732)	3,054,123
Total	\$ 4,558,967	\$ (465,640)	\$ 8,688	\$ 1,221,531	\$ 224,680	\$ 418,086	\$ 1,256,102	\$ 7,222,414

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

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

Pensions

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

Postemployment Benefits Other Than Pensions

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

Nonexchange Transactions

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

Medicare and Medicaid Reimbursements

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

Fair Value Measurements

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

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

Risk Management

The State is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; workers' compensation; and acts of terrorism. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss is reasonably estimable.

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.

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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. 94

During fiscal year 2023, the State implemented GASB 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. This Statement did not have a material effect on State's financial statements.

GASB Statement No. 96

In May 2020, 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 (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a significant effect on the State's financial statements for the fiscal year ended June 30, 2023.

Upon implementation of this Statement, the State recognized subscription liabilities and subscription assets. There was no effect on net position previously reported as of June 30, 2022. The adoption of Statement No. 96 resulted in an increase in capital assets and liabilities of approximately \$33,614,000 as of July 1, 2022.

GASB Statement No. 99

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

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GASB Statement No. 100

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

GASB Statement No. 101

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

GASB Statement No. 102

The GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of the Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2024. The State has not determined the effect this Statement will have on its financial statements.

2. Cash and Investments

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

Cash

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

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) for the Primary Government as of June 30, 2023 was approximately \$2,291,623,000 and \$1,321,198,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2023 was approximately \$1,648,135,000.

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Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately \$2,581,195,000 at June 30, 2023 and is covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of approximately \$356,712,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments

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

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

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

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

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The following table presents the fair value of the State's investments by level of input at June 30, 2023 (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	\$ 6,053,515	\$ 759,811	\$ 5,293,704	\$ -
Mutual funds	83,540	83,540	-	-
Commercial paper	151,083	-	151,083	-
Total investments by fair value level	6,288,138	\$ 843,351	\$ 5,444,787	\$ -
Investments measured at amortized cost				
Certificates of deposit	1,359,744			
Investments at net asset value (NAV)				
Commingled funds	45,994			
Alternative investments	24,300			
Total investments	\$ 7,718,176			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	\$ 365,125	\$ 365,125	\$ -	\$ -
U.S. government securities	401,333	4,144	397,189	-
Mutual funds	134,540	134,540	-	-
Commercial paper	825	-	825	-
Derivatives	(2,911)	-	(2,911)	-
	898,912	\$ 503,809	\$ 395,103	\$ -
Investments at NAV				
Commingled funds				
Domestic equity	1,224,707			
International equity	863,690			
Domestic inflation-linked fixed income	291,739			
Real estate	521,239			
Alternative investments	2,157,731			
Total investments at fair value	5,958,018			
Investments measured at amortized cost				
Certificates of deposit	7,429			
Total investments	\$ 5,965,447			
Invested securities lending collateral at NAV				
Money market fund	\$ 37,247			

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Cash and Cash Equivalents, Certificates of Deposit, and Commercial Paper

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 commercial paper are measured at amortized cost.

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

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

The preceding measurements described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The market volatility of equity-based investments is expected to substantially impact the value of such investments at any given time. It is likely that the State’s investments have fluctuated since June 30, 2023.

(amounts expressed in thousands)	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Required Redemption Notice</u>
Investments measured at NAV				
Commingled funds				
Domestic equity	\$ 1,224,707	None	Daily/Monthly	Same as trade date/Trade date – 2
International equity	863,690	None	Daily	Same as trade date
Domestic inflation-linked fixed income	291,739	None	Daily	Trade date – 2
Real estate	521,239	\$ 191,139	Quarterly	Various up to trade date – 90
			Monthly/Quarterly/	
Alternative investments	<u>2,157,731</u>	712,476	Annually	Various up to trade date – 90
Total investments measured at NAV	<u>\$ 5,059,106</u>			
Invested securities lending collateral				
Money market fund	<u>\$ 37,247</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, 2023 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1–5	>5
Investments – Primary government				
Certificates of deposit	\$ 1,359,744	\$ 1,332,553	\$ 27,191	\$ -
U.S. government securities	6,053,515	795,825	3,988,593	1,269,097
Commercial paper	151,083	151,083	-	-
	<u>7,564,342</u>	<u>\$ 2,279,461</u>	<u>\$ 4,015,784</u>	<u>\$ 1,269,097</u>
Mutual funds	83,540			
Commingled funds	45,994			
Alternative investments	24,300			
Total investments	<u>\$ 7,718,176</u>			
Investments – Fiduciary funds				
Certificates of deposit	\$ 7,429	\$ 7,280	\$ 149	\$ -
U.S. government securities	401,333	372,608	21,791	6,934
Commercial paper	825	825	-	-
Derivatives	(2,911)	-	(2,911)	-
	<u>406,676</u>	<u>\$ 380,713</u>	<u>\$ 19,029</u>	<u>\$ 6,934</u>
Equity securities	365,125			
Mutual funds	134,540			
Commingled funds	2,380,136			
Real estate	521,239			
Alternative investments	2,157,731			
Total investments	<u>\$ 5,965,447</u>			

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Interest Rate Risk

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

Credit Risk

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

Custodial Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Securities Lending

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

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

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At June 30, 2023, the total securities lent for collateral amounted to approximately \$186,063,000. The total cash and noncash collateral received amounted to approximately \$37,247,000 and \$152,864,000, respectively.

Three of the four commingled funds held in the EUTF investment pool participate in securities lending.

3. Capital Assets

For the fiscal year ended June 30, 2023, 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, 2022 As Restated	Additions	Deductions	
Capital assets not being depreciated				
Land and land improvements	\$ 2,417,630	\$ 84,635	\$ (81,967)	\$ 2,420,298
Construction in progress	1,260,285	609,886	(734,133)	1,136,038
Total capital assets not being depreciated	<u>3,677,915</u>	<u>694,521</u>	<u>(816,100)</u>	<u>3,556,336</u>
Capital assets being depreciated				
Infrastructure	10,737,224	220,043	-	10,957,267
Buildings and improvements	6,641,437	471,318	(19,047)	7,093,708
Equipment	845,170	55,762	(17,327)	883,605
Intangible assets – software	159,941	8,221	-	168,162
Total capital assets being depreciated	<u>18,383,772</u>	<u>755,344</u>	<u>(36,374)</u>	<u>19,102,742</u>
Less: Accumulated depreciation and amortization				
Infrastructure	(7,220,684)	(225,541)	-	(7,446,225)
Buildings and improvements	(3,717,614)	(187,865)	5,280	(3,900,199)
Equipment	(722,129)	(54,939)	16,336	(760,732)
Intangible assets – software	(145,123)	(9,889)	-	(155,012)
Total accumulated depreciation and amortization	<u>(11,805,550)</u>	<u>(478,234)</u>	<u>21,616</u>	<u>(12,262,168)</u>
Lease assets				
Land and land improvements	5,949	-	-	5,949
Buildings and improvements	55,252	10,693	(274)	65,671
Equipment	11,730	2,868	(110)	14,488
Total lease assets	<u>72,931</u>	<u>13,561</u>	<u>(384)</u>	<u>86,108</u>
Less: Accumulated amortization				
Land and land improvements	(404)	(259)	-	(663)
Buildings and improvements	(3,659)	(9,881)	91	(13,449)
Equipment	(8,748)	(4,028)	47	(12,729)
Total accumulated amortization	<u>(12,811)</u>	<u>(14,168)</u>	<u>138</u>	<u>(26,841)</u>
Subscription assets				
	33,614	17,148	-	50,762
Less: Accumulated amortization	<u>(12,726)</u>	<u>(1,869)</u>	<u>-</u>	<u>(14,595)</u>
Total capital assets, net	<u>\$ 10,337,145</u>	<u>\$ 986,303</u>	<u>\$ (831,104)</u>	<u>\$ 10,492,344</u>

State of Hawaii
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	Business-type Activities			Balance at June 30, 2023
	Balance at July 1, 2022	Additions	Deductions	
Capital assets not being depreciated				
Land and land improvements	\$ 706,861	\$ -	\$ -	\$ 706,861
Construction in progress	1,051,923	360,570	(223,133)	1,189,360
Total capital assets not being depreciated	<u>1,758,784</u>	<u>360,570</u>	<u>(223,133)</u>	<u>1,896,221</u>
Capital assets being depreciated				
Land and improvements	2,272,737	49,646	-	2,322,383
Buildings and improvements	4,140,943	169,760	-	4,310,703
Equipment	441,179	7,625	(1,023)	447,781
Total capital assets being depreciated	<u>6,854,859</u>	<u>227,031</u>	<u>(1,023)</u>	<u>7,080,867</u>
Less: Accumulated depreciation				
Land and improvements	(1,240,052)	(79,709)	-	(1,319,761)
Buildings and improvements	(1,885,068)	(129,874)	-	(2,014,942)
Equipment	(325,378)	(18,243)	1,016	(342,605)
Total accumulated depreciation	<u>(3,450,498)</u>	<u>(227,826)</u>	<u>1,016</u>	<u>(3,677,308)</u>
Lease assets				
Buildings and improvements	340	881	(340)	881
Equipment	120	33	-	153
Total lease assets	<u>460</u>	<u>914</u>	<u>(340)</u>	<u>1,034</u>
Less: Accumulated amortization				
Buildings and improvements	(194)	(197)	340	(51)
Equipment	(11)	(7)	-	(18)
Total accumulated amortization	<u>(205)</u>	<u>(204)</u>	<u>340</u>	<u>(69)</u>
Total capital assets, net	<u>\$ 5,163,400</u>	<u>\$ 360,485</u>	<u>\$ (223,140)</u>	<u>\$ 5,300,745</u>

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Depreciation and amortization expense for the fiscal year ended June 30, 2023 was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities

Highways	\$ 209,250
Lower education	148,767
General government	26,129
Welfare	13,134
Urban redevelopment and housing	23,575
Conservation of natural resources	31,764
Public safety	16,301
Health	13,670
Culture and recreation	3,864
Economic development and assistance	7,817
Total depreciation and amortization expense – governmental activities	<u>\$ 494,271</u>

Business-type activities

Airports	\$ 187,999
Harbors	38,172
EUTF	1,535
DWTLF	180
WPCF	144
Total depreciation and amortization expense – business-type activities	<u>\$ 228,030</u>

Subscription Assets and Liability

Governmental Activities

The State has entered into SBITAs for various administrative and operational purposes. These subscriptions include services related to cloud-based software applications, data storage, and management services. Under the terms of these arrangements, the State does not take possession of the software at any time and the vendor provides ongoing services for the software's operation. The subscription periods vary, with initial non-cancellable terms ranging from two to eight years. The calculated interest rate used upon adoption was 3.93%.

As of June 30, 2023, the capitalized right-to-use assets related to SBITAs approximated \$50,762,000 and the total subscription liability approximated \$31,255,000, of which approximately \$13,302,000 is classified as current.

For the fiscal year ended June 30, 2023, the State recognized approximately \$1,244,000 of interest expense related to these arrangements.

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 13,302	\$ 172	\$ 13,474
2025	8,594	161	8,755
2026	3,967	99	4,066
2027	3,014	58	3,072
2028	1,369	17	1,386
2029–2031	1,009	16	1,025
	<u>\$ 31,255</u>	<u>\$ 523</u>	<u>\$ 31,778</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; and Series FJ, issued October 13, 2016. Stated interest rates range from 0.42% to 6.20%.

On October 19, 2022, the State issued \$740,000,000 of taxable general obligation bonds of 2022 Series GK, and \$60,000,000 of taxable general obligation refunding bonds of 2022 Series GL.

New issues Series GK and GL were issued at a premium, which will be amortized over the life of the bond using the effective rate method. The bonds within Series GK that mature on or after October 1, 2033 are subject to optional redemption with restrictions. The bonds within Series GL are subject to optional redemption.

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, 2023, \$2,085,985,000 of bonds outstanding is considered defeased. At June 30, 2023, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	\$ 8,703,397
Noncallable	<u>19,575</u>
Total general obligation bonds outstanding	8,722,972
Add: Unamortized bond premium	312,687
Less: Amount recorded as a liability of proprietary funds – Harbors	<u>(10,966)</u>
Amount recorded in the governmental activities of the primary government	<u>\$ 9,024,693</u>

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A summary of general obligation bonds outstanding by series as of June 30, 2023 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>
DS	November 5, 2009	0.800%–1.450%	September 15, 2019–2024	\$ 32,000	\$ 6,040
DX	February 18, 2010	4.450%–5.530%	February 1, 2020–2030	500,000	265,115
EG	December 4, 2012	1.600%–3.625%	November 1, 2019–2032	26,000	17,460
EH	November 21, 2013	4.000%–5.000%	August 1, 2019–2033	635,000	13,645
EL	November 21, 2013	1.500%–5.000%	August 1, 2019–2023	50,860	8,205
EM	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	25,000	18,730
EN	November 21, 2013	2.450%–4.800%	August 1, 2019–2033	29,795	20,470
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	391,000
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	54,595
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	19,895
ET	October 29, 2015	2.000%–5.000%	October 1, 2019–2035	190,000	99,440
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	26,940
EX	October 29, 2015	2.000%–4.000%	October 1, 2019–2025	25,035	11,370
EY	October 29, 2015	5.000%	October 1, 2020–2027	212,120	142,325
EZ	October 29, 2015	5.000%	October 1, 2019–2028	215,590	89,870
FA	October 29, 2015	1.950%–4.400%	October 1, 2019–2035	25,000	19,420
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	397,935
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	144,615
FF	April 14, 2016	1.309%–2.902%	October 1, 2019–2028	119,730	75,030
FG	October 13, 2016	3.000%–5.000%	October 1, 2019–2036	375,000	317,040
FH	October 13, 2016	3.000%–5.000%	October 1, 2021–2031	379,295	324,645
FI	October 13, 2016	2.000%–5.000%	October 1, 2021–2033	2,710	2,375
FK	May 24, 2017	2.000%–5.000%	May 1, 2020–2037	575,000	483,200
FN	May 24, 2017	5.000%	October 1, 2021–2031	229,355	196,460
FP	May 24, 2017	1.850%–3.940%	May 1, 2020–2037	7,500	6,165
FS	December 12, 2017	2.220%–2.950%	October 1, 2022–2033	275,363	255,392
FT	February 14, 2018	3.000%–5.000%	January 1, 2022–2038	631,215	580,615
FW	February 21, 2019	2.000%–5.000%	January 1, 2023–2039	431,665	414,640
FZ	August 5, 2020	0.670%–2.293%	August 1, 2025–2040	995,000	995,000
GB	October 21, 2020	0.429%–0.852%	October 1, 2022–2025	600,000	450,000
GC	October 21, 2020	0.852%–2.782%	October 1, 2025–2040	400,000	400,000
GD	September 29, 2021	0.247%–2.870%	October 1, 2022–2041	700,000	670,490
GE	September 29, 2021	0.247%–2.870%	October 1, 2022–2041	200,000	191,445
GH	September 29, 2021	0.422%	August 1, 2023	138,700	138,700
GI	September 29, 2021	0.713%	August 1, 2024	105,000	105,000
GJ	September 29, 2021	1.033%–2.222%	August 1, 2025–2033	629,705	629,705
GK	November 2, 2022	4.700% - 6.200%	October 1, 2023–2041	740,000	740,000
					\$ 8,722,972

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement reported in Note 12 and the acquisition, construction, extension or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and other public purposes.

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A summary of the general obligation bond premium activity for fiscal year 2023 is as follows (amounts expressed in thousands):

Balance – July 1, 2022	\$ 374,363
Additions	8,194
Current-year amortization	<u>(69,870)</u>
Balance – June 30, 2023	<u>\$ 312,687</u>

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 702,725	\$ 284,638	\$ 987,363
2025	681,953	264,916	946,869
2026	706,529	243,911	950,440
2027	571,824	223,126	794,950
2028	566,547	202,043	768,590
2029–2033	2,570,140	717,067	3,287,207
2034–2038	1,880,235	318,894	2,199,129
2039–2042	<u>776,660</u>	<u>54,464</u>	<u>831,124</u>
	<u>\$ 8,456,613</u>	<u>\$ 2,309,059</u>	<u>\$ 10,765,672</u>

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,424	\$ 6,451	\$ 26,875
2025	20,900	5,975	26,875
2026	21,401	5,475	26,876
2027	21,926	4,949	26,875
2028	22,479	4,396	26,875
2029–2033	121,777	12,601	134,378
2034	<u>26,486</u>	<u>391</u>	<u>26,877</u>
	<u>\$ 255,393</u>	<u>\$ 40,238</u>	<u>\$ 295,631</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
2024	\$ 2,835	\$ 546	\$ 3,381
2025	2,977	404	3,381
2026	3,125	256	3,381
2027	1,136	100	1,236
2028	893	44	937
	<u>\$ 10,966</u>	<u>\$ 1,350</u>	<u>\$ 12,316</u>

The State Constitution limits the amount of general obligation bonds which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2023 was \$748,449,000.

At June 30, 2023, general obligation bonds authorized but unissued were approximately \$4,057,971,000.

5. Revenue Bonds Payable

Governmental Activities

Revenue bonds are payable from and collateralized by each Department's revenues generated from certain capital improvement projects. On October 7, 2021, the Department of Transportation – Highways Division (Highways) issued \$23,130,000 of State of Hawaii Revenue Bonds Series 2019B (the 2019B Bonds) at 5.00% per annum payable semiannually each January 1 and July 1 commencing on January 1, 2022. The 2019B Bonds mature in installments beginning in 2024 through 2032. These bonds were issued at a premium of \$4,051,000, and were used to advance refund \$26,825,000 of a portion of certain Highway revenue bonds previously outstanding.

On June 9, 2021, Highways issued \$137,205,000 of State of Hawaii Revenue Bonds Series 2021 (the 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 3.00% to 5.00% 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 2.00% to 5.00% 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 1.30% to 5.00% to advance refund \$111,590,000 of certain highway revenue bonds previously issued. The bonds are payable annually on January 1 through 2030.

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

On August 14, 2014, Highways issued \$103,375,000 in State of Hawaii Highway Revenue Bonds of 2014 Series A, with interest rates ranging from 2.00% to 5.00% 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 3.00% to 5.00% 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 4.00% to advance refund \$5,400,000 of certain outstanding highway revenue bonds previously issued. The bond was repaid in 2023.

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

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

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The following is a summary of the State's revenue bonds issued and outstanding for governmental activities at June 30, 2023 (amounts expressed in thousands):

<u>Series</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Outstanding Amount</u>
Highways					
2014A	August 14, 2014	5.00%	January 1, 2020–2034	\$ 103,375	\$ 69,175
2014B	August 14, 2014	5.00%	January 1, 2020–2026	32,285	11,325
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	77,720
2016B	September 8, 2016	4.00%–5.00%	January 1, 2021–2030	101,090	81,990
2019A	December 11, 2019	3.00%–5.00%	January 1, 2023–2040	81,835	78,820
2021	June 9, 2021	5.00%	January 1, 2027–2041	137,205	137,205
2019B	October 7, 2021	5.00%	January 1, 2024–2032	23,130	23,130
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	21,250
DBEDT					
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	71,501
					<u>572,116</u>
Add: Unamortized bond premium					<u>78,421</u>
					<u>\$ 650,537</u>

A summary of the revenue bond premium activity for fiscal year 2023 is as follows (amounts expressed in thousands):

Balance – July 1, 2022	\$ 88,849
Current-year amortization	<u>(10,428)</u>
Balance – June 30, 2023	<u>\$ 78,421</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 41,040	\$ 26,661	\$ 67,701
2025	42,529	24,831	67,360
2026	44,379	22,980	67,359
2027	46,517	21,014	67,531
2028	48,636	18,897	67,533
2029–2033	161,300	66,527	227,827
2034–2038	125,435	32,421	157,856
2039–2041	62,280	6,329	68,609
	<u>\$ 572,116</u>	<u>\$ 219,660</u>	<u>\$ 791,776</u>

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Business-Type Activities

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

Airports System Revenue Bonds

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

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2023 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2015A, non-refunding	4.125%–5.00%	2045	\$ 235,135	\$ 235,135
2015B, non-refunding	4.00%	2045	9,125	9,125
2018A, non-refunding	5.00%	2048	388,560	388,560
2018B, non-refunding	3.00%–5.00%	2027	26,125	26,125
2018C, refunding	3.58%	2028	93,175	92,300
2018D, refunding	5.00%	2034	142,150	142,150
2020A, nonrefunding	4.00%–5.00%	2045	113,140	113,140
2020B, nonrefunding	3.48%	2050	165,885	165,885
2020C, nonrefunding	5.00%	2050	20,295	20,295
2020D, refunding	4.00%–5.00%	2039	184,855	184,855
2020E, refunding	1.39%–2.33%	2030	98,315	98,315
2022A, nonrefunding	4.00%–5.00%	2015	209,280	209,280
2022B, refunding	5.000%	2024	53,035	53,035
			<u>\$ 1,739,075</u>	<u>1,738,200</u>
Add: Unamortized premium				158,469
Less: Unamortized discount				(44)
				<u>1,896,625</u>
Less: Current portion				(33,650)
Noncurrent portion				<u>\$ 1,862,975</u>

Customer Facility Charge Revenue Bonds

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%. At June 30, 2023, the outstanding balance of the Series 2017A Bonds is \$223,610,000, with a maturity of July 1, 2047.

In August 2019, Airports 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%. At June 30, 2023, the outstanding balance of the Series 2019A Bonds is \$179,690,000, with a maturity of July 1, 2047.

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The bonds were 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 these bonds and to pay certain costs of issuance of these bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the Rental Motor Vehicle Customer Facility Charge imposed the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports system.

Harbors Revenue Bonds

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

On December 2, 2020, Harbors issued \$147,520,000 Series A of 2020 Revenue Bonds (AMT), \$15,685,000 Series B of 2020 Revenue Bonds (Taxable), and \$103,345,000 Series C of 2020 Revenue Bonds (Non-AMT); all these Series are the 2020 Revenue Bonds. Proceeds of approximately \$165,800,000 from the Series A of 2020 Revenue Bonds (AMT) and \$9,200,000 from the Series B of 2020 Revenue Bonds (Taxable) were used to provide funding for the Harbors Capital Improvement Program, primarily for the Kapalama Container Terminal Phase 1 and Phase 2 projects.

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

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2023 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current		Total	Noncurrent
				Principal Due July 1, 2023	Due January 1, 2024		
2013	July 1, 2029	3.25%	\$ 23,615	\$ 1,035	\$ -	\$ 1,035	\$ 6,960
2016	January 1, 2031	1.99%–3.09%	105,525	2,865	6,685	9,550	57,730
2020	July 1, 2040	0.60%–5.00%	266,550	4,505	-	4,505	249,400
			<u>\$ 395,690</u>	<u>\$ 8,405</u>	<u>\$ 6,685</u>	15,090	314,090
Add: Unamortized premium						4,006	37,731
						<u>\$ 19,096</u>	<u>\$ 351,821</u>

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Debt service requirements to maturity on the business-type activities' revenue bonds for the fiscal year ended June 30, 2023 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 59,555	\$ 64,851	\$ 124,406
2025	64,255	63,327	127,582
2026	70,825	61,687	132,512
2027	72,960	60,179	133,139
2028	75,310	58,528	133,838
2029–2033	420,810	421,341	842,151
2034–2038	497,125	320,424	817,549
2039–2042	456,520	219,443	675,963
2044–2048	487,595	110,277	597,872
2049–2053	266,020	20,872	286,892
	<u>\$ 2,470,975</u>	<u>\$ 1,400,929</u>	<u>\$ 3,871,904</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, 2023, revenue bonds authorized, but unissued, were approximately \$9,726,984,000.

Special Purpose Revenue Bonds

HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2023 amounted to approximately \$2,854,660,000. At June 30, 2023, special purpose revenue bonds of \$1,164,943,000 were authorized, but unissued.

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6. Changes in Long-Term Liabilities

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

	Governmental Activities					
	Balance				Balance	Due Within
	July 1, 2022	Additions	Deductions	June 30, 2023	One Year	
	(As Restated)					
General obligation bonds payable	\$ 8,391,784	\$ 800,000	\$ (735,171)	\$ 8,456,613	\$ 702,725	
Add: Unamortized premium	374,363	8,194	(69,870)	312,687	51,473	
Direct placements	275,363	-	(19,970)	255,393	20,424	
Total general obligation bonds payable	9,041,510	808,194	(825,011)	9,024,693	774,622	
Revenue bonds payable	611,578	-	(39,462)	572,116	41,040	
Add: Unamortized premium	88,849	-	(10,428)	78,421	9,754	
Total revenue bonds payable	700,427	-	(49,890)	650,537	50,794	
Accrued vacation payable	273,341	114,010	(106,545)	280,806	97,549	
Reserve for losses and loss adjustment costs	627,301	97,282	(382,349)	342,234	64,990	
Leases payable	60,798	13,561	(13,855)	60,504	11,877	
Subscriptions payable	33,614	17,148	(19,507)	31,255	13,302	
Net pension liability	6,145,230	869,026	(433,730)	6,580,526	-	
Net other postemployment benefits liability	5,207,792	324,224	(960,795)	4,571,221	-	
Financed purchases	101,631	-	(10,985)	90,646	8,456	
Other	335	-	-	335	-	
Total	<u>\$ 22,191,979</u>	<u>\$ 2,243,445</u>	<u>\$ (2,802,667)</u>	<u>\$ 21,632,757</u>	<u>\$ 1,021,590</u>	
	Business-type Activities					
	Balance				Balance	Due Within
	July 1, 2022	Additions	Deductions	June 30, 2023	One Year	
General obligation bonds payable, net	\$ 13,667	\$ -	\$ (2,701)	\$ 10,966	\$ 2,835	
Revenue bonds payable	2,501,970	-	(30,995)	2,470,975	59,555	
Add: Unamortized premium, net	214,869	-	(14,707)	200,162	4,006	
Total revenue bonds payable	2,716,839	-	(45,702)	2,671,137	63,561	
Accrued vacation and retirement benefits payable	18,935	8,115	(8,375)	18,675	8,257	
Reserve for losses and loss adjustment costs	8,152	5,403	(2,308)	11,247	4,865	
Leases payable	242	915	(204)	953	184	
Net pension liability	178,053	37,465	(4,870)	210,648	-	
Net other postemployment benefits liability	208,196	2,464	(16,259)	194,401	-	
Financed purchases	195,592	-	(16,996)	178,596	18,620	
Prepaid airport use charge fund	2,856	33,086	-	35,942	-	
Security deposits	3,805	1,459	(895)	4,369	-	
Other long-term liabilities	1,803	-	-	1,803	-	
Total	<u>\$ 3,348,140</u>	<u>\$ 88,907</u>	<u>\$ (98,310)</u>	<u>\$ 3,338,737</u>	<u>\$ 98,322</u>	

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 87% and 13% of the accrued vacation liability has been paid by the General Fund and Special Revenue Funds, respectively, during the fiscal year ended June 30, 2023.

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, 2023 (amounts expressed in thousands):

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund		
Med-Quest Special Revenue Fund	\$ 52,638	\$ 60,041
Administrative Support Special Revenue Fund	-	-
Natural Resources Special Revenue Fund	4,890	-
Nonmajor Governmental Funds	50,123	254
Airports	20	-
	<u>107,671</u>	<u>60,295</u>
Capital Projects Fund		
Harbors	1,597	-
Med-Quest Special Revenue Fund		
General Fund	60,041	52,638
Administrative Support Special Revenue Fund		
National Resources Special Revenue Fund	6,433	-
Nonmajor Governmental Funds	166,433	-
	<u>172,866</u>	<u>-</u>
Natural Resources Special Revenue Fund		
General Fund	-	4,890
National Resources Special Revenue Fund	-	6,433
	<u>-</u>	<u>11,323</u>
Nonmajor Governmental Funds		
General Fund	254	50,123
Administrative Support Special Revenue Fund	-	166,433
	<u>254</u>	<u>216,556</u>
Proprietary Funds		
Airports	-	20
Harbors	-	1,597
	<u>-</u>	<u>1,617</u>
	<u>\$ 342,429</u>	<u>\$ 342,429</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, 2023, 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	\$ 73,556	\$ 2,438
Capital Projects Fund	-	249
Administrative Support Special Revenue Fund	35,368	632,637
Natural Resources Special Revenue Fund	3,288	1,500
Nonmajor Governmental Funds	<u>63,043</u>	<u>1,157,224</u>
	<u>175,255</u>	<u>1,794,048</u>
Capital Projects Fund		
General Fund	249	-
Administrative Support Special Revenue Fund	-	4,987
Nonmajor Governmental Funds	<u>205,498</u>	<u>-</u>
	<u>205,747</u>	<u>4,987</u>
Med-Quest Special Revenue Fund		
General Fund	2,438	73,556
Nonmajor Governmental Funds	<u>-</u>	<u>1,351</u>
	<u>2,438</u>	<u>74,907</u>
Administrative Support Special Revenue Fund		
General Fund	632,637	35,368
Capital Projects Fund	4,987	-
Natural Resources Special Revenue Fund	-	3,222
Nonmajor Governmental Funds	<u>5,761</u>	<u>135,910</u>
	<u>643,385</u>	<u>174,500</u>
Natural Resources Special Revenue Fund		
General Fund	1,500	3,288
Administrative Support Special Revenue Fund	3,222	-
Nonmajor Governmental Funds	<u>3,172</u>	<u>4,563</u>
	<u>7,894</u>	<u>7,851</u>
Hawaiian Programs Special Revenue Fund		
Nonmajor Governmental Funds	<u>-</u>	<u>3,006</u>
Nonmajor Governmental Funds		
General Fund	1,157,224	63,043
Capital Projects Fund	-	205,498
Med-Quest Special Revenue Fund	1,351	-
Administrative Support Special Revenue Fund	135,910	5,761
Natural Resources Special Revenue Fund	4,563	3,172
Hawaiian Programs Special Revenue Fund	3,006	-
Other Nonmajor Governmental Funds	<u>81,352</u>	<u>81,352</u>
	<u>1,383,406</u>	<u>358,826</u>
	<u>\$ 2,418,125</u>	<u>\$ 2,418,125</u>

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The General Fund transferred approximately \$1,037,816,000 to the Nonmajor Governmental Funds for debt service payments, approximately \$755,983,000 to subsidize various Special Revenue Funds' programs, and approximately \$249,000 to the Capital Projects Fund to finance capital projects. Approximately \$205,498,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. Leases and Financed Purchases

Leases Receivable

Governmental Activities

The major portion of the State's property is leased to others. Such property includes special purpose facilities, office and commercial space, and land. Leases receivable consists of agreements with others for the right to use the underlying assets at various locations owned by the State. The terms of the arrangements range from 1 to 65 years. The calculated interest rates used vary depending on the inception of the lease. For the fiscal year ended June 30, 2023, the State recognized approximately \$35,023,000 in lease revenue and approximately \$24,430,000 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2023 is as follows (amounts expressed in thousands):

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
\$ 838,551	\$ 33,127	\$ (21,772)	\$ 849,906	\$ 20,424

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

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20,424	\$ (3,030)	\$ 17,394
2025	19,965	(671)	19,294
2026	19,698	1,011	20,709
2027	18,759	1,142	19,901
2028	20,909	1,345	22,254
2029–2033	114,264	6,175	120,439
2034–2038	111,267	1,396	112,663
2039–2043	125,467	1,746	127,213
2044–2048	129,152	2,454	131,606
2049–2053	48,148	301	48,449
2054–2058	50,995	267	51,262
2059–2063	41,618	123	41,741
2064–2068	46,090	101	46,191
2069–2073	35,225	91	35,316
2074–2078	33,901	92	33,993
2079–2083	13,498	33	13,531
2084–2085	526	1	527
	<u>\$ 849,906</u>	<u>\$ 12,577</u>	<u>\$ 862,483</u>

Business-Type Activities

Airports leases certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 35 years for other airport users. Lease receivable consists of agreements with others for the right-to-use of the underlying assets and as measured at the present value of payments expected to be received during the lease term. The discount rates used vary depending on the inception and length of the lease. For fiscal year ended June 30, 2023, Airports recognized approximately \$182,956,000 in lease revenue and \$15,985,000 in interest revenue.

Major portions of Harbors' property are leased to others. Such property includes special purpose facilities, office and commercial space, and land. Lease receivable consists of agreements with others for the right-to-use of the underlying assets at various locations owned by Harbors. The terms of the arrangements range from 10 to 70 years. The calculated interest rates used vary depending on the inception and length of the lease. For fiscal year ended June 30, 2023, Harbors recognized approximately \$4,387,000 in lease revenue for variable payments not previously included in measurement of the lease receivable.

A summary of changes in lease receivable for the fiscal year ended June 30, 2023 is as follows (amounts expressed in thousands):

<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
\$ 572,794	\$ 86,808	\$ (123,752)	\$ 535,850	\$ 105,053

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

Fiscal Year	Principal	Interest	Total
2024	\$ 105,053	\$ 19,479	\$ 124,532
2025	91,527	15,622	107,149
2026	78,091	12,026	90,117
2027	68,145	8,885	77,030
2028	57,950	6,258	64,208
2029–2033	101,640	11,276	112,916
2034–2038	11,302	3,886	15,188
2039–2043	6,171	2,749	8,920
2044–2048	7,037	1,796	8,833
2049–2053	6,754	735	7,489
2054–2058	2,128	157	2,285
2059	52	-	52
	<u>\$ 535,850</u>	<u>\$ 82,869</u>	<u>\$ 618,719</u>

Regulated Leases – Airports

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

Airport-Airline Agreement

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

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

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

Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2022 have been transferred to the PAUCF.

Airports System Rates and Charges

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

- Airport landing fees amounted to approximately \$100,355,000 for fiscal year 2023. Airport landing fees are shown net of aviation fuel tax credits of approximately \$2,142,000 on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of approximately \$98,213,000. 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. The interisland airport landing fees for signatory airlines is set at 51% for fiscal year 2023, and are scheduled to increase 1% annually until it reaches 100%.
- Overseas and interisland joint use premise charges were established to recover airports system costs allocable to the overseas and interisland terminals joint use space based on terminal rental rates and are recovered based on a computed rate per enplaning or deplaning passenger. Nonexclusive joint use premise charges for terminal rentals amounted to approximately \$73,059,000 for fiscal year 2023.
- Exclusive use premise charges amounted to approximately \$97,548,000 for fiscal year 2023, and are computed using a fixed rate per square footage per year. Included in exclusive use premise charges are terminal rentals amounting to approximately \$41,395,000 and international arrival building charges of approximately \$14,624,000. Remaining charges of approximately \$41,528,000 include other nonterminal rentals.

Expected future minimum payments from the agreements with signatory airlines and other users related to land and buildings for aeronautical purposes at June 30, 2023 are as follows (amounts expressed in thousands):

Fiscal Year	
2024	\$ 26,739
2025	21,389
2026	18,882
2027	17,343
2028	15,043
2029–2033	41,473
2034–2038	6,519
2039–2043	5,208
2044–2048	6,237
2049–2052	5,774
	<u>\$ 164,607</u>

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Leases Payable

Governmental Activities

The State has entered into leases for building space and equipment use. The terms of the agreements range from 1 to 40 years. The calculated interest rates used vary depending on the inception and length of the lease.

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

Fiscal Year	Principal	Interest	Total
2024	\$ 11,877	\$ 42	\$ 11,919
2025	9,497	38	9,535
2026	7,436	22	7,458
2027	4,508	15	4,523
2028	3,122	11	3,133
2029–2033	9,742	31	9,773
2034–2038	3,858	13	3,871
2039–2043	2,699	9	2,708
2044–2048	2,938	10	2,948
2049–2053	2,482	10	2,492
2054–2058	1,946	9	1,955
2059–2060	399	1	400
	<u>\$ 60,504</u>	<u>\$ 211</u>	<u>\$ 60,715</u>

Financed Purchases

Governmental Activities

On July 25, 2017, the State issued \$15,125,000 in Certificates of Participation (COPS) 2017 Series A to fully refund \$24,500,000 of the 2009 Series A Certificate, which proceeds were used to purchase the Kapolei State Office Building and Capitol District Building. Wells Fargo Bank, NA was paid \$18,739,000 by the Bank of New York Mellon Trust Company, NA on August 25, 2017 from the net proceeds of \$20,292,000, which include original issue premium of \$2,614,000 and funds on hand of \$2,553,000. The remaining amounts of \$152,000 was used as cost of issuance and \$1,401,000 was deposited to the Certificate Reserve Fund. Payments of principal and interest commenced on November 1, 2017 and is payable every May 1 and November 1 until 2031, with interest fixed at 5.00% starting in 2023.

An equipment lease purchase agreement between the Highways Division and Johnson Controls, Inc. was entered into on July 8, 2015 to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of approximately \$60,286,000 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the Highways Division. Payments commenced on August 1, 2017 and continue through August 1, 2031 at an interest rate of 2.63%.

An equipment lease purchase agreement between Department of Accounting and General Services (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

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custodian to provide for future payments as requested by the State. Payments commenced on March 20, 2014 and continue through September 20, 2033 at an interest rate of 3.63%.

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

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

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

Fiscal Year	Principal	Interest	Total
2024	\$ 8,456	\$ 3,195	\$ 11,651
2025	9,221	2,855	12,076
2026	10,029	2,487	12,516
2027	8,954	2,126	11,080
2028	9,822	1,800	11,622
2029–2034	44,164	3,384	47,548
	<u>\$ 90,646</u>	<u>\$ 15,847</u>	<u>\$ 106,493</u>

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

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

Business-Type Activities

Airports – Lease Revenue Certificates of Participation

Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the energy performance contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of \$167,740,000 at interest rates ranging from 3.00% to 5.25%, payable annually with a final maturity date of 2029.

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On April 13, 2016, Airports entered into another lease agreement with Johnson Controls, Inc., amending the Energy Performance Contract dated December 19, 2013, to finance improvements to Daniel K. Inouye International Airport’s cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to the Energy Performance Contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of approximately \$8,057,000 at an interest rate of 1.74%, payable annually with a final maturity date of 2026.

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 approximately \$51,473,000 at an interest rate of 2.87%.

The lease revenue COPS are payable from revenue derived by Airports from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State. The COPS represent participation in equipment lease rent payments made by the DOT. 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 COPS contain a provision that if Airports is unable to make payment, outstanding amounts are due immediately. The lease revenue COPS contain a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determine that a material adverse change occurs.

At June 30, 2023, the outstanding balance of the lease revenue COPS and the unamortized premium are approximately \$157,475,000 and \$295,000, respectively. The schedule of payments for the lease revenue COPS is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 17,224	\$ 6,633	\$ 23,857
2025	19,760	5,797	25,557
2026	20,755	4,827	25,582
2027	22,770	3,767	26,537
2028	25,411	2,619	28,030
2029–2033	49,079	3,037	52,116
2034–2035	2,476	53	2,529
	<u>\$ 157,475</u>	<u>\$ 26,733</u>	<u>\$ 184,208</u>

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Harbors – Equipment Lease Agreement

Harbors entered into a financed purchase agreement to fund the installation and acquisition of energy conservation measures at selected Harbors locations. Proceeds of approximately \$26,246,000 were deposited into an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by Harbors. The agreement also provided for the financing of interest expense through October 1, 2016 approximating \$747,000, which was applied toward the principal of the financed purchase obligation. The financed purchase obligation amounted to approximately \$22,385,000 at June 30, 2022. Annual payments commenced on October 1, 2017 and will continue through October 1, 2033 at an interest rate of 2.74%. Costs incurred for the installation and acquisition of energy conservation measures were capitalized to other improvements and approximated \$28,952,000, net of related expense of \$23,000, which includes additional capitalized interest of \$1,983,000 for the period October 2, 2016 through June 30, 2019. Amortization of equipment acquired under the agreement is included with depreciation expense. There were no unused proceeds in the acquisition fund at June 30, 2023 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2024	\$ 1,396	\$ 579	\$ 1,975
2025	1,537	540	2,077
2026	1,687	498	2,185
2027	1,846	452	2,298
2028	2,015	402	2,417
2029–2033	12,640	1,076	13,716
	<u>\$ 21,121</u>	<u>\$ 3,547</u>	<u>\$ 24,668</u>

10. Significant Transactions with Component Units

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

Hawaii Health Systems Corporation

The amount due to the State of approximately \$19,008,000 at June 30, 2023 is comprised of cash advances that was assumed by the HHSC.

At June 30, 2023, approximately \$47,400,000 was due from the State for allotments made to HHSC.

Hawaii Hurricane Relief Fund

In 2002, Act 179, SLH 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the fiscal year ended June 30, 2023, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$4,389,000.

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Hawaii Tourism Authority

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

Effective January 1, 2022, the Tourism Fund is set to sunset and will discontinue the ability to expend any new funds. In its place, the State has appropriated \$60,000,000 in fiscal year 2022 funds from ARPA for eligible expenses incurred by HTA. Those funds will expire in December 2024.

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

Pursuant to Act 248, SLH 2022, \$15,000,000 of general obligation bond funds were provided to the Convention Center Fund for the temporary repairs of the Convention Center roof and other items. The Governor authorized the release of funds on February 22, 2023.

11. Retirement Benefits

Pension Plan

Plan Description

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

Benefits Provided

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

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.

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

Noncontributory Class

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

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

Contributory Class for Members Hired Prior to July 1, 2012

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

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.

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- *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.

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- **Disability Benefits** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.
- **Death Benefits** – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member’s contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

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

Hybrid Class for Members Hired After June 30, 2012

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

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2023 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the State was approximately \$630,570,000 for the fiscal year ended June 30, 2023.

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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, 2023, the State reported a liability of approximately \$6.8 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the State's proportion was 57.3570%, which was an increase of 0.6654% from its proportion measured as of June 30, 2021.

The following changes were made to the actuarial assumptions as of June 30, 2021 to June 30, 2022:

- The administrative expenses assumption was increased from 0.35% to 0.40%.
- The general wage inflation assumption represents the average increase in wages in the general economy and is used to index salaries for each cohort of new entrants in projections. The general productivity component of the general wage inflation assumption for general employees and teachers decreased from 1.00% to 0.50%, that now yields a nominal assumption of 3.00%. There was no change to the assumption for police officers and firefighters.
- The assumed salary increase schedules increased for all employees. These schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit (which would include promotions) and then an additional component for step rates based on service. The schedules of assumed salary increase, that are the same, for general employees and teachers increased to 4.66%, from 4.41% for general employees and from 4.37% for teachers; while the salary schedules of police and firefighters increased to 5.78% from 5.57%.
- Pre-retirement mortality rates increased for police and firefighters.
- Retiree mortality was updated to the 2022 Public Retirees of Hawaii mortality tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP from the year 2022 and with multiplier and setbacks based on plan and group experience.

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For the fiscal year ended June 30, 2023, the State recognized pension expense of approximately \$508,198,000. At June 30, 2023, 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	\$ 123,295	\$ (102,526)
Changes in assumptions	16,882	(84,866)
Net difference between projected and actual earnings on pension plan investments	-	(277,049)
Changes in proportion and differences between State contributions and proportionate share of contributions	69,797	(22,185)
State contributions subsequent to the measurement date	630,570	-
Total	<u>\$ 840,544</u>	<u>\$ (486,626)</u>

At June 30, 2023, the approximate \$630,570,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

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	
2024	\$ (71,797)
2025	(104,589)
2026	(193,854)
2027	95,619
2028	(2,031)
	<u>\$ (276,652)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS's Board of Trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

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

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

Post-retirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

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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’s 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 plus inflation) by the target asset allocation percentage.

The rate of returns, based on ERS’s investment consultant as of June 30, 2022, are summarized in the following table:

Classes	Strategic Class Weights	Long-Term Expected Geometric Rate of Return
Broad growth		
Private equity	13.5 %	11.0 %
Global equity	20.0 %	8.5 %
Low volatility equity	4.0 %	7.8 %
Global options	4.0 %	6.4 %
Credit	6.0 %	7.7 %
Core real estate	6.0 %	6.4 %
Non-core real estate	4.5 %	9.5 %
Timber/agriculture/infrastructure	5.0 %	8.3 %
Diversifying strategies		
TIPS	2.0 %	3.3 %
Global macro	4.0 %	5.4 %
Reinsurance	4.0 %	6.4 %
Alternative risk premia	8.0 %	5.4 %
Long Treasuries	5.0 %	3.8 %
Intermediate government	4.0 %	3.2 %
Systematic trend following	<u>10.0 %</u>	6.2 %
Total investments	<u>100.0 %</u>	

Discount Rate

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State’s proportionate share of the net pension liability	<u>\$ 9,107,182</u>	<u>\$ 6,791,174</u>	<u>\$ 4,873,963</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, 2023. Excess payments of \$41,979,850 are being applied to amounts due in fiscal year 2024.

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.

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.

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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, 2022, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	39,326
Inactive plan members entitled to but not yet receiving benefits	7,564
Active plan members	<u>48,678</u>
Total plan members	<u>95,568</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$746,434,000 for the fiscal year ended June 30, 2023. 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, 2023, the State reported a net OPEB liability of approximately \$4.8 billion. The net OPEB liability was measured as of July 1, 2022, 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, 2022, and the reporting date, June 30, 2023, that are expected to have a significant effect on the net OPEB liability.

For the fiscal year ended June 30, 2023, the State recognized OPEB expense of approximately \$295,751,000. At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,238,884)
Changes in assumptions	24,331	(213,829)
Net difference between projected and actual earnings on OPEB plan investments	19,357	-
State contributions subsequent to the measurement date	746,434	-
Total	<u>\$ 790,122</u>	<u>\$ (1,452,713)</u>

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At June 30, 2023, the approximate \$746,434,000 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, 2024.

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	
2024	\$ (343,763)
2025	(338,416)
2026	(363,418)
2027	(180,391)
2028	(183,037)
	<u>\$ (1,409,025)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's Board of Trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75% including inflation
Investment rate of return	7.00%
Healthcare cost trend rates	
PPO*	Initial rate of 6.40%; declining to a rate of 4.25% after 22 years
HMO*	Initial rate of 6.40%; declining to a rate of 4.25% after 22 years
Part B and Base	
Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

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

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

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Private equity	12.5 %	11.72 %
U.S. microcap	6.0 %	8.28 %
Global equity	27.5 %	6.62 %
Global options	5.0 %	4.45 %
Real assets	10.0 %	6.59 %
Private credit	8.0 %	6.38 %
TIPS	5.0 %	1.35 %
Long Treasuries	6.0 %	2.32 %
Alternative risk premia	5.0 %	3.74 %
Trend following	10.0 %	4.53 %
Reinsurance	5.0 %	4.81 %
Total investments	<u>100.0 %</u>	

Single Discount Rate

The discount rate used to measure the net OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for fiscal year ending June 30, 2021, and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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.

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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, 2022 (amounts expressed in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	\$ 8,685,737	\$ 3,269,749	\$ 5,415,988
Service cost	201,850	-	201,850
Interest on the total OPEB liability	674,362	-	674,362
Difference between expected and actual experience	(912,381)	-	(912,381)
Changes of assumptions	(232,553)	-	(232,553)
Employer contributions	-	445,545	(445,545)
Net investment loss	-	(64,505)	64,505
Benefit payments	(310,900)	(310,900)	-
Administrative expense	-	(264)	264
Other	-	868	(868)
Net changes	<u>(579,622)</u>	<u>70,744</u>	<u>(650,366)</u>
Ending balance	<u>\$ 8,106,115</u>	<u>\$ 3,340,493</u>	<u>\$ 4,765,622</u>

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
State's proportionate share of the net OPEB liability	<u>\$ 5,901,975</u>	<u>\$ 4,765,622</u>	<u>\$ 3,862,455</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>\$ 3,813,381</u>	<u>\$ 4,765,622</u>	<u>\$ 5,983,174</u>

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Payables to the OPEB Plan

There was no contributions payable to the EUTF as of June 30, 2023.

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, 2023, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds

Agriculture	\$ 4,047
Natural Resources	27,484
	<u>\$ 31,531</u>

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2023, accumulated sick leave was approximately \$1,350,849,000.

Intergovernmental Expenditures

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.

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, 2023 include (amounts expressed in thousands):

Fund Type	
General	\$ 1,050,902
Capital Projects	1,982,689
Med-Quest Special Revenue	30,389
Administrative Support Special Revenue	30,266
Natural Resources Special Revenue	98,719
Hawaiian Programs Special Revenue	89,148
Other Governmental	1,942,828
	<u>\$ 5,224,941</u>

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Guarantees of Indebtedness

The State is authorized to guarantee indebtedness of others at a maximum amount of approximately \$233,500,000 for aquaculture/agriculture loans, Hawaiian home land 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, 2023.

Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2023, the Enterprise Funds had commitments of approximately \$1,203,724,000 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, 2023, 2022 and 2021 approximated \$343,189,000, \$12,534,000 and \$1,580,000, 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 \$40,863,000 during the fiscal year ended June 30, 2023. As of June 30, 2023, the State expects to receive \$20,000,000 for the first six months of fiscal 2024.

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. Although the NPM Adjustments Settlement Agreement is still in effect, because sales year 2022 has passed, the State faces the risk of losing tens of millions of dollars from future MSA payments if the State is found to be non-diligent for sales year 2023 and into the future in arbitration. Because Illinois and Iowa have settled through sales years 2028 and 2029, the State and all other signatory states are currently negotiating for a similar extension. In March 2024, the State signed onto the 2023 and 2024 NPM Adjustments Settlement Agreement. The State is now settled through sales year 2024.

Office of Hawaiian Affairs and Ceded Lands

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

In *OHA v. UH; DLNR; Board of Land and Natural Resources*, Civil No. 17-1-1823-11 JPC (1st Cir.), by the letter dated May 31, 2016, addressed to the State's Attorney General and to the Vice-President for Legal Affairs and General Counsel of UH, OHA gave notice, pursuant to HRS Section 673-3, of its intent to sue DLNR and the UH for the State's breach of its fiduciary duties as trustee of the public land trust, in connection with their management of Mauna Kea. OHA filed its Complaint for Declaratory Judgment & Injunctive Relief, Accounting, Restitution, and Damages on November 7, 2017, asserting causes of action for breach of fiduciary duty with respect to the public-land trust and the public-trust doctrine and for breach of contract. On March 23, 2021, OHA and the defendants entered into a stipulation dismissing, with prejudice, all claims asserted by OHA for monetary damages. Such stipulation does not affect OHA's pending claims for declaratory and prospective injunctive relief. The State is not aware of any other claims that OHA may have or assert against the State. Trial is scheduled for July 8, 2024. Resolution of any claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

Department of Hawaiian Home Lands

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

The process was a three-step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the Panel) to provide the Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual

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economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

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

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

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

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

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

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and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

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

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

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 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 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.

An HRCF 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 HRCF Rule 54(b) Final Judgment in favor of the Waiting List Subclass and against the State Defendants,

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in the Intermediate Court of Appeals. The opening briefs in the appeal and cross-appeal were filed through October 4, 2018. The reply briefs were filed on December 28, 2018.

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

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

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

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

The parties to *Kalima I* entered into settlement negotiations in March and April 2022. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement, the State agreed to pay the Plaintiffs \$328,000,000 for a full and final release of all class claims, including claims for attorneys’ fees and costs. The settlement was conditioned on the Legislature

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appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCF Rule 23.

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

On August 8, 2022, the State deposited the settlement amount of \$328,000,000 with the Clerk of the Court, First Circuit, State of Hawaii. Under the settlement agreement, the funds are to be held until the Court grants final approval of the settlement. Up to \$2,000,000 of the settlement amount may be spent on claims administration costs prior to final approval. This \$2,000,000 was released to a court-appointed auditor to pay pre-final approval costs as they were incurred, leaving a balance of \$326,000,000 in the Court's account.

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

On August 1, 2023, the Court entered an order granting final approval of the settlement and final judgment. On August 17, 2023, one class member filed a notice of appeal with the circuit court. On October 27, 2023, the Hawaii Supreme Court dismissed the appeal. The class-wide release of claims against the defendants became final with the dismissal of the appeal.

On October 30, 2023, the Clerk of the Court paid the remaining balance of the settlement funds (\$326,000,000) to the court-appointed auditor. The auditor will transfer the \$326,000,000 and any unspent claims administration funds to the trustee of a qualified settlement trust that has been established to distribute payments to individual class members. Any remaining settlement funds that cannot be distributed in accordance with the settlement will be paid to the Department of Hawaiian Homelands, State of Hawaii, to be used for the purposes set forth in section 214(a) of the Hawaiian Homes Commission Act.

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

As beneficiaries of the Hawaiian Home Lands Trust and the HHC Act, the *Nelson* Plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of

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summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

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

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

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

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

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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 was assigned to the circuit court, and the court set a status conference for December 16, 2019. On remand, the circuit court directed, and the parties filed motions that set out their positions on how the court should proceed in response to the *Nelson II* decision. The motions were heard on June 1, 2020, and denied in a Minute Order filed on June 23, 2020, which provides that the circuit court will hold an evidentiary hearing, applying the Hawaii Rules of Evidence, to complete the task the court was given on remand: to determine the administrative and operating budget for the fiscal year 2016 budget by using the 1978 baseline of \$1,300,000 to \$1,600,000 adjusted for inflation.

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

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

Land Use Commission

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

The State removed the case to federal district court and then filed a motion to dismiss based on the statute of limitations. The State successfully argued that Plaintiff's takings claim was time barred, and the district court granted the State's motion to dismiss the case on June 13, 2017. The Plaintiff appealed to the Ninth Circuit on June 20, 2017. Oral arguments were heard in February 2019, and Circuit Court of Appeals thereafter certified a question to the Hawaii Supreme Court, asking "[w]hat the applicable statute of limitations for a claim against the State[...] alleging an unlawful taking of [p]rivate property... for public use without compensation," Haw. Const. art. I, §20. The parties submitted briefing to the Hawaii Supreme Court on this question (the State's answering brief was filed on September 13, 2019).

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The Hawaii Supreme Court set oral argument for April 15, 2020, but in light of the COVID-19 pandemic, subsequently cancelled the oral argument and decided the question without oral argument. The Court's decision was issued on December 17, 2020. It responded to the certified question by holding that "the statute of limitations for a takings claim under the Hawaii Constitution is six years pursuant to HRS §657-1(4)."

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

On January 7, 2022, the State moved for summary judgment on the grounds that, among other things, DW lacked standing to pursue its takings claims. On February 4, 2022, DW moved for leave to amend its complaint to add a third party, Aina Le'a, Inc., as a plaintiff. On May 25, 2022, the District Court filed its Order Granting defendants' Motion for Summary Judgment and Denying Plaintiff's Motion for Leave to Amend, holding that DW lacked standing and denying DW's motion to amend. On May 25, 2022, judgment was entered in favor of the State and against DW. On June 6, 2022, DW filed a Notice of Appeal to the Ninth Circuit. On July 19, 2023, the Ninth Circuit reversed the District Court's decision on standing and remanded the case for further proceedings. On February 12, 2024, the District Court granted the State's motion for summary judgment, disposing of DW's remaining takings claims against the State. DW filed a Notice of Appeal on February 28, 2024. The State continues to vigorously defend the case before the District Court.

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

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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. The circuit court denied Plaintiffs' motion and granted State Defendants' motion for partial summary judgment in October 2014.

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.

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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 for November 3, 2021 pertaining to the question of "what is the promise," and was completed on November 30, 2021.

Proposed Findings of Fact and Conclusions of Law were submitted by the parties in January 2022 and the Court issued its Findings of Fact and Conclusions of Law in March 2023.

The trial reconvened in May 2023, and progressed sporadically. The presentation of evidence through witnesses was completed on October 25, 2023. The parties submitted their proposed Findings of Facts and Conclusions of Law during November on a schedule approved by the Court.

The court heard closing arguments from all parties on December 11, 2023, and took the matter under advisement. On January 30, 2024, the court entered a final judgment in favor of all defendants and against the Plaintiffs on all claims. On February 28 2024, the Plaintiffs filed a Notice of Appeal.

Additionally, an action for declaratory relief was filed on August 31, 2022, and a First Amended Complaint was filed on October 3, 2022, by various insurers that have provided a defense for the Dannenberg lawsuit. Insurance coverage counsel has been retained to defend the State Defendants in this action. The insurer-Plaintiffs are seeking a declaration that they have no duty to defend the State Defendants under various insurance policies with respect to the Dannenberg lawsuit. The insurer-Plaintiffs have also requested that the Court find that the insurer-Plaintiffs are entitled to reimbursement of defense costs incurred, the amount of which was not specified but may be in excess of the initial policy of insurance that has been exhausted.

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 claims in their favor in this case could have a material adverse effect on the State's financial condition.

13. Risk Management

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

Property Insurance

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

State of Hawaii
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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 clients property which has a \$5,000,000 limit per occurrence and a \$500,000 deductible and claims expense coverage, supplemental funds transfer coverage, and social engineering which has a \$100,000 limit per occurrence and a \$500,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of DAGS, and losses not covered by insurance are paid from the State's General Fund.

Casualty and Professional Liability

Liability 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 various types of coverages with a \$5,000,000 self-insured retention per occurrence, including double \$2,500,000 corridor. The annual aggregate limit for the various coverages is \$5,000,000. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of \$5,000,000 with a deductible of \$5,000,000 per claim. This policy covers all departments and divisions except for UH and includes (with sub-limits) system failure business interruption, dependent business interruption and system failure, bricking of hardware, consequential reputation loss, and voluntary shutdown. UH has a separate cyber policy with a loss limit of \$5,000,000 and a deductible of \$1,000,000.

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 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources Development.

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, 2023, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses are generally paid from legislative appropriations of the State's General Fund.

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The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities at June 30, 2023 and 2022, respectively (amounts expressed in thousands):

	<u>2023</u>	<u>2022</u>
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	\$ 627,301	\$ 290,563
Incurring losses and loss adjustment costs		
Provision for insured events of current fiscal year	97,670	396,015
Change in provision for insured events of prior fiscal years	(388)	(268)
Total incurred losses and loss adjustment costs	<u>97,282</u>	<u>395,747</u>
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(8,357)	(7,173)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(373,992)	(51,836)
Total payments	<u>(382,349)</u>	<u>(59,009)</u>
End of the fiscal year	<u>\$ 342,234</u>	<u>\$ 627,301</u>

14. Subsequent Events

On August 8, 2023, a series of wildfires broke out on the island of Maui. The wildfires caused widespread damage in the town of Lahaina. The State has been named as a defendant in cases arising out of the Maui wildfires, including claims for wrongful death, personal injury, emotional distress, and property damage (including a class action for property damage). The allegations against the State include (1) negligent maintenance of grasses and invasive species of plants that allegedly contributed to the spread of the wildfires, and (2) negligent handling of the emergency, including failure to use emergency sirens. The cases are all in the earliest stages, and the State is unable to predict whether additional cases will be filed in the future. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for all such claims.

On December 19, 2023, the State issued \$750,000,000 of taxable general obligation bonds of 2023 Series GM. The bonds within Series GM that mature on or after October 1, 2033 are subject to optional redemption with restrictions.

**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, 2023

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2023

Administrative Support Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2023

Natural Resources Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2023

Hawaiian Programs Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2023

Notes to Required Supplementary Information – Budgetary Control – Year Ended June 30, 2023

Major Governmental Funds – Reconciliation of the Budgetary to GAAP Basis – Year Ended June 30, 2023

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, 2023
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	\$ 4,315,646	\$ 3,908,295	\$ 4,408,473	\$ 500,178
Net income tax				
Corporations	54,295	149,845	316,831	166,986
Individuals	3,501,813	4,021,764	3,099,886	(921,878)
Inheritance and estate tax	25,499	60,487	58,083	(2,404)
Liquor permits and tax	61,729	60,042	54,513	(5,529)
Public service companies tax	145,005	136,361	142,195	5,834
Tobacco tax	78,357	62,042	59,070	(2,972)
Tax on premiums of insurance companies	192,000	197,000	203,791	6,791
Franchise tax (banks and other financial institutions)	-	37,612	28,969	(8,643)
Transient accommodations tax	501,546	792,215	756,564	(35,651)
Other taxes, primarily conveyances tax	56,213	57,344	71,840	14,496
Total taxes	<u>8,932,103</u>	<u>9,483,007</u>	<u>9,200,215</u>	<u>(282,792)</u>
Non-taxes				
Interest and investment income	10,968	55,735	68,863	13,128
Charges for current services	307,658	293,675	291,121	(2,554)
Intergovernmental	11,365	11,246	16,764	5,518
Rentals	865	865	196	(669)
Fines, forfeitures and penalties	20,303	17,779	15,978	(1,801)
Licenses and fees	945	2,891	(588)	(3,479)
Revenues from private sources	3,001	3,001	6,918	3,917
Debt service requirements	6,523	6,523	9,174	2,651
Other	332,829	341,979	491,335	149,356
Total non-taxes	<u>694,457</u>	<u>733,694</u>	<u>899,761</u>	<u>166,067</u>
Total revenues	<u>9,626,560</u>	<u>10,216,701</u>	<u>10,099,976</u>	<u>(116,725)</u>
Expenditures				
Department				
Accounting and General Services	156,896	171,240	156,118	15,122
Agriculture	26,651	30,232	22,224	8,008
Attorney General	43,257	384,169	37,628	346,541
Budget and Finance	4,125,521	4,387,102	4,044,047	343,055
Business, Economic Development and Tourism	28,954	384,459	23,652	360,807
Commerce and Consumer Affairs	100	100	90	10
Defense	35,016	35,479	24,253	11,226
Education	63,998	2,690,541	2,322,502	368,039
Governor	4,776	4,884	4,832	52
Hawaiian Home Lands	26,795	627,124	22,031	605,093
Health	677,740	686,230	569,130	117,100
House of Representative	3,748	19,574	3,698	15,876
Human Resources Development	19,819	20,077	16,858	3,219
Human Services	1,360,181	1,377,548	1,337,068	40,480
Judiciary	174,140	175,374	174,167	1,207
Labor and Industrial Relations	73,540	88,454	55,416	33,038
Land and Natural Resources	104,180	106,305	74,885	31,420
Legislative Auditor	6,229	6,297	5,132	1,165
Legislative Reference Bureau	3,873	3,900	3,525	375
Lieutenant Governor	983	1,070	1,029	41
Office of Hawaiian Affairs	-	2,254	2,254	-
Office of the Ombudsman	1,462	1,546	1,282	264
Public Safety	293,181	300,123	292,277	7,846
Senate	1,999	13,545	2,580	10,965
State Ethics Commission	1,446	1,463	1,376	87
Taxation	27,643	28,421	22,465	5,956
Transportation	2,100	2,100	-	2,100
University of Hawaii	574,149	594,702	580,768	13,934
Total expenditures	<u>7,838,377</u>	<u>12,144,313</u>	<u>9,801,287</u>	<u>2,343,026</u>
Excess (deficiency) of revenues over (under) expenditures	1,788,183	(1,927,612)	298,689	2,226,301
Other financing sources	69,700	88,161	92,236	4,075
Excess (deficiency) of revenues and other sources over (under) expenditures	<u>\$ 1,857,883</u>	<u>\$ (1,839,451)</u>	<u>\$ 390,925</u>	<u>\$ 2,230,376</u>

See accompanying independent auditors' report.

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2023
(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	\$ -	\$ -	\$ 88	\$ 88
Revenues from private sources	-	73,000	60,263	(12,737)
Other	-	-	2,438	2,438
Total revenues – non-taxes	<u>-</u>	<u>73,000</u>	<u>62,789</u>	<u>(10,211)</u>
Total revenues	<u>-</u>	<u>73,000</u>	<u>62,789</u>	<u>(10,211)</u>
Expenditures				
Department				
Human Services	<u>129,705</u>	<u>129,707</u>	<u>75,196</u>	<u>54,511</u>
Total expenditures	<u>129,705</u>	<u>129,707</u>	<u>75,196</u>	<u>54,511</u>
Deficiency of expenditures over revenues	<u>\$ (129,705)</u>	<u>\$ (56,707)</u>	<u>\$ (12,407)</u>	<u>\$ 44,300</u>

See accompanying independent auditors' report.

State of Hawaii
Administrative Support Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2023
(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	\$ 342,474	\$ 342,474	\$ 322,827	\$ (19,647)
Tobacco tax	1,602	1,602	1,289	(313)
Transient accommodations tax	55,897	55,897	82,707	26,810
Total taxes	<u>399,973</u>	<u>399,973</u>	<u>406,823</u>	<u>6,850</u>
Non-taxes				
Interest and dividend income	3,348	3,348	11,542	8,194
Charges for current services	70,694	70,694	136,590	65,896
Rentals	4,135	4,135	3,871	(264)
Fines, forfeitures and penalties	225	225	115	(110)
Licenses and fees	300	300	297	(3)
Revenues from private sources	1,686	1,686	2,132	446
Other	10,899	10,899	642,382	631,483
Total non-taxes	<u>91,287</u>	<u>91,287</u>	<u>796,929</u>	<u>705,642</u>
Total revenues	<u>491,260</u>	<u>491,260</u>	<u>1,203,752</u>	<u>712,492</u>
Expenditures				
Department				
Accounting and General Services	88,970	88,970	60,143	28,827
Attorney General	31,264	31,264	22,368	8,896
Budget and Finance	31,631	31,631	31	31,600
Human Resources Development	5,868	5,868	441	5,427
Taxation	3,578	3,578	1,119	2,459
Total expenditures	<u>161,311</u>	<u>161,311</u>	<u>84,102</u>	<u>77,209</u>
Excess of revenues over expenditures	<u>\$ 329,949</u>	<u>\$ 329,949</u>	<u>\$ 1,119,650</u>	<u>\$ 789,701</u>

See accompanying independent auditors' report.

State of Hawaii
Natural Resources Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2023
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues				
Taxes				
Liquid fuel tax				
Highways	\$ 250	\$ 250	\$ 233	\$ (17)
Conveyances tax	5,100	5,100	5,100	-
Transient accommodations tax	4,500	4,500	4,500	-
Total taxes	<u>9,850</u>	<u>9,850</u>	<u>9,833</u>	<u>(17)</u>
Revenues – non-taxes				
Interest and investment income	199	199	2,561	2,362
Charges for current services	53,184	53,285	49,281	(4,004)
Intergovernmental	-	-	111	111
Rentals	9,838	9,838	10,858	1,020
Fines, forfeitures and penalties	171	171	438	267
Licenses and fees	1,602	1,602	895	(707)
Revenues from private sources	102	-	21	21
Other	3,356	3,356	9,092	5,736
Total non-taxes	<u>68,452</u>	<u>68,451</u>	<u>73,257</u>	<u>4,806</u>
Total revenues	<u>78,302</u>	<u>78,301</u>	<u>83,090</u>	<u>4,789</u>
Expenditures				
Department				
Agriculture	21,160	21,160	14,992	6,168
Land and Natural Resources	68,432	68,432	49,470	18,962
Total expenditures	<u>89,592</u>	<u>89,592</u>	<u>64,462</u>	<u>25,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (11,290)</u>	<u>\$ (11,291)</u>	<u>\$ 18,628</u>	<u>\$ 29,919</u>

See accompanying independent auditors' report.

State of Hawaii
Hawaiian Programs Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)
Year Ended June 30, 2023
(Amounts in thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget – Positive (Negative)</u>
Revenues – non-taxes				
Interest and investment income	\$ 80	\$ 80	\$ 872	\$ 792
Charges for current services	-	-	21	21
Intergovernmental	-	-	745	745
Rentals	16,938	16,938	18,172	1,234
Revenues from private sources	-	-	3,000	3,000
Other	3,576	3,576	13,323	9,747
Total non-taxes	<u>20,594</u>	<u>20,594</u>	<u>36,133</u>	<u>15,539</u>
Total revenues	<u>20,594</u>	<u>20,594</u>	<u>36,133</u>	<u>15,539</u>
Expenditures				
Department				
Hawaiian Home Lands	56,325	56,325	38,443	17,882
Total expenditures	<u>56,325</u>	<u>56,325</u>	<u>38,443</u>	<u>17,882</u>
Deficiency of revenues under expenditures	<u>\$ (35,731)</u>	<u>\$ (35,731)</u>	<u>\$ (2,310)</u>	<u>\$ 33,421</u>

See accompanying independent auditors' report.

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control (Unaudited) Year Ended June 30, 2023

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2021 (Act 088, SLH 2021), amended by the Supplemental Appropriations Act (Act 248, SLH 2022), and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2021–2023 biennial budget and executive supplemental budget.

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

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

The legal level of budgetary control for expenditures is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2023, 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.

See accompanying independent auditors’ report.

State of Hawaii
Major Governmental Funds
Reconciliation of the Budgetary to GAAP Basis (Unaudited)
Year Ended June 30, 2023
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2023 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund	Administrative Support Special Revenue Fund	Natural Resources Special Revenue Fund	Hawaiian Programs Special Revenue Fund
Excess (deficiency) of revenues and other sources over (under) expenditures – actual (budgetary basis)	\$ 390,925	\$ (12,407)	\$ 1,119,650	\$ 18,628	\$ (2,310)
Transfers	1,626,986	71,729	(29,916)	14,955	23,870
Reserve for encumbrances at fiscal year end*	798,127	2,390	6,585	19,132	1,854
Expenditures for liquidation of prior fiscal year encumbrances	(813,774)	(761,685)	(132,056)	(44,857)	(7,789)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(4,131)	793,211	(248,437)	38,017	21,014
Tax refunds payable	177,568	-	-	-	-
Accrued liabilities	(110,613)	9,925	822	(4,091)	34,604
Accrued revenues	940,553	(32,901)	(577,628)	(21,445)	(14,086)
Excess of revenues over expenditures – GAAP basis	<u>\$ 3,005,641</u>	<u>\$ 70,262</u>	<u>\$ 139,020</u>	<u>\$ 20,339</u>	<u>\$ 57,157</u>

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

See accompanying independent auditors' report.

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

	<u>2023</u>	<u>2022</u>	<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*										
State's proportion of the net pension liability	57.357 %	56.692 %	55.839 %	55.749 %	56.090 %	56.607 %	56.600 %	57.238 %	58.483 %	57.638 %
State's proportionate share of the net pension liability	\$ 7,405	\$ 6,886	\$ 8,510	\$ 7,865	\$ 7,438	\$ 7,331	\$ 7,567	\$ 4,999	\$ 4,689	\$ 5,148
State's covered payroll	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424	\$ 2,341	\$ 2,177
State's proportionate share of the net pension liability as a percentage of its covered payroll	271.0 %	244.8 %	316.5 %	300.6 %	292.8 %	286.5 %	303.2 %	206.2 %	200.3 %	236.5 %
Plan fiduciary net position as a percentage of total pension liability	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %	58.0 %
UH										
Proportion of the net pension liability	11.797 %	12.100 %	12.344 %	12.641 %	12.732 %	12.730 %	12.750 %	13.110 %	13.600 %	13.750 %
Proportionate share of the net pension liability	\$ 1,530	\$ 1,477	\$ 1,889	\$ 1,791	\$ 1,696	\$ 1,649	\$ 1,704	\$ 1,145	\$ 1,090	\$ 1,228
Covered payroll	\$ 575	\$ 575	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565	\$ 551	\$ 518
Proportionate share of the net pension liability as a percentage of its covered payroll	266.1 %	256.9 %	311.7 %	297.0 %	286.5 %	280.9 %	299.5 %	202.7 %	197.8 %	237.1 %
Plan fiduciary net position as a percentage of total pension liability	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %	63.9 %	58.0 %

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

See accompanying independent auditors' report.

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

	<u>2023</u>	<u>2022</u>	<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*										
Statutorily required contribution	\$ 702	\$ 677	\$ 692	\$ 606	\$ 508	\$ 470	\$ 445	\$ 432	\$ 410	\$ 380
Contributions in relation to the contractually required contribution	702	677	692	606	508	470	445	432	410	380
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's covered payroll	\$ 2,848	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424	\$ 2,341
Contributions as a percentage of covered payroll	24.6 %	24.8 %	24.6 %	22.5 %	19.4 %	18.5 %	17.4 %	17.3 %	16.9 %	16.2 %
UH										
Statutorily required contribution	\$ 143	\$ 139	\$ 147	\$ 134	\$ 115	\$ 111	\$ 99	\$ 97	\$ 94	\$ 88
Contributions in relation to the contractually required contribution	143	139	147	134	115	111	99	97	94	88
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 593	\$ 575	\$ 606	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565	\$ 551
Contributions as a percentage of covered payroll	24.1 %	24.2 %	24.3 %	22.1 %	19.1 %	18.8 %	16.9 %	17.0 %	16.6 %	16.0 %

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

See accompanying independent auditors' report.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 241,725	\$ 236,421	\$ 246,846	\$ 236,384	\$ 229,157	\$ 220,828
Interest	807,583	784,812	792,683	745,104	709,522	670,530
Differences between expected and actual experience	(1,092,624)	(333,106)	(725,733)	(6,204)	(209,802)	-
Changes of assumptions or other inputs	(278,495)	-	(59,421)	59,886	126,979	-
Benefit payments	<u>(372,316)</u>	<u>(358,645)</u>	<u>(364,565)</u>	<u>(356,827)</u>	<u>(345,476)</u>	<u>(331,522)</u>
Net change in total OPEB liability	(694,127)	329,482	(110,190)	678,343	510,380	559,836
Total OPEB liability – beginning	<u>11,602,201</u>	<u>11,272,719</u>	<u>11,382,909</u>	<u>10,704,566</u>	<u>10,194,186</u>	<u>9,634,350</u>
Total OPEB liability – ending	<u>\$ 10,908,074</u>	<u>\$ 11,602,201</u>	<u>\$ 11,272,719</u>	<u>\$ 11,382,909</u>	<u>\$ 10,704,566</u>	<u>\$ 10,194,186</u>
Plan fiduciary net position						
Employer contributions	\$ 533,563	\$ 1,232,456	\$ 814,659	\$ 787,110	\$ 682,605	\$ 659,271
Net investment income	(77,248)	646,073	43,497	71,563	78,648	66,007
Benefit payments	(372,316)	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Administrative expense	(320)	(330)	(307)	(492)	(258)	(169)
Other	<u>1,041</u>	<u>134</u>	<u>273</u>	<u>165,770</u>	<u>-</u>	<u>5,300</u>
Net change in plan fiduciary net position	84,720	1,519,688	493,557	667,124	415,519	398,887
Plan fiduciary net position – beginning	<u>3,975,404</u>	<u>2,455,716</u>	<u>1,962,159</u>	<u>1,295,035</u>	<u>879,516</u>	<u>480,629</u>
Plan fiduciary net position – ending	<u>\$ 4,060,124</u>	<u>\$ 3,975,404</u>	<u>\$ 2,455,716</u>	<u>\$ 1,962,159</u>	<u>\$ 1,295,035</u>	<u>\$ 879,516</u>
Net OPEB liability – ending	<u>\$ 6,847,950</u>	<u>\$ 7,626,797</u>	<u>\$ 8,817,003</u>	<u>\$ 9,420,750</u>	<u>\$ 9,409,531</u>	<u>\$ 9,314,670</u>
Plan fiduciary net position as a percentage of total OPEB liability	37.22 %	34.26 %	21.78 %	17.24 %	12.10 %	8.63 %
Covered payroll	\$ 2,732,427	\$ 2,813,167	\$ 2,688,865	\$ 2,615,866	\$ 2,539,755	\$ 2,559,162
Net OPEB liability as a percentage of covered payroll	250.62 %	271.11 %	327.91 %	360.14 %	370.49 %	363.97 %

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

* Information for 2014–2017 is unavailable.

See accompanying independent auditors' report.

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 839,445	\$ 877,193	\$ 842,456	\$ 814,659	\$ 787,110	\$ 770,297
Contributions in relation to the actuarially determined contribution	839,445	533,563	1,233,388	780,200	816,763	682,605
Contribution deficiency (excess)	\$ -	\$ 343,630	\$ (390,932)	\$ 34,459	\$ (29,653)	\$ 87,692
Covered payroll	\$ 2,847,722	\$ 2,732,427	\$ 2,813,167	\$ 2,688,865	\$ 2,615,866	\$ 2,539,755
Contributions as a percentage of covered payroll	29 %	20 %	44 %	29 %	31 %	27 %

Actuarial valuation date	July 1, 2022
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	22 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increases	3.5% to 7.0%
Healthcare inflation rates	
PPO***	7.5%, declining rate of 4.70% after 13 years
HMO***	7.5%, declining rate of 4.70% after 13 years
Dental	5.0% for first year, declining to 4.0% for all future years
Vision	0.0% initial rate for first year, then 2.5% for all future years
Medicare Part B	Initial rates of 5.0%, declining to rate of 4.70% after 10 years

* Information for 2014–2017 is unavailable.

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

*** Blended rates for medical and prescription drugs.

See accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2023

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

Debt Service Fund

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

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2023
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Assets					
Cash and cash equivalents	\$ 31,767	\$ 23,359	\$ 7,434	\$ 168,912	\$ 101,913
Notes and loans receivable, net	-	-	-	-	67,202
Leases receivable	25,090	-	-	-	14,633
Settlement receivable	-	57,105	-	-	-
Other receivable	5,839	4,187	1,353	3,909	870
Due from other funds	-	-	-	-	-
Due from custodial funds	4,528	-	-	-	-
Investments	<u>322,047</u>	<u>233,176</u>	<u>75,366</u>	<u>217,736</u>	<u>40,757</u>
Total assets	<u>\$ 389,271</u>	<u>\$ 317,827</u>	<u>\$ 84,153</u>	<u>\$ 390,557</u>	<u>\$ 225,375</u>
Liabilities					
Liabilities					
Vouchers and contracts payable	\$ 69,329	\$ 20,429	\$ 5,686	\$ 15,737	\$ 730
Other accrued liabilities	7,022	12,068	565	33,522	708
Due to federal government	-	-	38,079	-	-
Due to other funds	7,738	19,284	84,892	-	4,905
Payable from restricted assets – Matured bonds and interest payable	-	-	-	-	-
Total liabilities	<u>84,089</u>	<u>51,781</u>	<u>129,222</u>	<u>49,259</u>	<u>6,343</u>
Deferred inflows of resources					
Deferred inflows on leases	24,559	-	-	-	14,469
Deferred inflows on unavailable revenues	-	57,105	-	-	-
Fund balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	280,623	208,941	-	341,298	204,563
Unassigned	-	-	(45,069)	-	-
Total fund balances	<u>280,623</u>	<u>208,941</u>	<u>(45,069)</u>	<u>341,298</u>	<u>204,563</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 389,271</u>	<u>\$ 317,827</u>	<u>\$ 84,153</u>	<u>\$ 390,557</u>	<u>\$ 225,375</u>

See accompanying independent auditors' report.

<u>Employment</u>	<u>Regulatory</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 8,386	\$ 13,676	\$ 12,023	\$ 367,470	\$ 335	\$ 367,805
-	-	-	67,202	-	67,202
-	-	-	39,723	-	39,723
-	-	-	57,105	-	57,105
1,526	2,489	2,189	22,362	-	22,362
-	-	-	-	254	254
-	-	-	4,528	-	4,528
85,014	138,653	121,887	1,234,636	-	1,234,636
<u>\$ 94,926</u>	<u>\$ 154,818</u>	<u>\$ 136,099</u>	<u>\$ 1,793,026</u>	<u>\$ 589</u>	<u>\$ 1,793,615</u>
\$ 5,105	\$ 1,376	\$ 5,773	\$ 124,165	\$ -	\$ 124,165
1,949	3,598	2,813	62,245	-	62,245
-	-	-	38,079	-	38,079
62,317	670	36,750	216,556	-	216,556
-	-	-	-	335	335
<u>69,371</u>	<u>5,644</u>	<u>45,336</u>	<u>441,045</u>	<u>335</u>	<u>441,380</u>
-	-	-	39,028	-	39,028
-	-	-	57,105	-	57,105
-	-	-	-	254	254
-	99,543	-	99,543	-	99,543
25,555	49,631	144,426	1,255,037	-	1,255,037
-	-	(53,663)	(98,732)	-	(98,732)
<u>25,555</u>	<u>149,174</u>	<u>90,763</u>	<u>1,255,848</u>	<u>254</u>	<u>1,256,102</u>
<u>\$ 94,926</u>	<u>\$ 154,818</u>	<u>\$ 136,099</u>	<u>\$ 1,793,026</u>	<u>\$ 589</u>	<u>\$ 1,793,615</u>

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2023
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Revenues					
Taxes					
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco and liquor taxes	-	17,179	-	-	-
Liquid fuel tax	77,353	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-
Vehicle weight and registration tax	133,757	5,757	-	-	-
Rental motor/tour vehicle surcharge tax	101,442	-	-	-	-
Other	-	1,313	-	-	1,191
Total taxes	<u>312,552</u>	<u>24,249</u>	<u>-</u>	<u>-</u>	<u>1,191</u>
Interest and dividend income	12,211	8,532	1,405	4,787	3,228
Net decrease in fair value of investments	(10,660)	(4,154)	(4,833)	(9,431)	(812)
Charges for current services	5,190	36,072	311	27,303	27,183
Intergovernmental	72,528	179,467	1,161,677	428,614	8,035
Rentals	999	-	-	476	2,131
Fines, forfeitures and penalties	4,761	1,533	-	-	-
Licenses and fees	2,140	3,006	94	-	16
Revenues from private sources	113	40,568	56	17,198	856
Other	195,835	19,066	935	28,396	15,729
Total revenues	<u>595,669</u>	<u>308,339</u>	<u>1,159,645</u>	<u>497,343</u>	<u>57,557</u>
Expenditures					
Current					
General government	-	5,127	-	-	-
Public safety	-	-	-	-	-
Highways	345,705	-	-	-	-
Conservation of natural resources	-	-	-	-	2,927
Health	-	291,687	-	-	-
Welfare	-	-	1,159,513	-	-
Lower education	-	-	-	610,539	-
Other education	-	-	10,606	-	-
Culture and recreation	-	-	-	3,864	4,799
Urban redevelopment and housing	-	-	16,471	-	1,393
Economic development and assistance	-	-	16	-	45,283
Other	405	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>346,110</u>	<u>296,814</u>	<u>1,186,606</u>	<u>614,403</u>	<u>54,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>249,559</u>	<u>11,525</u>	<u>(26,961)</u>	<u>(117,060)</u>	<u>3,155</u>
Other financing sources (uses)					
Issuance of subscriptions	3,329	-	-	3,111	-
Transfers in	2,315	54,261	22,453	170,789	11,343
Transfers out	(259,515)	(25,050)	(39,340)	-	(13,209)
Total other financing sources (uses)	<u>(253,871)</u>	<u>29,211</u>	<u>(16,887)</u>	<u>173,900</u>	<u>(1,866)</u>
Net change in fund balances	(4,312)	40,736	(43,848)	56,840	1,289
Fund balances					
Beginning of year	<u>284,935</u>	<u>168,205</u>	<u>(1,221)</u>	<u>284,458</u>	<u>203,274</u>
End of year	<u>\$ 280,623</u>	<u>\$ 208,941</u>	<u>\$ (45,069)</u>	<u>\$ 341,298</u>	<u>\$ 204,563</u>

See accompanying independent auditors' report.

Employment	Regulatory	All		Debt Service Fund	Total Nonmajor Governmental Funds
		Other	Total		
\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000
-	-	-	17,179	-	17,179
-	-	1,686	79,039	-	79,039
-	3,283	-	3,283	-	3,283
-	-	-	139,514	-	139,514
-	-	-	101,442	-	101,442
1,823	1,500	-	5,827	-	5,827
<u>1,823</u>	<u>6,783</u>	<u>1,686</u>	<u>348,284</u>	-	<u>348,284</u>
1,573	5,024	3,190	39,950	-	39,950
(1,628)	(5,189)	(1,339)	(38,046)	-	(38,046)
1,898	35,419	35,323	168,699	-	168,699
47,888	-	122,762	2,020,971	-	2,020,971
-	-	7,417	11,023	-	11,023
-	7,494	1,759	15,547	-	15,547
-	41,192	954	47,402	-	47,402
-	-	56	58,847	-	58,847
(1,899)	3,846	6,842	268,750	-	268,750
<u>49,655</u>	<u>94,569</u>	<u>178,650</u>	<u>2,941,427</u>	-	<u>2,941,427</u>
-	16,397	12,676	34,200	-	34,200
2,246	48,245	137,100	187,591	-	187,591
-	-	-	345,705	-	345,705
-	-	7	2,934	-	2,934
-	-	146	291,833	-	291,833
-	-	1,111	1,160,624	-	1,160,624
-	-	-	610,539	-	610,539
-	-	-	10,606	-	10,606
-	-	19,077	27,740	-	27,740
-	-	-	17,864	-	17,864
52,117	-	-	97,416	-	97,416
2,191	-	-	2,596	-	2,596
-	-	-	-	1,107,854	1,107,854
<u>56,554</u>	<u>64,642</u>	<u>170,117</u>	<u>2,789,648</u>	<u>1,107,854</u>	<u>3,897,502</u>
(6,899)	29,927	8,533	151,779	(1,107,854)	(956,075)
-	-	-	6,440	-	6,440
3,159	573	10,677	275,570	1,107,836	1,383,406
(83)	(7,855)	(13,774)	(358,826)	-	(358,826)
<u>3,076</u>	<u>(7,282)</u>	<u>(3,097)</u>	<u>(76,816)</u>	<u>1,107,836</u>	<u>1,031,020</u>
(3,823)	22,645	5,436	74,963	(18)	74,945
<u>29,378</u>	<u>126,529</u>	<u>85,327</u>	<u>1,180,885</u>	<u>272</u>	<u>1,181,157</u>
<u>\$ 25,555</u>	<u>\$ 149,174</u>	<u>\$ 90,763</u>	<u>\$ 1,255,848</u>	<u>\$ 254</u>	<u>\$ 1,256,102</u>

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2023
(Amounts in thousands)

	Highways			Health		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ 68,353	\$ 77,353	\$ 9,000	\$ -	\$ -	\$ -
Vehicle registration fee tax	49,790	47,541	(2,249)	5,937	5,757	(180)
State vehicle weight tax	89,030	86,216	(2,814)	-	-	-
Rental/tour vehicle surcharge tax	58,000	101,442	43,442	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	21,390	17,179	(4,211)
Environmental response tax	-	-	-	1,249	1,313	64
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u>265,173</u>	<u>312,552</u>	<u>47,379</u>	<u>28,576</u>	<u>24,249</u>	<u>(4,327)</u>
Non-taxes						
Interest and investment income	1,196	6,416	5,220	530	4,343	3,813
Charges for current services	37,504	5,190	(32,314)	95,597	89,447	(6,150)
Intergovernmental	-	1,133	1,133	2,080	1,084	(996)
Rentals	1,000	1,000	-	-	-	-
Fines, forfeitures and penalties	4,728	4,611	(117)	1,948	1,533	(415)
Licenses and fees	2,131	2,140	9	3,465	3,006	(459)
Revenues from private sources	-	113	113	35,000	40,541	5,541
Other	53	1,040	987	543	1,048	505
Total non-taxes	<u>46,612</u>	<u>21,643</u>	<u>(24,969)</u>	<u>139,163</u>	<u>141,002</u>	<u>1,839</u>
Total revenues	<u>311,785</u>	<u>334,195</u>	<u>22,410</u>	<u>167,739</u>	<u>165,251</u>	<u>(2,488)</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health	-	-	-	209,878	156,579	53,299
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	415,088	333,790	81,298	-	-	-
Total expenditures	<u>415,088</u>	<u>333,790</u>	<u>81,298</u>	<u>209,878</u>	<u>156,579</u>	<u>53,299</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (103,303)</u>	<u>\$ 405</u>	<u>\$ 103,708</u>	<u>\$ (42,139)</u>	<u>\$ 8,672</u>	<u>\$ 50,811</u>

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2023
(Amounts in thousands)

	Education			Economic Development		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Environmental response tax	-	-	-	1,040	1,191	151
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>1,191</u>	<u>151</u>
Non-taxes						
Interest and investment income	203	843	640	1,570	2,177	607
Charges for current services	38,727	27,303	(11,424)	18,956	27,100	8,144
Intergovernmental	150	7,080	6,930	190	353	163
Rentals	2	476	474	2,076	2,129	53
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	-	-	-	5	16	11
Revenues from private sources	85	56	(29)	200	816	616
Other	2,375	16,260	13,885	6,020	6,541	521
Total non-taxes	<u>41,542</u>	<u>52,018</u>	<u>10,476</u>	<u>29,017</u>	<u>39,132</u>	<u>10,115</u>
Total revenues	<u>41,542</u>	<u>52,018</u>	<u>10,476</u>	<u>30,057</u>	<u>40,323</u>	<u>10,266</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	100,662	27,884	72,778
Commerce and Consumer Affairs	-	-	-	-	-	-
Education	129,733	39,960	89,773	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	-	-	-	-	-	-
Total expenditures	<u>129,733</u>	<u>39,960</u>	<u>89,773</u>	<u>100,662</u>	<u>27,884</u>	<u>72,778</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (88,191)</u>	<u>\$ 12,058</u>	<u>\$ 100,249</u>	<u>\$ (70,605)</u>	<u>\$ 12,439</u>	<u>\$ 83,044</u>

See accompanying independent auditors' report.

Employment		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
1,349	1,823	474
-	-	-
-	-	-
-	-	-
-	-	-
<u>1,349</u>	<u>1,823</u>	<u>474</u>
25	47	22
2,090	1,898	(192)
-	1,130	1,130
-	-	-
-	1	1
-	-	-
-	-	-
-	-	-
<u>2,115</u>	<u>3,076</u>	<u>961</u>
<u>3,464</u>	<u>4,899</u>	<u>1,435</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
11,154	3,724	7,430
-	-	-
-	-	-
-	-	-
<u>11,154</u>	<u>3,724</u>	<u>7,430</u>
<u>\$ (7,690)</u>	<u>\$ 1,175</u>	<u>\$ 8,865</u>

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Schedule of Revenues and Expenditures – Budget and Actual
(Budgetary Basis)
Year Ended June 30, 2023
(Amounts in thousands)

	Regulatory			All Other		
	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax – Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax	-	-	-	-	1,686	1,686
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Environmental response tax	-	1,500	1,500	-	-	-
Franchise tax	2,000	2,000	-	-	-	-
Tax on premiums of insurance companies	3,060	3,283	223	-	-	-
Total taxes	<u>5,060</u>	<u>6,783</u>	<u>1,723</u>	<u>-</u>	<u>1,686</u>	<u>1,686</u>
Non-taxes						
Interest and investment income	313	2,436	2,123	27	945	918
Charges for current services	27,041	35,419	8,378	8,713	34,843	26,130
Intergovernmental	-	-	-	466	1,007	541
Rentals	-	-	-	-	7,417	7,417
Fines, forfeitures and penalties	2,792	7,494	4,702	1,944	1,759	(185)
Licenses and fees	39,138	41,192	2,054	904	954	50
Revenues from private sources	-	-	-	35	28	(7)
Other	4,494	4,912	418	5,001	9,535	4,534
Total non-taxes	<u>73,778</u>	<u>91,453</u>	<u>17,675</u>	<u>17,090</u>	<u>56,488</u>	<u>39,398</u>
Total revenues	<u>78,838</u>	<u>98,236</u>	<u>19,398</u>	<u>17,090</u>	<u>58,174</u>	<u>41,084</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	91,501	73,354	18,147	-	-	-
Defense	-	-	-	1,000	75	925
Education	-	-	-	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	16,203	8,674	7,529
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	26,321	21,813	4,508
Public Safety	-	-	-	25,193	15,498	9,695
Legislature	-	-	-	9,800	5,531	4,269
Transportation – Highways	-	-	-	-	-	-
Total expenditures	<u>91,501</u>	<u>73,354</u>	<u>18,147</u>	<u>78,517</u>	<u>51,591</u>	<u>26,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,663)</u>	<u>\$ 24,882</u>	<u>\$ 37,545</u>	<u>\$ (61,427)</u>	<u>\$ 6,583</u>	<u>\$ 68,010</u>

Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ 68,353	\$ 77,353	\$ 9,000
55,727	54,984	(743)
89,030	86,216	(2,814)
58,000	101,442	43,442
1,349	1,823	474
21,390	17,179	(4,211)
2,289	4,004	1,715
2,000	2,000	-
3,060	3,283	223
<u>301,198</u>	<u>348,284</u>	<u>47,086</u>
3,864	17,256	13,392
228,933	221,511	(7,422)
2,899	13,265	10,366
3,078	11,022	7,944
11,412	15,398	3,986
45,771	47,402	1,631
35,355	41,582	6,227
19,486	40,219	20,733
<u>350,798</u>	<u>407,655</u>	<u>56,857</u>
<u>651,996</u>	<u>755,939</u>	<u>103,943</u>
100,662	27,884	72,778
91,501	73,354	18,147
1,000	75	925
129,733	39,960	89,773
209,878	156,579	53,299
5,924	1,580	4,344
16,203	8,674	7,529
11,154	3,724	7,430
26,321	21,813	4,508
25,193	15,498	9,695
9,800	5,531	4,269
415,088	333,790	81,298
<u>1,042,457</u>	<u>688,462</u>	<u>353,995</u>
\$ (390,461)	\$ 67,477	\$ 457,938

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2023
(Amounts in thousands)

Excess of revenues and other sources over expenditures – actual (budgetary basis)	\$ 67,477
Reserve for encumbrance at year-end*	200,335
Expenditures for liquidation of prior fiscal year encumbrances	(685,837)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds	302,447
Transfers	470,681
Accrued liabilities	(936,031)
Accrued revenues	<u>732,707</u>
Excess of revenues over expenditures – GAAP basis	<u>\$ 151,779</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, 2023
(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	\$ 36,078	\$ 91,874	\$ 35,044	\$ 162,996
Investments	164,024	-	-	164,024
Receivables				
Accounts and accrued interest	-	410	183	593
Promissory notes receivable	-	45,900	16,103	62,003
Federal government	-	-	319	319
Premiums	61,480	-	-	61,480
Other	2,758	2,756	1,448	6,962
Prepaid expenses and other assets	5,051	-	-	5,051
Total current assets	<u>269,391</u>	<u>140,940</u>	<u>53,097</u>	<u>463,428</u>
Capital assets	20,142	739	2,825	23,706
Less: Accumulated depreciation and amortization	<u>(12,109)</u>	<u>(670)</u>	<u>(2,678)</u>	<u>(15,457)</u>
Net capital assets	8,033	69	147	8,249
Promissory notes receivable	-	469,186	221,795	690,981
Total noncurrent assets	<u>8,033</u>	<u>469,255</u>	<u>221,942</u>	<u>699,230</u>
Total assets	<u>277,424</u>	<u>610,195</u>	<u>275,039</u>	<u>1,162,658</u>
Deferred outflows of resources				
Deferred outflows on net pension liability	968	626	371	1,965
Deferred outflows on net other postemployment benefits liability	636	317	201	1,154
Total deferred outflows of resources	<u>\$ 1,604</u>	<u>\$ 943</u>	<u>\$ 572</u>	<u>\$ 3,119</u>
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 947	\$ 206	\$ 218	\$ 1,371
Other accrued liabilities	1,215	-	-	1,215
Benefit claims payable	7,309	-	-	7,309
Accrued vacation, current portion	139	108	61	308
Leases payable, current portion	184	-	-	184
Premiums payable	56,983	-	-	56,983
Total current liabilities	<u>66,777</u>	<u>314</u>	<u>279</u>	<u>67,370</u>
Noncurrent liabilities				
Accrued vacation	434	203	125	762
Leases payable	724	-	-	724
Net pension liability	5,959	3,897	2,603	12,459
Net other postemployment benefits liability	6,117	3,098	2,402	11,617
Total noncurrent liabilities	<u>13,234</u>	<u>7,198</u>	<u>5,130</u>	<u>25,562</u>
Total liabilities	<u>80,011</u>	<u>7,512</u>	<u>5,409</u>	<u>92,932</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	693	95	496	1,284
Deferred inflows on net other postemployment benefits liability	1,291	601	406	2,298
Total deferred inflows of resources	<u>1,984</u>	<u>696</u>	<u>902</u>	<u>3,582</u>
Net position				
Net investment in capital assets	7,126	69	147	7,342
Restricted for bond requirements and other	-	602,861	269,153	872,014
Unrestricted	189,907	-	-	189,907
Total net position	<u>\$ 197,033</u>	<u>\$ 602,930</u>	<u>\$ 269,300</u>	<u>\$ 1,069,263</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, 2023
(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	\$ -	\$ 4,014	\$ 2,638	\$ 6,652
Premium revenue – self insurance	105,104	-	-	105,104
Experience refunds, net	(11,577)	-	-	(11,577)
Other	3,534	1,386	746	5,666
Total operating revenues	<u>97,061</u>	<u>5,400</u>	<u>3,384</u>	<u>105,845</u>
Operating expenses				
Personnel services	5,031	2,058	1,166	8,255
Depreciation	1,535	144	180	1,859
Repairs and maintenance	306	-	204	510
General administration	3,372	1,178	809	5,359
Claims	93,509	-	-	93,509
Other	437	1,575	5,123	7,135
Total operating expenses	<u>104,190</u>	<u>4,955</u>	<u>7,482</u>	<u>116,627</u>
Operating income (loss)	<u>(7,129)</u>	<u>445</u>	<u>(4,098)</u>	<u>(10,782)</u>
Nonoperating revenues				
Interest and investment income	6,776	2,250	990	10,016
Other	-	-	15	15
Total nonoperating revenues	<u>6,776</u>	<u>2,250</u>	<u>1,005</u>	<u>10,031</u>
Income (loss) before capital contributions	<u>(353)</u>	<u>2,695</u>	<u>(3,093)</u>	<u>(751)</u>
Capital contributions	-	16,459	24,524	40,983
Change in net position	<u>(353)</u>	<u>19,154</u>	<u>21,431</u>	<u>40,232</u>
Net position				
Beginning of year	<u>197,386</u>	<u>583,776</u>	<u>247,869</u>	<u>1,029,031</u>
End of year	<u>\$ 197,033</u>	<u>\$ 602,930</u>	<u>\$ 269,300</u>	<u>\$ 1,069,263</u>

See accompanying independent auditors' report.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2023
(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	\$ 673,473	\$ -	\$ -	\$ 673,473
Cash paid to suppliers	(4,009)	(412)	(1,288)	(5,709)
Cash paid to employees	(5,319)	(2,670)	(1,536)	(9,525)
Cash paid for premiums and benefits payable	(652,730)	-	-	(652,730)
Net cash provided by (used in) operating activities	<u>11,415</u>	<u>(3,082)</u>	<u>(2,824)</u>	<u>5,509</u>
Cash flows from capital financing activities				
Purchase of equipment	(49)	-	-	(49)
Principal repayments of leases payable	(204)	-	-	(204)
Proceeds from federal, state and capital grants and contributions	-	16,158	24,369	40,527
Net cash provided by (used in) capital financing activities	<u>(253)</u>	<u>16,158</u>	<u>24,369</u>	<u>40,274</u>
Cash flows from investing activities				
Purchase of investments	(3,303)	-	-	(3,303)
Principal repayments on notes receivable	-	44,580	14,921	59,501
Disbursement of notes receivable proceeds	-	(60,147)	(30,103)	(90,250)
Interest income from notes receivable	4,164	1,367	745	6,276
Administrative loan fees	-	3,845	2,622	6,467
Interest received from investments	-	1,673	581	2,254
Net cash provided by (used in) investing activities	<u>861</u>	<u>(8,682)</u>	<u>(11,234)</u>	<u>(19,055)</u>
Net increase in cash and cash equivalents	<u>12,023</u>	<u>4,394</u>	<u>10,311</u>	<u>26,728</u>
Cash and cash equivalents, including restricted amounts				
Beginning of year	24,055	87,480	24,733	136,268
End of year	<u>\$ 36,078</u>	<u>\$ 91,874</u>	<u>\$ 35,044</u>	<u>\$ 162,996</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (7,129)	\$ 445	\$ (4,098)	\$ (10,782)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	1,535	144	180	1,859
Principal forgiveness of loan	-	1,872	4,790	6,662
Interest income from loans	-	(1,386)	(746)	(2,132)
Administrative loan fees	-	(4,014)	(2,638)	(6,652)
Non-imposed fringe benefits	-	26	15	41
Premium reserves held by insurance companies	15,651	-	-	15,651
Change in assets, deferred outflows, liabilities, and deferred inflows				
Receivables	(10,244)	9	(31)	(10,266)
Prepaid and other expenses	35	-	-	35
Net deferred outflows/inflows of resources	(402)	(195)	(130)	(727)
Vouchers and contracts payable	(367)	(35)	(250)	(652)
Net pension liability	652	314	239	1,205
Other postemployment benefits liability	(506)	(262)	(155)	(923)
Other accrued liabilities	10,795	-	-	10,795
Benefit claims payable	1,395	-	-	1,395
Net cash provided by (used in) operating activities	<u>\$ 11,415</u>	<u>\$ (3,082)</u>	<u>\$ (2,824)</u>	<u>\$ 5,509</u>

See accompanying independent auditors' report.

State of Hawaii
Custodial Funds
Combining Statement of Fiduciary Net Position
June 30, 2023
(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	\$ 2,359	\$ 396,630	\$ -	\$ 398,989
Receivables – taxes	-	-	10,120	10,120
Receivables – other	-	-	3,993	3,993
Investments	17,196	22,447	1,628	41,271
Total assets	<u>\$ 19,555</u>	<u>\$ 419,077</u>	<u>\$ 15,741</u>	<u>\$ 454,373</u>
Liabilities				
Vouchers payable	\$ 32,411	\$ 329,553	\$ 1,904	\$ 363,868
Due to other funds	-	29,835.00	4,528	34,363
Total liabilities	<u>32,411</u>	<u>359,388</u>	<u>6,432</u>	<u>398,231</u>
Net position – restricted	<u>\$ (12,856)</u>	<u>\$ 59,689</u>	<u>\$ 9,309</u>	<u>\$ 56,142</u>

See accompanying independent auditors' report.

State of Hawaii
Custodial Funds
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2023
(Amounts in thousands)

	<u>Tax Collections</u>	<u>Custodial and Clearance</u>	<u>Other</u>	<u>Total Custodial Funds</u>
Additions				
Tax collections	\$ 603,563	\$ -	\$ -	\$ 603,563
Custodial collections	-	553,563	-	553,563
Other collections	-	-	13,442	13,442
Total additions	<u>603,563</u>	<u>553,563</u>	<u>13,442</u>	<u>1,170,568</u>
Deductions				
Tax disbursements	615,872	-	-	615,872
Custodial disbursements	-	604,750	-	604,750
Other disbursements	-	-	870,070	870,070
Total deductions	<u>615,872</u>	<u>604,750</u>	<u>870,070</u>	<u>2,090,692</u>
Change in net position	<u>(12,309)</u>	<u>(51,187)</u>	<u>(856,628)</u>	<u>(920,124)</u>
Net position				
Beginning of year	<u>(547)</u>	<u>110,876</u>	<u>865,937</u>	<u>976,266</u>
End of year	<u>\$ (12,856)</u>	<u>\$ 59,689</u>	<u>\$ 9,309</u>	<u>\$ 56,142</u>

See accompanying independent auditors' report.

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

State of Hawaii
Statistical Section (Unaudited)
June 30, 2023

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.	156–165
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.	166–173
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.	174–180
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.	181–183
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.	184–189

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, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Governmental activities					
Net investment in capital assets	\$ 1,298,234	\$ 1,012,903	\$ 1,147,118	\$ 2,478,200	\$ 2,459,159
Restricted	3,129,087	2,373,911	2,755,923	2,345,000	2,089,246
Unrestricted	<u>(8,475,706)</u>	<u>(10,615,961)</u>	<u>(12,136,654)</u>	<u>(12,518,653)</u>	<u>(11,830,687)</u>
Total governmental activities net position	<u>\$ (4,048,385)</u>	<u>\$ (7,229,147)</u>	<u>\$ (8,233,613)</u>	<u>\$ (7,695,453)</u>	<u>\$ (7,282,282)</u>
Business-type activities					
Net investment in capital assets	\$ 2,601,058	\$ 2,568,292	\$ 2,637,031	\$ 2,629,344	\$ 2,459,973
Restricted	1,949,115	1,814,854	1,721,912	1,639,488	1,580,020
Unrestricted	<u>1,072,573</u>	<u>685,673</u>	<u>(381,773)</u>	<u>251,266</u>	<u>1,018,193</u>
Total business-type activities net position	<u>\$ 5,622,746</u>	<u>\$ 5,068,819</u>	<u>\$ 3,977,170</u>	<u>\$ 4,520,098</u>	<u>\$ 5,058,186</u>
Primary government					
Net investment in capital assets	\$ 3,899,292	\$ 3,581,195	\$ 3,784,149	\$ 5,107,544	\$ 4,919,132
Restricted	5,078,202	4,188,765	4,477,835	3,984,488	3,669,266
Unrestricted	<u>(7,403,133)</u>	<u>(9,930,288)</u>	<u>(12,518,427)</u>	<u>(12,267,387)</u>	<u>(10,812,494)</u>
Total primary government net position	<u>\$ 1,574,361</u>	<u>\$ (2,160,328)</u>	<u>\$ (4,256,443)</u>	<u>\$ (3,175,355)</u>	<u>\$ (2,224,096)</u>

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

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

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

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

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

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

2018	2017	2016	2015	2014
\$ 2,661,730	\$ 2,787,289	\$ 2,727,055	\$ 2,826,649	\$ 2,772,220
2,028,259	1,799,903	1,591,701	1,445,824	1,128,678
<u>(11,381,725)</u>	<u>(7,996,567)</u>	<u>(7,190,837)</u>	<u>(7,379,890)</u>	<u>(3,096,065)</u>
<u>\$ (6,691,736)</u>	<u>\$ (3,409,375)</u>	<u>\$ (2,872,081)</u>	<u>\$ (3,107,417)</u>	<u>\$ 804,833</u>
\$ 2,183,188	\$ 2,022,844	\$ 1,871,554	\$ 1,773,613	\$ 1,653,902
1,444,009	1,309,392	1,305,799	1,227,441	1,160,551
<u>1,075,059</u>	<u>1,141,536</u>	<u>1,058,108</u>	<u>995,207</u>	<u>1,050,981</u>
<u>\$ 4,702,256</u>	<u>\$ 4,473,772</u>	<u>\$ 4,235,461</u>	<u>\$ 3,996,261</u>	<u>\$ 3,865,434</u>
\$ 4,844,918	\$ 4,810,133	\$ 4,598,609	\$ 4,600,262	\$ 4,426,122
3,472,268	3,109,295	2,897,500	2,673,265	2,289,229
<u>(10,306,666)</u>	<u>(6,855,031)</u>	<u>(6,132,729)</u>	<u>(6,384,683)</u>	<u>(2,045,084)</u>
<u>\$ (1,989,480)</u>	<u>\$ 1,064,397</u>	<u>\$ 1,363,380</u>	<u>\$ 888,844</u>	<u>\$ 4,670,267</u>

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Expenses					
Governmental activities					
General government	\$ 1,304,460	\$ 2,309,934	\$ 1,867,701	\$ 1,129,769	\$ 1,054,935
Public safety	685,370	740,183	772,470	642,353	675,663
Highways	574,921	565,191	531,130	531,105	552,741
Conservation of natural resources	290,192	118,553	115,658	109,093	224,266
Health	953,881	1,103,928	891,325	1,138,450	1,019,160
Welfare	4,976,910	4,882,816	4,579,544	3,678,820	3,379,304
Lower education	3,572,983	3,389,834	3,299,413	3,595,747	3,527,097
Higher education	1,097,173	919,350	984,734	1,050,582	950,253
Other education	18,358	16,933	20,593	16,936	18,376
Culture and recreation	143,857	117,785	374,727	155,261	110,711
Urban redevelopment and housing	164,714	201,311	449,870	246,495	179,794
Economic development and assistance	114,320	265,549	403,426	4,868	174,629
Interest expense	251,309	219,989	257,218	244,994	251,294
Total governmental activities expenses	<u>14,148,448</u>	<u>14,851,356</u>	<u>14,547,809</u>	<u>12,544,473</u>	<u>12,118,223</u>
Business-type activities					
Airports	649,344	616,382	600,867	559,374	469,321
Harbors	103,772	107,980	107,371	98,998	85,007
Unemployment compensation	171,537	608,094	4,005,272	2,147,598	165,134
Nonmajor proprietary funds	116,627	120,826	98,462	108,798	103,954
Total business-type activities expenses	<u>1,041,280</u>	<u>1,453,282</u>	<u>4,811,972</u>	<u>2,914,768</u>	<u>823,416</u>
Total primary government expenses	<u>\$ 15,189,728</u>	<u>\$ 16,304,638</u>	<u>\$ 19,359,781</u>	<u>\$ 15,459,241</u>	<u>\$ 12,941,639</u>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 310,304	\$ 237,404	\$ 229,268	\$ 292,428	\$ 302,275
Health	119,847	142,621	140,442	130,082	138,013
Other	515,676	436,310	334,200	375,479	393,958
Operating grants and contributions	5,242,283	6,121,649	5,030,769	3,597,822	3,082,678
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>6,188,110</u>	<u>6,937,984</u>	<u>5,734,679</u>	<u>4,395,811</u>	<u>3,916,924</u>
Business-type activities					
Charges for services					
Airports	604,719	539,502	328,629	475,064	562,436
Unemployment compensation	416,064	243,660	239,096	1,391,747	193,093
Others	321,007	325,324	323,230	329,283	296,920
Operating grants and contributions	75,471	1,387,833	3,206,169	-	-
Capital grants and contributions	116,033	45,611	83,411	95,720	78,010
Total business-type activities program revenues	<u>1,533,294</u>	<u>2,541,930</u>	<u>4,180,535</u>	<u>2,291,814</u>	<u>1,130,459</u>
Total primary government program revenues	<u>\$ 7,721,404</u>	<u>\$ 9,479,914</u>	<u>\$ 9,915,214</u>	<u>\$ 6,687,625</u>	<u>\$ 5,047,383</u>
Net revenue (expense)					
Governmental activities	\$ (7,960,338)	\$ (7,913,372)	\$ (8,813,130)	\$ (8,148,662)	\$ (8,201,299)
Business-type activities	492,014	1,088,648	(631,437)	(622,954)	307,043
Total primary government net expenses	<u>\$ (7,468,324)</u>	<u>\$ (6,824,724)</u>	<u>\$ (9,444,567)</u>	<u>\$ (8,771,616)</u>	<u>\$ (7,894,256)</u>

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.
Amounts prior to fiscal 2015 have not been restated for GASB Statements No. 68 and No. 71.
Amounts prior to fiscal 2017 have not been restated for GASB Statement No. 82.
Amounts prior to fiscal 2018 have not been restated for GASB Statement No. 75.
Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.
Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	920,547	\$ 631,052	\$ 688,394	\$ 595,278	\$ 567,941
	639,888	552,671	485,985	504,343	533,727
	614,847	457,374	399,997	426,142	554,039
	118,637	161,924	107,740	89,176	101,587
	874,898	889,216	878,610	871,563	849,493
	3,542,771	3,481,679	3,343,392	3,196,602	2,879,813
	3,404,645	3,157,517	2,840,782	2,729,789	2,685,037
	950,843	899,199	673,217	761,837	693,292
	23,827	27,248	23,379	21,664	21,766
	89,647	106,875	106,511	84,265	104,303
	392,921	245,819	122,981	115,653	137,160
	170,200	161,077	163,935	179,485	166,455
	311,340	212,042	210,204	247,059	239,760
	<u>12,055,011</u>	<u>10,983,693</u>	<u>10,045,127</u>	<u>9,822,856</u>	<u>9,534,373</u>
	429,884	408,517	377,393	350,041	346,699
	92,978	101,180	93,088	87,031	89,327
	177,009	173,735	144,481	186,893	244,947
	96,548	110,907	112,323	112,209	87,031
	<u>796,419</u>	<u>794,339</u>	<u>727,285</u>	<u>736,174</u>	<u>768,004</u>
	<u>\$ 12,851,430</u>	<u>\$ 11,778,032</u>	<u>\$ 10,772,412</u>	<u>\$ 10,559,030</u>	<u>\$ 10,302,377</u>
\$	319,043	\$ 289,116	\$ 209,598	\$ 248,915	\$ 223,066
	126,046	143,363	136,429	136,547	130,338
	479,847	357,034	371,823	314,099	287,937
	3,154,479	3,068,752	2,986,842	2,809,460	2,660,770
	-	-	113,006	139,977	97,290
	<u>4,079,415</u>	<u>3,858,265</u>	<u>3,817,698</u>	<u>3,648,998</u>	<u>3,399,401</u>
	587,602	511,018	459,269	434,489	404,442
	186,239	176,212	187,215	239,375	353,546
	283,586	269,694	218,552	238,852	203,979
	-	-	-	-	-
	37,956	51,091	80,173	72,140	98,628
	<u>1,095,383</u>	<u>1,008,015</u>	<u>945,209</u>	<u>984,856</u>	<u>1,060,595</u>
	<u>\$ 5,174,798</u>	<u>\$ 4,866,280</u>	<u>\$ 4,762,907</u>	<u>\$ 4,633,854</u>	<u>\$ 4,459,996</u>
\$	(7,975,596)	\$ (7,125,428)	\$ (6,227,429)	\$ (6,173,858)	\$ (6,134,972)
	298,964	213,676	217,924	248,682	292,591
	<u>\$ (7,676,632)</u>	<u>\$ (6,911,752)</u>	<u>\$ (6,009,505)</u>	<u>\$ (5,925,176)</u>	<u>\$ (5,842,381)</u>

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	\$ 4,772,516	\$ 3,890,136	\$ 3,438,088	\$ 3,667,538	\$ 3,794,587
Net income tax – corporations and individuals	3,627,205	3,784,904	3,254,330	2,661,618	2,728,991
Public service companies tax	142,195	122,068	125,201	134,639	126,691
Transient accommodations tax	843,929	659,646	195,410	304,012	356,670
Tobacco and liquor tax	132,051	140,263	141,522	150,065	151,438
Liquid fuel tax	79,272	78,674	69,351	79,187	85,146
Tax on premiums of insurance companies	207,073	198,479	188,229	183,563	176,420
Vehicle weight and registration tax	139,514	138,579	143,242	125,119	136,142
Rental motor/tour vehicle surcharge tax	101,450	79,575	32,206	72,502	57,994
Franchise tax	30,969	59,252	5,079	35,271	26,808
Other tax	1,003,338	307,865	106,457	157,623	156,632
Interest and investment income	193,071	54,743	30,759	164,354	40,141
Net decrease in fair value of investments	(131,483)	(298,277)	-	-	-
Other	-	(7,811)	-	-	(2,797)
Assumption agreement with State, net	-	-	-	-	-
Debt cancellation with State	-	-	-	-	(224,110)
Total governmental activities	<u>11,141,100</u>	<u>9,208,096</u>	<u>7,729,874</u>	<u>7,735,491</u>	<u>7,610,753</u>
Business-type activities					
Interest and investment income	61,913	7,550	88,509	84,866	48,887
Other	-	(4,549)	-	-	-
Total business-type activities	<u>61,913</u>	<u>3,001</u>	<u>88,509</u>	<u>84,866</u>	<u>48,887</u>
Total primary government	<u>\$ 11,203,013</u>	<u>\$ 9,211,097</u>	<u>\$ 7,818,383</u>	<u>\$ 7,820,357</u>	<u>\$ 7,659,640</u>
Changes in net position					
Governmental activities	\$ 3,180,762	\$ 1,294,724	\$ (1,083,256)	\$ (413,171)	\$ (590,546)
Business-type activities	553,927	1,091,649	(542,928)	(538,088)	355,930
Total primary government	<u>\$ 3,734,689</u>	<u>\$ 2,386,373</u>	<u>\$ (1,626,184)</u>	<u>\$ (951,259)</u>	<u>\$ (234,616)</u>

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

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

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

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

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

Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 3,553,975	\$ 3,189,599	\$ 3,192,469	\$ 3,021,418	\$ 2,816,346
2,407,338	2,330,408	2,160,872	2,073,015	1,840,890
117,641	122,159	152,760	163,481	166,179
304,521	299,712	233,082	202,345	188,721
157,988	160,906	161,239	165,137	155,990
85,211	84,933	89,702	88,449	88,707
162,318	166,836	154,690	147,767	139,074
135,080	132,974	130,051	125,113	124,686
54,846	53,189	54,873	51,941	42,853
15,712	11,174	14,691	19,930	38,983
145,861	103,204	109,072	76,222	96,131
36,527	30,676	22,564	16,024	13,163
-	-	-	-	-
4,538	-	(13,300)	-	-
(250,697)	-	-	-	-
-	-	-	-	-
<u>6,930,859</u>	<u>6,685,770</u>	<u>6,462,765</u>	<u>6,150,842</u>	<u>5,711,723</u>
27,352	25,324	21,276	17,567	12,805
-	-	-	-	-
<u>27,352</u>	<u>25,324</u>	<u>21,276</u>	<u>17,567</u>	<u>12,805</u>
<u>\$ 6,958,211</u>	<u>\$ 6,711,094</u>	<u>\$ 6,484,041</u>	<u>\$ 6,168,409</u>	<u>\$ 5,724,528</u>
\$ (1,044,737)	\$ (439,658)	\$ 235,336	\$ (23,016)	\$ (423,249)
326,316	239,000	239,200	266,249	305,396
<u>\$ (718,421)</u>	<u>\$ (200,658)</u>	<u>\$ 474,536</u>	<u>\$ 243,233</u>	<u>\$ (117,853)</u>

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting) (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
General Fund					
Assigned	\$ 940,472	\$ 407,353	\$ 390,666	\$ 479,071	\$ 475,242
Unassigned	3,618,495	2,732,304	1,169,873	789,518	1,147,073
Total General Fund	<u>\$ 4,558,967</u>	<u>\$ 3,139,657</u>	<u>\$ 1,560,539</u>	<u>\$ 1,268,589</u>	<u>\$ 1,622,315</u>
All other governmental funds					
Restricted	\$ 254	\$ 272	\$ 247	\$ 16,018	\$ 22,006
Committed	101,697	89,889	667,104	1,041,570	823,958
Assigned	3,125,868	2,284,971	2,092,883	1,316,396	1,267,999
Unassigned	(564,372)	(396,277)	(183,242)	(362,148)	(210,972)
Total all other governmental funds	<u>\$ 2,663,447</u>	<u>\$ 1,978,855</u>	<u>\$ 2,576,992</u>	<u>\$ 2,011,836</u>	<u>\$ 1,902,991</u>

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

2018	2017	2016	2015	2014
\$ 503,201	\$ 400,529	\$ 394,581	\$ 205,242	\$ 256,483
<u>974,719</u>	<u>1,305,542</u>	<u>1,400,783</u>	<u>1,384,053</u>	<u>1,079,180</u>
\$ 1,477,920	\$ 1,706,071	\$ 1,795,364	\$ 1,589,295	\$ 1,335,663
\$ 25,653	\$ 110,750	\$ 15,557	\$ 25,370	\$ 27,145
805,502	688,980	401,313	449,290	497,932
1,226,984	1,117,520	1,199,080	1,009,503	739,279
<u>(68,660)</u>	<u>(116,880)</u>	<u>(340,671)</u>	<u>(576,980)</u>	<u>(588,405)</u>
\$ 1,989,479	\$ 1,800,370	\$ 1,275,279	\$ 907,183	\$ 675,951

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds (Unaudited)
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Revenues					
Taxes					
General excise tax	\$ 4,748,420	\$ 3,893,006	\$ 3,437,755	\$ 3,632,630	\$ 3,794,585
Net income tax – corporations and individuals	3,631,310	3,758,447	3,233,174	2,657,551	2,718,654
Public service companies tax	142,195	122,068	125,201	134,639	126,691
Transient accommodations tax	842,229	661,330	194,095	303,176	356,670
Tobacco and liquor tax	132,051	140,262	141,522	150,065	151,438
Liquid fuel tax	79,272	78,674	69,351	79,187	85,146
Tax on premiums of insurance companies	207,074	198,478	188,229	183,563	176,420
Vehicle weight and registration tax	139,514	138,579	143,242	125,119	136,142
Rental motor/tour vehicle surcharge tax	101,450	79,574	32,206	72,502	57,994
Franchise tax	30,969	59,252	5,079	35,271	26,808
Other	1,003,314	307,868	106,457	157,591	156,632
Total taxes	<u>11,057,798</u>	<u>9,437,538</u>	<u>7,676,311</u>	<u>7,531,294</u>	<u>7,787,180</u>
Interest and investment income	193,071	54,739	30,759	164,354	40,141
Net decrease in fair value of investments	(131,483)	(298,277)	-	-	-
Charges for current services	480,195	487,273	401,403	495,009	518,531
Intergovernmental	4,807,463	5,801,691	4,741,176	3,333,396	2,783,538
Rentals	42,737	40,153	31,316	35,035	38,031
Fines, forfeitures and penalties	32,078	28,882	32,081	28,579	37,513
Licenses and fees	49,507	50,668	42,577	45,763	47,965
Revenues from private sources	145,992	127,760	138,520	128,401	122,017
Other	630,964	414,994	356,653	329,624	369,425
Total revenues	<u>17,308,322</u>	<u>16,145,421</u>	<u>13,450,796</u>	<u>12,091,455</u>	<u>11,744,341</u>
Expenditures					
Current					
General government	1,696,558	2,023,088	1,708,337	1,137,274	1,007,554
Public safety	726,842	744,838	746,822	612,091	634,120
Highways	599,886	561,216	448,647	500,212	526,148
Conservation of natural resources	166,058	134,505	137,459	167,383	145,383
Health	1,000,432	1,090,851	1,040,285	1,096,444	1,009,545
Welfare	5,006,768	4,869,981	4,599,447	3,653,210	3,332,469
Lower education	4,071,444	3,507,290	3,451,175	3,351,308	3,334,110
Higher education	1,097,173	919,351	984,734	1,050,582	950,253
Other education	18,358	16,933	20,593	16,936	18,376
Culture and recreation	140,764	116,598	377,419	143,739	116,381
Urban redevelopment and housing	83,168	98,161	89,826	78,061	79,236
Economic development and assistance	219,376	267,845	238,956	166,387	152,592
Housing	95,028	113,095	355,350	153,411	85,032
Other	13,575	99,661	20,144	13,293	13,691
Debt service					
Principal	699,248	699,248	522,640	564,222	464,518
Interest and others	408,606	323,719	330,893	332,279	390,856
Total expenditures	<u>16,043,284</u>	<u>15,586,380</u>	<u>15,072,727</u>	<u>13,036,832</u>	<u>12,260,264</u>
Excess (deficiency) of expenditures over revenues	<u>1,265,038</u>	<u>559,041</u>	<u>(1,621,931)</u>	<u>(945,377)</u>	<u>(515,923)</u>
Other financing sources (uses)					
Proceeds from borrowing and refunding	808,194	1,912,154	2,333,941	700,496	644,962
Payments to escrow agent	-	(1,210,136)	(400,000)	-	(69,730)
Issuance of leases (1)	13,561	10,180	-	-	-
Issuance of subscription assets (2)	17,147	-	-	-	-
Transfers in	2,418,125	1,760,858	2,632,432	1,324,903	1,214,773
Transfers out	(2,418,125)	(1,760,858)	(2,632,432)	(1,324,903)	(1,214,773)
Other	(38)	-	-	-	(1,402)
Total other financing sources	<u>838,864</u>	<u>712,198</u>	<u>1,933,941</u>	<u>700,496</u>	<u>573,830</u>
Net change in fund balances	<u>\$ 2,103,902</u>	<u>\$ 1,271,239</u>	<u>\$ 312,010</u>	<u>\$ (244,881)</u>	<u>\$ 57,907</u>
Total debt service as a percent of noncapital expenditures (3)	<u>7.6 %</u>	<u>7.2 %</u>	<u>6.1 %</u>	<u>7.7 %</u>	<u>7.5 %</u>

- (1) Amounts prior to fiscal 2022 have not been restated for GASB Statement No. 87.
- (2) Amounts prior to fiscal 2023 have not been restated for GASB Statement No. 96.
- (3) 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.

2018	2017	2016	2015	2014
\$ 3,553,975	\$ 3,189,599	\$ 3,192,469	\$ 3,021,418	\$ 2,816,346
2,456,674	2,286,017	2,157,879	2,047,327	1,840,963
117,641	122,159	152,760	163,481	166,179
304,521	299,712	233,082	202,345	188,721
157,988	160,906	161,239	165,137	155,990
85,211	84,933	89,702	88,449	88,707
162,318	166,836	154,690	147,767	139,074
135,080	132,974	130,051	125,113	124,686
54,846	53,189	54,873	51,941	42,853
15,712	11,174	14,691	19,930	38,983
145,861	103,204	109,072	76,222	96,131
<u>7,189,827</u>	<u>6,610,703</u>	<u>6,450,508</u>	<u>6,109,130</u>	<u>5,698,633</u>
36,527	30,676	22,564	16,024	13,163
-	-	-	-	-
477,717	460,211	431,181	384,380	363,791
2,878,717	2,938,557	2,995,768	2,803,989	2,650,876
35,466	35,530	32,371	31,127	31,846
38,767	39,203	35,738	37,201	33,087
47,066	46,893	45,738	42,463	47,209
184,661	105,857	126,450	121,366	112,916
428,066	248,389	169,533	191,472	173,483
<u>11,316,814</u>	<u>10,516,019</u>	<u>10,309,851</u>	<u>9,737,152</u>	<u>9,125,004</u>
807,032	701,083	673,236	573,820	543,129
579,980	531,545	479,047	484,960	519,954
609,538	461,523	389,744	455,563	403,559
157,639	180,697	181,563	145,516	108,703
827,592	873,703	876,820	855,797	828,088
3,495,974	3,442,279	3,349,414	3,192,807	2,945,370
3,226,275	2,973,583	2,828,013	2,619,156	2,603,774
950,843	899,199	673,217	761,837	693,292
23,827	27,248	23,379	21,664	21,766
104,964	104,655	101,351	96,676	107,846
124,292	63,807	54,446	71,384	65,228
167,614	179,127	159,483	176,919	158,379
256,386	133,010	58,381	48,565	63,683
12,388	10,613	20,193	15,179	29,818
464,518	484,274	444,791	444,791	458,983
321,150	296,482	315,321	289,524	278,315
<u>12,130,012</u>	<u>11,362,828</u>	<u>10,628,399</u>	<u>10,254,158</u>	<u>9,829,887</u>
<u>(813,198)</u>	<u>(846,809)</u>	<u>(318,548)</u>	<u>(517,006)</u>	<u>(704,883)</u>
1,200,004	2,161,677	1,835,677	1,518,709	948,190
(424,887)	(879,070)	(989,950)	(516,839)	(185,560)
-	-	-	-	-
-	-	-	-	-
1,291,815	1,444,931	1,276,279	1,171,272	1,066,780
(1,291,815)	(1,444,931)	(1,276,279)	(1,171,272)	(1,066,780)
(961)	-	46,986	-	18,835
774,156	1,282,607	892,713	1,001,870	781,465
<u>\$ (39,042)</u>	<u>\$ 435,798</u>	<u>\$ 574,165</u>	<u>\$ 484,864</u>	<u>\$ 76,582</u>
<u>7.0 %</u>	<u>7.3 %</u>	<u>7.6 %</u>	<u>7.7 %</u>	<u>7.9 %</u>

State of Hawaii
Revenue Capacity Information
Personal Income by Industry (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Farm earnings	\$ 279	\$ 208	\$ 286	\$ 249	\$ 271
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	86	N/A	94	90	97
Mining	39	31	27	32	31
Construction	4,753	4,686	4,786	4,531	4,538
Manufacturing – durable and nondurable goods	1,041	653	976	948	975
Subtotal goods-producing industries	<u>5,919</u>	<u>5,370</u>	<u>5,883</u>	<u>5,601</u>	<u>5,641</u>
Service-producing industries					
Transportation, communication and utilities	3,671	3,376	2,965	4,802	3,064
Trade	5,130	4,981	4,784	3,170	4,841
Information	1,025	1,064	865	830	893
Finance, insurance and real estate	4,515	4,094	4,216	3,714	3,626
Service	25,387	23,493	20,480	21,500	21,964
State and local government	7,592	7,638	7,601	7,313	7,235
Federal government	9,719	9,400	8,746	9,219	8,990
Subtotal service-producing industries	<u>57,039</u>	<u>54,046</u>	<u>49,657</u>	<u>50,548</u>	<u>50,613</u>
Total nonfarm wage and salary worker	<u>62,958</u>	<u>59,416</u>	<u>55,540</u>	<u>56,149</u>	<u>56,254</u>
Other (1)	<u>28,211</u>	<u>26,387</u>	<u>29,613</u>	<u>27,963</u>	<u>23,638</u>
Total personal income	<u>\$ 91,448</u>	<u>\$ 86,011</u>	<u>\$ 85,439</u>	<u>\$ 84,361</u>	<u>\$ 80,163</u>
Total direct income tax rate (2)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A Not Available

- (1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.
- (2) The total direct rate for personal income is not available.

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

2018	2017	2016	2015	2014
\$ 284	\$ 274	\$ 284	\$ 318	\$ 349
94	87	76	76	66
35	35	39	41	37
4,372	4,391	4,038	3,542	3,328
959	921	918	878	833
<u>5,460</u>	<u>5,434</u>	<u>5,071</u>	<u>4,537</u>	<u>4,264</u>
2,965	2,714	2,639	2,424	2,316
4,659	4,574	4,419	4,130	4,089
766	711	742	718	711
3,373	3,192	3,051	3,110	3,267
21,051	19,595	19,087	17,608	17,126
6,907	6,970	6,949	6,426	6,089
8,505	8,491	8,614	8,400	8,139
<u>48,226</u>	<u>46,247</u>	<u>45,501</u>	<u>42,816</u>	<u>41,737</u>
<u>53,686</u>	<u>51,681</u>	<u>50,572</u>	<u>47,353</u>	<u>46,001</u>
<u>22,506</u>	<u>21,042</u>	<u>19,814</u>	<u>19,092</u>	<u>18,270</u>
\$ 76,476	\$ 72,997	\$ 70,670	\$ 66,763	\$ 64,620
<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 Ended December 31, 2023

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
2023	11.00% + \$16,379	\$ 200,000	11.00% + \$32,757	\$ 400,000	11.00% + \$24,568	\$ 300,000
2022	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2021	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2020	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2019	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2018	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000
2017	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000
2016	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2015	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
2014	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000

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, 2023
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Taxable sales by activities					
Retailing	\$ 47,555	\$ 43,307	\$ 33,368	\$ 35,679	\$ 36,801
Services	20,178	18,256	15,345	16,750	16,927
Contracting	11,268	10,327	10,029	9,541	9,706
Hotel rentals	7,899	6,658	1,989	5,215	5,669
All other rentals	9,848	9,134	7,533	8,667	8,564
All other (4%)	7,471	6,874	4,493	5,893	6,543
Subtotal	<u>104,219</u>	<u>94,556</u>	<u>72,757</u>	<u>81,745</u>	<u>84,210</u>
Producing	389	382	342	303	296
Manufacturing	483	441	522	561	596
Wholesaling	24,739	22,501	16,837	17,417	18,062
Use (0.5%)	8,406	8,280	6,512	6,886	7,280
Services (intermediary)	1,546	1,079	865	1,007	1,005
Insurance solicitors	595	672	664	702	754
Subtotal	<u>36,158</u>	<u>33,355</u>	<u>25,742</u>	<u>26,876</u>	<u>27,993</u>
Total all activities	<u>\$ 140,377</u>	<u>\$ 127,911</u>	<u>\$ 98,499</u>	<u>\$ 108,621</u>	<u>\$ 112,203</u>

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

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

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

2018	2017	2016	2015	2014
\$ 35,454	\$ 30,747	\$ 29,498	\$ 29,987	\$ 31,152
16,375	14,162	13,667	13,361	13,795
8,914	8,418	8,185	7,322	7,046
5,527	4,898	4,442	4,328	4,279
8,171	6,669	6,474	6,544	6,472
6,545	5,918	5,407	5,486	5,683
<u>80,986</u>	<u>70,812</u>	<u>67,673</u>	<u>67,028</u>	<u>68,427</u>
359	324	295	321	436
640	731	734	716	1,876
17,590	14,462	13,864	14,294	14,675
7,640	6,799	7,354	7,127	6,489
903	870	708	716	1,096
650	495	485	489	485
<u>27,782</u>	<u>23,681</u>	<u>23,440</u>	<u>23,663</u>	<u>25,057</u>
<u>\$ 108,768</u>	<u>\$ 94,493</u>	<u>\$ 91,113</u>	<u>\$ 90,691</u>	<u>\$ 93,484</u>

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2023		2022		2021		2020		2019	
	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	\$ 1,902,192	42.7 %	\$ 1,732,276	43.2 %	\$ 1,334,715	43.3 %	\$ 1,427,180	41.5 %	\$ 1,472,039	41.5 %
Services	807,109	18.1 %	730,258	18.2 %	613,791	19.9 %	670,010	19.5 %	677,082	19.1 %
Contracting	450,718	10.1 %	413,076	10.3 %	401,141	13.0 %	381,641	11.1 %	388,249	11.0 %
Theater, amusement, etc.	22,288	0.5 %	17,633	0.4 %	8,537	0.3 %	16,661	0.5 %	19,978	0.6 %
Interest	168,245	3.8 %	145,241	3.6 %	83,679	2.7 %	127,396	3.7 %	141,903	4.0 %
Commissions	60,453	1.4 %	71,372	1.8 %	51,715	1.7 %	51,076	1.5 %	54,981	1.6 %
Hotel rentals	315,969	7.1 %	266,321	6.6 %	79,578	2.6 %	208,581	6.1 %	226,764	6.4 %
All other rentals	393,914	8.9 %	365,344	9.1 %	301,321	9.8 %	346,685	10.1 %	342,572	9.7 %
Use (4%)	47,874	1.1 %	40,719	1.0 %	35,784	1.2 %	40,580	1.2 %	44,847	1.3 %
All other (4%)	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Producing	1,945	0.1 %	1,910	0.1 %	1,712	0.1 %	1,514	0.1 %	1,480	0.0 %
Manufacturing	2,414	0.1 %	2,203	0.1 %	2,612	0.1 %	2,807	0.1 %	2,981	0.1 %
Wholesaling	123,689	2.8 %	112,507	2.8 %	84,183	2.7 %	87,088	2.5 %	90,308	2.6 %
Use (0.5%)	42,029	0.9 %	41,402	1.0 %	32,560	1.1 %	34,428	1.0 %	36,398	1.0 %
Services (Intermediary)	7,730	0.3 %	5,395	0.2 %	4,324	0.1 %	5,033	0.1 %	5,026	0.1 %
Insurance solicitors	893	0.0 %	1,007	0.0 %	996	0.0 %	1,053	0.0 %	1,131	0.0 %
Unallocated collections	95,190	2.1 %	63,245	1.6 %	43,546	1.4 %	34,405	1.0 %	35,650	1.0 %
Total	<u>\$ 4,442,652</u>	<u>100.0 %</u>	<u>\$ 4,009,909</u>	<u>100.0 %</u>	<u>\$ 3,080,194</u>	<u>100.0 %</u>	<u>\$ 3,436,138</u>	<u>100.0 %</u>	<u>\$ 3,541,389</u>	<u>100.0 %</u>

Note: Information for number of filers is not available.

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

2018		2017		2016		2015		2014	
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
\$ 1,418,176	41.8 %	\$ 1,229,860	38.0 %	\$ 1,179,911	36.8 %	\$ 1,199,488	39.4 %	\$ 1,246,061	43.3 %
655,007	19.3 %	566,466	17.5 %	546,684	17.1 %	534,442	17.5 %	551,784	19.2 %
356,576	10.5 %	336,717	10.4 %	327,394	10.2 %	292,874	9.6 %	281,839	9.8 %
19,182	0.6 %	17,248	0.5 %	15,931	0.5 %	15,955	0.5 %	15,619	0.5 %
142,359	4.2 %	134,441	4.2 %	1	0.0 %	1	0.0 %	3	0.0 %
55,832	1.6 %	49,209	1.5 %	44,777	1.4 %	45,619	1.5 %	45,125	1.6 %
221,084	6.5 %	195,919	6.0 %	177,671	5.5 %	173,100	5.7 %	171,162	5.9 %
326,823	9.6 %	266,758	8.2 %	258,977	8.1 %	261,743	8.6 %	258,886	9.0 %
44,390	1.3 %	35,845	1.1 %	35,620	1.1 %	39,884	1.3 %	40,277	1.4 %
-	0.0 %	-	0.0 %	119,948	3.7 %	118,014	3.9 %	126,306	4.4 %
1,794	0.1 %	1,619	0.1 %	1,473	0.0 %	1,605	0.1 %	2,181	0.1 %
3,201	0.1 %	3,657	0.1 %	3,670	0.1 %	3,581	0.1 %	9,380	0.3 %
87,952	2.6 %	72,309	2.2 %	69,322	2.2 %	71,471	2.3 %	73,373	2.5 %
38,201	1.1 %	33,996	1.0 %	36,872	1.2 %	35,634	1.2 %	32,446	1.1 %
4,514	0.1 %	4,352	0.1 %	3,539	0.1 %	3,578	0.1 %	5,480	0.2 %
975	0.0 %	743	0.1 %	728	0.0 %	733	0.0 %	728	0.0 %
19,500	0.6 %	290,086	9.0 %	383,736	12.0 %	250,484	8.2 %	19,893	0.7 %
<u>\$ 3,395,566</u>	<u>100.0 %</u>	<u>\$ 3,239,225</u>	<u>100.0 %</u>	<u>\$ 3,206,254</u>	<u>100.0 %</u>	<u>\$ 3,048,206</u>	<u>100.0 %</u>	<u>\$ 2,880,543</u>	<u>100.0 %</u>

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Governmental activities					
General obligation bonds	\$ 9,024,693	\$ 9,041,510	\$ 8,870,454	\$ 7,294,070	\$ 7,914,382
Revenue bonds	650,537	700,427	753,505	623,120	571,306
Lease payable	60,504	60,798	10,179	-	-
Subscriptions payable	31,255	-	-	-	-
Financed purchases	90,646	101,631	108,665	115,147	122,922
Total governmental activities	<u>9,857,635</u>	<u>9,904,366</u>	<u>9,742,803</u>	<u>8,032,337</u>	<u>8,608,610</u>
Business-type activities					
General obligation bonds	10,966	13,667	16,239	18,690	21,026
Revenue bonds	2,671,137	2,716,839	2,519,961	2,093,075	1,968,315
Lease payable	953	242	-	-	-
Financed purchases	178,596	195,592	210,803	224,375	236,147
Loan payable	-	-	-	-	76,000
Total business-type activities	<u>2,861,652</u>	<u>2,926,340</u>	<u>2,747,003</u>	<u>2,336,140</u>	<u>2,301,488</u>
Total primary government	<u>\$ 12,719,287</u>	<u>\$ 12,830,706</u>	<u>\$ 12,489,806</u>	<u>\$ 10,368,477</u>	<u>\$ 10,910,098</u>
Hawaii total personal income	\$ 91,448,000	\$ 86,011,000	\$ 85,439,000	\$ 84,361,000	\$ 80,163,000
Debt as a percentage of personal income	13.9 %	14.9 %	14.6 %	12.3 %	13.6 %
Hawaii population	1,436	1,435	1,455	1,416	1,422
Amount of debt per capita	\$ 8,857	\$ 8,941	\$ 8,584	\$ 7,322	\$ 7,672

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.

2018	2017	2016	2015	2014
\$ 7,912,206	\$ 7,635,827	\$ 6,953,431	\$ 6,503,281	\$ 5,784,139
633,073	692,742	615,120	666,202	412,725
-	-	-	-	-
-	-	-	-	-
129,897	143,622	149,477	96,175	102,622
<u>8,675,176</u>	<u>8,472,191</u>	<u>7,718,028</u>	<u>7,265,658</u>	<u>6,299,486</u>
23,255	25,377	27,400	29,332	31,176
1,567,305	1,375,442	1,429,980	1,218,943	1,278,137
-	-	-	-	-
244,979	252,806	179,985	172,864	173,771
76,000	76,000	34,910	34,910	-
<u>1,911,539</u>	<u>1,729,625</u>	<u>1,672,275</u>	<u>1,456,049</u>	<u>1,483,084</u>
<u>\$ 10,586,715</u>	<u>\$ 10,201,816</u>	<u>\$ 9,390,303</u>	<u>\$ 8,721,707</u>	<u>\$ 7,782,570</u>
\$ 76,476,000	\$ 72,997,000	\$ 71,767,000	\$ 66,763,000	\$ 64,620,000
13.8 %	14.0 %	13.1 %	13.1 %	12.0 %
1,435	1,428	1,429	1,432	1,420
\$ 7,378	\$ 7,144	\$ 6,571	\$ 6,091	\$ 5,481

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding (Unaudited)
Ten Years Ended June 30, 2023
(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
2023	\$ 140,376,000	1,436	\$ 9,035,659	\$ 257	\$ 9,035,402	6.4 %	6,292
2022	127,811,000	1,435	9,055,177	272	9,054,905	7.1 %	6,310
2021	98,499,000	1,455	8,886,693	247	8,886,446	9.0 %	6,108
2020	108,621,000	1,416	7,312,760	152	7,312,608	6.7 %	5,164
2019	112,203,000	1,422	7,935,408	-	7,935,408	7.1 %	5,580
2018	108,768,000	1,435	7,935,461	-	7,935,461	7.3 %	5,530
2017	94,493,000	1,428	7,661,204	35	7,661,169	8.1 %	5,365
2016	91,113,000	1,429	6,980,831	35	6,980,796	7.7 %	4,885
2015	90,691,000	1,432	6,532,613	35	6,532,578	7.2 %	4,562
2014	93,484,000	1,420	5,815,315	35	5,815,280	6.2 %	4,095

- (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, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Average general fund revenues of the three preceding fiscal years	\$ 9,546,317	\$ 8,695,460	\$ 7,930,471	\$ 7,732,620	\$ 7,637,553
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	1,766,069	1,608,660	1,467,137	1,430,535	1,412,947
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	(1,017,620)	(973,637)	(917,238)	(753,610)	(836,170)
Legal debt margin	\$ 748,449	\$ 635,023	\$ 549,899	\$ 676,925	\$ 576,777
Legal debt margin as a percentage of the debt limit	42.4 %	39.5 %	37.5 %	47.3 %	40.8 %

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

2018	2017	2016	2015	2014
\$ 7,359,330	\$ 6,997,106	\$ 6,577,966	\$ 6,294,642	\$ 5,987,800
18.5 %	18.5 %	18.5 %	18.5 %	18.5 %
1,361,476	1,294,465	1,216,924	1,164,509	1,107,743
(792,143)	(739,852)	(712,590)	(693,934)	(693,677)
\$ 569,333	\$ 554,613	\$ 504,334	\$ 470,575	\$ 414,066
41.8 %	42.8 %	41.4 %	40.4 %	37.4 %

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage (Unaudited)
Ten Years Ended June 30, 2023
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Revenue bonds – Airports										
Gross revenue (1)	\$ 613,800	\$ 575,402	\$ 403,145	\$ 486,117	\$ 495,315	\$ 466,317	\$ 431,726	\$ 381,404	\$ 355,948	\$ 341,155
Less: Operating expenses (2)	371,975	363,479	364,439	339,043	316,905	299,799	288,644	259,223	253,581	246,982
Net available revenue	241,825	211,923	38,706	147,074	178,410	166,518	143,082	122,181	102,367	94,173
Debt services										
Principal	33,650	445	430	44,690	42,585	40,755	38,935	37,290	35,725	34,210
Interest (3)	65,928	61,836	53,947	51,751	47,423	46,454	45,182	42,532	41,671	23,414
Total debt services	99,578	62,281	54,377	96,441	90,008	87,209	84,117	79,822	77,396	57,624
Coverage (4)	243 %	340 %	71 %	153 %	198 %	191 %	170 %	153 %	132 %	163 %
Revenue bonds – Harbors										
Gross revenue (5)	\$ 229,446	\$ 205,340	\$ 183,738	\$ 183,623	\$ 198,605	\$ 170,560	\$ 140,052	\$ 131,858	\$ 124,663	\$ 122,379
Less: Operating expenses (6)	59,274	55,018	48,491	48,834	47,461	53,543	53,396	47,133	43,132	43,837
Net available revenue	170,172	150,322	135,247	134,789	151,144	117,017	86,656	84,725	81,531	78,542
Debt services	33,245	28,350	28,350	28,940	28,936	29,114	31,176	31,187	31,176	31,528
Coverage (4)	512 %	530 %	477 %	466 %	522 %	402 %	278 %	272 %	262 %	249 %
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 255,431
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	205,872
Net available revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	49,559
Debt services										
Principal	\$ 26,955	\$ 27,980	\$ 30,695	\$ 29,845	\$ 42,735	\$ 40,765	\$ 37,790	\$ 34,920	\$ 31,890	28,825
Interest	24,411	22,966	20,382	17,630	19,299	21,186	19,320	20,571	19,402	19,036
Total debt services	51,366	50,946	51,077	47,475	62,034	61,951	57,110	55,491	51,292	47,861
Coverage (7)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	104 %
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	\$ 17,864	\$ 19,984	\$ 15,922	\$ 16,434	\$ 17,361	\$ 17,564	\$ 15,867	\$ 14,730	\$ 15,230	\$ 15,763
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	17,864	19,984	15,922	16,434	17,361	17,564	15,867	14,730	15,230	15,763
Debt services										
Principal	1,875	1,920	1,695	1,655	1,575	1,100	850	810	775	740
Interest	1,131	1,221	1,306	1,372	1,435	887	2,163	2,201	2,237	2,270
Total debt services	3,006	3,141	3,001	3,027	3,010	1,987	3,013	3,011	3,012	3,010
Coverage (4)	594 %	636 %	531 %	543 %	577 %	884 %	527 %	489 %	506 %	524 %

N/A Not Available

- (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).

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 Audited 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, 2023

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Population (in thousands)										
State	\$ 1,436	\$ 1,435	\$ 1,455	\$ 1,416	\$ 1,422	\$ 1,435	\$ 1,428	\$ 1,429	\$ 1,432	\$ 1,420
Percentage change	0.07 %	(1.37)%	2.75 %	(0.42)%	(0.91)%	0.49 %	(0.07)%	(0.21)%	0.85 %	1.14 %
National	\$ 335,652	\$ 332,834	\$ 332,473	\$ 329,872	\$ 331,884	\$ 327,734	\$ 325,719	\$ 323,128	\$ 321,419	\$ 318,857
Percentage change	0.85 %	0.11 %	0.79 %	(0.61)%	1.27 %	0.62 %	0.80 %	0.53 %	0.80 %	86.00 %
Total personal income (in millions)										
State	\$ 91,448	\$ 86,011	\$ 85,439	\$ 84,361	\$ 80,163	\$ 76,476	\$ 72,997	\$ 70,670	\$ 66,763	\$ 64,620
Percentage change	6.32 %	0.67 %	1.28 %	5.24 %	4.82 %	4.77 %	3.29 %	5.85 %	3.32 %	2.23 %
National	\$ 22,080,630	\$ 20,805,550	\$ 18,670,430	\$ 17,829,250	\$ 17,855,326	\$ 17,189,635	\$ 16,152,011	\$ 15,725,128	\$ 14,991,944	\$ 14,420,041
Percentage change	6.13 %	11.44 %	4.72 %	(0.15)%	3.87 %	6.42 %	2.71 %	4.89 %	3.97 %	3.71 %
Per capita personal income (in thousands)										
State	\$ 63,683	\$ 60,210	\$ 58,721	\$ 59,577	\$ 56,373	\$ 53,293	\$ 51,118	\$ 49,454	\$ 46,622	\$ 45,507
Percentage change	5.77 %	2.54 %	(1.44)%	5.68 %	5.78 %	4.25 %	3.36 %	6.07 %	2.45 %	1.08 %
National	\$ 65,784	\$ 62,510	\$ 56,156	\$ 54,049	\$ 53,890	\$ 52,450	\$ 49,589	\$ 48,665	\$ 46,643	\$ 45,224
Percentage change	5.24 %	11.31 %	3.90 %	0.30 %	2.75 %	5.77 %	1.90 %	4.34 %	3.14 %	2.82 %
Resident civilian labor force and employment										
Civilian labor force employed	655,546	642,879	576,163	612,221	656,546	669,642	672,675	660,942	645,092	624,638
Unemployed	23,763	30,333	70,075	45,125	18,013	14,508	19,800	22,563	27,729	30,142
Unemployment rate	3.62 %	4.72 %	12.16 %	7.37 %	2.74 %	2.17 %	2.94 %	3.41 %	4.30 %	4.83 %

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, 2023 and June 30, 2014

2023			2014		
Employer	Employees	Percentage	Employer	Employees	Percentage
		of Total State			of Total State
		Employment			Employment
Hawaii Pacific Health	7,199	1.1 %	Bank of Hawaii Corp	2,261	0.3 %
Hawaiian Airlines	6,226	0.9 %	First Hawaiian Bank	2,056	0.3 %
Hawaiian Electric Industries	3,602	0.5 %	Hawaii Pacific Health	6,307	1.0 %
Kaiser Permanente Hawaii	2,834	0.4 %	Hawaiian Electric Industries	3,966	0.6 %
Kamehameha Schools	2,210	0.3 %	Hawaiian Holdings, Inc.	5,249	0.8 %
Kyo-ya Hotels & Resorts, LP	2,495	0.4 %	Kaiser Permanente Hawaii	4,371	0.7 %
Matson, Inc.	2,362	0.3 %	Kamehameha Schools	2,300	0.4 %
Outrigger Hospitality Group	2,701	0.4 %	Kyo-ya Company LLC	2,964	0.5 %
Servco Pacific Inc.	2,210	0.3 %	Securitas Security Services USA, Inc.	2,400	0.4 %
The Queen's Health System	6,752	1.0 %	The Queen's Health System	5,585	0.9 %

Note: Total Annual Average Employment for Hawaii for fiscal year 2023 – 679,000 and for fiscal year 2014 – 655,000.

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, 2023

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General government	4,143	4,102	4,160	4,478	4,533	4,517	4,538	4,537	4,571	4,572
Public safety	2,691	3,030	3,094	3,161	3,207	3,265	3,336	3,316	3,197	3,175
Transportation	2,194	2,216	2,228	2,258	2,210	2,229	2,234	2,263	2,295	2,254
Conservation of natural resources	1,012	963	1,058	1,144	1,079	1,051	1,008	1,015	1,007	1,007
Health	5,284	5,149	5,103	5,204	5,246	5,325	5,127	6,544	6,731	6,813
Welfare	1,675	1,747	1,859	1,915	1,948	1,957	1,940	1,913	1,927	1,941
Lower education	21,537	21,815	21,581	21,995	22,122	22,016	21,531	21,841	21,707	21,797
Higher education	8,023	8,157	8,269	8,633	8,660	8,647	8,620	8,746	8,802	9,080
Other education	423	427	452	497	493	508	486	496	488	492
Urban redevelopment and housing	128	122	124	136	138	132	130	118	123	127
Economic development and assistance	927	764	810	698	702	814	730	749	761	759
Total	<u>48,037</u>	<u>48,492</u>	<u>48,738</u>	<u>50,119</u>	<u>50,338</u>	<u>50,461</u>	<u>49,680</u>	<u>51,538</u>	<u>51,609</u>	<u>52,017</u>

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

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2023

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
General government					
Tax Commission					
Total individual net income returns	775,194	766,585	883,260	693,152	838,441
Number of individual net income returns filed electronically	646,217	621,258	687,282	543,820	579,720
Percentage of individual net income returns transmitted electronically	83.36%	81.04%	77.81%	78.46%	69.14%
Public safety					
Inmate population					
In-state facilities	3,230	3,120	2,981	3,326	3,991
Out-of-state facilities	923	1,029	1,189	1,199	1,507
Total	<u>4,153</u>	<u>4,149</u>	<u>4,170</u>	<u>4,525</u>	<u>5,498</u>
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	50	50	50	50	51
Health					
Environmental health					
Air quality sites monitored	17	18	20	21	20
Water quality stations	197	197	197	197	197
Revolving loan funds	235	224	214	208	200
Mental health					
Adult consumers served	7,763	7,390	7,792	7,990	7,124
Individuals with developmental disabilities served	3,534	3,474	3,424	3,548	3,251
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	3,384	5,149	6,782	4,569	4,362
Average time on assistance	18.0	18.0	24.0	16.7	19.7
Monthly benefits paid for the month of July (in millions)	\$ 2.08	\$ 3.36	\$ 4.15	\$ 2.71	\$ 2.48
General assistance					
Individuals per month	4,217	4,456	6,529	5,634	5,396
Food stamp program					
Number of persons participating	156,967	178,486	176,513	154,669	154,161
Number of households participating	87,471	100,706	97,382	79,811	79,702
Benefits issued (in millions)	\$ 74.23	\$ 79.69	\$ 57.32	\$ 37.07	\$ 36.89
Medicaid programs					
Med-Quest enrollment	465,541	460,742	428,580	361,912	336,202

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
808,183	704,250	768,261	715,706	737,205
552,464	536,273	529,527	509,409	483,817
68.36%	76.15%	68.93%	71.18%	65.63%
4,017	4,052	4,584	4,683	4,456
<u>1,460</u>	<u>1,617</u>	<u>1,386</u>	<u>1,341</u>	<u>1,363</u>
<u>5,477</u>	<u>5,669</u>	<u>5,970</u>	<u>6,024</u>	<u>5,819</u>
52	54	54	52	51
20	14	14	14	13
187	169	160	161	173
192	186	176	159	149
8,328	9,295	7,828	8,282	10,408
2,956	2,863	2,738	2,705	2,615
4,813	5,750	6,918	8,102	8,927
18.1	18.1	18.1	17.5	N/A
\$ 2.26	\$ 2.98	\$ 3.90	\$ 3.60	\$ 4.10
5,575	5,651	5,676	5,699	5,598
164,788	170,850	173,780	191,918	193,565
84,297	85,491	87,636	96,502	98,440
\$ 39.78	\$ 40.26	\$ 40.23	\$ 49.90	\$ 43.39
353,058	352,991	350,358	332,197	325,510

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2023

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Lower education					
Number of schools	295	294	294	293	292
Number of students	170,209	173,178	176,441	181,088	181,278
Staff					
Classroom teachers	11,984	12,026	12,136	12,221	12,132
Librarians	89	88	114	126	135
Counselors	665	646	659	660	660
Administrators	1,079	1,064	1,095	1,093	1,056
Other support staff	9,078	9,108	9,246	9,236	9,194
Total	<u>22,895</u>	<u>22,932</u>	<u>23,250</u>	<u>23,336</u>	<u>23,177</u>
Higher education					
Enrollment					
Number of credit students	<u>48,933</u>	<u>48,373</u>	<u>49,773</u>	<u>49,594</u>	<u>49,977</u>
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	3,998	4,434	4,801	4,800	5,191
Bachelor's degrees	4,281	4,681	4,558	4,473	4,681
Master's degrees/Professional diploma	1,032	1,004	905	1,031	868
Doctor's degrees/First Professional	169	167	443	489	479
Other	334	409	56	54	80
Total	<u>9,814</u>	<u>10,695</u>	<u>10,763</u>	<u>10,847</u>	<u>11,299</u>
Degrees by campus/college					
University of Hawaii at Manoa	4,464	4,692	4,461	4,519	4,551
University of Hawaii at Hilo	682	780	775	801	895
University of Hawaii at West Oahu	630	738	706	709	643
Hawaii Community College	423	523	530	552	587
Honolulu Community College	734	799	756	922	906
Kapiolani Community College	755	943	1,084	1,100	1,212
Kauai Community College	331	335	307	290	343
Leeward Community College	1,056	1,193	1,293	1,087	1,135
Maui Community College	401	442	572	593	701
Windward Community College	338	250	279	274	326
Total	<u>9,814</u>	<u>10,695</u>	<u>10,763</u>	<u>10,847</u>	<u>11,299</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.

2018	2017	2016	2015	2014
292	290	290	289	288
180,837	181,550	181,995	182,384	185,273
12,033	11,782	11,747	11,663	11,781
143	149	160	173	185
653	634	634	623	625
1,036	995	943	914	833
9,277	9,039	9,113	9,052	9,014
<u>23,142</u>	<u>22,599</u>	<u>22,597</u>	<u>22,425</u>	<u>22,438</u>
<u>51,063</u>	<u>51,674</u>	<u>53,418</u>	<u>55,756</u>	<u>57,052</u>
4,912	5,102	5,192	4,830	5,158
4,693	4,735	4,841	4,599	4,408
1,035	1,040	1,126	1,035	1,179
513	482	472	579	467
62	49	49	61	66
<u>11,215</u>	<u>11,408</u>	<u>11,680</u>	<u>11,104</u>	<u>11,278</u>
4,726	4,712	5,104	4,923	4,949
942	955	893	905	806
613	623	474	439	352
586	576	693	569	669
778	900	886	725	683
1,276	1,356	1,383	1,335	1,513
211	258	248	264	203
1,102	1,019	1,057	1,000	1,090
638	668	594	575	660
343	341	348	369	353
<u>11,215</u>	<u>11,408</u>	<u>11,680</u>	<u>11,104</u>	<u>11,278</u>

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function (Unaudited)
Ten Years Ended June 30, 2023

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General government										
Department of Accounting and General Services										
Buildings	78	79	84	79	79	79	79	81	79	78
Vehicles	659	655	677	692	675	644	644	673	650	650
Department of the Attorney General										
Buildings	7	8	6	6	6	6	6	6	6	6
Vehicles	8	8	8	4	3	3	3	4	3	3
The Judiciary										
Buildings	14	19	19	19	19	19	19	19	19	19
Vehicles	-	-	-	-	-	-	18	18	18	18
Other departments										
Buildings	15	20	19	21	21	21	21	21	23	23
Vehicles	4	4	4	3	3	3	3	3	3	4
Public safety										
Department of Public Safety										
Buildings and correction facilities	76	76	83	76	76	76	76	76	77	75
Vehicles	393	375	367	370	354	353	290	302	306	279
Department of Defense										
Buildings	64	64	63	99	99	99	99	99	99	98
Vehicles	137	134	126	126	128	121	108	104	96	128
Department of Commerce and Consumer Affairs										
Buildings	5	4	4	4	4	4	4	4	4	4
Highways										
Department of Transportation										
Highway lane miles	2,491	2,491	2,477	2,478	2,497	2,489	2,489	2,487	2,477	2,488
Highway bridges	752	752	752	752	752	752	752	752	752	752
Buildings	39	40	41	40	40	40	40	40	39	37
Vehicles	1,032	1,048	1,065	1,063	1,077	1,101	1,043	989	971	982

(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 2023.

	Fiscal Year Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Conservation of natural resources										
Department of Land and Natural Resources										
Land area (in square miles)	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423
Buildings	96	96	102	97	97	97	97	97	97	96
Vehicles	996	100	968	982	969	927	886	855	824	785
Department of Agriculture										
Buildings	31	33	35	33	33	33	33	33	33	32
Vehicles	153	153	158	164	165	163	159	161	164	166
Health										
Department of Health										
Buildings	69	73	71	73	73	73	73	74	74	74
Vehicles	258	266	270	272	278	269	258	241	230	227
Welfare										
Department of Human Services										
Buildings	17	18	20	18	18	18	18	18	18	18
Vehicles	100	94	95	93	94	95	99	99	104	116
Lower education										
Department of Education										
Buildings	9	9	9	8	8	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	39	41	40	39	39	38	38	39	38	38
Vehicles	22	23	27	31	33	33	29	29	29	25
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	22	23	21	19	19	19	19	19	18	18
Vehicles	52	52	50	50	46	47	42	39	36	33
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	34	32	38	33	33	32	32	32	32	32
Vehicles	40	26	26	29	32	32	30	32	32	28
Department of Labor and Industrial Relations										
Buildings	7	8	8	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	2

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