

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

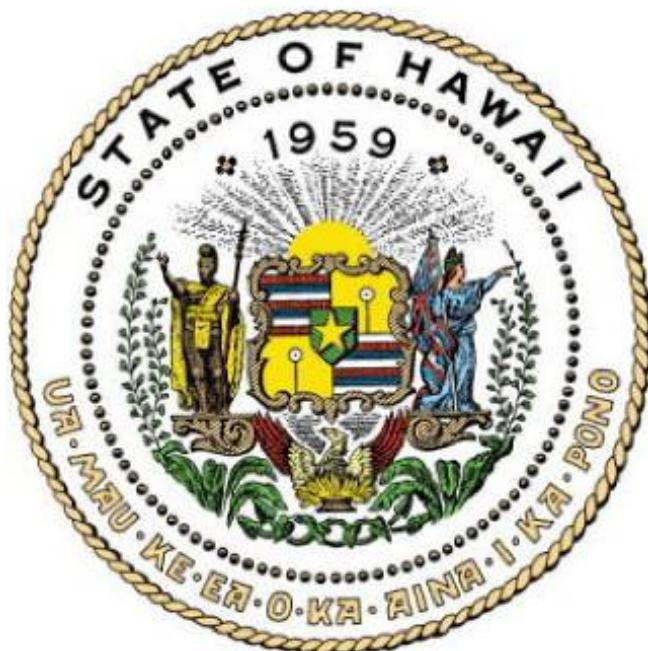


KEITH A. REGAN
COMPTROLLER

STATE OF HAWAII

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2025



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, 2025



Keith A. Regan
Comptroller



Meoh-Leng Silliman
Deputy Comptroller

Governor

Josh Green, M.D.

Director of Finance

Seth S. Colby

Director of Taxation

Gary Suganuma

Comptroller

Keith A. Regan

Deputy Comptroller

Meoh-Leng Silliman

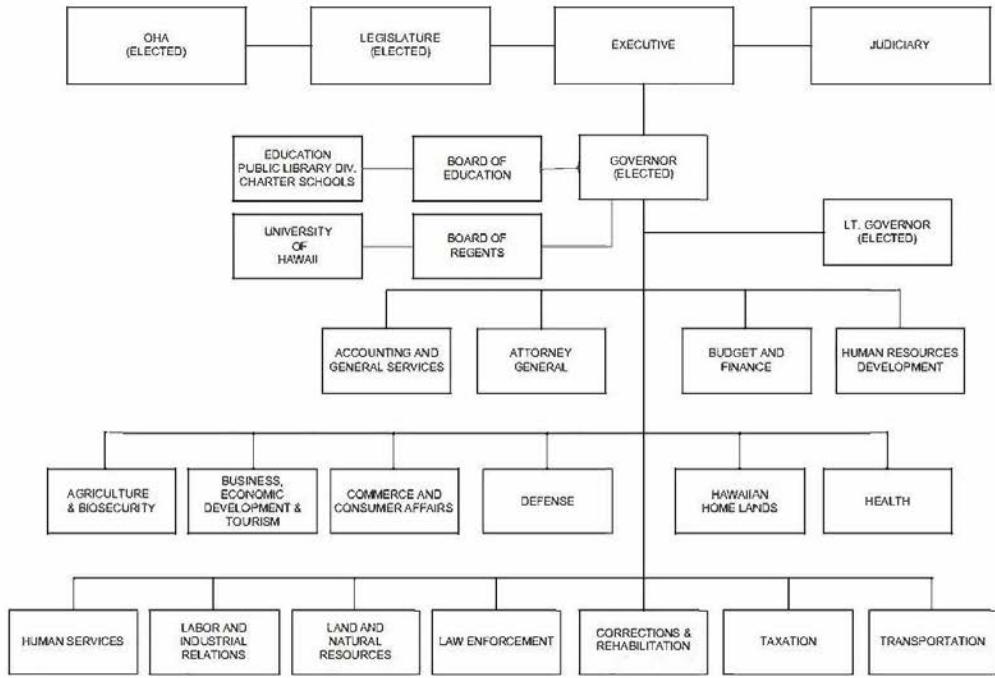
Notes:

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.

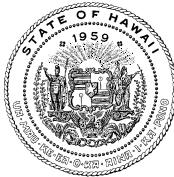
An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

State of Hawaii
Organizational Chart
June 30, 2025



- (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 HAWAI'I | KA MOKUĀINA O HAWAI'I
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELUA LAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

January 30, 2026

To the Citizens and Residents of the State of Hawaii
To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Thirty-Third State
Legislature of the State of Hawaii
To the Members of Governing Boards of Hawaii Departments and Agencies

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, 2025. 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 2025, Hawaii's economic indicators were largely positive. The civilian labor force, wage and salary jobs, visitor arrivals, government contracts awarded, and private building permit authorizations increased. However, State general fund tax revenues decreased due to reduced income tax revenues.

Labor

Labor market conditions were positive. During the first nine months of 2025, Hawaii's total civilian employment averaged 670,100 persons, an increase of 10,700 persons or 1.6% over the same period in 2024. The number of wage and salary jobs averaged 655,000. Job increases were most notable in health care & social assistance 2,800, food services & drinking places 2,400, government sector 2,100, arts, entertainment and recreation 1,100, and accommodation 1,100. Job declines were experienced in professional & business services 600 and wholesale trade 100. Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 2.7% for the first nine months of 2025, which is 0.2% lower for the same period in 2024.

Taxes

The State General Fund tax revenues decreased \$150.8 million, or -3.0%, during the first nine months of 2025 compared to the same period in 2024. Among its components, net individual income tax collections decreased \$155.6 million or -8.9%, while general excise and use tax (GET) collections increased \$135.4 million or 5.9%, county surcharges were up by \$25.5 million or 9.6%, and transient accommodations tax (TAT) collections increased \$4.1 million or 1.0%. Net corporate income tax revenues decreased \$136.5 million or -41.8%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased \$11.8 million, or 5.8% in the first half of 2025 compared to the same period in 2024. Among its components, an incline was seen in wages and salaries which increased by \$6.5 million or 6.8%, supplemental wages and salaries which increased by \$2.1 million or 7.7% and dividends, interest and rent increased \$1.7 million or 3.7%. The remaining categories had inclines that ranged from 3.8% to 38.2%. Contributions for government social insurance, which are subtracted from personal income, increased by 7.2%.

Prices

Honolulu's consumer price index (CPI) increased 2.9% for the first half of 2025 compared to the same period in 2024, which is 0.3% above the 2.6% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in food and beverages (4.6%), transportation (4.0%), apparel (3.8%), other goods and services (3.0%), housing (2.6%), medical care (2.5%), and recreation (2.2%); and decrease in education and communication (-1.2%), compared to the first half of 2024.

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2025, total visitor arrivals by air increased 114,590 or 2.4% compared to the same period of 2024. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 3.5% while international arrivals decreased -2.5%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 1.8% in the first nine months of 2025 compared to the same period of 2024 and total visitor spending increased \$668.0 million or 6.5% over the same period. Statewide, the hotel occupancy rate averaged 74.4% in the first nine months of 2025, 0.3% lower than the average rate during the same period of 2024.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. Construction jobs and government contracts increased in the second quarter of 2025, however, state government CIP expenditure decreased. Private building authorizations increased for the state overall. In the second quarter of 2025, the construction sector increased 1,200 jobs or 3.1%, private building authorizations increased \$308.4 million or 24.7%, compared with the same quarter in 2024.

Outlook for Hawaii's Economy

Hawaii's economy strengthened in the first quarter of 2025 compared with the same quarter in 2024. Overall economic activity is now 1.8% above pre-pandemic levels recorded in late 2019. Several tourism related industries (accommodation, food services, transportation and recreation) remain below pre-pandemic levels. Non-tourism industries such as professional services, health care and information have helped offset the uneven rebound in visitor-related industries.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The August 2025 Blue Chip Economic Indicators report expects the U.S. economic growth rate in 2025 to increase 1.6% and projects a positive 1.5% U.S. economic growth rate for 2026. 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 1.3% in 2025, 1.4% in 2026, 1.6% in 2027 and 1.8% in 2028.

Visitor arrivals are projected to remain stable in 2025 and will improve starting 2026. Visitor spending is projected to be \$21.2 billion in 2025 and is expected to increase to \$23.0 billion by 2028.

DBEDT projects total non-agricultural wage and salary jobs to increase by 1.4% in 2025 and then by 0.9% each year between 2025 and 2028. A full recovery of non-agricultural payroll jobs is expected to occur in 2027 when the total will reach 659,700 jobs. The unemployment rate is expected to be at 2.9% in 2025 and 2026 and will improve to 2.8% in 2027 and 2.7% in 2028.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, is expected to be at 3.0% in 2025, which is higher than the projected U.S. consumer inflation rate of 2.8% for the same year. Hawaii consumer inflation is expected to decrease to 2.2% by 2028.

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.

The legal level of budgetary control for expenditures is maintained at the program level by the department, and source of funds as established in the appropriation acts. The Governor is authorized to transfer budgets between programs within the same department and source of funds; however, transfers of budgets between departments generally require legislative authorization.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2025 (Act 250, SLH 2025), 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, 2029, 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, 2025. 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, 2024. 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, 2024

Christopher P. Morill

Executive Director/CEO

PART II: FINANCIAL SECTION

Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Audit of the Financial Statements

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, 2025, and the related notes to the basic financial statements, which collectively comprise the State of Hawaii's basic financial statements 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, 2025, 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, which is a nonmajor enterprise fund; and the Hawaii Public Housing Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions as of June 30, 2025, 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	65 %	64 %
Aggregate Discretely Presented Component Units	20 %	33 %
Fiduciary Funds	98 %	61 %

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 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.

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 Matters

As discussed in Note 1 to the financial statements, the State adopted Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, as of July 1, 2024. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, there was a change in reporting entity during the year ended June 30, 2025. Our opinions are 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, budgetary comparison information, 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 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 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 and statistical sections 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.

"Accuity" is the brand name under which Accuity LLP and Accuity Advisors, LLC provide professional services. Accuity LLP and Accuity Advisors, LLC practice as an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable laws, regulations, and professional standards. Accuity LLP is a licensed independent CPA firm that provides attest services to its clients, and Accuity Advisors, LLC provides tax and business consulting services to their clients. Accuity Advisors, LLC is not a licensed CPA firm.

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 January 30, 2026, 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
January 30, 2026

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State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2025

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, 2025. 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

Change in Accounting Principle

During fiscal year 2025, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This Statement updated the recognition and measurement guidance for compensated absences. This Statement requires recognition of a liability for compensated absences that is attributed to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid or settled.

As a result of the adoption of GASB Statement No. 101, the beginning net position decreased by \$570.0 million.

Change in Reporting Entity

The Hawaii Tourism Authority (HTA) was previously reported as a discretely presented component unit. Due to the legislation enacted during the fiscal year 2025, HTA no longer meets the requirements for presentation as a discretely presented component unit and is reported as a blended component unit within the State's governmental activities as of and for the year ended June 30, 2025.

The beginning net position and fund balances were adjusted to reflect the change in reporting entity.

Government-Wide Highlights

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at June 30, 2025 by \$5.5 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$1.7 billion, a decrease of \$1.7 billion from the previous year. Net position of governmental activities and business-type activities increased by \$2.5 billion and \$456.8 million, respectively, due to current year activity. The total deferred outflows of resources was \$1.9 billion, a \$178.2 million increase. This was due to the increase in deferred outflows on pension liability in the amount of \$280.0 million offset against a decrease in net other postemployment benefits (OPEB) liability in the amount of \$88.1 million. The deferred inflows of resources increased to \$2.7 billion. This was due to the increases in deferred inflows on OPEB liability in the amount of \$247.2 million offset against a decrease in pension liability in the amount of \$51.6 million.

The State's liabilities increased during the current year to \$28.6 billion, an increase of \$239.4 million.

The State's liability for postemployment benefits other than pension decreased to \$3.8 billion, a decrease of \$842.6 million for the fiscal year ended June 30, 2025.

The State's liability for pensions increased to \$7.5 billion, an increase of \$265.8 million for the fiscal year ended June 30, 2025.

During fiscal 2025, the State issued \$750 million in taxable General Obligation bonds and \$849 million in revenue bonds.

Fund Highlights

At June 30, 2025, the State's Governmental Funds reported combined ending fund balances of \$8.9 billion, an increase of \$1.6 billion from the prior fiscal year-end. Of this amount, \$4.2 billion, or 47.3%, of total fund balances was in the General Fund, and the remaining \$4.7 billion represents amounts in other funds designated for specific purposes. The Proprietary Funds reported net position of \$6.5 billion at June 30, 2025, an increase of \$456.8 million during the fiscal year.

State of Hawaii
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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 six 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, 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 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 52–120 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 \$5.5 billion as of June 30, 2025, and net position increased \$3.0 billion, or 104.9%, during the fiscal year. The net position of the governmental activities increased by \$2.5 billion, or 77.6%, and business-type activities had an increase of \$456.8 million, or 7.5%, due to the fiscal year 2025 activity. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2025 and 2024
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	\$ 12,516,487	\$ 11,174,079	\$ 5,406,050	\$ 4,639,316	\$ 17,922,537	\$ 15,813,395
Capital assets, net	11,315,943	10,752,992	5,683,544	5,470,485	16,999,487	16,223,477
Total assets	\$ 23,832,430	\$ 21,927,071	\$ 11,089,594	\$ 10,109,801	\$ 34,922,024	\$ 32,036,872
Deferred outflows of resources						
Deferred loss on refunding	\$ 56,585	\$ 70,115	\$ 4,834	\$ 5,024	\$ 61,419	\$ 75,139
Deferred outflows on net pension liability	1,171,424	902,053	43,963	33,296	1,215,387	935,349
Deferred outflows on net other postemployment benefits liability	595,945	683,680	29,627	30,019	625,572	713,699
Total deferred outflows of resources	\$ 1,823,954	\$ 1,655,848	\$ 78,424	\$ 68,339	\$ 1,902,378	\$ 1,724,187
Liabilities						
Long-term liabilities	\$ 21,739,103	\$ 21,841,353	\$ 3,788,572	\$ 3,245,762	\$ 25,527,675	\$ 25,087,115
Other liabilities	2,740,209	2,961,730	345,480	325,125	3,085,689	3,286,855
Total liabilities	\$ 24,479,312	\$ 24,803,083	\$ 4,134,052	\$ 3,570,887	\$ 28,613,364	\$ 28,373,970
Deferred inflows of resources						
Deferred inflows on leases	\$ 754,980	\$ 767,793	\$ 434,753	\$ 460,681	\$ 1,189,733	\$ 1,228,474
Deferred inflows on unavailable revenues	-	41,592	-	-	-	41,592
Deferred inflows on net pension liability	99,999	149,306	18,505	20,749	118,504	170,055
Deferred inflows on net other postemployment benefits liability	1,312,627	1,073,640	40,099	31,904	1,352,726	1,105,544
Deferred gain on refunding	-	-	13,081	-	13,081	-
Total deferred inflows of resources	\$ 2,167,606	\$ 2,032,331	\$ 506,438	\$ 513,334	\$ 2,674,044	\$ 2,545,665
Net position						
Net investment in capital assets	\$ 2,143,473	\$ 1,434,962	\$ 2,750,759	\$ 2,698,227	\$ 4,894,232	\$ 4,133,189
Restricted	72	72	2,344,485	2,091,280	2,344,557	2,091,352
Unrestricted	(3,134,079)	(4,687,529)	1,432,284	1,304,412	(1,701,795)	(3,383,117)
Total net position	\$ (990,534)	\$ (3,252,495)	\$ 6,527,528	\$ 6,093,919	\$ 5,536,994	\$ 2,841,424

Analysis of Net Position

The largest portion of the State's net position (\$4.9 billion or 88.4%) 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 (\$2.3 billion or 42.3%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$1.7 billion or 30.7% represents unrestricted net position.

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At June 30, 2025, 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 \$3.7 billion and net pension liability of \$7.2 billion.

Changes in Net Position

The State's net position increased by \$3.0 billion, or 104.9%, during the fiscal year ended June 30, 2025. Approximately 54.2% of the State's total revenues came from taxes, while 27.9% resulted from grants and contributions (including federal aid). Charges for various goods and services and other income provided 17.9% 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, and public safety.

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.

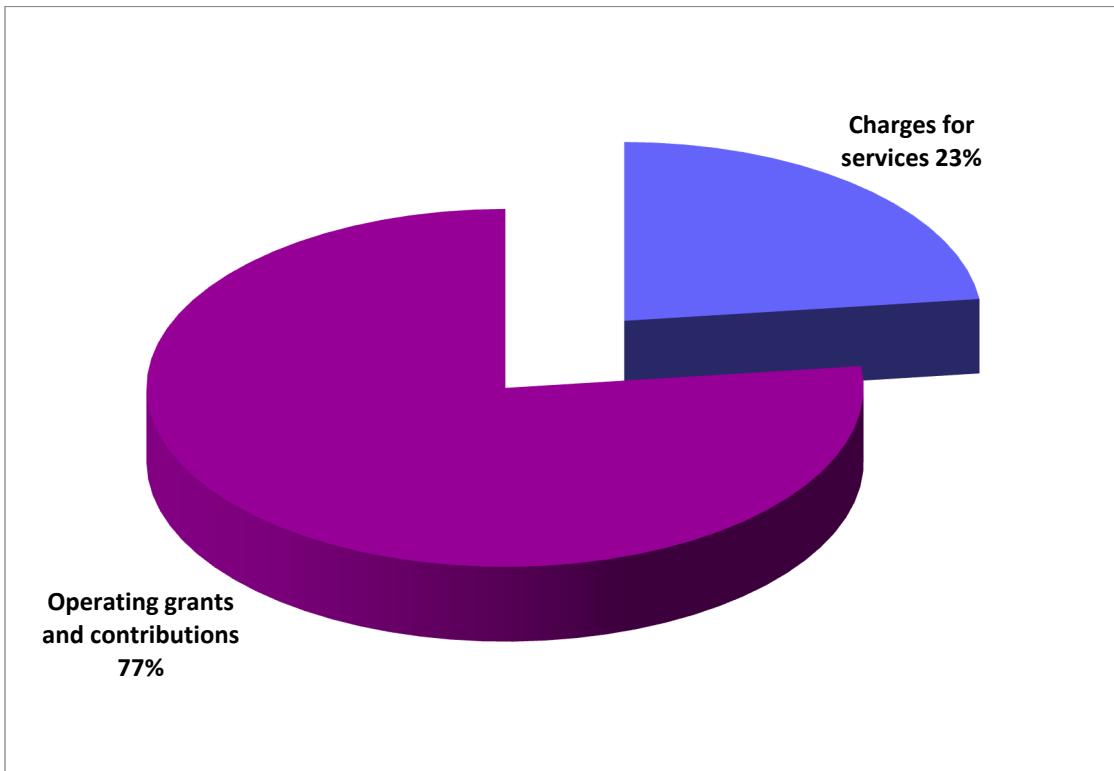
Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	\$ 1,602,736	\$ 879,441	\$ 1,347,458	\$ 1,410,276	\$ 2,950,194	\$ 2,289,717
Operating grants and contributions	5,350,239	5,521,905	3,133	30,670	5,353,372	5,552,575
Capital grants and contributions	-	-	205,708	143,689	205,708	143,689
General revenues						
Taxes	10,815,188	10,413,496	-	-	10,815,188	10,413,496
Investment income and other	496,658	393,747	124,690	107,419	621,348	501,166
Total revenues	<u>18,264,821</u>	<u>17,208,589</u>	<u>1,680,989</u>	<u>1,692,054</u>	<u>19,945,810</u>	<u>18,900,643</u>
Expenses						
General government	1,241,306	1,546,229	-	-	1,241,306	1,546,229
Public safety	1,060,417	1,156,995	-	-	1,060,417	1,156,995
Highways	629,582	565,343	-	-	629,582	565,343
Conservation of natural resources	228,594	174,301	-	-	228,594	174,301
Health	1,242,850	1,263,956	-	-	1,242,850	1,263,956
Welfare	4,861,555	4,946,304	-	-	4,861,555	4,946,304
Lower education	3,976,645	4,187,868	-	-	3,976,645	4,187,868
Higher education	1,194,175	1,148,250	-	-	1,194,175	1,148,250
Other education	26,864	20,058	-	-	26,864	20,058
Culture and recreation	186,847	148,600	-	-	186,847	148,600
Urban redevelopment and housing	439,369	544,891	-	-	439,369	544,891
Economic development and assistance	351,284	427,437	-	-	351,284	427,437
Interest expense	301,283	282,467	-	-	301,283	282,467
Airports	-	-	764,773	710,430	764,773	710,430
Harbors	-	-	117,455	101,410	117,455	101,410
Unemployment compensation	-	-	172,300	249,959	172,300	249,959
Nonmajor proprietary funds	-	-	169,651	159,082	169,651	159,082
Total expenses	<u>15,740,771</u>	<u>16,412,699</u>	<u>1,224,179</u>	<u>1,220,881</u>	<u>16,964,950</u>	<u>17,633,580</u>
Change in net position	<u>2,524,050</u>	<u>795,890</u>	<u>456,810</u>	<u>471,173</u>	<u>2,980,860</u>	<u>1,267,063</u>
Net position						
Beginning of year, as previously reported	(3,252,495)	(4,048,385)	6,093,919	5,622,746	2,841,424	1,574,361
Adjustment for change in accounting principle	(546,839)	-	(23,201)	-	(570,040)	-
Adjustment for change in reporting entity	284,750	-	-	-	284,750	-
Beginning of year, as restated	(3,514,584)	(4,048,385)	6,070,718	5,622,746	2,556,134	1,574,361
End of year	<u>\$ (990,534)</u>	<u>\$ (3,252,495)</u>	<u>\$ 6,527,528</u>	<u>\$ 6,093,919</u>	<u>\$ 5,536,994</u>	<u>\$ 2,841,424</u>

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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, 2025

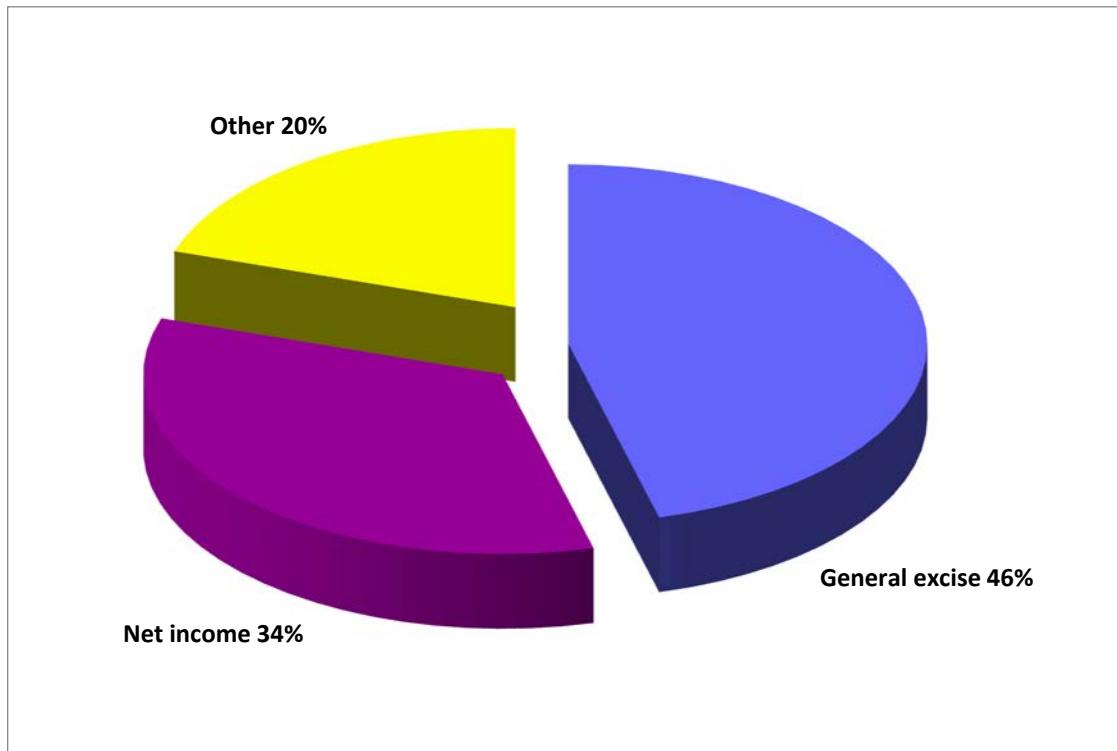


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Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2025



Analysis of Changes in Net Position

The State's net position increased by \$3.0 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 \$2.5 billion, Airports of \$180.2 million, Harbors of \$132.0 million, Unemployment Compensation Fund of \$108.5 million, and Nonmajor Proprietary Funds of \$36.0 million.

State of Hawaii
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Governmental Activities

Governmental activities increased the State's net position by \$2.5 billion. The elements of this increase are reflected below:

	Governmental Activities (Amounts in thousands)	
	2025	2024
General revenues		
Taxes	\$ 10,815,188	\$ 10,413,496
Interest and investment income and other	496,658	393,747
Total general revenues	<u>11,311,846</u>	<u>10,807,243</u>
Expenses, net of program revenues		
General government	2,360	1,025,730
Public safety	576,500	710,501
Highways	303,019	282,677
Conservation of natural resources	57,651	(31,916)
Health	832,722	885,043
Welfare	1,374,944	1,313,188
Lower education	3,454,240	3,487,571
Higher education	1,193,566	1,147,852
Other education	26,864	20,058
Culture and recreation	171,419	133,499
Urban redevelopment and housing	331,583	468,360
Economic development and assistance	161,645	286,323
Interest expense	<u>301,283</u>	<u>282,467</u>
Total governmental activities expenses, net of program revenues	<u>8,787,796</u>	<u>10,011,353</u>
Increase in governmental activities, net position	<u>\$ 2,524,050</u>	<u>\$ 795,890</u>

Tax revenues increased by \$401.7 million, or 3.9%, from the previous fiscal year. The increase was primarily due to an increase in other taxes of \$357.1 million.

Expenses, net of program revenues decreased by \$1.2 billion mainly due to the decrease in program expenses of \$671.9 million, and an increase of charges for services and operating grants and contributions of \$551.6 million. The largest variances were general government, lower education, public safety, and urban development and housing.

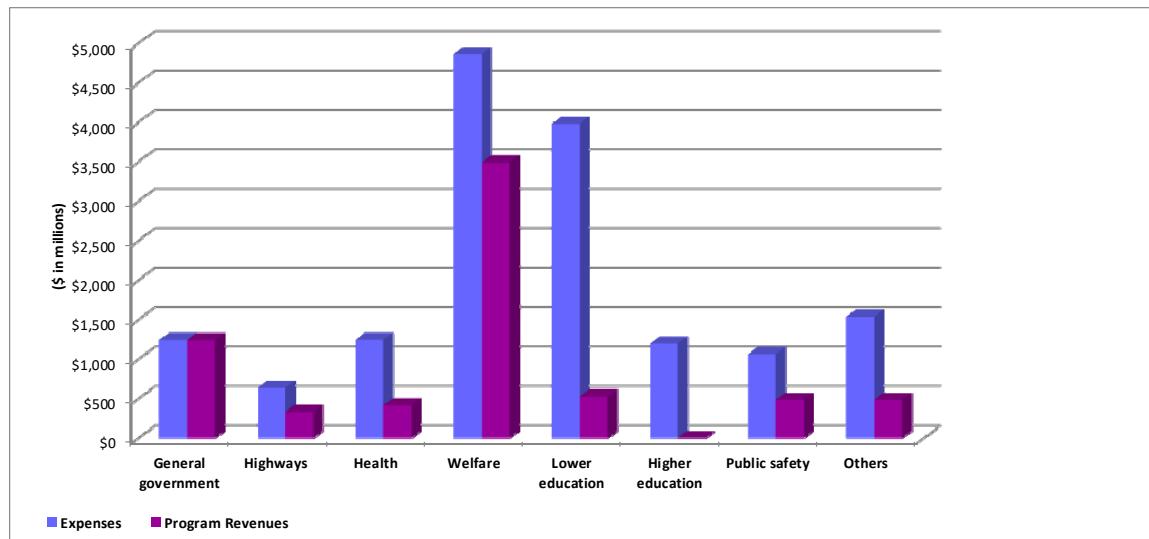
State of Hawaii

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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, 2025



State of Hawaii

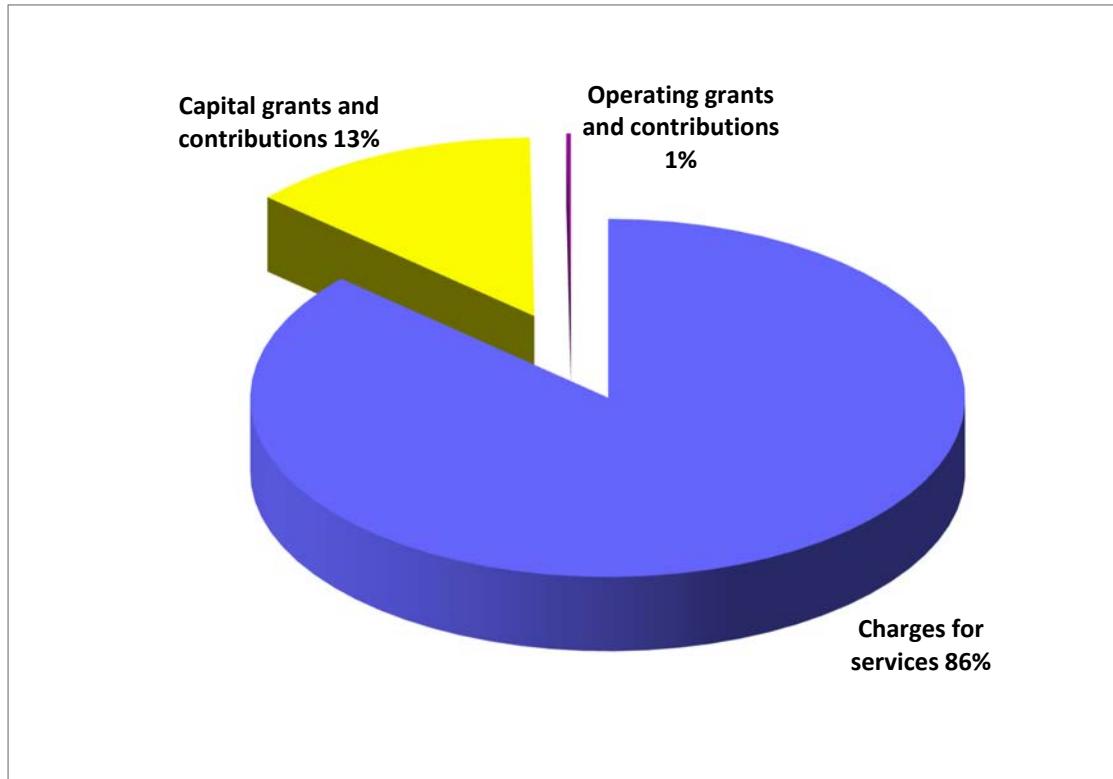
Management's Discussion and Analysis (Unaudited)

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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, 2025

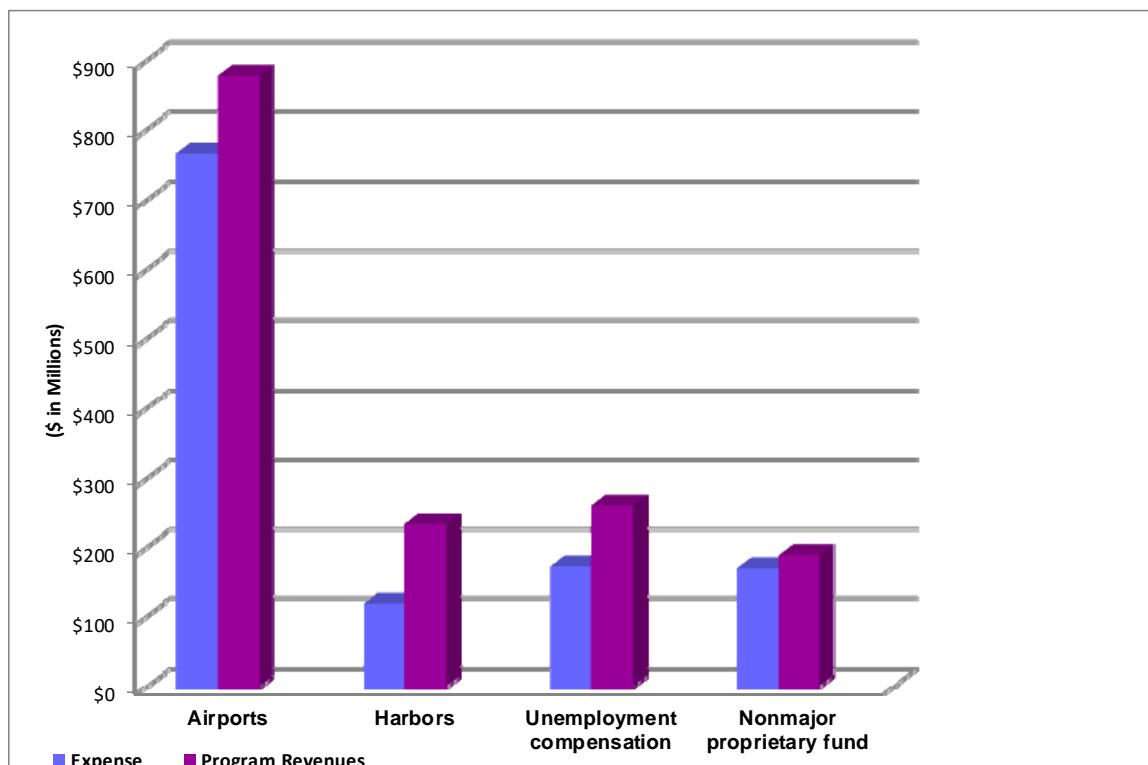


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Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2025



Business-type activities increased the State's net position by \$456.8 million in fiscal 2025, compared to an increase of \$471.2 million in fiscal 2024. Key elements of this increase are as follows:

- Airports' net position increased \$180.2 million compared to an increase of \$147.8 million in fiscal 2024. Operating revenues increased by \$37.0 million due to an increase in passenger traffic.
- Harbors' net position increased \$132.0 million in fiscal 2025 compared to an increase of \$122.9 million in fiscal 2024. Charges for current services increased by \$2.8 million due to increased Wharfage revenues and tariff rates.
- The Unemployment Compensation Fund's net position increased \$108.5 million compared to an increase of \$173.9 million in the prior fiscal year. The change was primarily due to a decrease of unemployment collections and benefits paid of \$138.0 million and \$77.7 million, respectively.
- The Nonmajor Proprietary Fund's net position increased \$36.0 million in fiscal 2025 compared to an increase of \$26.5 million in fiscal 2024.

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- Key elements of the State's business-type activities for the fiscal years ended June 30, 2025 and 2024 are as follows:

	Business-Type Activities (Amounts in thousands)									
	Program Revenues									
	Charges for Services		Operating and Capital Grants and Contributions		Total		Expenses		Program Revenues Net of Expenses	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Airports	\$ 731,902	\$ 679,027	\$ 145,499	\$ 109,016	\$ 877,401	\$ 788,043	\$ 764,773	\$ 710,430	\$ 112,628	\$ 77,613
Harbors	225,676	222,890	6,724	1,449	232,400	224,339	117,455	101,410	114,945	122,929
Unemployment compensation	254,982	392,995	3,133	15,042	258,115	408,037	172,300	249,959	85,815	158,078
Nonmajor proprietary funds	134,898	115,364	53,485	48,852	188,383	164,216	169,651	159,082	18,732	5,134
Total	\$ 1,347,458	\$ 1,410,276	\$ 208,841	\$ 174,359	\$ 1,556,299	\$ 1,584,635	\$ 1,224,179	\$ 1,220,881	\$ 332,120	\$ 363,754

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 \$8.9 billion. Of this amount, \$72 thousand is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. An additional \$662.8 million has been committed to specific purposes and \$6.4 billion has been assigned to specific purposes by management. The unassigned fund balance was \$1.9 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 \$4.2 billion compared to \$3.6 billion previously reported at June 30, 2024. This increase is mainly due to increases from tax revenues, intergovernmental revenues and other income. The fund balance of the State's Capital Projects Fund decreased \$307.1 million during the fiscal year. The Capital Projects Fund decrease is a result of expenditures in excess of proceeds from general obligation bond issuances. The fund balance of the Med-Quest Special Revenue Fund increased \$2.4 million compared to the previous year due to fewer Med-Quest benefits enrollments. The fund balance of the Administrative Support Special Revenue Fund increased by \$857.4 million as a result of an increase in revenues from private sources. The fund balance of the Natural Resources Special Revenue Fund increased by \$36.3 million mainly due to an increase in fair value of investments held and inter-governmental revenues resulting from significant increase in grants and awards received. The fund balance of the Hawaiian Programs Special Revenue Fund increased by \$241.6 million, mainly due to the transfer of \$226.1 million from the General Fund. The fund balance of the other Nonmajor Governmental Funds increased \$71.5 million, due to increases from tax revenues, charges for services, and an increase in fair value of investments held.

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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 \$180.2 million, Harbors had an increase in net position of \$132.0 million, the Unemployment Compensation Fund had an increase in net position of \$108.5 million, and the Nonmajor Proprietary Funds had an increase in net position of \$36.0 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues on a budgetary basis were \$209.0 million, or 1.9%, more than the final budget. The positive variance was attributed to favorable non-tax revenues of \$253.6 million offset by unfavorable tax revenues of \$44.6 million. The favorable variance in non-tax revenues is mainly comprised of interest and investment income, charges for current services, and other collections.

The difference between the final budget and actual expenditures on a budgetary basis was \$745.9 million. The difference is mostly due to the Budget and Finance variance of \$382.3 million and Human Services variance of \$100.7 million. The Budget and Finance variance is mostly due to \$201.6 million from savings in reductions to debt service payments. Also contributing to the variance was \$77.2 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans. The Human Services variance is mostly due to \$103.6 million lapsed at the end of the fiscal year 2025. 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, 2025 amounted to \$17.0 billion (net of accumulated depreciation of \$17.6 billion), an increase of \$776.0 million from June 30, 2024. The increase is due to net additions in governmental activities capital assets of \$876.5 million and in business-type capital assets of \$454.3 million, offset by increases in governmental activities and business-type activities accumulated depreciation and amortization of \$503.3 million and \$241.2 million, respectively. Major capital improvement projects, which resulted in additions to capital assets in the fiscal year ended June 30, 2025, included the following:

- \$627.6 million for various capital improvements at airports statewide.
- \$127.2 million for various building improvement projects throughout the State.
- \$562.3 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- \$191.0 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, 2025

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$12.6 billion. Of this amount, \$8.9 billion comprises debt backed by the full faith and credit of the State and \$3.7 billion is revenue-bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total long-term debt is shown below:

Long-Term Debt
June 30, 2025 and 2024
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
General obligation bonds	\$ 8,888,440	\$ 8,954,554	\$ 5,154	\$ 8,131	\$ 8,893,594	\$ 8,962,685
Revenue bonds	548,160	599,743	3,174,409	2,597,661	3,722,569	3,197,404
Financed purchases	72,959	82,180	138,692	159,976	211,651	242,156
Leases	60,320	66,171	600	769	60,920	66,940
Subscriptions payable	44,049	37,500	2,478	2,993	46,527	40,493
Total	<u>\$ 9,613,928</u>	<u>\$ 9,740,148</u>	<u>\$ 3,321,333</u>	<u>\$ 2,769,530</u>	<u>\$ 12,935,261</u>	<u>\$ 12,509,678</u>

The State's total long-term debt increased by \$425.6 million, or 3.4%, during the current fiscal year. The increase is primarily due to issuances of taxable general obligation bonds and revenue bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2025, 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, 2025 was \$882.1 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 November 2025 was 2.2%, which is 0.8% lower compared to 3.0% one year prior. The seasonally adjusted national unemployment rate was 4.5% for November 2025, which is 0.3% higher compared to 4.2% one year prior.

The Council of Revenues in September 2025 revised the State's General Fund tax revenue growth rate for fiscal year 2026 from negative 3.5% to negative 4.7% because of the significant tax relief legislation passed in the 2024 Legislature. The Council also revised the General Fund tax revenue growth rate for fiscal year 2027 to 2.0%, 1.9% for fiscal 2028, 2.5% for fiscal year 2029, 1.8% for fiscal year 2030, 3.1% for fiscal year 2031, and 3.4% for fiscal year 2032.

Cumulative general fund tax revenues for the first five months of fiscal year 2026 was \$3.8 billion, a decrease of \$444.8 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue, increased 7.3%. The collections of individual income tax are down 15.4%, while transient accommodations tax collections are up 2.2% from last year.

State of Hawaii

Management's Discussion and Analysis (Unaudited)

June 30, 2025

A recovery of tourists on the island of Maui in the wake of the 2023 fires, an expected gradual return of Japanese visitors, a strong construction outlook, and the stimulative effects coming from the anticipated cuts to the Federal Reserve's benchmark rate make for a more favorable economic outlook for the State in the coming years. These developments will provide a temporary boost to revenue growth in the next two years, after which revenue growth will gradually revert to its long-term average rate.

The State will continue to monitor economic conditions that may affect revenues and expenditures, including the potential for decreases in federal funding. The State continues to evaluate opportunities to diversify revenue sources and improve operational efficiencies to mitigate the impact of potential reductions in federal support while preserving essential public services.

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, 2025
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,819,518	\$ 1,858,116	\$ 3,677,634	\$ 1,445,545
Receivables				
Taxes	593,568	63,434	657,002	-
Accounts and accrued interest, net	122,987	134,575	257,562	351,071
Notes, loans, mortgages and contributions, net	201,449	762,672	964,121	1,334,754
Federal government	21,210	33,426	54,636	1,519
Premiums	-	45,837	45,837	-
Drug rebate	253,137	-	253,137	-
Settlement	33,507	-	33,507	-
Other, net	14,109	31,790	45,899	22,942
Total receivables	1,239,967	1,071,734	2,311,701	1,710,286
Internal balances	1,617	(1,617)	-	-
Due from component units	6,120	-	6,120	-
Due from primary government	-	-	-	1,198,764
Due from other governments	250	-	250	-
Investments	8,632,780	185,405	8,818,185	2,094,276
Inventories				
Materials and supplies	-	737	737	44,147
Developments in progress and dwelling units	-	-	-	34,662
Total inventories	-	737	737	78,809
Restricted assets	-	1,868,769	1,868,769	211,894
Other assets				
Prepaid expenses	14,629	5,050	19,679	46,782
Leases receivable	801,606	416,408	1,218,014	37,254
Restricted pledge	-	-	-	17,406
Other	-	1,448	1,448	94,873
Total other assets	816,235	422,906	1,239,141	196,315
Capital assets				
Land and land improvements	2,608,866	3,195,653	5,804,519	545,020
Infrastructure	11,450,548	-	11,450,548	395,881
Construction in progress	1,856,730	1,599,356	3,456,086	417,736
Buildings, improvements and equipment	8,641,626	5,024,607	13,666,233	5,812,101
Intangible assets – software	168,162	-	168,162	-
Subscription assets	94,481	3,974	98,455	50,470
Accumulated depreciation and amortization	(13,504,470)	(4,140,046)	(17,644,516)	(3,743,817)
Total capital assets, net	11,315,943	5,683,544	16,999,487	3,477,391
Total assets	23,832,430	11,089,594	34,922,024	10,413,280
Deferred outflows of resources				
Deferred asset retirement obligations	-	-	-	31,646
Deferred loss on refunding	56,585	4,834	61,419	6,191
Deferred outflows on net pension liability	1,171,424	43,963	1,215,387	341,241
Deferred outflows on net other postemployment benefits liability	595,945	29,627	625,572	263,860
Total deferred outflows of resources	\$ 1,823,954	\$ 78,424	\$ 1,902,378	\$ 642,938

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

State of Hawaii
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	Primary Government				Component Units
	Governmental Activities		Business-Type Activities	Total	
	Activities	Activities	Total		
Liabilities					
Vouchers and contracts payable	\$ 541,462	\$ 74,249	\$ 615,711	\$ 216,746	
Other accrued liabilities	560,024	218,237	778,261	151,386	
Advance from federal government	67,068	-	67,068	-	
Due to federal government	251,980	-	251,980	-	
Due to component units	1,198,764	-	1,198,764	-	
Due to primary government	-	-	-	6,120	
Unearned revenue	-	-	-	32,058	
Premiums payable	-	52,994	52,994	-	
Other	120,911	-	120,911	36,812	
Long-term liabilities					
Due within one year					
Payable from restricted assets – revenue bonds payable, net	-	63,362	63,362	-	
General obligation (GO) bonds payable	815,835	3,125	818,960	-	
Notes, mortgages and installment contracts payable	-	-	-	10,636	
Compensated absences	230,073	11,309	241,382	114,561	
Revenue bonds payable, net	52,702	-	52,702	27,492	
Reserve for losses and loss adjustment costs	40,973	3,414	44,387	7,789	
Leases payable	12,702	198	12,900	112	
Subscriptions payable	15,190	535	15,725	8,207	
Financed purchases	10,029	1,687	11,716	5,006	
Lease revenue certificates of participation	-	20,755	20,755	-	
Customer facility charge revenue bonds	-	11,370	11,370	-	
Due in more than one year					
GO bonds payable	8,072,605	2,029	8,074,634	-	
Notes, mortgages and installment contracts payable	-	-	-	115,130	
Compensated absences	638,400	31,409	669,809	188,692	
Revenue bonds payable, net	495,458	3,099,677	3,595,135	370,277	
Reserve for losses and loss adjustment costs	320,462	14,040	334,502	27,408	
Leases payable	47,618	402	48,020	285	
Subscriptions payable	28,859	1,943	30,802	16,654	
Financed purchases	62,930	16,502	79,432	12,977	
Lease revenue certificates of participation	-	99,748	99,748	-	
Unearned revenue	-	-	-	38,794	
Net pension liability	7,242,461	232,632	7,475,093	2,349,103	
Net other postemployment benefits liability	3,652,472	163,338	3,815,810	1,772,435	
Security deposits	-	9,314	9,314	-	
Other	334	1,783	2,117	104,246	
Total liabilities	<u>24,479,312</u>	<u>4,134,052</u>	<u>28,613,364</u>	<u>5,612,926</u>	
Deferred inflows of resources					
Deferred inflows on leases	754,980	434,753	1,189,733	55,386	
Deferred inflows on net pension liability	99,999	18,505	118,504	80,023	
Deferred inflows on net other postemployment benefits liability	1,312,627	40,099	1,352,726	360,618	
Deferred gain on refunding	-	13,081	13,081	-	
Total deferred inflows of resources	<u>2,167,606</u>	<u>506,438</u>	<u>2,674,044</u>	<u>496,027</u>	
Net position					
Net investment in capital assets	2,143,473	2,750,759	4,894,232	2,931,815	
Restricted for bond requirements and other	72	2,344,485	2,344,557	1,898,688	
Unrestricted	(3,134,079)	1,432,284	(1,701,795)	116,762	
Total net position	<u>\$ (990,534)</u>	<u>\$ 6,527,528</u>	<u>\$ 5,536,994</u>	<u>\$ 4,947,265</u>	

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

State of Hawaii
Statement of Activities
Year Ended June 30, 2025
(Amounts in thousands)

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-Type Activities		
Primary government								
Governmental activities								
General government	\$ 1,241,306	\$ 954,586	\$ 284,360	\$ -	\$ (2,360)	\$ -	\$ (2,360)	
Public safety	1,060,417	112,345	371,572	-	(576,500)	-	(576,500)	
Highways	629,582	12,890	313,673	-	(303,019)	-	(303,019)	
Conservation of natural resources	228,594	95,818	75,125	-	(57,651)	-	(57,651)	
Health	1,242,850	184,272	225,856	-	(832,722)	-	(832,722)	
Welfare	4,861,555	134,780	3,351,831	-	(1,374,944)	-	(1,374,944)	
Lower education	3,976,645	28,654	493,751	-	(3,454,240)	-	(3,454,240)	
Higher education	1,194,175	605	4	-	(1,193,566)	-	(1,193,566)	
Other education	26,864	-	-	-	(26,864)	-	(26,864)	
Culture and recreation	186,847	893	14,535	-	(171,419)	-	(171,419)	
Urban redevelopment and housing	439,369	35,615	72,171	-	(331,583)	-	(331,583)	
Economic development and assistance	351,284	42,278	147,361	-	(161,645)	-	(161,645)	
Interest expense	301,283	-	-	-	(301,283)	-	(301,283)	
Total governmental activities	<u>15,740,771</u>	<u>1,602,736</u>	<u>5,350,239</u>	<u>-</u>	<u>(8,787,796)</u>	<u>-</u>	<u>(8,787,796)</u>	
Business-type activities								
Airports	764,773	731,902	-	145,499	-	112,628	112,628	
Harbors	117,455	225,676	-	6,724	-	114,945	114,945	
Unemployment compensation	172,300	254,982	3,133	-	-	85,815	85,815	
Nonmajor proprietary funds	169,651	134,898	-	53,485	-	18,732	18,732	
Total business-type activities	<u>1,224,179</u>	<u>1,347,458</u>	<u>3,133</u>	<u>205,708</u>	<u>-</u>	<u>332,120</u>	<u>332,120</u>	
Total primary government	<u>\$ 16,964,950</u>	<u>\$ 2,950,194</u>	<u>\$ 5,353,372</u>	<u>\$ 205,708</u>	<u>(8,787,796)</u>	<u>332,120</u>	<u>(8,455,676)</u>	
Component units								
University of Hawaii	\$ 2,061,739	\$ 389,425	\$ 660,155	\$ -				\$ (1,012,159)
Hawaii Housing Finance and Development Corporation	29,416	12,692	77,165	-				60,441
Hawaii Public Housing Authority	229,079	32,978	165,832	5,713				(24,556)
Hawaii Health Systems Corporation	946,769	788,465	3,964	146,871				(7,469)
Hawaii Community Development Authority	7,846	4,685	-	-				(3,161)
Hawaii Hurricane Relief Fund	564	-	-	-				(564)
Total component units	<u>\$ 3,275,413</u>	<u>\$ 1,228,245</u>	<u>\$ 907,116</u>	<u>\$ 152,584</u>				<u>(987,468)</u>
General revenues								
Taxes								
General excise tax					4,967,728	-	4,967,728	-
Net income tax – corporations and individuals					3,691,274	-	3,691,274	-
Public service companies tax					154,478	-	154,478	-
Transient accommodations tax					810,721	-	810,721	-
Tobacco and liquor tax					122,247	-	122,247	-
Liquid fuel tax					77,562	-	77,562	-
Tax on premiums of insurance companies					222,126	-	222,126	-
Vehicle weight and registration tax					149,027	-	149,027	-
Rental motor/tour vehicle surcharge tax					117,981	-	117,981	-
Franchise tax					10,296	-	10,296	-
Other tax					491,748	-	491,748	-
Interest and dividend income					287,883	122,170	410,053	178,298
Net increase in fair value of investments					181,272	-	181,272	-
Payments from the primary government, net					-	-	-	1,722,762
Gifts and subsidies					-	-	-	53,664
Other					27,503	2,520	30,023	85,088
Total general revenues					<u>11,311,846</u>	<u>124,690</u>	<u>11,436,536</u>	<u>2,039,812</u>
Change in net position					<u>2,524,050</u>	<u>456,810</u>	<u>2,980,860</u>	<u>1,052,344</u>
Net position								
Beginning of year, as previously reported					(3,252,495)	6,093,919	2,841,424	4,291,679
Adjustment for change in accounting principle					(546,839)	(23,201)	(570,040)	(112,008)
Adjustment for change in reporting entity					<u>284,750</u>	<u>-</u>	<u>284,750</u>	<u>(284,750)</u>
Beginning of year, as restated					<u>(3,514,584)</u>	<u>6,070,718</u>	<u>2,556,134</u>	<u>3,894,921</u>
End of year					<u>\$ (990,534)</u>	<u>\$ 6,527,528</u>	<u>\$ 5,536,994</u>	<u>\$ 4,947,265</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, 2025
(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	\$ 587,502	\$ 103,885	\$ 30,064	\$ 432,626	\$ 45,116	\$ 81,203	\$ 539,122	\$ 1,819,518
Receivables								
Taxes	397,310	-	-	-	-	-	-	397,310
Notes and loans, net of allowance for doubtful accounts of \$38,056	13,117	-	-	-	16,826	100,167	71,339	201,449
Federal government	-	-	-	-	-	-	21,210	21,210
Drug rebate	-	-	253,137	-	-	-	-	253,137
Lease	-	-	-	750	359,010	404,623	37,223	801,606
Settlement	-	-	-	-	-	-	33,507	33,507
Other	25,996	-	3,169	40,157	9,653	19,034	24,978	122,987
Due from other funds	256,274	-	59,699	51,281	-	-	69	367,323
Due from proprietary funds	20	1,597	-	-	-	-	-	1,617
Due from component units	6,000	-	-	120	-	-	-	6,120
Due from other governments	-	-	-	250	-	-	-	250
Investments	<u>3,759,106</u>	<u>287,869</u>	<u>180,722</u>	<u>2,290,031</u>	<u>271,195</u>	<u>480,298</u>	<u>1,363,559</u>	<u>8,632,780</u>
Total assets	<u>\$ 5,045,325</u>	<u>\$ 393,351</u>	<u>\$ 526,791</u>	<u>\$ 2,815,215</u>	<u>\$ 701,800</u>	<u>\$ 1,085,325</u>	<u>\$ 2,091,007</u>	<u>\$ 12,658,814</u>
Liabilities								
Vouchers and contracts payable	\$ 201,913	\$ 171,236	\$ 13,474	\$ 10,454	\$ 9,312	\$ 7,917	\$ 127,156	\$ 541,462
Other accrued liabilities	400,422	-	92,841	4,567	2,263	-	59,931	560,024
Advance from federal government	-	-	-	67,068	-	-	-	67,068
Due to federal government	-	-	251,980	-	-	-	-	251,980
Due to other funds	59,768	26,655	146,471	-	1,900	-	132,529	367,323
Due to component units	179,553	1,019,211	-	-	-	-	-	1,198,764
Payable from restricted assets	-	-	-	-	-	-	-	-
Matured bonds and interest payable	-	-	-	-	-	-	332	332
Total liabilities	<u>841,656</u>	<u>1,217,102</u>	<u>504,766</u>	<u>82,089</u>	<u>13,475</u>	<u>7,917</u>	<u>319,948</u>	<u>2,986,953</u>
Deferred inflows of resources								
Deferred inflows on leases	-	-	-	684	338,227	380,647	35,422	754,980
Deferred inflows on unavailable revenues	-	-	-	-	-	-	33,507	33,507
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>684</u>	<u>338,227</u>	<u>380,647</u>	<u>68,929</u>	<u>788,487</u>
Fund balances								
Restricted	-	-	-	-	-	-	72	72
Committed	-	-	-	537,819	32,662	-	92,352	662,833
Assigned	1,512,789	-	22,025	2,194,623	317,436	696,761	1,609,706	6,353,340
Unassigned	2,690,880	(823,751)	-	-	-	-	-	1,867,129
Total fund balances	<u>4,203,669</u>	<u>(823,751)</u>	<u>22,025</u>	<u>2,732,442</u>	<u>350,098</u>	<u>696,761</u>	<u>1,702,130</u>	<u>8,883,374</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,045,325</u>	<u>\$ 393,351</u>	<u>\$ 526,791</u>	<u>\$ 2,815,215</u>	<u>\$ 701,800</u>	<u>\$ 1,085,325</u>	<u>\$ 2,091,007</u>	<u>\$ 12,658,814</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, 2025****(Amounts in thousands)**

Total fund balance – Governmental funds	<u>\$ 8,883,374</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	2,608,866
Infrastructure	11,450,548
Construction in progress	1,856,730
Buildings, improvements and equipment	8,641,626
Intangible assets – software	168,162
Subscription assets	94,481
Accumulated depreciation and amortization	<u>(13,504,470)</u>
	<u>11,315,943</u>
	<u>(117,133)</u>
Accrued interest and other payables are not recognized in governmental funds. 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>255,057</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(8,888,440)
Compensated absences	(868,473)
Revenue bonds payable	(548,160)
Reserve for losses and loss adjustment costs	(361,435)
Leases payable	(60,320)
Subscriptions payable	(44,049)
Net other postemployment benefits liability	(3,652,472)
Net pension liability	(7,242,461)
Financed purchases	(72,959)
Other	<u>(334)</u>
	<u>(21,739,103)</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	56,585
Deferred outflows on net pension liability	1,171,424
Deferred outflows on other postemployment benefits liability	<u>595,945</u>
	<u>1,823,954</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	(99,999)
Deferred inflows on other postemployment benefits liability	<u>(1,312,627)</u>
	<u>(1,412,626)</u>
Net position of governmental activities	<u>\$ (990,534)</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, 2025

(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	\$ 4,600,173	\$ -	\$ -	\$ 357,887	\$ -	\$ -	\$ -	\$ 4,958,060
Net income tax – corporations and individuals	3,677,474	-	-	-	-	-	-	3,677,474
Public service companies tax	154,478	-	-	-	-	-	-	154,478
Transient accommodations tax	717,246	-	-	78,758	4,500	-	11,000	811,504
Tobacco and liquor tax	107,071	-	-	1,059	-	-	14,117	122,247
Liquid fuel tax	-	-	-	-	228	-	77,334	77,562
Tax on premiums of insurance companies	218,833	-	-	-	-	-	3,293	222,126
Vehicle weight and registration tax	-	-	-	-	-	-	149,027	149,027
Rental motor/vehicle surcharge tax	3	-	-	-	-	-	117,978	117,981
Franchise tax	8,296	-	-	-	-	-	2,000	10,296
Other	480,531	-	-	-	5,100	-	6,128	491,759
Total taxes	9,964,105	-	-	437,704	9,828	-	380,877	10,792,514
Interest and dividend income	167,213	1,565	3,170	63,230	5,720	16,836	30,149	287,883
Net increase in fair value of investments	12,735	-	6,946	71,849	11,565	12,263	65,914	181,272
Charges for current services	263,131	-	-	94,546	48,085	3,301	182,855	591,918
Intergovernmental	11,743	-	2,136,493	150,295	67,246	59,676	2,187,970	4,613,423
Rentals	77	-	-	1,159	18,220	29,304	17,872	66,632
Fines, forfeitures and penalties	13,704	-	-	119	90	-	11,606	25,519
Licenses and fees	847	-	-	197	1,362	-	52,895	55,301
Revenues from private sources	13,805	-	92,956	560,386	71	3,000	33,204	703,422
Other	159,946	-	210,199	159,161	7,405	12,494	347,552	896,757
Total revenues	10,607,306	1,565	2,449,764	1,538,646	169,592	136,874	3,310,894	18,214,641
Expenditures								
Current								
General government	685,101	74,661	-	505,281	6,416	-	42,489	1,313,948
Public safety	647,530	23,265	-	22,405	2,409	-	408,898	1,104,507
Highways	3,135	414,299	-	-	-	-	384,799	802,233
Conservation of natural resources	125,031	11,161	-	-	111,090	-	3,899	251,181
Health	926,738	64,958	-	-	-	-	297,428	1,289,124
Welfare	1,516,717	4,937	2,391,823	19,794	-	-	959,186	4,892,457
Lower education	3,352,597	243,272	-	4,680	-	-	737,050	4,337,599
Higher education	987,129	207,046	-	-	-	-	-	1,194,175
Other education	10,203	-	-	-	-	-	16,661	26,864
Culture and recreation	99,702	18,328	-	9,967	13,741	-	41,260	182,998
Urban redevelopment and housing	85,790	20,813	-	-	-	111,388	2,942	220,933
Economic development and assistance	204,798	74,892	-	-	5,485	-	126,997	412,172
Housing	62,283	236,556	-	-	-	-	-	298,839
Other	21,250	-	-	7,588	-	6,990	17,699	53,527
Debt service	-	-	-	-	-	-	1,156,265	1,156,265
Total expenditures	8,728,004	1,394,188	2,391,823	569,715	139,141	118,378	4,195,573	17,536,822
Excess (deficiency) of revenues over (under) expenditures	1,879,302	(1,392,623)	57,941	968,931	30,451	18,496	(884,679)	677,819
Other financing sources (uses)								
Issuance of GO bonds – par	-	750,000	-	-	-	-	-	750,000
Issuance of GO bonds – premium	2,032	-	-	-	-	-	-	2,032
Issuance of leases	8,442	-	-	-	-	-	-	8,442
Issuance of subscription assets	21,362	-	-	-	-	-	4,825	26,187
Transfers in	170,675	356,031	4,232	25,339	8,902	226,142	1,412,143	2,203,464
Transfers out	(1,519,512)	(20,546)	(59,731)	(136,869)	(3,015)	(3,009)	(460,782)	(2,203,464)
Total other financing sources (uses)	(1,317,001)	1,085,485	(55,499)	(111,530)	5,887	223,133	956,186	786,661
Net change in fund balances	562,301	(307,138)	2,442	857,401	36,338	241,629	71,507	1,464,480
Fund balances								
Beginning of year, as previously reported	3,636,236	(562,518)	19,583	1,875,041	313,760	455,132	1,574,519	7,311,753
Adjustment for change in reporting entity	5,132	45,905	-	-	-	-	56,104	107,141
Beginning of year, as restated	3,641,368	(516,613)	19,583	1,875,041	313,760	455,132	1,630,623	7,418,894
End of year	\$ 4,203,669	\$ (823,751)	\$ 22,025	\$ 2,732,442	\$ 350,098	\$ 696,761	\$ 1,702,130	\$ 8,883,374

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, 2025 (Amounts in thousands)

Total net change in fund balances – Governmental funds \$ 1,464,480

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	1,283,774
Capital asset disposals	(407,318)
Accumulated depreciation on disposals	39,253
Depreciation and amortization expense	<u>(542,573)</u>
Excess of capital outlay over depreciation expense	<u>373,136</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. (752,032)

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	814,898
Financed purchase payments	9,221
Total long-term debt repayment	<u>824,119</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. 50,177

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 compensated absences	(35,923)
Change in reserve for losses and loss adjustment costs	2,629
Change in accrued interest on bonds payable	(1,667)
Change in leases payable	5,851
Change in subscriptions payable	(6,549)
Change in accrued interest on financed purchases	(1,383)
Amortization of bond premium and deferred amount on refunding	41,425
Net pension activity	68,225
Net other postemployment benefits activity	<u>491,562</u>
Total	<u>564,170</u>
Change in net position of governmental activities	<u><u>\$ 2,524,050</u></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, 2025
(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	\$ 743,227	\$ 206,508	\$ 720,489	\$ 187,892	\$ 1,858,116
Investments	-	-	-	185,405	185,405
Restricted assets – cash and short-term investments	342,927	35,834	-	-	378,761
Receivables					
Taxes	253	-	63,181	-	63,434
Accounts and accrued interest, net of allowance for doubtful accounts of \$8,479	80,637	53,331	-	607	134,575
Promissory notes receivable	-	-	-	69,441	69,441
Federal government	32,874	-	-	552	33,426
Premiums	-	-	-	45,837	45,837
Leases	78,606	6,160	-	-	84,766
Other	-	12	-	31,778	31,790
Materials and supplies inventory	737	-	-	-	737
Prepaid expenses and other assets	-	-	-	5,050	5,050
Total current assets	<u>1,279,261</u>	<u>301,845</u>	<u>783,670</u>	<u>526,562</u>	<u>2,891,338</u>
Noncurrent assets					
Capital assets					
Land and land improvements	2,525,803	669,850	-	-	3,195,653
Construction in progress	1,015,342	584,014	-	-	1,599,356
Buildings and improvements	3,855,909	711,743	-	881	4,568,533
Equipment	395,671	37,417	-	22,986	456,074
Subscription assets	-	-	-	3,974	3,974
Less: Accumulated depreciation and amortization	<u>7,792,725</u>	<u>2,003,024</u>	<u>-</u>	<u>27,841</u>	<u>9,823,590</u>
Net capital assets	<u>(3,459,596)</u>	<u>(660,235)</u>	<u>-</u>	<u>(20,215)</u>	<u>(4,140,046)</u>
Promissory notes receivable					
Leases receivable	261,318	70,324	-	693,231	693,231
Restricted assets – cash and cash equivalents	639,040	470,775	-	-	1,109,815
Restricted assets – investments	341,214	-	-	-	341,214
Restricted assets – other	38,979	-	-	-	38,979
Other	1,448	-	-	-	1,448
Total noncurrent assets	<u>5,615,128</u>	<u>1,883,888</u>	<u>-</u>	<u>700,857</u>	<u>8,199,873</u>
Total assets	<u>6,894,389</u>	<u>2,185,733</u>	<u>783,670</u>	<u>1,227,419</u>	<u>11,091,211</u>
Deferred outflows of resources					
Deferred loss on refunding	4,370	464	-	-	4,834
Deferred outflows on net pension liability	37,867	2,601	-	3,495	43,963
Deferred outflows on net other postemployment benefits liability	23,192	4,321	-	2,114	29,627
Total deferred outflows of resources	<u>\$ 65,429</u>	<u>\$ 7,386</u>	<u>\$ -</u>	<u>\$ 5,609</u>	<u>\$ 78,424</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, 2025
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	\$ 42,555	\$ 17,476	\$ 8,175	\$ 6,043	\$ 74,249
Payable from restricted assets – contracts payable, accrued interest, and other	141,367	27,249	-	-	168,616
Other accrued liabilities	38,678	-	-	1,506	40,184
Due to governmental funds	5	1,612	-	-	1,617
Benefit claims payable	-	-	-	9,437	9,437
General obligation bonds payable, current portion	-	3,125	-	-	3,125
Reserve for losses and loss adjustment costs	3,080	334	-	-	3,414
Leases payable, current portion	-	-	-	198	198
Subscriptions payable, current portion	-	-	-	535	535
Financed purchases	-	1,687	-	-	1,687
Lease revenue certificates of participation	20,755	-	-	-	20,755
Customer facility charge revenue bonds	11,370	-	-	-	11,370
Compensated absences, current portion	8,503	1,948	-	858	11,309
Payable from restricted assets – revenue bonds payable	43,410	19,952	-	-	63,362
Premiums payable	-	-	-	52,994	52,994
Total current liabilities	309,723	73,383	8,175	71,571	462,852
Noncurrent liabilities					
General obligation bonds payable	-	2,029	-	-	2,029
Compensated absences	24,323	4,605	-	2,481	31,409
Revenue bonds payable, net of unamortized bond premium and bond discount	2,787,294	312,383	-	-	3,099,677
Reserve for losses and loss adjustment cost	11,526	2,514	-	-	14,040
Leases payable	68	-	-	334	402
Subscriptions payable	-	-	-	1,943	1,943
Financed purchases	-	16,502	-	-	16,502
Lease revenue certificates of participation	99,748	-	-	-	99,748
Net pension liability	174,899	43,542	-	14,191	232,632
Net other postemployment benefits liability	126,045	27,793	-	9,500	163,338
Security deposits	-	9,314	-	-	9,314
Other	-	1,783	-	-	1,783
Total noncurrent liabilities	3,223,903	420,465	-	28,449	3,672,817
Total liabilities	3,533,626	493,848	8,175	100,020	4,135,669
Deferred inflows of resources					
Deferred inflows on leases	364,035	70,718	-	-	434,753
Deferred inflows on net pension liability	6,292	11,432	-	781	18,505
Deferred inflows on net other postemployment benefits liability	31,505	6,047	-	2,547	40,099
Deferred gain on refunding	13,081	-	-	-	13,081
Total deferred inflows of resources	414,913	88,197	-	3,328	506,438
Net position					
Net investment in capital assets	1,774,663	971,481	-	4,615	2,750,759
Restricted for bond requirements and other	917,256	481,830	-	945,399	2,344,485
Unrestricted	319,360	157,763	775,495	179,666	1,432,284
Net position	\$ 3,011,279	\$ 1,611,074	\$ 775,495	\$ 1,129,680	\$ 6,527,528

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

State of Hawaii

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2025

(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	\$ 172,326	\$ -	\$ -	\$ -	\$ 172,326
Unemployment compensation	-	-	254,982	-	254,982
Aviation fuel tax	2,686	-	-	-	2,686
Airport use charges	138,669	-	-	-	138,669
Rentals	278,760	35,516	-	-	314,276
Services and others	-	188,006	-	-	188,006
Administrative fees	-	-	-	7,075	7,075
Premium revenue – self insurance	-	-	-	122,669	122,669
Experience refunds, net	-	-	-	2,228	2,228
Other	11,163	2,154	-	2,926	16,243
Total operating revenues	603,604	225,676	254,982	134,898	1,219,160
Operating expenses					
Personnel services	278,318	24,159	-	10,474	312,951
Depreciation and amortization	202,168	38,332	-	2,066	242,566
Repairs and maintenance	101,145	-	-	484	101,629
Airports operations	59,249	-	-	-	59,249
Harbors operations	-	29,136	-	-	29,136
General administration	33,033	17,001	-	5,600	55,634
Unemployment compensation	-	-	172,300	-	172,300
Claims	-	-	-	130,432	130,432
Other	-	-	-	20,595	20,595
Total operating expenses	673,913	108,628	172,300	169,651	1,124,492
Operating income (loss)	(70,309)	117,048	82,682	(34,753)	94,668
Nonoperating revenues (expenses)					
Interest and investment income	67,588	14,571	22,723	17,288	122,170
Interest expense	(90,860)	-	-	-	(90,860)
Federal grants	-	(8,827)	3,133	-	(5,694)
Loss on disposal of capital assets	-	(552)	-	-	(552)
Rental car customer and passenger facility charges	128,298	-	-	-	128,298
Gain on disposal of assets	1	-	-	-	1
Other	-	3,043	-	28	3,071
Total nonoperating revenues	105,027	8,235	25,856	17,316	156,434
Income (loss) before capital contributions	34,718	125,283	108,538	(17,437)	251,102
Capital contributions	145,499	6,724	-	53,485	205,708
Change in net position	180,217	132,007	108,538	36,048	456,810
Net position					
Beginning of year, as previously reported	2,849,005	1,482,232	666,957	1,095,725	6,093,919
Adjustment for change in accounting principle	(17,943)	(3,165)	-	(2,093)	(23,201)
Beginning of year, as restated	2,831,062	1,479,067	666,957	1,093,632	6,070,718
End of year	\$ 3,011,279	\$ 1,611,074	\$ 775,495	\$ 1,129,680	\$ 6,527,528

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, 2025
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 603,348	\$ 223,857	\$ -	\$ -	\$ 827,205
Cash received from taxes	-	-	274,217	-	274,217
Cash received from employers and employees for premiums and benefits	-	-	-	767,928	767,928
Cash paid to suppliers	(184,522)	(39,658)	-	(2,146)	(226,326)
Cash paid to employees	(296,517)	(26,385)	-	(14,170)	(337,072)
Cash paid for unemployment compensation	-	-	(171,070)	-	(171,070)
Cash paid for premiums and benefits payable	-	-	-	(765,468)	(765,468)
Cash paid to State of Hawaii	(44)	-	-	-	(44)
Net cash provided by (used in) operating activities	<u>122,265</u>	<u>157,814</u>	<u>103,147</u>	<u>(13,856)</u>	<u>369,370</u>
Cash flows from noncapital financing activities					
Proceeds from federal operating grants	-	-	3,133	53,521	56,654
Net cash provided by noncapital financing activities	-	-	3,133	53,521	56,654
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(349,891)	(104,697)	-	(118)	(454,706)
Proceeds from sale of capital assets	1	-	-	-	1
Federal grant expenditures	-	(8,827)	-	-	(8,827)
Proceeds from federal, state and capital grants and contributions	134,753	6,724	-	-	141,477
Proceeds from issuance of bonds	671,396	-	-	-	671,396
Principal and interest paid on airports system revenue bonds	(175,540)	-	-	-	(175,540)
Repayment of general obligation and revenue bonds principal	-	(18,487)	-	-	(18,487)
Bond issue costs paid	(3,211)	-	-	-	(3,211)
Proceeds from airports system revenue bonds	109,589	-	-	-	109,589
Interest paid on bonds	-	(13,141)	-	-	(13,141)
Principal and interest paid on financed purchases	-	(1,536)	-	-	(1,536)
Principal paid on leases	-	-	-	(191)	(191)
Principal repayments of subscription payable	-	-	-	(515)	(515)
Net cash provided by (used in) capital and related financing activities	<u>387,097</u>	<u>(139,964)</u>	<u>-</u>	<u>(824)</u>	<u>246,309</u>
Cash flows from investing activities					
Interest received from investments	70,355	18,954	22,723	4,444	116,476
Purchase of investments	(106,294)	-	-	(5,350)	(111,644)
Principal repayments on notes receivable	-	-	-	68,580	68,580
Disbursement of note receivable proceeds	-	-	-	(77,470)	(77,470)
Interest income from notes receivable	-	-	-	9,896	9,896
Administrative loan fees	-	-	-	7,044	7,044
Net cash provided by (used in) investing activities	<u>(35,939)</u>	<u>18,954</u>	<u>22,723</u>	<u>7,144</u>	<u>12,882</u>
Net increase in cash and cash equivalents, including restricted amounts	<u>473,423</u>	<u>36,804</u>	<u>129,003</u>	<u>45,985</u>	<u>685,215</u>
Cash and cash equivalents, including restricted amounts					
Beginning of year	<u>1,251,771</u>	<u>676,313</u>	<u>591,486</u>	<u>141,907</u>	<u>2,661,477</u>
End of year	<u>\$ 1,725,194</u>	<u>\$ 713,117</u>	<u>\$ 720,489</u>	<u>\$ 187,892</u>	<u>\$ 3,346,692</u>

(continued)

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

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2025
(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 (used in) operating activities					
Operating income (loss)	\$ (70,309)	\$ 117,048	\$ 82,682	\$ (34,753)	\$ 94,668
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	202,168	38,332	-	2,066	242,566
Provision for uncollectible accounts	-	(436)	-	-	(436)
Amortization of the discount on lease receivable	-	3,043	-	-	3,043
Principal forgiveness of loans	-	-	-	19,174	19,174
Interest income from loans	-	-	-	(2,119)	(2,119)
Administrative loan fees	-	-	-	(7,075)	(7,075)
Non-imposed fringe benefits	-	-	-	54	54
Changes in operating assets, deferred outflows, liabilities and deferred inflows					
Receivables	69	(13,737)	19,235	2,910	8,477
Other current assets	(254)	-	-	-	(254)
Net deferred outflows/inflows of resources	(13,677)	5,007	-	(467)	(9,137)
Vouchers and contracts payable	8,790	5,853	1,230	3,202	19,075
Net pension liability	3,568	1,753	-	707	6,028
Net other postemployment benefits liability	(10,355)	(4,423)	-	(2,020)	(16,798)
Other accrued liabilities	2,265	5,374	-	2,324	9,963
Benefit claims payable	-	-	-	2,141	2,141
Net cash provided by (used in) operating activities	<u>\$ 122,265</u>	<u>\$ 157,814</u>	<u>\$ 103,147</u>	<u>\$ (13,856)</u>	<u>\$ 369,370</u>
Supplemental information					
Noncash investing, capital and financing activities					
Amortization of bond discount, bond premium, and loss on refunding	\$ 9,578	\$ (3,837)	\$ -	\$ -	\$ 5,741
Amounts included in contracts payable for the acquisition of capital assets	-	18,046	-	-	18,046
Bond refunding through fiscal agent	(249,816)	-	-	-	(249,816)
Bond proceeds held by fiscal agent	233,041	-	-	-	233,041

(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, 2025****(Amounts in thousands)**

	Custodial Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	\$ 90,314	\$ 1,051,161
Receivables		
Taxes	18,421	-
Rebates and other receivables from insurance companies	-	47,968
Other	2,037	147
Investments		
U.S. government securities	103,952	461,430
Equity securities	-	411,330
Commercial paper	2,363	-
Mutual funds	-	133,758
Commingled funds	-	3,127,895
Alternative investments	-	3,757,024
Real estate	-	606,520
Derivatives	-	(2,067)
Invested securities lending collateral	-	36,140
Other assets, primarily due from individuals, businesses and counties	-	8,165
Total assets	217,087	9,639,471
Liabilities		
Liabilities		
Vouchers payable	51,448	-
Premium payable	-	48,323
Benefit claims payable	-	32,929
Securities lending collateral	-	36,140
Other accrued liabilities	-	2,569
Total liabilities	51,448	119,961
Net position		
Restricted for OPEB	-	9,519,510
Restricted for other purposes	165,639	-
Net position	\$ 165,639	\$ 9,519,510

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, 2025
(Amounts in thousands)

	Custodial Funds	OPEB Trust Fund
Additions		
Employer contributions	\$ -	\$ 1,137,896
Tax collections	742,512	-
Custodial collections	384,052	-
Investment income		
Investing activities		
Interest	- -	158,395
Net appreciation in the fair value of investments	- -	460,966
	- -	619,361
Less: Investment expenses	- -	11,018
Net investment income from investing activities	- -	608,343
Securities lending activities		
Securities lending income	- -	617
Less: Securities lending expenses	- -	136
Net investment income from securities lending activities	- -	481
Total net investment income	- -	608,824
Total additions	1,126,564	1,746,720
Deductions		
Benefits claims expense and carrier payments	- -	599,475
Tax disbursements	721,083	-
Custodial disbursements	340,818	-
Other disbursements	976	475
Total deductions	1,062,877	599,950
Net increase in fiduciary net position	63,687	1,146,770
Net position		
Beginning of year	101,952	8,372,740
End of year	<u>\$ 165,639</u>	<u>\$ 9,519,510</u>

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

State of Hawaii
Component Units
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Assets				
Current assets				
Cash and cash equivalents	\$ 158,321	\$ 912,019	\$ 125,429	\$ 191,662
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of \$105,182	164,170	78,672	1,797	103,379
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$501	20,279	10,362	-	-
Leases	-	315	-	729
Federal government	-	-	1,519	-
Other, net of allowance for doubtful accounts of \$136	-	2,937	2,867	16,839
Due from primary government	18,766	232,136	86,616	107,355
Investments	857,461	-	-	24,401
Inventories – materials and supplies	6,520	-	831	36,796
Prepaid expenses and other assets	22,934	6,013	871	14,160
Total current assets	<u>1,248,451</u>	<u>1,242,454</u>	<u>219,930</u>	<u>495,321</u>
Restricted assets				
Cash and cash equivalents	11,464	26,074	4,683	152,669
Investments	-	15,854	-	-
Deposits, funded reserves and other	-	1,150	-	-
Total restricted assets	<u>11,464</u>	<u>43,078</u>	<u>4,683</u>	<u>152,669</u>
Capital assets				
Land and land improvements	287,180	91,034	25,518	53,799
Infrastructure	344,417	-	-	-
Construction in progress	289,714	-	41,352	80,292
Buildings, improvements and equipment	3,892,669	58,387	851,434	990,363
Subscription assets	14,521	190	-	35,759
Less: Accumulated depreciation and amortization	(2,458,276)	(7,566)	(583,192)	(646,194)
Total capital assets, net	<u>2,370,225</u>	<u>142,045</u>	<u>335,112</u>	<u>514,019</u>
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$998	39,073	1,242,389	7,841	-
Leases receivable	-	4,070	1,403	18,250
Due from primary government	607,645	-	-	-
Inventories – developments in progress and dwelling units	-	34,662	-	-
Investments	1,018,682	-	-	14,978
Restricted pledge	-	-	-	17,406
Other assets	94,595	-	-	-
Total other assets	<u>1,759,995</u>	<u>1,281,121</u>	<u>9,244</u>	<u>50,634</u>
Total assets	<u>5,390,135</u>	<u>2,708,698</u>	<u>568,969</u>	<u>1,212,643</u>
Deferred outflows of resources				
Deferred asset retirement obligations	31,646	-	-	-
Deferred loss on refunding	6,191	-	-	-
Deferred outflows on net pension liability	253,545	1,826	5,578	79,985
Deferred outflows on net other postemployment benefits liability	190,530	1,606	4,815	66,087
Total deferred outflows of resources	<u>\$ 481,912</u>	<u>\$ 3,432</u>	<u>\$ 10,393</u>	<u>\$ 146,072</u>

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

Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 55,777	\$ 2,337	\$ 1,445,545
1,536	1,517	351,071
-	-	30,641
1,274	-	2,318
-	-	1,519
-	299	22,942
146,246	-	591,119
-	178,754	1,060,616
-	-	44,147
-	2,804	46,782
<u>204,833</u>	<u>185,711</u>	<u>3,596,700</u>
-	-	194,890
-	-	15,854
-	-	1,150
<u>-</u>	<u>-</u>	<u>211,894</u>
87,489	-	545,020
51,464	-	395,881
6,378	-	417,736
19,248	-	5,812,101
-	-	50,470
(48,589)	-	(3,743,817)
<u>115,990</u>	<u>-</u>	<u>3,477,391</u>
14,810	-	1,304,113
11,213	-	34,936
-	-	607,645
-	-	34,662
-	-	1,033,660
-	-	17,406
278	-	94,873
<u>26,301</u>	<u>-</u>	<u>3,127,295</u>
<u>347,124</u>	<u>185,711</u>	<u>10,413,280</u>
-	-	31,646
-	-	6,191
307	-	341,241
822	-	263,860
<u>\$ 1,129</u>	<u>\$ -</u>	<u>\$ 642,938</u>

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2025
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 71,271	\$ 2,175	\$ 10,761	\$ 108,305
Other accrued liabilities	136,787	4,821	9,536	-
Due to primary government	6,000	-	120	-
Unearned revenue	30,221	384	890	-
Notes, mortgages and installation contracts payable	-	15	-	10,621
Compensated absences	73,771	-	-	40,565
Revenue bonds payable, net	27,010	482	-	-
Reserve for losses and loss adjustment costs	4,994	-	-	2,795
Leases payable	-	-	-	-
Subscriptions payable	5,282	-	-	2,925
Financed purchases	68	-	-	4,938
Other liabilities	25,451	-	1,480	2,156
Total current liabilities	<u>380,855</u>	<u>7,877</u>	<u>22,787</u>	<u>172,305</u>
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	92,871	11	-	22,248
Compensated absences	132,928	1,330	-	53,872
Revenue bonds payable, net	368,088	2,189	-	-
Reserve for losses and loss adjustment costs	14,314	-	-	13,094
Leases payable	-	-	-	-
Subscriptions payable	6,858	-	-	9,796
Financed purchases	-	-	-	12,977
Unearned revenue	-	20,794	-	-
Net pension liability	1,659,607	11,438	42,532	631,150
Net other postemployment benefits liability	1,351,176	6,776	28,490	383,848
Other liabilities	66,726	2,286	5,132	19,273
Total noncurrent liabilities	<u>3,692,568</u>	<u>44,824</u>	<u>76,154</u>	<u>1,146,258</u>
Total liabilities	<u>4,073,423</u>	<u>52,701</u>	<u>98,941</u>	<u>1,318,563</u>
Deferred inflows of resources				
Deferred inflows on net leases	19,593	4,104	1,440	18,149
Deferred inflows on net pension liability	70,236	152	724	8,811
Deferred inflows on net other postemployment benefits liability	265,546	1,984	6,921	85,811
Total deferred inflows of resources	<u>355,375</u>	<u>6,240</u>	<u>9,085</u>	<u>112,771</u>
Net position				
Net investment in capital assets	1,887,905	142,018	334,952	451,524
Restricted				
Nonexpendable	1,616,608	-	-	-
Expendable	10,493	-	-	-
Legislation and contractual agreements	-	90,885	395	-
Lender covenants and other	-	-	-	5,204
Capital projects	-	-	-	-
Other	-	-	-	49,443
Unrestricted	(2,071,757)	2,420,286	135,989	(578,790)
Total net position	<u>\$ 1,443,249</u>	<u>\$ 2,653,189</u>	<u>\$ 471,336</u>	<u>\$ (72,619)</u>

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

Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 20,938	\$ 3,296	\$ 216,746
242	-	151,386
-	-	6,120
232	331	32,058
-	-	10,636
225	-	114,561
-	-	27,492
-	-	7,789
112	-	112
-	-	8,207
-	-	5,006
<u>1,438</u>	<u>6,287</u>	<u>36,812</u>
<u>23,187</u>	<u>9,914</u>	<u>616,925</u>
-	-	115,130
562	-	188,692
-	-	370,277
-	-	27,408
285	-	285
-	-	16,654
-	-	12,977
18,000	-	38,794
4,376	-	2,349,103
2,145	-	1,772,435
<u>10,829</u>	<u>-</u>	<u>104,246</u>
<u>36,197</u>	<u>-</u>	<u>4,996,001</u>
<u>59,384</u>	<u>9,914</u>	<u>5,612,926</u>
12,100	-	55,386
100	-	80,023
<u>356</u>	<u>-</u>	<u>360,618</u>
<u>12,556</u>	<u>-</u>	<u>496,027</u>
115,416	-	2,931,815
-	-	1,616,608
-	-	10,493
-	-	91,280
-	-	5,204
125,660	-	125,660
-	-	49,443
<u>35,237</u>	<u>175,797</u>	<u>116,762</u>
<u>\$ 276,313</u>	<u>\$ 175,797</u>	<u>\$ 4,947,265</u>

(concluded)

State of Hawaii
Component Units
Statement of Activities
Year Ended June 30, 2025
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	\$ 2,061,739	\$ 29,416	\$ 229,079	\$ 946,769
Program revenues				
Charges for services	389,425	12,692	32,978	788,465
Operating grants and contributions	660,155	77,165	165,832	3,964
Capital grants and contributions	-	-	5,713	146,871
Total program revenues	<u>1,049,580</u>	<u>89,857</u>	<u>204,523</u>	<u>939,300</u>
Net program revenues (expenses)	<u>(1,012,159)</u>	<u>60,441</u>	<u>(24,556)</u>	<u>(7,469)</u>
General revenues (expenses)				
Interest and investment income	152,424	-	-	13,029
Payments from (to) State, net	1,206,432	266,243	23,823	226,293
Gifts and subsidies	53,664	-	-	-
Other	76,608	(3,050)	(6,938)	5,720
Net general revenues	<u>1,489,128</u>	<u>263,193</u>	<u>16,885</u>	<u>245,042</u>
Change in net position	<u>476,969</u>	<u>323,634</u>	<u>(7,671)</u>	<u>237,573</u>
Net position				
Beginning of year, as previously reported	1,030,142	2,330,520	482,024	(266,463)
Adjustment for change in accounting principle	(63,862)	(965)	(3,017)	(43,729)
Adjustment for change in reporting entity	-	-	-	-
Beginning of year, as restated	<u>966,280</u>	<u>2,329,555</u>	<u>479,007</u>	<u>(310,192)</u>
End of year	<u>\$ 1,443,249</u>	<u>\$ 2,653,189</u>	<u>\$ 471,336</u>	<u>\$ (72,619)</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
\$ -	\$ 7,846	\$ 564	\$ 3,275,413
-	4,685	-	1,228,245
-	-	-	907,116
-	-	-	152,584
-	4,685	-	2,287,945
-	(3,161)	(564)	(987,468)
-	1,403	11,442	178,298
-	6,258	(6,287)	1,722,762
-	-	-	53,664
-	12,990	(242)	85,088
-	20,651	4,913	2,039,812
-	17,490	4,349	1,052,344
284,750	259,258	171,448	4,291,679
-	(435)	-	(112,008)
(284,750)	-	-	(284,750)
-	258,823	171,448	3,894,921
\$ -	\$ 276,313	\$ 175,797	\$ 4,947,265

State of Hawaii

Notes to Basic Financial Statements

June 30, 2025

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 and Biosecurity
- Attorney General
- Budget and Finance
- Business, Economic Development and Tourism
- Commerce and Consumer Affairs
- Corrections and Rehabilitation
- Defense
- Education
- Hawaiian Home Lands
- Health
- Human Resource Development
- Human Services
- Labor and Industrial Relations
- Land and Natural Resources
- Law Enforcement
- Taxation
- Transportation

Judicial

Legislative

State of Hawaii

Notes to Basic Financial Statements

June 30, 2025

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: <https://hpha.hawaii.gov/plans-reports>.

State of Hawaii

Notes to Basic Financial Statements

June 30, 2025

- **Hawaii Health Systems Corporation** – Act 262, SLH 1996, transferred all facilities previously under the Department of Health – Division of Community Hospitals to Hawaii Health Systems Corporation (HHSC). 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 Benioff Medical Center
Hale Ho'ola Hamakua and Skilled Nursing

Kauai Region:

Kauai Veterans Memorial Hospital
Samuel Mahelona Memorial Hospital

West Hawaii Region:

Kona Community Hospital
Kohala Hospital

Oahu Region:

Leahi Hospital
Maluhia
Daniel Kahikina Akaka State Veterans Home

Kahuku Medical Center

HHSC's Board of Directors is appointed by the Governor of the State of Hawaii. 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 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, Kalaehoa 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. Effective June 1, 2025, the Fund resumed issuing hurricane property insurance policies to eligible condominium associations.

State of Hawaii

Notes to Basic Financial Statements

June 30, 2025

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.

Change in the Financial Reporting Entity

The Hawaii Tourism Authority (HTA) was previously reported as a discretely presented component unit. On May 29, 2025, Act 132, SLH 2025, was enacted which modified HRS Section 201B-2 pertaining to the HTA. Amongst other provisions, Act 132 amended HTA's Board of Directors from a policy making board to an advisory board; amended the composition and appointment process of the advisory board; and altered the reporting structure such that the President and Chief Executive Officer shall report to the Governor. As a result, HTA no longer meets the requirements for presentation as a discretely presented component unit and is reported as a blended component unit within the State's governmental activities as of and for the year ended June 30, 2025. The table on page 68 presents the quantitative effect of this change.

Government-Wide and Fund Financial Statements

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

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

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

Governmental Funds Financial Statements

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

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

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

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements

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

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

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. Specified revenue sources include federal funding, private sector, and other sources.
- **Administrative Support Special Revenue Fund** – This fund accounts for the proceeds of specific revenue sources that are for specific purposes of certain administrative agencies. Specified revenue sources include general excise tax, transient accommodations tax, tobacco and liquor tax, interest and dividend income, charges for services, and rentals.
- **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. Specified revenue sources include federal funding, charges for services, and rentals and licenses.
- **Hawaiian Programs Special Revenue Fund** – This fund accounts for programs related to the betterment of the conditions of native Hawaiians. Specified revenue sources include rentals, federal funding, and other sources.

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 or committed purposes.
- **Debt Service Fund** – This fund accounts for the financial resources obtained and used for the payment of principal and interest on long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

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

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

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

Fiduciary Fund Types –

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

Component Units – Component Units are comprised of the following:

- **UH** – Comprises the State's public institutions of higher education.
- **HHFDC** – Finances housing programs for residents of the State.
- **HPHA** – Manages federal and state housing programs.
- **HHSC** – Provides quality healthcare for the people of the State.
- **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, including 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.

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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.

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

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

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

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

Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying lease asset:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years

Subscription-based information technology arrangements (SBITAs) which comprises computer software are amortized using the straight-line method over the shorter of the subscription term or 5–15 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 recognizes lease liabilities and a right-to-use lease assets (lease assets) 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

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

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

- The State uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the State generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable 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 noncancelable 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.

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Subscription-Based Information Technology Arrangement

The State recognizes subscription liabilities and right-to-use subscription assets (subscription assets) 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, or 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 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.

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

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 noncancelable 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.

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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, compensatory time, and sick leave benefits, as well as participate in the leave donation pool and the direct sharing programs (collectively, "compensated absences"). A liability is recognized only for leave that is (a) attributable to services already rendered, (b) accumulates, and (c) is more likely than not to be used, paid or settled. The liability for vacation and compensatory time leave is measured using the pay or salary rates in effect at the financial statement date, including shortage differentials. The measurement also includes fringe benefits associated with payments made for vacation leave. The liability for sick leave that is more likely than not to be used, paid or settled through cash or noncash means is measured using the historical average use approach. This method is based upon the State's historical experience with sick leave usage through payouts over the last five years, and considers past trends to determine the amount of sick leave expected to be used or paid in the future. The liability for the leave donation pool is measured using the average rate of entitled employees utilizing the leave donation as of the financial statement date. The liability for the direct sharing program is measured using the rate of the employee utilizing the leave as of the financial statement date. All leave is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements and presented under the caption, Compensated Absences. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations

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

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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, 2025 (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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72	\$ 72
Committed to								
General government	-	-	-	537,819	-	-	-	537,819
Public safety	-	-	-	-	-	-	86,612	86,612
Conservation of natural resources	-	-	-	-	32,662	-	5,740	38,402
	-	-	-	537,819	32,662	-	92,352	662,833
Assigned to								
General government	132,849	-	-	2,167,908	-	-	70,126	2,370,883
Public safety	176,214	-	-	-	-	-	146,457	322,671
Highways	6,262	-	-	-	-	-	238,413	244,675
Conservation of natural resources	104,627	-	-	-	317,436	-	5,740	427,803
Health	142,925	-	-	-	-	-	308,131	451,056
Welfare	154,866	-	22,025	-	-	-	3,886	180,777
Education	363,197	-	-	-	-	-	428,326	791,523
Culture and recreation	13,591	-	-	26,715	-	-	2,512	42,818
Urban development and housing	286,328	-	-	-	-	696,761	-	983,089
Economic development	131,930	-	-	-	-	-	406,115	538,045
	1,512,789	-	22,025	2,194,623	317,436	696,761	1,609,706	6,353,340
Unassigned	2,690,880	(823,751)	\$ 22,025	\$ 2,732,442	\$ 350,098	\$ 696,761	\$ 1,702,130	\$ 8,883,374
Total	\$ 4,203,669	\$ (823,751)	\$ 22,025	\$ 2,732,442	\$ 350,098	\$ 696,761	\$ 1,702,130	\$ 8,883,374

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.
- **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.
- **Conservation of natural resources** – To administer funds to protect, manage and sustain natural resources 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.

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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 Section 457 of the Internal Revenue Code of 1986, as amended. 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. 101

During fiscal year 2025, the State implemented GASB 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. This Statement requires recognition of a liability for compensated absences that (1) is attributed to services already rendered; (2) accumulates; and (3) is more likely than not to be used for time off or otherwise paid or settled. Implementation of this Statement had a significant effect on the State's financial statements for the fiscal year ended June 30, 2025. The impact of the changes is summarized in the table on page 68.

GASB Statement No. 102

During fiscal year 2025, the State implemented GASB 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 were effective for the State's fiscal year ended June 30, 2025 but did not have a material effect on the State's financial statements.

GASB Statement No. 103

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The primary objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The State has not determined the effect this Statement will have on its financial statements.

GASB Statement No. 104

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The primary objective of this Statement is to improve users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2025. The State has not determined the effect this Statement will have on its financial statements.

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GASB Statement No. 105

GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this Statement are effective for reporting periods beginning after June 15, 2026. The State has not determined the effect this Statement will have on its financial statements.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, changes within the financial reporting entity and change in accounting principle resulted in adjustments to and restatements of beginning net position, fund net position, and fund balance as follows (amounts in thousands):

	Balance at July 1, 2024 (As Previously Reported)	Change to Financial Reporting Entity	Change to Accounting Principle	Balance at July 1, 2024 (As Restated)
Government-Wide				
Governmental Activities	\$ (3,252,495)	\$ 284,750	\$ (546,839)	\$ (3,514,584)
Business-Type Activities	6,093,919	-	(23,201)	6,070,718
Total Primary Government	<u>\$ 2,841,424</u>	<u>\$ 284,750</u>	<u>\$ (570,040)</u>	<u>\$ 2,556,134</u>
Governmental Funds				
Major Funds				
General	\$ 3,636,236	\$ 5,132	\$ -	\$ 3,641,368
Capital Projects	(562,518)	45,905	-	(516,613)
Nonmajor Funds	1,574,519	56,104	-	1,630,623
Proprietary Funds				
Major Funds				
Airports	\$ 2,849,005	\$ -	\$ (17,943)	\$ 2,831,062
Harbors	1,482,232	-	(3,165)	1,479,067
Nonmajor Funds	1,095,725	-	(2,093)	1,093,632
Discretely Presented Component Units				
UH	\$ 1,030,142	\$ -	\$ (63,862)	\$ 966,280
HHFDC	2,330,520	-	(965)	2,329,555
HPHA	482,024	-	(3,017)	479,007
HHSC	(266,463)	-	(43,729)	(310,192)
HTA	284,750	(284,750)	-	-
HCDA	259,258	-	(435)	258,823

2. Cash and Investments

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

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Cash

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

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) for the Primary Government as of June 30, 2025 was approximately \$3,667,634,000 and \$1,868,769,000, respectively, and unrestricted cash for the Fiduciary Funds as of June 30, 2025 was approximately \$1,141,475,000.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately \$832,884,000 at June 30, 2025 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 \$714,505,000 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, 2025 (amounts expressed in thousands):

	Fair Value Measurements Using			
	Reported Value	Significant		
		Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments – Primary government				
Investments by fair value level				
U.S. government securities	\$ 8,444,639	\$ 1,126,501	\$ 7,318,138	\$ -
Mutual funds	100,442	100,442	-	-
Commercial paper	191,909	191,909	-	-
Total investments by fair value level	8,736,990	\$ 1,418,852	\$ 7,318,138	\$ -
Investments at net asset value (NAV)				
Alternative investments	47,822			
Commingled funds	33,373			
Total investments	\$ 8,818,185			
Investments – Fiduciary funds				
Investments by fair value level				
Equity securities	\$ 411,330	\$ 411,330	\$ -	\$ -
U.S. government securities	565,382	13,867	551,515	-
Mutual funds	133,758	133,758	-	-
Commercial paper	2,363	2,363	-	-
Derivatives	(2,067)	-	(2,067)	-
	1,110,766	\$ 561,318	\$ 549,448	\$ -
Investments at NAV				
Commingled funds				
Domestic equity	1,638,764			
International equity	1,168,395			
Domestic inflation-linked fixed income	320,736			
Real estate	606,520			
Alternative investments	3,757,024			
Total investments	\$ 8,602,205			
Invested securities lending collateral at NAV				
Money market fund	\$ 36,140			

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.

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- **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.
- **Commercial paper** – The fair value of these investments are based on quoted market prices when available. These investments are categorized within 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.
- **Equity securities** – Investments in common and preferred stocks and a mutual fund are valued at the daily closing price as reported by the fund. These funds are required to publish their daily NAV and to transact at that price. These investments are categorized in Level 1 of the fair value hierarchy.
- **Alternative investments/Real estate** – Investments are held in limited partnerships and limited liability companies. The NAV is based on the fair value of the underlying assets held by the fund less its liabilities.
- **Derivatives** – Investments are traded on organized exchanges. The fair value of contracts is determined using the market approach based upon quoted market prices.

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, 2025.

(amounts expressed in thousands)	NAV	Unfunded Commitments	Redemption Frequency	Required Redemption Notice
Investments measured at NAV				
Commingled funds				
Domestic equity	\$ 1,655,730	None	Daily	Same as trade date
International equity	1,180,765	None	Daily	Same as trade date
Domestic inflation-linked fixed income	324,773	None	Daily	Trade date – 2
Real estate	606,520	\$ 226,953	Quarterly	Various up to trade date – 90
			Monthly/Quarterly/	
Alternative investments	3,804,846	1,789,039	Semi-Annually/Annually	Various up to trade date – 90
Total investments measured at NAV	<u>\$ 7,572,634</u>			
Invested securities lending collateral				
Money market fund	\$ 36,140			Same as trade date

- **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.

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- **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.
- **Mutual fund** – Vanguard Short-Term Corporate Bond Index Fund seeks to track the performance of a market-weighted corporate bond index with a short-term dollar weighted average maturity. This index includes U.S. dollar-denominated, investment-grade, fixed-rate, taxable securities issued by industrial, utility, and financial companies, with maturities between one and five years.
- **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.
- **Alternative investments** – Investments in various limited partnerships and limited liability companies, which is managed pursuant to EUTF's Investment Policy Statement.
- **Real Estate** – Investments in improved or productive real property may be made directly or through pooled funds, including common or collective trust funds of banks and trust companies, group or unit trusts, limited partnerships, limited liability companies, investment trusts, title-holding corporations recognized under Section 501(c) of the Internal Revenue Code of 1986, as amended, similar entities that would protect the EUTF's interest, and other pooled funds invested on behalf of the EUTF by investment managers retained by the EUTF.

The following table presents the State's investments by maturity period at June 30, 2025 (amounts expressed in thousands):

	Reported Value	Maturity (in years)		
		Less than 1	1-5	>5
Investments – Primary government				
U.S. government securities	\$ 8,444,639	\$ 1,130,272	\$ 5,124,617	\$ 2,189,750
Commercial paper	191,909	191,909	-	-
	8,636,548	\$ 1,322,181	\$ 5,124,617	\$ 2,189,750
Mutual funds	100,442			
Commingled funds	33,373			
Alternative investments	47,822			
Total investments	\$ 8,818,185			
Investments – Fiduciary funds				
U.S. government securities	\$ 565,382	\$ 475,303	\$ 63,111	\$ 26,968
Commercial paper	2,363	2,363	-	-
Derivatives	(2,067)	-	(2,067)	-
	565,678	\$ 477,666	\$ 61,044	\$ 26,968
Equity securities	411,330			
Mutual funds	133,758			
Commingled funds	3,127,895			
Real estate	606,520			
Alternative investments	3,757,024			
Total investments	\$ 8,602,205			

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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, 2025, the total securities lent for collateral amounted to approximately \$280,170,000. The total cash and noncash collateral received amounted to approximately \$36,140,000 and \$251,765,000, respectively.

All three of the commingled funds held in the EUTF investment pool participate in securities lending.

3. Capital Assets

For the fiscal year ended June 30, 2025, 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, 2024 (As Restated)	Additions	Deductions	Balance at June 30, 2025
Capital assets not being depreciated				
Land and land improvements	\$ 2,577,093	\$ 25,539	\$ (2,278)	\$ 2,600,354
Construction in progress	<u>1,352,176</u>	<u>865,898</u>	<u>(361,344)</u>	<u>1,856,730</u>
Total capital assets not being depreciated	<u>3,929,269</u>	<u>891,437</u>	<u>(363,622)</u>	<u>4,457,084</u>
Capital assets being depreciated				
Infrastructure	11,257,797	192,751	-	11,450,548
Buildings and improvements	7,462,976	100,444	(8,468)	7,554,952
Equipment	950,210	64,514	(30,937)	983,787
Intangible assets – software	168,162	-	-	168,162
Total capital assets being depreciated	<u>19,839,145</u>	<u>357,709</u>	<u>(39,405)</u>	<u>20,157,449</u>
Less: Accumulated depreciation and amortization				
Infrastructure	(7,671,567)	(225,329)	-	(7,896,896)
Buildings and improvements	(4,291,496)	(225,336)	11,470	(4,505,362)
Equipment	(802,962)	(49,290)	24,488	(827,764)
Intangible assets – software	(166,420)	(8,952)	-	(175,372)
Total accumulated depreciation and amortization	<u>(12,932,445)</u>	<u>(508,907)</u>	<u>35,958</u>	<u>(13,405,394)</u>
Lease assets				
Land and land improvements	8,512	-	-	8,512
Buildings and improvements	78,943	5,368	-	84,311
Equipment	16,682	3,073	(1,179)	18,576
Total lease assets	<u>104,137</u>	<u>8,441</u>	<u>(1,179)</u>	<u>111,399</u>
Less: Accumulated amortization				
Land and land improvements	(1,027)	(490)	-	(1,517)
Buildings and improvements	(23,657)	(11,412)	-	(35,069)
Equipment	(14,986)	(2,705)	968	(16,723)
Total accumulated amortization	<u>(39,670)</u>	<u>(14,607)</u>	<u>968</u>	<u>(53,309)</u>
Subscription assets				
Less: Accumulated amortization	71,406	26,187	(3,112)	94,481
Total capital assets, net	<u><u>\$ 10,942,807</u></u>	<u><u>\$ 741,201</u></u>	<u><u>\$ (368,065)</u></u>	<u><u>\$ 11,315,943</u></u>

State of Hawaii
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	Business-type Activities			
	Balance at July 1, 2024	Additions	Deductions	Balance at June 30, 2025
Capital assets not being depreciated				
Land and land improvements	\$ 707,516	\$ 22,958	\$ -	\$ 730,474
Construction in progress	<u>1,432,732</u>	<u>454,941</u>	<u>(288,317)</u>	<u>1,599,356</u>
Total capital assets not being depreciated	<u>2,140,248</u>	<u>477,899</u>	<u>(288,317)</u>	<u>2,329,830</u>
Capital assets being depreciated				
Land improvements	2,403,927	61,252	-	2,465,179
Buildings and improvements	4,371,025	196,627	-	4,567,652
Equipment	<u>449,100</u>	<u>8,136</u>	<u>(1,343)</u>	<u>455,893</u>
Total capital assets being depreciated	<u>7,224,052</u>	<u>266,015</u>	<u>(1,343)</u>	<u>7,488,724</u>
Less: Accumulated depreciation				
Land improvements	(1,401,143)	(81,672)	-	(1,482,815)
Buildings and improvements	(2,140,089)	(144,200)	-	(2,284,289)
Equipment	<u>(356,247)</u>	<u>(15,957)</u>	<u>1,343</u>	<u>(370,861)</u>
Total accumulated depreciation	<u>(3,897,479)</u>	<u>(241,829)</u>	<u>1,343</u>	<u>(4,137,965)</u>
Lease assets				
Buildings and improvements	881	-	-	881
Equipment	<u>153</u>	<u>28</u>	<u>-</u>	<u>181</u>
Total lease assets	<u>1,034</u>	<u>28</u>	<u>-</u>	<u>1,062</u>
Less: Accumulated amortization	(262)	(196)	-	(458)
Subscription assets	3,974	-	-	3,974
Less: Accumulated amortization	(1,082)	(541)	-	(1,623)
Total capital assets, net	<u>\$ 5,470,485</u>	<u>\$ 501,376</u>	<u>\$ (288,317)</u>	<u>\$ 5,683,544</u>

Depreciation and amortization expense for the fiscal year ended June 30, 2025 was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities

Highways	\$ 210,114
Lower education	153,055
General government	42,250
Welfare	12,309
Urban redevelopment and housing	25,465
Conservation of natural resources	48,736
Public safety	15,376
Health	16,572
Culture and recreation	3,411
Economic development and assistance	15,285
Total depreciation and amortization expense – governmental activities	<u>\$ 542,573</u>

Business-type activities

Airports	\$ 202,168
Harbors	38,332
EUTF	2,013
DWTLF	44
WPCF	9
Total depreciation and amortization expense – business-type activities	<u>\$ 242,566</u>

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Notes to Basic Financial Statements
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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 six years. The calculated interest rate used vary depending on the inception and length of subscription term.

As of June 30, 2025, the capitalized right-to-use assets related to SBITAs approximated \$94,481,000 and the total subscription liability approximated \$44,049,000, of which approximately \$15,190,000 is classified as current liability representing the portion due within the next fiscal year.

For the fiscal year ended June 30, 2025, the State recognized approximately \$1,753,000 of interest expense related to these arrangements.

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

Fiscal Year	Principal	Interest	Total
2026	\$ 15,190	\$ 2,039	\$ 17,229
2027	14,048	1,297	15,345
2028	8,150	627	8,777
2029	5,238	242	5,480
2030	1,423	17	1,440
	\$ 44,049	\$ 4,222	\$ 48,271

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4. General Obligation Bonds Payable

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

All issues contain call provisions except Series EX, issued October 29, 2015. Stated interest rates range from 0.67% to 6.20%.

On December 18, 2024, the State issued \$750,000,000 of taxable general obligation bonds of 2024 Series GN.

New issue Series GN were issued at a premium, which will be amortized over the life of the bond using the effective rate method. The bonds within Series GN that mature on or after April 1, 2025 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, 2025, \$1,610,840,000 of bonds outstanding are considered defeased. At June 30, 2025, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	\$ 8,670,467
Noncallable	<u>3,905</u>
Total general obligation bonds outstanding	8,674,372
Add: Unamortized bond premium	219,222
Less: Amount recorded as a liability of proprietary funds – Harbors	<u>(5,154)</u>
Amount recorded in the governmental activities of the primary government	<u>\$ 8,888,440</u>

State of Hawaii

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A summary of general obligation bonds outstanding by series as of June 30, 2025 is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
DX	February 18, 2010	5.230%–5.530%	February 1, 2020–2030	\$ 500,000	\$ 198,905
EG	December 4, 2012	2.600%–3.625%	November 1, 2019–2032	26,000	14,370
EM	November 21, 2013	3.750%–4.800%	August 1, 2019–2033	25,000	15,930
EN	November 21, 2013	3.750%–4.800%	August 1, 2019–2033	29,795	16,740
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	347,320
EQ	November 25, 2014	3.107%–3.915%	August 1, 2019–2034	25,000	17,125
ET	October 29, 2015	3.000%–5.000%	October 1, 2019–2035	190,000	81,360
EU	October 29, 2015	2.000%–3.500%	October 1, 2019–2035	35,000	23,425
EX	October 29, 2015	3.000%	October 1, 2019–2025	25,035	3,905
EY	October 29, 2015	5.000%	October 1, 2020–2027	212,120	89,625
EZ	October 29, 2015	5.000%	October 1, 2019–2028	215,590	47,180
FA	October 29, 2015	3.050%–4.400%	October 1, 2019–2035	25,000	16,980
FB	April 14, 2016	3.000%–5.000%	April 1, 2020–2036	500,000	349,540
FE	April 14, 2016	3.000%–5.000%	October 1, 2019–2028	219,690	101,135
FF	April 14, 2016	2.402%–2.902%	October 1, 2019–2028	119,730	51,290
FG	October 13, 2016	4.000%–5.000%	October 1, 2019–2036	375,000	283,660
FH	October 13, 2016	4.000%–5.000%	October 1, 2021–2031	379,295	264,410
FI	October 13, 2016	3.000%–5.000%	October 1, 2021–2033	2,710	2,015
FK	May 24, 2017	3.000%–5.000%	May 1, 2020–2037	575,000	431,340
FN	May 24, 2017	5.000%	October 1, 2021–2031	229,355	160,105
FP	May 24, 2017	2.950%–3.940%	May 1, 2020–2037	7,500	5,445
FS	December 12, 2017	2.340%–2.950%	October 1, 2022–2033	275,363	214,067
FT	February 14, 2018	3.000%–5.000%	January 1, 2022–2038	631,215	524,915
FW	February 21, 2019	2.500%–5.000%	January 1, 2023–2039	431,665	378,315
FZ	August 5, 2020	0.670%–2.293%	August 1, 2025–2040	995,000	995,000
GB	October 21, 2020	0.802%–0.852%	October 1, 2022–2025	600,000	150,000
GC	October 21, 2020	0.852%–2.782%	October 1, 2025–2040	400,000	400,000
GD	September 29, 2021	0.713%–2.870%	October 1, 2022–2041	700,000	611,100
GE	September 29, 2021	0.713%–2.870%	October 1, 2022–2041	200,000	174,225
GJ	September 29, 2021	1.033%–2.222%	August 1, 2025–2033	629,705	629,705
GK	November 2, 2022	4.750%–6.200%	October 1, 2023–2041	740,000	692,025
GM	November 2, 2022	4.771%–5.418%	October 1, 2023–2041	750,000	679,935
GN	December 18, 2024	4.187%–5.250%	October 1, 2025–2043	750,000	703,280
					\$ 8,674,372

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 2025 is as follows (amounts expressed in thousands):

Balance – July 1, 2024	\$ 262,966
Additions	2,032
Current-year amortization	(45,776)
Balance – June 30, 2025	\$ 219,222

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

Fiscal Year	Principal	Interest	Total
2026	\$ 754,119	\$ 311,480	\$ 1,065,599
2027	621,589	288,520	910,109
2028	618,602	265,145	883,747
2029	610,710	241,960	852,670
2030	586,460	219,563	806,023
2031–2035	2,682,520	789,163	3,471,683
2036–2040	1,880,360	343,193	2,223,553
2041–2044	700,790	47,123	747,913
	\$ 8,455,150	\$ 2,506,147	\$ 10,961,297

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

Fiscal Year	Principal	Interest	Total
2026	\$ 21,401	\$ 5,975	\$ 27,376
2027	21,401	5,475	26,876
2028	21,926	4,949	26,875
2029	22,479	4,396	26,875
2030	23,060	3,816	26,876
2031–2035	103,801	9,176	112,977
	\$ 214,068	\$ 33,787	\$ 247,855

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
2026	\$ 3,125	\$ 256	\$ 3,381
2027	1,136	100	1,236
2028	893	44	937
	\$ 5,154	\$ 400	\$ 5,554

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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, 2025 was \$882,071,000.

At June 30, 2025, general obligation bonds authorized but unissued were approximately \$4,201,243,000.

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.

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 1.25% 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 2.00% 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.

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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.

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

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

The following is a summary of the State's revenue bonds issued and outstanding for governmental activities at June 30, 2025 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
2014A	August 14, 2014	2.00%–5.00%	January 1, 2020–2034	\$ 103,375	\$ 59,195
2014B	August 14, 2014	3.00%–5.00%	January 1, 2020–2026	32,285	3,960
2016A	September 8, 2016	1.25%–5.00%	January 1, 2020–2036	103,395	68,455
2016B	September 8, 2016	2.00%–5.00%	January 1, 2021–2030	101,090	64,050
2019A	December 11, 2019	3.00%–5.00%	January 1, 2023–2040	81,835	72,485
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	16,805
DHHL					
2017	August 25, 2017	3.00%–5.00%	April 1, 2020–2032	30,940	17,210
DBEDT					
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	<u>49,183</u>
Add: Unamortized bond premium					
					<u>488,548</u>
					<u>59,612</u>
					<u><u>\$ 548,160</u></u>

A summary of the revenue bond premium activity for fiscal year 2025 is as follows (amounts expressed in thousands):

Balance – July 1, 2024	\$ 68,667
Current-year amortization	(9,055)
Balance – June 30, 2025	\$ 59,612

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

Fiscal Year	Principal	Interest	Total
2026	\$ 44,380	\$ 22,980	\$ 67,360
2027	46,516	21,014	67,530
2028	48,637	18,897	67,534
2029	50,850	16,681	67,531
2030	26,855	14,469	41,324
2031–2035	141,345	52,369	193,714
2036–2040	108,185	20,668	128,853
2041	21,780	1,089	22,869
	<hr/> \$ 488,548	<hr/> \$ 168,167	<hr/> \$ 656,715

Business-Type Activities

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

Airports System Revenue Bonds

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

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The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2025 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2015A, non-refunding	3.85%–4.20%	2045	\$ 235,135	\$ 1,685
2015B, non-refunding	4.02%	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	74,020
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
2025A, nonrefunding	5.00%–5.25%	2054	333,265	333,265
2025B, nonrefunding	5.00%	2049	294,605	294,605
2025C, refunding	5.00%	2045	166,275	166,275
2025D, refunding	5.00%	2045	54,390	54,390
			<u>\$ 2,534,575</u>	<u>2,281,970</u>
Add: Unamortized premium				178,741
Less: Unamortized discount				<u>(42)</u>
				<u>2,460,669</u>
Less: Current portion				<u>(43,410)</u>
Noncurrent portion				<u>\$ 2,417,259</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, 2025, the outstanding balance of the Series 2017A Bonds is \$212,210,000, 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, 2025, the outstanding balance of the Series 2019A Bonds is \$169,195,000, with a maturity of July 1, 2047.

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

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from collection of the Rental Motor Vehicle Customer Facility Charge imposed by the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports system.

Harbors Revenue Bonds

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

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2025 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current			
				Principal Due July 1, 2025	Due January 1, 2026	Total	Noncurrent
2013	July 1, 2029	3.25%	\$ 23,615	\$ 1,100	\$ -	\$ 1,100	\$ 4,795
2016	January 1, 2031	2.46%–3.09%	90,960	3,485	5,870	9,355	39,250
2020	July 1, 2040	4.00%–5.00%	250,865	5,590	-	5,590	238,490
			\$ 365,440	\$ 10,175	\$ 5,870	16,045	282,535
Add: Unamortized premium						3,907	29,848
						\$ 19,952	\$ 312,383

Debt service requirements to maturity on the business-type activities' revenue bonds for the fiscal year ended June 30, 2025 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 70,825	\$ 122,491	\$ 193,316
2027	72,960	127,979	200,939
2028	75,310	125,580	200,890
2029	77,845	122,983	200,828
2030	80,600	120,041	200,641
2031–2035	457,500	543,859	1,001,359
2036–2040	532,040	434,825	966,865
2041–2045	536,060	317,960	854,020
2046–2050	609,330	182,968	792,298
2051–2055	449,485	51,193	500,678
	\$ 2,961,955	\$ 2,149,879	\$ 5,111,834

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.

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Revenue Bonds Authorized, but Unissued

At June 30, 2025, revenue bonds authorized, but unissued, were approximately \$9,960,310,000.

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, 2025 amounted to approximately \$1,450,737,000. At June 30, 2025, special purpose revenue bonds of \$1,281,025,000 were authorized, but unissued.

6. Changes in Long-Term Liabilities

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

	Governmental Activities				
	Balance at		Deductions	Balance at	Due Within
	July 1, 2024	(As Restated)			
General obligation bonds payable	\$ 8,456,619	\$ 750,000	\$ (751,469)	\$ 8,455,150	\$ 754,119
Add: Unamortized premium	262,966	2,032	(45,776)	219,222	40,315
Direct placements	<u>234,969</u>	<u>-</u>	<u>(20,901)</u>	<u>214,068</u>	<u>21,401</u>
Total general obligation bonds payable	8,954,554	752,032	(818,146)	8,888,440	815,835
Revenue bonds payable	531,076	-	(42,528)	488,548	44,380
Add: Unamortized premium	<u>68,667</u>	<u>-</u>	<u>(9,055)</u>	<u>59,612</u>	<u>8,322</u>
Total revenue bonds payable	599,743	-	(51,583)	548,160	52,702
Compensated absences*	832,550	35,923	-	868,473	230,073
Reserve for losses and loss adjustment costs	364,064	71,426	(74,055)	361,435	40,973
Leases payable	66,171	8,442	(14,293)	60,320	12,702
Subscriptions payable	37,500	26,187	(19,638)	44,049	15,190
Net pension liability	6,991,875	576,687	(326,101)	7,242,461	-
Net other postemployment benefits liability	4,470,360	13,005	(830,893)	3,652,472	-
Financed purchases	82,180	-	(9,221)	72,959	10,029
Other	<u>334</u>	<u>-</u>	<u>-</u>	<u>334</u>	<u>-</u>
Total	<u>\$ 22,399,331</u>	<u>\$ 1,483,702</u>	<u>\$ (2,143,930)</u>	<u>\$ 21,739,103</u>	<u>\$ 1,177,504</u>

* The change in compensated absences liability is presented as a net change.

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	Business-type Activities				
	Balance at		July 1, 2024	Balance at	Due Within
	(As Restated)	Additions			
General obligation bonds payable, net	\$ 8,131	\$ -	\$ (2,977)	\$ 5,154	\$ 3,125
Revenue bonds payable	2,411,420	848,535	(298,000)	2,961,955	70,825
Add: Unamortized premium, net	<u>186,241</u>	<u>55,901</u>	<u>(29,688)</u>	<u>212,454</u>	<u>3,907</u>
Total revenue bonds payable	2,597,661	904,436	(327,688)	3,174,409	74,732
Compensated absences*	44,409	-	(1,691)	42,718	11,309
Reserve for losses and loss adjustment costs	14,762	5,653	(2,961)	17,454	3,414
Leases payable	769	22	(191)	600	198
Subscriptions payable	2,993	-	(515)	2,478	535
Net pension liability	223,807	14,151	(5,326)	232,632	-
Net other postemployment benefits liability	192,959	769	(30,390)	163,338	-
Financed purchases	159,976	-	(21,284)	138,692	22,442
Prepaid airport use charge fund	17,231	(17,231)	-	-	-
Security deposits	4,215	8,126	(3,027)	9,314	-
Other long-term liabilities	<u>1,803</u>	<u>-</u>	<u>(20)</u>	<u>1,783</u>	<u>-</u>
Total	<u>\$ 3,268,716</u>	<u>\$ 915,926</u>	<u>\$ (396,070)</u>	<u>\$ 3,788,572</u>	<u>\$ 115,755</u>

*The change in compensated absences liability is presented as a net change.

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7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2025 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds		
General Fund		
Capital Projects Fund	\$ 26,655	\$ -
Med-Quest Special Revenue Fund	146,471	59,699
Nonmajor Governmental Funds	83,148	69
Airports	5	-
Harbors	15	-
	<u>256,294</u>	<u>59,768</u>
Capital Projects Fund		
General Fund	-	26,655
Harbors	1,597	-
	<u>1,597</u>	<u>26,655</u>
Med-Quest Special Revenue Fund		
General Fund	59,699	146,471
Administrative Support Special Revenue Fund		
Natural Resources Special Revenue Fund	1,900	-
Nonmajor Governmental Funds	49,381	-
	<u>51,281</u>	<u>-</u>
Natural Resources Special Revenue Fund		
Administrative Support Special Revenue Fund	-	1,900
	<u>-</u>	<u>1,900</u>
Nonmajor Governmental Funds		
General Fund	69	83,148
Administrative Support Special Revenue Fund	-	49,381
	<u>69</u>	<u>132,529</u>
Proprietary Funds		
Airports	-	5
Harbors	-	1,612
	<u>-</u>	<u>1,617</u>
	<u>\$ 368,940</u>	<u>\$ 368,940</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, 2025, transfers by fund were as follows (amounts expressed in thousands):

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund		
Capital Projects Fund	\$ -	\$ 28,320
Med-Quest Special Revenue Fund	58,569	4,232
Administrative Support Special Revenue Fund	54,150	-
Natural Resources Special Revenue Fund	625	5,000
Hawaiian Program Special Revenue Fund	-	226,142
Nonmajor Governmental Funds	<u>57,331</u>	<u>1,255,818</u>
	<u>170,675</u>	<u>1,519,512</u>
Capital Projects Fund		
General Fund	28,320	-
Administrative Support Special Revenue Fund	-	20,546
Nonmajor Governmental Funds	<u>327,711</u>	<u>-</u>
	<u>356,031</u>	<u>20,546</u>
Med-Quest Special Revenue Fund		
General Fund	4,232	58,569
Nonmajor Governmental Funds	<u>-</u>	<u>1,162</u>
	<u>4,232</u>	<u>59,731</u>
Administrative Support Special Revenue Fund		
General Fund	-	54,150
Capital Projects Fund	20,546	-
Natural Resources Special Revenue Fund	-	3,218
Nonmajor Governmental Funds	<u>4,793</u>	<u>79,501</u>
	<u>25,339</u>	<u>136,869</u>
Natural Resources Special Revenue Fund		
General Fund	5,000	625
Administrative Support Special Revenue Fund	3,218	-
Nonmajor Governmental Funds	<u>684</u>	<u>2,390</u>
	<u>8,902</u>	<u>3,015</u>
Hawaiian Programs Special Revenue Fund		
General Fund	226,142	-
Nonmajor Governmental Funds	<u>-</u>	<u>3,009</u>
	<u>226,142</u>	<u>3,009</u>

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	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Governmental Funds		
General Fund	1,255,818	57,331
Capital Projects Fund	-	327,711
Med-Quest Special Revenue Fund	1,162	-
Administrative Support Special Revenue Fund	79,501	4,793
Natural Resources Special Revenue Fund	2,390	684
Hawaiian Programs Special Revenue Fund	3,009	-
Other Nonmajor Governmental Funds	70,263	70,263
	<u>1,412,143</u>	<u>460,782</u>
	<u><u>\$ 2,203,464</u></u>	<u><u>\$ 2,203,464</u></u>

The General Fund transferred approximately \$1,086,516,000 to the Nonmajor Governmental Funds for debt service payments, approximately \$404,676,000 to subsidize various Special Revenue Funds' programs, and approximately \$28,320,000 to the Capital Projects Fund to finance capital projects. Approximately \$291,377,000 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

A 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 61 years. The calculated interest rates used vary depending on the inception of the lease. For the fiscal year ended June 30, 2025, the State recognized approximately \$33,391,000 in lease revenue and approximately \$24,056,000 in interest revenue.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows (amounts expressed in thousands):

Balance at			Balance at	Due Within
July 1, 2024	Additions	Deductions	June 30, 2025	One Year
\$ 800,497	\$ 21,653	\$ (20,544)	\$ 801,606	\$ 28,091

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

Fiscal Year	Principal	Interest	Total
2026	\$ 28,091	\$ 898	\$ 28,989
2027	17,618	994	18,612
2028	19,763	1,203	20,966
2029	19,956	1,540	21,496
2030	19,336	2,493	21,829
2031–2035	110,705	2,303	113,008
2036–2040	111,533	1,404	112,937
2041–2045	132,737	2,207	134,944
2046–2050	87,799	1,151	88,950
2051–2055	50,403	279	50,682
2056–2060	46,686	278	46,964
2061–2065	43,128	343	43,471
2066–2070	45,118	480	45,598
2071–2075	32,122	496	32,618
2076–2080	32,882	289	33,171
2081–2085	3,312	11	3,323
2086	417	2	419
	\$ 801,606	\$ 16,371	\$ 817,977

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. Leases 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 the fiscal year ended June 30, 2025, Airports recognized approximately \$65,557,000 in lease revenue and \$14,016,000 in interest revenue.

Major portions of Harbors' property are leased to others. Such property includes special purpose facilities, office and commercial space, and land. Leases 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 the fiscal year ended June 30, 2025, Harbors recognized approximately \$4,951,000 in lease revenue for variable payments not previously included in measurement of the leases receivable.

A summary of changes in lease receivable for the fiscal year ended June 30, 2025 is as follows (amounts expressed in thousands):

Balance at July 1, 2024	Additions	Deductions	Balance at June 30, 2025	Due Within One Year
\$ 449,996	\$ 140,798	\$ (174,386)	\$ 416,408	\$ 84,766

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

Fiscal Year	Principal	Interest	Total
2026	\$ 84,766	\$ 16,601	\$ 101,367
2027	74,492	12,784	87,276
2028	65,749	9,595	75,344
2029	48,134	6,975	55,109
2030	31,404	5,301	36,705
2031–2035	67,551	13,471	81,022
2036–2040	18,046	6,444	24,490
2041–2045	11,101	3,241	14,342
2046–2050	8,364	1,801	10,165
2051–2055	5,433	517	5,950
2056–2058	1,368	67	1,435
	\$ 416,408	\$ 76,797	\$ 493,205

Regulated Leases – Airports

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

Airport-Airline Agreement

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

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

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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 2024 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 \$140,680,000 for fiscal year 2025. Airport landing fees are shown net of aviation fuel tax credits of approximately \$2,011,000 on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of approximately \$138,669,000. 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 53% for fiscal year 2025, 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 \$146,279,000 for fiscal year 2025.
- Exclusive use premise charges amounted to approximately \$101,749,000 for fiscal year 2025, and are computed using a fixed rate per square footage per year. Included in exclusive use premise charges are terminal rentals amounting to \$57,688,000. Remaining charges 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, 2025 are as follows (amounts expressed in thousands):

Fiscal Year	
2026	\$ 25,138
2027	24,416
2028	22,057
2029	19,246
2030	17,304
2031–2035	37,179
2036–2040	9,946
2041–2045	5,910
2046–2050	6,854
2051–2055	2,894
	<hr/>
	\$ 170,944

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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 36 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
2026	\$ 12,702	\$ 48	\$ 12,750
2027	9,976	37	10,013
2028	8,735	33	8,768
2029	5,310	21	5,331
2030	3,975	15	3,990
2031–2035	7,352	29	7,381
2036–2040	2,958	11	2,969
2041–2045	2,859	10	2,869
2046–2050	2,908	11	2,919
2051–2055	2,077	9	2,086
2056–2060	1,436	7	1,443
2061	32	-	32
	<hr/> \$ 60,320	<hr/> \$ 231	<hr/> \$ 60,551

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 were 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%.

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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 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 Corrections and Rehabilitation 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
2026	\$ 10,029	\$ 2,487	\$ 12,516
2027	8,954	2,126	11,080
2028	9,822	1,801	11,623
2029	10,686	1,444	12,130
2030	11,585	1,057	12,642
2031–2032	21,883	883	22,766
	\$ 72,959	\$ 9,798	\$ 82,757

Capital assets acquired under these financed agreements at June 30, 2025 are as follows (amounts expressed in thousands):

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

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Business-Type Activities

Airports – Lease Revenue Certificates of Participation

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

On April 13, 2016, 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 Division and Johnson Controls, Inc. was financed by lease revenue COPS issued by the Airports Division in the amount of approximately \$51,473,000 at an interest rate of 2.87%, payable annually with a final maturity date of 2034.

The lease revenue COPS are payable from revenue derived by the Airports Division from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State of Hawaii. The COPS represent participations in equipment lease rent payments to be made by the Department. Lease rent payments to holders of the COPS are payable from Revenues and Aviation Fuel Taxes, subordinate in right of payment to the payments of debt service on bonds.

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

At June 30, 2025, the outstanding balance of the lease revenue COPS and the unamortized premium are approximately \$120,490,000 and \$13,000, respectively. The schedule of payments for the lease revenue COPS is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 20,755	\$ 4,827	\$ 25,582
2027	22,770	3,767	26,537
2028	25,411	2,619	28,030
2029	28,458	1,360	29,818
2030	4,542	631	5,173
2031–2034	18,567	1,100	19,667
	\$ 120,503	\$ 14,304	\$ 134,807

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Harbors – Financed Purchase

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 \$18,189,000 at June 30, 2025. Annual payments commenced on October 1, 2017 and will continue through October 1, 2032 at an interest rate of 2.74%. Costs incurred for the installation and acquisition of energy conservation measures were capitalized to other improvements and approximated \$28,952,000, net of related expense of \$23,000, which included 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, 2025 (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2026	\$ 1,687	\$ 498	\$ 2,185
2027	1,846	452	2,298
2028	2,015	402	2,417
2029	2,196	346	2,542
2030	2,387	286	2,673
2031–2033	8,058	443	8,501
	<hr/> <u>\$ 18,189</u>	<hr/> <u>\$ 2,427</u>	<hr/> <u>\$ 20,616</u>

In September 2025, Harbors transacted a lump sum buyout of approximately \$19 million.

10. Significant Transactions with Component Units

Hawaii Health Systems Corporation

The amount due to the State of approximately \$19,008,000 at June 30, 2025 is comprised of cash advances that was assumed by the HHSC.

At June 30, 2025, approximately \$118,981,000 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, 2025, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$6,287,000.

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11. Retirement Benefits

Pension Plan

Plan Description

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

Benefits Provided

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

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

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

Noncontributory Class

- ***Retirement Benefits*** – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- ***Disability Benefits*** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service are required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

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- 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.
- 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.

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Contributory Class for Members Hired After June 30, 2012

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

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

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

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

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

Hybrid Class for Members Hired Prior to July 1, 2012

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

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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 2025 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the pension plan from the State was approximately \$707,541,000 for the fiscal year ended June 30, 2025.

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, 2025, the State reported a liability of approximately \$7,500,000,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the State's proportion was 57.9570%, which was an increase of 0.6703% from its proportion measured as of June 30, 2023.

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There were no changes in actuarial assumptions as of June 30, 2023 to June 30, 2024. There were no changes between the measurement date, June 30, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the fiscal year ended June 30, 2025, the State recognized pension expense of approximately \$734,206,000. At June 30, 2025, 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	\$ 216,894	\$ (52,810)
Changes in assumptions	10,765	(47,323)
Net difference between projected and actual earnings on pension plan investments	198,292	-
Changes in proportion and differences between State contributions and proportionate share of contributions	81,895	(18,371)
State contributions subsequent to the measurement date	707,541	-
Total	\$ 1,215,387	\$ (118,504)

At June 30, 2025, the approximate \$707,541,000 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, 2026.

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	
2026	\$ (78,462)
2027	260,460
2028	146,275
2029	61,069
	\$ 389,342

Actuarial Assumptions

The total pension liability in the June 30, 2024 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.

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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.

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 rates of return, based on ERS’s investment consultant as of June 30, 2024, are summarized in the following table:

Classes	Strategic Class Weights	Long-Term Expected Geometric Rate of Return
Broad growth		
Public equity	20.0 %	7.2 %
Private equity	19.0 %	9.9 %
Real estate	9.0 %	6.3 %
Private credit	8.0 %	9.2 %
Infrastructure	7.0 %	7.3 %
Liquid credit	4.0 %	6.5 %
Timber/agriculture/infrastructure	3.0 %	5.3 %
Diversifying strategies		
Intermediate government	14.0 %	4.0 %
Systematic trend following	8.0 %	3.8 %
Long Treasuries	4.0 %	4.3 %
Reinsurance	4.0 %	5.3 %
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	\$ 9,984,399	\$ 7,475,093	\$ 5,396,633

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 was approximately \$81,300,000 as of June 30, 2025.

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 201 Merchant Street, Suite 1700, Honolulu, HI, 96813.

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

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

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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, 2024, the State had the following number of plan members covered:

Inactive plan members or beneficiaries currently receiving benefits	40,158
Inactive plan members entitled to but not yet receiving benefits	7,381
Active plan members	<u>49,427</u>
Total plan members	<u>96,966</u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Contributions to the OPEB plan from the State was \$609,362,000 for the fiscal year ended June 30, 2025. 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, 2025, the State reported a net OPEB liability of approximately \$3,800,000,000. The net OPEB liability was measured as of July 1, 2024, 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, 2024, and the reporting date, June 30, 2025, that are expected to have a significant effect on the net OPEB liability.

For the fiscal year ended June 30, 2025, the State recognized OPEB expense of approximately \$96,785,000. At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (1,220,281)
Changes in assumptions	-	(132,445)
Net difference between projected and actual earnings on OPEB plan investments	16,210	-
State contributions subsequent to the measurement date	609,362	-
Total	\$ 625,572	\$ (1,352,726)

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At June 30, 2025, the approximate \$609,362,000 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, 2026.

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	
2026	\$ (473,258)
2027	(297,292)
2028	(299,838)
2029	(142,446)
2030	<u>(123,682)</u>
	<u>\$ (1,336,516)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2024 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 6.20%; declining to a rate of 4.25% after 20 years
HMO**	Initial rate of 6.20%; declining to a rate of 4.25% after 20 years
Part B and Base	
Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 20 years
Dental	4.00%
Vision	2.50%
Life insurance	0.00%

* Blended rates for medical and prescription drugs.

** Includes prescription drug assumptions.

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	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	15.0 %	10.1 %
U.S. microcap	3.0 %	8.3 %
Global equity	30.0 %	6.0 %
Real assets	12.0 %	5.0 %
Private credit	10.0 %	7.8 %
TIPS	2.5 %	2.1 %
Long Treasuries	5.0 %	2.6 %
Reinsurance	5.5 %	5.1 %
Alternative risk premia	5.0 %	3.8 %
Trend following	10.0 %	2.4 %
Tail risk / Long volatility	2.0 %	(1.3)%
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. 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.

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/>.

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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, 2024 (amounts expressed in thousands):

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance, as restated	\$ 8,541,709	\$ 3,878,390	\$ 4,663,319
Service cost	177,386	-	177,386
Interest on the total OPEB liability	603,118	-	603,118
Difference between expected and actual experience	(675,107)	-	(675,107)
Employer contributions	-	626,545	(626,545)
Net investment income	-	326,722	(326,722)
Benefit payments	(309,772)	(309,772)	-
Administrative expense	-	(315)	315
Other	-	(46)	46
Net changes	(204,375)	643,134	(847,509)
Ending balance	\$ 8,337,334	\$ 4,521,524	\$ 3,815,810

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):

State's proportionate share of the net OPEB liability	1%	Discount	1%
	Decrease	Rate	Increase
	(6.00%)	(7.00%)	(8.00%)
	\$ 4,919,667	\$ 3,815,810	\$ 2,928,116

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):

State's proportionate share of the net OPEB liability	Healthcare		
	1%	Cost	1%
	Decrease	Trend Rate	Increase
	\$ 2,881,953	\$ 3,815,810	\$ 5,005,097

Payables to the OPEB Plan

There was no contributions payable to the EUTF as of June 30, 2025.

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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, 2025, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds

Agriculture	\$ 3,430
Natural Resources	23,646
	<hr/>
	\$ 27,076

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, 2025 include (amounts expressed in thousands):

Fund Type

General	\$ 1,672,628
Capital Projects	2,771,455
Med-Quest Special Revenue	28,418
Administrative Support Special Revenue	28,888
Natural Resources Special Revenue	170,451
Hawaiian Programs Special Revenue	249,596
Other Governmental	<hr/>
	2,278,813
	<hr/>
	\$ 7,200,249

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, 2025.

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Proprietary Fund Type – Enterprise Funds

Construction and Service Contracts

At June 30, 2025, the Enterprise Funds had commitments of approximately \$1,915,456,000 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, 2025, 2024 and 2023 approximated \$30,460,000, \$90,402,000 and \$343,189,000, 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 \$1,300,000,000 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 \$33,809,000 during the fiscal year ended June 30, 2025. As of June 30, 2025, the State expects to receive \$14,000,000 for the first six months of fiscal 2026.

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 challenged 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.

In March 2024, the State signed the 2023 and 2024 NPM Adjustments Settlement Agreement, which settled sales year through 2024 for arbitration relating to the NPM adjustment.

In April 2025, Hawaii received its annual MSA payment in the amount of \$33,809,000, and payments are current, subject to some adjustments over time. Since Hawaii and 35 other states were only settled through sales year 2024, negotiations to settle future years, like those agreed to by recently settled states (Illinois, Idaho and Iowa), have begun. If Hawaii does not settle future years and faces arbitration for sales year 2025 and beyond, it is unclear when those arbitrations would commence, but it would appear to be several years away at this point, since the 2005 to 2007 arbitrations are ongoing.

Since the State is only settled through sales year 2024, negotiations to settle future years, similar to those agreed to by recently settled states have begun.

Department of Hawaiian Home Lands

In 1991, the Legislature enacted HRS Chapter 674, entitled “Individual Claims Resolution Under the Hawaiian Home Lands Trust,” which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (HHCA) to file claims to recover actual economic damages they believed they

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suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,721 individuals.

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

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

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

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*), was 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.

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

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.

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

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

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

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

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

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enhanced fees for their work on the appeal and interim fees. The State opposed the amount requested. The motions were granted in part and denied in part by the Supreme Court of Hawaii, which reduced the total amount to approximately \$370,000.

The parties to *Kalima I* entered into settlement negotiations in March and April 2022. On April 14, 2022, the parties agreed on the material terms of a global settlement in this case. Under the terms of the settlement, the State agreed to pay the Plaintiffs \$328,000,000 for a full and final release of all class claims, including claims for attorneys' fees and costs. The settlement was conditioned on the Legislature appropriating the funds to pay the settlement amount, and upon final court approval of the settlement under HRCP 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 appointed a Claims Administrator to implement the class notice plan and claims administration process. The Court 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 was 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 Home Lands, 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.

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

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

On May 9, 2012, the Hawaii Supreme Court concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Hawaii Supreme Court thus held the Plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. However, the Hawaii Supreme Court upheld 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 \$28,000,000 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 \$28,000,000 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

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Notes to Basic Financial Statements

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particular amount of funds to DHHL. The court amended its original Order to state that \$9,632,000 is not sufficient and that the State is required to fund DHHL's expenses by making sufficient general funds available to DHHL for fiscal year 2016.

The Plaintiffs filed a motion for reconsideration which the court denied. The State filed a notice of appeal and the Plaintiffs filed a notice of cross-appeal, both filed in the Intermediate Court of Appeals. On February 23, 2017, the Legislature 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, using the only judicially discoverable and manageable standard identified in *Nelson I*: the 1978 baseline of \$1,300,000 to \$1,600,000, adjusted for inflation. 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 State prevailed at trial. Plaintiffs have appealed to the 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.

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.

State of Hawaii

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

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

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

On December 10, 2012, the Plaintiffs filed Plaintiffs’ Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that the Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants’ Motion for Partial Summary Judgment seeking judgment in their favor and against the Plaintiffs on all of the Plaintiffs’ claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of the Plaintiffs by not providing healthcare benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of the Plaintiffs by not providing healthcare benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit

State of Hawaii

Notes to Basic Financial Statements

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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.

The Plaintiffs filed their Third Amended Complaint on December 28, 2017. The parties 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 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 final judgment in favor of all defendants. On February 28, 2024, plaintiffs filed a notice of appeal. The State Defendants will continue to defend against plaintiffs' claims at the appellate level.

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 was 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 insurers and the State Defendants have filed motions for partial summary judgment. On December 11, 2024, the Court ruled in the State's favor. The State is in discussions with the insurers with regard to a dismissal of the suit. Should that not occur, the State intends to continue its vigorous defense against all claims brought against the State, the EUTF, and the EUTF Board.

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.

State of Hawaii
Notes to Basic Financial Statements
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Maui Wildfires

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, resulting in 102 confirmed fatalities and two individuals remaining listed as missing. The wildfires destroyed over 2,200 structures, primarily homes and businesses, and displaced over 12,000 residents, causing an estimated \$5,000,000,000 of damage.

As of October 2024, the State has been named as a defendant in 405 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 negligent maintenance of grasses and invasive species of plants that allegedly contributed to the spread of the wildfires, and negligent handling of the emergency, including failure to use emergency sirens. A settlement was reached in November 2024, through mediation, in which the defendants, among them the State, the County of Maui, Kamehameha Schools, and Hawaiian Electric Company, Inc., agreed to contribute to an approximately \$4,000,000,000 pool of settlement funds from which current and future plaintiffs with personal and property damage claims able to make and prove claims would be paid and stipulating that insurers could not bring subrogation claims against defendants. In late September 2024, the Hawaii Supreme Court agreed to take up a question from the Maui Circuit Court of whether insurance companies can bring subrogation claims and asked counsel to submit briefs within 40 days. The settlement remains subject to court approval and the State's contribution is subject to approval by the Legislature. If approved, the State agreed to contribute approximately \$808,000,000 towards the settlement, plus \$65,000,000 contributed by the State to the One 'Ohana Fund.

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 except as noted below. 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. The deductible for losses such as windstorm, tsunamis, 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 losses, except terrorism, is \$1,000,000 per occurrence. The deductible for terrorism is \$10,000 per occurrence.

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

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

Casualty and Professional Liability

From July 1, 2024 to November 30, 2024, the State had an effective general liability insurance policy that provided \$5,000,000 of coverage with a \$7,500,000 deductible. As of December 1, 2024, the State does not have any liability insurance policy. Therefore, the state is self-insured thereafter. 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 and funded 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 up to \$10,000,000 with self-insured retention of \$1,000,000. This policy covers all departments and divisions except for UH and includes (with sub-limits) media content liability, PCI-DSS assessment coverage, reputational risk response, reputational loss coverage, E-discovery consultant services, data recovery amendatory system failure non-physical damage loss of use (bricking), system failure coverage, criminal reward expense, claim avoidance expense, crypto jacking coverage, fraudulent impersonation and telecommunication fraud coverage, court attendance cost coverage, company definition amendatory-scheduled entities with varying co-insurance (Tiers 1 & 2). The UH has a separate cyber policy with various limits and self-insured retention amounts.

Medical Insurance

The State's community hospitals (HHSC) are insured by a comprehensive medical professional liability policy. The policy provides coverage for professional and general liability claims with a private insurance carrier. 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, 2025, 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.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2025

The following table represents changes in the amount of the estimated losses and the loss adjustment costs for governmental activities for the years ended June 30, 2025 and 2024, respectively (amounts expressed in thousands):

	2025	2024
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	\$ 364,064	\$ 342,234
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	73,488	161,014
Change in provision for insured events of prior fiscal years	(2,062)	(7,222)
Total incurred losses and loss adjustment costs	<u>71,426</u>	<u>153,792</u>
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(4,044)	(70,080)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(70,011)	(61,882)
Total payments	<u>(74,055)</u>	<u>(131,962)</u>
End of the fiscal year	<u>\$ 361,435</u>	<u>\$ 364,064</u>

14. Subsequent Events

In September 2025, the Stadium Authority entered into the first two agreements (the Stadium Development and Operation Agreement and the Initial Ground Lease) with Aloha Halawa District Partners (AHD) to support the New Aloha Stadium Entertainment District (NASED). The NASED project includes construction of a new, modern, multi-purpose stadium, as well as the surrounding development comprised of various aspects, including residential housing, hotels, retail, and office spaces. Execution of these agreements allows AHD to commence work on the stadium project, including dismantling of the existing stadium and designing and constructing the new stadium. The remaining agreements relate to the real estate parts of the NASED project are expected to be finalized over the following months.

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, 2025

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Administrative Support Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Natural Resources Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Hawaiian Programs Special Revenue Fund – Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Year Ended June 30, 2025

Notes to Required Supplementary Information – Budgetary Control – Year Ended June 30, 2025

Major Governmental Funds – Reconciliation of the Budgetary to GAAP Basis – Year Ended June 30, 2025

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, 2025

(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	\$ 4,881,743	\$ 4,758,529	\$ 4,599,977	\$ (158,552)
Net income tax				
Corporations	208,132	515,856	400,297	(115,559)
Individuals	3,285,709	3,365,893	3,287,127	(78,766)
Inheritance and estate tax	61,607	57,211	405,766	348,555
Liquor permits and tax	57,739	50,239	50,149	(90)
Public service companies tax	152,189	167,799	154,478	(13,321)
Tobacco tax	58,062	43,039	56,922	13,883
Tax on premiums of insurance companies	208,000	218,000	218,833	833
Franchise tax (banks and other financial institutions)	41,995	32,195	8,296	(23,899)
Transient accommodations tax	749,056	751,450	716,905	(34,545)
Other taxes, primarily conveyances tax	61,518	58,558	75,406	16,848
Total taxes	<u>9,765,750</u>	<u>10,018,769</u>	<u>9,974,156</u>	<u>(44,613)</u>
Non-taxes				
Interest and investment income	11,030	140,723	157,878	17,155
Charges for current services	376,304	376,013	464,080	88,067
Intergovernmental	11,295	11,325	11,743	418
Rentals	864	115	77	(38)
Fines, forfeitures and penalties	16,204	14,177	13,704	(473)
Licenses and fees	1,362	1,088	847	(241)
Revenues from private sources	3,001	5,000	13,805	8,805
Debt service requirements	6,522	6,524	6,523	(1)
Other	<u>365,570</u>	<u>369,097</u>	<u>509,054</u>	<u>139,957</u>
Total non-taxes	<u>792,152</u>	<u>924,062</u>	<u>1,177,711</u>	<u>253,649</u>
Total revenues	<u>10,557,902</u>	<u>10,942,831</u>	<u>11,151,867</u>	<u>209,036</u>
Expenditures				
Department				
Accounting and General Services	161,888	185,276	160,797	24,479
Agriculture and Biosecurity	38,295	41,654	32,770	8,884
Attorney General	49,299	64,185	56,083	8,102
Budget and Finance	4,037,869	3,989,128	3,606,835	382,293
Business, Economic Development and Tourism	300,939	137,267	134,102	3,165
Corrections and Rehabilitation	303,620	315,278	294,693	20,585
Defense	41,451	58,506	97,238	(38,732)
Education	51,102	2,605,738	2,518,687	87,051
Governor	6,303	6,953	6,837	116
Hawaiian Home Lands	26,846	28,736	26,288	2,448
Health	888,509	948,587	884,316	64,271
House of Representative	3,380	24,507	5,943	18,564
Human Resources Development	27,498	28,648	24,915	3,733
Human Services	1,507,751	1,632,664	1,531,945	100,719
Judiciary	31,770	235,328	228,574	6,754
Labor and Industrial Relations	29,881	37,717	34,661	3,056
Land and Natural Resources	121,938	134,756	129,959	4,797
Law Enforcement	37,297	42,087	35,729	6,358
Legislative Auditor	6,817	6,885	5,715	1,170
Legislative Reference Bureau	5,045	5,346	4,346	1,000
Lieutenant Governor	2,377	2,457	2,066	391
Office of Hawaiian Affairs	-	3,000	3,000	-
Office of the Ombudsman	1,575	2,039	1,656	383
Senate	2,800	17,391	4,597	12,794
State Ethics Commission	1,805	1,821	1,683	138
Taxation	39,030	44,077	37,202	6,875
Transportation	5,000	16,511	15,511	1,000
University of Hawaii	651,454	685,829	670,289	15,540
Total expenditures	<u>8,381,539</u>	<u>11,302,371</u>	<u>10,556,437</u>	<u>745,934</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,176,363</u>	<u>(359,540)</u>	<u>595,430</u>	<u>954,970</u>
Other financing sources				
Excess (deficiency) of revenues and other sources over (under) expenditures	<u>88,845</u>	<u>80,489</u>	<u>114,984</u>	<u>34,495</u>
	<u>\$ 2,265,208</u>	<u>\$ (279,051)</u>	<u>\$ 710,414</u>	<u>\$ 989,465</u>

See accompanying report of independent auditors.

State of Hawaii**Med-Quest Special Revenue Fund****Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)****Year Ended June 30, 2025**

(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	\$ -	\$ -	\$ 11	\$ 11
Revenues from private sources	-	60,000	92,956	32,956
Other	-	-	4,232	4,232
Total revenues – non-taxes	-	60,000	97,199	37,199
Total revenues	-	60,000	97,199	37,199
Expenditures				
Department				
Human Services	209,763	209,763	101,934	107,829
Total expenditures	209,763	209,763	101,934	107,829
Deficiency of expenditures over revenues	\$ (209,763)	\$ (149,763)	\$ (4,735)	\$ 145,028

See accompanying report of independent auditors.

State of Hawaii

Administrative Support Special Revenue Fund

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

Year Ended June 30, 2025

(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	\$ 330,938	\$ 330,938	\$ 357,887	\$ 26,949
Tobacco tax	1,182	1,182	1,059	(123)
Transient accommodations tax	96,367	96,367	78,758	(17,609)
Total taxes	<u>428,487</u>	<u>428,487</u>	<u>437,704</u>	<u>9,217</u>
Non-taxes				
Interest and dividend income	45,452	45,452	44,672	(780)
Charges for current services	88,069	88,069	85,825	(2,244)
Rentals	4,400	4,400	3,653	(747)
Fines, forfeitures and penalties	225	225	119	(106)
Licenses and fees	300	300	197	(103)
Revenues from private sources	2,015	2,015	3,051	1,036
Other	9,913	9,913	70,608	60,695
Total non-taxes	<u>150,374</u>	<u>150,374</u>	<u>208,125</u>	<u>57,751</u>
Total revenues	<u>578,861</u>	<u>578,861</u>	<u>645,829</u>	<u>66,968</u>
Expenditures				
Department				
Accounting and General Services	67,718	67,718	40,330	27,388
Attorney General	34,484	34,484	25,220	9,264
ERS	26,846	26,846	-	26,846
Budget and Finance	439,168	439,168	427,305	11,863
Human Resources Development	5902	5,902	534	5,368
Lieutenant Governor	324	324	3	321
Taxation	3,853	3,853	1,769	2,084
Total expenditures	<u>578,295</u>	<u>578,295</u>	<u>495,161</u>	<u>83,134</u>
Excess of revenues over expenditures	<u>\$ 566</u>	<u>\$ 566</u>	<u>\$ 150,668</u>	<u>\$ 150,102</u>

See accompanying report of independent auditors.

State of Hawaii

Natural Resources Special Revenue Fund

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

Year Ended June 30, 2025

(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	\$ 228	\$ (22)
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>9,828</u>	<u>(22)</u>
Non-taxes				
Interest and investment income	1,266	1,266	5,036	3,770
Charges for current services	57,903	57,903	48,016	(9,887)
Intergovernmental	-	-	94	94
Rentals	12,855	12,855	11,345	(1,510)
Fines, forfeitures and penalties	125	125	90	(35)
Licenses and fees	484	484	1,362	878
Revenues from private sources	21	21	71	50
Other	<u>2,795</u>	<u>2,795</u>	<u>12,067</u>	<u>9,272</u>
Total non-taxes	<u>75,449</u>	<u>75,449</u>	<u>78,081</u>	<u>2,632</u>
Total revenues	<u>85,299</u>	<u>85,299</u>	<u>87,909</u>	<u>2,610</u>
Expenditures				
Department				
Agriculture and Biosecurity	24,507	24,507	14,183	10,324
Land and Natural Resources	<u>99,295</u>	<u>99,295</u>	<u>63,297</u>	<u>35,998</u>
Total expenditures	<u>123,802</u>	<u>123,802</u>	<u>77,480</u>	<u>46,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (38,503)</u>	<u>\$ (38,503)</u>	<u>\$ 10,429</u>	<u>\$ 48,932</u>

See accompanying report of independent auditors.

State of Hawaii**Hawaiian Programs Special Revenue Fund****Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) (Unaudited)****Year Ended June 30, 2025****(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	\$ 1,120	\$ 1,040
Charges for current services	-	-	68	68
Intergovernmental	-	-	5,223	5,223
Rentals	20,433	20,433	20,616	183
Revenues from private sources	-	-	3,000	3,000
Other	3,090	3,090	10,329	7,239
Total non-taxes	23,603	23,603	40,356	16,753
Total revenues	23,603	23,603	40,356	16,753
Expenditures				
Department				
Hawaiian Home Lands	24,325	24,325	14,436	9,889
Total expenditures	24,325	24,325	14,436	9,889
Excess (deficiency) of revenues over (under) expenditures	\$ (722)	\$ (722)	\$ 25,920	\$ 26,642

See accompanying report of independent auditors.

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control (Unaudited)

Year Ended June 30, 2025

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 2023 (Act 164, SLH 2023) 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 2023–2025 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, 2025, 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 report of independent auditors.

State of Hawaii**Major Governmental Funds****Reconciliation of the Budgetary to GAAP Basis (Unaudited)****Year Ended June 30, 2025****(Amounts in thousands)**

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2025 follows:

	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)	\$ 710,414	\$ (4,735)	\$ 150,668	\$ 10,429	\$ 25,920
Transfers	1,317,002	54,945	29,266	(1,985)	(223,133)
Reserve for encumbrances at fiscal year-end*	897,956	721	3,612	30,318	1,631
Expenditures for liquidation of prior fiscal year encumbrances	(1,319,583)	(686,167)	(105,283)	(54,434)	(17,271)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net		726,445	913,203	44,997	213,316
Tax refunds payable	(28,320)	6,946	-	-	-
Accrued liabilities	(215)	-	-	-	-
Accrued revenues	283,578	(67,871)	(5,145)	(3,629)	9,611
	<u>18,470</u>	<u>27,657</u>	<u>(17,390)</u>	<u>4,755</u>	<u>8,422</u>
Excess of revenues over expenditures – GAAP basis	<u>\$ 1,879,302</u>	<u>\$ 57,941</u>	<u>\$ 968,931</u>	<u>\$ 30,451</u>	<u>\$ 18,496</u>

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

See accompanying report of independent auditors.

State of Hawaii

Schedule of the Proportionate Share of the Net Pension Liability (Unaudited)

Last Ten Fiscal Years

(Amounts in millions)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
State of Hawaii, excluding UH*										
State's proportion of the net pension liability	57.957 %	57.287 %	57.357 %	56.692 %	55.839 %	55.749 %	56.090 %	56.607 %	56.600 %	57.238 %
State's proportionate share of the net pension liability	\$ 8,164	\$ 7,870	\$ 7,405	\$ 6,886	\$ 8,510	\$ 7,865	\$ 7,438	\$ 7,331	\$ 7,567	\$ 4,999
State's covered payroll	\$ 3,028	\$ 2,848	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496	\$ 2,424
State's proportionate share of the net pension liability as a percentage of its covered payroll	269.6 %	276.3 %	271.0 %	244.8 %	316.5 %	300.6 %	292.8 %	286.5 %	303.2 %	206.2 %
Plan fiduciary net position as a percentage of total pension liability	62.6 %	61.9 %	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %
UH										
Proportion of the net pension liability	11.730 %	11.690 %	11.797 %	12.100 %	12.344 %	12.641 %	12.732 %	12.730 %	12.750 %	13.110 %
Proportionate share of the net pension liability	\$ 1,660	\$ 1,614	\$ 1,530	\$ 1,477	\$ 1,889	\$ 1,791	\$ 1,696	\$ 1,649	\$ 1,704	\$ 1,145
Covered payroll	\$ 629	\$ 629	\$ 575	\$ 575	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569	\$ 565
Proportionate share of the net pension liability as a percentage of its covered payroll	263.9 %	256.6 %	266.1 %	256.9 %	311.7 %	297.0 %	286.5 %	280.9 %	299.5 %	202.7 %
Plan fiduciary net position as a percentage of total pension liability	62.6 %	61.9 %	62.8 %	64.3 %	53.2 %	54.9 %	55.5 %	54.8 %	51.3 %	62.4 %

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

See accompanying report of independent auditors.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
State of Hawaii, excluding UH*										
Statutorily required contribution	\$ 816	\$ 756	\$ 702	\$ 677	\$ 692	\$ 606	\$ 508	\$ 470	\$ 445	\$ 432
Contributions in relation to the contractually required contribution	<u>816</u>	<u>756</u>	<u>702</u>	<u>677</u>	<u>692</u>	<u>606</u>	<u>508</u>	<u>470</u>	<u>445</u>	<u>432</u>
Contribution deficiency (excess)	<u>\$ -</u>									
State's covered payroll	\$ 3,261	\$ 3,028	\$ 2,848	\$ 2,732	\$ 2,813	\$ 2,689	\$ 2,616	\$ 2,540	\$ 2,559	\$ 2,496
Contributions as a percentage of covered payroll	25.0 %	25.0 %	24.6 %	24.8 %	24.6 %	22.5 %	19.4 %	18.5 %	17.4 %	17.3 %
UH										
Statutorily required contribution	\$ 169	\$ 152	\$ 143	\$ 139	\$ 147	\$ 134	\$ 115	\$ 111	\$ 99	\$ 97
Contributions in relation to the contractually required contribution	<u>169</u>	<u>152</u>	<u>143</u>	<u>139</u>	<u>147</u>	<u>134</u>	<u>115</u>	<u>111</u>	<u>99</u>	<u>97</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Covered payroll	\$ 704	\$ 629	\$ 593	\$ 575	\$ 606	\$ 606	\$ 603	\$ 592	\$ 587	\$ 569
Contributions as a percentage of covered payroll	24.0 %	24.2 %	24.1 %	24.2 %	24.3 %	22.1 %	19.1 %	18.8 %	16.9 %	17.0 %

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

See accompanying report of independent auditors.

State of Hawaii

Schedule of the Proportionate Share of the Net OPEB Liability (Unaudited)

Last Ten Fiscal Years*

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability								
Service cost	\$ 232,717	\$ 220,965	\$ 241,725	\$ 236,421	\$ 246,846	\$ 236,384	\$ 229,157	\$ 220,828
Interest	791,250	756,572	807,583	784,812	792,683	745,104	709,522	670,530
Differences between expected and actual experience	(885,693)	(74,432)	(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	(406,400)	(420,772)	(372,316)	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Net change in total OPEB liability	(268,126)	482,333	(694,127)	329,482	(110,190)	678,343	510,380	559,836
Total OPEB liability – beginning	<u>11,390,407</u>	<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>	<u>9,634,350</u>
Total OPEB liability – ending	<u>\$ 11,122,281</u>	<u>\$ 11,390,407</u>	<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	\$ 821,984	\$ 839,445	\$ 533,563	\$ 1,232,456	\$ 814,659	\$ 787,110	\$ 682,605	\$ 659,271
Net investment income	428,637	183,748	(77,248)	646,073	43,497	71,563	78,648	66,007
Benefit payments	(406,400)	(420,772)	(372,316)	(358,645)	(364,565)	(356,827)	(345,476)	(331,522)
Administrative expense	(414)	(259)	(320)	(330)	(307)	(492)	(258)	(169)
Other	(59)	758	1,041	134	273	165,770	-	5,300
Net change in plan fiduciary net position	843,748	602,920	84,720	1,519,688	493,557	667,124	415,519	398,887
Plan fiduciary net position – beginning	4,663,044	4,060,124	3,975,404	2,455,716	1,962,159	1,295,035	879,516	480,629
Plan fiduciary net position – ending	<u>\$ 5,506,792</u>	<u>\$ 4,663,044</u>	<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>\$ 5,615,489</u>	<u>\$ 6,727,363</u>	<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	49.51 %	40.94 %	37.22 %	34.26 %	21.78 %	17.24 %	12.10 %	8.63 %
Covered payroll	\$ 3,440,256	\$ 3,307,643	\$ 3,422,362	\$ 3,295,291	\$ 3,218,942	\$ 3,131,515	\$ 3,146,365	\$ 3,065,484
Net OPEB liability as a percentage of covered payroll	163.23 %	203.39 %	200.09 %	231.45 %	273.91 %	300.84 %	299.06 %	303.86 %

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

* Information for 2016–2017 is unavailable.

See accompanying report of independent auditors.

State of Hawaii

Schedule of OPEB Contributions (Unaudited)

Last Ten Fiscal Years*

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 830,204	\$ 821,984	\$ 839,445	\$ 877,193	\$ 842,456	\$ 814,659	\$ 787,110	\$ 770,297
Contributions in relation to the actuarially determined contribution	\$ 830,204	\$ 821,984	\$ 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	\$ 3,656,948	\$ 3,440,256	\$ 3,307,643	\$ 3,422,362	\$ 3,295,291	\$ 3,218,942	\$ 3,131,515	\$ 3,146,365
Contributions as a percentage of covered payroll	23 %	24 %	25 %	16 %	37 %	24 %	26 %	22 %

Actuarial valuation date	July 1, 2024
Actuarial cost method	Entry age normal
Amortization method**	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	3.75% to 6.75%
Healthcare inflation rates	
PPO***	Initial rate of 6.40%, declining to an ultimate rate of 4.25% after 22 years
HMO***	Initial rate of 6.40%, declining to an ultimate rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Medicare Part B	Initial rates of 5.00%, declining to an ultimate rate of 4.25% after 22 years

* Information for 2016–2017 is unavailable.

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

*** Blended rates for medical and prescription drugs.

See accompanying report of independent auditors.

SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2025

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, 2025
(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Assets					
Cash and cash equivalents	\$ 44,026	\$ 49,014	\$ 10,503	\$ 240,771	\$ 132,484
Notes and loans receivable, net	-	-	-	-	71,339
Leases receivable	23,497	-	-	-	13,726
Settlement receivable	-	33,507	-	-	-
Other receivable	4,704	5,122	1,107	3,948	3,563
Due from federal government	-	-	21,210	-	-
Due from other funds	-	-	-	-	-
Investments	264,645	292,107	63,139	225,130	145,920
Total assets	\$ 336,872	\$ 379,750	\$ 95,959	\$ 469,849	\$ 367,032
Liabilities					
Liabilities					
Vouchers and contracts payable	\$ 61,072	\$ 19,535	\$ 7,076	\$ 20,355	\$ 2,403
Other accrued liabilities	14,871	13,606	655	18,656	1,417
Due to other funds	-	4,971	84,342	-	4,057
Payable from restricted assets –	-	-	-	-	-
Matured bonds and interest payable	-	-	-	-	-
Total liabilities	75,943	38,112	92,073	39,011	7,877
Deferred inflows of resources					
Deferred inflows on leases	22,516	-	-	-	12,906
Deferred inflows on unavailable revenues	-	33,507	-	-	-
Fund balances					
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	238,413	308,131	3,886	430,838	346,249
Unassigned	-	-	-	-	-
Total fund balances	238,413	308,131	3,886	430,838	346,249
Total liabilities, deferred inflows of resources, and fund balances	\$ 336,872	\$ 379,750	\$ 95,959	\$ 469,849	\$ 367,032

See accompanying report of independent auditors.

<u>Employment</u>	<u>Regulatory</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 13,942	\$ 23,954	\$ 24,093	\$ 538,787	\$ 335	\$ 539,122
-	-	-	71,339	-	71,339
-	-	-	37,223	-	37,223
-	-	-	33,507	-	33,507
1,470	2,525	2,539	24,978	-	24,978
-	-	-	21,210	-	21,210
-	-	-	-	69	69
<u>83,807</u>	<u>143,990</u>	<u>144,821</u>	<u>1,363,559</u>	<u>-</u>	<u>1,363,559</u>
<u>\$ 99,219</u>	<u>\$ 170,469</u>	<u>\$ 171,453</u>	<u>\$ 2,090,603</u>	<u>\$ 404</u>	<u>\$ 2,091,007</u>
\$ 2,788	\$ 1,423	\$ 12,504	\$ 127,156	\$ -	\$ 127,156
2,405	4,310	4,011	59,931	-	59,931
34,159	-	5,000	132,529	-	132,529
-	-	-	-	332	332
<u>39,352</u>	<u>5,733</u>	<u>21,515</u>	<u>319,616</u>	<u>332</u>	<u>319,948</u>
-	-	-	35,422	-	35,422
-	-	-	33,507	-	33,507
-	-	-	-	72	72
-	78,310	14,042	92,352	-	92,352
59,867	86,426	135,896	1,609,706	-	1,609,706
-	-	-	-	-	-
<u>59,867</u>	<u>164,736</u>	<u>149,938</u>	<u>1,702,058</u>	<u>72</u>	<u>1,702,130</u>
<u>\$ 99,219</u>	<u>\$ 170,469</u>	<u>\$ 171,453</u>	<u>\$ 2,090,603</u>	<u>\$ 404</u>	<u>\$ 2,091,007</u>

State of Hawaii

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2025

(Amounts in thousands)

	Special Revenue Funds				
	Highways	Health	Human Services	Education	Economic Development
Revenues					
Taxes					
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -
Transient accommodations tax	-	-	-	-	11,000
Tobacco and liquor taxes	-	14,117	-	-	-
Liquid fuel tax	75,681	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-
Vehicle weight and registration tax	142,526	6,501	-	-	-
Rental motor/tour vehicle surcharge tax	117,978	-	-	-	-
Other	-	1,297	19	-	1,162
Total taxes	<u>336,185</u>	<u>21,915</u>	<u>19</u>	<u>-</u>	<u>12,162</u>
Interest and dividend income	10,267	7,511	-	430	5,173
Net increase in fair value of investments	14,139	12,664	2,969	14,871	3,726
Charges for current services	4,998	41,302	287	28,322	29,233
Intergovernmental	78,305	214,685	1,003,238	441,855	39,220
Rentals	1,044	-	-	447	9,362
Fines, forfeitures and penalties	5,282	1,173	-	-	-
Licenses and fees	1,567	1,745	83	-	22
Revenues from private sources	-	33,089	30	55	-
Other	<u>235,368</u>	<u>4,592</u>	<u>1,899</u>	<u>53,540</u>	<u>36,207</u>
Total revenues	<u>687,155</u>	<u>338,676</u>	<u>1,008,525</u>	<u>539,520</u>	<u>135,105</u>
Expenditures					
Current					
General government	-	4,844	-	-	-
Public safety	-	-	-	-	-
Highways	384,799	-	-	-	-
Conservation of natural resources	-	-	-	-	3,899
Health	-	293,039	-	-	4,389
Welfare	-	-	958,056	-	-
Lower education	-	-	-	737,050	-
Other education	-	-	16,661	-	-
Culture and recreation	-	-	-	3,133	5,432
Urban redevelopment and housing	-	-	2,035	-	907
Economic development and assistance	-	-	-	-	44,398
Other	227	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>385,026</u>	<u>297,883</u>	<u>976,752</u>	<u>740,183</u>	<u>59,025</u>
Excess (deficiency) of revenues over (under) expenditures	<u>302,129</u>	<u>40,793</u>	<u>31,773</u>	<u>(200,663)</u>	<u>76,080</u>
Other financing sources (uses)					
Issuance of subscriptions	4,220	-	-	605	-
Transfers in	10,490	9,030	19,594	150,332	3,998
Transfers out	(342,518)	(19,688)	(29,514)	-	(58,675)
Total other financing sources (uses)	<u>(327,808)</u>	<u>(10,658)</u>	<u>(9,920)</u>	<u>150,937</u>	<u>(54,677)</u>
Net change in fund balances	<u>(25,679)</u>	<u>30,135</u>	<u>21,853</u>	<u>(49,726)</u>	<u>21,403</u>
Fund balances					
Beginning of year, as previously reported	264,092	277,996	(17,967)	480,564	268,742
Adjustment for change in reporting entity	-	-	-	-	56,104
Beginning of year, as restated	<u>264,092</u>	<u>277,996</u>	<u>(17,967)</u>	<u>480,564</u>	<u>324,846</u>
End of year	<u>\$ 238,413</u>	<u>\$ 308,131</u>	<u>\$ 3,886</u>	<u>\$ 430,838</u>	<u>\$ 346,249</u>

See accompanying report of independent auditors.

Employment	Regulatory	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000
-	-	-	11,000	-	11,000
-	-	-	14,117	-	14,117
-	-	1,653	77,334	-	77,334
-	3,293	-	3,293	-	3,293
-	-	-	149,027	-	149,027
-	-	-	117,978	-	117,978
2,161	1,489	-	6,128	-	6,128
<u>2,161</u>	<u>6,782</u>	<u>1,653</u>	<u>380,877</u>	<u>-</u>	<u>380,877</u>
-	4,462	2,306	30,149	-	30,149
4,531	7,433	5,581	65,914	-	65,914
1,784	37,211	39,718	182,855	-	182,855
71,362	-	339,305	2,187,970	-	2,187,970
-	-	7,019	17,872	-	17,872
172	3,443	1,536	11,606	-	11,606
-	48,425	1,053	52,895	-	52,895
-	-	30	33,204	-	33,204
574	731	14,641	347,552	-	347,552
<u>80,584</u>	<u>108,487</u>	<u>412,842</u>	<u>3,310,894</u>	<u>-</u>	<u>3,310,894</u>
-	27,330	10,315	42,489	-	42,489
2,227	75,210	331,461	408,898	-	408,898
-	-	-	384,799	-	384,799
-	-	-	3,899	-	3,899
-	-	-	297,428	-	297,428
-	-	1,130	959,186	-	959,186
-	-	-	737,050	-	737,050
-	-	-	16,661	-	16,661
-	-	32,695	41,260	-	41,260
-	-	-	2,942	-	2,942
82,599	-	-	126,997	-	126,997
17,472	-	-	17,699	-	17,699
-	-	-	-	<u>1,156,265</u>	<u>1,156,265</u>
<u>102,298</u>	<u>102,540</u>	<u>375,601</u>	<u>3,039,308</u>	<u>1,156,265</u>	<u>4,195,573</u>
<u>(21,714)</u>	<u>5,947</u>	<u>37,241</u>	<u>271,586</u>	<u>(1,156,265)</u>	<u>(884,679)</u>
-	-	-	4,825	-	4,825
21,618	25	40,791	255,878	1,156,265	1,412,143
(18)	(9,699)	(670)	(460,782)	-	(460,782)
21,600	(9,674)	40,121	(200,079)	1,156,265	956,186
(114)	(3,727)	77,362	71,507	-	71,507
59,981	168,463	72,576	1,574,447	72	1,574,519
-	-	-	56,104	-	56,104
<u>59,981</u>	<u>168,463</u>	<u>72,576</u>	<u>1,630,551</u>	<u>72</u>	<u>1,630,623</u>
<u>\$ 59,867</u>	<u>\$ 164,736</u>	<u>\$ 149,938</u>	<u>\$ 1,702,058</u>	<u>\$ 72</u>	<u>\$ 1,702,130</u>

State of Hawaii

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2025

(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	\$ 78,908	\$ 75,681	\$ (3,227)	\$ -	\$ -	\$ -
Vehicle registration fee tax	48,037	50,057	2,020	5,937	6,501	564
State vehicle weight tax	87,947	92,469	4,522	-	-	-
Rental/tour vehicle surcharge tax	119,140	117,978	(1,162)	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	19,590	14,117	(5,473)
Environmental response tax	-	-	-	1,313	1,297	(16)
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u>334,032</u>	<u>336,185</u>	<u>2,153</u>	<u>26,840</u>	<u>21,915</u>	<u>(4,925)</u>
Non-taxes						
Interest and investment income	4,821	10,838	6,017	1,040	7,653	6,613
Charges for current services	52,309	5,147	(47,162)	91,381	93,744	2,363
Intergovernmental	181,965	1,386	(180,579)	3,060	7,059	3,999
Rentals	1,000	833	(167)	-	-	-
Fines, forfeitures and penalties	4,045	4,540	495	1,908	1,173	(735)
Licenses and fees	2,147	1,567	(580)	3,950	1,745	(2,205)
Revenues from private sources	-	-	-	35,000	33,059	(1,941)
Other	25	1,435	1,410	560	4,249	3,689
Total non-taxes	<u>246,312</u>	<u>25,746</u>	<u>(220,566)</u>	<u>136,899</u>	<u>148,682</u>	<u>11,783</u>
Total revenues	<u>580,344</u>	<u>361,931</u>	<u>(218,413)</u>	<u>163,739</u>	<u>170,597</u>	<u>6,858</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	-	-	-	-	-	-
Corrections and Rehabilitation	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Education	-	-	-	-	-	-
Health	-	-	-	219,124	149,969	69,155
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	<u>436,681</u>	<u>353,534</u>	<u>83,147</u>	-	-	-
Total expenditures	<u>436,681</u>	<u>353,534</u>	<u>83,147</u>	<u>219,124</u>	<u>149,969</u>	<u>69,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 143,663</u>	<u>\$ 8,397</u>	<u>\$ (135,266)</u>	<u>\$ (55,385)</u>	<u>\$ 20,628</u>	<u>\$ 76,013</u>

See accompanying report of independent auditors.

Human Services			
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget	
Positive (Negative)			
\$ -	\$ -	\$ -	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
305	287	(18)	
240	2,412	2,172	
-	-	-	
-	-	-	
128	81	(47)	
35	-	(35)	
1,000	1,493	493	
1,708	4,350	2,642	
1,708	4,350	2,642	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
11,522	2,401	9,121	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
-	-	-	
11,522	2,401	9,121	
\$ (9,814)	\$ 1,949	\$ 11,763	

(continued)

State of Hawaii

Nonmajor Special Revenue Funds

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

Year Ended June 30, 2025

(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	1,162	122
Transient accommodations tax	-	-	-	11,000	11,000	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>12,040</u></u>	<u><u>12,162</u></u>	<u><u>122</u></u>
Non-taxes						
Interest and investment income	242	1,919	1,677	4,503	3,401	(1,102)
Charges for current services	38,902	28,313	(10,589)	26,001	24,650	(1,351)
Intergovernmental	150	2,321	2,171	-	139	139
Rentals	50	447	397	3,055	8,650	5,595
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	-	-	-	10	14	4
Revenues from private sources	85	55	(30)	200	-	(200)
Other	2,375	16,766	14,391	4,748	25,047	20,299
Total non-taxes	<u><u>41,804</u></u>	<u><u>49,821</u></u>	<u><u>8,017</u></u>	<u><u>38,517</u></u>	<u><u>61,901</u></u>	<u><u>23,384</u></u>
Total revenues	<u><u>41,804</u></u>	<u><u>49,821</u></u>	<u><u>8,017</u></u>	<u><u>50,557</u></u>	<u><u>74,063</u></u>	<u><u>23,506</u></u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	119,156	19,273	99,883
Commerce and Consumer Affairs	-	-	-	-	-	-
Corrections and Rehabilitation	-	-	-	-	-	-
Defense	-	-	-	-	-	-
Education	279,829	66,489	213,340	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	-	-	-
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	-	-	-
Legislature	-	-	-	-	-	-
Transportation – Highways	-	-	-	-	-	-
Total expenditures	<u><u>279,829</u></u>	<u><u>66,489</u></u>	<u><u>213,340</u></u>	<u><u>119,156</u></u>	<u><u>19,273</u></u>	<u><u>99,883</u></u>
Excess (deficiency) of revenues over (under) expenditures	<u><u>\$ (238,025)</u></u>	<u><u>\$ (16,668)</u></u>	<u><u>\$ 221,357</u></u>	<u><u>\$ (68,599)</u></u>	<u><u>\$ 54,790</u></u>	<u><u>\$ 123,389</u></u>

See accompanying report of independent auditors.

Employment		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
1,400	2,161	761
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
1,400	2,161	761
25	82	57
2,060	1,783	(277)
-	1,122	1,122
-	-	-
-	172	172
-	-	-
-	-	-
-	358	358
2,085	3,517	1,432
3,485	5,678	2,193
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
18,006	4,160	13,846
-	-	-
-	-	-
-	-	-
18,006	4,160	13,846
\$ (14,521)	\$ 1,518	\$ 16,039

(continued)

State of Hawaii

Nonmajor Special Revenue Funds

Combining Schedule of Revenues and Expenditures – Budget and Actual

(Budgetary Basis)

Year Ended June 30, 2025

(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	-	-	-	-	1,653	1,653
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Environmental response tax	-	1,489	1,489	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	2,000	2,000	-	-	-	-
Tax on premiums of insurance companies	3,500	3,293	(207)	-	-	-
Total taxes	<u>5,500</u>	<u>6,782</u>	<u>1,282</u>	<u>-</u>	<u>1,653</u>	<u>1,653</u>
Non-taxes						
Interest and investment income	682	4,406	3,724	114	1,933	1,819
Charges for current services	28,171	37,211	9,040	7,825	38,909	31,084
Intergovernmental	-	-	-	1,585	1,529	(56)
Rentals	-	-	-	-	6,880	6,880
Fines, forfeitures and penalties	3,265	3,442	177	1,203	1,535	332
Licenses and fees	39,795	48,407	8,612	95	904	809
Revenues from private sources	-	-	-	30	30	-
Other	4,494	5,598	1,104	5,012	35,879	30,867
Total non-taxes	<u>76,407</u>	<u>99,064</u>	<u>22,657</u>	<u>15,864</u>	<u>87,599</u>	<u>71,735</u>
Total revenues	<u>81,907</u>	<u>105,846</u>	<u>23,939</u>	<u>15,864</u>	<u>89,252</u>	<u>73,388</u>
Expenditures						
Department						
Business, Economic Development and Tourism	-	-	-	-	-	-
Commerce and Consumer Affairs	121,191	111,891	9,300	-	-	-
Corrections and Rehabilitation	-	-	-	64,682	32,945	31,737
Defense	-	-	-	1,906	-	1,906
Education	-	-	-	-	-	-
Health	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Judiciary	-	-	-	16,792	8,561	8,231
Labor and Industrial Relations	-	-	-	-	-	-
Land and Natural Resources	-	-	-	43,017	38,848	4,169
Legislature	-	-	-	6,300	6,087	213
Transportation – Highways	-	-	-	-	-	-
Total expenditures	<u>121,191</u>	<u>111,891</u>	<u>9,300</u>	<u>132,697</u>	<u>86,441</u>	<u>46,256</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (39,284)</u>	<u>\$ (6,045)</u>	<u>\$ 33,239</u>	<u>\$ (116,833)</u>	<u>\$ 2,811</u>	<u>\$ 119,644</u>

See accompanying report of independent auditors.

Total Special Revenue Funds		
Final Budget	Actual (Budgetary Basis)	Variance With Final Budget
		Positive (Negative)
\$ 78,908	\$ 75,681	\$ (3,227)
53,974	58,211	4,237
87,947	92,469	4,522
119,140	117,978	(1,162)
1,400	2,161	761
19,590	14,117	(5,473)
2,353	3,948	1,595
11,000	11,000	-
2,000	2,000	-
3,500	3,293	(207)
<u>379,812</u>	<u>380,858</u>	<u>1,046</u>
11,427	30,309	18,882
246,954	230,044	(16,910)
187,000	15,968	(171,032)
4,105	16,810	12,705
10,421	10,862	441
46,125	52,718	6,593
35,350	33,144	(2,206)
18,214	90,825	72,611
<u>559,596</u>	<u>480,680</u>	<u>(78,916)</u>
<u>939,408</u>	<u>861,538</u>	<u>(77,870)</u>
119,156	19,273	99,883
121,191	111,891	9,300
64,682	32,945	31,737
1,906	-	1,906
279,829	66,489	213,340
219,124	149,969	69,155
11,522	2,401	9,121
16,792	8,561	8,231
18,006	4,160	13,846
43,017	38,848	4,169
6,300	6,087	213
<u>436,681</u>	<u>353,534</u>	<u>83,147</u>
<u>1,338,206</u>	<u>794,158</u>	<u>544,048</u>
<u>\$ (398,798)</u>	<u>\$ 67,380</u>	<u>\$ 466,178</u>

(concluded)

State of Hawaii**Nonmajor Special Revenue Funds****Reconciliation of the Budgetary to GAAP Basis****Year Ended June 30, 2025****(Amounts in thousands)**

Excess of revenues and other sources over expenditures – actual (budgetary basis)	\$ 67,380
Reserve for encumbrance at year-end*	177,198
Expenditures for liquidation of prior fiscal year encumbrances	(1,018,721)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds	619,643
Transfers	322,187
Accrued liabilities	(597,831)
Accrued revenues	<u>701,730</u>
Excess of revenues over expenditures – GAAP basis	<u>\$ 271,586</u>

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

See accompanying report of independent auditors.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2025
(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	\$ 218	\$ 118,601	\$ 69,073	\$ 187,892
Investments	185,405	-	-	185,405
Receivables				
Accounts and accrued interest	-	422	185	607
Promissory notes receivable	-	52,459	16,982	69,441
Federal government	-	-	552	552
Premiums	45,837	-	-	45,837
Other	23,935	5,191	2,652	31,778
Prepaid expenses and other assets	5,050	-	-	5,050
Total current assets	260,445	176,673	89,444	526,562
Capital assets				
Less: Accumulated depreciation and amortization	24,135	739	2,967	27,841
Net capital assets	(16,677)	(733)	(2,805)	(20,215)
Promissory notes receivable				
Total noncurrent assets	7,458	6	162	7,626
Total assets	267,903	664,177	295,339	1,227,419
Deferred outflows of resources				
Deferred outflows on net pension liability	1,791	1,050	654	3,495
Deferred outflows on net other postemployment benefits liability	1,153	493	468	2,114
Total deferred outflows of resources	\$ 2,944	\$ 1,543	\$ 1,122	\$ 5,609
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 4,992	\$ 273	\$ 778	\$ 6,043
Other accrued liabilities	1,506	-	-	1,506
Benefit claims payable	9,437	-	-	9,437
Compensated absences, current portion	433	198	227	858
Leases payable, current portion	198	-	-	198
Subscriptions payable, current portion	535	-	-	535
Premiums payable	52,994	-	-	52,994
Total current liabilities	70,095	471	1,005	71,571
Noncurrent liabilities				
Compensated absences	672	1,066	743	2,481
Leases payable	334	-	-	334
Subscriptions payable	1,943	-	-	1,943
Net pension liability	6,974	4,326	2,891	14,191
Net other postemployment benefits liability	4,907	2,548	2,045	9,500
Total noncurrent liabilities	14,830	7,940	5,679	28,449
Total liabilities	84,925	8,411	6,684	100,020
Deferred inflows of resources				
Deferred inflows on net pension liability	369	71	341	781
Deferred inflows on net other postemployment benefits liability	1,440	657	450	2,547
Total deferred inflows of resources	1,809	728	791	3,328
Net position				
Net investment in capital assets	4,447	6	162	4,615
Restricted for bond requirements and other	-	656,575	288,824	945,399
Unrestricted	179,666	-	-	179,666
Total net position	\$ 184,113	\$ 656,581	\$ 288,986	\$ 1,129,680

See accompanying report of independent auditors.

State of Hawaii

Nonmajor Proprietary Funds

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Year Ended June 30, 2025

(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	\$ -	\$ 4,353	\$ 2,722	\$ 7,075
Premium revenue – self insurance	122,669	-	-	122,669
Experience refunds, net	2,228	-	-	2,228
Other	804	1,363	759	2,926
Total operating revenues	<u>125,701</u>	<u>5,716</u>	<u>3,481</u>	<u>134,898</u>
Operating expenses				
Personnel services	6,198	1,998	2,278	10,474
Depreciation	2,013	9	44	2,066
Repairs and maintenance	187	-	297	484
General administration	2,591	696	2,313	5,600
Claims	130,432	-	-	130,432
Other	1,014	7,871	11,710	20,595
Total operating expenses	<u>142,435</u>	<u>10,574</u>	<u>16,642</u>	<u>169,651</u>
Operating loss	(16,734)	(4,858)	(13,161)	(34,753)
Nonoperating revenues				
Interest and investment income	10,211	4,739	2,338	17,288
Other	-	-	28	28
Total nonoperating revenues	<u>10,211</u>	<u>4,739</u>	<u>2,366</u>	<u>17,316</u>
Loss before capital contributions	(6,523)	(119)	(10,795)	(17,437)
Capital contributions	-	27,468	26,017	53,485
Change in net position	(6,523)	27,349	15,222	36,048
Net position				
Beginning of year, as previously reported	191,115	630,208	274,402	1,095,725
Adjustment for change in accounting principle	(479)	(976)	(638)	(2,093)
Beginning of year, as restated	<u>190,636</u>	<u>629,232</u>	<u>273,764</u>	<u>1,093,632</u>
End of year	<u>\$ 184,113</u>	<u>\$ 656,581</u>	<u>\$ 288,986</u>	<u>\$ 1,129,680</u>

See accompanying report of independent auditors.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2025
(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	\$ 767,928	\$ -	\$ -	\$ 767,928
Cash received (paid) to suppliers	710	(164)	(2,692)	(2,146)
Cash paid to employees	(7,969)	(3,142)	(3,059)	(14,170)
Cash paid for premiums and benefits payable	(765,468)	-	-	(765,468)
Net cash used in operating activities	<u>(4,799)</u>	<u>(3,306)</u>	<u>(5,751)</u>	<u>(13,856)</u>
Cash flows from noncapital financing activities				
Proceeds from federal, state and capital grants and contributions	-	27,468	26,053	53,521
Net cash provided by noncapital financing activities	<u>-</u>	<u>27,468</u>	<u>26,053</u>	<u>53,521</u>
Cash flows from capital financing activities				
Purchase of capital assets	(17)	-	(101)	(118)
Principal repayments of subscription payable	(515)	-	-	(515)
Principal repayments of leases payable	(191)	-	-	(191)
Net cash used in capital financing activities	<u>(723)</u>	<u>-</u>	<u>(101)</u>	<u>(824)</u>
Cash flows from investing activities				
Purchase of investments	(5,350)	-	-	(5,350)
Principal repayments on notes receivable	-	50,023	18,557	68,580
Disbursement of notes receivable proceeds	-	(58,106)	(19,364)	(77,470)
Interest income from notes receivable	7,764	1,370	762	9,896
Administrative loan fees	-	4,299	2,745	7,044
Interest received from investments	-	2,959	1,485	4,444
Net cash provided by investing activities	<u>2,414</u>	<u>545</u>	<u>4,185</u>	<u>7,144</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,108)</u>	<u>24,707</u>	<u>24,386</u>	<u>45,985</u>
Cash and cash equivalents				
Beginning of year	3,326	93,894	44,687	141,907
End of year	<u>\$ 218</u>	<u>\$ 118,601</u>	<u>\$ 69,073</u>	<u>\$ 187,892</u>
Reconciliation of operating loss to net cash used in operating activities				
Operating loss	\$ (16,734)	\$ (4,858)	\$ (13,161)	\$ (34,753)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation	2,013	9	44	2,066
Principal forgiveness of loan	-	7,867	11,307	19,174
Interest income from loans	-	(1,360)	(759)	(2,119)
Administrative loan fees	-	(4,353)	(2,722)	(7,075)
Non-imposed fringe benefits	-	26	28	54
Change in assets, deferred outflows, liabilities, and deferred inflows				
Receivables	2,899		11	2,910
Net deferred outflows/inflows of resources	(175)	1	(293)	(467)
Vouchers and contracts payable	3,488	(251)	(35)	3,202
Net pension liability	402	135	170	707
Net other postemployment benefits liability	(1,157)	(522)	(341)	(2,020)
Other accrued liabilities	2,324	-	-	2,324
Benefit claims payable	2,141	-	-	2,141
Net cash used in operating activities	<u>\$ (4,799)</u>	<u>\$ (3,306)</u>	<u>\$ (5,751)</u>	<u>\$ (13,856)</u>

See accompanying report of independent auditors.

State of Hawaii**Custodial Funds****Combining Statement of Fiduciary Net Position****June 30, 2025****(Amounts in thousands)**

	Tax Collections	Custodial and Clearance	Other	Total Custodial Funds
Assets				
Cash and cash equivalents	\$ 7,994	\$ 81,912	\$ 408	\$ 90,314
Receivables – taxes	-	-	18,421	18,421
Receivables – other	-	-	2,037	2,037
Investments	<u>49,968</u>	<u>52,506</u>	<u>3,841</u>	<u>106,315</u>
Total assets	<u>\$ 57,962</u>	<u>\$ 134,418</u>	<u>\$ 24,707</u>	<u>\$ 217,087</u>
Liabilities				
Vouchers payable	\$ 42,887	\$ 2,695	\$ 5,866	\$ 51,448
Total liabilities	<u>42,887</u>	<u>2,695</u>	<u>5,866</u>	<u>51,448</u>
Net position – restricted	<u>\$ 15,075</u>	<u>\$ 131,723</u>	<u>\$ 18,841</u>	<u>\$ 165,639</u>

See accompanying report of independent auditors.

State of Hawaii**Custodial Funds****Combining Statement of Changes in Fiduciary Net Position****Year Ended June 30, 2025**

(Amounts in thousands)

	Tax Collections	Custodial and Clearance	Other	Total Custodial Funds
Additions				
Tax collections	\$ 742,512	\$ -	\$ -	\$ 742,512
Custodial collections	-	384,052	-	384,052
Total additions	<u>742,512</u>	<u>384,052</u>	<u>-</u>	<u>1,126,564</u>
Deductions				
Tax disbursements	721,083	-	-	721,083
Custodial disbursements	-	340,818	-	340,818
Other disbursements	-	-	976	976
Total deductions	<u>721,083</u>	<u>340,818</u>	<u>976</u>	<u>1,062,877</u>
Change in net position	<u>21,429</u>	<u>43,234</u>	<u>(976)</u>	<u>63,687</u>
Net position				
Beginning of year	(6,354)	88,489	19,817	101,952
End of year	<u>\$ 15,075</u>	<u>\$ 131,723</u>	<u>\$ 18,841</u>	<u>\$ 165,639</u>

See accompanying report of independent auditors.

PART III: STATISTICAL SECTION (UNAUDITED)

State of Hawaii
Statistical Section (Unaudited)
June 30, 2025

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.

Contents	Page(s)
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.	154–163
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.	164–171
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.	172–178
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.	179–181
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.	182–187

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, 2025**

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Governmental activities					
Net investment in capital assets	\$ 2,143,473	\$ 1,434,962	\$ 1,298,234	\$ 1,012,903	\$ 1,147,118
Restricted	72	72	3,129,087	2,373,911	2,755,923
Unrestricted	<u>(3,134,079)</u>	<u>(4,687,529)</u>	<u>(8,475,706)</u>	<u>(10,615,961)</u>	<u>(12,136,654)</u>
Total governmental activities net position	<u><u>\$ (990,534)</u></u>	<u><u>\$ (3,252,495)</u></u>	<u><u>\$ (4,048,385)</u></u>	<u><u>\$ (7,229,147)</u></u>	<u><u>\$ (8,233,613)</u></u>
Business-type activities					
Net investment in capital assets	\$ 2,750,759	\$ 2,698,227	\$ 2,601,058	\$ 2,568,292	\$ 2,637,031
Restricted	2,344,485	2,091,280	1,949,115	1,814,854	1,721,912
Unrestricted	<u>1,432,284</u>	<u>1,304,412</u>	<u>1,072,573</u>	<u>685,673</u>	<u>(381,773)</u>
Total business-type activities net position	<u><u>\$ 6,527,528</u></u>	<u><u>\$ 6,093,919</u></u>	<u><u>\$ 5,622,746</u></u>	<u><u>\$ 5,068,819</u></u>	<u><u>\$ 3,977,170</u></u>
Primary government					
Net investment in capital assets	\$ 4,894,232	\$ 4,133,189	\$ 3,899,292	\$ 3,581,195	\$ 3,784,149
Restricted	2,344,557	2,091,352	5,078,202	4,188,765	4,477,835
Unrestricted	<u>(1,701,795)</u>	<u>(3,383,117)</u>	<u>(7,403,133)</u>	<u>(9,930,288)</u>	<u>(12,518,427)</u>
Total primary government net position	<u><u>\$ 5,536,994</u></u>	<u><u>\$ 2,841,424</u></u>	<u><u>\$ 1,574,361</u></u>	<u><u>\$ (2,160,328)</u></u>	<u><u>\$ (4,256,443)</u></u>

Notes: 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.

Amounts prior to fiscal 2024 have not been reclassified.

Amounts prior to fiscal 2025 have not been restated for GASB Statement No. 101.

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 2,478,200	\$ 2,459,159	\$ 2,661,730	\$ 2,787,289	\$ 2,727,055
2,345,000	2,089,246	2,028,259	1,799,903	1,591,701
(12,518,653)	(11,830,687)	(11,381,725)	(7,996,567)	(7,190,837)
<u>\$ (7,695,453)</u>	<u>\$ (7,282,282)</u>	<u>\$ (6,691,736)</u>	<u>\$ (3,409,375)</u>	<u>\$ (2,872,081)</u>
\$ 2,629,344	\$ 2,459,973	\$ 2,183,188	\$ 2,022,844	\$ 1,871,554
1,639,488	1,580,020	1,444,009	1,309,392	1,305,799
251,266	1,018,193	1,075,059	1,141,536	1,058,108
<u>\$ 4,520,098</u>	<u>\$ 5,058,186</u>	<u>\$ 4,702,256</u>	<u>\$ 4,473,772</u>	<u>\$ 4,235,461</u>
\$ 5,107,544	\$ 4,919,132	\$ 4,844,918	\$ 4,810,133	\$ 4,598,609
3,984,488	3,669,266	3,472,268	3,109,295	2,897,500
(12,267,387)	(10,812,494)	(10,306,666)	(6,855,031)	(6,132,729)
<u>\$ (3,175,355)</u>	<u>\$ (2,224,096)</u>	<u>\$ (1,989,480)</u>	<u>\$ 1,064,397</u>	<u>\$ 1,363,380</u>

State of Hawaii

Financial Trends Information

Changes in Net Position (Accrual Basis of Accounting) (Unaudited)

Ten Years Ended June 30, 2025

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Expenses					
Governmental activities					
General government	\$ 1,241,306	\$ 1,546,229	\$ 1,304,460	\$ 2,309,934	\$ 1,867,701
Public safety	1,060,417	1,156,995	685,370	740,183	772,470
Highways	629,582	565,343	574,921	565,191	531,130
Conservation of natural resources	228,594	174,301	290,192	118,553	115,658
Health	1,242,850	1,263,956	953,881	1,103,928	891,325
Welfare	4,861,555	4,946,304	4,976,910	4,882,816	4,579,544
Lower education	3,976,645	4,187,868	3,572,983	3,389,834	3,299,413
Higher education	1,194,175	1,148,250	1,097,173	919,350	984,734
Other education	26,864	20,058	18,358	16,933	20,593
Culture and recreation	186,847	148,600	143,857	117,785	374,727
Urban redevelopment and housing	439,369	544,891	164,714	201,311	449,870
Economic development and assistance	351,284	427,437	114,320	265,549	403,426
Interest expense	301,283	282,467	251,309	219,989	257,218
Total governmental activities expenses	<u>15,740,771</u>	<u>16,412,699</u>	<u>14,148,448</u>	<u>14,851,356</u>	<u>14,547,809</u>
Business-type activities					
Airports	764,773	710,430	649,344	616,382	600,867
Harbors	117,455	101,410	103,772	107,980	107,371
Unemployment compensation	172,300	249,959	171,537	608,094	4,005,272
Nonmajor proprietary funds	169,651	159,082	116,627	120,826	98,462
Total business-type activities expenses	<u>1,224,179</u>	<u>1,220,881</u>	<u>1,041,280</u>	<u>1,453,282</u>	<u>4,811,972</u>
Total primary government expenses	<u>\$ 16,964,950</u>	<u>\$ 17,633,580</u>	<u>\$ 15,189,728</u>	<u>\$ 16,304,638</u>	<u>\$ 19,359,781</u>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 954,586	\$ 300,168	\$ 310,304	\$ 237,404	\$ 229,268
Health	184,272	110,343	119,847	142,621	140,442
Other	463,878	468,930	515,676	436,310	334,200
Operating grants and contributions	5,350,239	5,521,905	5,242,283	6,121,649	5,030,769
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>6,952,975</u>	<u>6,401,346</u>	<u>6,188,110</u>	<u>6,937,984</u>	<u>5,734,679</u>
Business-type activities					
Charges for services					
Airports	731,902	679,027	604,719	539,502	328,629
Unemployment compensation	254,982	392,995	416,064	243,660	239,096
Others	360,574	338,254	321,007	325,324	323,230
Operating grants and contributions	3,133	30,670	75,471	1,387,833	3,206,169
Capital grants and contributions	205,708	143,689	116,033	45,611	83,411
Total business-type activities program revenues	<u>1,556,299</u>	<u>1,584,635</u>	<u>1,533,294</u>	<u>2,541,930</u>	<u>4,180,535</u>
Total primary government program revenues	<u>\$ 8,509,274</u>	<u>\$ 7,985,981</u>	<u>\$ 7,721,404</u>	<u>\$ 9,479,914</u>	<u>\$ 9,915,214</u>
Net revenue (expense)					
Governmental activities	\$ (8,787,796)	\$ (10,011,353)	\$ (7,960,338)	\$ (7,913,372)	\$ (8,813,130)
Business-type activities	332,120	363,754	492,014	1,088,648	(631,437)
Total primary government net expenses	<u>\$ (8,455,676)</u>	<u>\$ (9,647,599)</u>	<u>\$ (7,468,324)</u>	<u>\$ (6,824,724)</u>	<u>\$ (9,444,567)</u>

Notes: 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.

Amounts prior to fiscal 2025 have not been restated for GASB Statement No. 101.

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

	2020	2019	2018	2017	2016
\$ 1,129,769	\$ 1,054,935	\$ 920,547	\$ 631,052	\$ 688,394	
642,353	675,663	639,888	552,671	485,985	
531,105	552,741	614,847	457,374	399,997	
109,093	224,266	118,637	161,924	107,740	
1,138,450	1,019,160	874,898	889,216	878,610	
3,678,820	3,379,304	3,542,771	3,481,679	3,343,392	
3,595,747	3,527,097	3,404,645	3,157,517	2,840,782	
1,050,582	950,253	950,843	899,199	673,217	
16,936	18,376	23,827	27,248	23,379	
155,261	110,711	89,647	106,875	106,511	
246,495	179,794	392,921	245,819	122,981	
4,868	174,629	170,200	161,077	163,935	
244,994	251,294	311,340	212,042	210,204	
<u>12,544,473</u>	<u>12,118,223</u>	<u>12,055,011</u>	<u>10,983,693</u>	<u>10,045,127</u>	
559,374	469,321	429,884	408,517	377,393	
98,998	85,007	92,978	101,180	93,088	
2,147,598	165,134	177,009	173,735	144,481	
<u>108,798</u>	<u>103,954</u>	<u>96,548</u>	<u>110,907</u>	<u>112,323</u>	
<u>2,914,768</u>	<u>823,416</u>	<u>796,419</u>	<u>794,339</u>	<u>727,285</u>	
<u>\$ 15,459,241</u>	<u>\$ 12,941,639</u>	<u>\$ 12,851,430</u>	<u>\$ 11,778,032</u>	<u>\$ 10,772,412</u>	
\$ 292,428	\$ 302,275	\$ 319,043	\$ 289,116	\$ 209,598	
130,082	138,013	126,046	143,363	136,429	
375,479	393,958	479,847	357,034	371,823	
3,597,822	3,082,678	3,154,479	3,068,752	2,986,842	
-	-	-	-	113,006	
<u>4,395,811</u>	<u>3,916,924</u>	<u>4,079,415</u>	<u>3,858,265</u>	<u>3,817,698</u>	
475,064	562,436	587,602	511,018	459,269	
1,391,747	193,093	186,239	176,212	187,215	
329,283	296,920	283,586	269,694	218,552	
-	-	-	-	-	
<u>95,720</u>	<u>78,010</u>	<u>37,956</u>	<u>51,091</u>	<u>80,173</u>	
<u>2,291,814</u>	<u>1,130,459</u>	<u>1,095,383</u>	<u>1,008,015</u>	<u>945,209</u>	
<u>\$ 6,687,625</u>	<u>\$ 5,047,383</u>	<u>\$ 5,174,798</u>	<u>\$ 4,866,280</u>	<u>\$ 4,762,907</u>	
\$ (8,148,662)	\$ (8,201,299)	\$ (7,975,596)	\$ (7,125,428)	\$ (6,227,429)	
(622,954)	307,043	298,964	213,676	217,924	
<u>\$ (8,771,616)</u>	<u>\$ (7,894,256)</u>	<u>\$ (7,676,632)</u>	<u>\$ (6,911,752)</u>	<u>\$ (6,009,505)</u>	

(continued)

State of Hawaii

Financial Trends Information

Changes in Net Position (Accrual Basis of Accounting) (Unaudited)

Ten Years Ended June 30, 2025

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	\$ 4,967,728	\$ 4,808,955	\$ 4,772,516	\$ 3,890,136	\$ 3,438,088
Net income tax – corporations and individuals	3,691,274	3,805,475	3,627,205	3,784,904	3,254,330
Public service companies tax	154,478	159,222	142,195	122,068	125,201
Transient accommodations tax	810,721	810,987	843,929	659,646	195,410
Tobacco and liquor tax	122,247	127,161	132,051	140,263	141,522
Liquid fuel tax	77,562	78,105	79,272	78,674	69,351
Tax on premiums of insurance companies	222,126	214,455	207,073	198,479	188,229
Vehicle weight and registration tax	149,027	130,022	139,514	138,579	143,242
Rental motor/tour vehicle surcharge tax	117,981	105,650	101,450	79,575	32,206
Franchise tax	10,296	30,912	30,969	59,252	5,079
Other tax	491,748	142,552	1,003,338	307,865	106,457
Interest and investment income	287,883	640,421	193,071	54,743	30,759
Net increase (decrease) in fair value of investments	181,272	(246,674)	(131,483)	(298,277)	-
Other	27,503	-	-	(7,811)	-
Assumption agreement with State, net	-	-	-	-	-
Debt cancellation with State	-	-	-	-	-
Total governmental activities	11,311,846	10,807,243	11,141,100	9,208,096	7,729,874
Business-type activities					
Interest and investment income	122,170	107,419	61,913	7,550	88,509
Other	2,520	-	-	(4,549)	-
Total business-type activities	124,690	107,419	61,913	3,001	88,509
Total primary government	\$ 11,436,536	\$ 10,914,662	\$ 11,203,013	\$ 9,211,097	\$ 7,818,383
Changes in net position					
Governmental activities	\$ 2,524,050	\$ 795,890	\$ 3,180,762	\$ 1,294,724	\$ (1,083,256)
Business-type activities	456,810	471,173	553,927	1,091,649	(542,928)
Total primary government	\$ 2,980,860	\$ 1,267,063	\$ 3,734,689	\$ 2,386,373	\$ (1,626,184)

Notes: 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.

Amounts prior to fiscal 2025 have not been restated for GASB Statement No. 101.

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 3,667,538	\$ 3,794,587	\$ 3,553,975	\$ 3,189,599	\$ 3,192,469
2,661,618	2,728,991	2,407,338	2,330,408	2,160,872
134,639	126,691	117,641	122,159	152,760
304,012	356,670	304,521	299,712	233,082
150,065	151,438	157,988	160,906	161,239
79,187	85,146	85,211	84,933	89,702
183,563	176,420	162,318	166,836	154,690
125,119	136,142	135,080	132,974	130,051
72,502	57,994	54,846	53,189	54,873
35,271	26,808	15,712	11,174	14,691
157,623	156,632	145,861	103,204	109,072
164,354	40,141	36,527	30,676	22,564
-	-	-	-	-
-	(2,797)	4,538	-	(13,300)
-	-	(250,697)	-	-
-	(224,110)	-	-	-
7,735,491	7,610,753	6,930,859	6,685,770	6,462,765
 84,866	 48,887	 27,352	 25,324	 21,276
 -	 -	 -	 -	 -
84,866	48,887	27,352	25,324	21,276
\$ 7,820,357	\$ 7,659,640	\$ 6,958,211	\$ 6,711,094	\$ 6,484,041
 \$ (413,171)	 \$ (590,546)	 \$ (1,044,737)	 \$ (439,658)	 \$ 235,336
 (538,088)	 355,930	 326,316	 239,000	 239,200
\$ (951,259)	\$ (234,616)	\$ (718,421)	\$ (200,658)	\$ 474,536

(concluded)

State of Hawaii

Financial Trends Information

Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting) (Unaudited)

Ten Years Ended June 30, 2025

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General Fund					
Assigned	\$ 1,512,789	\$ 1,528,248	\$ 940,472	\$ 407,353	\$ 390,666
Unassigned	2,690,880	2,107,988	3,618,495	2,732,304	1,169,873
Total General Fund	<u>\$ 4,203,669</u>	<u>\$ 3,636,236</u>	<u>\$ 4,558,967</u>	<u>\$ 3,139,657</u>	<u>\$ 1,560,539</u>
All other governmental funds					
Restricted	\$ 72	\$ 72	\$ 254	\$ 272	\$ 247
Committed	662,833	124,603	101,697	89,889	667,104
Assigned	4,840,551	4,311,486	3,125,868	2,284,971	2,092,883
Unassigned	(823,751)	(760,644)	(564,372)	(396,277)	(183,242)
Total all other governmental funds	<u>\$ 4,679,705</u>	<u>\$ 3,675,517</u>	<u>\$ 2,663,447</u>	<u>\$ 1,978,855</u>	<u>\$ 2,576,992</u>

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

Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 479,071	\$ 475,242	\$ 503,201	\$ 400,529	\$ 394,581
<u>789,518</u>	<u>1,147,073</u>	<u>974,719</u>	<u>1,305,542</u>	<u>1,400,783</u>
<u><u>\$ 1,268,589</u></u>	<u><u>\$ 1,622,315</u></u>	<u><u>\$ 1,477,920</u></u>	<u><u>\$ 1,706,071</u></u>	<u><u>\$ 1,795,364</u></u>
\$ 16,018	\$ 22,006	\$ 25,653	\$ 110,750	\$ 15,557
1,041,570	823,958	805,502	688,980	401,313
1,316,396	1,267,999	1,226,984	1,117,520	1,199,080
<u>(362,148)</u>	<u>(210,972)</u>	<u>(68,660)</u>	<u>(116,880)</u>	<u>(340,671)</u>
<u><u>\$ 2,011,836</u></u>	<u><u>\$ 1,902,991</u></u>	<u><u>\$ 1,989,479</u></u>	<u><u>\$ 1,800,370</u></u>	<u><u>\$ 1,275,279</u></u>

State of Hawaii

Financial Trends Information

Changes in Fund Balances – Governmental Funds (Unaudited)

(Modified Accrual Basis of Accounting)

Ten Years Ended June 30, 2025

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Revenues			(4)		
Taxes					
General excise tax	\$ 4,958,060	\$ 4,800,303	\$ 4,748,420	\$ 3,893,006	\$ 3,437,755
Net income tax – corporations and individuals	3,677,474	3,795,123	3,631,310	3,758,447	3,233,174
Public service companies tax	154,478	159,222	142,195	122,068	125,201
Transient accommodations tax	811,504	811,415	842,229	661,330	194,095
Tobacco and liquor tax	122,247	127,162	132,051	140,262	141,522
Liquid fuel tax	77,562	78,105	79,272	78,674	69,351
Tax on premiums of insurance companies	222,126	214,455	207,074	198,478	188,229
Vehicle weight and registration tax	149,027	130,023	139,514	138,579	143,242
Rental motor/tour vehicle surcharge tax	117,981	105,650	101,450	79,574	32,206
Franchise tax	10,296	30,912	30,969	59,252	5,079
Other	491,759	142,529	1,003,314	307,868	106,457
Total taxes	<u>10,792,514</u>	<u>10,394,899</u>	<u>11,057,798</u>	<u>9,437,538</u>	<u>7,676,311</u>
Interest and investment income	287,883	640,421	193,071	54,739	30,759
Net increase (decrease) in fair value of investments	181,272	(246,674)	(131,483)	(298,277)	-
Charges for current services	591,918	499,994	480,195	487,273	401,403
Intergovernmental	4,613,423	4,746,175	4,807,463	5,801,691	4,741,176
Rentals	66,632	60,489	42,737	40,153	31,316
Fines, forfeitures and penalties	25,519	25,925	32,078	28,882	32,081
Licenses and fees	55,301	52,604	49,507	50,668	42,577
Revenues from private sources	703,422	141,480	145,992	127,760	138,520
Other	896,757	874,672	630,964	414,994	356,653
Total revenues	<u>18,214,641</u>	<u>17,189,985</u>	<u>17,308,322</u>	<u>16,145,421</u>	<u>13,450,796</u>
Expenditures					
Current					
General government	1,313,948	1,345,868	1,696,558	2,023,088	1,708,337
Public safety	1,104,507	1,231,313	726,842	744,838	746,822
Highways	802,233	681,859	599,886	561,216	448,647
Conservation of natural resources	251,181	208,022	166,058	134,505	137,459
Health	1,289,124	1,313,109	1,000,432	1,090,851	1,040,285
Welfare	4,892,457	4,958,882	5,006,768	4,869,981	4,599,447
Lower education	4,337,599	4,523,479	4,071,444	3,507,290	3,451,175
Higher education	1,194,175	1,148,250	1,097,173	919,351	984,734
Other education	26,864	20,058	18,358	16,933	20,593
Culture and recreation	182,998	145,388	140,764	116,598	377,419
Urban redevelopment and housing	220,933	170,632	83,168	98,161	89,826
Economic development and assistance	412,172	515,693	219,376	267,845	238,956
Housing	298,839	407,184	95,028	113,095	355,350
Other	53,527	88,324	13,575	99,661	20,144
Debt service					
Principal	811,458	811,458	793,097	699,248	522,640
Interest and others	344,807	328,651	314,754	323,719	330,893
Total expenditures	<u>17,536,822</u>	<u>17,898,170</u>	<u>16,043,281</u>	<u>15,586,380</u>	<u>15,072,727</u>
Excess (deficiency) of expenditures over revenues	<u>677,819</u>	<u>(708,185)</u>	<u>1,265,041</u>	<u>559,041</u>	<u>(1,621,931)</u>
Other financing sources (uses)					
Proceeds from borrowing and refunding	752,032	751,920	808,194	1,912,154	2,333,941
Payments to escrow agent	-	-	-	(1,210,136)	(400,000)
Issuance of leases (1)	8,442	20,627	13,561	10,180	-
Issuance of subscription assets (2)	26,187	24,977	17,147	-	-
Transfers in	2,203,464	2,399,417	2,418,125	1,760,858	2,632,432
Transfers out	(2,203,464)	(2,399,417)	(2,418,125)	(1,760,858)	(2,632,432)
Other	-	-	(38)	-	-
Total other financing sources	<u>786,661</u>	<u>797,524</u>	<u>838,864</u>	<u>712,198</u>	<u>1,933,941</u>
Net change in fund balances	<u>\$ 1,464,480</u>	<u>\$ 89,339</u>	<u>\$ 2,103,905</u>	<u>\$ 1,271,239</u>	<u>\$ 312,010</u>
Total debt service as a percent of noncapital expenditures (3)	<u>7.1 %</u>	<u>7.0 %</u>	<u>7.6 %</u>	<u>7.0 %</u>	<u>6.3 %</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.

(4) Amounts prior to fiscal 2025 have not been restated for the change in reporting entity that occurred in fiscal 2025.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 3,632,630	\$ 3,794,585	\$ 3,553,975	\$ 3,189,599	\$ 3,192,469
2,657,551	2,718,654	2,456,674	2,286,017	2,157,879
134,639	126,691	117,641	122,159	152,760
303,176	356,670	304,521	299,712	233,082
150,065	151,438	157,988	160,906	161,239
79,187	85,146	85,211	84,933	89,702
183,563	176,420	162,318	166,836	154,690
125,119	136,142	135,080	132,974	130,051
72,502	57,994	54,846	53,189	54,873
35,271	26,808	15,712	11,174	14,691
<u>157,591</u>	<u>156,632</u>	<u>145,861</u>	<u>103,204</u>	<u>109,072</u>
<u>7,531,294</u>	<u>7,787,180</u>	<u>7,189,827</u>	<u>6,610,703</u>	<u>6,450,508</u>
164,354	40,141	36,527	30,676	22,564
-	-	-	-	-
495,009	518,531	477,717	460,211	431,181
3,333,396	2,783,538	2,878,717	2,938,557	2,995,768
35,035	38,031	35,466	35,530	32,371
28,579	37,513	38,767	39,203	35,738
45,763	47,965	47,066	46,893	45,738
128,401	122,017	184,661	105,857	126,450
329,624	369,425	428,066	248,389	169,533
<u>12,091,455</u>	<u>11,744,341</u>	<u>11,316,814</u>	<u>10,516,019</u>	<u>10,309,851</u>
 1,137,274	1,007,554	807,032	701,083	673,236
612,091	634,120	579,980	531,545	479,047
500,212	526,148	609,538	461,523	389,744
167,383	145,383	157,639	180,697	181,563
1,096,444	1,009,545	827,592	873,703	876,820
3,653,210	3,332,469	3,495,974	3,442,279	3,349,414
3,351,308	3,334,110	3,226,275	2,973,583	2,828,013
1,050,582	950,253	950,843	899,199	673,217
16,936	18,376	23,827	27,248	23,379
143,739	116,381	104,964	104,655	101,351
78,061	79,236	124,292	63,807	54,446
166,387	152,592	167,614	179,127	159,483
153,411	85,032	256,386	133,010	58,381
13,293	13,691	12,388	10,613	20,193
 564,222	464,518	464,518	484,274	444,791
<u>332,279</u>	<u>390,856</u>	<u>321,150</u>	<u>296,482</u>	<u>315,321</u>
<u>13,036,832</u>	<u>12,260,264</u>	<u>12,130,012</u>	<u>11,362,828</u>	<u>10,628,399</u>
<u>(945,377)</u>	<u>(515,923)</u>	<u>(813,198)</u>	<u>(846,809)</u>	<u>(318,548)</u>
 700,496	644,962	1,200,004	2,161,677	1,835,677
-	(69,730)	(424,887)	(879,070)	(989,950)
-	-	-	-	-
1,324,903	1,214,773	1,291,815	1,444,931	1,276,279
(1,324,903)	(1,214,773)	(1,291,815)	(1,444,931)	(1,276,279)
-	(1,402)	(961)	-	46,986
<u>700,496</u>	<u>573,830</u>	<u>774,156</u>	<u>1,282,607</u>	<u>892,713</u>
<u>\$ (244,881)</u>	<u>\$ 57,907</u>	<u>\$ (39,042)</u>	<u>\$ 435,798</u>	<u>\$ 574,165</u>
<u>7.4 %</u>	<u>7.6 %</u>	<u>6.8 %</u>	<u>7.3 %</u>	<u>7.7 %</u>

State of Hawaii

Revenue Capacity Information

Personal Income by Industry (Unaudited)

Ten Years Ended June 30, 2025

(Amounts in millions)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
	\$ 363	\$ 250	\$ 279	\$ 208	\$ 286
Farm earnings					
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities, and other	N/A	92	86	N/A	94
Mining	43	47	39	31	27
Construction	5,541	5,188	4,753	4,686	4,786
Manufacturing – durable and nondurable goods	N/A	1,075	1,041	653	976
Subtotal goods-producing industries	5,584	6,402	5,919	5,370	5,883
Service-producing industries					
Transportation, communication and utilities	4,421	4,044	3,671	3,376	2,965
Trade	5,695	5,418	5,130	4,981	4,784
Information	1,138	1,073	1,025	1,064	865
Finance, insurance and real estate	5,429	4,951	4,515	4,094	4,216
Service	28,242	27,154	25,387	23,493	20,480
State and local government	9,390	8,183	7,592	7,638	7,601
Federal government	11,201	10,704	9,719	9,400	8,746
Subtotal service-producing industries	65,516	61,527	57,039	54,046	49,657
Total nonfarm wage and salary worker	71,100	67,929	62,958	59,416	55,540
Other (1)					
Total personal income	32,850	29,415	28,211	26,387	29,613
Total direct income tax rate (2)	\$ 104,313	\$ 97,594	\$ 91,448	\$ 86,011	\$ 85,439
	N/A	N/A	N/A	N/A	N/A

N/A Not Available

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

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

Source: State of Hawaii Department of Business, Economic Development and Tourism – Data Book and Quarterly Statistical and Economic Report (QSER).

Bureau of Economic Analysis – SQ5N Personal Income by major source and earnings by major NAIC industry.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 249	\$ 271	\$ 284	\$ 274	\$ 284
90	97	94	87	76
32	31	35	35	39
4,531	4,538	4,372	4,391	4,038
948	975	959	921	918
5,601	5,641	5,460	5,434	5,071
4,802	3,064	2,965	2,714	2,639
3,170	4,841	4,659	4,574	4,419
830	893	766	711	742
3,714	3,626	3,373	3,192	3,051
21,500	21,964	21,051	19,595	19,087
7,313	7,235	6,907	6,970	6,949
9,219	8,990	8,505	8,491	8,614
50,548	50,613	48,226	46,247	45,501
56,149	56,254	53,686	51,681	50,572
27,963	23,638	22,506	21,042	19,814
\$ 84,361	\$ 80,163	\$ 76,476	\$ 72,997	\$ 70,670
N/A	N/A	N/A	N/A	N/A

State of Hawaii**Revenue Capacity Information****Personal Income Tax Rates (Unaudited)****Ten Years Ended December 31, 2025****Top Income Tax Rate is Applied to Taxable Income in Excess of**

Year	Married					
	Top Rate	Single	Top Rate	Filing Jointly	Top Rate	Head of Household
2025	11.00% + \$25,966	\$ 325,000	11.00% + \$51,932	\$ 650,000	11.00% + \$38,949	\$ 487,500
2024	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000
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

Source: State of Hawaii, Department of Taxation.

See accompanying report of independent auditors.

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State of Hawaii**Revenue Capacity Information****Taxable Sales by Industry (Unaudited)****Ten Years Ended June 30, 2025**

(Amounts in millions)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Taxable sales by activities					
Retailing	\$ 49,108	\$ 48,142	\$ 47,555	\$ 43,307	\$ 33,368
Services	22,450	21,020	20,178	18,256	15,345
Contracting	14,786	12,686	11,268	10,327	10,029
Hotel rentals	7,463	7,583	7,899	6,658	1,989
All other rentals	10,561	10,006	9,848	9,134	7,533
All other (4%)	7,309	7,573	7,471	6,874	4,493
Subtotal	<u>111,677</u>	<u>107,010</u>	<u>104,219</u>	<u>94,556</u>	<u>72,757</u>
Producing	372	393	389	382	342
Manufacturing	449	455	483	441	522
Wholesaling	25,673	25,600	24,739	22,501	16,837
Use (0.5%)	8,099	8,854	8,406	8,280	6,512
Services (intermediary)	1,428	1,254	1,546	1,079	865
Insurance solicitors	753	720	595	672	664
Subtotal	<u>36,774</u>	<u>37,276</u>	<u>36,158</u>	<u>33,355</u>	<u>25,742</u>
Total all activities	<u><u>\$ 148,451</u></u>	<u><u>\$ 144,286</u></u>	<u><u>\$ 140,377</u></u>	<u><u>\$ 127,911</u></u>	<u><u>\$ 98,499</u></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.

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 35,679	\$ 36,801	\$ 35,454	\$ 30,747	\$ 29,498
16,750	16,927	16,375	14,162	13,667
9,541	9,706	8,914	8,418	8,185
5,215	5,669	5,527	4,898	4,442
8,667	8,564	8,171	6,669	6,474
5,893	6,543	6,545	5,918	5,407
<u>81,745</u>	<u>84,210</u>	<u>80,986</u>	<u>70,812</u>	<u>67,673</u>
303	296	359	324	295
561	596	640	731	734
17,417	18,062	17,590	14,462	13,864
6,886	7,280	7,640	6,799	7,354
1,007	1,005	903	870	708
702	754	650	495	485
<u>26,876</u>	<u>27,993</u>	<u>27,782</u>	<u>23,681</u>	<u>23,440</u>
\$ 108,621	\$ 112,203	\$ 108,768	\$ 94,493	\$ 91,113

State of Hawaii

Revenue Capacity Information

Sales Tax Revenue Payers by Industry (Unaudited)

Ten Years Ended June 30, 2025

(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2025		2024		2023		2022		2021	
	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	\$ 1,964,324	42.4 %	\$ 1,925,669	42.9 %	\$ 1,902,192	42.7 %	\$ 1,732,276	43.2 %	\$ 1,334,715	43.3 %
Services	898,004	19.3 %	840,801	18.7 %	807,109	18.1 %	730,258	18.2 %	613,791	19.9 %
Contracting	591,457	12.7 %	507,437	11.2 %	450,718	10.1 %	413,076	10.3 %	401,141	13.0 %
Theater, amusement, etc.	19,664	0.4 %	18,800	0.4 %	22,288	0.5 %	17,633	0.4 %	8,537	0.3 %
Interest	184,048	4.0 %	178,880	4.0 %	168,245	3.8 %	145,241	3.6 %	83,679	2.7 %
Commissions	58,498	1.3 %	56,740	1.3 %	60,453	1.4 %	71,372	1.8 %	51,715	1.7 %
Hotel rentals	298,533	6.4 %	303,308	6.8 %	315,969	7.1 %	266,321	6.6 %	79,578	2.6 %
All other rentals	422,424	9.1 %	400,254	8.9 %	393,914	8.9 %	365,344	9.1 %	301,321	9.8 %
Use (4%)	30,158	0.7 %	48,534	1.1 %	47,874	1.1 %	40,719	1.0 %	35,784	1.2 %
All other (4%)	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %
Producing	1,862	0.1 %	1,967	0.1 %	1,945	0.1 %	1,910	0.1 %	1,712	0.1 %
Manufacturing	2,244	0.0 %	2,274	0.1 %	2,414	0.1 %	2,203	0.1 %	2,612	0.1 %
Wholesaling	128,364	2.8 %	127,999	2.9 %	123,689	2.8 %	112,507	2.8 %	84,183	2.7 %
Use (0.5%)	40,496	0.9 %	44,269	1.0 %	42,029	0.9 %	41,402	1.0 %	32,560	1.1 %
Services (Intermediary)	7,139	0.3 %	6,271	0.2 %	7,730	0.3 %	5,395	0.1 %	4,324	0.1 %
Insurance solicitors	1,130	0.0 %	1,080	0.0 %	893	0.0 %	1,007	0.1 %	996	0.0 %
Unallocated collections	(17,949)	(0.40)%	16,773	0.4 %	95,190	2.1 %	63,245	1.6 %	43,546	1.4 %
Total	\$ 4,630,396	100.0 %	\$ 4,481,056	100.0 %	\$ 4,442,652	100.0 %	\$ 4,009,909	100.0 %	\$ 3,080,194	100.0 %

Note: Information for number of filers is not available.

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

See accompanying report of independent auditors.

2020		2019		2018		2017		2016	
Tax Liability	Percentage of Total								
\$ 1,427,180	41.5 %	\$ 1,472,039	41.5 %	\$ 1,418,176	41.8 %	\$ 1,229,860	38.0 %	\$ 1,179,911	36.8 %
670,010	19.5 %	677,082	19.1 %	655,007	19.3 %	566,466	17.5 %	546,684	17.1 %
381,641	11.1 %	388,249	11.0 %	356,576	10.5 %	336,717	10.4 %	327,394	10.2 %
16,661	0.5 %	19,978	0.6 %	19,182	0.6 %	17,248	0.5 %	15,931	0.5 %
127,396	3.7 %	141,903	4.0 %	142,359	4.2 %	134,441	4.2 %	1	0.0 %
51,076	1.5 %	54,981	1.6 %	55,832	1.6 %	49,209	1.5 %	44,777	1.4 %
208,581	6.1 %	226,764	6.4 %	221,084	6.5 %	195,919	6.0 %	177,671	5.5 %
346,685	10.1 %	342,572	9.7 %	326,823	9.6 %	266,758	8.2 %	258,977	8.1 %
40,580	1.2 %	44,847	1.3 %	44,390	1.3 %	35,845	1.1 %	35,620	1.1 %
-	0.0 %	-	0.0 %	-	0.0 %	-	0.0 %	119,948	3.7 %
1,514	0.1 %	1,480	0.0 %	1,794	0.1 %	1,619	0.1 %	1,473	0.0 %
2,807	0.1 %	2,981	0.1 %	3,201	0.1 %	3,657	0.1 %	3,670	0.1 %
87,088	2.5 %	90,308	2.6 %	87,952	2.6 %	72,309	2.2 %	69,322	2.2 %
34,428	1.0 %	36,398	1.0 %	38,201	1.1 %	33,996	1.1 %	36,872	1.2 %
5,033	0.1 %	5,026	0.1 %	4,514	0.1 %	4,352	0.1 %	3,539	0.1 %
1,053	0.0 %	1,131	0.0 %	975	0.0 %	743	0.0 %	728	0.0 %
34,405	1.0 %	35,650	1.0 %	19,500	0.6 %	290,086	9.0 %	383,736	12.0 %
\$ 3,436,138	100.0 %	\$ 3,541,389	100.0 %	\$ 3,395,566	100.0 %	\$ 3,239,225	100.0 %	\$ 3,206,254	100.0 %

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Governmental activities					
General obligation bonds	\$ 8,888,440	\$ 8,954,554	\$ 9,024,693	\$ 9,041,510	\$ 8,870,454
Revenue bonds	548,160	599,743	650,537	700,427	753,505
Lease payable	60,320	66,171	60,504	60,798	10,179
Subscriptions payable	44,049	37,500	31,255	-	-
Financed purchases	72,959	82,180	90,646	101,631	108,665
Total governmental activities	<u>9,613,928</u>	<u>9,740,148</u>	<u>9,857,635</u>	<u>9,904,366</u>	<u>9,742,803</u>
Business-type activities					
General obligation bonds	5,154	8,131	10,966	13,667	16,239
Revenue bonds	3,174,409	2,597,661	2,671,137	2,716,839	2,519,961
Lease payable	600	769	953	242	-
Subscription payable	2,478	2,993	-	-	-
Financed purchases	138,692	159,976	178,596	195,592	210,803
Loan payable	-	-	-	-	-
Total business-type activities	<u>3,321,333</u>	<u>2,769,530</u>	<u>2,861,652</u>	<u>2,926,340</u>	<u>2,747,003</u>
Total primary government	<u>\$ 12,935,261</u>	<u>\$ 12,509,678</u>	<u>\$ 12,719,287</u>	<u>\$ 12,830,706</u>	<u>\$ 12,489,806</u>
Hawaii total personal income	\$104,313,000	\$ 97,594,000	\$ 91,448,000	\$ 86,011,000	\$ 85,439,000
Debt as a percentage of personal income	12.4 %	12.8 %	13.9 %	14.9 %	14.6 %
Hawaii population	1,445	1,432	1,436	1,435	1,455
Amount of debt per capita	\$ 8,952	\$ 8,736	\$ 8,857	\$ 8,941	\$ 8,584

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

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.

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

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 7,294,070	\$ 7,914,382	\$ 7,912,206	\$ 7,635,827	\$ 6,953,431
623,120	571,306	633,073	692,742	615,120
-	-	-	-	-
115,147	122,922	129,897	143,622	149,477
8,032,337	8,608,610	8,675,176	8,472,191	7,718,028
 18,690	 21,026	 23,255	 25,377	 27,400
2,093,075	1,968,315	1,567,305	1,375,442	1,429,980
-	-	-	-	-
224,375	236,147	244,979	252,806	179,985
-	76,000	76,000	76,000	34,910
2,336,140	2,301,488	1,911,539	1,729,625	1,672,275
\$ 10,368,477	\$ 10,910,098	\$ 10,586,715	\$ 10,201,816	\$ 9,390,303
 \$ 84,361,000	 \$ 80,163,000	 \$ 76,476,000	 \$ 72,997,000	 \$ 71,767,000
12.3 %	13.6 %	13.8 %	14.0 %	13.1 %
1,416	1,422	1,435	1,428	1,429
\$ 7,322	\$ 7,672	\$ 7,378	\$ 7,144	\$ 6,571

State of Hawaii**Debt Capacity Information****Ratios of Net General Bonded Debt Outstanding (Unaudited)****Ten Years Ended June 30, 2025**

(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
			Debt (3)(4)	General Obligation Bonded Debt	Debt Services Monies	Available (3)			
2025	\$ 148,541,000	1,445	\$ 8,893,594	\$ 8,893,594	\$ 72	\$ 72	\$ 8,893,522	6.0 %	6,155
2024	144,286,000	1,432	8,962,685	8,962,685	72	72	8,962,613	6.2 %	6,259
2023	140,376,000	1,436	9,035,659	9,035,659	257	257	9,035,402	6.4 %	6,292
2022	127,811,000	1,435	9,055,177	9,055,177	272	272	9,054,905	7.1 %	6,310
2021	98,499,000	1,455	8,886,693	8,886,693	247	247	8,886,446	9.0 %	6,108
2020	108,621,000	1,416	7,312,760	7,312,760	152	152	7,312,608	6.7 %	5,164
2019	112,203,000	1,422	7,935,408	7,935,408	-	-	7,935,408	7.1 %	5,580
2018	108,768,000	1,435	7,935,461	7,935,461	-	-	7,935,461	7.3 %	5,530
2017	94,493,000	1,428	7,661,204	7,661,204	35	35	7,661,169	8.1 %	5,365
2016	91,113,000	1,429	6,980,831	6,980,831	35	35	6,980,796	7.7 %	4,885

(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 Units.

See accompanying report of independent auditors.

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State of Hawaii**Debt Capacity Information****Legal Debt Margin Information (Unaudited)****Ten Years Ended June 30, 2025**

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Average general fund revenues of the three preceding fiscal years	\$ 10,691,495	\$ 10,339,721	\$ 9,546,317	\$ 8,695,460	\$ 7,930,471
Constitutional debt limit percentage	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>	<u>18.5 %</u>
Constitutional debt limit for total principal and interest payable in a current or future year	1,977,927	1,912,848	1,766,069	1,608,660	1,467,137
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year	<u>(1,095,856)</u>	<u>(1,035,295)</u>	<u>(1,017,620)</u>	<u>(973,637)</u>	<u>(917,238)</u>
Legal debt margin	<u>\$ 882,071</u>	<u>\$ 877,553</u>	<u>\$ 748,449</u>	<u>\$ 635,023</u>	<u>\$ 549,899</u>
Legal debt margin as a percentage of the debt limit	<u>44.6 %</u>	<u>45.9 %</u>	<u>42.4 %</u>	<u>39.5 %</u>	<u>37.5 %</u>

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

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
\$ 7,732,620	\$ 7,637,553	\$ 7,359,330	\$ 6,997,106	\$ 6,577,966
18.5 %	18.5 %	18.5 %	18.5 %	18.5 %
1,430,535	1,412,947	1,361,476	1,294,465	1,216,924
(753,610)	(836,170)	(792,143)	(739,852)	(712,590)
\$ 676,925	\$ 576,777	\$ 569,333	\$ 554,613	\$ 504,334
47.3 %	40.8 %	41.8 %	42.8 %	41.4 %

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage (Unaudited)
Ten Years Ended June 30, 2025
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenue bonds – Airports										
Gross revenue (1)	\$ 700,567	\$ 669,421	\$ 613,800	\$ 575,402	\$ 403,145	\$ 486,117	\$ 495,315	\$ 466,317	\$ 431,726	\$ 381,404
Less: Operating expenses (2)	471,774	439,876	371,975	363,479	364,439	339,043	316,905	299,799	288,644	259,223
Net available revenue	228,793	229,545	241,825	211,923	38,706	147,074	178,410	166,518	143,082	122,181
Debt services										
Principal	43,410	37,665	33,650	445	430	44,690	42,585	40,755	38,935	37,290
Interest (3)	75,775	72,521	65,928	61,836	53,947	51,751	47,423	46,454	45,182	42,532
Total debt services	119,185	110,186	99,578	62,281	54,377	96,441	90,008	87,209	84,117	79,822
Coverage (4)	192 %	208 %	243 %	340 %	71 %	153 %	198 %	191 %	170 %	153 %
Revenue bonds – Harbors										
Gross revenue (5)	\$ 252,266	\$ 244,524	\$ 229,446	\$ 205,340	\$ 183,738	\$ 183,623	\$ 198,605	\$ 170,560	\$ 140,052	\$ 131,858
Less: Operating expenses (6)	60,603	59,681	59,274	55,018	48,491	48,834	47,461	53,543	53,396	47,133
Net available revenue	191,663	184,843	170,172	150,322	135,247	134,789	151,144	117,017	86,656	84,725
Debt services	27,706	27,706	33,245	28,350	28,350	28,940	28,936	29,114	31,176	31,187
Coverage (4)	692 %	667 %	512 %	530 %	477 %	466 %	522 %	402 %	278 %	272 %
Revenue bonds – Highways										
Gross revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Less: Operating expenses	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net available revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt services										
Principal	\$ 29,120	\$ 28,090	\$ 26,955	\$ 27,980	\$ 30,695	\$ 29,845	\$ 42,735	\$ 40,765	\$ 37,790	\$ 34,920
Interest	22,021	23,394	24,411	22,966	20,382	17,630	19,299	21,186	19,320	20,571
Total debt services	51,141	51,484	51,366	50,946	51,077	47,475	62,034	61,951	57,110	55,491
Coverage (7)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	\$ 20,506	\$ 20,347	\$ 17,864	\$ 19,984	\$ 15,922	\$ 16,434	\$ 17,361	\$ 17,564	\$ 15,867	\$ 14,730
Less: Operating expenses	-	-	-	-	-	-	-	-	-	-
Net available revenue	20,506	20,347	17,864	19,984	15,922	16,434	17,361	17,564	15,867	14,730
Debt services										
Principal	2,070	1,970	1,875	1,920	1,695	1,655	1,575	1,100	850	810
Interest	939	1,038	1,131	1,221	1,306	1,372	1,435	887	2,163	2,201
Total debt services	3,009	3,008	3,006	3,141	3,001	3,027	3,010	1,987	3,013	3,011
Coverage (4)	681 %	676 %	594 %	636 %	531 %	543 %	577 %	884 %	527 %	489 %

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.

See accompanying report of independent auditors.

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2019	2019	2018	2017	2016
Population (in thousands)										
State	\$ 1,445	\$ 1,432	\$ 1,436	\$ 1,435	\$ 1,455	\$ 1,416	\$ 1,422	\$ 1,435	\$ 1,428	\$ 1,429
Percentage change	0.91 %	(0.28)%	0.07 %	(1.37)%	2.75 %	(0.42)%	(0.91)%	0.49 %	(0.07)%	(0.21)%
National	\$ 342,029	\$ 336,668	\$ 335,652	\$ 332,834	\$ 332,473	\$ 329,872	\$ 331,884	\$ 327,734	\$ 325,719	\$ 323,128
Percentage change	1.59 %	0.30 %	0.85 %	0.11 %	0.79 %	(0.61)%	1.27 %	0.62 %	0.80 %	0.53 %
Total personal income (in millions)										
State	\$ 104,313	\$ 97,594	\$ 91,448	\$ 86,011	\$ 85,439	\$ 84,361	\$ 80,163	\$ 76,476	\$ 72,997	\$ 70,670
Percentage change	6.88 %	6.72 %	6.32 %	0.67 %	1.28 %	5.24 %	4.82 %	4.77 %	3.29 %	3.32 %
National	\$ 24,802,900	\$ 23,672,700	\$ 22,080,630	\$ 20,805,550	\$ 18,670,430	\$ 17,829,250	\$ 17,855,326	\$ 17,189,635	\$ 16,152,011	\$ 15,725,128
Percentage change	4.77 %	7.21 %	6.13 %	11.44 %	4.72 %	(0.15)%	3.87 %	6.42 %	2.71 %	4.89 %
Per capita personal income (in thousands)										
State	\$ 72,189	\$ 68,152	\$ 63,683	\$ 60,210	\$ 58,721	\$ 59,577	\$ 56,373	\$ 53,293	\$ 51,118	\$ 49,454
Percentage change	5.92 %	7.02 %	5.77 %	2.54 %	(1.44)%	5.68 %	5.78 %	4.25 %	3.36 %	6.07 %
National	\$ 72,517	\$ 70,315	\$ 65,784	\$ 62,510	\$ 56,156	\$ 54,049	\$ 53,890	\$ 52,450	\$ 49,589	\$ 48,665
Percentage change	3.13 %	6.89 %	5.24 %	11.31 %	3.90 %	0.30 %	2.75 %	5.77 %	1.90 %	4.34 %
Resident civilian labor force and employment										
Civilian labor force employed	664,200	653,763	655,546	642,879	576,163	612,221	656,546	669,642	672,675	660,942
Unemployed	20,208	20,317	23,763	30,333	70,075	45,125	18,013	14,508	19,800	22,563
Unemployment rate	3.04 %	3.11 %	3.62 %	4.72 %	12.16 %	7.37 %	2.74 %	2.17 %	2.94 %	3.41 %

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).

See accompanying report of independent auditors.

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers (Unaudited)
June 30, 2025 and June 30, 2016

2025			2016		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
Bank of Hawaii Corp.	1,792	0.3 %	Bank of Hawaii Corp.	2,216	0.3 %
First Hawaiian Bank	1,897	0.3 %	Hawaii Pacific Health	6,617	1.0 %
Hawaii Pacific Health	7,705	1.1 %	Hawaiian Electric Industries, Inc	3,918	0.6 %
Hawaiian Electric Industries, Inc.	2,602	0.4 %	Hawaiian Holdings, Inc.	5,548	0.8 %
Kaiser Foundation Health Plan & Hospitals	4,579	0.7 %	Kaiser Permanente Hawaii	4,424	0.6 %
Maui Health	1,676	0.2 %	Kamehameha Schools	2,114	0.3 %
Nan Inc.	1,491	0.2 %	Kyo-ya Hotels & Resorts LP	3,003	0.3 %
Prince Resorts Hawaii, Inc.	1,543	0.2 %	Outrigger Enterprises Group	3,684	0.5 %
Sheraton Waikiki	2,776	0.4 %	Securitas Security Services USA, Inc.	2,300	0.3 %
The Queen's Health Systems	9,537	1.4 %	The Queen's Health Systems	5,320	0.8 %

Note: Total Annual Average Employment for Hawaii for fiscal year 2025 – 685,000 and for fiscal year 2016 – 688,000.

Listed alphabetically.

Source: Pacific Business News, October 2025 Issue
 State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor (Total State Employees).

See accompanying report of independent auditors.

State of Hawaii

Demographic and Economic Information

State Employees by Function (Unaudited)

Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government	4,276	4,168	4,143	4,102	4,160	4,478	4,533	4,517	4,538	4,537
Public safety	3,099	3,067	2,691	3,030	3,094	3,161	3,207	3,265	3,336	3,316
Transportation	2,310	2,264	2,194	2,216	2,228	2,258	2,210	2,229	2,234	2,263
Conservation of natural resources	1,089	1,072	1,012	963	1,058	1,144	1,079	1,051	1,008	1,015
Health	5,662	5,448	5,284	5,149	5,103	5,204	5,246	5,325	5,127	6,544
Welfare	1,730	1,714	1,675	1,747	1,859	1,915	1,948	1,957	1,940	1,913
Lower education	22,034	21,820	21,537	21,815	21,581	21,995	22,122	22,016	21,531	21,841
Higher education	8,486	8,272	8,023	8,157	8,269	8,633	8,660	8,647	8,620	8,746
Other education	458	448	423	427	452	497	493	508	486	496
Urban redevelopment and housing	142	135	128	122	124	136	138	132	130	118
Economic development and assistance	1,080	853	927	764	810	698	702	814	730	749
Total	50,366	49,261	48,037	48,492	48,738	50,119	50,338	50,461	49,680	51,538

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

See accompanying report of independent auditors.

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
General government					
Tax Commission					
Total individual net income returns	803,145	801,433	775,194	766,585	883,260
Number of individual net income returns filed electronically	684,847	657,110	646,217	621,258	687,282
Percentage of individual net income returns transmitted electronically	85.27 %	81.99 %	83.36 %	81.04 %	77.81 %
Public safety					
Inmate population					
In-state facilities	2,868	2,837	3,230	3,120	2,981
Out-of-state facilities	921	1,121	923	1,029	1,189
Total	<u>3,789</u>	<u>3,958</u>	<u>4,153</u>	<u>4,149</u>	<u>4,170</u>
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	50	50	50	50	50
Health					
Environmental health					
Air quality sites monitored	17	23	17	18	20
Water quality stations	197	197	197	197	197
Revolving loan funds	261	248	235	224	214
Mental health					
Adult consumers served	9,046	8,122	7,763	7,390	7,792
Individuals with developmental disabilities served	3,564	3,506	3,534	3,474	3,424
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	2,434	2,992	3,384	5,149	6,782
Average time on assistance	18.0	13.0	18.0	18.0	24.0
Monthly benefits paid for the month of July (in millions)	\$ 1.68	\$ 1.80	\$ 2.08	\$ 3.36	\$ 4.15
General assistance					
Individuals per month	4,432	4,622	4,217	4,456	6,529
Food stamp program					
Number of persons participating	158,516	162,733	156,967	178,486	176,513
Number of households participating	83,041	87,296	87,471	100,706	97,382
Benefits issued (in millions)	\$ 57.91	\$ 62.76	\$ 74.23	\$ 79.69	\$ 57.32
Medicaid programs					
Med-Quest enrollment	400,920	445,214	465,541	460,742	428,580

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
693,152	838,441	808,183	704,250	768,261
543,820	579,720	552,464	536,273	529,527
78.46 %	69.14 %	68.36 %	76.15 %	68.93 %
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
3,326	3,991	4,017	4,052	4,584
1,199	1,507	1,460	1,617	1,386
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,525	5,498	5,477	5,669	5,970
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
50	51	52	54	54
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
21	20	20	14	14
197	197	187	169	160
208	200	192	186	176
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
7,990	7,124	8,328	9,295	7,828
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
3,548	3,251	2,956	2,863	2,738
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,569	4,362	4,813	5,750	6,918
16.7	19.7	18.1	18.1	18.1
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 2.71	\$ 2.48	\$ 2.26	\$ 2.98	\$ 3.90
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
5,634	5,396	5,575	5,651	5,676
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
154,669	154,161	164,788	170,850	173,780
79,811	79,702	84,297	85,491	87,636
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\$ 37.07	\$ 36.89	\$ 39.78	\$ 40.26	\$ 40.23
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
361,912	336,202	353,058	352,991	350,358

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,				
	2025	2024	2023	2022	2021
Lower education					
Number of schools	296	295	295	294	294
Number of students	167,076	169,308	170,209	173,178	176,441
Staff					
Classroom teachers	12,215	12,113	11,984	12,026	12,136
Librarians	81	84	89	88	114
Counselors	689	681	665	646	659
Administrators	1,188	1,134	1,079	1,064	1,095
Other support staff	9,255	9,097	9,078	9,108	9,246
Total	<u>23,428</u>	<u>23,109</u>	<u>22,895</u>	<u>22,932</u>	<u>23,250</u>
Higher education					
Enrollment					
Number of credit students	<u>51,411</u>	<u>50,418</u>	<u>48,933</u>	<u>48,373</u>	<u>49,773</u>
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates					
Bachelor's degrees	4,037	3,962	3,998	4,434	4,801
Master's degrees/Professional diploma	4,621	4,216	4,281	4,681	4,558
Doctor's degrees/First Professional	1,005	1,023	1,032	1,004	905
Other	205	182	169	167	443
Total	<u>322</u>	<u>374</u>	<u>334</u>	<u>409</u>	<u>56</u>
Degrees by campus/college					
University of Hawaii at Manoa	4,836	4,499	4,464	4,692	4,461
University of Hawaii at Hilo	692	653	682	780	775
University of Hawaii at West Oahu	592	610	630	738	706
Hawaii Community College	504	451	423	523	530
Honolulu Community College	714	675	734	799	756
Kapiolani Community College	870	840	755	943	1,084
Kauai Community College	314	314	331	335	307
Leeward Community College	1,008	1,024	1,056	1,193	1,293
Maui Community College	385	407	401	442	572
Windward Community College	275	284	338	250	279
Total	<u>10,190</u>	<u>9,757</u>	<u>9,814</u>	<u>10,695</u>	<u>10,763</u>

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

See accompanying report of independent auditors.

2020	2019	2018	2017	2016
293	292	292	290	290
181,088	181,278	180,837	181,550	181,995
12,221	12,132	12,033	11,782	11,747
126	135	143	149	160
660	660	653	634	634
1,093	1,056	1,036	995	943
9,236	9,194	9,277	9,039	9,113
23,336	23,177	23,142	22,599	22,597
49,594	49,977	51,063	51,674	53,418
4,800	5,191	4,912	5,102	5,192
4,473	4,681	4,693	4,735	4,841
1,031	868	1,035	1,040	1,126
489	479	513	482	472
54	80	62	49	49
10,847	11,299	11,215	11,408	11,680
4,519	4,551	4,726	4,712	5,104
801	895	942	955	893
709	643	613	623	474
552	587	586	576	693
922	906	778	900	886
1,100	1,212	1,276	1,356	1,383
290	343	211	258	248
1,087	1,135	1,102	1,019	1,057
593	701	638	668	594
274	326	343	341	348
10,847	11,299	11,215	11,408	11,680

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function (Unaudited)
Ten Years Ended June 30, 2025

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General government										
Department of Accounting and General Services										
Buildings	75	75	78	79	84	79	79	79	79	81
Vehicles	619	607	659	655	677	692	675	644	644	673
Department of the Attorney General										
Buildings	6	7	7	8	6	6	6	6	6	6
Vehicles	8	8	8	8	8	4	3	3	3	4
The Judiciary										
Buildings	14	14	14	19	19	19	19	19	19	19
Vehicles	-	-	-	-	-	-	-	-	18	18
Other departments										
Buildings	17	17	15	20	19	21	21	21	21	21
Vehicles	6	6	4	4	4	3	3	3	3	3
Public safety										
Department of Corrections and Rehabilitation										
Buildings and correction facilities	76	76	76	76	83	76	76	76	76	76
Vehicles	368	401	393	375	367	370	354	353	290	302
Department of Defense										
Buildings	64	64	64	64	63	99	99	99	99	99
Vehicles	142	141	137	134	126	126	128	121	108	104
Department of Commerce and Consumer Affairs										
Buildings	5	5	5	4	4	4	4	4	4	4
Highways										
Department of Transportation										
Highway lane miles	2,491	2,491	2,491	2,491	2,477	2,478	2,497	2,489	2,489	2,487
Highway bridges	752	752	752	752	752	752	752	752	752	752
Buildings	39	39	39	40	41	40	40	40	40	40
Vehicles	988	1,039	1,032	1,048	1,065	1,063	1,077	1,101	1,043	989

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 2025.

See accompanying report of independent auditors.

	Fiscal Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
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	96	96	102	97	97	97	97	97
Vehicles	1,076	1,032	996	100	968	982	969	927	886	855
Department of Agriculture and Biosecurity										
Buildings	31	31	31	33	35	33	33	33	33	33
Vehicles	159	131	153	153	158	164	165	163	159	161
Health										
Department of Health										
Buildings	69	69	69	73	71	73	73	73	73	74
Vehicles	229	255	258	266	270	272	278	269	258	241
Welfare										
Department of Human Services										
Buildings	17	17	17	18	20	18	18	18	18	18
Vehicles	95	95	100	94	95	93	94	95	99	99
Lower education										
Department of Education										
Buildings	8	8	9	9	9	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	39	39	39	41	40	39	39	38	38	39
Vehicles	22	22	22	23	27	31	33	33	29	29
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	23	22	22	23	21	19	19	19	19	19
Vehicles	54	54	52	52	50	50	46	47	42	39
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	36	36	34	32	38	33	33	32	32	32
Vehicles	64	67	40	26	26	29	32	32	30	32
Department of Labor and Industrial Relations										
Buildings	7	7	7	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	2

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