STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

RUSS K. SAITO
COMPTROLLER

HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2009

RUSS K. SAITO
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

STATE OF HAWAII

Comprehensive Annual Financial Report
Table of Contents

June 30, 2009

PART I: INTRODUCTORY SECTION

	Page
Principal Officials for Finance-Related Functions	1
State of Hawaii Organizational Chart	2
Letter of Transmittal	3
GFOA Certificate of Achievement	9

PART II: FINANCIAL SECTION

Independent Auditors' Report	12
Management's Discussion and Analysis (Unaudited)	14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	33
Statement of Activities	35
Fund Financial Statements:	
Balance Sheet – Governmental Funds	36
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	38
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	39

STATE OF HAWAII

Comprehensive Annual Financial Report
Table of Contents

June 30, 2009

	Page
Statement of Net Assets – Proprietary Funds	40
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	42
Statement of Cash Flows – Proprietary Funds	43
Statement of Fiduciary Net Assets – Fiduciary Funds	46
Statement of Net Assets – Component Units	47
Statement of Revenues, Expenditures, and Changes in Net Assets – Component Units	51
Notes to Basic Financial Statements	53
Required Supplementary Information (Unaudited):	
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – General Fund	120
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Med-Quest Special Revenue Fund	121
Notes to Required Supplementary Information	122
Schedules of Funding Progress	124

STATE OF HAWAII

Comprehensive Annual Financial Report
Table of Contents

June 30, 2009

	Page
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	127
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	129
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Nonmajor Special Revenue Funds	131
Reconciliation of the Budgetary to GAAP Basis – Nonmajor Special Revenue Funds	137
Nonmajor Proprietary Funds:	
Combining Statement of Net Assets	138
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets	140
Combining Statement of Cash Flows	141
Fiduciary Funds:	
Combining Statement of Fiduciary Net Assets – Agency Funds	143
Combining Statement of Changes in Assets and Liabilities – Agency Funds	144

PART III: STATISTICAL SECTION (UNAUDITED)

Schedules of Financial Trends Information:	
Net Assets by Component, Last Five Fiscal Years	147
Changes in Net Assets, Last Five Fiscal Years	148
Fund Balances, Governmental Funds, Last Five Fiscal Years	149
Changes in Fund Balances, Governmental Funds, Last Five Fiscal Years	150

STATE OF HAWAII

Comprehensive Annual Financial Report
Table of Contents

June 30, 2009

	Page
Schedules of Revenue Capacity Information:	
Personal Income by Industry, Last Ten Fiscal Years	151
Personal Income Tax Rates, Last Six Calendar Years	152
Personal Income Tax Filers and Liability by Income Level, Calendar Years 2006 and 1999	153
Taxable Sales by Industry, Last Five Fiscal Years	154
Sales Tax Revenue Payers by Industry, Last Five Fiscal Years	155
Schedules of Debt Capacity Information:	
Ratios of Outstanding Debt by Type, Last Five Fiscal Years	156
Ratios of Net General Bonded Debt Outstanding, Last Five Fiscal Years	157
Legal Debt Margin Information, Last Five Fiscal Years	158
Pledge Revenue Coverage, Last Five Fiscal Years	159
Schedules of Demographic and Economic Information:	
Demographic and Economic Statistics, Last Ten Fiscal Years	160
Ten Largest Private Sector Employers, Last Three Fiscal Years	161
State Employees by Function, Last Five Fiscal Years	162
Schedules of Operating Information:	
Operating Indicators by Function, Last Five Fiscal Years	163
Capital Assets Statistics by Function, Last Three Fiscal Years	165

This page intentionally left blank.

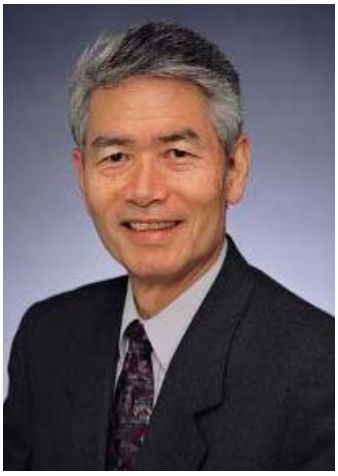
PART I: INTRODUCTORY SECTION

This page intentionally left blank.

STATE OF HAWAII

Principal Officials for Finance-Related Functions

June 30, 2009



Russ K. Saito
Comptroller

Governor	**Linda Lingle**
Director of Finance	**Georgina Kawamura**
Director of Taxation	**Kurt Kawafuchi**
Comptroller	**Russ K. Saito**

Notes:

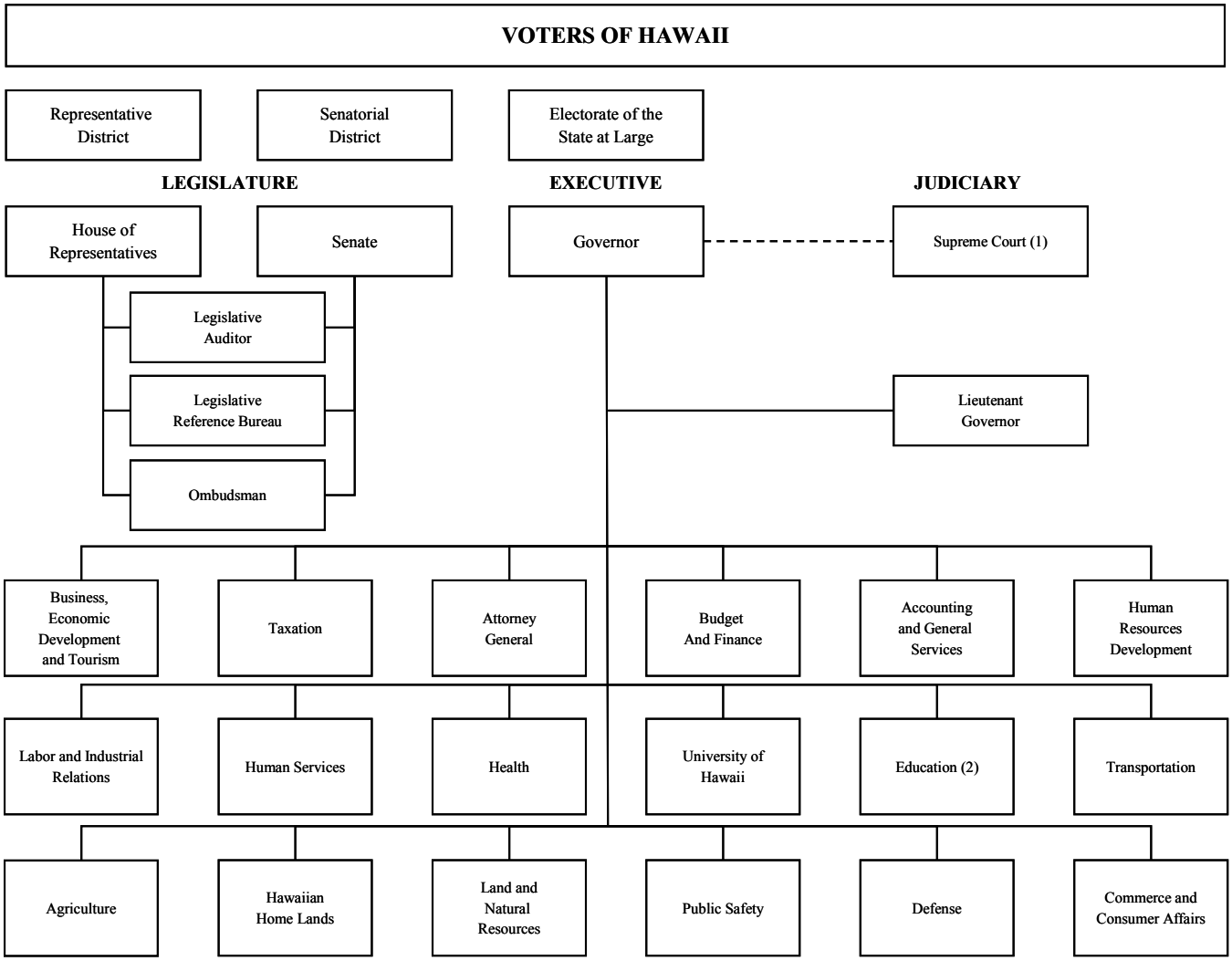
The Director of Finance is also department head of the Department of Budget and Finance.

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, 2009



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

(2) The Board of Education is elected.

LINDA LINGLE
GOVERNOR

RUSS K. SAITO
Comptroller

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

October 20, 2010

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

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is my privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (State) for the fiscal year ended June 30, 2009. This report has been prepared by the State's Department of Accounting and General Services. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. I believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

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

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

THE REPORTING ENTITY AND ITS SERVICES

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

State of the Economy

Overview

Most indicators of the State's economy continued to show negative growth for the year 2009. However, in the fourth quarter of 2009, there were signs of improvement for the visitor sector, for new construction authorizations and tax revenues, as losses were smaller in comparison to prior quarters.

Labor

Hawaii's total civilian employment averaged 600,450 persons during 2009, a decrease of 4.5% from 2008. Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 7.0% for 2009, significantly higher than the 2008 unemployment rate of 3.9%. Hawaii's 2009 total civilian wage and salary jobs declined to an annual average of 603,850, or 3.4%, from the previous year. In the fourth quarter of 2009, wage and salary jobs decreased 25,600 jobs or 4.1%, from the same quarter of 2008. All but a few major sectors of the economy lost jobs in 2009. The most significantly impacted sector continued to be construction with a 13.2% job loss for the year. Only government, healthcare, and education sectors showed increases in jobs for 2009.

Taxes

Tax revenues distributed to the State's General Fund decreased $590.4 million, or 12.8%, during 2009 compared to 2008. Among its components, individual net income tax collections declined $297.1 million or 19%, general excise and use tax (GET) collections decreased $271.5 million, or 10.6%, and transient accommodations tax (TAT) collections were down $11.8 million, or 5.3%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $215 million, or .4% in the first nine months of 2009 compared to the same period of 2008. Among its components, the fastest growth was seen in personal current transfer receipts of 13.8% and supplements to wages and salaries 4.6%. Contributions for government social insurance, which are subtracted from personal income, decreased by .2%.

Prices

Honolulu's consumer price index (CPI) increased .5% for 2009, higher than a .4% decrease for the United States (U.S.). The Honolulu increase was primarily due to a .4% increase in the housing component of the index and a 6.4% decline in transportation costs. Prices increased for most other goods and services, apparel, education, and communications components, which increased by 8.1%, 7.2%, and 4.9%, respectively.

Recent Developments in Hawaii's Major Industries

Visitor Industry

The number of visitors arriving by air decreased 4.4% in 2009 compared to 2008. Domestic arrivals (visitors on flights originating inside of the U.S.) declined 4.7% while international arrivals decreased 3.5%. Similarly, total visitor days (visitor arrivals multiplied by average length of stay) were down 4.3% in 2009 compared to 2008 and total visitor spending declined 11.6%. Statewide hotel occupancy rate averaged 66.5% in 2009, 4% lower than the average rate in 2008.

Construction

Hawaii's construction industry was one of the major contributors to job growth during the 2002-2007 years. Since 2008, we have seen continued decreases, and in 2009, this industry had the highest rate of job loss among major industries. The total value of new private building authorizations decreased $907.7 million or 31.2% from 2008. Government contracts awarded totaled $779 million, an 18.3% decrease from 2008.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth, particularly in tourism. Modest increases are also expected for both real (inflation-adjusted) Personal Income growth and real state Gross Domestic Product (GDP) in 2010.

The future condition of Hawaii's economy depends on the state of the mainland U.S. and Japanese economies. The August 2010 Blue Chip Economic Consensus Forecasts expected real GDP growth in 2010 to increase 2.9% for the U.S. and 3.1% for Japan. In 2011 GDP growth is expected to be at 2.8% for the U.S. and 1.6% for Japan.

DBEDT expects that total visitor arrivals to Hawaii, visitor days and visitor expenditures will increase in 2010. In 2010, visitor arrivals, visitor days, and visitor expenditures are predicted to increase 4.6%, 4.1%, and 8.2%, respectively.

DBEDT projects total wage and salary jobs to decrease .6% in 2010. Real Personal Income is expected to increase 2.5% in 2010 with real GDP projected to increase 1.2% in 2010.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.2% in 2010. The State GDP deflator is expected to grow .8% in 2010.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

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

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

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

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2007, as amended by the Supplemental Appropriations Act of 2008, and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. Open encumbrances are reported as reservations of fund balances at June 30, 2009. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

RISK MANAGEMENT

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler & machinery coverage. The limit of loss per occurrence is $175,000,000, except for flood and earthquake, which individually is a $175,000,000 aggregate loss and terrorism, which is $50,000,000 per occurrence. The State also acquires general liability insurance, medical insurance, faithful performance of duty, and depositors' forgery insurance for state employees, but is self-insured for other perils, including workers' compensation and automobile losses. Expenditures for workers' compensation, automobile losses, and general liability (for amounts not covered by insurance) are appropriated annually.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. There are 13 bargaining units, of which 12 bargaining units have state employees as members. The 12 bargaining units have contractual agreements in force as of the date of this letter.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2009. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

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

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

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

ACKNOWLEDGEMENTS

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

Respectfully submitted,

RUSS K. SAITO
Comptroller, State of Hawaii

This page intentionally left blank.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Hawaii

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

President

Executive Director

This page intentionally left blank.

PART II: FINANCIAL SECTION

This page intentionally left blank.

Deloitte & Touche LLP
1132 Bishop Street
Suite 1200
Honolulu, HI 96813-2870
USA
Tel: +1 808 543 0700
Fax: +1 808 526 0225
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Auditor
State of Hawaii:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii as of and for the year ended June 30, 2009, which collectively comprise the State of Hawaii's basic financial statements (pages 33 – 117) as listed in the accompanying table of contents. These financial statements are the responsibility of the State of Hawaii's management. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Employer-Union Health Benefits Trust Fund, which are nonmajor enterprise funds, and the University of Hawaii, the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Hurricane Relief Fund, and the Hawaii Community Development Authority, which are discretely presented component units. These financial statements that we did not audit reflect the following percentages of total assets and program revenues or additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Program Revenues / Additions
Governmental Activities	0%	0%
Business-Type Activities	93%	74%
Aggregate Discretely Presented Component Units	91%	68%
Fiduciary Funds	0%	3%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Employer-Union Health Benefits Trust Fund, the University of Hawaii, the Hawaii Housing Finance and Development Corporation, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Hurricane Relief Fund, and the Hawaii Community Development Authority, is based solely on the reports of the other auditors. The report on the Department of Transportation – Airports Division contains an explanatory paragraph relating to the adoption of Government Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. As discussed in Note 15, the report on the Department of Transportation – Harbors Division contains an explanatory paragraph discussing the restatement of its 2008 financial statements for the correction of an error in the State of Hawaii's allocation of the fair value of auction rate securities. Also, as discussed in Note 15, the report on the Employer-Union Health Benefits Trust Fund contains an explanatory paragraph relating to the restatement of the fiscal year 2008

financial statements and the retroactive adoption of new accounting guidance in fiscal year 2009 related to financial reporting.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective net assets or financial position of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2009, and the respective changes in financial position (and respective cash flows where applicable), thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (pages 14-31) and Schedule of Revenue and Expenditures – Budget and Actual (pages 120-123 and 131-137) are not a required Part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the State of Hawaii's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise the State of Hawaii's basic financial statements. The introductory section (pages 1-11), combining and individual fund statements and schedules (pages 127-130 and 138-144), and the statistical section (pages 146-165), are presented for purposes of additional analysis and are not a required Part of the basic financial statements. This supplementary information is the responsibility of the State of Hawaii's management. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Deloitte + Touche LLP

October 20, 2010

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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3 – 7 of this report.

Restatements

Adjustments were made to the beginning net assets of the Government-Wide and Proprietary Fund financial statements because of various misstatements (See Note 15 to the basic financial statements). The restated balances have not been used for comparative purposes within this section.

Financial Highlights

Government-Wide Highlights

The assets of the State exceeded its liabilities at June 30, 2009, by $6.4 billion (net assets). Of this amount, $126.1 million (unrestricted net assets) may be used to meet the State's ongoing obligations to citizens and creditors. Net assets of governmental activities and business-type activities decreased by $1.6 billion and $295.0 million, respectively. The combined decrease to the State was $1.9 billion from the prior fiscal year.

Fund Highlights

At June 30, 2009, the State's Governmental Funds reported combined ending fund balances of $1.2 billion, a decrease of $719.0 million from the prior fiscal year. Of this amount, $185.0 million, or 15.1 %, of total fund balances was in the General Fund, and the remaining $1.0 billion represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net assets at June 30, 2009, of $2.9 billion, a decrease of $295.0 million during the fiscal year.

Long-Term Liabilities

The State's long-term liabilities increased during the current fiscal year to $7.3 billion, an increase of $863.3 million. During fiscal 2009, the State issued $626 million in general obligation bonds for the purpose of financing the Hawaiian Home Lands Trust settlement and public improvement projects. The State issued $327.2 million in general obligation refunding bonds to advance refund $332.1 million of previously issued outstanding general obligation bonds. In accordance with GASB 45, the State increased the liability fo*r Postemployment Benefits Other Than Pension,* to $730.0 million, an increase of $367.5 million for the fiscal year ended June 30, 2009.

Overview of the Basic Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

The Government-Wide financial statements can be found on pages 33 – 35 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

The basic Fiduciary Funds financial statements can be found on page 46 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 53 – 117 of this report.

Other Supplementary Information

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

Government-Wide Financial Analysis

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

Net assets are a useful indicator of a government's financial position. For the State, total assets exceed liabilities by $6.4 billion as of June 30, 2009, and net assets decreased $1.9 billion, or 22.5%, over the course of this fiscal year's operations. The net assets of the governmental activities decreased by $1.6 billion, or 30.9%, and business-type activities had a decrease of $295.0 million, or 9.2%. The following table was derived from the Government-Wide statement of net assets.

Summary Schedule of Net Assets

June 30, 2009 and 2008
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	$ 2,802,988	$ 3,263,330	$ 1,699,447	$ 2,070,238	$ 4,502,435	$ 5,333,568
Capital assets, net	8,570,100	8,459,905	2,296,474	2,233,007	10,866,574	10,692,912
Total assets	11,373,088	11,723,235	3,995,921	4,303,245	15,369,009	16,026,480
Liabilities:						
Long-term liabilities	6,351,395	5,460,530	929,645	957,246	7,281,040	6,417,776
Other liabilities	1,554,061	1,244,104	159,065	144,186	1,713,126	1,388,290
Total liabilities	7,905,456	6,704,634	1,088,710	1,101,432	8,994,166	7,806,066
Net assets:						
Invested in capital assets, net of related debt	3,298,144	3,987,244	1,527,018	1,458,305	4,825,162	5,445,549
Restricted	641,031	909,877	782,569	730,061	1,423,600	1,639,938
Unrestricted	(471,543)	121,480	597,624	1,013,447	126,081	1,134,927
Total net assets	$ 3,467,632	$ 5,018,601	$ 2,907,211	$ 3,201,813	$ 6,374,843	$ 8,220,414

Analysis of Net Assets

By far the largest portion of the State's net assets ($4.8 billion or 75.7%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net assets ($1.4 billion or 22.3%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of unrestricted net assets ($126.1 million or 2%) may be used to meet the State's ongoing obligations to citizens and creditors.

At June 30, 2009, the State is able to report positive balances in two of the categories of net assets for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net assets for governmental activities is primarily attributed to the State's Capital Projects Fund which reflected a negative unreserved-undesignated fund balance of $2.0 billion.

Changes in Net Assets

The State's net assets decreased by $1.9 billion, or 22.5%, during the fiscal year ended June 30, 2009. Approximately 56.0% of the State's total revenues came from taxes, while 32.1% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 12.4% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, and general government.

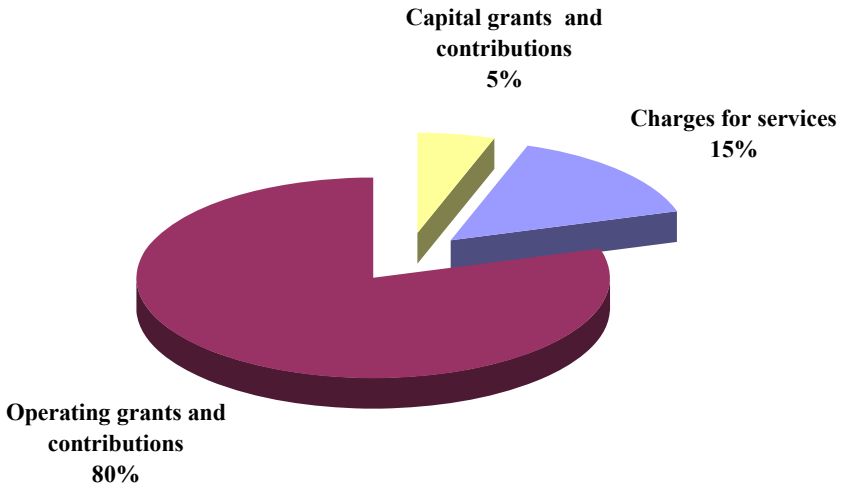
The following financial information was derived from the Government-Wide statement of activities and reflects how the State's net assets changed during the fiscal year (2008 amounts have not been adjusted for restatements).

Summary Schedule of Changes in Net Assets
For the Fiscal Years Ended June 30, 2009 and 2008
(Amounts in thousands)

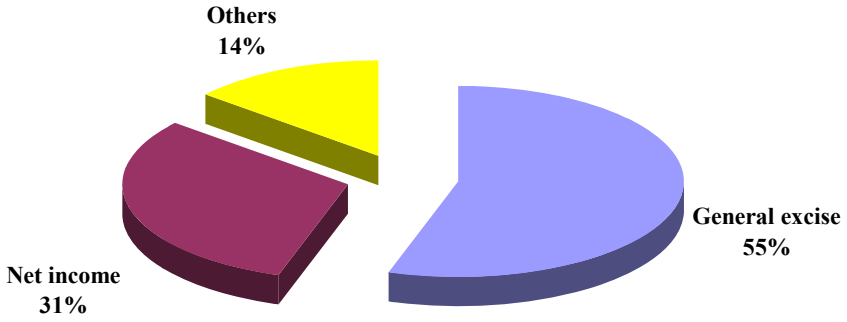
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	$ 425,345	$ 406,758	$ 545,132	$ 449,319	$ 970,477	$ 856,077
Operating grants and contributions	2,260,551	1,887,298	—	—	2,260,551	1,887,298
Capital grants and contributions	145,771	130,643	103,195	81,967	248,966	212,610
General revenues:						
Taxes	4,382,817	4,854,216	—	—	4,382,817	4,854,216
Interest and investment income (loss)	(42,051)	112,024	4,639	48,893	(37,412)	160,917
Other	305	106	—	—	305	106
Total revenues	7,172,738	7,391,045	652,966	580,179	7,825,704	7,971,224
Expenses:						
General government	564,356	548,439	—	—	564,356	548,439
Public safety	464,897	414,463	—	—	464,897	414,463
Highways	487,391	490,754	—	—	487,391	490,754
Conservation of natural resources	119,705	74,411	—	—	119,705	74,411
Health	843,826	895,413	—	—	843,826	895,413
Welfare	2,140,202	1,877,188	—	—	2,140,202	1,877,188
Lower education	2,656,592	2,385,056	—	—	2,656,592	2,385,056
Higher education	878,126	815,116	—	—	878,126	815,116
Other education	29,935	23,206	—	—	29,935	23,206
Culture and recreation	106,583	107,676	—	—	106,583	107,676
Urban redevelopment and housing	145,710	187,861	—	—	145,710	187,861
Economic development and assistance	158,808	157,421	—	—	158,808	157,421
Interest expense	127,576	140,032	—	—	127,576	140,032
Airports	—	—	347,089	354,554	347,089	354,554
Harbors	—	—	124,611	80,344	124,611	80,344
Unemployment compensation	—	—	437,553	159,098	437,553	159,098
Nonmajor proprietary fund	—	—	38,672	22,619	38,672	22,619
Total expenses	8,723,707	8,117,036	947,925	616,615	9,671,632	8,733,651
Change in net assets	(1,550,969)	(725,991)	(294,959)	(36,436)	(1,845,928)	(762,427)
Net assets – beginning of year – as previously reported	5,018,601	5,744,592	3,201,813	3,238,249	8,220,414	8,982,841
Adjustments	—	—	357	—	357	—
Net assets – beginning of year – as restated	5,018,601	5,744,592	3,202,170	3,238,249	8,220,771	8,982,841
Net assets – end of year	$ 3,467,632	$ 5,018,601	$ 2,907,211	$ 3,201,813	$ 6,374,843	$ 8,220,414

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

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2009



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2009



Analysis of Changes in Net Assets

The State's net assets decreased by $1.9 billion during the current fiscal year. This decrease is explained in the governmental and business-type activities discussion below, and is primarily due to decrease in net assets of governmental activities of $1.6 billion with decreases in net assets of Airports of $8.5 million, Harbors of $28.7 million, Unemployment Compensation Fund of $247.9 million and Nonmajor Proprietary Funds of $9.8 million.

Governmental Activities

Governmental activities decreased the State's net assets by $1.6 billion. The key elements of this decrease are a result of lower tax revenues and of higher expenses for public safety, conservation and natural resources, and lower and higher education.

	Governmental Activities (Amounts in thousands)	
	2009	**2008**
General revenues:		
Taxes	$ 4,382,817	$ 4,854,216
Interest and investment (loss) income and other	(41,746)	112,130
Total general revenues	4,341,071	4,966,346
Expenses, net of program revenues:		
General government	140,192	219,930
Public safety	429,155	336,401
Highways	285,450	280,535
Conservation of natural resources	63,253	15,821
Health	566,068	624,714
Welfare	674,367	720,468
Lower education	2,381,591	2,126,429
Higher education	878,126	815,116
Other education	28,536	22,665
Culture and recreation	105,031	105,579
Urban redevelopment and housing	77,192	151,283
Economic development and assistance	135,503	133,364
Interest expense	127,576	140,032
Total governmental activities expenses, net of program revenues	5,892,040	5,692,337
Decrease in governmental activities net assets	$ (1,550,969)	$ (725,991)

Tax revenues decreased by $471.4 million, or 9.7%, from the previous fiscal year. The decrease was primarily due to a decrease in general excise taxes of $186.4 million, a decrease in individual and corporate income taxes of $263.4 million, and a decrease in rental motor/tour vehicle surcharge tax of $9.4 million.

General government net expenses decreased by $79.7 million, or 36.3%, from the previous year. The decrease was primarily due to an increase in reimbursements of prior year expenses of $71.0 million or a 7-fold increase from the previous year. The decrease was also due to an increase in federal grants in the amount of $10.1 million.

Public safety net expenses increased by $92.8 million, or 27.6%, from the previous fiscal year, primarily due to a decrease in reimbursements of prior period expenses of $48.5 million. Also contributing to the increase was $17.5 million expended on the wireless enhanced 911 system and $9.3 million expended on repairs of damages caused by the 2006 earthquake.

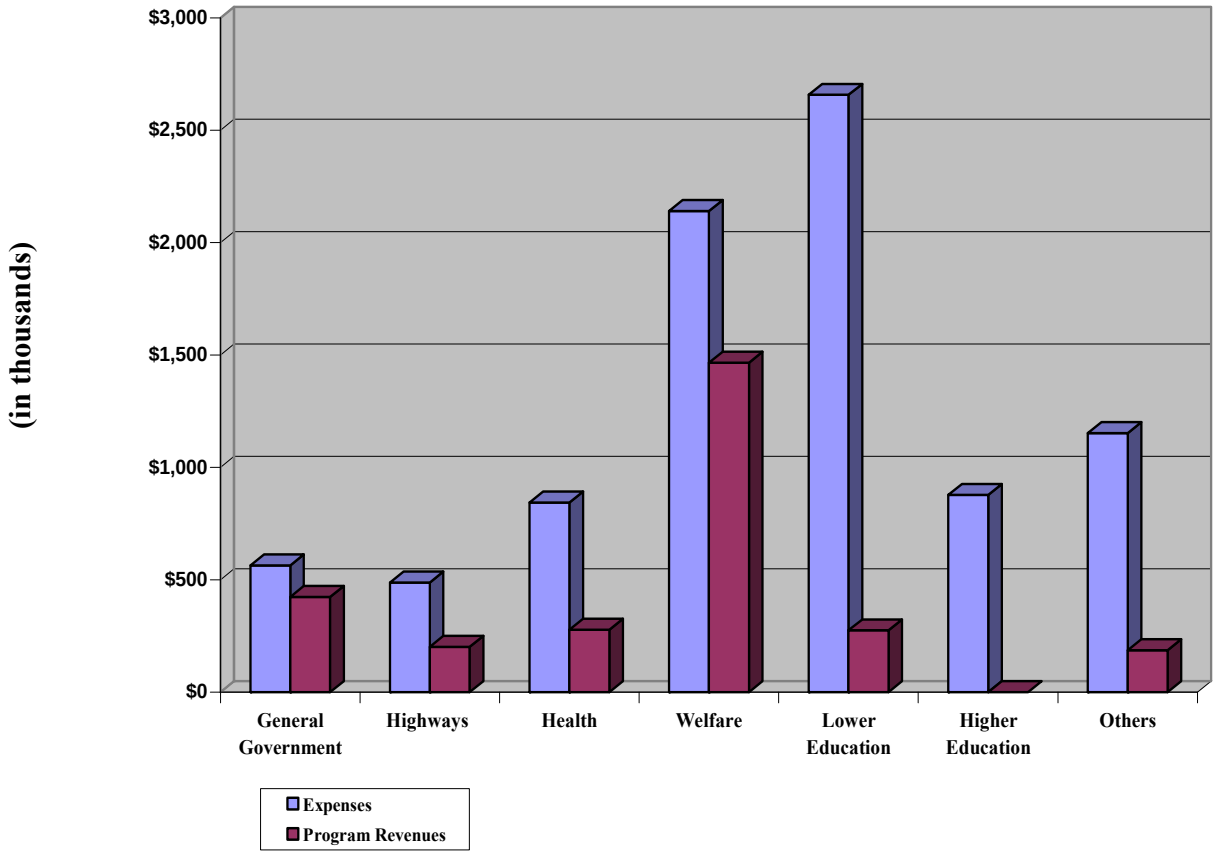
Lower education net expenses increased by $255.2 million, or 12.0%, from the previous fiscal year due primarily to higher payroll costs and fringe benefits and an increase in school related expenditures for instructional services and general school support.

Higher education net expenses increased by $63.0 million or 7.7% due mainly to a $40.6 million increase in compensation and benefits as the result of scheduled pay rate increases under collective bargaining agreements, which included an increase in expense related to post-retirement health and life insurance benefits. Funding to the University of Hawaii for capital projects increased $24.9 million from the previous year.

Urban redevelopment and housing net expenses decreased by $74.1 million, or 49.0% from the previous fiscal year due to an increase in reimbursement of prior year expenses in the amount of $39.7 million. The decrease was also due to a one time payment of $25 million made in fiscal year 2008 for the acquisition and financing of a portion of the land and improvements of Kukui Gardens.

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:

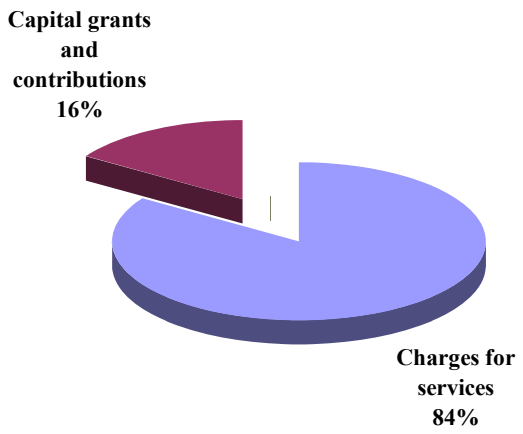
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2009



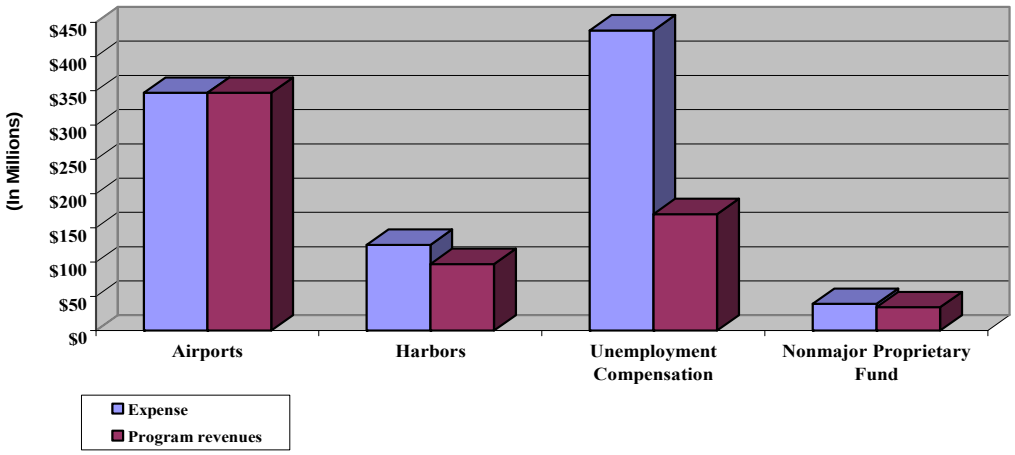
Business-Type Activities

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, 2009



Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2009



Business-type activities decreased the State's net assets by $295.0 million in fiscal 2009, compared to an increase of $36.4 million in fiscal 2008. Key elements of this decrease are as follows:

- Airport's net assets decreased $11.2 million compared to decrease of $16.7 million in the prior fiscal year. Charges for current services increased by $23.6 million and interest expense decreased by $5.5 million. Interest income decreased $22.2 million primarily due to a decrease in fair value of investments in the State's Investment Pool of $26.6 million.

- Harbor's net assets decreased $26.4 million in fiscal 2009 compared to an increase $11.4 million in fiscal 2008. Expenses increased $44.3 million primarily due to an extraordinary loss on impairment of capital assets of $41.4 million.

- The Unemployment Compensation Fund's net assets decreased $ 247.9 million compared to decrease of $44.6 million in the prior fiscal year. The change was primarily due to an increase in unemployment benefits paid of $278.5 million offset by an increase in unemployment tax revenues of $82.5 million.

- Nonmajor Proprietary Fund's net assets decreased $9.1 million in fiscal 2009 compared to an increase of $13.6 million in fiscal 2008. Interest income decreased $10.6 million primarily due to a decrease in fair value of investments in the State's investment pool of $10.3 million. The Employer Union Trust Fund incurred benefits claims expense in excess of contributions for active employees healthcare benefits $49.3 million in fiscal 2009 compared to $38.9 million in fiscal 2008 contributed to the decrease.

Key elements of the State's business-type activities for the fiscal years ended June 30, 2009 and 2008 are as follows:

	Business-Type Activities (Amounts in thousands)									
	Program Revenues									
	Charges for Services		Operating/Capital Grants and Contributions		Total		Expenses		Program Revenues Net of Expenses	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Airports	$ 290,464	$ 266,820	$ 56,307	$ 56,931	$ 346,771	$ 323,751	$ 347,089	$ 354,554	$ (318)	$ (30,803)
Harbors	74,612	85,447	22,714	3,616	97,326	89,063	124,611	80,344	(27,285)	8,719
Unemployment compensation	169,976	87,486	—	—	169,976	87,486	437,553	159,098	(267,577)	(71,612)
Nonmajor proprietary funds	10,080	9,566	24,174	21,420	34,254	30,986	38,672	22,619	(4,418)	8,367
Total	$ 545,132	$ 449,319	$ 103,195	$ 81,967	$ 648,327	$ 531,286	$ 947,925	$ 616,615	$ (299,598)	$ (85,329)

Financial Analysis of the State's Individual Funds

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

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At of the end of the current fiscal year, the State's Governmental Funds reported combined ending fund balances of $1.2 billion, a decrease of $719.0 million from the prior fiscal year. Unreserved fund balance, normally a positive amount, was a negative $1.9 billion at fiscal year end. This deficit was the result of negative unreserved fund balances of $2.0 billion in the Capital Projects Fund and $87.5 million in the General Fund which were attributed to outstanding encumbrances exceeding the cash available in the fund. Encumbrances can be incurred as long as there is sufficient appropriation or authorization balances. The unreserved fund balance excluding the Capital Projects Fund and General Fund was $255.8 million, which represents the amount available for spending at the State's discretion in the coming fiscal year. The remainder of the fund balance is reserved to indicate that it is not available for spending because it has been already been committed (1) to liquidate contacts and purchase orders of the prior period or are legally segregated for a specific future use ($2.6 billion), (2) for notes and loans receivable, advances, and investments ($74.7 million), (3) for federal aid highway projects encumbrances ($244.0 million), or (4) for a variety of other restricted purposes ($161.7 million).

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was a negative $87.5 million, a decrease of $655.0 million from the prior fiscal year.

The fund balance of the State's General Fund decreased by $789.3 million during the current fiscal year, which was due primarily to a decrease in tax revenues of $448.6 million and increases in expenditures in general government, lower education and higher education of $14.2 million, $223.7 million and $38.0 million, respectively. The fund balance of the State's Capital Projects Fund increased, by $231.6 million, during the current fiscal year. The State issued $226.0 million more general obligation bonds than in fiscal year 2008, which was the primary reason for the increase in fund balance. The fund balance of the Med-Quest Special Fund increased $4.6 million. The fund balance of the State's other nonmajor Governmental Funds decreased by $165.8 million during the current fiscal year. The decrease was primarily due to an increase in net transfers out from special revenue funds of $148.5 million. This increase was primarily due to the transfer of excess and unrequired cash balances to the general funds.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had a decrease in net assets of $11.2 million, Harbors had a decrease in net assets of $26.4 million, the Unemployment Compensation Fund had a decrease in net assets of $247.9 million, and the Nonmajor Proprietary Funds had a decrease in net assets of $9.1 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues were $69.3 million, or 1.4%, less than the final budget. The decrease was primarily attributed to lower corporate and individual net income taxes of $134.0 million, general excise taxes of $12.9 million, and tobacco taxes of $14.2 million, offset by higher franchise tax of $11.1 million and other revenues of $81.8 million. Most of the increase in other revenues was due to reimbursements from federal welfare programs.

The General Fund expenditure budget increased by $296.4 million from the original to the final budget. Most of the increase is due to the original budget consisting only of the appropriations contained in the general appropriation acts of the executive and judicial branches. Amounts that were not Part of this original budget include: $223.7 million in employees' salary adjustments, $34.0 million for the State Legislature, and $16.4 million for welfare programs, including Medicaid fee schedule increases.

The difference between the final budget and actual expenditures on a budgetary basis was $325.1 million. This large positive variance was the result of spending restrictions imposed on all executive branch departments, debt restructuring, and delayed payments. The positive variance in general government is primarily attributed to savings realized from debt restructuring of $46.2 million and $20.7 million of payments for employee health premiums that were delayed and paid in fiscal 2010. The positive variance in general government was also due to $18.6 million of appropriations made to the State Legislature that can be carried over to the next fiscal year and $14.7 million appropriated for employees' salary adjustments that lapsed. Delaying Medicaid payments of approximately $48.6 million and spending restrictions in other welfare programs resulted in the positive variance in welfare. Positive variances in public safety and health were due to spending restrictions in various health programs and in programs for the State's correctional facilities. As in previous fiscal years, the positive variance in lower education resulted when the Department of Education carried over $16.4 million of unencumbered appropriations into the next fiscal year. By law, the Department of Education is allowed to carry over up to 5% of its unencumbered appropriations. Also contributing to the positive variance in lower education was $41.7 million appropriated to the Department of Education that lapsed because of imposed spending restrictions.

The large positive variance of $189.2 million in other financing source – transfers in was due to the transfer of excess and unrequired cash balances from various special revenue funds. Act 79, Session Laws of Hawaii of 2009, required $98 million of excess cash balances in special funds be deposited into the general fund in fiscal year 2009.

Capital Asset and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2009, amounted to $10.9 billion (net of accumulated depreciation of $7.9 billion), an increase of $173.7 million from fiscal 2008. The increase is primarily due to $639.9 million of additions to construction in progress in fiscal 2009. This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, roads, highways, and bridges. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2009, included the following:

- $32.6 million for support facilities including maintenance and cargo facilities at the Honolulu International Airport
- $71.4 million for various projects including concourse, electrical and elevator improvements at the Honolulu International Airport
- $41.6 million for a library and resource center at the Windward Community College
- $25.0 million for a science building at Maui Community College
- $52.6 million to repair and upgrade facilities at all University of Hawaii campuses
- $215.5 million for various capital improvement projects and for repairs and maintenance of public school facilities throughout the State.

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

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of $6.1 billion. Of this amount, $4.8 billion comprises debt backed by the full faith and credit of the State and $1.3 billion (i.e., revenue bonds), is revenue bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt

June 30, 2009 and 2008

(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
General obligation bonds	$ 4,779,666	$ 4,408,572	$ 38,329	$ 38,357	$ 4,817,995	$ 4,446,929
Revenue bonds	420,605	268,425	861,423	894,299	1,282,028	1,162,724
Total	$ 5,200,271	$ 4,676,997	$ 899,752	$ 932,656	$ 6,100,023	$ 5,609,653

The State's total long-term debt increased by $490.4 million, or 8.7%, during the current fiscal year. The key factors for this increase was the issuance of $626.0 million of general obligation bonds for financing the Hawaiian Home Lands Trust settlement (see Note 4 to the basic financial statements) and public improvement projects.

As of June 30, 2009, 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, 2009 was $385.2 million.

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

Other Post-Employment Benefits (OPEB)

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

The latest actuarial valuation studies were completed as of July 1, 2007 for the Employer-Union Health Benefits Trust Fund (EUTF), Hawaii Voluntary Employee's Beneficiary Association Trust (VEBA), and the University of Hawaii. These studies determined the State's combined unfunded actuarial accrued liability to be approximately $8.8 billion. The State's combined annual OPEB cost for fiscal 2009 was $584.8 million and its OPEB

contributions were $174.0 million, resulting in an increase in the net OPEB obligation of $465.6 million. The total net OPEB obligation balance at fiscal year end more than doubled from the prior year to $924.2 million. The State expects to continue to fund its OPEB costs on a pay-as-you-go basis for the near term while it analyzes alternative strategies that could be implemented to manage the high cost of providing retiree health benefits.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for June 2010 was 6.3%. One year ago, the State's seasonally adjusted unemployment rate stood at 7.0% while the seasonally adjusted national unemployment rate was 9.5%.

The Council of Revenues in August 2009 estimated the State's General Fund tax revenue growth rate for fiscal 2010 and 2011 to be -1.5% and 6.5% respectively. Because of an improving economy, the Council of Revenues in May 2010 revised upward its forecast for fiscal 2010 and 2011 to 4.0 % and 6.2%.

Cumulative tax collections for fiscal 2010 exceeded $5.1 billion, or $190.9 million more than fiscal 2009. This increase however does not take into account an estimated $184 million of individual income tax refunds that were delayed and paid in fiscal 2011. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, decreased 4.2%.

The decrease in general fund revenue collections of over $400 million in fiscal year 2009 and declining revenue projections in the beginning of fiscal year 2010 resulted in a projected budget shortfall of over $750 million for the general fund through fiscal year 2011. To reduce the budget shortfall, the State in fiscal year 2010 implemented cost savings measures that included payroll savings through furloughs, pay reductions and reductions in force, spending restrictions, and debt restructuring. Although revenue projections have improved, expenditure controls implemented in fiscal 2008 such as obtaining Governor's approval for filling of vacant positions, entering into consultant and personal services contracts, and equipment purchases, continue to be in force.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

STATE OF HAWAII

STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
CASH AND CASH EQUIVALENTS	$ 939,455	$ 866,685	$ 1,806,140	$ 364,289
RECEIVABLES:				
Taxes	312,936	12,554	325,490	-
Accounts and accrued interest — net	9,461	38,567	48,028	181,926
Notes, loans, mortgages, and contributions — net	78,572	-	78,572	260,219
Federal government	192,184	11,790	203,974	6,447
Other — net	69,284	26,807	96,091	20,749
Total receivables	662,437	89,718	752,155	469,341
INTERNAL BALANCES	550	(550)	-	-
DUE FROM COMPONENT UNITS	317,141	-	317,141	-
DUE FROM PRIMARY GOVERNMENT	-	-	-	391,990
INVESTMENTS	821,721	-	821,721	889,784
INVENTORIES:				
Developments in progress and dwelling units	-	-	-	22,666
Materials and supplies	-	477	477	29,777
Total inventories	-	477	477	52,443
RESTRICTED ASSETS	-	418,777	418,777	304,977
OTHER ASSETS:				
Prepaid expenses	5,879	9,352	15,231	12,713
Bond issue and deferred costs — net	55,804	5,388	61,192	1,823
Promissory note receivable	-	309,600	309,600	-
Other	1	-	1	29,995
Total other assets	61,684	324,340	386,024	44,531
CAPITAL ASSETS:				
Land and land improvements	2,066,493	585,015	2,651,508	440,386
Infrastructure	8,221,045	-	8,221,045	126,015
Construction in progress	880,248	307,470	1,187,718	196,177
Buildings, improvements, and equipment	3,636,239	3,103,802	6,740,041	3,257,116
Accumulated depreciation	(6,233,925)	(1,699,813)	(7,933,738)	(1,641,459)
Total capital assets — net	8,570,100	2,296,474	10,866,574	2,378,235
TOTAL	$ 11,373,088	$ 3,995,921	$ 15,369,009	$ 4,895,590

(Continued)

STATE OF HAWAII

STATEMENT OF NET ASSETS

JUNE 30, 2009

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
LIABILITIES				
LIABILITIES:				
Vouchers and contracts payable	$ 441,752	$ 43,746	$ 485,498	$ 144,594
Other accrued liabilities	381,634	54,302	435,936	149,089
Prepaid airport use charge fund	-	464	464	-
Due to Component Units	391,990	-	391,990	-
Due to Primary Government	-	-	-	317,141
Due to federal government	-	-	-	15
Deferred revenue	-	4,854	4,854	-
Estimated future costs of land sold	-	-	-	32,933
Unamortized bond premium	247,023	-	247,023	-
Premiums payable	-	55,699	55,699	-
Other	91,662	-	91,662	35,569
Long-term liabilities:				
Due within one year:				
Payable from restricted assets —				
Revenue bonds payable — net	-	33,874	33,874	-
General obligation bonds payable	231,983	967	232,950	-
Notes, mortgages, and installment contracts payable	-	-	-	1,126
Accrued vacation and retirement benefits payable	70,412	3,273	73,685	40,732
Revenue bonds payable — net	20,390	-	20,390	23,727
Reserve for losses and loss adjustment costs	38,771	1,149	39,920	6,020
Capital lease obligations	4,615	-	4,615	8,971
Deferred commitment fees	-	-	-	327
Due in more than one year:				
General obligation bonds payable	4,547,683	37,362	4,585,045	-
Notes, mortgages, and installment contracts payable	-	-	-	45,596
Accrued vacation and retirement benefits payable	140,824	7,672	148,496	64,742
Revenue bonds payable — net	400,215	827,549	1,227,764	746,868
Reserve for losses and loss adjustment costs	111,990	3,558	115,548	22,902
Capital lease obligations	67,070	-	67,070	29,380
Premium bonds payable	-	-	-	1,729
Other postemployment benefit liability	716,748	13,288	730,036	194,159
Other	694	953	1,647	67,940
TOTAL LIABILITIES	7,905,456	1,088,710	8,994,166	1,933,560
NET ASSETS				
INVESTED IN CAPITAL ASSETS — Net of related debt	3,298,144	1,527,018	4,825,162	1,717,037
RESTRICTED FOR:				
Health and welfare	124,518	-	124,518	-
Natural resources	123,884	-	123,884	-
Hawaiian programs	227,023	-	227,023	-
Budget stabilization	60,423	-	60,423	-
Other purposes	105,115	-	105,115	-
Bond requirements and other	68	782,569	782,637	957,539
UNRESTRICTED	(471,543)	597,624	126,081	287,454
TOTAL NET ASSETS	$ 3,467,632	$ 2,907,211	$ 6,374,843	$ 2,962,030

See accompanying notes to basic financial statements. (Concluded)

STATE OF HAWAII

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
PRIMARY GOVERNMENT:								
Governmental Activities:								
General government	$ 564,356	$ 206,431	$ 217,733	$ -	$ (140,192)	$ -	$ (140,192)	
Public safety	464,897	34,257	1,485	-	(429,155)	-	(429,155)	
Highways	487,391	7,394	48,776	145,771	(285,450)	-	(285,450)	
Conservation of natural resources	119,705	28,163	28,289	-	(63,253)	-	(63,253)	
Health	843,826	99,788	177,970	-	(566,068)	-	(566,068)	
Welfare	2,140,202	988	1,464,847	-	(674,367)	-	(674,367)	
Lower education	2,656,592	38,639	236,362	-	(2,381,591)	-	(2,381,591)	
Higher education	878,126	-	-	-	(878,126)	-	(878,126)	
Other education	29,935	-	1,399	-	(28,536)	-	(28,536)	
Culture and recreation	106,583	-	1,552	-	(105,031)	-	(105,031)	
Urban redevelopment and housing	145,710	3,581	64,937	-	(77,192)	-	(77,192)	
Economic development and assistance	158,808	6,104	17,201	-	(135,503)	-	(135,503)	
Interest expense	127,576	-	-	-	(127,576)	-	(127,576)	
Total governmental activities	8,723,707	425,345	2,260,551	145,771	(5,892,040)	-	(5,892,040)	
Business-Type Activities:								
Airports	347,089	290,464	-	56,307	-	(318)	(318)	
Harbors	124,611	74,612	-	22,714	-	(27,285)	(27,285)	
Unemployment compensation	437,553	169,976	-	-	-	(267,577)	(267,577)	
Nonmajor proprietary funds	38,672	10,080	-	24,174	-	(4,418)	(4,418)	
Total business-type activities	947,925	545,132	-	103,195	-	(299,598)	(299,598)	
TOTAL PRIMARY GOVERNMENT	9,671,632	970,477	2,260,551	248,966	(5,892,040)	(299,598)	(6,191,638)	
COMPONENT UNITS:								
University of Hawaii	1,464,319	304,898	399,640	-				(759,781)
Hawaii Housing Finance and Development Corporation	63,654	38,783	30,179	-				5,308
Hawaii Public Housing Authority	133,448	24,101	66,592	15,285				(27,470)
Hawaii Health Systems Corporation	565,310	420,119	1,487	4,709				(138,995)
Hawaii Tourism Authority	116,364	10,768	-	-				(105,596)
Hawaii Community Development Authority	10,269	3,296	-	-				(6,973)
Hawaii Hurricane Relief Fund	190	-	-	-				(190)
Total component units	2,353,554	801,965	497,898	19,994				(1,033,697)
GENERAL REVENUES:								
Taxes:								
General excise tax					2,410,756	-	2,410,756	-
Net income tax — corporations and individuals					1,366,576	-	1,366,576	-
Public service companies tax					126,069	-	126,069	-
Transient accommodations tax					14,408	-	14,408	-
Tobacco and liquor taxes					135,388	-	135,388	-
Liquid fuel tax					88,006	-	88,006	-
Tax on premiums of insurance companies					95,181	-	95,181	-
Vehicle weight and registration tax					59,392	-	59,392	-
Rental motor/tour vehicle surcharge tax					39,751	-	39,751	-
Franchise tax					28,075	-	28,075	-
Other tax					19,215	-	19,215	-
Interest and investment (loss) income					(42,051)	4,639	(37,412)	(21,668)
Payments from the State — net					-	-	-	1,015,369
Other					305	-	305	10,640
Total general revenues					4,341,071	4,639	4,345,710	1,004,341
CHANGE IN NET ASSETS					(1,550,969)	(294,959)	(1,845,928)	(29,356)
NET ASSETS — Beginning of year — as previously reported					5,018,601	3,201,813	8,220,414	2,990,386
ADJUSTMENTS (Note 15)					-	3,020	3,020	1,000
NET ASSETS — Beginning of year — as restated					5,018,601	3,204,833	8,223,434	2,991,386
EFFECT OF ADOPTING GASB STATEMENT NO. 49 (Note 1)					-	(2,663)	(2,663)	-
NET ASSETS — Beginning of year as restated and including effect of adopting GASB Statement No. 49					5,018,601	3,202,170	8,220,771	2,991,386
NET ASSETS — End of year					$ 3,467,632	$ 2,907,211	$ 6,374,843	$ 2,962,030

See accompanying notes to basic financial statements.

STATE OF HAWAII

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
CASH AND CASH EQUIVALENTS	$ 97,454	$ 342,435	$ 6,054	$ 493,512	$ 939,455
RECEIVABLES:					
Taxes	312,936	-	-	-	312,936
Accrued interest	-	-	-	9,461	9,461
Notes and loans — net	3,487	-	-	75,085	78,572
Federal government	-	-	192,184	-	192,184
Other	16,084	1,402	-	24,898	42,384
DUE FROM OTHER FUNDS	149,795	-	22,000	68	171,863
DUE FROM PROPRIETARY FUNDS	-		-	550	550
DUE FROM COMPONENT UNITS	38,662	-	-	-	38,662
INVESTMENTS	75,805	206,000	-	539,916	821,721
OTHER ASSETS	-	-	-	1	1
TOTAL	$ 694,223	$ 549,837	$ 220,238	$ 1,143,491	$ 2,607,789
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Vouchers and contracts payable	$ 95,151	$ 45,080	$ 192,130	$ 109,391	$ 441,752
Other accrued liabilities	349,997	137	22,000	9,962	382,096
Due to other funds	22,068	119,900	-	29,895	171,863
Due to Component Units	25,973	347,217	-	-	373,190
Deferred revenue	16,014	-	-	-	16,014
Payable from restricted assets — matured bonds and interest payable	-	-	-	694	694
Total liabilities	509,203	512,334	214,130	149,942	1,385,609
FUND BALANCES:					
Reserved for:					
Continuing appropriations	269,070	1,813,161	42,567	468,303	2,593,101
Receivables and advances	3,487	-	-	71,216	74,703
Federal aid highway projects encumbrances	-	244,038	-	-	244,038
Bond redemption and other	-	-	-	161,727	161,727
Unreserved for major funds:					
Undesignated	(87,537)	(2,019,696)	-	-	(2,107,233)
Unreserved for nonmajor Special Revenue Funds:					
Designated for future expenditures	-	-	-	168,739	168,739
Undesignated	-	-	(36,459)	123,564	87,105
Total fund balances	185,020	37,503	6,108	993,549	1,222,180
TOTAL	$ 694,223	$ 549,837	$ 220,238	$ 1,143,491	$ 2,607,789

See accompanying notes to basic financial statements.

STATE OF HAWAII

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

TOTAL FUND BALANCE — Governmental Funds	$ 1,222,180
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:	
Land and land improvements	2,066,493
Infrastructure	8,221,045
Construction in progress	880,248
Buildings, improvements, and equipment	3,636,239
Accumulated depreciation	(6,233,925)
	8,570,100
Accrued interest and other payables are not recognized in Governmental Funds	(338,688)
Other assets are not available to pay for current-period expenditures and are deferred, or not recognized, in Governmental Funds, such as accrued interest and settlement receivables	105,061
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	(4,779,666)
Accrued vacation payable	(211,236)
Revenue bonds payable	(420,605)
Reserve for losses and loss adjustment costs	(150,761)
Other postemployment benefit liability	(716,748)
Long-term transactions with component units	259,680
Capital lease obligations	(71,685)
	(6,091,021)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 3,467,632

See accompanying notes to basic financial statements.

STATE OF HAWAII

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes:					
General excise tax	$ 2,410,756	$ -	$ -	$ -	$ 2,410,756
Net income tax — corporations and individuals	1,373,893	-	-	-	1,373,893
Public service companies tax	126,069	-	-	-	126,069
Transient accommodations tax	13,408	-	-	1,000	14,408
Tobacco and liquor taxes	124,198	-	-	11,190	135,388
Liquid fuel tax	-	-	-	88,006	88,006
Tax on premiums of insurance companies	93,720	-	-	1,461	95,181
Vehicle weight and registration tax	-	-	-	59,392	59,392
Rental motor/tour vehicle surcharge tax	-	-	-	39,751	39,751
Franchise tax	26,075	-	-	2,000	28,075
Other	9,042	-	-	10,173	19,215
Total taxes	4,177,161	-	-	212,973	4,390,134
Interest and investment (loss) income	(24,166)	-	31	(17,916)	(42,051)
Charges for current services	107,117	-	23	249,938	357,078
Intergovernmental	3,884	-	958,187	1,127,987	2,090,058
Rentals	461	-	-	20,646	21,107
Fines, forfeitures, and penalties	23,787	-	-	10,101	33,888
Licenses and fees	738	-	-	32,586	33,324
Revenues from private sources	1,607	-	-	61,794	63,401
Other	85,519	-	13,328	147,522	246,369
Total revenues	4,376,108	-	971,569	1,845,631	7,193,308
EXPENDITURES:					
Current:					
General government	421,408	111,965	-	63,837	597,210
Public safety	287,883	9,979	-	137,552	435,414
Highways	-	204,645	-	237,776	442,421
Conservation of natural resources	56,813	5,194	-	58,686	120,693
Health	545,854	15,069	-	237,103	798,026
Welfare	669,612	3,162	963,886	482,821	2,119,481
Lower education	2,106,450	97,943	-	250,275	2,454,668
Higher education	735,348	142,779	-	-	878,127
Other education	14,637	-	-	15,275	29,912
Culture and recreation	45,576	26,783	-	34,943	107,302
Urban redevelopment and housing	22,619	39,925	-	117,275	179,819
Economic development and assistance	41,305	31,821	-	96,421	169,547
Housing	1,909	-	-	-	1,909
Other	-	-	-	1,175	1,175
Debt service	-	-	-	401,722	401,722
Total expenditures	4,949,414	689,265	963,886	2,134,861	8,737,426
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(573,306)	(689,265)	7,683	(289,230)	(1,544,118)
OTHER FINANCING SOURCES (USES):					
Issuance of general obligation and refunding general obligation bonds — par	-	625,999	-	327,235	953,234
Issuance of general obligation and refunding general obligation bonds — premium	30,539	-	-	22,462	53,001
Issuance of revenue and refunding revenue bonds — par	-	167,675	-	-	167,675
Issuance of revenue and refunding revenue bonds — premium	-	858	-	-	858
Payment to refunded bond escrow agent	-	-	-	(349,697)	(349,697)
Transfers in	114,963	164,876	5,628	475,926	761,393
Transfers out	(361,534)	(38,587)	(8,734)	(352,538)	(761,393)
Total other financing (uses) sources	(216,032)	920,821	(3,106)	123,388	825,071
NET CHANGE IN FUND BALANCES	(789,338)	231,556	4,577	(165,842)	(719,047)
FUND BALANCES — Beginning of year	974,358	(194,053)	1,531	1,159,391	1,941,227
FUND BALANCES — End of year	$ 185,020	$ 37,503	$ 6,108	$ 993,549	$ 1,222,180

See accompanying notes to basic financial statements.

STATE OF HAWAII

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2009 (Amounts in thousands)

TOTAL NET CHANGE IN FUND BALANCES — Governmental Funds	$ (719,047)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in Governmental Funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay — net of disposals	454,071
Depreciation expense	(345,834)
Excess of capital outlay over depreciation expense	108,237
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, this is the amount of proceeds received from general obligation bond and revenue bonds issued.	(1,174,769)
Repayment of long-term debt is reported as an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:	
Bond principal retirement	615,238
Capital lease payments	3,795
Total long-term debt repayment	619,033
Revenue timing differences result in greater revenue in the Government-Wide financial statements.	(20,595)
Bond issue and deferred costs reflected as other financing uses in Governmental Funds and reported in the statement of net assets — net of amortization.	8,447
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds:	
Change in postemployment liability	(362,812)
Change in accrued vacation payable	(15,615)
Change in HHFDC long-term liability	1,610
Change in reserve for losses and loss adjustment costs	4,542
	(372,275)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (1,550,969)

See accompanying notes to basic financial statements.

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 336,794	$ 103,426	$ 281,434	$ 145,031	$ 866,685
Restricted assets — cash and short-term investments	181,686	16,860	-	-	198,546
Receivables:					
Taxes	-	-	12,554	-	12,554
Accounts and accrued interest (net of allowance for doubtful accounts of $9,042)	26,600	9,191	-	2,776	38,567
Promissory note receivable (net of allowance for doubtful accounts of $10,298)	-	15	-	24,326	24,341
Federal government	11,767	23	-	-	11,790
Restricted assets — passenger facility charges	2,873	-	-	-	2,873
Other	2,209	974	-	952	4,135
Premiums	-	-	-	22,672	22,672
Restricted assets — investments — repurchase agreements and certificates of deposit	75,252	-	-	-	75,252
Materials and supplies inventory	236	241	-	-	477
Prepaid expenses and other assets	-	24	-	9,328	9,352
Total current assets	637,417	130,754	293,988	205,085	1,267,244
NONCURRENT ASSETS:					
Capital assets:					
Land and land improvements	334,921	250,094	-	-	585,015
Construction in progress	234,916	72,554	-	-	307,470
Buildings and improvements	2,327,829	547,756	-	-	2,875,585
Equipment	206,070	14,865	-	7,282	228,217
	3,103,736	885,269	-	7,282	3,996,287
Less accumulated depreciation	(1,485,806)	(210,917)	-	(3,090)	(1,699,813)
Net capital assets	1,617,930	674,352	-	4,192	2,296,474
Bond issue costs — net	2,519	2,869	-	-	5,388
Promissory note receivable	108	-	-	285,151	285,259
Restricted assets — net direct financing leases	34,987	-	-	-	34,987
Restricted assets — other, cash, and investments	-	107,119	-	-	107,119
Total noncurrent assets	1,655,544	784,340	-	289,343	2,729,227
TOTAL	$ 2,292,961	$ 915,094	$ 293,988	$ 494,428	$ 3,996,471

(Continued)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
LIABILITIES					
CURRENT LIABILITIES:					
Vouchers and contracts payable	$ 30,340	$ 9,380	$ 3,519	$ 507	$ 43,746
Payable from restricted assets — contracts payable, accrued interest, and other	28,772	13,758	-	-	42,530
Other accrued liabilities	11,475	-	-	297	11,772
Prepaid airport use charge fund	464	-	-	-	464
Deferred revenue	4,854	-	-	-	4,854
General obligation bonds payable, current portion	-	967	-	-	967
Reserve for losses and loss adjustment costs	1,056	93	-	-	1,149
Accrued vacation, current portion	2,639	601	-	33	3,273
Payable from restricted assets — revenue bonds payable	23,540	10,334	-	-	33,874
Due to Special Revenue Funds	550	-	-	-	550
Premiums payable	-	-	-	55,699	55,699
Total current liabilities	103,690	35,133	3,519	56,536	198,878
NONCURRENT LIABILITIES:					
General obligation bonds payable	-	37,362	-	-	37,362
Accrued vacation	5,600	1,770	-	302	7,672
Revenue bonds payable (net of unamortized bond premium, bond discount, and loss on refunding)	598,401	229,148	-	-	827,549
Reserve for losses and loss adjustment costs	3,244	314	-	-	3,558
Other postemployment benefit liability	9,797	3,115	-	376	13,288
Other	953	-	-	-	953
Total long-term liabilities	617,995	271,709	-	678	890,382
TOTAL LIABILITIES	721,685	306,842	3,519	57,214	1,089,260
NET ASSETS					
INVESTED IN CAPITAL ASSETS — Net of related debt	1,030,743	493,877	-	2,398	1,527,018
RESTRICTED FOR BOND REQUIREMENTS AND OTHER	255,806	69,904	-	456,859	782,569
UNRESTRICTED	284,727	44,471	290,469	(22,043)	597,624
TOTAL NET ASSETS	$ 1,571,276	$ 608,252	$ 290,469	$ 437,214	$ 2,907,211

See accompanying notes to basic financial statements. (Concluded)

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
OPERATING REVENUES:					
Concession fees	$ 114,063	$ -	$ -	$ -	$ 114,063
Unemployment compensation tax	-	-	169,976	-	169,976
Aviation fuel tax	3,549	-	-	-	3,549
Airport use charges	60,574	-	-	-	60,574
Rentals	82,487	24,334	-	-	106,821
Services and others	874	48,295	-	-	49,169
Administrative fees	-	-	-	6,599	6,599
Other	4,131	1,983	-	3,481	9,595
Total operating revenues	265,678	74,612	169,976	10,080	520,346
OPERATING EXPENSES:					
Personnel services	131,889	16,072	-	1,155	149,116
Depreciation	88,600	17,929	-	138	106,667
Repairs and maintenance	44,426	10,866	-	42	55,334
Airports operations	43,322	-	-	-	43,322
Harbors operations	-	14,306	-	-	14,306
Fireboat operations	-	2,837	-	-	2,837
General administration	15,583	6,145	-	4,057	25,785
Unemployment compensation	-	-	437,553	-	437,553
Other	313	-	-	285	598
Total operating expenses	324,133	68,155	437,553	5,677	835,518
Operating (loss) income	(58,455)	6,457	(267,577)	4,403	(315,172)
NONOPERATING REVENUES (EXPENSES):					
Interest (loss) income	(8,176)	(1,430)	19,675	(5,430)	4,639
Interest expense	(26,318)	(12,582)	-	-	(38,900)
Federal grants	6,758	-	-	-	6,758
Loss on disposal of capital assets	(4,840)	-	-	-	(4,840)
Passenger facility charges	24,786	-	-	-	24,786
Other	8,202	(43,874)	-	(32,995)	(68,667)
Total nonoperating revenues (expenses)	412	(57,886)	19,675	(38,425)	(76,224)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(58,043)	(51,429)	(247,902)	(34,022)	(391,396)
CAPITAL CONTRIBUTIONS	49,549	22,714	-	24,174	96,437
CHANGE IN NET ASSETS	(8,494)	(28,715)	(247,902)	(9,848)	(294,959)
NET ASSETS — Beginning of year as previously reported	1,582,433	634,661	538,371	446,348	3,201,813
ADJUSTMENTS (NOTE 15)	-	2,306	-	714	3,020
NET ASSETS — Beginning of year as restated	1,582,433	636,967	538,371	447,062	3,204,833
EFFECT OF ADOPTING GASB STATEMENT NO. 49	(2,663)	-	-	-	(2,663)
NET ASSETS — Beginning of year as restated and including effect of adopting GASB Statement No. 49	1,579,770	636,967	538,371	447,062	3,202,170
NET ASSETS — End of year	$ 1,571,276	$ 608,252	$ 290,469	$ 437,214	$ 2,907,211

See accompanying notes to basic financial statements.

STATE OF HAWAII

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 259,682	$ 74,735	$ -	$ -	$ 334,417
Cash received from taxes	-	-	170,917	-	170,917
Cash received from employees	-	-	-	306,900	306,900
Cash paid to suppliers	(159,772)	(34,424)	-	(2,248)	(196,444)
Cash paid to employees	(67,226)	(14,277)	-	(2,730)	(84,233)
Cash paid for unemployment compensation	-	-	(436,617)	-	(436,617)
Cash paid for premiums	-	-	-	(358,431)	(358,431)
Reserves returned by insurance carriers	-	-	-	25,929	25,929
Interest income from notes receivable	-	-	-	3,835	3,835
Administrative loan fees	-	-	-	3,583	3,583
Principal repayments on notes receivable	-	-	-	24,164	24,164
Disbursement of note receivable proceeds	-	-	-	(85,996)	(85,996)
Net cash provided by (used in) operating activities	32,684	26,034	(265,700)	(84,994)	(291,976)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Net advances to other funds	-	-	-	14,771	14,771
State capital contributions	-	-	-	3,326	3,326
Proceeds from federal operating grants	8,568	-	-	21,235	29,803
Net cash provided by noncapital financing activities	8,568	-	-	39,332	47,900
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from debt payable to Department of Budget and Finance	-	1,402	-	-	1,402
Acquisition and construction of capital assets	(159,843)	(16,852)	-	(1,840)	(178,535)
Repayment of general obligation and revenue bonds principal	(21,168)	(10,806)	-	-	(31,974)
Interest paid on bonds	(35,492)	(15,151)	-	-	(50,643)
Proceeds from passenger facility charges program	23,436	-	-	-	23,436
Proceeds from rental car customer facility charges	7,706	-	-	-	7,706
Payments from passenger facility charges program	(6,407)	-	-	-	(6,407)
Proceeds from federal, state, and capital grants	45,484	1,300	-	-	46,784
Net cash used in capital and related financing activities	(146,284)	(40,107)	-	(1,840)	(188,231)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investments	(89,443)	-	-	-	(89,443)
Proceeds from sales and maturities of investments	89,443	-	-	-	89,443
Interest from and change in fair value of investments	(14,231)	(3,521)	19,675	(6,324)	(4,401)
Net cash (used in) provided by investing activities	(14,231)	(3,521)	19,675	(6,324)	(4,401)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(119,263)	(17,594)	(246,025)	(53,826)	(436,708)
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — beginning of the year (as previously reported)	637,743	242,693	527,459	199,816	1,607,711
ADJUSTMENTS (Note 15)	-	2,306	-	(959)	1,347
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — beginning of the year (as restated)	637,743	244,999	527,459	198,857	1,609,058
CASH AND SHORT-TERM INVESTMENTS — Including restricted amounts — end of year	$ 518,480	$ 227,405	$ 281,434	$ 145,031	$ 1,172,350

(Continued)

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	$ (58,455)	$ 6,457	$ (267,577)	$ 4,403	$ (315,172)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Provision for uncollectible accounts	-	1,524	-	-	1,524
Depreciation	88,600	17,929	-	138	106,667
Bad debt expense	47	-	-	-	47
Reserves provided by operating activities	-	-	-	(44,039)	(44,039)
Premium reserves held by insurance companies	-	-	-	21,919	21,919
Decrease (increase) in assets:	-	-	-	-	
Receivables	(6,380)	(1,214)	940	(72,748)	(79,402)
Inventory of materials and supplies	32	-	-	-	32
Prepaid expenses	-	-	-	(2)	(2)
Increase (decrease) in liabilities:	-	-	-	-	-
Vouchers and contracts payable	383	(214)	937	58	1,164
Other accrued liabilities	7,600	1,552	-	(387)	8,765
Prepaid airport use charge fund	-	-	-	-	-
Deferred revenue	857	-	-	-	857
Accrued interest on loans receivable	-	-	-	5,664	5,664
Net cash provided by (used in) operating activities	$ 32,684	$ 26,034	$ (265,700)	$ (84,994)	$ (291,976)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:					
Amortization of bond discount, bond issue costs, bond premium, and deferred loss on refunding	739	(264)	-		475
Principal payments relating to special facility revenue bonds	1,100	-	-		1,100
Interest payments relating to special facility revenue bonds	2,257	-	-		2,257
Development capital assets from other sources	-	22,714	-		22,714

See accompanying notes to basic financial statements. (Concluded)

This page intentionally left blank.

STATE OF HAWAII

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

	Agency Funds
ASSETS:	
Cash and cash equivalents	$ 265,383
Receivables - taxes	8,331
Due from individuals, businesses, and counties	45,579
Investments	94,514
Deposits and other assets — trust	15,740
Capital assets — trust	2,636
Total assets	$ 432,183
LIABILITIES AND NET ASSETS:	
Vouchers payable	$ 61,443
Due to other funds	16,016
Due to individuals, businesses, and counties	354,724
Total liabilities	$ 432,183

See accompanying notes to basic financial statements.

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
ASSETS				
CASH AND CASH EQUIVALENTS	$ 53,033	$ 188,199	$ 27,012	$ 32,201
RECEIVABLES:				
Accounts and accrued interest (net of allowance for doubtful accounts of $183,545)	90,072	12,833	1,383	74,960
Notes, loans, mortgages, and contributions (net of allowance for doubtful accounts)	44,998	214,795	426	-
Federal government	-	-	6,447	-
Other	-	6,671	842	1,899
DUE FROM PRIMARY GOVERNMENT	288,095	45,041	35,865	21,670
INVESTMENTS	681,047	6,731	-	-
INVENTORIES:				
Developments in progress and dwelling units	-	22,666	-	-
Materials and supplies	14,271	-	832	14,674
PREPAID EXPENSES AND OTHER ASSETS	8,830	867	132	2,450
	1,180,346	497,803	72,939	147,854
RESTRICTED ASSETS:				
Cash and cash equivalents	-	287,376	-	1,782
Investments	-	6	-	-
Deposits, funded reserves, and other	-	459	7,372	-
Total restricted assets	-	287,841	7,372	1,782
CAPITAL ASSETS:				
Land and land improvements	95,839	43,387	25,340	7,596
Infrastructure	82,890	-	-	-
Construction in progress	171,701	1,000	8,975	12,675
Buildings, improvements, and equipment	1,792,887	154,355	580,821	496,522
Less accumulated depreciation	(867,399)	(87,911)	(312,036)	(240,097)
Total capital assets — net	1,275,918	110,831	303,100	276,696
OTHER ASSETS	25,727	1,823	-	-
TOTAL	$ 2,481,991	$ 898,298	$ 383,411	$ 426,332

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 14,923	$ 47,827	$ 1,094	$ 364,289
-	1,114	1,564	181,926
-	-	-	260,219
-	-	-	6,447
11,255	82	-	20,749
-	1,319	-	391,990
10,325	-	191,681	889,784
-	-	-	22,666
-	-	-	29,777
-	434	-	12,713
36,503	50,776	194,339	2,180,560
7,982	-	-	297,140
-	-	-	6
-	-	-	7,831
7,982	-	-	304,977
131,497	136,727	-	440,386
-	43,125	-	126,015
-	1,826	-	196,177
213,599	18,932	-	3,257,116
(89,963)	(44,053)	-	(1,641,459)
255,133	156,557	-	2,378,235
-	4,268	-	31,818
$ 299,618	$ 211,601	$ 194,339	$ 4,895,590

(Continued)

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(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	$ 51,083	$ 2,440	$ 8,258	$ 80,580
Other accrued liabilities	127,974	17,109	3,784	-
Due to Primary Government	7,313	-	-	26,300
Due to federal government	-	-	15	-
Estimated future costs of land sold	-	32,933	-	-
Notes, mortgages, and installment contracts payable	47	52	122	905
Accrued vacation and retirement benefits payable	25,339	-	-	15,280
Revenue bonds payable	7,030	16,697	-	-
Reserve for losses and loss adjustment costs	4,520	-	-	1,500
Capital lease obligations	-	-	-	8,971
Deferred commitment fees	-	327	-	-
Other liabilities	-	30,167	1,820	3,171
Total current liabilities	223,306	99,725	13,999	136,707
NONCURRENT LIABILITIES:				
Notes, mortgages, and installment contracts payable	-	5,725	295	39,576
Accrued vacation and retirement benefits payable	42,340	-	-	22,108
Revenue bonds payable	351,600	395,268	-	-
Reserve for losses and loss adjustment costs	8,257	-	-	14,645
Premium on bonds payable	1,729	-	-	-
Capital lease obligations	-	-	-	29,380
Other postemployment benefit liability	127,911	-	-	65,783
Other liabilities	6,790	3,919	5,131	25,730
Total noncurrent liabilities	538,627	404,912	5,426	197,222
TOTAL	761,933	504,637	19,425	333,929
NET ASSETS				
INVESTED IN CAPITAL ASSETS — Net of related debt	1,050,563	8,913	302,682	206,008
RESTRICTED	580,119	287,835	7,346	847
UNRESTRICTED (DEFICIT)	89,376	96,913	53,958	(114,452)
TOTAL	1,720,058	393,661	363,986	92,403
TOTAL LIABILITIES AND NET ASSETS	$ 2,481,991	$ 898,298	$ 383,411	$ 426,332

See accompanying notes to basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 1,072	$ 1,161	$ -	$ 144,594
100	122	-	149,089
277,166	-	6,362	317,141
-	-	-	15
-	-	-	32,933
-	-	-	1,126
113	-	-	40,732
-	-	-	23,727
-	-	-	6,020
-	-	-	8,971
-	-	-	327
-	411	-	35,569
278,451	1,694	6,362	760,244
-	-	-	45,596
294	-	-	64,742
-	-	-	746,868
-	-	-	22,902
-	-	-	1,729
-	-	-	29,380
465	-	-	194,159
-	26,370	-	67,940
759	26,370	-	1,173,316
279,210	28,064	6,362	1,933,560
(11,953)	160,824	-	1,717,037
32,361	49,031	-	957,539
-	(26,318)	187,977	287,454
20,408	183,537	187,977	2,962,030
$ 299,618	$ 211,601	$ 194,339	$ 4,895,590

(Concluded)

STATE OF HAWAII

COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
EXPENSES	$ 1,464,319	$ 63,654	$ 133,448	$ 565,310
PROGRAM REVENUES:				
Charges for services	304,898	38,783	24,101	420,119
Operating grants and contributions	399,640	30,179	66,592	1,487
Capital grants and contributions	-	-	15,285	4,709
Total program revenues	704,538	68,962	105,978	426,315
Net program (expenses) revenues	(759,781)	5,308	(27,470)	(138,995)
GENERAL REVENUES (EXPENSES):				
Interest and investment (loss) income	(31,928)	-	-	559
Payments from (to) the State	793,959	9,006	21,446	92,040
Other	28,565	-	(6,253)	(15,431)
Net general revenues	790,596	9,006	15,193	77,168
Change in net assets	30,815	14,314	(12,277)	(61,827)
NET ASSETS — Beginning of year — as previously reported	1,689,243	378,347	376,263	154,230
ADJUSTMENTS (Note 15)	-	1,000	-	-
NET ASSETS — Beginning of year — as restated	1,689,243	379,347	376,263	154,230
NET ASSETS — End of year	$ 1,720,058	$ 393,661	$ 363,986	$ 92,403

See accompanying notes to basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 116,364	$ 10,269	$ 190	$ 2,353,554
10,768	3,296	-	801,965
-	-	-	497,898
-	-	-	19,994
10,768	3,296	-	1,319,857
(105,596)	(6,973)	(190)	(1,033,697)
843	(1,076)	9,934	(21,668)
103,011	2,200	(6,293)	1,015,369
-	3,759	-	10,640
103,854	4,883	3,641	1,004,341
(1,742)	(2,090)	3,451	(29,356)
22,150	185,627	184,526	2,990,386
-	-	-	1,000
22,150	185,627	184,526	2,991,386
$ 20,408	$ 183,537	$ 187,977	$ 2,962,030

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Judicial

Legislative

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

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

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

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

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

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

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

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

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

HRS Chapter 323F states that the HHSC shall be a public body corporate and politic and an instrumentality and agency of the State. The HHSC commenced operations on July 1, 1996. The statute provides that the HHSC shall be governed by a board of directors. In June 2007, the State Legislature enacted Act 290, SLH of 2007. The Act, which became effective on July 1, 2007, required the establishment of a seven to 15-member regional system board of directors for each of the five regions of the HHSC. Each regional board of directors was given custodial control and responsibility for management of the facilities and other assets in their respective regions. Act 290 also restructured the 13-member HHSC board of directors to 15 members, consisting of the following:

- Ten members appointed by the Governor, from nominees submitted by Legislative leadership;
- Two at-large members, appointed by the Governor;
- Two physicians with active medical staff privileges at one of the HHSC's health facilities, who are elected by HHSC's board of directors; and
- The Director of Health, as an Ex Officio voting member.

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

Negotiations between the HHSC and the State relating to the allocation of assets, liabilities, and fund balances between the Department of Health and the HHSC pursuant to Act 262 have not been finalized as of June 30, 2009. Accordingly, the assets, liabilities, and net assets of HHSC reflected in the accompanying consolidated statements of net assets may be significantly different from those eventually included in the final settlement.

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

East Hawaii Region:
- Hilo Medical Center
- Hale Hoʻola Hamakua
- Kaʻu Hospital
- Yukio Okutsu Veterans Care Home

West Hawaii Region:
- Kona Community Hospital
- Kohala Hospital

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

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

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

Hawaii Tourism Authority — The Hawaii Tourism Authority (HTA) was established on January 1, 1999, by Act 156, SLH of 1998 and was placed within DBEDT for administrative purposes. The HTA is responsible for developing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment, taxes, and lesser known and underutilized destinations. In addition, effective July 1, 2000, control and management of the Hawaii Convention Center (the "Center") was transferred to the HTA from the Convention Center Authority (CCA) by Executive Order No. 3817. Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center, which opened to the general public in June 1998, is used for a variety of events including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA is governed by a board of directors comprised of 13 voting and two nonvoting members. The governor appoints 12 voting members. In addition, the Director of DBEDT or a designated representative is a voting member and the director of the Department of Transportation and the chairperson of the board of directors of the Department of Land and Natural Resources or designated representatives are nonvoting members.

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

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

- Thirteen members that vote on issues related to Kaka`ako and Kalaeloa:
  - Two members appointed by the Governor from a list of names submitted by the President of the Senate and the Speaker of the House of Representatives;
  - Three members appointed by the Governor from a list of names submitted by the Honolulu City Council;
  - Four at-large members appointed by the Governor;
  - The Director of Budget and Finance, as an Ex Officio voting member;
  - The Director of DBEDT, as an Ex Officio voting member;
  - The Comptroller of the Department of Accounting and General Services, an Ex Officio voting member; and
  - The Director of Transportation, as an Ex Officio voting member.
- Five members appointed by the Governor that vote only on issues related to Kalaeloa:
  - The Chairperson of the Hawaiian Homes Commission;
  - The Director of the City and County of Honolulu Department of Planning and Permitting;
  - Two members from the surrounding community, one of which is selected by the Mayor of the City and County of Honolulu; and
  - One member who is a Hawaiian Cultural Specialist.

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

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

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

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

- The Insurance Commissioner, as an Ex Officio voting member, appointed by the Governor; and
- Six members appointed by the Governor with the advice and consent of the Senate:
    - Two members appointed by the Governor;
    - Two members appointed by the Governor from a list of nominations submitted by the President of the Senate; and
    - Two members appointed by the Governor from a list of nominations submitted by the Speaker of the House of Representatives.

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation —

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

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

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

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

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

Proprietary Funds, Fiduciary Funds, and Component Units Financial Statements — The financial statements of the Proprietary Funds, Fiduciary Funds, and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above. Agency Funds do not have a measurement focus and report only assets and liabilities.

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

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

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

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

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

- General Fund — This fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- Capital Projects Fund — This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State's capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.

- Med-Quest Special Revenue Fund – This fund accounts for the State's Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government.

The nonmajor Governmental Funds are comprised of the following:

- Special Revenue Funds — These funds account for the financial resources obtained from specific revenue sources and used for restricted purposes.

- Debt Service Fund — This fund accounts for the financial resources obtained and used for the payment of principal and interest on general and revenue long-term bond obligations.

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

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

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

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

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

Fiduciary Fund Types —

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

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

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

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

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

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

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

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

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

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

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

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

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

The State's capitalization thresholds are $5,000 for equipment, and $100,000 for land and land improvements, infrastructure, and buildings and improvements. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

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

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

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

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

Long-Term Obligations — In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding

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

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

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

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

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

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

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

- Federal aid highway projects encumbrances.

- Bond redemption and other.

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

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

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

Risk Management — The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first $1 million per occurrence of property losses, the first $4 million with respect to general liability claims, and the first $500,000 of losses due to crime. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $175 million, except for flood and earthquake, which individually is a $175 million aggregate loss, and terrorism which is $50 million per occurrence. The annual aggregate for general liability losses and losses due to crime per occurrence is $10 million each. The State also has an insurance policy to cover medical malpractice risk in the amount of $25 million per occurrence and $29 million in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

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

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

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

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

New Accounting Pronouncements

Effective July 1, 2008, Airports adopted the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses how state and local governments should account for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The effect of adopting this statement on beginning net assets of the Proprietary Fund – Airports and the Government-Wide Statement of Activities – Primary Government Business-Type Activities is as follows:

	Proprietary Fund Airports	Primary Government Business-Type Activities
NET ASSETS — June 30, 2008 — as restated (Note 15)	$ 1,582,433	$ 3,204,833
Effect of Adopting GASB Statement No. 49	(2,663)	(2,663)
NET ASSETS — June 30, 2008 — as restated and including effect of adopting GASB No. 49	$ 1,579,770	$ 3,202,170

GASB Statement No. 51 — The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for periods beginning after June 15, 2009. This statement establishes accounting and financial reporting requirements for intangible assets. The State is currently evaluating the impact that GASB Statement No. 51 will have on its financial statements.

GASB Statement No. 52 — The GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for periods beginning after June 15, 2008. This statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The adoption of GASB Statement No. 52 did not have a material impact on the State's financial statements.

GASB Statement No. 53 — The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are complex financial arrangements used by governments to manage specific risks or to make investments. The Statement will require governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. The State is currently evaluating the impact that GASB Statement No. 53 will have on its financial statements.

GASB Statement No. 54 — The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for periods beginning after June 15, 2010, with early adoption is encouraged. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources in governmental funds. The Statement provides for classification of fund balances as nonspendable, restricted, committed, assigned, and unassigned, based on the relative strength of the constraints that control how specific amounts can be spent. The State is currently evaluating the impact that GASB Statement No. 54 will have on its financial statements.

2. CASH AND INVESTMENTS

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

Cash — The State maintains approximately 20 bank accounts for various purposes at locations throughout the State and the nation. Bank deposits are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) as of June 30, 2009, was $1,806,140,000 and $418,777,000, respectively, for the Primary Government and $265,383,000 for the Fiduciary Funds.

Information relating to the bank balance, insurance, and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to $2,074,805,000 at June 30, 2009. Of that amount, $2,039,809,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of $281,540,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the

State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

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

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance. The pool's investment options are limited to investments listed in the Hawaii Revised Statutes. As of June 30, 2008, and throughout FY 2009, the State had material investments in repurchase agreements. According to the Department of Budget and Finance, the repurchase agreement investment contracts are valued on the cost basis.

The following tables present the State's investments and maturities at June 30, 2009 (amounts expressed in thousands).

		Maturity (in years)		
	Fair Value	Less than 1	1–5	>5
Investments — Primary Government:				
Student loan auction rate securities	$ 509,467	$ -	$ -	$ 509,467
Certificates of deposit	32,869	31,883	986	-
U.S. government securities	262,951	-	205,102	57,849
Repurchase agreements	16,434	8,217	8,217	-
	$ 821,721	$ 40,100	$ 214,305	$ 567,316
Investments — Fiduciary Funds:				
Student loan auction rate securities	$ 58,599	$ -	$ -	$ 58,599
Certificates of deposit	3,781	3,667	114	-
U.S. government securities	30,244	-	23,590	6,654
Repurchase agreements	1,890	945	945	-
	$ 94,514	$ 4,612	$ 24,649	$ 65,253

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

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

The State's investments include auction rate securities collateralized by student loans issued by the federal government. Liquidity for these auction rate securities is typically provided by an auction process which allows holders to sell their notes and reset the applicable interest rate at predetermined intervals of 7 to 28 days. Beginning in 2008 and throughout 2009, auctions failed and investors without

the ability to hold such securities until maturity have taken significant losses. The auction failures appear to have been attributable to inadequate buyers and/or buying demand. In the event that there is a failed auction, the indenture governing the security generally requires the issuer to pay interest at a default rate that is generally above market rates for similar instruments. The securities for which auctions have failed will continue to accrue interest at the predetermined rate and be auctioned periodically until the auction succeeds, the issuer calls the securities, they mature, or the State is able to sell the securities to third parties. During 2009, the State recorded a fair value adjustment of $141,430,000 to reduce the carrying value of the State investment pool's auction rate securities to their fair value at June 30, 2009.

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

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

3. CAPITAL ASSETS

For the fiscal year ended June 30, 2009, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			
	Balance, July 1, 2008	Additions	Deletions	Balance, June 30, 2009
Capital assets not being depreciated:				
Land and land improvements	$ 2,037,485	$ 29,041	$ (33)	$ 2,066,493
Construction in progress	840,989	419,336	(380,077)	880,248
Total capital assets not being depreciated	2,878,474	448,377	(380,110)	2,946,741
Capital assets being depreciated:				
Infrastructure	8,062,695	158,581	(231)	8,221,045
Buildings and improvements	3,086,691	205,062	(284)	3,291,469
Equipment	328,002	32,546	(15,778)	344,770
Total capital assets being depreciated	11,477,388	396,189	(16,293)	11,857,284
Less accumulated depreciation:				
Infrastructure	(3,999,401)	(224,549)	-	(4,223,950)
Buildings and improvements	(1,640,666)	(97,272)	284	(1,737,654)
Equipment	(255,890)	(24,013)	7,582	(272,321)
Total accumulated depreciation	(5,895,957)	(345,834)	7,866	(6,233,925)
Total capital assets	$ 8,459,905	$ 498,732	$ (388,537)	$ 8,570,100

	Business-Type Activities			
	Balance, July 1, 2008	Additions	Deletions	Balance, June 30, 2009
Capital assets not being depreciated:				
Land and land improvements	$ 585,015	$ -	$ -	$ 585,015
Construction in progress	291,795	191,561	(175,886)	307,470
Total capital assets not being depreciated	876,810	191,561	(175,886)	892,485
Capital assets being depreciated:				
Buildings and improvements	2,729,558	157,135	(11,108)	2,875,585
Equipment	225,443	38,731	(35,957)	228,217
Total capital assets being depreciated	2,955,001	195,866	(47,065)	3,103,802
Less accumulated depreciation:				
Buildings and improvements	(1,449,877)	(95,757)	4,215	(1,541,419)
Equipment	(148,927)	(10,910)	1,443	(158,394)
Total accumulated depreciation	(1,598,804)	(106,667)	5,658	(1,699,813)
Total capital assets	$ 2,233,007	$ 280,760	$ (217,293)	$ 2,296,474

Depreciation expense for the fiscal year ended June 30, 2009, was charged to functions/programs of the Primary Government as follows:

	2009
Governmental activities:	
Highways	$ 221,106
Lower education	59,535
General government	17,562
Public safety	11,394
Urban redevelopment and housing	13,354
Conservation of natural resources	10,402
Health	5,147
Economic development and assistance	3,657
Welfare	2,542
Culture and Recreation	1,135
Total depreciation expense — governmental activities	$ 345,834
Business-type activities:	
Airports	$ 88,600
Harbors	17,929
DWTRF	90
EUTF	41
WPCRF	7
Total depreciation expense — business-type activities	$ 106,667

4. GENERAL OBLIGATION BONDS PAYABLE

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

All issues, except certain maturities of Series BQ, issued November 28, 1989; Series BW, issued March 1, 1992; Series BZ, issued October 1, 1992; Series CA, issued January 1, 1983; Series CH and CI, issued November 1, 1993; Series CL, issued March 1, 1996; Series CM, issued December 1, 1996; Series CO, issued March 1, 1997; Series CP, issued October 1, 1997; Series CY, issued February 15, 2002; Series DL and DM, issued May 20, 2008; Series DO and DP, issued December 16, 2008, and Series DR, issued June 23, 2009, contain call provisions (call prices range from $100 to $101). Stated interest rates range from 3% to 6%.

On December 16, 2008, the State issued $100,000,000 and $26,000,000 of general obligation bonds, Series DN and DP, respectively. Interest rates ranged from 3% to 5.68%. Series DN bonds maturing on and after August 1, 2018, will be subject to redemption at the option of the State at any time on and after August 1, 2018, at a price equal to the principal amount thereof, plus accrued interest to the redemption

date. The series DP bonds are not subject to optional redemption by the State prior to their respective stated maturities. Both bond series were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bonds were issued for the purpose of financing the Hawaiian Home Lands Trust settlement and various public improvement projects.

In addition, the State issued $101,825,000 of general obligation refunding bonds of 2008, Series DO, dated December 16, 2008. Interest rates ranged from 3% to 5% to advance refund $100,915,000 of certain outstanding general obligation bonds previously issued. The net proceeds of $104,102,289 (including a premium of $2,764,117 and after payment of $486,828 in underwriting fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advanced refunding, the State increased its total debt service payments over the next 10 years by $25,786,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $3,399,000. The Series DO bonds are not subject to optional redemption by the State prior to their respective stated maturities. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method.

On June 23, 2009, the State issued $500,000,000 general obligation bonds, Series DQ with interest rates ranging from 3% to 5%. The Series DQ maturing after June 1, 2019, will be subject to redemption at the option of the State at any time on and after June 1, 2019, at a price equal to the principal amount thereof, plus accrued interest to the redemption date. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bond series DQ was issued for the purpose of financing the Hawaiian Home Lands Trust settlement and various public improvement projects.

In addition, the State issued $225,410,000 of general obligation refunding bonds of 2009, Series DR, dated June 23, 2009. Interest rates ranged from 3% to 5% to advance refund $231,180,000 of certain outstanding general obligation bonds previously issued. The net proceeds of $243,684,321 (including a premium of $19,697,768 and after payment of $1,423,447 in underwriting fees) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advanced refunding, the State reduced its total debt service payments over the next 10 years by $58,432,000 and obtained an economic loss (difference between the present values of the debt service payments on the old and new debt) of $3,185,000. The Series DR bonds are not subject to optional redemption by the State prior to their respective stated maturities. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2009, $812,245,000 of bonds outstanding is considered defeased.

At June 30, 2009, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 3,962,005
Noncallable	855,990
Total general obligation bonds outstanding	4,817,995
Less amount recorded as a liability of:	
Proprietary Funds — Harbors	(38,329)
Amount recorded in the governmental activities of the Primary Government	$ 4,779,666

A summary of general obligation bonds outstanding by series as of June 30, 2009, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount	Amount Outstanding
BQ	November 28, 1989	7.150%	December 1, 2008-2009	80,005	$ 4,445
BW	March 1, 1992	6.250%–6.375%	March 1, 2011–2012	100,000	11,015
BZ	October 1, 1992	6.000%	October 1, 2011–2012	200,000	5,490
CA	January 1, 1993	5.500%–8.000%	January 1, 2010–2013	90,000	15,625
CH	November 1, 1993	4.750%–6.000%	November 1, 2009–2013	250,000	62,685
CI	November 1, 1993	4.750%–4.900%	November 1, 2009–2010	316,915	21,730
CL	March 1, 1996	6.000%	March 1, 2011	100,000	5,555
CM	December 1, 1996	6.000-6.500%	December 1, 2008–2016	150,000	58,315
CO	March 1, 1997	6.000%	September 1, 2009–2010, March 1, 2010–2011	231,755	50,575
CP	October 1, 1997	5.500%	October 1, 2009–2010	200,000	22,695
CT	September 15, 1999	5.625%	September 1, 2012	300,000	5,315
CU	October 15, 2000	5.000%–5.750%	October 1, 2011–2012	150,000	16,075
CV	August 1, 2001	4.800%–5.500%	August 1, 2011–2021	300,000	178,415
CW	August 1, 2001	4.100%–5.500%	August 1, 2009–2015	156,750	104,365
CX	February 15, 2002	4.250%–5.500%	February 1, 2010–2022	250,000	150,090
CY	February 15, 2002	5.250%–5.750%	February 1, 2010–2015	319,290	227,145
CZ	November 26, 2002	3.500%–5.500%	July 1, 2011–2022	300,000	116,455
DA	September 16, 2003	3.750%–5.250%	September 1, 2011–2023	225,000	187,015
DB	September 16, 2003	4.000%–5.250%	September 1, 2009–2016	188,650	163,620
DD	May 13, 2004	3.500%–5.250%	May 1, 2011–2024	225,000	182,825
DE	November 10, 2004	2.625%–5.000%	October 1, 2009–2024	225,000	211,900
DF	June 15, 2005	3.000%–5.000%	July 1, 2009–2025	225,000	215,660
DG	June 15, 2005	5.000%	July 1, 2009–2017	722,575	722,575
DI	March 23, 2006	3.500%–5.500%	March 1, 2010–2026	350,000	350,000
DJ	April 12, 2007	3.625%–5.000%	April 1, 2011–2027	350,000	350,000
DK	May 20, 2008	3.000%–5.000%	May 1, 2012–2028	375,000	375,000
DL	May 20, 2008	3.000%–5.000%	May 1, 2012–2018	29,010	29,010
DM	May 20, 2008	3.330%–4.670%	May 1, 2009–2014	25,000	21,165
DN	December 16, 2008	3.000%–5.500%	August 1, 2012-2028	100,000	100,000
DO	December 16, 2008	3.000%–5.000%	August 1, 2011-2018	101,825	101,825
DP	December 16, 2008	4.150%–5.680%	August 1, 2011-2016	26,000	26,000
DQ	June 23, 2009	3.000%–5.000%	June 1, 2013-2029	500,000	500,000
DR	June 23, 2009	3.000%–5.000%	June 1, 2014-2019	225,410	225,410
					$ 4,817,995

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

A summary of the bond premium activities for fiscal year 2009 is as follows (amounts expressed in thousands):

Balance — July 1, 2008	$ 204,248
Additions — GO Bond Series DN, DO, DQ, and DR	53,001
Current-year amortization	(26,004)
Balance — June 30, 2009	$ 231,245

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
2010	$ 231,983	$ 246,875	$ 478,858
2011	243,174	222,954	466,128
2012	338,506	208,802	547,308
2013	376,437	191,879	568,316
2014	392,922	173,394	566,316
2015─2019	1,645,676	597,892	2,243,568
2020─2024	1,013,069	275,604	1,288,673
2025─2029	537,899	64,180	602,079
	$ 4,779,666	$ 1,981,580	$ 6,761,246

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

Fiscal Year	Principal	Interest	Total
2010	$ 967	$ 1,858	$ 2,825
2011	1,141	1,819	2,960
2012	1,609	1,772	3,381
2013	1,678	1,702	3,380
2014	1,758	1,623	3,381
2015─2019	10,149	6,755	16,904
2020─2024	12,896	4,008	16,904
2025─2029	8,131	804	8,935
	$ 38,329	$ 20,341	$ 58,670

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, 2009, was $385,188,000.

At June 30, 2009, general obligation bonds authorized but unissued were approximately $1,401,411,000.

5. REVENUE BONDS PAYABLE

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

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

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

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

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

On April 15, 2003, Highways issued $44,940,000 in State of Hawaii Highway Revenue Bonds, Series of 2003, with interest rates ranging from 3% to 5.25% to advance refund $45,350,000 of outstanding State of Hawaii Highway Revenue Bonds, Series of 1993, with an average interest rate of 4.42%. The bonds are payable semiannually on January and July 1 through 2013.

On October 25, 2001, Highways issued $70,000,000 of State of Hawaii Highway Revenue Bonds, Series of 2001. The bonds bear interest at rates ranging from 3.75% to 5.25% and are payable semiannually on January and July 1 through July 2022.

On October 31, 2000, Highways issued State of Hawaii Highway Revenue Bonds, Series of 2000, in the principal amount of $45,360,000. The bonds bear interest at rates ranging from 4.8% to 5.5% and mature in annual installments through July 2010.

On July 1, 1998, Highways issued State of Hawaii Highway Revenue Bonds, Series of 1998, in the principal amount of $94,920,000. Bond proceeds related to this issue amounted to $97,542,000, of which $71,921,000 was used to finance certain highway improvements and other related projects for the state highways system, and $25,621,000 was used to refund certain outstanding highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest at rates ranging from 4.5% to 5.5% and mature in annual installments through July 2018.

On September 1, 1996, Highways issued $55,000,000 in State of Hawaii Highway Revenue Bonds, Series of 1996. The bonds bear interest at 6% and mature in increasing annual installments through July 2009.

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

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

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions. As of June 30, 2009, bonds outstanding considered defeased amounted to $72,295,000.

The following is a summary of Highways' revenue bonds issued and outstanding at June 30, 2009 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways:					
1996	September 1, 1996	6.00%	July 1, 2008–July 1, 2009	$ 55,000	$ 3,000
1998	July 1, 1998	4.50%–5.50%	July 1, 2008–July 1, 2018	94,920	28,955
2000	October 31, 2000	4.80%–5.50%	July 1, 2008–July 1, 2010	50,000	4,565
2001	October 25, 2001	3.75%–5.25%	July 1, 2008–July 1, 2022	70,000	14,265
2003	April 15, 2003	3.00%–5.25%	July 1, 2008–July 1, 2013	44,940	24,595
2005 A	March 15, 2005	3.00%–5.00%	July 1, 2008–July 1, 2025	60,000	53,635
2005 B	March 15, 2005	3.00%–5.25%	July 1, 2010–July 1, 2021	123,915	123,915
2008	December 17, 2008	4.00%–6.00%	January 1, 2010–2029	125,175	125,175
DHHL:					
2009	April 2, 2009	2.00%–6.00%	April 1, 2010–2039	42,500	42,500
					$420,605

A summary of the Revenue bond premium activities for fiscal year 2009 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance — July 1, 2008	$ 16,717
Additions — Revenue Bond Series 2008 and 2009	858
Current-year amortization	(1,797)
Balance — June 30, 2009	$ 15,778

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

Fiscal Year	Principal	Interest	Total
2010	$ 20,390	$ 21,111	$ 41,501
2011	21,590	19,969	41,559
2012	22,410	19,072	41,482
2013	23,340	18,080	41,420
2014	24,440	16,957	41,397
2015─2019	142,665	65,027	207,692
2020─2024	83,415	34,847	118,262
2025─2029	60,165	16,328	76,493
2030─2034	9,505	5,544	15,049
2035─2039	12,685	2,372	15,057
	$ 420,605	$ 219,307	$ 639,912

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

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

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2009 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2000A, refunding	5.50%-6.00%	2021	$ 26,415	$ 26,415
2000B, refunding	5.00%-6.00%	2020	261,465	207,830
2001, refunding	4.00%-5.75%	2021	423,255	355,495
			$ 711,135	589,740
Add unamortized premium				7,718
Less:				
Unamortized discount				(619)
Deferred loss on refunding				(9,653)
Current portion				(22,310)
				$ 564,876

The liabilities for refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements as Airports defeased its obligations for payment of those bonds upon completion of those refunding transactions. As of June 30, 2009, bonds outstanding considered defeased amounted to $47,340,000.

The certificate providing for the issuance of revenue bonds provides for the levying and collection of minimum net revenues to service and provides reserves for maturing debt principal, interest, sinking fund, and replacement and maintenance reserve requirements, and also provides for the maintenance of certain insurance coverage for fire, workers' compensation, and public liability. At June 30, 2009, $178,641,000 was on credit in the revenue bond debt service sinking fund and reserve accounts.

Airports Special Facility Revenue Bonds ─ Airports entered into three special facility lease agreements, two with Continental Airlines, Inc. ("Continental") in November 1997 and July 2000, and one with Caterair International Corporation in December 1990, which was subsequently assigned to Sky Chefs, Inc. ("Sky Chefs") effective January 2002. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of $25,255,000, $16,600,000, and $6,600,000, respectively. Those bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facilities and aggregated to $34,755,000 at June 30, 2009.

The following is a summary of pertinent information on the Airports special facility revenue bonds at June 30, 2009:

$25,255,000 Issue

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

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

$16,600,000 Issue

On July 15, 2000, Airports issued $16,600,000 of term special facility bonds (Continental), Refunding Series of 2000, with an interest rate of 7.00%, due June 1, 2020, to, in part, refund $18,225,000 of its outstanding Series of 1990 bonds (Continental), with interest rates ranging from 9.60% to 9.70%. The bonds are subject to redemption on or after June 1, 2010, at the option of Airports, upon the request of Continental or, if the facilities are destroyed or damaged extensively, at 100% of principal, plus interest.

$6,600,000 Issue

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

Special facility revenue bonds payable at June 30, 2009, consisted of the following (amounts expressed in thousands):

	Continental		Sky Chefs	Total
Current portion	$ 730	$ -	$ 500	$ 1,230
Noncurrent portion	10,900	21,725	900	33,525
	$ 11,630	$ 21,725	$ 1,400	$ 34,755

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

Harbors Revenue Bonds ─ The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in Part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices ranging from $102.50 to $100.

The following is a summary of the Harbors' revenue bonds as of June 30, 2009 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current: Principal Due July 1, 2009	Current: Principal Due January 1, 2010	Current: Total	Noncurrent
2000	July 1, 2029	4.50%–6.00%	$ 79,405	$ 2,635	$ -	$ 2,635	$ 56,385
2002	July 1, 2019	3.00%–5.50%	24,420	525	-	525	11,140
2004	January 1, 2024	2.50%–6.00%	52,030	-	3,580	3,580	27,136
2006	January 1, 2031	4.00%–5.25%	96,570	-	2,300	2,300	88,005
2007	July 1, 2027	4.25%–5.50%	51,645	1,400	-	1,400	49,620
			$ 304,070	4,560	5,880	10,440	232,286
Add unamortized premium				-	-	340	2,169
Less:							
Unamortized discount				-	-	(7)	(77)
Unamortized deferred loss on refunding				-	-	(439)	(5,230)
				$ 4,560	$ 5,880	$ 10,334	$ 229,148

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

Fiscal Year	Principal	Interest	Total
2010	$ 33,980	$ 33,294	$ 67,274
2011	37,920	46,198	84,118
2012	36,660	43,874	80,534
2013	59,470	41,622	101,092
2014	62,995	38,099	101,094
2015─2019	359,230	132,363	491,593
2020─2024	192,945	73,051	265,996
2025─2029	69,425	14,792	84,217
2030─2031	14,595	1,030	15,625
	$ 867,220	$ 424,323	$ 1,291,543

The above debt service requirements are set forth based upon funding requirements and are presented before unamortized premiums, discounts, and deferred loss on refunding, aggregating $5,797,000.

Revenue Bonds Authorized, but Unissued — At June 30, 2009, revenue bonds authorized, but unissued were approximately $4,343,173,000.

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, 2009, amounted to $1,549,529,000. At June 30, 2009, special purpose revenue bonds of $1,686,060,000 were authorized, but unissued.

Improvement District Bonds — The HCDA is authorized to issue improvement district bonds under HRS Chapter 206E. Proceeds from the bond issues are utilized to finance the redevelopment of districts designated by the State Legislature. The bonds are not general obligations of the State and are payable solely by assessment liens on the real property of the designated district. Accordingly, the State has not included those bonds in its basic financial statements. There were no bonds outstanding as of June 30, 2009.

6. CHANGES IN LONG-TERM LIABILITIES

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

	Governmental Activities				
	Balance — July 1, 2008	Additions	Deductions	Balance — June 30, 2009	Due Within One Year
General obligation bonds payable — net	$ 4,408,572	$ 953,235	$ (582,141)	$ 4,779,666	$ 231,983
Accrued vacation payable	195,621	97,770	(82,155)	211,236	70,412
Revenue bonds payable	268,425	167,675	(15,495)	420,605	20,390
Reserve for losses and loss adjustment costs	155,303	21,557	(26,099)	150,761	38,771
Other postemployment benefits liability	353,936	362,812	-	716,748	-
Capital lease obligations	75,480	-	(3,795)	71,685	4,615
Total	$ 5,457,337	$ 1,603,049	$ (709,685)	$ 6,350,701	$ 366,171

	Business-Type Activities				
	Balance — July 1, 2008	Additions	Deductions	Balance — June 30, 2009	Due Within One Year
General obligation bonds payable — net	$ 38,357	$ -	$ (28)	$ 38,329	$ 967
Accrued vacation and retirement benefits payable	10,291	5,760	(5,106)	10,945	3,273
Revenue bonds payable	897,642	1,607	(37,826)	861,423	33,874
Reserve for losses and loss adjustment costs	4,766	1,166	(1,225)	4,707	1,149
Other postemployment benefits liability	8,580	10,013	(5,305)	13,288	-
Other	953	-	-	953	-
	960,589	18,546	(49,490)	929,645	39,263
Add unamortized premium	2,856	-	(347)	2,509	340
Less:					
Unamortized net discount	(92)	-	8	(84)	(7)
Deferred loss on refunding	(6,107)	-	439	(5,668)	(439)
	$ 957,246	$ 18,546	$ (49,390)	$ 926,402	$ 39,157

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's Governmental Funds. Approximately 85%, 14%, and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds, and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2009.

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables consisted of the following at June 30, 2009 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds:		
General Fund:		
Special Revenue Fund	$ 29,895	$ 22,000
Capital Projects Fund	119,900	-
Debt Service Fund	-	68
Nonmajor Governmental Funds	-	-
	149,795	22,068
Capital Projects Fund:		
General Fund	-	119,900
Medquest Special Revenue Fund	22,000	-
Airports Proprietary Fund	-	550
Nonmajor Governmental Funds:		
General Fund	68	29,895
Airports Proprietary Fund	550	-
	618	29,895
	$ 172,413	$ 172,413

The due from Capital Projects Fund in the General Fund consists primarily of funds transferred prior to the issuance of bonds. Remaining interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

8. TRANSFERS

Transfers between funds occur when a fund receiving revenues transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers of equity between funds occur. For the fiscal year ended June 30, 2009, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds:		
General Fund — Nonmajor Governmental Funds	$ 114,963	$ 361,534
Capital Projects Fund — Nonmajor Governmental Funds	164,876	38,587
Med-Quest Special Revenue Fund — Nonmajor Governmental Funds	5,628	8,734
Nonmajor Governmental Funds:		
General Fund	3,037	114,963
Capital Projects Fund	38,587	164,876
Other Nonmajor Governmental Funds	434,302	72,699
	475,926	352,538
	$ 761,393	$ 761,393

The General Fund transferred approximately $358,496,000 to the Nonmajor Governmental Funds for debt service payments and approximately $3,038,000 to subsidize various Special Revenue Funds programs. Approximately, $164,876,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. LEASES

Lease Commitments

Governmental Activities — The State leases office facilities and equipment under various operating leases expiring through fiscal 2023. Future minimum lease commitments for noncancelable operating leases as of June 30, 2009, were as follows (amounts expressed in thousands):

Fiscal Year	
2010	$ 16,365
2011	13,932
2012	8,808
2013	4,748
2014	2,405
2015─2019	5,036
2020─2023	2,154
Total future minimum lease payments	$ 53,448

Rent expenditures for operating leases for the fiscal year ended June 30, 2009, amounted to approximately $46,305,000.

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

In December 2000, the State issued $23,140,000 in COPS to purchase the No. 1 Capitol District State Office Building ("Capitol District Building"). The proceeds of the COPS were remitted to the former owners of the Capitol District Building. Accordingly, the State's rental payments for the use of the Capitol District Building are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 2002, and continue through May 1, 2020, with interest rates ranging from 4.50% to 5.375%. Title to the Capitol District Building will transfer to the State upon the payment of all required rents.

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

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

Fiscal Year	
2010	$ 8,061
2011	8,063
2012	8,062
2013	8,062
2014	8,063
2015─2019	35,917
2020─2024	10,506
2025─2029	8,553
2030─2032	5,136
Total future minimum lease payments	100,423
Less amount representing interest	(28,738)
Present value of net minimum lease payments	71,685
Less current portion	(4,615)
Noncurrent portion	$ 67,070

Lease Rentals

Airports — Airport-Airline Lease Agreement

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

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

Airports — Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal 1996 through 2008 have been transferred to the PAUCF.

Airports — Aviation Fuel Tax

In May 1996, the Department of Taxation issued a tax information release which stated that effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to $3,549,000 for fiscal 2009.

Airports — System Rates and Charges

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

- Landing fees, net of aviation fuel tax credits, amounted to $64,069,000 for fiscal 2009, based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports interisland landing fees for signatory airlines are set at 37% of the Airports landing fees for overseas flights.

- Nonexclusive joint-use premise charges for terminal rentals amounted to $35,063,000 for fiscal 2009. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per revenue passenger landing.

- Exclusive use premise charges amounted to $35,118,000 for fiscal 2009, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to $17,841,000 for fiscal 2009.

- Airports system support charges amounted to $874,000 for fiscal 2009. The charges were established to recover residual costs of the Airports system and are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports system interisland support charges for nonsignatory airlines are set at 32% of the Airports system support charges for overseas flights.

Airports — Other Operating Leases

Airports leases building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a basic minimum rent. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2009, was approximately $46,199,000.

In fiscal 2006, Airports converted certain past-due amounts from three lessees into promissory notes. The notes bear interest at rates ranging from 0% to 5%, and are due over periods ranging from zero to nine years. The balance of $2,598,000 at June 30, 2009, is due as follows: 2010 — $2,487,000; 2011 — $12,000; 2012 — $12,000; and $87,000 thereafter.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kona International Airport at Keahole retail concession, accounted for approximately 40% of total concession fees revenues for the fiscal year ended June 30, 2009.

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

In February 2001, DFS was awarded a five-year lease agreement for the retail concession at the Honolulu International Airport, with the term commencing on March 15, 2001, and terminating on March 14, 2006. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) minimum annual guarantee rent ($9,950,000 during the last year of the five-year term.) In December 2005, the lease agreement was amended, whereby the lease period was extended for an additional 36 months, commencing on March 15, 2006. The lease rent remained the same as that which was in effect during the lease year ended March 14, 2006.

Harbors — Aloha Tower Complex Development

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

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

The developer later went into bankruptcy. The subsequent operator of the marketplace assumed the obligations of the sublease and the Operations Agreement in March of 1998. This replacement operator has also gone through a bankruptcy proceeding and there is a new operator who has assumed the same obligations. Although the marketplace construction was substantially completed, several items on Harbors' construction punch list have yet to be completed and are being pursued with the new operator.

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

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

Revenues for the fiscal year ended June 30, 2009, amounted to $24,334,000 and have been included in rental revenues.

Harbors — Leasing Operations

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

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2009 (amounts expressed in thousands):

	Proprietary Funds		
Fiscal Year	Airports	Harbors	Total
2010	$ 92,919	$ 8,305	$ 101,224
2011	86,031	8,461	94,492
2012	80,928	8,280	89,208
2013	68,797	7,981	76,778
2014	61,522	7,824	69,346
2015─2019	128,000	25,475	153,475
2020─2024	16,334	21,201	37,535
2025─2029	9,711	18,176	27,887
2030─2034	2,101	13,934	16,035
2035─2039	976	7,502	8,478
2040─2044	-	4,925	4,925
2045─2049	-	2,715	2,715
2050─2054	-	2,697	2,697
2055─2059	-	1,988	1,988
	$ 547,319	$ 139,464	$ 686,783

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2009, net direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 59,109
Less amount representing interest	(28,456)
	30,653
Cash with trustee and other	4,334
	$ 34,987

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2009, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2010	$ 3,398
2011	3,716
2012	2,765
2013	2,777
2014	2,778
2015–2019	13,890
2020–2024	7,651
2025–2029	26,002
	$ 62,977

10. SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC include approximately $18,800,000 of amounts due from the State related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual $2.2 million payments to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights and the net present value of the estimated future cash flows from the State using and imputed interest rate. As of June 30, 2009, amounts due from the State included approximately $18,800,000 of principal, net of approximately $3,223,000 of imputed interest, and approximately $306,000 of accrued interest receivable.

Hawaii Health Systems Corporation

HHSC received a $14,000,000 advance from the State to relieve its cash flow shortfall. At June 30, 2009, the full amount was not yet repaid to the State. HHSC also received $13,000,000 in advances from the State of which $3,000,000 is due in 2010.

Hawaii Tourism Authority

In October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Hawaii Convention Center, which is managed by the HTA. In 1999, the State and HTA agreed on a reimbursement schedule whereby HTA's repayments to the State for debt service are to be funded by an allocated portion of the HTA's transient accommodation tax revenue collections and revenue generated from the operation of the Hawaii Convention Center. The terms of the repayment plan requires the HTA to reimburse the State for principal and interest payments at an imputed interest rate of 6% through January 1, 2025. At June 30, 2009, the outstanding principal and aggregate interest amounts required to be reimbursed by the HTA was $267,085,000 and

$155,773,000, respectively. For the year ended June 30, 2009, the HTA was required to reimburse the State $26,429,000 for principal and interest. HTA's scheduled repayments to the State for each of the next five years and thereafter in five-year are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Total
2010	$ 10,405	$ 16,025	$ 26,430
2011	11,030	15,401	26,431
2012	11,690	14,739	26,429
2013	12,390	14,038	26,428
2014	13,135	13,294	26,429
2015─2019	78,475	53,662	132,137
2020─2024	105,025	27,118	132,143
2025─2029	24,935	1,496	26,431
	$ 267,085	$ 155,773	$ 422,858

Subsequent to June 30, 2005, the HTA was informed by the State that it was required to meet its debt service payments for the period from July 1, 2000 to June 30, 2002. The HTA strongly disagreed and is currently in discussions with the State. If the HTA does not prevail, its liability to the State will increase by $52,873,000, consisting of principal and interest of $12,690,000, and 40,183,000, respectively.

Hawaii Hurricane Relief Fund

On June 25, 2002, Act 179 was signed into law by the Governor of the State of Hawaii. The law provides that all interest earned from the principal in the Hurricane Relief Fund be transferred and deposited into the State General Fund each year that the Hurricane Relief Fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2009, interest earned and transferred into the State General Fund amounted to $6,362,000.

11. RETIREMENT BENEFITS

Employee Retirement System

Plan Description

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

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

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

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

Funding Policy

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

The State's contribution requirements as of June 30, 2009, 2008, and 2007, were approximately $387,748,000, $377,475,000, and $356,916,000, respectively. The State contributed 100% of its required contribution for those years. Covered payroll for the fiscal year ended June 30, 2009, was approximately $2,835,096,000.

Post-Retirement Health Care and Life Insurance Benefits

Plan Descriptions

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was

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

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

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

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with at less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with at less than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Funding Policy and Annual OPEB Cost

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

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

conformity with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* as amended.

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

The State is required by GASB 45 to obtain an actuarial valuation every other year, therefore, no actuarial valuation was performed for July 1, 2008.

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

The State's base contribution levels are currently tied to the pay-as-you-go amount necessary to provide current benefits to retirees. The State's annual OPEB cost for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters in GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, the net OPEB liability, and the funding status for each of the plans for each of the plans for the fiscal year ended June 30, 2009 (amounts in thousands):

	EUTF	HSTA VEBA
Annual required contribution	$ 437,550	$ 144,369
Interest on net OPEB obligation	13,439	6,328
Adjustment to annual required contribution	(11,422)	(5,415)
Annual OPEB cost	439,567	145,282
Contributions made	(158,584)	(15,391)
Increase in net OPEB obligation	280,983	129,891
Net OPEB obligation — beginning of year	268,791	126,558
Net OPEB obligation — end of year	549,774	256,449
Actuarial accrued liability (AAL) July 1, 2007	7,192,331	1,596,561
Funded OPEB plan assets	-	-
Unfunded actuarial accrued liability (UAAL) July 1, 2007	7,192,331	1,596,561
Funded ratio	- %	- %
Covered payroll	1,782,000	680,000
UAAL as percentage of covered payroll	404%	235%

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and the preceding year were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	NET OPEB Obligation
EUTF	June 30, 2009	$ 439,567	36.1%	$ 549,774
	June 30, 2008	$ 429,195	38.6%	$ 268,791
HSTA VEBA	June 30, 2009	$ 145,282	10.6%	$ 256,449
	June 30, 2008	$ 138,954	8.9%	$ 126,558

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

Actuarial Methods and Assumptions

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

	EUTF	HSTA VEBA
Actuarial valuation date	July 1, 2007	July 1, 2007
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years (closed)	30 years (closed)
Asset valuation method	N/A	N/A
Actuarial assumptions:		
Investment rate of return	5%	5%
Projected salary increases	3.5%	3.5%
Healthcare inflation rate	9.5% initial	9.5% initial
Medical & Rx Pre-65	5% ultimate 10.0% initial	5% ultimate 10.0% initial
Medical & Rx Post-65	5% ultimate	5% ultimate

12. COMMITMENTS AND CONTINGENCIES

Commitments

General Obligation Bonds — The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2009, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds:	
Highways	$ 41,336
Agriculture	7,491
Natural Resources	3,421
All Other	731
	$ 52,979

Accumulated Sick Leave — Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a state employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2009, accumulated sick leave was approximately $1,552,272,000.

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

Guarantees of Indebtedness — The State is authorized to guarantee indebtedness of others at a maximum amount of approximately $193,500,000 for aquacultural loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units — HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2009.

Proprietary Fund Type — Enterprise Funds

Construction and Service Contracts

At June 30, 2009, the Enterprise Funds had commitments of approximately $326,515,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable

financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the fiscal years ended June 30, 2009, 2008, and 2007, approximated $1,171,000, $6,106,000, and $12,462,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as Part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement will pay the State approximately $1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State has received approximately $60,358,000 during the fiscal year ended June 30, 2009. As of June 30, 2009, the State expects to receive $26,900,000 for the first six months of fiscal 2010.

Office of Hawaiian Affairs

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States re-conveyed title to those lands (collectively, the "Ceded Lands") to the State and Ceded Lands to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. In 1978, the State Constitution was amended expressly to provide that the Ceded Lands were to be held as a public trust for native Hawaiians and the general public, and to establish the OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands to better the conditions of native Hawaiians.

In 1979, the Legislature adopted HRS Chapter 10 ("Chapter 10"), which, as amended in 1980, specified, among other things, that OHA expend 20% of all funds derived by the State from the Ceded Lands for the betterment of native Hawaiians.

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

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

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

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

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

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

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

The Legislature took no action during the 2002, 2003, and 2004 legislative sessions to establish a new mechanism for establishing how much OHA was entitled to receive from the Ceded Lands. On January 10, 2003, and pending legislative action to establish such a mechanism, the Governor issued Executive Order No. 03-03 directing state agencies to resume transferring 20% of receipts from leases,

licenses, and permits indisputably paid for the use of improved or unimproved parcels of Ceded Lands to OHA, if federal or state law did not preclude all or any portion of the receipt from being used to better the conditions of native Hawaiians, and the transfer of all or any portion of the receipt to OHA would not cause the agency to renege on a preexisting pledge, rate covenant, or other preexisting obligation to holders of revenue bonds or other indebtedness of the State or the agency. In Act 34, SLH 2003, the legislature appropriated moneys from the various funds into which the Ceded Lands receipts had been deposited after the decision in OHA I was issued and agencies ceased making payments to OHA, and directed the agencies to pay them to OHA.

OHA continues to pursue claims for a portion of the revenues from the Sources and other Ceded Lands that were made in *OHA I*. On July 21, 2003, OHA filed a new lawsuit, *OHA et al. v. State of Hawaii*, et al., Civil No. 03-1-1505-07 ("*OHA II"*). In September 1996, the Office of the Inspector General of the U.S. Department of Transportation (DOT) issued a report ("IG Report") concluding that payments to OHA between 1992 and 1995 of $28.2 million by the Hawaii Department of Transportation was a diversion of airport revenues in violation of applicable federal law as OHA provided no airport services in return. The Attorney General of Hawaii disagreed with the IG Report's conclusion, stating in November 1996 that the payments to OHA were an operating cost of the Airports and not a diversion of airport revenues. In May 1997, the Acting Administrator of the FAA concurred in writing ("FAA Memorandum") with the IG Report and opposed the Hawaii Attorney General's position. In support of its appeal of the circuit court's *OHA I* decision to the Hawaii Supreme Court, but differing with the original position of the Attorney General, the State noted in its May 1997 amended opening brief that "unless the federal government's position set forth in the IG Report changes, Act 304 prohibits the State from paying OHA airport-related revenues." In its June 1997 reply brief, the State stated that the "DOT Inspector General's determination shows that the federal government is on its way to finding such payments illegal and requiring the State to reimburse past payments of airport-related revenues to OHA." In November 1997, the Department of Transportation and Related Agencies Appropriation Act, 1998, PL 105-66, 1997 HR 2169 ("DOT Appropriation Act") was enacted into federal law. Section 340 of the DOT Appropriation Act (Section 340) essentially provides that in exchange for there being no further payments of airport revenues for claims related to Ceded Lands, any such payments received prior to May 1, 1996 need not be repaid. The Hawaii Attorney General submitted enactment of Section 340 to the Hawaii Supreme Court in December 1997, "for the Court's use" in conjunction with the *OHA I* appeal, whereupon the Court requested the parties to submit supplemental briefs to address whether Section 340 affected the Court's interpretation of Act 304. The State, in its March 1998 supplemental brief, stated, inter alia, that paying OHA a pro rata share of airport moneys violated federal law, and that there was no live, ripe controversy regarding those payments because the DOT Appropriation Act relieved the State and OHA of any obligation to return improper past payments.

Despite the adverse *OHA I* decision, the Plaintiffs in *OHA II* sued the State for alleged breaches of fiduciary duties as purported trustee of the Ceded Lands public trust, alleged violations of Act 304, Chapter 10, and Article XII, Sections 4, 5, and 6 of the Hawaii Constitution, violations of the Contract Clause of the U.S. Constitution, and misrepresentation and nondisclosure, by the following alleged acts (but not limited to these acts): (1) failing to oppose the positions set forth in the FAA Memorandum; (2) resolving its dispute with the FAA by obtaining a forgiveness of the prior $28.2 million payment in exchange for a promise not to make future airport revenue payments to OHA and not to appeal the positions set forth in the FAA Memorandum; (3) breaching the trust duty of impartiality by not opposing

the positions set forth in the FAA Memorandum in order to use them as a sword in *OHA I*; (4) failing to timely advise OHA that the State was not going to continue to oppose the positions set forth in the FAA Memorandum or IG Report, and that it was planning to settle with the federal government, in order to provide OHA with a fair opportunity to take measures to step into the State's position to oppose the FAA; and (5) failing to obtain instructions from the Court on how to proceed given the State's conflict between defending the State against OHA in *OHA I*, and having a duty to oppose the positions set forth in the FAA Memorandum.

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

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

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

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

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

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

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

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

OHA also filed suit against the Hawaii Housing Authority (the "HHA", since succeeded by the HPHA, as described below), the executive director of the HHA, the board members of the HHA and the Director of Finance on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95-2682-07 (1st Cir.)) to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in the State's appeal in *OHA I*. OHA disagrees that the repeal and revival of the pre-*Yamasaki* law by the Hawaii Supreme Court's September 12, 2001, decision in *OHA I* should also require dismissal of the claims OHA makes in *OHA v. HHA*, and the case remains pending.

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

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

Department of Hawaiian Home Lands

Individual Claims

In 1991, the State Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (the "HHCA") to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

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

In 1997, the Legislature declared its intent to postpone acting upon the panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000, to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999. As of September 30, 1999, the Panel had not reviewed claims from 1,376 claimants, and all but the claims of two claimants had not been acted upon by the Legislature.

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

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

On March 30, 2000, the three named-plaintiffs in *Kalima I* filed a second class action lawsuit in the State circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and the State Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674. *Kalima, et al. v. State of Hawaii, et al.,* Civil No. 00-1-1041-03 (1st Cir.) *("Kalima II").* All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in *Kalima I* that are common to both *Kalima I* and *Kalima II.*

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

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

The plaintiffs have since filed a first and second amended complaint to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly *ultra vires* rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent's or spouse's homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered, and (9) other allegedly wrongful conduct. The court granted the plaintiffs' motion to try the waiting subclass' claims separately and first.

By orders entered on August 6, and August 25, 2009, respectively, two new waiting list subclass representative plaintiffs were added, and the claims of one of the two previously named waiting list subclass representatives were dismissed. Trial on the liability portion of the waiting list subclass' claims began on August 4, 2009 and on November 3, 2009 the circuit judge for the case ruled that the State committed various breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches. The State should have to secure leave of the court to appeal the court's ruling.

Nelson et al., v. Hawaiian Homes Commission

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

The *Nelson* plaintiffs allege all defendants breached their duties under article XII, sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural, and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch, and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature,

and otherwise enforcing the provisions of article XII, sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (the "HHC Act") by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of section 207(a) of the HHC Act.

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

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

On September 23, 2009, a final judgment was filed, and the plaintiffs are expected to appeal the summary judgment entered in favor of defendants and rejecting the plaintiffs' claims that the Legislature, State, or any State agency or employee is required to provide a particular amount of money for DHHL and its programs. A three-judge panel of the Intermediate Court of Appeals heard oral argument on September 8, 2010, and the appeal is presently under advisement.

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

Employees' Retirement System

In *Kaho'ohanohano, et al. v. State of Hawaii*, Civil No. 02-1-1001-04 (GWBC) (1st Cir.), the plaintiffs challenged certain legislation enacted by the State Legislature in 1999 ("Act 100"). Act 100 authorized the State to apply the Employees' Retirement System's ("ERS" or the "System") actuarial investment earnings in excess of 10% for fiscal years 1997 and 1998 toward the State and county

employees' annual contributions to the pension accumulation of the ERS fund. The plaintiffs asked the court to declare Act 100 unconstitutional, to enjoin the State from taking future actions inconsistent with Article XVI, Section 2 of the Hawaii Constitution, and to require the State to pay damages to the ERS in the amount of $346,900,000 plus lost earnings and pre- and post-judgment interest, costs, and attorneys' fees.

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

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

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

court to fashion the order the Supreme Court directed the circuit court to enter, and, if necessary, to address the ERS' trustees' remaining declaratory judgment claims. The State intends to defend vigorously against the claims against the State in the above case.

Hawaii Employer-Union Health Benefits Trust Fund

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

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

Department of Education

Consolidated class action cases have been brought against the State Department of Education (DOE) on behalf of substitute teachers in accordance with the rate provided in the Hawaii Revised Statutes from July 1, 1996 to June 30, 2005. This case was decided by the Hawaii Intermediate Court of Appeals on October 30, 2009. The court held that the State had underpaid its substitute teachers during the period July 1, 1996 to June 30, 2005. The Hawaii Supreme Court denied the State's application for a writ of

certiorari. The case will return to circuit court for determination of damages and attorney's fees. The State is unable to predict with reasonable certainty the magnitude of its potential liability.

Other

On April 14, 2008, in *Hawaii Insurers Council v. Lingle*, 184 P.3d 769 (Haw. App. 2008), the Hawaii Intermediate Court of Appeals ruled that past assessments of insurers by the Insurance Division of the Department of Commerce and Consumer Affairs were unlawful taxes rather than regulatory fees. This ruling may impact other specially funded state programs. The State is currently unable to predict with reasonable certainty the magnitude of the impact of this ruling on its specially funded State programs, if any. The Hawaii Supreme Court has taken the matter up on appeal. No hearing has yet been scheduled. The State intends to defend vigorously against the claims against the State in the above case.

13. RISK MANAGEMENT

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

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is $175,000,000, except for flood and earthquake which individually is a $175,000,000 aggregate loss and terrorism which is $50,000,000 per occurrence and a $50,000 deductible.

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

General Liability (Including Torts)

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

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

Medical Insurance

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

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses are administered by third-party administrators. The State administers its workers' compensation losses.

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2009, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net assets as those losses will be liquidated with future expendable resources. The estimated losses will be paid from legislative appropriations of the State's General Fund. The following table represents changes in the amount of the estimated losses and the loss adjustment costs at June 30, 2009 and 2008 (amounts expressed in thousands):

	2009	2008
Unpaid losses and loss adjustment costs — beginning of the fiscal year	$ 155,303	$ 175,509
Incurred losses and loss adjustment costs:		
Provision for insured events of current fiscal year	27,534	21,162
Decrease in provision for insured events of prior fiscal years	(5,977)	(8,129)
Total incurred losses and loss adjustment costs	21,557	13,033
Payments:		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(5,028)	(9,531)
Losses and loss adjustment costs attributable to insured events of prior fiscal years	(21,071)	(23,708)
Total payments	(26,099)	(33,239)
Unpaid losses and loss adjustment costs — end of the fiscal year	$ 150,761	$ 155,303

14. SUBSEQUENT EVENTS

General Obligation Bonds

On February 18, 2010, the State issued $500,000,000 and $221,625,000 of General Obligation Bonds of 2010, Taxable Series DX (Build America Bonds – Direct Payment) and General Obligation Refunding Bonds of 2010, Series DY, respectively. The Series DY Bond proceeds were used to advance refund outstanding general obligation bonds previously issued. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds.

On November 24, 2009, the State issued $204,140,000, $6,260,000, $46,855,000, and $36,425,000 of General Obligation Refunding Bonds of 2009, Series DT, General Obligation Refunding Bonds of 2009, Series DU, General Obligation Refunding Bonds of 2009, Series DV, and General Obligation Refunding Bonds of 2009, Series DW, respectively. The Series DT, DU, DV, and DW Bond proceeds were used to advance refund outstanding general obligation bonds previously issued. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds.

On November 5, 2009, the State issued $32,000,000 of Taxable General Obligation Bonds of 2009 (Qualified School Construction Bonds), Series DS (Tax Credit Bonds). The Series DS Bonds were issued for the purpose of financing the costs of construction, rehabilitation, or repair of school facilities throughout the State.

Department of Transportation – Harbors Division

On January 12, 2010, Moody's Investors Service ("Moody's"), downgraded the rating of the outstanding Harbors Division Revenue Bonds to A2 from A1. Moody's downgrade was based on declining debt service coverage levels that has accelerated in recent years due to declines in cargo and cruise passenger volume. Moody's rating outlook for Harbors Division is stable based on the current cash reserves and Moody's expectations that debt service coverage will remain between 1.25 times and 1.75 times.

Department of Transportation – Airports Division

On April 7, 2010, the State issued $478,980,000 and $166,000,000 of Airports System Revenue Bonds Series 2010A and Airports Systems Revenue Bonds Refunding Series 2010B, respectively. The series 2010A were issued for the purpose of financing the cost of capital improvement projects at certain facilities of the State's Airports System. The Series 2010B were used to advance refund the Refunding Series 2000A and Refunding Series 2000B. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding revenue bonds.

15. RESTATEMENTS

Subsequent to the issuance of the State's fiscal year 2008 financial statements, management determined that the financial statements were misstated. As a result, certain amounts in the Government-Wide financial statements – Proprietary Funds and Component Units have been restated from the amounts previously reported. The restatements are summarized below and are recorded as adjustments to the beginning net assets of the Government-Wide – Proprietary Funds and Component Units' financial statements.

Proprietary Funds:

Subsequent to the issuance of the Harbors 2008 financial statements, management determined that it had included an incorrect amount relating to its proportionate share of the pooled investment fund. The effect of the error was a $2,306,000 understatement of cash and cash equivalents in the Statement of Net Assets as of June 30, 2008, and a corresponding overstatement of the net decrease in the fair value of pooled cash balances invested by the State of Hawaii in the Statement of Activities for the year ended June 30, 2008. Accordingly, Harbors Division's cash and cash equivalents and unrestricted net assets as of June 30, 2008, were increased by $2,306,000.

Subsequent to the issuance of the EUTF 2008 financial statements, management determined that it had not recognized rebates due to the EUTF of $1,673,000 as of June 30, 2008, and losses related to the other than temporary impairment of the auction rate securities in the State's investment pool of $959,000 as of that date. As a result of these misstatements, the following balances as of June 30, 2008, were adjusted: rebates receivable was increased by $1,673,000, cash and cash equivalents was decreased by $959,000, and net assets was increased by $714,000.

The effect of the abovementioned restatements on net assets is as follows (amounts expressed in thousands):

	Proprietary Funds				
	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
NET ASSETS — June 30, 2008 — as previously reported	$ 1,582,433	$ 634,661	$ 538,371	$ 446,348	$ 3,201,813
ADJUSTMENTS:					
Decrease in the fair value of pooled cash balance	-	2,306	-	-	$ 2,306
Recognition of rebates receivable	-	-	-	1,673	1,673
Fair value adjustments	-	-	-	(959)	(959)
TOTAL ADJUSTMENTS	-	2,306	-	714	3,020
NET ASSETS — June 30, 2008 — as restated	$ 1,582,433	$ 636,967	$ 538,371	$ 447,062	$ 3,204,833

Component Units:

Subsequent to the issuance of the HHFDC 2008 financial statements, HHFDC determined that revenue in 2008 was understated by $1,000,000. Accordingly, HHFDC's net assets as of June 30, 2008, were increased by $1,000,000. This correction is not considered material by the State. The effect of this restatement on net assets is as follows (amounts expressed in thousands):

	Component Units	
	Hawaii Housing Finance and Development Corporation	Total Component Units
NET ASSETS — June 30, 2008 — as previously reported	$ 378,347	$ 2,990,386
ADJUSTMENTS:		
Allotment revenue	1,000	1,000
NET ASSETS — June 30, 2008 — as restated	$ 379,347	$ 2,991,386

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
NET ASSETS — June 30, 2008 — as previously reported	$ 5,018,601	$ 3,201,813	$ 8,220,414	$ 2,990,386
ADJUSTMENTS:				
Decrease in the fair value of pooled cash balances	-	2,306	2,306	-
Recognition of rebates receivable	-	1,673	1,673	-
Fair value adjustments	-	(959)	(959)	-
Allotment Revenue	-	-	-	1,000
Total adjustments	-	3,020	3,020	1,000
NET ASSETS — June 30, 2008 — as restated	$ 5,018,601	$ 3,204,833	$ 8,223,434	$ 2,991,386

Employer Union Trust Fund – Trust Fund – Subsequent to the issuance of the June 30, 2008, Comprehensive Annual Financial Report, the GASB released amended guidance affecting the EUTF – Trust Fund's financial reporting of its retiree healthcare benefits. Under the amended guidance, the EUTF-Trust Fund determined its retiree healthcare benefits do not meet the criteria of a trust or equivalent arrangement. Accordingly, the EUTF-Trust Fund retroactively changed the financial statement presentation from presenting a Statement of Plan Net Assets and Statement of Changes in Plan Net Assets to a Statement of Fiduciary Net Assets – Agency Fund.

* * * * * *

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Med-Quest Special Revenue Fund — Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis)

Notes to Required Supplementary Information — Budgetary Control

Schedules of Funding Progress — EUTF

Schedules of Funding Progress — HSTA VEBA

STATE OF HAWAII

GENERAL FUND
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:				
Taxes:				
General excise tax	$ 2,802,877	$ 2,474,483	$ 2,461,618	$ (12,865)
Net income tax:				
Corporations	87,259	77,544	53,522	(24,022)
Individuals	1,704,491	1,448,442	1,338,451	(109,991)
Inheritance and estate tax	-	-	274	274
Liquor permits and tax	48,241	44,715	47,242	2,527
Public service companies tax	140,684	135,522	126,069	(9,453)
Tobacco tax	89,559	91,203	76,955	(14,248)
Tax on premiums of insurance companies	94,000	88,000	93,720	5,720
Franchise tax (banks and other financial institutions)	19,834	15,002	26,075	11,073
Transient accommodations tax	12,054	12,054	13,566	1,512
Other taxes, primarily conveyances tax	15,217	8,494	8,768	274
Total taxes	5,014,216	4,395,459	4,246,260	(149,199)
Non-taxes:				
Interest and investment income	49,324	34,014	28,704	(5,310)
Charges for current services	195,293	207,737	213,074	5,337
Intergovernmental	5,513	5,302	3,884	(1,418)
Rentals	2,001	603	461	(142)
Fines, forfeitures, and penalties	530	23,823	23,787	(36)
Licenses and fees	1,002	1,006	738	(268)
Revenues from private sources	2,800	2,805	1,607	(1,198)
Debt service requirements	42,878	44,702	45,806	1,104
Other	175,590	178,117	259,957	81,840
Total non-taxes	474,931	498,109	578,018	79,909
Total revenues	5,489,147	4,893,568	4,824,278	(69,290)
EXPENDITURES:				
General government	720,074	786,780	663,821	122,959
Public safety	251,588	264,888	248,995	15,893
Highways	-	1,000	-	1,000
Conservation of natural resources	36,757	41,966	32,334	9,632
Health	444,130	457,479	441,792	15,687
Hospitals	53,623	78,746	76,601	2,145
Welfare	678,724	699,657	636,705	62,952
Lower education	2,165,331	2,249,497	2,192,506	56,991
Higher education	728,300	745,072	731,649	13,423
Other education	5,458	5,492	5,069	423
Culture and recreation	41,682	45,167	41,740	3,427
Urban redevelopment and housing	884	964	608	356
Economic development and assistance	26,938	30,209	26,022	4,187
Housing	20,568	21,641	20,557	1,084
Social security and pension contributions	200,055	237,759	223,876	13,883
Other	-	4,176	3,087	1,089
Total expenditures	5,374,112	5,670,493	5,345,362	325,131
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	115,035	(776,925)	(521,084)	255,841
OTHER FINANCING SOURCES — Transfers in	24,904	38,501	227,733	189,232
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	$ 139,939	$ (738,424)	$ (293,351)	$ 445,073

STATE OF HAWAII

MED-QUEST SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:				
Taxes:				
Liquid fuel tax:				
Highways	$ -	$ -	$ -	$ -
Boating	-	-	-	-
Airports	-	-	-	-
Vehicle registration fee tax	-	-	-	-
State vehicle weight tax	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-
Employment and training fund assessment	-	-	-	-
General excise tax	-	-	-	-
Tobacco tax	-	-	-	-
Conveyances tax	-	-	-	-
Environmental response tax	-	-	-	-
Hospital and nursing facility tax	-	-	-	-
Transient accommodations tax	-	-	-	-
Franchise tax	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-
Total taxes	-	-	-	-
Non-taxes:				
Interest and investment income	-	-	31	31
Charges for current services	-	-	23	23
Intergovernmental	646,365	646,365	884,689	238,324
Rentals	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-
Licenses and fees	-	-	-	-
Revenues from private sources	-	-	-	-
Other	32,000	32,000	18,280	(13,720)
Total non-taxes	678,365	678,365	903,023	224,658
Total revenues	678,365	678,365	903,023	224,658
EXPENDITURES:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways	-	-	-	-
Conservation of natural resources	-	-	-	-
Health	-	-	-	-
Hospitals	-	-	-	-
Welfare	1,055,620	1,055,620	912,804	142,816
Lower education	-	-	-	-
Higher education	-	-	-	-
Other education	-	-	-	-
Culture and recreation	-	-	-	-
Urban redevelopment and housing	-	-	-	-
Economic development and assistance	-	-	-	-
Airports	-	-	-	-
Water transportation and terminals	-	-	-	-
Housing	-	-	-	-
Other	-	-	-	-
Total expenditures	1,055,620	1,055,620	912,804	142,816
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (377,255)	$ (377,255)	$ (9,781)	$ 367,474

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION − BUDGETARY CONTROL

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2007 (Act 213, SLH of 2007) and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2007 — 2009 biennial budget.

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

The final legally adopted budget in the accompanying General Fund Schedule of Revenues and Expenditures — Budget and Actual (Budgetary Basis) represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2009, there were no expenditures in excess of appropriations in the individual funds.

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

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

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2009, follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess of revenues and other sources over expenditures — actual (budgetary basis)	$ (521,084)	$ (9,781)
Transfers	227,733	(3,106)
Excess of revenues and over expenditures — actual (budgetary basis)	(293,351)	(12,887)
Reserve for encumbrances at fiscal year end *	225,658	60,798
Expenditures for liquidation of prior fiscal year encumbrances	(377,765)	(42,525)
Revenues and expenditures for unbudgeted programs and capital projects accounts — net	(45,771)	-
Expenditures and operating transfers	-	(2,684)
Tax refunds payable	(11,569)	-
Accrued liabilities	(176,372)	(71,912)
Accrued revenues	(110,168)	73,787
Net change in fund balance — GAAP basis	$ (789,338)	$ 4,577

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

SCHEDULES OF FUNDING PROGRESS

(Amounts in millions)

Primary Government:

EUTF

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/07	$ -	$7,192	$7,192	- %	$1,782	403.6%

HSTA-VEBA

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/07	$ -	$1,597	$1,597	- %	$680	234.8%

Note: No actuarial valuation was made for July 1, 2009

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

Administrative Support — Accounts for programs of certain administrative agencies.

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

DEBT SERVICE FUND

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

`

STATE OF HAWAII

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009
(Amounts in thousands)

	Special Revenue Funds						
	Highways	Natural Resources	Health	Human Services	Education	Economic Development	Employment
ASSETS							
CASH AND CASH EQUIVALENTS	$ 37,154	$ 54,145	$ 67,784	$ 25,972	$ 74,404	$ 8,710	$ 11,885
RECEIVABLES:							
Accrued interest	4,138	686	1,444	10	305	253	215
Notes and loans — net	-	16,071	-	-	-	10	-
Other	24,900	-	-	-	-	-	-
DUE FROM OTHER FUNDS	-	-	-	-	-	-	-
INVESTMENTS	135,103	40,880	87,510	441	27,370	13,996	15,808
OTHER ASSETS	-	1	-	-	-	-	-
TOTAL	$ 201,295	$ 111,783	$ 156,738	$ 26,423	$ 102,079	$ 22,969	$ 27,908
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Vouchers and contracts payable	$ 18,499	$ 5,979	$ 37,322	$ 4,378	$ 7,755	$ 1,205	$ 3,902
Other accrued liabilities	358	941	1,790	192	1,959	242	1,098
Due to other funds	-	-	-	22,000	-	-	-
Payable from restricted assets — matured	-	-	-	-	-	-	-
bonds and interest payable	-	-	-	-	-	-	-
Total liabilities	18,857	6,920	39,112	26,570	9,714	1,447	5,000
FUND BALANCES:							
Reserved for:							
Continuing appropriations	165,060	36,535	55,288	54,094	36,345	18,157	3,042
Receivables and advances	-	14,024	-	-	-	33	-
Bond redemption and other	-	16,506	-	-	-	-	-
Unreserved for Special Revenue Funds:							
Designated for future expenditures	25,903	60,168	-	-	761	4,500	-
Undesignated	(8,525)	(22,370)	62,338	(54,241)	55,259	(1,168)	19,866
Total fund balances	182,438	104,863	117,626	(147)	92,365	21,522	22,908
TOTAL	$ 201,295	$ 111,783	$ 156,738	$ 26,423	$ 102,079	$ 22,969	$ 27,908

Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Regulatory	Hawaiian Programs	Administrative Support	All Other	Total		
$ 15,196	$ 105,916	$ 66,589	$ 25,063	$ 492,818	$ 694	$ 493,512
452	1,128	644	186	9,461	-	9,461
-	59,004	-	-	75,085	-	75,085
-	-	-	-	-	-	-
-	(2)	-	-	24,898	-	24,898
-	550	-	-	550	68	618
27,703	99,470	78,405	13,230	539,916	-	539,916
-	-	-	-	1	-	1
$ 43,351	$ 266,066	$ 145,638	$ 38,479	$ 1,142,729	$ 762	$ 1,143,491
$ 305	$ 16,039	$ 8,169	$ 5,838	$ 109,391	$ -	$ 109,391
1,099	251	1,334	698	9,962	-	9,962
-	7,000	-	895	29,895	-	29,895
-	-	-	-	-	-	-
-	-	-	-	-	694	694
1,404	23,290	9,503	7,431	149,248	694	149,942
3,939	2,832	56,889	14,120	446,301	22,002	468,303
-	57,159	-	-	71,216	-	71,216
-	145,221	-	-	161,727	-	161,727
-	31,703	28,388	17,316	168,739	-	168,739
38,008	5,861	50,858	(388)	145,498	(21,934)	123,564
41,947	242,776	136,135	31,048	993,481	68	993,549
$ 43,351	$ 266,066	$ 145,638	$ 38,479	$ 1,142,729	$ 762	$ 1,143,491

STATE OF HAWAII

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Special Revenue Funds						
	Highways	Natural Resources	Health	Human Services	Education	Economic Development	Employment
REVENUES:							
Taxes:							
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other tax revenue	-	8,326	1,441	-	-	-	406
Transient accommodations tax	-	1,000	-	-	-	-	-
Tobacco and liquor taxes	-	-	9,409	-	-	-	-
Liquid fuel tax	86,151	250	-	-	-	-	-
Tax on premiums of insurance companies		-	-	-	-	-	-
Vehicle weight and registration tax	54,195	-	5,197	-	-	-	-
Rental motor/tour vehicle surcharge tax	39,751	-	-	-	-	-	-
Total taxes	180,097	9,576	16,047	-	-	-	406
Interest and investment income	(8,749)	(2,032)	(4,026)	(24)	(816)	(658)	(644)
Charges for current services	3,994	21,246	63,483	336	37,825	4,980	15,091
Intergovernmental	188,278	19,445	112,155	485,575	180,183	12,560	46,510
Rentals	-	4,317	-	-	226	2,214	-
Fines, forfeitures, and penalties	1,493	307	1,284	-	-	-	528
Licenses and fees	1,572	485	737	101	782	-	-
Revenues from private sources	-	173	60,124	40	111	-	-
Other	6,270	3,963	578	761	55,938	1,713	4,547
Total revenues	372,955	57,480	250,382	486,789	274,249	20,809	66,438
EXPENDITURES —							
Current:							
General government	-	3,914	197	-	-	-	-
Public safety	-	1,919	-	-	-	-	2,230
Conservation of natural resources	-	58,658	9	-	-	-	-
Health	-	-	237,084	-	-	-	-
Welfare	-	-	-	468,302	-	-	-
Lower education	-	-	-	-	243,469	-	-
Other education	-	-	-	15,275	-	-	-
Culture and recreation	-	7,406	-	-	3,743	-	-
Urban redevelopment and housing	-	-	-	-	-	-	-
Economic development and assistance	-	2,531	-	-	-	28,225	64,816
Other	-	14	-	-	-	-	-
Highways	237,695	81	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Total expenditures	237,695	74,523	237,290	483,577	247,212	28,225	67,046
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	135,260	(17,043)	13,092	3,212	27,037	(7,416)	(608)
OTHER FINANCING SOURCES (USES):							
Issuance of GO Refunding Bonds — Par	-	-	-	-	-	-	-
Issuance of GO Refunding Bonds — Premium	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	-
Transfers in	5,337	7,423	11,004	6,997	1,669	269	325
Transfers out	(185,020)	(3,155)	(42,299)	(36,528)	-	(2,052)	(704)
Total other financing (uses) sources	(179,683)	4,268	(31,295)	(29,531)	1,669	(1,783)	(379)
NET CHANGE IN FUND BALANCES	(44,423)	(12,775)	(18,203)	(26,319)	28,706	(9,199)	(987)
FUND BALANCES — Beginning of year	226,861	117,638	135,829	26,172	63,659	30,721	23,895
FUND BALANCES — End of year	$ 182,438	$ 104,863	$ 117,626	$ (147)	$ 92,365	$ 21,522	$ 22,908

Special Revenue Funds					Debt Service Fund	Total Nonmajor Governmental Funds
Regulatory	Hawaiian Programs	Administrative Support	All Other	Total		
$ 2,000	$ -	$ -	$ -	$ 2,000	$ -	$ 2,000
-	-	-	-	10,173	-	10,173
-	-	-	-	1,000	-	1,000
-	-	1,782	(1)	11,190	-	11,190
-	-	-	1,605	88,006	-	88,006
1,461	-	-	-	1,461	-	1,461
	-	-	-	59,392	-	59,392
	-	-	-	39,751	-	39,751
3,461	-	1,782	1,604	212,973	-	212,973
(1,168)	2,560	(1,867)	(492)	(17,916)	-	(17,916)
17,954	3,581	61,015	20,433	249,938	-	249,938
-	1,255	21,903	60,123	1,127,987	-	1,127,987
-	11,304	1,033	1,552	20,646	-	20,646
3,601	-	237	2,651	10,101	-	10,101
12,174	-	16,300	435	32,586	-	32,586
1	-	1,306	39	61,794	-	61,794
121	52,377	6,268	14,681	147,217	305	147,522
36,144	71,077	107,977	101,026	1,845,326	305	1,845,631
-	-	47,852	11,874	63,837	-	63,837
35,763	-	23,009	74,631	137,552	-	137,552
-	-	19	-	58,686	-	58,686
-	-	19	-	237,103	-	237,103
-	-	14,187	332	482,821	-	482,821
-	-	6,806	-	250,275	-	250,275
-	-	-	-	15,275	-	15,275
-	-	12,621	11,173	34,943	-	34,943
-	117,275	-	-	117,275	-	117,275
-	616	233	-	96,421	-	96,421
-	(3,963)	5,124	-	1,175	-	1,175
-	-	-	-	237,776	-	237,776
-	-	-	-	-	401,722	401,722
35,763	113,928	109,870	98,010	1,733,139	401,722	2,134,861
381	(42,851)	(1,893)	3,016	112,187	(401,417)	(289,230)
-	-	-	-	-	327,235	327,235
-	-	-	-	-	22,462	22,462
-	-	-	-	-	(349,697)	(349,697)
2,709	38,031	13,425	9,253	96,442	379,484	475,926
(5,860)	(5,000)	(62,216)	(9,704)	(352,538)	-	(352,538)
(3,151)	33,031	(48,791)	(451)	(256,096)	379,484	123,388
(2,770)	(9,820)	(50,684)	2,565	(143,909)	(21,933)	(165,842)
44,717	252,596	186,819	28,483	1,137,390	22,001	1,159,391
$ 41,947	$ 242,776	$ 136,135	$ 31,048	$ 993,481	$ 68	$ 993,549

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Highways			Natural Resources		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	92,999	86,151	(6,848)	230	250	20
Boating	-	-	-	-	-	-
Vehicle registration fee tax	21,554	20,788	(766)	-	-	-
State vehicle weight tax	31,907	33,407	1,500	-	-	-
Rental/tour vehicle surcharge tax	39,678	39,751	73	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	18,528	8,326	(10,202)
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	1,000	1,000	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	186,138	180,097	(6,041)	19,758	9,576	(10,182)
Non-taxes:						
Interest and investment income	10,000	6,399	(3,601)	2,289	2,037	(252)
Charges for current services	32,900	3,994	(28,906)	19,655	21,246	1,591
Intergovernmental	100,987	188,278	87,291	13,305	19,445	6,140
Rentals	1	-	(1)	2,754	4,317	1,563
Fines, forfeitures, and penalties	1,147	1,493	346	64	307	243
Licenses and fees	1,918	1,572	(346)	438	485	47
Revenues from private sources	-	-	-	1	173	172
Other	-	36,803	36,803	3,098	5,782	2,684
Total non-taxes	146,953	238,539	91,586	41,604	53,792	12,188
Total revenues	333,091	418,636	85,545	61,362	63,368	2,006
EXPENDITURES:						
General government	-	-	-	4,264	3,746	518
Public safety	-	-	-	12,816	7,354	5,462
Highways	313,000	252,514	60,486	-	-	-
Conservation of natural resources	-	-	-	90,425	53,606	36,819
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Other education	-	-	-	-	-	-
Culture and recreation	-	-	-	11,674	7,648	4,026
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	1,346	1,097	249
Other	-	-	-	-	-	-
Total expenditures	313,000	252,514	60,486	120,525	73,451	47,074
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 20,091	$ 166,122	$ 146,031	$ (59,163)	$ (10,083)	$ 49,080

Health			Education		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
5,270	5,197	(73)	-	-	-
-	-	`	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,365	9,409	2,044	-	-	-
-	-	-	-	-	-
1,800	1,441	(359)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,435	16,047	1,612	-	-	-
2,365	2,825	460	424	576	152
102,115	166,746	64,631	31,809	37,826	6,017
97,548	112,277	14,729	204,197	180,183	(24,014)
-	-	-	38	226	188
947	1,284	337	-	-	-
891	737	(154)	732	782	50
53,497	60,123	6,626	10	111	101
104	3,392	3,288	1,780	56,689	54,909
257,467	347,384	89,917	238,990	276,393	37,403
271,902	363,431	91,529	238,990	276,393	37,403
205	204	1	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
431,851	369,719	62,132	-	-	-
-	-	-	-	-	-
-	-	-	462,769	249,759	213,010
-	-	-	-	-	-
-	-	-	4,490	3,906	584
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
432,056	369,923	62,133	467,259	253,665	213,594
$ (160,154)	$ (6,492)	$ 153,662	$ (228,269)	$ 22,728	$ 250,997

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Human Services			Economic Development		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	-	-	-	-	-	-
Boating	-	-	-	-	-	-
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	-	-	-
Non-taxes:						
Interest and investment income	-	17	17	470	662	192
Charges for current services	-	335	335	7,311	4,980	(2,331)
Intergovernmental	306,655	254,098	(52,557)	12,741	12,560	(181)
Rentals	-	-	-	3,552	2,214	(1,338)
Fines, forfeitures, and penalties	-	-	-	-	-	-
Licenses and fees	406	101	(305)	-	-	-
Revenues from private sources	-	40	40	100	-	(100)
Other	-	1,291	1,291	218	1,892	1,674
Total non-taxes	307,061	255,882	(51,179)	24,392	22,308	(2,084)
Total revenues	307,061	255,882	(51,179)	24,392	22,308	(2,084)
EXPENDITURES:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	304,825	224,463	80,362	-	-	-
Lower education	-	-	-	-	-	-
Other education	16,919	14,151	2,768	-	-	-
Culture and recreation	-	-	-	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	64,525	35,922	28,603
Other	-	-	-	-	-	-
Total expenditures	321,744	238,614	83,130	65,625	35,922	29,703
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (14,683)	$ 17,268	$ 31,951	$ (41,233)	$ (13,614)	$ 27,619

Employment			Regulatory		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
420	406	(14)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	2,000	1,461	(539)
420	406	(14)	4,000	3,461	(539)
890	480	(410)	1,205	830	(375)
18,000	15,091	(2,909)	20,695	17,953	(2,742)
23,259	46,510	23,251	-	-	-
-	-	-	-	-	-
100	160	60	751	3,601	2,850
-	-	-	12,423	12,174	(249)
-	-	-	1	1	-
6	3,663	3,657	3,064	2,830	(234)
42,255	65,904	23,649	38,139	37,389	(750)
42,675	66,310	23,635	42,139	40,850	(1,289)
-	-	-	-	-	-
2,916	2,228	688	47,062	38,612	8,450
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
157,344	65,180	92,164	-	-	-
-	-	-	-	-	-
160,260	67,408	92,852	47,062	38,612	8,450
$ (117,585)	$ (1,098)	$ 116,487	$ (4,923)	$ 2,238	$ 7,161

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES — BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)
REVENUES:						
Taxes:						
Unemployment compensation tax	$ -	$ -	$ -	$ -	$ -	$ -
Liquid fuel tax:						
Highways	-	-	-	-	-	-
Boating	-	-	-	-	-	-
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	1,511	1,782	271
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	1,511	1,782	271
Non-taxes:						
Interest and investment income	1,170	610	(560)	1,672	1,389	(283)
Charges for current services	1	3,002	3,001	51,622	63,551	11,929
Intergovernmental	2,000	5,970	3,970	16,531	21,182	4,651
Rentals	7,846	11,036	3,190	6,235	6,456	221
Fines, forfeitures, and penalties	-	-	-	257	237	(20)
Licenses and fees	-	-	-	17,129	16,300	(829)
Revenues from private sources	-	-	-	1,350	1,306	(44)
Other	4,660	8,551	3,891	20,758	990,951	970,193
Total non-taxes	15,677	29,169	13,492	115,554	1,101,372	985,818
Total revenues	15,677	29,169	13,492	117,065	1,103,154	986,089
EXPENDITURES:						
General government	-	-	-	1,054,776	1,010,109	44,667
Public safety	-	-	-	24,854	14,007	10,847
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	335	1	334
Health	-	-	-	4	1	3
Welfare	-	-	-	16,568	12,745	3,823
Lower education	-	-	-	6,500	6,456	44
Other education	-	-	-	-	-	-
Culture and recreation	-	-	-	14,785	11,616	3,169
Urban redevelopment and housing	38,994	24,678	14,316	-	-	-
Economic development and assistance	-	-	-	67	60	7
Other	-	-	-	20,468	4,765	15,703
Total expenditures	38,994	24,678	14,316	1,138,357	1,059,760	78,597
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	$ (23,317)	$ 4,491	$ 27,808	$ (1,021,292)	$ 43,394	$ 1,064,686

All Other			Total Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget — Positive (Negativ
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	93,229	86,402	(6,827)
1,300	1,604	304	1,300	1,604	304
-	-	-	26,824	25,985	(839)
-	-	-	31,907	33,407	1,500
-	-	-	39,678	39,751	73
-	-	-	420	406	(14)
-	-	-	8,876	11,191	2,315
-	-	-	18,528	8,325	(10,203)
-	-	-	1,800	1,441	(359)
-	-	-	1,000	1,000	-
-	-	-	2,000	2,000	-
-	-	-	2,000	1,461	(539)
1,300	1,604	304	227,562	212,973	(14,589)
123	438	315	20,608	16,264	(4,344)
10,633	20,434	9,801	294,740	355,157	60,417
30,940	60,124	29,184	808,163	900,627	92,464
1,912	1,552	(360)	22,338	25,802	3,464
1,010	2,651	1,641	4,277	9,733	5,456
330	435	105	34,267	32,586	(1,681)
-	40	40	54,958	61,794	6,836
7,947	19,565	11,618	41,635	1,131,409	1,089,774
52,895	105,239	52,344	1,280,986	2,533,372	1,252,386
54,195	106,843	52,648	1,508,548	2,746,345	1,237,797
17,228	14,021	3,207	1,076,473	1,028,081	48,392
122,117	77,586	44,531	210,865	139,787	71,078
600	-	600	313,600	252,514	61,086
-	-	-	90,760	53,607	37,153
-	-	-	431,855	369,719	62,136
550	355	195	321,943	237,564	84,379
-	-	-	469,269	256,216	213,053
-	-	-	16,919	14,151	2,768
17,378	11,509	5,869	48,328	34,679	13,649
-	-	-	38,994	24,678	14,316
-	-	-	223,281	102,258	121,023
-	-	-	20,468	4,765	15,703
157,873	103,471	54,402	3,262,755	2,518,019	744,736
$ (103,678)	$ 3,372	$ 107,050	$ (1,754,207)	$ 228,326	$ 1,982,533

(Concluded)

STATE OF HAWAII

NONMAJOR SPECIAL REVENUE FUNDS
RECONCILIATION OF THE BUDGETARY TO GAAP BASIS
JUNE 30, 2009
(Amounts in thousands)

EXCESS OF REVENUES OVER EXPENDITURES — Actual (budgetary basis)	$	228,326
RESERVE FOR ENCUMBRANCES AT YEAR-END*		290,398
EXPENDITURES FOR LIQUIDATION OF PRIOR FISCAL YEAR ENCUMBRANCES		(369,869)
EXPENDITURES FOR UNBUDGETED PROGRAMS, PRINCIPALLY EXPENDITURES FOR CAPITAL PROJECTS ACCOUNTS AND REVOLVING FUNDS		(27,677)
TRANSFERS		126,535
ACCRUED LIABILITIES		(390,693)
ACCRUED REVENUES		255,167
EXCESS OF REVENUES OVER EXPENDITURES — GAAP basis	$	112,187

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

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

ASSETS	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CURRENT ASSETS:				
Cash and cash equivalents	$ -	$ 120,168	$ 24,863	$ 145,031
Receivables:				
Accounts and accrued interest (net of allowance for doubtful accounts of $9,042)	475	2,025	276	2,776
Promissory note receivable (net of allowance for doubtful accounts of $10,298)	-	20,844	3,482	24,326
Other	-	400	552	952
Premiums	22,672	-	-	22,672
Prepaid expenses and other assets	9,328	-	-	9,328
Total current assets	32,475	143,437	29,173	205,085
CAPITAL ASSETS				
Equipment	6,163	-	1,119	7,282
	6,163	-	1,119	7,282
Less accumulated depreciation	(2,244)	-	(846)	(3,090)
Net capital assets	3,919	-	273	4,192
Promissory note receivable	-	232,114	53,037	285,151
Total noncurrent assets	3,919	232,114	53,310	289,343
TOTAL	$ 36,394	$ 375,551	$ 82,483	$ 494,428

(Continued)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009
(Amounts in thousands)

LIABILITIES	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CURRENT LIABILITIES:				
Vouchers and contracts payable	$ 203	$ 143	$ 161	$ 507
Other accrued liabilities	297	-	-	297
Accrued vacation, current portion	33	-	-	33
Premiums payable	55,699	-	-	55,699
Total current liabilities	56,232	143	161	56,536
NONCURRENT LIABILITIES:				
Accrued vacation	79	187	36	302
Other postemployment benefit liability	-	292	84	376
TOTAL	56,311	622	281	57,214
NET ASSETS				
INVESTED IN CAPITAL ASSETS — Net of related debt	2,126	-	272	2,398
RESTRICTED FOR BOND REQUIREMENTS AND OTHER	-	374,929	81,930	456,859
UNRESTRICTED	(22,043)	-	-	(22,043)
TOTAL NET ASSETS	$ (19,917)	$ 374,929	$ 82,202	$ 437,214

(Concluded)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
OPERATING REVENUES:				
Administrative fees	$ 3,144	$ 1,680	$ 1,775	$ 6,599
Other	-	3,252	229	3,481
Total operating revenues	3,144	4,932	2,004	10,080
OPERATING EXPENSES:				
Personnel services	1,155	-	-	1,155
Depreciation	41	7	90	138
Repairs and maintenance	42	-	-	42
General administration	1,040	1,603	1,414	4,057
Other	285	-	-	285
Total operating expenses	2,563	1,610	1,504	5,677
Operating income	581	3,322	500	4,403
NONOPERATING REVENUES (EXPENSES):				
Interest income	(716)	(4,115)	(599)	(5,430)
Other	(32,995)	-	-	(32,995)
Total nonoperating expenses	(33,711)	(4,115)	(599)	(38,425)
INCOME BEFORE CAPITAL CONTRIBUTIONS	(33,130)	(793)	(99)	(34,022)
CAPITAL CONTRIBUTIONS	-	13,798	10,376	24,174
CHANGE IN NET ASSETS	(33,130)	13,005	10,277	(9,848)
NET ASSETS — Beginning of year as previously reported	12,499	361,924	71,925	446,348
Adjustment (Note 15)	714	-	-	714
NET ASSETS — Beginning of year after restatement	13,213	361,924	71,925	447,062
NET ASSETS — End of year	$ (19,917)	$ 374,929	$ 82,202	$ 437,214

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from employees	$ 306,900	$ -	$ -	$ 306,900
Cash paid to suppliers	(1,037)	(135)	(1,076)	(2,248)
Cash paid to employees	(1,011)	(1,299)	(420)	(2,730)
Cash paid for premiums	(358,431)	-	-	(358,431)
Reserves returned by insurance carriers	25,929	-	-	25,929
Interest income from notes receivable	-	3,607	228	3,835
Administrative loan fees	-	1,873	1,710	3,583
Principal repayments on notes receivable	-	21,036	3,128	24,164
Disbursement of notes receivable proceeds	-	(76,013)	(9,983)	(85,996)
Net cash used in operating activities	(27,650)	(50,931)	(6,413)	(84,994)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Net advances to other funds	14,771	-	-	14,771
State capital contributions	-	1,655	1,671	3,326
Proceeds from federal operating grants	-	12,143	9,092	21,235
Net cash provided by noncapital financing activities	14,771	13,798	10,763	39,332
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITY — Acquisition and construction of capital assets	(1,835)	-	(5)	(1,840)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest from Investments	(1,073)	(4,542)	(709)	(6,324)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,787)	(41,675)	3,636	(53,826)
CASH AND CASH EQUIVALENTS — Including restricted amounts — beginning of year (as restated)	15,787	161,843	21,227	198,857
CASH AND CASH EQUIVALENTS — Including restricted amounts — end of year	$ -	$ 120,168	$ 24,863	$ 145,031

(Continued)

STATE OF HAWAII

NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Employer Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Fund	Total Nonmajor Proprietary Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income	$ 581	$ 3,322	$ 500	$ 4,403
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	41	7	90	138
Reserves provided by operating activities	(44,039)	-	-	(44,039)
Premium reserves held by insurance companies	21,919	-	-	21,919
Decrease (increase) in assets:				
Receivables	(11,046)	(54,783)	(6,919)	(72,748)
Prepaid expenses	(2)	-	-	(2)
Increase (decrease) in liabilities:				
Vouchers and contracts payable	58	-	-	58
Other accrued liabilities	(472)	168	(83)	(387)
Accrued interest on loans receivable	5,310	355	(1)	5,664
Net cash used in operating activities	$ (27,650)	$ (50,931)	$ (6,413)	$ (84,994)

(Concluded)

STATE OF HAWAII

FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS — AGENCY FUNDS
JUNE 30, 2009
(Amounts in thousands)

	Agency Funds			Total Agency Funds
	Tax Collections	Custodial	Other	
ASSETS				
CASH AND CASH EQUIVALENTS	$ 24,889	$ 215,625	$ 24,869	$ 265,383
RECEIVABLES — Taxes	-	-	8,331	8,331
DUE FROM INDIVIDUALS, BUSINESSES, AND COUNTIES	24,172	21,407	-	45,579
INVESTMENTS	28,066	30,569	35,879	94,514
DEPOSITS AND OTHER ASSETS — Trust	-	15,740	-	15,740
CAPITAL ASSETS	-	2,636	-	2,636
TOTAL	$ 77,127	$ 285,977	$ 69,079	$ 432,183
LIABILITIES				
VOUCHERS PAYABLE	$ 61,111	$ 170	$ 162	$ 61,443
DUE TO OTHER FUNDS	16,016	-	-	16,016
DUE TO INDIVIDUALS, BUSINESSES, AND COUNTIES	-	285,807	68,917	354,724
Total liabilities	$ 77,127	$ 285,977	$ 69,079	$ 432,183

STATE OF HAWAII

FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES — AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Amounts in thousands)

	Balance — July 1, 2008	Additions	Deductions	Balance — June 30, 2009
TAX COLLECTIONS:				
Assets:				
Cash and cash equivalents	$ 26,544	$ 6,419,716	$ (6,421,371)	$ 24,889
Investments	-	28,066	-	28,066
Due from individuals, businesses, and counties	36,305	6,407,583	(6,419,716)	24,172
Total assets	$ 62,849	$ 12,855,365	$ (12,841,087)	$ 77,127
Liabilities:				
Vouchers payable	$ 62,849	$ 61,111	$ (62,849)	$ 61,111
Due to individuals, businesses, and counties	-	16,016	-	16,016
Total liabilities	$ 62,849	$ 77,127	$ (62,849)	$ 77,127
CUSTODIAL:				
Assets:				
Cash and cash equivalents	$ 156,597	$ 4,127,633	$ (4,068,605)	$ 215,625
Receivables:				
Due from individuals, businesses, and counties	57,321	225,324	(245,498)	37,147
Investments	29,769	30,569	(29,769)	30,569
Capital Assets	1,441	1,227	(32)	2,636
Total assets	$ 245,128	$ 4,384,753	$ (4,343,904)	$ 285,977
Liabilities:				
Vouchers payable	$ 4,659	$ 180	$ (4,669)	$ 170
Due to individuals, businesses, and counties	240,469	4,047,113	(4,001,775)	285,807
Total liabilities	$ 245,128	$ 4,047,293	$ (4,006,444)	$ 285,977
OTHER:				
Assets:				
Cash and cash equivalents	$ 15,923	$ 35,608	$ (26,662)	$ 24,869
Receivables	10,238	8,331	(10,238)	8,331
Investments	44,408	35,879	(44,408)	35,879
Total assets	$ 70,569	$ 79,818	$ (81,308)	$ 69,079
Liabilities:				
Vouchers payable	$ 6,494	$ 162	$ (6,494)	$ 162
Due to individuals, businesses, and counties	64,075	33,702	(28,860)	68,917
Total liabilities	$ 70,569	$ 33,864	$ (35,354)	$ 69,079
TOTAL — All agency funds:				
Assets:				
Cash and cash equivalents	$ 199,064	$ 10,582,957	$ (10,516,638)	$ 265,383
Receivables	10,238	8,331	(10,238)	8,331
Due from individuals, businesses, and counties	93,626	6,653,745	(6,686,052)	61,319
Investments	74,177	94,514	(74,177)	94,514
Capital Assets	1,441	1,227	(32)	2,636
Total assets	$ 378,546	$ 17,340,774	$ (17,287,137)	$ 432,183
Liabilities:				
Vouchers payable	$ 74,002	$ 61,453	$ (74,012)	$ 61,443
Due to individuals, businesses, and counties	304,544	4,096,831	(4,030,635)	370,740
Total liabilities	$ 378,546	$ 4,158,284	$ (4,104,647)	$ 432,183

PART III: STATISTICAL SECTION

STATISTICAL SECTION

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

Contents **Page**

Financial Trends: These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	150
Revenue Capacity: 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.	154
Debt Capacity: 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.	159
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.	163
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.	166

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

STATE OF HAWAII

Net Assets by Component
(Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Governmental Activities:					
Invested in capital assets, net of related debt	$ 3,298,144	$ 3,987,244	$ 3,597,174	$ 3,709,504	$ 4,318,111
Restricted	641,031	909,877	569,006	1,285,902	1,163,684
Unrestricted	(471,543)	121,480	1,578,412	1,267,569	858,907
Total Governmental Activities Net Assets	3,467,632	5,018,601	5,744,592	6,262,975	6,340,702
Business-Type Activities:					
Invested in capital assets, net of related debt	1,527,018	1,458,305	1,278,608	1,272,249	1,186,703
Restricted	782,569	730,061	655,055	217,478	189,093
Unrestricted	597,624	1,013,447	1,304,586	1,150,363	1,089,615
Total Business-Type Activities Net Assets	2,907,211	3,201,813	3,238,249	2,640,090	2,465,411
Primary Government:					
Invested in capital assets, net of related debt	4,825,162	5,445,549	4,875,782	4,981,753	5,504,814
Restricted	1,423,600	1,639,938	1,224,061	1,503,380	1,352,777
Unrestricted	126,081	1,134,927	2,882,998	2,417,932	1,948,522
Total Primary Government Net Assets	$ 6,374,843	$ 8,220,414	$ 8,982,841	$ 8,903,065	$ 8,806,113

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

STATE OF HAWAII

Changes in Net Assets
(Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Expenses:					
Governmental activities:					
General government	$ 564,356	$ 548,439	$ 541,889	$ 455,008	$ 494,174
Public safety	464,897	414,463	378,409	336,362	248,685
Highways	487,391	490,754	385,267	646,336	282,339
Conservation of natural resources	119,705	74,411	68,745	76,490	79,545
Health	843,826	895,413	833,669	690,265	561,155
Welfare	2,140,202	1,877,188	1,773,505	1,709,526	1,615,721
Lower education	2,656,592	2,385,056	2,288,641	2,151,891	1,758,596
Higher education	878,126	815,116	759,777	678,338	559,379
Other education	29,935	23,206	21,127	19,183	19,667
Culture and recreation	106,583	107,676	92,444	98,121	72,920
Urban redevelopment and housing	145,710	187,861	73,991	87,789	53,077
Economic development and assistance	158,808	157,421	148,164	215,578	214,842
Interest expense	127,576	140,032	118,708	172,673	169,738
Total governmental activities expenses	8,723,707	8,117,036	7,484,336	7,337,560	6,129,838
Business-type activities:					
Airports	347,089	354,554	329,942	292,086	273,949
Harbors	124,611	80,344	76,830	61,408	64,568
Unemployment compensation	437,553	159,098	112,411	105,786	112,329
Nonmajor proprietary fund	38,672	22,619	4,871	2,587	2,883
Total business-type activities expenses	947,925	616,615	524,054	461,867	453,729
Total Primary Government Expenses	$ 9,671,632	$ 8,733,651	$ 8,008,390	$ 7,799,427	$ 6,583,567
Program Revenues:					
Governmental activities					
Charges for services:					
General government	$ 206,431	$ 203,336	$ 168,877	$ 136,113	$ 146,242
Health	99,788	102,032	98,681	132,360	81,607
Other	119,126	101,390	110,942	131,143	127,819
Operating grants and contributions	2,260,551	1,887,298	1,820,886	1,726,217	1,667,492
Capital grants and contributions	145,771	130,643	75,697	279,323	143,183
Total governmental activities program revenues	2,831,667	2,424,699	2,275,083	2,405,156	2,166,343
Business-type activities —					
Charges for services:					
Airports	290,464	266,820	256,843	251,678	241,326
Unemployment	169,976	87,486	138,070	181,146	165,337
Others	84,692	95,013	93,650	86,360	77,501
Capital grants and contributions	103,195	81,967	148,597	81,145	35,048
Total business-type activities program revenues	648,327	531,286	637,160	600,329	519,212
Total Primary Government Program Revenues	$ 3,479,994	$ 2,955,985	$ 2,912,243	$ 3,005,485	$ 2,685,555
Net (Expense) Revenue:					
Governmental activities	$ (5,892,040)	$ (5,692,337)	$ (5,209,253)	$ (4,932,404)	$ (3,963,495)
Business-type activities	(299,598)	(85,329)	113,106	138,452	65,483
Total Primary Government Net Expenses	$ (6,191,638)	$ (5,777,666)	$ (5,096,147)	$ (4,793,952)	$ (3,898,012)
General Revenues and Other Changes in Net Assets:					
Governmental activities					
Taxes:					
General excise tax	$ 2,410,756	$ 2,597,121	$ 2,659,339	$ 2,359,316	$ 2,145,603
Net income tax — corporations and individuals	1,366,576	1,634,117	1,620,452	1,675,131	1,490,964
Public service companies tax	126,069	127,481	124,017	120,678	108,686
Transient accommodations tax	14,408	17,756	7,382	124,133	110,723
Tobacco and liquor taxes	135,388	134,886	131,813	134,216	128,982
Liquid fuel tax	88,006	90,123	87,179	84,719	82,733
Tax on premiums of insurance companies	95,181	96,332	96,385	89,778	84,822
Vehicle weight and registration tax	59,392	60,842	59,422	56,101	54,057
Rental motor/tour vehicle surcharge tax	39,751	49,196	49,479	45,885	41,886
Franchise tax	28,075	20,213	19,012	18,324	38,520
Others	19,215	26,149	27,523	46,850	34,191
Interest and investment income	(42,051)	112,024	102,295	99,546	64,236
Other	305	106	-	-	(2,847)
Total governmental activities	4,341,071	4,966,346	4,984,298	4,854,677	4,382,556
Business-type activities:					
Interest and investment income	4,639	48,893	82,046	40,122	27,784
Other	-	-	-	-	(297)
Total business-type activities	4,639	48,893	82,046	40,122	27,487
Total Primary Government	$ 4,345,710	$ 5,015,239	$ 5,066,344	$ 4,894,799	$ 4,410,043
Changes in Net Assets:					
Governmental activities	$ (1,550,969)	$ (725,991)	$ (224,955)	$ (77,727)	$ 419,061
Business-type activities	(294,959)	(36,436)	195,152	178,574	92,970
Total Primary Government	$ (1,845,928)	$ (762,427)	$ (29,803)	$ 100,847	$ 512,031

STATE OF HAWAII

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

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
General Fund:					
Reserved	$ 272,557	$ 406,884	$ 414,899	$ 249,581	$ 219,800
Unreserved	(87,537)	567,474	881,311	1,013,988	745,770
Total General Fund	$ 185,020	$ 974,358	$ 1,296,210	$ 1,263,569	$ 965,570
All Other Governmental Funds:					
Reserved	$ 2,801,012	$ 2,344,961	$ 1,643,345	$ 1,851,194	$ 1,552,524
Unreserved, reported in:					
Capital Projects Fund	(2,019,696)	(1,788,357)	(1,111,924)	(878,164)	(615,763)
Special Revenue Funds	255,844	410,265	556,963	637,664	637,585
Total All Other Governmental Funds	$ 1,037,160	$ 966,869	$ 1,088,384	$ 1,610,694	$ 1,574,346

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

STATE OF HAWAII

Changes in Fund Balances, Governmental Funds

(Modified Accrual Basis of Accounting)

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Revenues:					
Taxes:					
General excise tax	$ 2,410,756	$ 2,597,121	$ 2,632,485	$ 2,359,316	$ 2,145,603
Net income tax — corporations and individuals	1,373,893	1,637,265	1,618,570	1,664,331	1,484,664
Public service companies tax	126,069	127,481	124,017	120,678	108,686
Transient accommodations tax	14,408	17,756	7,382	124,133	110,723
Tobacco and liquor taxes	135,388	134,886	131,813	134,216	128,982
Liquid fuel tax	88,006	90,123	87,179	84,719	82,733
Tax on premiums of insurance companies	95,181	96,332	96,385	89,778	84,822
Vehicle weight and registration tax	59,392	60,842	59,422	56,101	54,057
Rental motor/tour vehicle surcharge tax	39,751	49,196	49,479	48,092	43,950
Franchise tax	28,075	20,213	2,000	18,324	38,520
Other	19,215	26,149	44,535	46,850	34,191
Total taxes	4,390,134	4,857,364	4,853,267	4,746,538	4,316,931
Interest and investment (loss) income	(42,051)	115,247	122,606	82,013	58,236
Charges for current services	357,078	341,371	318,235	343,424	298,670
Intergovernmental	2,090,058	1,807,376	1,727,895	1,601,005	1,574,899
Rentals	21,107	20,152	21,639	32,493	28,732
Fines, forfeitures, and penalties	33,888	32,618	28,488	26,827	27,482
Licenses and fees	33,324	31,731	30,837	29,364	27,297
Revenues from private sources	63,401	59,508	39,401	39,647	41,836
Other	246,369	131,291	127,444	128,283	101,387
Total revenues	7,193,308	7,396,658	7,269,812	7,029,594	6,475,470
Expenditures:					
Current:					
General government	597,210	537,541	458,236	493,301	508,154
Public safety	435,414	411,152	376,032	322,578	291,369
Highways	442,421	406,795	337,862	267,213	301,784
Conservation of natural resources	120,693	103,596	107,578	86,628	74,188
Health	798,026	863,914	832,333	685,679	564,807
Welfare	2,119,481	1,857,473	1,770,707	1,709,810	1,614,559
Lower education	2,454,668	2,201,901	2,305,280	1,984,129	1,798,208
Higher education	878,127	815,116	759,777	678,338	559,379
Other education	29,912	23,206	20,122	19,183	19,667
Culture and recreation	107,302	110,404	92,574	87,478	73,774
Urban redevelopment and housing	179,819	255,783	170,614	60,725	52,698
Economic development and assistance	169,547	149,075	147,146	215,559	214,377
Other	3,084	5,880	7,248	4,634	4,784
Debt service					
Principal	204,604	231,478	271,010	247,935	128,378
Interest and others	197,118	247,257	231,723	199,642	193,570
Total Expenditures	8,737,426	8,220,571	7,888,242	7,062,832	6,399,696
(Deficiency) Excess of Revenues Over Expenditures	(1,544,118)	(823,913)	(618,430)	(33,238)	75,774
Other Financing Sources (Uses):					
Proceeds from borrowing and refunding	1,174,768	445,687	395,303	367,585	1,491,445
Payments to escrow agent	(349,697)	(29,510)	-	-	(947,869)
Transfers in	761,393	803,456	796,195	499,655	495,098
Transfers out	(761,393)	(803,456)	(796,195)	(499,655)	(495,098)
Other	-	-	-	-	(2,847)
Total Other Financing Sources	825,071	416,177	395,303	367,585	540,729
Net Change in Fund Balances	$ (719,047)	$ (407,736)	$ (223,127)	$ 334,347	$ 616,503
Debt service as a percentage of noncapital expenditures	4.8 %	6.2%	6.9%	7.3%	5.7%

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

STATE OF HAWAII

Personal Income by Industry

Last Ten Fiscal Years
(Amounts in millions)

	For the Fiscal Year Ended June 30,									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Farm Earnings	$ 232	$ 220	$ 213	$ 210	$ 213	$ 221	$ 217	$ 220	$ 215	$ 212
Nonfarm Wage and Salary Workers:										
Goods-producing industries:										
Forestry, fishing-related activities, and other	36	47	42	53	54	56	65	68	161	162
Mining	44	45	55	53	50	45	37	31	33	34
Construction	2,714	3,271	3,188	3,004	2,736	2,231	2,067	1,869	1,568	1,568
Manufacturing – durable and nondurable goods	807	874	1,003	1,000	916	887	753	745	887	903
Subtotal Goods-Producing Industries	3,601	4,237	4,288	4,110	3,756	3,219	2,922	2,713	2,649	2,667
Service-producing industries										
Transportation, communication, and utilities	1,714	1,826	1,926	1,831	1,760	1,631	1,474	1,416	2,210	2,109
Trade	3,636	3,817	3,654	3,540	3,366	3,151	2,983	2,809	3,757	3,807
Information	657	711	759	758	690	694	650	669	-	-
Finance, insurance, and real estate	2,044	2,126	2,311	2,367	2,308	2,155	1,957	1,884	2,160	2,320
Service	14,514	14,723	13,611	13,013	12,226	11,592	10,622	9,945	7,883	7,694
State and local government	5,609	5,372	5,023	4,747	4,443	4,101	3,862	3,664	3,267	3,078
Federal government	9,077	8,258	7,745	7,249	6,751	6,280	5,716	5,282	4,820	4,593
Subtotal Service-Producing Industries	37,251	36,833	35,029	33,505	31,544	29,604	27,264	25,669	24,097	23,601
Total Nonfarm Wage and Salary Workers	40,852	41,070	39,317	37,615	35,300	32,823	30,186	28,382	26,746	26,268
Other(1)	13,329	12,891	10,601	9,514	8,598	7,984	7,433	7,765	8,167	7,973
Total Personal Income	$ 54,413	$ 54,181	$ 50,131	$ 47,339	$ 44,111	$ 41,028	$ 37,836	$ 36,367	$ 35,128	$ 34,453
Total direct income tax rate(2)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

Source: State of Hawaii, Data Book 2008.

N/A Not available.

STATE OF HAWAII

Personal Income Tax Rates

Last Six Calendar Years

	Top Income Tax Rate is Applied to Taxable Income in Excess of					
Year	Top Rate	Single	Top Rate	Married Filing Jointly	Top Rate	Head of Household
2009	11.00% + $16,379	$ 200,000	11.00% + $32,757	$ 400,000	11.00% + $24,568	$ 300,000
2008	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2007	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2006	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000
2005	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000
2004	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000

Source: State of Hawaii, Department of Taxation.

STATE OF HAWAII

Personal Income Tax Filers and Liability by Income Level

Calendar Years 2006 and 1999

2006

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

1999

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

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

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

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

STATE OF HAWAII

Taxable Sales by Industry

Last Five Fiscal Years
(Amounts in millions)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Taxable Sales by Activities:					
Retailing	$ 24,318	$ 26,183	$ 25,509	$ 24,812	$ 22,578
Services	11,059	11,073	11,205	10,314	8,780
Contracting	7,631	7,863	7,904	6,545	5,523
Hotel rentals	2,812	3,321	3,480	3,251	2,727
All other rentals	6,094	5,818	5,814	5,445	4,758
All other (4%)	4,375	5,238	5,606	5,245	4,385
Subtotal	56,289	59,496	59,518	55,612	48,751
Sugar processing	-	-	-	2	1
Pineapple canning	-	-	15	5	4
Producing	405	457	467	582	581
Manufacturing	809	761	818	720	693
Wholesaling	12,502	13,746	13,558	12,963	11,835
Use (1/2%)	6,883	7,215	7,742	7,125	6,067
Services (Intermediary)	611	649	718	563	377
Insurance solicitors	535	544	617	551	530
Subtotal	21,745	23,372	23,935	22,511	20,088
Total All Activities	$ 78,034	$ 82,868	$ 83,453	$ 78,123	$ 68,839

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

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

Source: State of Hawaii, Department of Taxation.

STATE OF HAWAII

Sales Tax Revenue Payers by Industry

Last Five Fiscal Years
(Amounts in thousands)

	2009		2008		2007		2006		2005	
	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	$ 972,728	40.1 %	$ 1,047,340	40.0 %	$ 1,020,357	39.9 %	$ 992,472	42.1%	$ 903,104	42.3%
Services	442,356	18.3 %	442,909	16.9 %	448,202	17.5 %	412,576	17.5%	351,200	16.4%
Contracting	305,241	12.6 %	314,538	12.0 %	316,142	12.4 %	261,804	11.1%	220,916	10.3%
Theater, amusement, etc.	13,557	0.6 %	13,998	0.5 %	13,588	0.5 %	12,791	0.5%	11,963	0.6%
Interest	339	- %	7,963	0.3 %	13,818	0.5 %	8,937	0.4%	5,953	0.3%
Commissions	35,230	1.5 %	42,500	1.6 %	52,101	2.0 %	55,306	2.4%	46,332	2.2%
Hotel rentals	112,484	4.6 %	132,841	5.1 %	139,186	5.5 %	130,048	5.5%	109,090	5.1%
All other rentals	243,762	10.1 %	232,718	8.9 %	232,539	9.1 %	217,799	9.3%	190,314	8.9%
Use (4%)	34,088	1.4 %	39,034	1.5 %	37,548	1.5 %	38,144	1.6%	33,831	1.6%
All other (4%)	91,761	3.8 %	106,040	4.0 %	107,196	4.2 %	94,636	4.0%	77,326	3.6%
Sugar processing	-	- %	-	- %	-	- %	10	- %	6	- %
Pineapple canning	-	- %	-	- %	76	- %	25	- %	19	- %
Producing	2,023	0.1 %	2,286	0.1 %	2,336	0.1 %	2,908	0.1%	2,907	0.1%
Manufacturing	4,045	0.2 %	3,804	0.1 %	4,091	0.2 %	3,598	0.2%	3,463	0.2%
Wholesaling	62,509	2.6 %	68,730	2.6 %	67,790	2.7 %	64,814	2.8%	59,177	2.8%
Use (1/2%)	34,415	1.4 %	36,073	1.4 %	38,712	1.5 %	35,623	1.5%	30,333	1.4%
Services (Intermediary)	3,054	0.1 %	3,242	0.1 %	3,592	0.1 %	2,813	0.1%	1,883	0.1%
Insurance solicitors	803	- %	815	- %	925	- %	827	- %	796	- %
Unallocated collections	61,855	2.6 %	123,953	4.7 %	57,563	2.2 %	20,186	0.9%	87,989	4.1%
Total	$ 2,420,250	100 %	$ 2,618,784	100%	$ 2,555,762	100%	$ 2,355,317	100%	$ 2,136,602	100%

Source: State of Hawaii, Department of Taxation.

Note: Information for number of filers is not available.

STATE OF HAWAII

Ratios of Outstanding Debt by Type

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Governmental Activities:					
General obligation bonds	$ 4,779,666	$ 4,408,572	$ 4,079,714	$ 4,322,964	$ 4,256,633
Revenue bonds	420,605	268,425	283,310	306,255	319,305
Capital leases	71,685	75,480	79,090	58,035	61,340
Total Governmental Activities	5,271,956	4,752,477	4,442,114	4,687,254	4,637,278
Business-Type Activities:					
General obligation bonds	38,329	38,357	37	137	167
Revenue bonds	861,423	861,141	939,349	883,823	927,695
Total Business-Type Activities	899,752	899,498	939,386	883,960	927,862
Total Primary Government	$ 6,171,708	$ 5,651,975	$ 5,381,500	$ 5,571,214	$ 5,565,140
Hawaii Total Personal Income	$ 54,413,000	$ 54,181,000	$ 50,131,000	$ 47,339,000	$ 44,111,000
Debt as a Percentage of Personal Income	11.3 %	10.4 %	10.7 %	11.8 %	12.6 %
Hawaii Population	1,298	1,292	1,299	1,285	1,273
Amount of Debt Per Capita	$ 4,755	$ 4,375	$ 4,143	$ 4,336	$ 4,372

Source: State of Hawaii Comprehensive Annual Financial Reports.
Personal Income and Hawaii Population obtained from State of Hawaii, Data Book.

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

STATE OF HAWAII

Ratios of Net General Bonded Debt Outstanding

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

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less Debt Service Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2009	$ 78,034,000	1,298	$ 4,779,666	$ 67,756	$ 4,711,910	6.0 %	$ 3,630
2008	82,868,000	1,292	4,408,572	22,002	4,386,570	5.3	3,395
2007	78,290,000	1,299	4,079,714	21,704	4,058,010	5.2	3,124
2006	73,772,000	1,285	4,322,964	7,226	4,315,738	5.9	3,359
2005	67,017,000	1,273	4,256,633	184	4,256,449	6.4	3,344

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

STATE OF HAWAII

Legal Debt Margin Information

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Average General Fund revenues of the three preceding fiscal years	$ 5,126,782	$ 5,083,126	$ 4,832,700	$ 4,423,191	$ 4,043,868
Constitutional debt limit percentage	18.5 %	18.50 %	18.50 %	18.50 %	18.50 %
Constitutional debt limit for total principal and interest payable in a current or future year	948,455	940,378	894,050	818,290	748,116
Less total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ending June 30, 2010)	(563,266)	(540,348)	(550,696)	(533,810)	(516,641)
Legal debt margin	$ 385,189	$ 400,030	$ 343,354	$ 284,480	$ 231,475
Legal debt margin as a percentage of the debt limit	40.6 %	42.5 %	38.4 %	34.8 %	30.9 %

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

STATE OF HAWAII

Pledge Revenue Coverage

Last Five Fiscal Years
(Amounts in thousands)

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Revenue Bonds – Airports					
Gross revenue(1)	$ 290,494	$ 307,418	$ 286,838	$ 267,927	$ 245,464
Less: Operating expenses(2)	231,576	239,667	211,119	171,990	150,332
Net available revenue	58,918	67,751	75,719	95,937	95,132
Debt service requirements:					
Principal(3)	22,310	21,140	32,250	30,565	25,250
Interest(4)	17,453	26,076	10,868	11,557	21,516
Total Debt Service	39,763	47,216	43,118	42,122	46,766
Coverage(5)	148 %	143 %	176 %	228 %	203 %
Revenue Bonds – Harbors:					
Gross revenue(6)	$ 80,896	$ 96,256	$ 97,414	$ 89,402	$ 79,319
Less: Operating expenses(7)	47,814	49,229	42,967	35,140	36,053
Net available revenue	33,082	47,027	54,447	54,262	43,266
Debt service requirements	23,167	24,290	25,364	19,265	19,224
Coverage(8)	143 %	194 %	215 %	282 %	225 %
Revenue Bonds – Highways:					
Revenue	$ 189,498	$ 213,378	$ 210,989	$ 204,287	$ 190,438
Less: Operating expenses	189,987	184,097	172,167	172,633	121,776
Net available revenue	(489)	29,281	38,822	31,654	68,662
Debt service:					
Principal	16,150	15,495	14,885	14,295	11,800
Interest	15,823	12,930	12,988	14,096	13,043
Total Debt Service	31,973	28,425	27,873	28,391	24,843
Coverage(9)	(2)%	103 %	139 %	111 %	276 %
Revenue Bonds – Department of Hawaiian Home Lands:					
Revenue	-	-	-	$ 10,289	$ 8,611
Less: Operating expenses	-	-	-	6,321	5,601
Net available revenue	-	-	-	3,968	3,010
Debt service:					
Principal	-	-	-	1,250	1,200
Interest	-	-	-	391	440
Total Debt Service	-	-	-	1,641	1,640
Coverage(10)	-	-	-	242 %	184 %

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

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

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

(4) For purposes of calculating the debt service requirement, interest payments for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.

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

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

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

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

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

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

(9) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).

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

STATE OF HAWAII

Demographic and Economic Statistics

Last Ten Fiscal Years

Source	For the Fiscal Year Ended June 30, 2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Population (in thousands):										
State	1,295	1,287	1,276	1,275	1,266	1,253	1,239	1,228	1,218	1,212
Percentage change	0.62 %	0.85 %	0.08 %	0.71 %	1.03 %	1.12 %	0.89 %	0.81 %	0.49 %	100.00 %
National	307,007	304,375	301,580	298,593	295,753	293,046	290,326	287,804	285,082	282,172
Percentage change	0.86%	0.92%	0.99%	0.95%	0.92%	0.93%	0.87%	0.95%	1.02%	N/A
Total Personal Income (in millions):										
State	54,413	54,181	50,131	47,339	44,111	41,028	37,836	36,367	35,128	34,453
Percentage change	0.43%	7.47%	5.57%	6.45%	6.99%	7.78%	3.88%	3.41%	1.92%	100.00%
National	12,015,535	12,225,589	11,879,836	11,256,516	10,476,669	9,928,790	9,369,072	9,054,781	8,878,830	8,554,866
Percentage change	-1.75%	2.83%	5.25%	6.93%	5.23%	5.64%	3.35%	1.94%	3.65%	100.00%
Per Capita Personal Income (in thousands):										
State	42,018	42,099	39,073	37,013	34,788	32,718	30,513	29,591	28,817	28,423
Percentage change	-0.19%	7.19%	5.27%	6.01%	5.95%	6.74%	3.02%	2.62%	1.37%	100.00%
National	39,138	40,166	39,392	37,698	35,424	33,881	32,271	31,462	31,145	30,318
Percentage change	-2.63%	1.93%	4.30%	6.03%	4.36%	4.75%	2.51%	1.01%	2.66%	100.00%
Resident Civilian Labor Force and Employment:										
Civilian labor force employed	594,500	620,000	623,150	622,300	609,850	598,200	592,450	584,350	589,200	584,850
Unemployed	43,250	26,000	17,000	15,800	17,250	19,950	23,850	24,600	26,050	24,150
Unemployment rate	6.8 %	4.0 %	2.7 %	2.5 %	2.8 %	3.2 %	3.9 %	4.0 %	4.2 %	4.0 %

Source: State of Hawaii, Data Book 2008.
U.S. Census Bureau and State of Hawaii, Department of Labor and Industrial Relations.

Notes:
Population estimates, Personal Income and Per Capita Personal Income have been revised from previous State of Hawaii Data Book 2008
Labor Force and Employment — data from 2000 to 2009 reflects new modeling approach (redesign) and reestimation

N/A Not available.

STATE OF HAWAII

Ten Largest Private Sector Employers

Last Three Fiscal Years

	2009		2008		2007	
Employer	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment	Employees	Percentage of Total State Employment
Alexander & Baldwin, Inc.	2,386	0.4 %	2,255	0.4 %	N/A	N/A
Hawaii Pacific Health	5,300	0.9 %	5,200	0.8 %	5,200	0.8 %
Hawaiian Airlines	3,700	0.6 %	3,415	0.5 %	3,587	0.6 %
Hawaiian Electric Industries, Inc.	3,560	0.6 %	3,519	0.6 %	3,447	0.5 %
Hilton Waikoloa Village	2,766	0.5 %	3,099	0.5 %	N/A	N/A
Kaiser Permanente Hawaii	3,396	0.6 %	4,403	0.7 %	4,017	0.6 %
Kyo-ya Co., Ltd.	3,851	0.6 %	3,639	0.6 %	3,764	0.6 %
The Queen's Health System	5,059	0.8 %	4,903	0.8 %	4,834	0.8 %
Starwood Hotels and Resort Hawaii	2,425	0.4 %	2,700	0.4 %	2,382	0.4 %
Outrigger Enterprises Group	3,123	0.5 %	N/A	N/A	N/A	N/A

Source: Hawaii Business, August 2006, August 2007, and August 2008.
State of Hawaii Department of Business, Economic Development and Tourism.
State Department of Labor and Industrial Relations.

Notes: Total Annual Average Employment for Hawaii for fiscal years 2009, 2008, and 2007 totaled 613,700, 632,900, and 634,200, respectively.

Listed alphabetically.

Aloha Airgroup, Inc. filed for bankruptcy in April 2008

STATE OF HAWAII

State Employees by Function

Last Five Fiscal Years

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
General government	4,752	4,720	4,523	4,638	4,698
Public safety	3,089	3,011	2,889	2,881	2,828
Transportation	2,290	2,229	2,222	2,287	2,266
Conservation of natural resources	1,146	1,126	1,041	1,040	976
Health	7,266	6,730	6,909	6,906	6,697
Welfare	2,404	2,312	2,242	2,386	2,400
Lower education	22,675	22,620	23,521	22,771	22,104
Higher education	9,066	8,705	8,619	8,375	8,108
Other education	516	518	509	523	505
Urban redevelopment and housing	154	150	147	136	131
Economic development and assistance	1,141	865	850	864	912
Total	54,499	52,986	53,472	52,807	51,625

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

STATE OF HAWAII

Operating Indicators by Function

Last Five Fiscal Years

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
General Government					
Tax Commission:					
Total individual net income returns	682,178	678,305	667,297	602,375	595,035
Number of individual net income returns filed electronically	308,366	271,212	231,154	196,959	156,199
Percentage of individual net income returns transmitted electronically	45.20 %	39.98 %	34.64 %	32.70 %	27.63 %
Public Safety					
Inmate population:					
In-state facilities	3,928	6,014	6,045	6,251	6,092
Out-of-state facilities	2,077	2,014	2,009	1,844	1,730
Total	6,005	8,028	8,054	8,095	7,822
Conservation and Natural Resources					
Department of Parks and Recreation:					
Number of state-owned parks	53	53	53	53	N/A
Health					
Environmental health:					
Air quality sites monitored	14	14	16	16	N/A
Water quality stations	N/A	N/A	363	363	N/A
Mental health:					
Adult consumers served	N/A	N/A	13,545	12,245	10,136
Individuals with developmental disabilities served	N/A	N/A	3,360	2,300	3,302
Revolving loan funds	102	90	73	65	53
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF):					
Families per-month average	N/A	8,358	8,381	9,837	10,642
Average time on assistance	N/A	13.0	16.0	15.0	15.0
Monthly benefits paid for the month of July (in millions)	N/A	$ 4.75	$ 4.60	$ 5.09	$ 5.96
General assistance:					
Individuals per month	N/A	4,458	3,955	3,917	3,994
Food stamp program:					
Number of persons participating	N/A	93,956	88,847	88,967	95,032
Number of households participating	N/A	47,545	45,026	46,285	47,795
Benefits issued (in millions)	N/A	$ 14.64	$ 12.84	$ 12.49	$ 12.98
Medicaid programs:					
MedQuest enrollment (in thousands)	235,203	211,105	202,126	203,345	200,534
Lower Education					
Number of schools	289	287	286	285	285
Number of students	177,871	178,369	179,234	181,406	181,897
Staff:					
Classroom teachers	11,294.2	11,395.8	11,270.3	11,226.0	11,146.0
Librarians	248.5	257.5	271.5	292.0	291.0
Counselors	659.5	659.5	669.5	671.0	657.0
Administrators	746.5	772.5	745.5	705.5	701.4
Other support staff	8,654.3	8,566.3	8,102.6	8,164.0	7,735.3
Total	21,603.0	21,651.6	21,059.4	21,058.5	20,530.7

Operating Indicators by Function (Cont'd)

Last Five Fiscal Years

	For the Fiscal Year Ended June 30,				
	2009	2008	2007	2006	2005
Higher Education					
Enrollment:					
Number of credit students	57,945	53,526	50,454	49,990	50,157
Degrees earned:					
Certificates	377	378	315	340	324
Associate degrees	2,408	2,280	2,393	2,295	2,346
Advanced professional certificates	-	2	2	2	1
Bachelor's degrees	3,705	3,698	3,586	3,639	3,294
Professional diploma	N/A	100	103	139	119
Master's degrees	1,185	1,169	1,116	1,181	1,143
Doctor's degrees	184	193	144	147	149
First professional	170	176	176	174	161
Other	55	-	-	-	-
Total	8,084	7,996	7,835	7,917	7,537
Degrees by campus/college:					
University of Hawaii at Manoa	4,496	4,566	4,313	4,401	4,175
University of Hawaii at Hilo	614	588	592	614	497
University of Hawaii at West Oahu	221	180	217	265	194
Hawaii Community College	386	346	311	339	315
Honolulu Community College	504	520	537	515	561
Kapiolani Community College	702	685	757	641	731
Kauai Community College	163	139	135	114	165
Leeward Community College	503	475	514	533	482
Maui Community College	364	367	336	360	306
Windward Community College	131	130	123	135	111
Total	8,084	7,996	7,835	7,917	7,537

N/A Not available

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

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

STATE OF HAWAII

Capital Assets Statistics by Function

Last Three Fiscal Years

	For the Fiscal Year Ended June 30,		
	2009	2008	2007
General Government			
Department of Accounting and General Services:			
Buildings	74	72	71
Vehicles	602	571	553
Department of the Attorney General:			
Buildings	5	5	5
Vehicles	3	2	1
The Judiciary:			
Buildings	18	17	17
Vehicles	15	13	14
Other Departments:			
Buildings	23	23	23
Vehicles	4	5	6
Public Safety			
Department of Public Safety:			
Buildings and Correction Facilities	72	71	71
Vehicles	262	260	245
Department of Defense:			
Buildings	96	96	100
Vehicles	79	79	84
Department of Commerce and Consumer Affairs:			
Buildings	4	4	4
Highways			
Department of Transportation:			
Highway lane miles	N/A	2478	2,466
Highway bridges	N/A	752	752
Buildings	34	29	26
Vehicles	963	949	932
Conservation of Natural Resources			
Department of Land and Natural Resources:			
Land area (in square miles)	6,423	6,423	6,423
Buildings	95	74	76
Vehicles	731	706	681
Department of Agriculture:			
Buildings	32	32	31
Vehicles	186	184	166

	For the Fiscal Year Ended June 30,		
	2009	2008	2007
Health			
Department of Health:			
Buildings	72	71	75
Vehicles	284	295	292
Welfare			
Department of Human Services:			
Buildings	18	18	18
Vehicles	117	128	126
Lower Education			
Department of Education:			
Buildings	8	8	8
Other Education			
Department of Education — Libraries:			
Buildings	34	34	34
Vehicles	28	30	31
Urban Redevelopment and Housing			
Department of Hawaiian Home Lands:			
Buildings	17	16	18
Vehicles	34	33	30
Economic Development and Assistance			
Department of Business, Economic Development, and Tourism:			
Buildings	33	32	27
Vehicles	34	39	37
Department of Labor and Industrial Relations:			
Buildings	8	8	8
Vehicles	2	2	2

Source: Buildings and Vehicles — State of Hawaii, Department of Accounting and General Services.
Lane Miles and Bridges — State of Hawaii, Department of Transportation.
Land Area — State of Hawaii, Data Book 2008.

This page intentionally left blank.