
Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Report No. 14-01
January 2014



THE AUDITOR
STATE OF HAWAI'I

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai'i State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. Financial audits attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. Management audits, which are also referred to as performance audits, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called program audits, when they focus on whether programs are attaining the objectives and results expected of them, and operations audits, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. Sunset evaluations evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. Sunrise analyses are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. Health insurance analyses examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. Analyses of proposed special funds and existing trust and revolving funds determine if proposals to establish these funds are existing funds meet legislative criteria.
7. Procurement compliance audits and other procurement-related monitoring assist the Legislature in overseeing government procurement practices.
8. Fiscal accountability reports analyze expenditures by the state Department of Education in various areas.
9. Special studies respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawai'i's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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**Funds and accounts:
15 revolving funds,
22 special funds,
14 trust funds, and
40 trust accounts.**

Responses

Prior Audits

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance

Report No. 14-01, January 2014

*One hundred and eleven revolving funds, special funds, trust funds,
and trust accounts were reviewed*

Eleven funds and accounts did not meet criteria

Section 23-12, HRS, requires the Auditor to review all existing revolving, special, and trust funds every five years. Reviews are scheduled so that each department's funds will be reviewed once every five years. This is our fifth review of the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance. However, it is our first review of their special funds, since Act 130, SLH 2013, amended Section 23-12, HRS, to require we review special funds along with revolving funds, trust funds, and trust accounts.

Revolving funds, such as loan funds, are often established with an appropriation of seed money from the general fund, and must demonstrate the capacity to be self-sustaining. Special funds are used to account for revenues earmarked for particular purposes and from which expenditures are made for those purposes. Trust funds, such as a pension fund, invoke the State's fiduciary responsibility to care for and use assets held for the benefit of those with a vested interest in the assets. Trust accounts are typically separate holding or clearing accounts and are often used as accounting devices for crediting or charging state agencies or projects for payroll or other costs.

We reviewed 111 revolving funds, special funds, trust funds, and trust accounts; and reported on 91 of them (15 revolving funds, 22 special funds, 14 trust funds, and 40 trust accounts). We used criteria developed by the Legislature as well as by our office from a review of public finance and accounting literature. For each fund, we present a five-year financial summary, the purpose of the fund, and conclusions about its use. We did not audit the financial data, which is provided for informational purposes. We do not present conclusions about the effectiveness of the program or its management, or whether the program should be continued. However, we found that 11 of the 91 funds and accounts did not meet applicable fund criteria.

Inconsistencies were noted

We also noted inconsistent adherence to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed and that, although some funds have been repealed or are no longer active, their appropriation accounts have not been closed and balances remain. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility.

Agencies' responses

We transmitted a draft of this review to the Departments of Accounting and General Services, Agriculture, and Budget and Finance. The departments generally concurred with our review of their funds.

Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance

A Report to the
Governor
and the
Legislature of
the State of
Hawai'i

Submitted by

THE AUDITOR
STATE OF HAWAI'I

Report No.14-01
January 2014

Foreword

This is a report of our review of revolving funds, special funds, trust funds, and trust accounts used by or administratively attached to the Departments of Accounting and General Services, Agriculture, and Budget and Finance.

Section 23-12, Hawai'i Revised Statutes (HRS), requires the State Auditor to review all existing revolving, special, and trust funds once every five years. This is our fifth review of the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance. It is our first review of their special funds, since Act 130, Session Laws of Hawai'i 2013, amended Section 23-12, HRS, to include special funds along with our regular reviews of revolving funds, trust funds, and trust accounts.

We wish to express our appreciation for the cooperation and assistance extended to us by the officials and staff of the Departments of Accounting and General Services, Agriculture, and Budget and Finance.

Jan K. Yamane
Acting State Auditor

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Chapter 1

Introduction

Section 23-12, Hawai‘i Revised Statutes (HRS), requires the State Auditor to review all revolving, special, and trust funds administered by each state department every five years. This report presents our review of the Departments of Accounting and General Services, Agriculture, and Budget and Finance. We will report our reviews of the Departments of Defense, Land and Natural Resources, and Transportation separately.

This is our first review since enactment of Act 130, Session Laws of Hawai‘i (SLH) 2013, which amended Section 23-12, HRS, to require regular reviews of the Departments of Defense and Transportation revolving and trust funds, as well as reviews of all special funds statewide.

This is our fifth review of the revolving funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance. Our 1993 report, Report No. 94-4, reviewed 57 revolving funds, trust funds, and trust accounts. In 1998 we reviewed 78 such funds and accounts (Report No. 99-6), and in 2003 we reviewed 74 (Report No. 03-13). Our most recent report in 2009 (Report No. 09-01) analyzed 88 funds and accounts. This report reviews 111 revolving funds, special funds, trust funds, and trust accounts.

Background

In 1990, the Legislature, through Act 240, SLH 1990, required our office to conduct a review of all special and revolving funds and to recommend whether they be continued, modified, or repealed. The Legislature was concerned with the proliferation of these types of funds because moneys deposited into and spent from special and revolving funds are not subject to the level of legislative scrutiny as those in the general fund.

The review required by Act 240, SLH 1990, was completed and presented in five separate reports issued in 1991 and 1992. We reviewed 166 special and revolving funds and recommended that 70 be repealed, discontinued, or allowed to sunset. We also found that many held cash balances far in excess of program needs and recommended that unneeded cash be transferred to the general fund.

Regular reviews of agency revolving and trust funds by the Auditor were required by Act 280, SLH 1993. Codified as Section 23-12, HRS, the act expanded the concept of Act 240, SLH 1990, by requiring the Auditor to conduct a review of each revolving and trust fund administered by the

State once every five years. The law was again expanded through Act 130, SLH 2013, to include a review of all special funds once every five years and to add the Departments of Defense and Transportation to the list of agencies reviewed.

Section 23-12, HRS, now specifies that five-yearly reviews shall include:

1. An evaluation of the original intent and purpose of each fund, both as expressed by the Legislature and as understood by the expending agency;
2. The degree to which each fund achieves its stated and claimed purposes;
3. An evaluation of the fund's performance standards as established by the agency; and
4. A summary statement reflecting total fund transactions in the preceding five fiscal years, including the fund balance at the beginning of each fiscal year, total deposits and withdrawals, amount of interest earned, total expenditures made from the fund, and the ending fund balance for each fiscal year.

Description of Revolving Funds, Special Funds, Trust Funds, and Trust Accounts

Revolving funds

Section 37-62, HRS, defines a revolving fund as a fund “from which is paid the cost of goods and services rendered or furnished to or by a state agency and which is replenished through charges made for the goods or services or through transfers from other accounts or funds.” Revolving funds are often established with an appropriation of seed money from the general fund. Activities commonly financed through revolving funds include loan programs, which are initially established by general fund seed moneys and are then replenished through the repayment of loans. An example of a revolving fund is the State Motor Pool Revolving Fund, which is used to purchase and maintain the State's fleet of motor vehicles and is replenished by charges to state agencies for the use of the vehicles.

Special funds

Section 37-62, HRS, defines a special fund as a fund “dedicated or set aside by law for a specified object or purpose, but excluding revolving funds and trust funds.” According to the State of Hawai'i's Accounting Manual, special funds are funds used to account for revenues earmarked for particular purposes and funds from which expenditures are made for those purposes. Examples of special funds include the Captive Insurance Administrative Fund, which is funded through fees and premium taxes and supports the State's Captive Insurance Program and the Wireless Enhanced 911 Fund. The Wireless Enhanced 911 Fund receives surcharges from wireless phone users for the upgrade of the 911 emergency system.

Trust funds

Section 37-62, HRS, defines a trust fund as “a fund in which designated persons or classes of persons have a vested beneficial interest or equitable ownership, or which was created or established by a gift, grant, contribution, devise or bequest that limits the use of the fund to designated objects or purposes.” Trust funds invoke a fiduciary responsibility of state government to care for and use the assets held only for those designated to benefit from the funds. A pension fund is an example of a trust fund. Contributions and payments into the fund are to be held for the beneficiaries of the pension fund. Another example is tenants’ security deposits, which are held in trust funds for the future benefit of tenants and landlords. Until forfeited or returned, deposits are the property of the tenants and should be accounted for accordingly.

Trust accounts

The Department of Accounting and General Services defines a trust account as a separate holding or clearing account for state agencies. Trust accounts serve as state agencies’ separate holding or clearing accounts or as accounting devices to credit or charge agencies or projects for payroll or other costs.

**Criteria for
Reviewing
Revolving Funds,
Special Funds,
Trust Funds, and
Trust Accounts**
***Special and revolving
fund criteria***

Sections 37-52.3 and 37-52.4, HRS, set the requirements for establishing or continuing special and revolving funds, respectively. The criteria used to review special and revolving funds are the extent to which each fund:

- Serves a need, as demonstrated by the purpose of the program to be supported by the fund; the scope of the program, including financial information on fees to be charged, sources of projected revenue, and costs; and an explanation of why the program cannot be implemented successfully under the general fund appropriation process;
- Reflects a clear nexus between the benefits sought and charges made upon the program users or beneficiaries, or a clear link between the program and the sources of revenue—as opposed to serving primarily as a means to provide the program or users with an automatic means of support, removed from the normal budget and appropriation process;
- Provides an appropriate means of financing for the program or activity, used only when essential to the successful operation of the program or activity; and
- Demonstrates the capacity to be financially self-sustaining.

Trust fund and trust account criteria

The criteria used to review trust funds and trust accounts are the extent to which each fund or account:

- Continues to serve the purpose for which it was originally created;
- Provides the benefits or services originally intended to beneficiaries;
- Requires no general fund appropriation; and
- Meets the definition of a trust fund or trust account, respectively.

The first two criteria are derived from the objectives of Section 23-12, HRS, which ask for an evaluation of the original intent of each fund, and the degree to which each fund achieves its stated purpose. The third criterion assesses whether a fund relies on general fund appropriations. If general fund appropriations are needed to finance its activities (as opposed to providing seed moneys only), classification as a trust fund may not be warranted. The fourth criterion assesses whether a fund is held by the State only for the benefit of those with a vested interest in the assets.

Objectives of the Review

1. Identify all revolving funds, special funds, trust funds, and trust accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance.
2. For each of the revolving funds, special funds, trust funds, and trust accounts, determine the original intent and purpose, per statute and as understood by the agency, and determine the degree to which each fund or account achieves its stated and claimed purposes.
3. Evaluate fund performance standards established by the agencies.
4. Provide a five-year (FY2009–FY2013) unaudited financial summary for each fund or account reviewed.

Scope and Methodology

For this report we reviewed all revolving funds, special funds, trust funds, and trust accounts directly administered by the Departments of Accounting and General Services, Agriculture, and Budget and Finance, and any administratively attached agencies during the five-year period under review. These funds and accounts include those established by statute as well as those by administrative authority.

In our review, we researched statutes, session laws, and legislative history. We reviewed, as appropriate, administrative rules, policies and procedures, financial audit reports, agency financial reports, performance standards established by the agency, and other documents. To gain an understanding of fund operations, we interviewed key fiscal and program personnel as necessary. We also obtained a summary statement for each fund reflecting the total fund transactions in the preceding five fiscal years (July 1, 2008 to June 30, 2013), including the fund balance at the beginning of each fiscal year, total revenues, amount of interest earned, total expenditures and encumbrances, transfers, and the ending fund balance for each fiscal year.

If applicable, we obtained explanations for, but did not reconcile, discrepancies between ending balances for FY2008 reported in Report No. 09-01, *Review of Revolving Funds, Trust Funds, and Trust Accounts for the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources*, and the opening balances reported to us for FY2009. Some differences are expected, since ending balances are often not final by the deadline required for our review.

Procedures were performed on each fund using relevant criteria. We reviewed fund information for compliance with the intent of each fund's use and determined the relationship between charges on users and expenditures. We reviewed and compared fund balances to financial activity and projected program needs and standards. We also reviewed information provided by agencies on performance standards established for the funds or accounts, and performed other procedures as necessary.

Where appropriate, we relied on prior audit reports, including Report Nos. 01-12, *Update of the 1992 Summary of Special and Revolving Funds*; 09-01, *Review of Revolving Funds, Trust Funds, and Trust Accounts of the Departments of Accounting and General Services, Agriculture, Budget and Finance, and Land and Natural Resources*; and 12-04, *Study of the Transfer of Non-general Funds to the General Fund*. Recommendations were made where applicable.

Our review was conducted from July 2013 to October 2013, and included inquiries and examination of documents. Our review followed standard office procedures according to the Office of the Auditor's *Manual of Guides*. We did not audit the agencies' financial data, which is provided for informational purposes.

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Chapter 2

Department of Accounting and General Services

This chapter presents the results of our review of six special funds, six revolving funds, five trust funds, and 16 trust accounts of the Department of Accounting and General Services. For each fund or account we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not offer any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present, in alphabetical order, the funds and accounts established by statutory and administrative authority. The financial data presented by fund or account was obtained from the department.

Exhibit 2.1 summarizes the Department of Accounting and General Services' funds and accounts that do not meet criteria for continuance.

Exhibit 2.1
Department of Accounting and General Services' Funds and Accounts Not Meeting Criteria

Fund Name	Fund Type	6/30/13 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining
Donations for Voter Registration Drive	Trust Account	\$0	✓				
Hawai'i FYI – ICSD	Trust Account	\$0	✓				
Kapolei Recreational Sports Complex Special Fund	Special Fund	\$0	✓				
Parking Control Revolving Fund Escrow Account	Revolving Fund	\$37,000	✓				
Returned ACH Tax Refunds	Trust Account	\$0	✓				

Source: Office of the Auditor

**Access Hawai'i
Committee Special
Fund**

Section 27G-6, HRS

Financial Data for Fiscal Years 2011–2013 (in thousands)

	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$24	\$128
Revenues	24	104	88
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Balance	\$24	\$128	\$216
Encumbrances	\$0	\$0	\$0

This special fund serves the purpose for which it was created and meets the criteria for a special fund. The fund supports the Access Hawai'i Committee, which oversees the internet portal manager contracted to provide public access to online government services and information on the State's internet portal. Funds in the special fund are derived from monthly fees collected from the internet portal manager to operate the State's internet portal website. The fees cover the administrative and operational overhead costs for the committee to manage and oversee the portal; an exempt state program manager position to support the committee; and periodic studies of future portal directions and services. The committee suspended collection of monthly fees when the fund balance reached an amount equal to about two years of operating expense.

**Captain Cook Memorial
Fund**

Section 6E-33, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$4	\$4	\$4	\$4	\$4
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$4	\$4	\$4	\$4	\$4
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was originally created. The fund was created in 1928 with the proceeds of the sale of 10,000 fifty-cent coins minted for the Captain Cook sesquicentennial celebration. The purpose of the fund is to obtain various documents of historical value for the State Archives. Moneys from the fund may be used for the following:

- Acquisition of original books, mementos, pamphlets, documents, or other articles of historical value relating to the life of Captain James Cook or the history, discovery, and exploration of the Hawaiian Islands; and
- Publication of books, documents, pamphlets, or other publications relating to Captain James Cook or the Hawaiian Islands.

The primary sources of revenue for this fund include proceeds from the sale of the publication “Official Publications of the Territory of Hawai‘i” and cash gifts to the State Archives. Moneys are used to purchase materials for the State Archives’ library and special collections and to preserve and facilitate those collections. Financial activity in the fund exists but is not shown in the table due to rounding to the thousand.

Central Payroll Clearance

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	(\$4,608)	(\$6,086)	(\$203)	(\$743)	\$68
Revenues	3,307,711	3,093,791	3,049,503	3,123,362	3,219,803
Interest	0	0	0	0	0
Expenditures	(3,309,189)	(3,087,908)	(3,050,043)	(3,122,551)	(3,219,815)
Transfers	0	0	0	0	0
Ending Balance	(\$6,086)	(\$203)	(\$743)	\$68	\$56
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to meet the definition of a trust account and serves the purpose for which it was originally created. The account is a clearing account to ensure that the State’s payroll expenditures have been properly reimbursed from funds held within and outside the state treasury. The account also reflects reimbursements and payroll adjustments for salary overpayments. Negative ending fund balances in fiscal years 2009–2011 are due to the timing of reimbursements from departments making payments with funds held outside the state treasury.

Donations for Voter Registration Drive

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account does not meet the criteria of a trust account. Due to the lack of financial activity, the account does not appear to be serving its intended purpose. We recommend the department evaluate its continued need for the account. The account was established in 1984 to receive monetary donations by businesses, community organizations, and private individuals for a voter registration campaign and education programs for the 1984 elections. In 1987, the fund was used to deposit monetary donations to purchase items for a statewide voter slogan contest. There has been no account activity since then.

Employees' Sequestered Funds

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$34	\$51	\$45	\$51	\$41
Revenues	69	66	56	59	57
Interest	0	0	0	0	0
Expenditures	(52)	(72)	(50)	(69)	(49)
Transfers	0	0	0	0	0
Ending Balance	\$51	\$45	\$51	\$41	\$49
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and serves the purpose for which it was originally created, which was to hold funds sequestered from the gross pay of state employees upon receipt of court-issued garnishment orders. Sequestered amounts are disbursed to designated

creditor payees. The account is financially self-sustaining, since disbursements cannot be made if there are no related amounts that have been previously withheld.

Enhanced 911 Fund
Section 138-3, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$22,014	\$8,426	\$8,385	\$13,028	\$10,860
Revenues	8,112	8,564	8,285	8,907	9,091
Interest	22	10	9	3	6
Expenditures	(5,722)	(8,615)	(3,651)	(11,078)	(10,609)
Transfers*	(16,000)	0	0	0	0
Ending Balance	\$8,426	\$8,385	\$13,028	\$10,860	\$9,348
Encumbrances	\$0	\$385	\$5,389	\$6,364	\$2,068

*Transfer to the state general fund was authorized pursuant to Act 79, Session Laws of Hawai'i (SLH) 2009.

This special fund continues to serve the purpose for which it was created and meets the criteria of a special fund. The fund was established in 2004 and supports the Enhanced 911 Board for the purposes of ensuring adequate funding to deploy and sustain enhanced 911 service, developing and funding future enhanced 911 technologies, and administering the fund. The fund consists of monthly enhanced 911 surcharges imposed upon communication service connections, except connections of the public utility providing telecommunication services and land line enhanced 911 services. The rate of the surcharge is set at 66 cents per month for each communications service connection.

**Hawai'i Election
Campaign Fund****Section 11-421, HRS****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$5,549	\$5,078	\$4,649	\$4,141	\$3,425
Revenues	216	228	294	53	248
Interest	99	61	80	21	9
Expenditures	(786)	(718)	(882)	(790)	(747)
Transfers	0	0	0	0	0
Ending Balance	\$5,078	\$4,649	\$4,141	\$3,425	\$2,935
Encumbrances	\$89	\$10	\$21	\$23	\$1

This fund continues to meet the criteria of a trust fund and serves the purpose for which it was originally created. The fund was established in 1979 and receives moneys collected from individual Hawai'i taxpayers who designate a few dollars from their income tax liability to the fund. In 2008 the Legislature increased the state income tax check-off from two to three dollars. Interest earned on principal is also deposited into the fund. The primary purpose of the fund is to provide partial public financing for candidates for state and county offices who qualify and apply for funding as provided in Sections 11-429 through 11-431, Hawai'i Revised Statutes (HRS). The fund also provides comprehensive (full) public funding for Hawai'i County Council candidates for three elections, held in 2010, 2012, and 2014. Additionally, the fund supports the operations of the Campaign Spending Commission.

Hawai'i FYI-ICSD**Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$2	\$2	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	(2)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$2	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account no longer meets the criteria of a trust account as it no longer serves the purpose for which it was originally created. It will be closed after the remaining fund balance of \$6.11 is expended in FY2014. The account was administratively established in 1996 to account for a Ford Foundation grant made to the Information and Communication Services Division. The general purpose of the grant was to expand and improve public access to government via the Hawai'i FYI Network. Since termination of the Hawai'i FYI Network program in 2001, the division has used the funds for related educational and informational training purposes with the concurrence of the granting agency. During FY2010, \$2,000 was expended to support creation of informational videos and staff training programs.

***Hawai'i State
Employees U.S.
Savings Bonds***

***Administratively
established***

Financial Data for Fiscal Years 2009–2011 (in thousands)

	FY2009	FY2010	FY2011
Beginning Balance	\$115	\$108	\$99
Revenues	1,569	1,407	425
Interest	0	0	0
Expenditures	(1,576)	(1,416)	(524)
Transfers	0	0	0
Ending Balance	\$108	\$99	\$0
Encumbrances	\$0	\$0	\$0

This trust account was closed in December 2011 as the U.S. Federal Reserve ended the U.S. Savings Bonds Program for state employees. The account was established to accumulate semi-monthly payroll deductions from state employees' pay for the purchase of U.S. Savings Bonds. On a monthly basis, accumulated funds were transmitted to the U.S. Federal Reserve Bank for employees whose withheld balances reached the purchase price of a designated savings bond. The U.S. Federal Reserve Bank then mailed those bonds directly to the relevant state employees.

***Kamehameha Day
Celebration—Donation/
Gift Fund***

Section 8-5, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$149	\$248	\$172	\$116	\$41
Revenues	144	39	14	121	120
Interest	3	2	3	1	0
Expenditures	(48)	(117)	(73)	(197)	(134)
Transfers	0	0	0	0	0
Ending Balance	\$248	\$172	\$116	\$41	\$27
Encumbrances	\$0	\$0	\$0	\$2	\$0

This fund continues to meet the criteria of a trust fund and serves the purpose for which it was originally created. The fund was established in 1939 and supports the King Kamehameha Celebration Commission, consisting of 13 members, appointed by the governor, who serve without compensation. The commission is charged with coordinating the King Kamehameha celebration activities, including the King Kamehameha Celebration Floral Parade, Ho‘olaule‘a or similar cultural festivals, and state lei draping ceremonies. All moneys appropriated by the Legislature, funds raised to defray administrative costs, and donations are deposited into the fund.

***Kapolei Recreational
Sports Complex
Special Fund***

Section 109-9, HRS

This fund was authorized by law in 1999. However, in 2002, the land originally identified for the Kapolei recreational sports complex was transferred to the University of Hawai‘i—West O‘ahu as part of the City of Kapolei’s master plan for residential, commercial, and educational development. Thus, the original purpose of the fund no longer exists. We recommend that the department continue its efforts to repeal the provisions of Section 109-9, HRS.

***Nonpresentment of
Warrants and Checks
Trust Fund***

Section 40-68, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$500	\$500	\$500	\$500	\$500
Revenues	269	309	226	264	499
Interest	0	0	0	0	0
Expenditures	(269)	(309)	(226)	(264)	(499)
Transfers	0	0	0	0	0
Ending Balance	\$500	\$500	\$500	\$500	\$500
Encumbrances	\$0	\$0	\$0	\$2	\$0

This fund, established in 1994, continues to meet the criteria of a trust fund and to serve the purpose for which it was originally created. The fund holds moneys from certain uncashed state warrants and checks. Payees have one fiscal year to cash state warrants and checks, after which payees must make claims for payment from this trust fund. All unclaimed funds are transferred into this trust fund, provided that the fund balance shall not exceed \$500,000 and any excess of that amount shall be transferred to the general fund. Disbursements from the fund are to the payees of the warrants and checks presenting legitimate claims within four fiscal years immediately following the initial transfer of the respective moneys into the trust fund.

***OHA Ceded Lands
Proceeds***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	29	17	22	21	21
Interest	0	0	0	0	0
Expenditures	(29)	(17)	(22)	(21)	(21)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to meet the criteria of a trust account and serves the purpose for which it was originally created. The account was administratively established to hold deposits of 20 percent of revenues

collected from parking lots on ceded lands. Funds are kept in the account until they are transferred to the Office of Hawaiian Affairs.

***Parking Control
Revolving Fund
Escrow Account***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$37	\$37	\$37	\$37	\$37
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$37	\$37	\$37	\$37	\$37
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund no longer meets the criteria of a revolving fund and does not serve the purpose for which it was created. The fund is inactive and the department is awaiting instructions from the Department of Budget and Finance regarding closing the fund and disposition of the remaining fund balance.

***Payroll Clearance,
Public Works***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	6,598	5,790	5,373	5,523	5,744
Interest	0	0	0	0	0
Expenditures	(6,598)	(5,790)	(5,373)	(5,523)	(5,744)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to meet the criteria of a trust account and serves the purpose for which it was originally created. The account was administratively established to facilitate processing of payroll for non-general-funded capital improvement project (CIP) personnel on a timely basis. The account continues to be used as a clearing account to

cover payroll costs that are reimbursed by CIP appropriations for staff costs, repairs and maintenance, repairs and alterations, and other funds. Reconciliation of payroll is performed monthly.

**Public Works Project
Assessment Fund**

Section 107-1.5, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,634	\$1,437	\$1,385	\$1,073	\$995
Revenues	1,096	1,101	777	899	821
Interest	34	22	27	6	3
Expenditures	(1,327)	(1,175)	(1,116)	(983)	(979)
Transfers	0	0	0	0	0
Ending Balance	\$1,437	\$1,385	\$1,073	\$995	\$840
Encumbrances	\$90	\$75	\$101	\$75	\$168

This fund continues to meet the criteria of a revolving fund and serves the purpose for which it was originally created. The fund was established in 1996 to defray costs of carrying out construction projects and managing accumulated vacation and sick leave credits and retirement benefits for non-general-funded employees. The fund is used to collect and distribute costs of other current expenses associated with capital improvement, repairs, maintenance, alterations, and other construction projects, and to manage payments related to transportation costs for projects. The fund links program benefits with charges made to project funds. Projects that are managed by the department replenish the fund through assessments made to the projects' funds in accordance with law.

Returned ACH Tax Refunds

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	304	107	151	93	0
Interest	0	0	0	0	0
Expenditures	(304)	(107)	(151)	(93)	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account does not meet the criteria of a trust account, since it no longer serves the purpose for which it was originally created. We recommend the department close the account. The account was administratively established in 2004 as a clearing account to ensure that Automatic Clearing House (ACH) tax refunds not processed by banks were properly disbursed to taxpayers. The account became inactive during FY2013, when the Department of Taxation assumed payment responsibilities for ACH tax refund rejects.

Shared Services Technology Special Fund

Section 27-43, HRS

Financial Data for Fiscal Years 2012–2013 (in thousands)

	FY2012	FY2013
Beginning Balance	\$0	\$378
Revenues	737	1,197
Interest	1	1
Expenditures	(360)	(1,064)
Transfers	0	0
Ending Balance	\$378	\$512
Encumbrances	\$0	\$136

This fund meets the criteria of a special fund and serves the purpose for which it was created. The fund was established in 2012 and is administered and expended by the chief information officer to organize, manage, and oversee statewide information technology governance, including supervision and oversight of the department’s Information and Communication Services Division. Three percent of receipts

collected from special funds used to defray the central service expenses of government are deposited into this fund. Moneys in the fund are used for the operations of the chief information officer and the Information Technology Steering Committee, including the employment and training of staff. In FY2016, the department intends to move the positions currently funded through this special fund to general-funded positions.

***Stadium Authority's
Account (Not in State
Treasury)***

Section 109-6, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$197	\$195	\$210	\$214	\$653
Revenues	2,312	1,635	1,978	1,871	2,127
Interest	0	0	0	0	0
Expenditures	(2,314)	(1,620)	(1,974)	(1,432)	(2,487)
Transfers	0	0	0	0	0
Ending Balance	\$195	\$210	\$214	\$653	\$293
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to meet the criteria of a trust fund and serves the purpose for which it was originally created. The fund was established in 1978 and holds all receipts collected by the Stadium Authority from the sale of admission tickets for events held at Aloha Stadium, including any money deposited with the Stadium Authority by a licensee to assure the payment of charges for the use of the stadium. Disbursements from the fund are restricted to payments to stadium licensees in connection with the settlements of accounts, refund of deposits, and payments to the Stadium Special Fund for amounts due to the Stadium Authority.

Stadium Special Fund

Section 109-3, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$9,517	\$7,711	\$7,721	\$5,537	\$5,360
Revenues	7,858	7,189	6,922	6,787	6,672
Interest	167	103	126	26	13
Expenditures	(8,331)	(7,349)	(6,732)	(6,990)	(6,891)
Transfers*	(1,500)	67	(2,500)	0	0
Ending Balance	\$7,711	\$7,721	\$5,537	\$5,360	\$5,154
Encumbrances	\$952	\$837	\$981	\$635	\$843

*Transfers to the general fund of \$1.5 million and \$2.5 million were authorized pursuant to Acts 79 (SLH 2009), 192 (SLH 2010), and 124 (SLH 2011). Net transfer of \$67,020 represents unrequired CIP cash returned for artificial turf design phase.

This fund continues to serve the purpose for which it was originally created and meets criteria for a special fund. The fund supports the Stadium Authority, which is responsible for the maintenance, operation, and management of the stadium and related facilities. Sources of revenue include facility rental, fees collected from swap meets, parking, advertising, and concession fees. Expenses include payroll costs, utility costs, repairs and maintenance, services on a fee basis, and special fund assessments.

State Building Code Council

Administratively established

Financial Data for Fiscal Years 2009–2010 (in thousands)

	FY2009	FY2010
Beginning Balance	\$79	\$3
Revenues	0	0
Interest	0	0
Expenditures	(7)	0
Transfers*	(69)	(3)
Ending Balance	\$3	\$0
Encumbrances	\$0	\$0

*Transfers were made to return funds to the Hurricane Relief Fund.

This trust account was closed in 2010 and the remaining balance returned to the Hurricane Relief Fund. The account was created in 2008 to

support the operations of the Building Code Council established by Act 82, SLH 2007, to adopt a statewide building code. Moneys were used to pay salaries for an executive director and executive assistant; reimburse council members for travel, education, and training expenses; building code organizational dues; and other operating expenses. Funds received represented interest earned on the Hurricane Relief Fund.

***State Foundation on
Culture and the Arts***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$165	\$177	\$188	\$183	\$202
Revenues	49	22	7	41	81
Interest	0	0	0	1	1
Expenditures	(37)	(11)	(12)	(23)	(16)
Transfers	0	0	0	0	0
Ending Balance	\$177	\$188	\$183	\$202	\$268
Encumbrances	\$2	\$1	\$0	\$1	\$44

This account continues to meet the criteria of a trust account and serves the purpose for which it was originally created. The account was administratively established in 1984 to receive private donations in support of State Foundation on Culture and the Arts (SFCA) programs and services that further public appreciation of the arts, culture, history, and humanities in Hawai‘i. The account supports a variety of activities, notably public award ceremonies, Hawai‘i State Art Museum events, and recognition of those who have played a role in furthering the cultures and arts of Hawai‘i. Revenues include rental fees for the Hawai‘i State Art Museum, donations and private contributions to the SFCA, and proceeds from its books and recordings.

State Motor Pool Revolving Fund

Section 105-11, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$2,076	\$2,773	\$3,601	\$2,290	\$2,097
Revenues	2,577	2,375	2,414	2,532	2,472
Interest	39	31	56	11	4
Expenditures	(1,919)	(1,578)	(2,281)	(2,736)	(2,478)
Transfers*	0	0	(1,500)	0	18
Ending Balance	\$2,773	\$3,601	\$2,290	\$2,097	\$2,113
Encumbrances	\$48	\$41	\$249	\$16	\$25

*Funds transferred in FY2011 to the general fund in accordance with Act 192, SLH 2010, and funds transferred in FY2013 from the Automotive Management Division's ARRA account to reimburse the fund.

This fund, created in 1963, continues to meet the criteria of a revolving fund and serves the purpose for which it was originally created. The fund was established to finance expenses of the State's motor pool, including the acquisition, operation, repair, maintenance, storage, and disposal of state-owned vehicles. Sources of revenue are charges for vehicle rentals, repair services, fuel sales, proceeds from the auction of salvageable vehicles, and interest earned from the investment pool system. Moneys are used to pay for personnel, vehicle, and maintenance costs.

State Parking Revolving Fund

Section 107-11, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,327	\$1,416	\$1,447	\$1,221	\$1,254
Revenues	3,821	3,751	3,771	3,756	3,710
Interest	22	17	35	11	6
Expenditures	(3,274)	(2,985)	(3,153)	(3,093)	(3,072)
Transfers*	(480)	(752)	(879)	(641)	(820)
Ending Balance	\$1,416	\$1,447	\$1,221	\$1,254	\$1,078
Encumbrances	\$244	\$198	\$166	\$234	\$117

*Transfers are comprised of transfers to the general fund in accordance with Section 107-11(g), HRS, and transfers to and from various public works projects with any savings returned to the State Parking Revolving Fund.

This fund continues to serve the purpose for which it was originally created and meets the criteria of a revolving fund. The fund was established in 1963 to finance the costs of paving parking areas, purchase and install parking meters, and operate parking facilities on state land under the jurisdiction of the comptroller. In 1993, the fund was merged with the State Parking Control Fund. Revenues are derived from parking stall rentals, attendant booth collections, parking meters, parking citations, interest earned from the investment pool system, and other revenues. Expenses are for personnel and repair and maintenance costs.

According to Section 107-11(g), HRS, fund balances of more than \$500,000 at the end of each fiscal year shall lapse to the general fund. Total transfers for FY2009–2013 amounted to \$2,992,462, representing about 19 percent of the fund’s total revenue.

State Risk Management Revolving Fund

Section 41D-4, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$25,799	\$25,893	\$28,217	\$23,300	\$21,199
Revenues	19,005	14,077	13,739	12,586	12,436
Interest	596	368	455	126	50
Expenditures	(14,507)	(12,121)	(16,111)	(14,813)	(15,578)
Transfers*	(5,000)	0	(3,000)	0	0
Ending Balance	\$25,893	\$28,217	\$23,300	\$21,199	\$18,107
Encumbrances	\$0	\$0	\$0	\$14	\$0

*Transfers to the general fund were authorized pursuant to Act 79 (SLH 2009), Act 192 (SLH 2010), and Act 124 (SLH 2011).

This fund continues to meet the criteria of a revolving fund and serves the purpose for which it was originally created. The fund was established in 1988 to cover all costs of the State Risk Management Program; it receives appropriations from the Legislature, receipts from assessments and apportionments made to state agencies, insurance settlements, interest from investments, and restitution from claims. Moneys may be expended to purchase casualty insurance, property insurance, and excess insurance; acquire risk management, investigative, claims adjustment, actuarial, and other services; pay claims to state agencies for losses to state property caused by fire or other casualties; pay claims against the State; or pay for losses to the State incurred by dishonesty, nonfeasance, or misfeasance of any state employee.

**Surplus Federal
Property Revolving
Fund**

**Section 103D-1107,
HRS**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$338	\$389	\$395	\$328	\$396
Revenues	1,119	575	566	782	457
Interest	5	4	6	1	1
Expenditures	(1,073)	(573)	(639)	(715)	(495)
Transfers	0	0	0	0	0
Ending Balance	\$389	\$395	\$328	\$396	\$359
Encumbrances	\$2	\$5	\$0	\$8	\$2

This fund continues to meet the criteria of a revolving fund and serves the purpose for which it was originally created. The fund was established in 1981 to defray the costs of procuring, storing, handling, and disposing surplus property donated to the State under federal law. Funds are used for all payroll and operating costs to support the Surplus Property Management Program. The program’s objective is to reutilize federal and state property declared surplus or excess. Sources of revenue include service and handling fees received from eligible program participants purchasing deferral surplus property, and resale of used federal government vehicles.

**Temporary Deposits—
Administrative
Services Office**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$8	\$6	\$11	\$15	\$19
Revenues	9	12	11	5	4
Interest	0	0	0	0	0
Expenditures	(11)	(7)	(7)	(1)	(3)
Transfers	0	0	0	0	0
Ending Balance	\$6	\$11	\$15	\$19	\$20
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to meet the criteria of a trust account and serve its originally created purpose as a collection and pass-through account. The account was administratively established in 1996 to hold the deposits of salary overpayments collected from employees involved in central

services programs that are subsequently deposited into the general fund. Central services programs involved include the custodial program, grounds program, and public building repairs and alterations.

**Temporary Deposits—
Automotive
Management**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$41	\$45	\$52	\$59	\$63
Revenues	13	16	19	17	18
Interest	0	0	0	0	0
Expenditures	(9)	(9)	(12)	(13)	(13)
Transfers	0	0	0	0	0
Ending Balance	\$45	\$52	\$59	\$63	\$68
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and serves the purpose for which it was originally created. The account was administratively established in 1996 to hold gate card deposits received from parking assignees in gate-controlled parking lots. Deposits are returned to assignees upon cancellation of their parking assignments and return of the gate card.

**Temporary Deposits—
Central Purchasing**

**Administratively
established**

Financial Data for Fiscal Years 2009–2011 (in thousands)

	FY2009	FY2010	FY2011
Beginning Balance	\$18	\$18	\$18
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	(18)
Transfers	0	0	0
Ending Balance	\$18	\$18	\$0
Encumbrances	\$0	\$0	\$0

This trust account was closed in 2011 and the remaining balance returned to the state’s general fund. The account was administratively established in 1955 to hold bidder deposits. Bid security protects the State against

failure or refusal of a low bidder to supply necessary performance and payment bonds as required and to proceed with performance under a contract. Approval of the chief procurement officer was needed before the bid security requirement could be imposed upon a bidder.

**Temporary Deposits—
Public Works**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$32	\$34	\$34	\$33	\$33
Revenues	2	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	(1)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$34	\$34	\$33	\$33	\$33
Encumbrances	\$0	\$0	\$0	\$0	\$0

Although this trust account is currently being used for a different purpose than originally intended, it still meets the criteria of a trust account, primarily as a holding or deposit account. The department is in the process of transferring to the general fund the \$32,863 balance of unclaimed deposits from prospective bidders who did not return the borrowed plans and specifications. This trust account was administratively established to account for temporary security deposits made by individuals borrowing plans and specifications for bidding purposes; however, this practice was discontinued more than 20 years ago. The account is currently used for temporary bid security deposits when bid securities, other than surety bid bonds, are received in conjunction with bids. Bid security deposits are returned to bidders at the time of award.

**Temporary Deposits—
Stadium Authority****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$86	\$81	\$25	\$0	\$285
Revenues	206	2	0	285	330
Interest	0	0	0	0	0
Expenditures	(211)	(58)	(25)	0	0
Transfers	0	0	0	0	0
Ending Balance	\$81	\$25	\$0	\$285	\$615
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. The account was administratively established in 1994 to temporarily hold scoreboard advertising receipts until contractually mandated disbursements could be made. The account supports the scoreboard advertising program at Aloha Stadium.

**University of Hawai'i
Ticket Receipts****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was originally created. The account was administratively established in 2003 to temporarily hold ticket receipts for events held at the University of Hawai'i until contractually mandated disbursements can be made to the university. Some financial activity in the fund exists but is not shown in the table due to rounding to the thousand.

Works of Art Special Fund**Section 103-8.5, HRS****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$9,448	\$7,511	\$4,391	\$4,348	\$4,688
Revenues	1,304	1,030	2,082	3,647	2,751
Interest	174	95	99	27	13
Expenditures	(3,105)	(2,380)	(2,395)	(3,312)	(2,675)
Transfers*	(310)	(1,865)	171	(22)	0
Ending Balance	\$7,511	\$4,391	\$4,348	\$4,688	\$4,777
Encumbrances	\$1,813	\$1,386	\$1,506	\$1,427	\$1,817

*Transfers for fiscal years 2009–2012 are to and from the Public Works Division for work primarily related to the No. 1 Capitol District Building, with any savings returned to the Works of Art Special Fund.

This fund serves the purpose for which it was created and meets the criteria of a special fund. The fund, established in 1989, is used for costs related to the acquisition, exhibition, upkeep, storage, and transportation of works of art. Revenues consist of 1 percent of all state fund appropriations for capital improvements designated for the construction or renovation of state buildings. Major expenses include artist fees, design, fabrication, construction, onsite inspections, shipping, required landscaping, installation, and conservation costs.

Chapter 3

Department of Agriculture

This chapter presents the results of our review of 13 special funds, nine revolving funds, three trust funds and nine trust accounts of the Department of Agriculture. For each fund or account we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not offer any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present, in alphabetical order, the funds and accounts established by statutory and administrative authority. The financial data presented by fund or account was obtained from the department.

Exhibit 3.1 summarizes the Department of Agriculture’s funds and accounts that do not meet criteria for continuance.

Exhibit 3.1
Department of Agriculture’s Funds and Accounts Not Meeting Criteria

Fund Name	Fund Type	6/30/13 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining
Agricultural Development and Food Security Special Fund	Special Fund	\$4,823,000		✓*	✓*		✓*
Agricultural Park Special Fund	Special Fund	\$1,552,000			✓		
HDOA Biocontrol Foreign Exploration Special Fund	Special Fund	\$25,000	✓	✓	✓	✓	✓
Irrigation System Revolving Fund	Revolving Fund	\$2,385,000			✓	✓	✓
Non-Agricultural Park Lands Special Fund	Special Fund	\$1,067,000			✓		

*There is partial nexus between the benefits sought and charges made upon the program users or beneficiaries.

Source: Office of the Auditor

***Agricultural
Development and Food
Security Special Fund***

Section 141-10, HRS

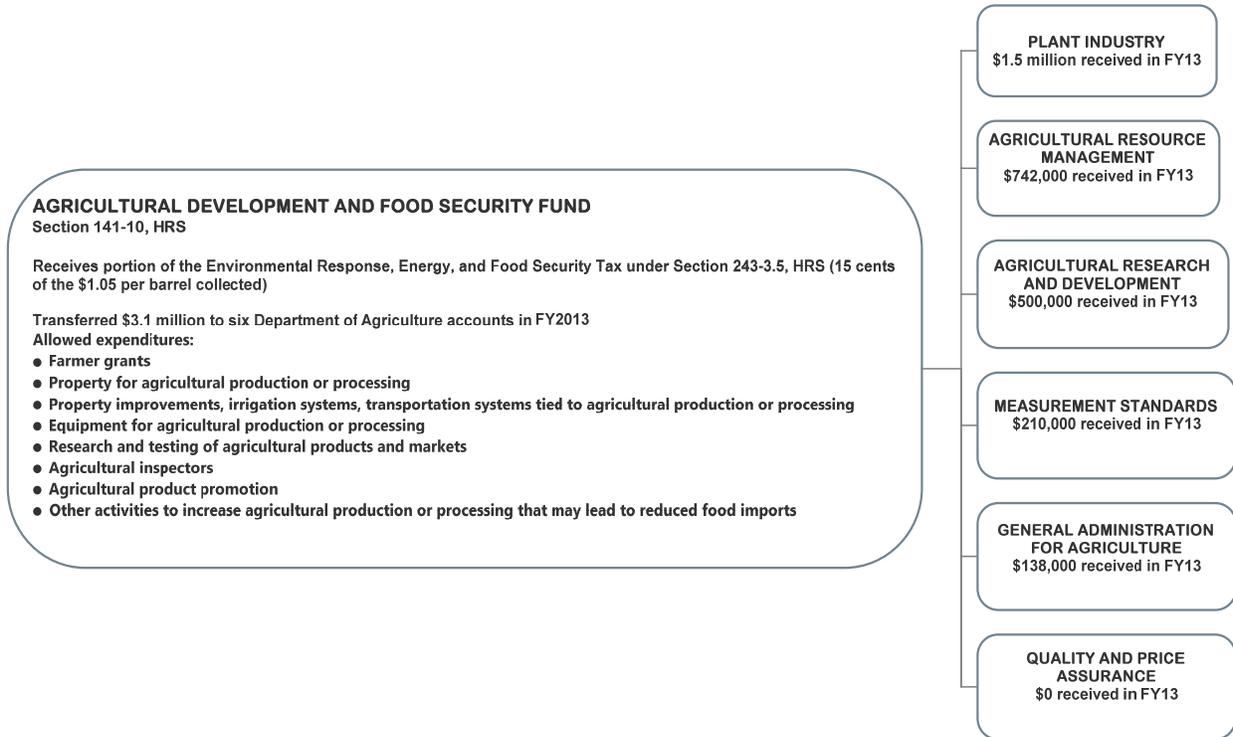
Financial Data for Fiscal Years 2010–2013 (in thousands)

	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$3,499	\$4,020
Revenues	0	3,499	3,944	3,893
Interest	0	0	13	0
Expenditures	0	0	0	0
Transfers	0	0	(3,436)	(3,090)
Ending Balance	\$0	\$3,499	\$4,020	\$4,823
Encumbrances	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created but only partially meets criteria for a special fund. In 2010, the fund was created by statute to receive a portion of the Environmental Response, Energy, and Food Security Tax, which is applied to each barrel of petroleum product sold by distributors in Hawai‘i. The levy, commonly known as the “barrel tax,” imposes a \$1.05 tax per barrel, 15 cents of which is deposited in the Agricultural Development and Food Security Special Fund. The barrel tax is passed on by businesses to consumers and affects nearly every good or service involving energy usage in the state.

The Agricultural Development and Food Security Special Fund uses its money for a variety of purposes aimed at increasing the state’s food security by reducing imports of food and increasing food production in Hawai‘i. As shown in Exhibit 3.2, in FY2013 the department transferred \$3.1 million from the fund into related program accounts (in order of amount received) supporting the Department of Agriculture’s plant industry, agricultural resource management, agricultural research and development, general administration, measurement standards, and quality and price assurance operations.

**Exhibit 3.2
Agricultural Development and Food Security Fund Transfers**



Source: Office of the Auditor

One of the criteria for special funds is whether a clear nexus exists between the benefits sought and charges made upon program users or beneficiaries, or whether a clear link exists between the program and its sources of revenue. We found a partial nexus, in that benefits accrue to the state from charges made on petroleum usage. But we also noted only a partial correlation between the source of revenue, a tax on petroleum products, and the programs designed to support food security.

We also found the Agricultural Development and Food Security Fund partially met the criteria for use of special funds instead of general fund appropriation. According to the department, some programs this special fund supports could be budgeted through general fund appropriations; moreover, its capacity to be financially self-sustaining is jeopardized by repeal of its authorizing statute set for June 2015.

Agricultural Loan Reserve Fund

Section 155-14, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$3,101	\$2,481	\$2,642	\$1,799	\$1,781
Revenues	594	748	692	710	749
Interest	260	153	164	43	17
Expenditures	(974)	(740)	(699)	(771)	(805)
Transfers*	(500)	0	(1,000)	0	0
Ending Balance	\$2,481	\$2,642	\$1,799	\$1,781	\$1,742
Encumbrances	\$30	\$49	\$61	\$40	\$41

*In FY2009 and FY2011, transfers totaling \$1.5 million were made to the general fund.

This fund continues to serve the purpose for which it was created and meets criteria for special funds. The Agricultural Loan Reserve Fund works in tandem with the Agricultural Loan Revolving Fund to help farmers, ranchers, and food manufacturers obtain credit and emergency loans. The fund’s revenue sources are interest on loans, investment income, and rent, and are used to pay for expenses of the loan program and a state special fund assessment. Moneys determined to be in excess of loan program operating needs are transferred to the Agricultural Loan Revolving Fund, which also receives money from the repayment of loan principal.

Agricultural Loan Revolving Fund

Section 155-14, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$11,361	\$7,932	\$6,660	\$6,371	\$5,008
Revenues	1,675	1,649	1,919	1,728	1,667
Interest	0	0	0	0	0
Expenditures	(4,104)	(2,921)	(2,208)	(3,091)	(3,468)
Transfers*	(1,000)	0	0	0	0
Ending Balance	\$7,932	\$6,660	\$6,371	\$5,008	\$3,207
Encumbrances	\$0	\$0	\$0	\$0	\$0

*\$1 million was transferred by the Legislature to the general fund in FY2009.

This fund serves the purpose for which it was created and meets the criteria for revolving funds. The fund was established in 1919 to support Hawai'i agriculture by granting loans and securing credit for qualified applicants. It assists farmers, ranchers, farm organizations, and food manufacturers in obtaining credit through direct loans, participation loans with commercial lenders, and loan guarantees. The Agricultural Loan Revolving Fund is replenished from repayment of loan principal, which then can be used for new loans. Money from the revolving fund also may be transferred to the Aquaculture Loan Revolving Fund. Interest income from loans is deposited in a related fund, the Agricultural Loan Reserve Fund, which may transfer moneys to the revolving fund after payment of operational expenses and consultative services. In 2013, the fund received a \$750,000 general fund appropriation for FY2014 that the department said was sought because of an anticipated increase in loan demand and because a total of \$1.5 million had been transferred to the general fund from the Agricultural Loan Reserve Fund in FY2009 and FY2011.

***Agricultural Park
Special Fund***

Section 166-10, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,080	\$1,176	\$1,283	\$1,433	\$1,414
Revenues	403	418	378	359	460
Interest	20	14	22	8	4
Expenditures	(327)	(325)	(250)	(386)	(326)
Transfers	0	0	0	0	0
Ending Balance	\$1,176	\$1,283	\$1,433	\$1,414	\$1,552
Encumbrances	\$88	\$35	\$42	\$55	\$43

This fund continues to serve the purpose for which it was created, but does not meet special fund criteria because it can be funded through the general fund appropriation process. The fund was established by statute in 1986 and supports the State's operation and maintenance of agricultural parks. Rental income, appraisal fees, and other fees are deposited into the fund, which pays salaries, equipment rentals, consultant and construction contracts, and other related operations and maintenance costs. Under Section 37-52.3, HRS, an examination of why a program or activity cannot be implemented successfully under the general fund appropriation process must be conducted. Although the fund is self-sustaining, the department said this program can be funded through the general fund appropriation process if the Legislature so desires.

**Agricultural Park
Special Fund Escrow
Account**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$116	\$118	\$120	\$122	\$123
Revenues	0	0	0	0	0
Interest	2	2	2	1	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$118	\$120	\$122	\$123	\$123
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account, created administratively in 1998, meets the criteria for trust accounts but may be closed pending a decision regarding its balance. According to the department, the account was established to hold 20 percent of agricultural park lease rentals from ceded lands for fiscal years 1998 and 1999. The money was to be held pending the outcome of litigation by the Office of Hawaiian Affairs, which in 2012 settled a lawsuit with the State regarding ceded lands. The department recently asked the Department of Budget and Finance how the account balance should be disposed. The department listed this fund as a special fund; but on review, we determined it to be a trust account.

**Animal Industry
Special Fund**

Section 142-3.6, HRS

Financial Data for Fiscal Years 2012–2013 (in thousands)

	FY2012	FY2013
Beginning Balance	\$0	\$0
Revenues	0	0
Interest	0	0
Expenditures	0	0
Transfers	0	0
Ending Balance	\$0	\$0
Encumbrances	\$0	\$0

This fund is expected to serve the purpose for which it was created and meets criteria for special funds. The fund was established statutorily in 2012 but is not anticipated to be used until FY2015, when the

Department of Agriculture’s Division of Animal Industry will execute a lease agreement on an animal quarantine property. Money in the fund will then be used primarily to hire positions lost during a 2009 reduction-in-force. Although the positions could conceivably be supported through general fund appropriations, the special fund is aligned with an effort to make the Department of Agriculture’s Division of Animal Industry more self-sufficient.

***Animal Quarantine
Special Fund***

Section 142-28.5, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,592	\$1,679	\$1,604	\$1,891	\$1,945
Revenues	2,619	2,458	2,665	2,751	2,928
Interest	29	19	25	10	5
Expenditures	(2,561)	(2,552)	(2,403)	(2,707)	(2,778)
Transfers	0	0	0	0	0
Ending Balance	\$1,679	\$1,604	\$1,891	\$1,945	\$2,100
Encumbrances	\$412	\$153	\$162	\$226	\$184

This fund continues to serve the purpose for which it was created and meets the criteria for special funds. The fund was created by statute in 1998 and is used to support the State’s Animal Quarantine Program, which governs the importation of dogs, cats, and other carnivores into Hawai‘i. Revenue comes from quarantine and other fees, with expenditures consisting of quarantine costs and contributions to a reserve.

**Aquaculture
Development Special
Fund**

Section 141-2.7, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$95	\$104	\$221	\$224	\$201
Revenues	50	142	12	10	6
Interest	2	1	4	1	1
Expenditures	(43)	(26)	(13)	(34)	(11)
Transfers	0	0	0	0	0
Ending Balance	\$104	\$221	\$224	\$201	\$197
Encumbrances	\$0	\$1	\$8	\$5	\$40

This fund continues to serve the purpose for which it was created and meets criteria for special funds. The fund was statutorily created in 2000 to support the expansion of the state's aquaculture industry with aquatic disease management programs and research and development. It receives revenue from a portion of offshore aquaculture lease fees and from aquatic animal and plant health diagnostic services. Funds are used to support aquaculture research and development activities, including industry development projects and aquatic animal health veterinarian expenses. According to the department, a \$300,000 online aquaculture training platform it is developing will reduce the fund balance.

**Aquaculture Loan
Reserve Fund**

Section 219-4, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$343	\$380	\$405	\$437	\$453
Revenues	23	15	16	11	10
Interest	14	10	16	5	3
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$380	\$405	\$437	\$453	\$466
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets criteria for special funds. The fund was statutorily created in 1972 and helps support the State's Aquaculture Loan Program, assisting

aquaculturists in obtaining credit through direct loans, participation loans with commercial lenders, loan guarantees, and emergency loans. Interest on loans and investment income is deposited into the fund, paying for expenses of the loan program and a state special fund assessment. Loan principal payments from the aquaculture loans are deposited into a related fund, the Aquaculture Loan Revolving Fund. According to the department, there has been little demand for aquaculture loans in recent years and operational expenses have been paid by the Agricultural Loan Reserve Fund, which shares personnel with the aquaculture program. Balances determined to be in excess of the loan program's operating needs can be transferred to the Aquaculture Loan Revolving Fund.

Aquaculture Loan Revolving Fund

Section 219-4, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$439	\$462	\$484	\$503	\$517
Revenues	23	22	19	14	146
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$462	\$484	\$503	\$517	\$663
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria of revolving funds. The fund was established in 1972 to support the state's aquaculture industry by granting and securing credit for qualified applicants. The fund assists aquaculturalists in obtaining funds through direct loans, participation loans, and loan guarantees. The fund receives money from loan principal payments and can receive transfers from the Agricultural Loan Revolving Fund under Section 155-14, HRS. Interest and fees are deposited into a related fund, the Aquaculture Loan Reserve Fund, which can also transfer surplus balances to the Aquaculture Loan Revolving Fund after the program's operational expenses are paid.

Certification Services Revolving Fund

Section 147-101, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$491	\$535	\$522	\$456	\$592
Revenues	321	231	181	361	415
Interest	9	6	9	2	2
Expenditures	(286)	(250)	(256)	(227)	(324)
Transfers	0	0	0	0	0
Ending Balance	\$535	\$522	\$456	\$592	\$685
Encumbrances	\$16	\$6	\$16	\$76	\$14

This fund serves the purpose for which it was created and meets criteria for revolving funds. The fund was created in 1994 to support certain inspection services and was expanded in 2003 when it was consolidated with the Coffee Inspection Revolving Fund. The fund supports certification and audit services by temporary inspectors for fruits, vegetables, nuts, honey, coffee, flowers and foliage, seeds, processed foods, and agricultural safety and security. Fees collected from users provide revenue for the fund, which did not receive general fund appropriations during the period reviewed. Expenses include salaries of temporary inspectors and costs for administration and provision of the certification or audit services provided.

Contribution of Overtime Plant Quarantine Inspection

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$28	\$22	\$42	\$38	\$39
Revenues	428	47	1	1	0
Interest	0	0	0	0	0
Expenditures	(434)	(27)	(5)	0	(2)
Transfers	0	0	0	0	0
Ending Balance	\$22	\$42	\$38	\$39	\$37
Encumbrances	\$0	\$0	\$0	\$0	\$0

This administratively created account meets criteria for trust accounts. The account supports off-site inspections of maritime cargo by off-duty inspectors. Shipping company fees for overtime inspection work

are deposited into the account, which reimburses the general fund for overtime payments. The account is used infrequently because another fund, created in 2007, now covers many of the expenses. According to the department, the Pest Inspection, Quarantine and Eradication Fund replaced most of the use of this account and one of two shipping lines depleted its balance in the account. The Contribution of Overtime Plant Quarantine Inspection account is now used infrequently and only upon special request by the remaining shipping company.

***County of Hawai'i, Buy
Fresh Buy Local Grant,
Year 2***

***Administratively
established***

**Financial Data for Fiscal Years 2010–2012 (in
thousands)**

	FY2010	FY2011	FY2012
Beginning Balance	\$0	\$14	\$14
Revenues	14	0	0
Interest	0	0	0
Expenditures	0	0	(14)
Transfers	0	0	0
Ending Balance	\$14	\$14	\$0
Encumbrances	\$0	\$14	\$0

This trust fund has ceased operations. The fund was established in 2010 to support marketing of Hawai'i Island farmers and closed when the one-time project was completed. Money for the project came from a county grant and was used to create posters, rack cards, and radio scripts for product promotion at festivals, retail events, and for display.

DHHL Entitlement Proceeds**Administratively established****Financial Data for Fiscal Years 2010–2013 (in thousands)**

	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$11	\$7	\$7
Revenues	11	7	7	8
Interest	0	0	0	0
Expenditures	0	(11)	(7)	(7)
Transfers	0	0	0	0
Ending Balance	\$11	\$7	\$7	\$8
Encumbrances	\$0	\$0	\$0	\$0

This fund serves the purpose for which it was created and meets the criteria for trust funds. It was established administratively in 2009 to collect a percentage of former sugar land rental revenues and transfer those proceeds to the Department of Hawaiian Home Lands (DHHL). A provision in the Hawai'i Constitution requires that 30 percent of receipts from leasing cultivated sugarcane lands or water licenses be transferred to DHHL under the Hawaiian Homes Commission Act. The percentage also applies to lands sold, developed, transferred, or otherwise disposed of for purposes other than sugarcane cultivation.

Hawai'i Agricultural Development Revolving Fund**Section 163D-17, HRS****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,682	\$1,730	\$1,424	\$1,787	\$2,011
Revenues	1,684	1,617	1,746	1,337	1,533
Interest	31	20	22	10	6
Expenditures	(1,667)	(1,943)	(1,405)	(1,123)	(1,172)
Transfers	0	0	0	0	0
Ending Balance	\$1,730	\$1,424	\$1,787	\$2,011	\$2,378
Encumbrances	\$1,233	\$832	\$465	\$278	\$1,143

This fund continues to serve the purpose for which it was created and meets criteria for revolving funds, though there are questions about its capacity to be financially self-sustaining. The fund was established by statute in 1994 and is used to support the Agribusiness Development

Corporation, a public corporation created by the Legislature to acquire and help transition select agricultural lands, water systems, and infrastructure affected by the downsizing of the pineapple and sugar industries. The fund draws revenue from land rents, administrative fees, soil sale proceeds, and other fees. Expenditures include payroll, equipment rentals, transportation expenses, and other costs.

The fund received general fund appropriations in three of the five years reviewed, raising questions about its capacity to be financially self-sufficient. Additionally, the fund is scheduled to receive \$51,000 in general fund appropriations in FY2014 and FY2015. The issue of general fund appropriations has been noted in three of our prior reviews of the fund.

We found the fund has been self-sustaining in the last three years—revenues exceeded expenses since FY2011, even when general fund moneys for FY2011 and FY2012 are subtracted. The Agribusiness Development Corporation may acquire 22,500 acres of O‘ahu land with proceeds from revenue bonds, and it is not known how this will affect the fund’s capacity to be self-sustaining. However, repealing the fund and placing the Agribusiness Development Corporation under the general fund appropriations process may run counter to legislative intent in establishing a public corporation to administer an aggressive and dynamic agribusiness development program.

***HDOA Biocontrol
Foreign Exploration
Special Fund***

No statutory basis

Financial Data for Fiscal Years 2011–2013 (in thousands)

	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$52	\$27
Revenues	0	0	0
Interest	0	0	0
Expenditures	(3)	(65)	(2)
Transfers*	55	40	0
Ending Balance	\$52	\$27	\$25
Encumbrances	\$4	\$3	\$0

*Transfers in FY2011 and FY2012 came from the Department of Land and Natural Resources’ Hawai‘i Invasive Species Council.

This fund does not meet the criteria of a special fund and instead appears to be an appropriation account. The account is no longer needed and we recommend the department close it. The fund was created in 2010 to support travel to foreign countries to research insects or diseases capable

of controlling plant pests. For two years, the Department of Land and Natural Resources' Hawai'i Invasive Species Council provided funding. According to the department, the fund was created in Chapter 194, HRS; however, we found no mention of the fund in the law. Under Section 37-52.3, HRS, special funds can only be created by an act of the Legislature. Because the fund was not created by law it does not meet criteria for a special fund. The account has been inactive since FY2012 and in late November 2013 the department said it would return the funds to the Department of Land and Natural Resources.

Interim Storage of Containerized Animals

Administratively established

Financial Data for Fiscal Year 2009 (in thousands)

	FY2009
Beginning Balance	\$5
Revenues	0
Interest	0
Expenditures	(5)
Transfers	0
Ending Balance	\$0
Encumbrances	\$0

This trust account ceased operations in FY2009 and the account was closed. The account was created administratively in 2007 and operated for two years before funds were returned to users. It held security deposits to cover the cost of clean-up or repair resulting from the use of a temporary livestock holding facility on Sand Island in Honolulu.

***Irrigation Repair and
Maintenance Special
Fund***

Section 167-24, HRS

Financial Data for Fiscal Years 2009–2011 (in thousands)

	FY2009	FY2010	FY2011
Beginning Balance	\$0	\$0	\$0
Revenues	0	0	0
Interest	0	0	0
Expenditures	0	0	0
Transfers	0	0	0
Ending Balance	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0

This fund was repealed by Act 124, Session Laws of Hawai'i 2011. The fund was created in 2006 to support irrigation repairs and maintenance for state- and privately-owned irrigation systems. Moneys were to come from legislative appropriations, including general obligation bonds and federal funds, which irrigation system owners could obtain by pledging matching funds and dedicating a majority of the land served by the irrigation system as important agricultural lands. However, the fund was never used. According to the department, the program was deemed flawed because system owners might not have authority to dedicate all lands as important agricultural lands. Section 167-24, HRS, which established this fund, was repealed in 2011.

***Irrigation System
Revolving Fund***

Section 167-22, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$860	\$936	\$1,255	\$1,606	\$2,014
Revenues	1,174	1,239	1,311	1,127	1,156
Interest	17	12	19	9	6
Expenditures	(1,115)	(932)	(979)	(728)	(791)
Transfers	0	0	0	0	0
Ending Balance	\$936	\$1,255	\$1,606	\$2,014	\$2,385
Encumbrances	\$140	\$178	\$100	\$17	\$124

This fund continues to serve the purpose for which it was created but does not meet the criteria for revolving funds because it receives general fund appropriations. The Department of Agriculture has noted that

should the Legislature desire, the program supported by this fund can be placed under general fund appropriations. The fund was created by statute in 1987 to support costs associated with provision of irrigation water for agricultural use. Customers are charged reasonable delivery rates for irrigation water, but these fees are not enough to cover program costs and the fund received general fund money between FY2009 and FY2011 totaling \$1.15 million. Currently, the fund is self-sustaining; however, some of the positions it previously funded are now paid through the Agricultural Development and Food Security Special Fund. It also does not have an appropriate means of financing because a revolving fund's charges are to cover the costs of goods and services rendered.

Microorganism Import Certification Revolving Fund

Section 150A-48, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This revolving fund was never used and its statute was repealed in 2010. The fund was created in 1999 to support the Microorganism Import Certification Program, which certified importers of microorganisms for medical and scientific purposes. However, a \$100,000 appropriation was never deposited into the fund and administrative rules were never established. The fund was repealed by Act 173, SLH 2010, but as of the end of FY2013, an appropriation account linked to the fund still existed. As of October 31, 2013, the department was in the process of closing the appropriation account.

Milk Control Special Fund

Section 157-29, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$568	\$583	\$541	\$508	\$467
Revenues	83	45	54	60	61
Interest	10	7	10	3	1
Expenditures	(78)	(94)	(97)	(104)	(120)
Transfers	0	0	0	0	0
Ending Balance	\$583	\$541	\$508	\$467	\$409
Encumbrances	\$6	\$2	\$12	\$18	\$29

This fund continues to serve the purpose for which it was created and meets the criteria for special funds. The fund was statutorily created in 1998 to support implementation of Hawai‘i’s Milk Control Act, which allows regulation of the state’s milk industry to create order and stability. Revenues come from fees assessed on dairy producers and processors based on a percentage of the value of milk produced. Expenditures include program personnel, state central services expenses, and other costs. Revenues have not covered expenses in recent years because the department adjusted its fees to bring down fund balances. According to the department, it can raise fees if needed.

Non-Agricultural Park Lands Special Fund

Section 166E-7, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$197	\$452	\$602	\$781	\$921
Revenues	644	507	513	550	636
Interest	3	3	9	4	3
Expenditures	(392)	(360)	(343)	(414)	(493)
Transfers	0	0	0	0	0
Ending Balance	\$452	\$602	\$781	\$921	\$1,067
Encumbrances	\$10	\$18	\$15	\$34	\$18

This fund serves the purpose for which it was created, but does not meet special fund criteria because it can be operated under general fund appropriations. The fund was established by statute in 2005 and

is used to cover the costs of a program under which certain public lands classified for agricultural use by the Department of Land and Natural Resources are transferred to the Department of Agriculture for management. Rental income for leased land, appraisal fees, and other fees are deposited into the fund. The money is used for salaries, equipment, consultants, and other operations and maintenance costs of the program. The fund is self-sustaining, but the department noted that should the Legislature desire, the program could be placed under the general fund.

OHA Ceded Land Proceeds

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$4	\$5	\$37	\$126	\$104
Revenues	277	227	326	350	344
Interest	0	0	0	0	0
Expenditures	(276)	(195)	(237)	(372)	(326)
Transfers	0	0	0	0	0
Ending Balance	\$5	\$37	\$126	\$104	\$122
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was originally created and meets the criteria for a trust account. It was administratively established in 2003 and receives deposits consisting of 20 percent of ceded land rental and other income received from agricultural tenants on ceded lands. Money from the fund goes to the Office of Hawaiian Affairs, which is to receive 20 percent of land rental revenue from all ceded lands in the state.

Permit Revolving Fund**Section 150A-6.7, HRS****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$28	\$40	\$56	\$58	\$58
Revenues	14	19	1	0	0
Interest	1	0	1	0	0
Expenditures	(3)	(3)	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$40	\$56	\$58	\$58	\$58
Encumbrances	\$1	\$0	\$0	\$0	\$0

This revolving fund was repealed in 2010 but its appropriation account remained open at the end of FY2013. The fund was established by statute in 2000 to support the Plant Quarantine Program's reviewing and issuing of permits, maintaining lists of allowed or prohibited organisms, educating and training importers and personnel, and other purposes. The fund was closed in 2010 when Section 150A-6.7, HRS, was repealed and its funds were to be transferred to the Pest Inspection, Quarantine and Eradication Fund. However, the account remained open as of the end of FY2013 and had a balance of \$58,712. As of October 31, 2013, the department was in the process of closing the appropriation account and transferring the money to the Pest Inspection, Quarantine and Eradication Fund.

Pesticide Use Revolving Fund**Section 149A-13.5, HRS****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,012	\$1,292	\$1,058	\$971	\$1,005
Revenues	973	953	1,020	1,047	982
Interest	21	16	20	6	3
Expenditures	(583)	(673)	(596)	(875)	(951)
Transfers*	(131)	(530)	(531)	(144)	(126)
Ending Balance	\$1,292	\$1,058	\$971	\$1,005	\$913
Encumbrances	\$512	\$277	\$577	\$629	\$415

*General fund transfers: FY2009, \$131,738; FY2010, \$530,066; FY2011, \$531,289; FY2012, \$143,843; and FY2013, \$125,947.

This fund continues to serve the purpose for which it was established and meets the criteria for revolving funds. The fund was established in 1996 by statute to support the Pesticide Program’s registration, licensing, certification, education, training, and compliance monitoring activities. The fund receives most of its revenue from pesticide product licensing fees, with other revenue from interest and training fees. Personnel and operating costs for the program’s Registration and Technical Review Unit and its Education and Certification Unit are entirely supported by the fund.

Under Section 149A-13.5, HRS, balances of more than \$250,000 in the fund lapse to the general fund at fiscal year-end. As shown in Exhibit 3.3, these transfers amounted to more than \$1.4 million during our review period.

Exhibit 3.3
Pesticide Use Revolving Fund Revenue, Expenditures (in thousands)

Fiscal Year	Transferred to General Fund	Revenue and Interest	Expenditures	Expenditures as Percent of Revenue and Interest
2009	\$131	\$994	\$583	58.7%
2010	\$530	\$969	\$674	69.6%
2011	\$531	\$1,040	\$596	57.3%
2012	\$144	\$1,053	\$875	83.1%
2013	\$126	\$985	\$951	96.5%

Source: Office of the Auditor

General fund transfers are possible in part because program spending has been lower than what was collected in pesticide fees and interest income. The percentage of revenues and interest income spent on program activities was less than 70 percent in three of the five years reviewed.

***Pest Inspection,
Quarantine, and
Eradication Fund***

Section 150A-4.5, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$5	\$2,007	\$3,833	\$4,193	\$4,821
Revenues	2,126	3,662	3,914	5,349	4,980
Interest	3	12	56	22	12
Expenditures	(127)	(1,707)	(3,610)	(4,743)	(4,312)
Transfers*	0	(141)	0	0	0
Ending Balance	\$2,007	\$3,833	\$4,193	\$4,821	\$5,501
Encumbrances	\$8	\$120	\$147	\$952	\$333

*A transfer was made to the general fund in FY2010 to support inspector payroll expenses.

This fund continues to serve the purpose for which it was created and meets the criteria for special funds. The fund was created by statute in 2007 to support the State's efforts to inspect, quarantine, control, and eradicate invasive species by preventing their introduction and spread in Hawai'i. Revenue includes fees collected for maritime cargo inspection, processing of permits, and quarantine activities. Expenses include plant quarantine staff payroll, risk assessments, quarantine treatment, coqui frog control, varroa mite control, and training.

***Producers' Settlement
Fund***

***Administratively
established***

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This administratively-created fund meets the criteria for trust funds, but is currently inactive. The fund was created in 1980 to support Hawai'i's Milk Control Act, which is designed to strengthen and create stability in the Hawai'i milk industry. The fund provides a vehicle to equalize milk prices paid to producers by processors when needed. The fund has been

inactive since FY2006 because there is only one milk processor in the state. However, the department asserts the account is still needed in the event another milk processor begins operations.

Seal of Quality Special Fund

Section 148-67, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$11	\$23	\$39	\$40	\$45
Revenues	13	17	11	9	8
Interest	0	0	1	0	0
Expenditures	(1)	(1)	(11)	(4)	(9)
Transfers	0	0	0	0	0
Ending Balance	\$23	\$39	\$40	\$45	\$44
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund continues to serve the purpose for which it was created and meets the criteria for special funds. The fund was statutorily established in 2007 and supports the State’s Seal of Quality Program, which brands Hawai‘i-grown and Hawai‘i-made premium products with a seal guaranteeing they were produced in the state. The program derives revenue from user application fees, sale of seals, and fines, and can receive legislative appropriations. Expenditures include seals, as well as marketing and other promotional expenses, such as booth rental at the Tokyo Gift Show.

Security Deposits—Ag Park & Non-Ag Park

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$20	\$94	\$115	\$118
Revenues	20	74	21	3	34
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$20	\$94	\$115	\$118	\$152
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to serve the purpose for which it was established and meets the criteria for trust accounts. The account was established administratively in 2009 to support the department’s leasing program for farmers. The account holds security deposits collected from lessees and permit holders until termination of a lease, revocable permit, or conversion to lease. Security deposits in lieu of performance bonds are held in the account, which does not receive general fund appropriations. The money is released following termination, assignment, or full compliance with lease terms and conditions.

Security Deposits

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$46	\$46	\$46	\$53	\$53
Revenues	0	0	7	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$46	\$46	\$53	\$53	\$53
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account continues to meet the purpose for which it was created and meets the criteria for trust accounts. Previously known as the Security Deposits—Kekaha trust account, the account was created in 2004 to hold security deposits from Kekaha agricultural lands but was later expanded to hold deposits from other lands. Deposits are made by tenants with revocable permits, licenses and leases, and are returned when agreement conditions have been met. Although the range of deposits the account can accept has increased, its primary purpose—that of a holding account for security deposits of lands managed by the agency—has not.

**Temporary Deposit,
Bond for Animal****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$9	\$9	\$8	\$34	\$22
Revenues	0	0	26	14	0
Interest	0	0	0	0	0
Expenditures	0	(1)	0	(26)	(14)
Transfers	0	0	0	0	0
Ending Balance	\$9	\$8	\$34	\$22	\$8
Encumbrances	\$0	\$0	\$0	\$0	\$0

This administratively created account continues to serve the purpose for which it was established and meets the criteria for trust accounts. The account holds permit holders' bonds for animals such as monkeys, apes, and baboons that are brought to Hawai'i for circuses, film productions, and other purposes. The bond is \$2,000 to \$3,000 for each animal and is returned to permittees upon verification of animals' shipment out of state, death, or sale to another permit holder. Permittees must comply with conditions of the bond as established by administrative rules. If an animal is released or escapes, the bond is forfeited and the money is deposited into the general fund.

**Temporary Deposit,
Commodities****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$31	\$2	\$52	\$49	\$114
Revenues	115	103	99	117	76
Interest	0	0	0	0	0
Expenditures	(144)	(53)	(102)	(52)	(64)
Transfers	0	0	0	0	0
Ending Balance	\$2	\$52	\$49	\$114	\$126
Encumbrances	\$0	\$0	\$0	\$0	\$0

This administratively established account continues to serve the purpose for which it was established and meets the criteria for trust accounts. It serves as a temporary clearing account for federal certification activities,

including those involving processed foods, shell eggs, and fresh fruits and vegetables. Fees collected for federal inspection program activities under U.S. Department of Agriculture (USDA) cooperative agreements are deposited into the account. Money is disbursed to the USDA, and the program is also reimbursed for some expenses.

Temporary Deposits

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$19	\$6	\$9	\$19	\$35
Revenues	19	9	12	24	12
Interest	0	0	0	0	0
Expenditures	(32)	(6)	(2)	(8)	(1)
Transfers	0	0	0	0	0
Ending Balance	\$6	\$9	\$19	\$35	\$46
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account was administratively created and meets the criteria for trust accounts. It is used to temporarily hold deposit moneys until the department can disburse them. Temporary deposits include funds from settlements, private donations and gifts, certificates of title collected from agricultural loan borrowers, payments for overpaid salaries, and trade show participant fees. Expenses include trade show booth fees, fuel costs, veterinary laboratory supplies, textbook and journal subscriptions, and payments to the director of finance for salary overpayments.

Waiāhole Water System Revolving Fund

Section 163D-15.5, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$1,008	\$1,185	\$1,216	\$1,224	\$1,292
Revenues	1,182	1,160	1,164	1,366	1,415
Interest	20	13	22	7	4
Expenditures	(1,025)	(1,142)	(1,178)	(1,305)	(1,167)
Transfers	0	0	0	0	0
Ending Balance	\$1,185	\$1,216	\$1,224	\$1,292	\$1,544
Encumbrances	\$92	\$65	\$54	\$20	\$7

This fund continues to serve the purpose for which it was established and meets the criteria for revolving funds. The fund was established by statute in 1998 and is administered by the Agribusiness Development Corporation to support operations of the Waiāhole Water System, which delivers water from Waiāhole in Windward O‘ahu to users in Waiawa, Mililani, and Kunia. Water delivery fees and interest income are deposited into the fund, which did not receive general fund appropriations during the period under review. The money is used to pay for the operation, repair, and maintenance of siphons, reservoirs, flumes, ditches, tunnels, and access roads.

Chapter 4

Department of Budget and Finance

This chapter presents the results of our review of three special funds, six trust funds and 15 trust accounts of the Department of Budget and Finance. For each fund or account we present a five-year financial summary, the purpose of the fund or account, and conclusions about its use. We do not offer any conclusions about the effectiveness of the program, its management, or whether the program should be continued. We present, in alphabetical order, the funds and accounts established by statutory and administrative authority. The financial data presented by fund or account was obtained from the department.

Exhibit 4.1 summarizes the Department of Budget and Finance’s funds and accounts that do not meet criteria for continuance.

Exhibit 4.1
Department of Budget and Finance’s Funds and Accounts Not Meeting Criteria

Fund Name	Fund Type	6/30/13 Balance (rounded)	No longer serves original purpose	No clear nexus between benefits sought and user charges or a clear link between the program and revenue sources	Program can operate under general fund appropriation process	Inappropriate financing mechanism	Not financially self-sustaining
Hawai'i EUTF Self-Directed Investments	Trust Account	\$0	✓				

Source: Office of the Auditor

**College Savings
Program Trust Fund**

Section 256-6, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$41,170	\$38,747	\$44,545	\$51,974	\$54,956
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(2,423)	5,798	7,429	2,982	3,696
Ending Balance	\$38,747	\$44,545	\$51,974	\$54,956	\$58,652
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfers represent the change in net asset value of the total accounts held in the College Savings Program Trust Fund, including participant contributions and withdrawals.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was created. Act 81, Session Laws of Hawai‘i (SLH) 1999, established statutory authority for this fund, which was created in 2002. The purpose of the fund is to maintain participants’ contributions to the College Savings Program to be used for their designated beneficiaries’ college expenses. Moneys are maintained in the trust fund on behalf of participants or account owners, and are invested in investment or savings options as directed by the participants. The Hawai‘i College Savings Program, HI 529, is intended to enable families to make tax-deferred savings for college tuition expenses. Earnings are income-tax deferred and disbursements for qualified college expenses are exempt from federal and state taxes. The fund is administered by a third-party administrator in accordance with Chapter 256, HRS.

**Compound Interest
Bond Reserve Fund**

Section 39-151, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	0	0	0	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This fund meets the criteria of a trust fund. Though the fund is currently inactive, the department wants to retain the flexibility to issue these types of bonds in the future; therefore, the fund continues to serve the purpose for which it was created. The fund was created by Act 163, SLH 1990, to hold money exclusively for the sufficient payment of principal and interest on compound interest bonds. General excise tax revenues are the primary source of fund revenue. The fund has been inactive since 2002, when the remaining fund balance was transferred to the general fund. The fund acts more like a trust account that serves as a clearing account.

**Emergency and Budget
Reserve Fund**

Section 328L-3, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$73,954	\$60,423	\$62,493	\$9,667	\$24,197
Revenues	12,939	6,940	6,742	19	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(26,470)	(4,870)	(59,568)	14,511	0
Ending Balance	\$60,423	\$62,493	\$9,667	\$24,197	\$24,197
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfers-out are made pursuant to appropriations authorized by the Legislature; transfers-in are usually from agencies returning unexpended funds from appropriations that were made by the Legislature.

This fund meets the criteria of a special fund and serves the purpose for which it was created. Section 328L-3, HRS, established the fund in

1999 to provide a temporary supplemental source of funding for the State during times of emergency, economic downturn, or unforeseen reduction in revenues. In FY2009, the special fund was appropriated 24.5 percent of the Hawai'i Tobacco Settlement Special Fund moneys; in FY2010 and FY2011, the amount appropriated was 15 percent. Deposits from the Hawai'i Tobacco Settlement Special Fund were suspended for FY2012 and FY2013 and transferred to the general fund.

**Employees'
Retirement System
of the State of
Hawai'i**

**Section 88-109,
HRS**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$10,846,789	\$8,815,285	\$9,824,168	\$11,654,356	\$11,288,041
Revenues*	(1,248,032)	1,794,723	2,803,943	654,326	2,081,063
Interest	147,672	236,829	115,301	111,007	98,661
Expenditures	(931,144)	(1,022,669)	(1,089,056)	(1,131,648)	(1,172,102)
Transfers	0	0	0	0	0
Ending Balance	\$8,815,285	\$9,824,168	\$11,654,356	\$11,288,041	\$12,295,663
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Revenues include employer and employee contributions, net appreciation in fair value of investments, dividends, real estate, and alternative investment income, and miscellaneous but excluding interest income.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was created. The Employees' Retirement System (ERS) was established in 1925 to provide retirement, disability, and survivor benefits for state employees, teachers, professors, county employees, police officers, firefighters, judges, and elected officials. The system continues to administer a retirement, disability, and survivor benefits program for members and their designated beneficiaries. In addition, the system collects retirement contributions from Contributory and Hybrid Plan members, provides pre-retirement counseling services, conducts disability hearings and appeals, reviews claims for benefits, and invests funds to help finance the program. As of June 30, 2012, there were 113,282 participants in the plan. The system is funded through appropriations from the State and counties representing employer contributions, employee contributions, and income from investments. General fund appropriations are required for the ERS to pay the employers' share of required contributions.

**Hawai'i Children's
Trust Fund**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$68	\$8	\$8	\$8
Revenues	191	134	129	11	153
Interest	0	0	0	0	0
Expenditures	(123)	(194)	(129)	(11)	(153)
Transfers	0	0	0	0	0
Ending Balance	\$68	\$8	\$8	\$8	\$8
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account was administratively established in 2007 as a holding account for amounts collected from tax refunds designated for the Hawai'i Children's Trust Fund administered by the Hawai'i Community Foundation (HCF). Pursuant to Section 235-102.5(d), HRS, any individual whose state income tax refund for any taxable year is five dollars or more may designate five dollars of their refund to be donated to various funds. One-third of each \$5 donation is deposited into the trust account then disbursed to the trust fund managed by HCF.

**Hawai'i Employer-
Union Health Benefits
Trust Fund (EUTF)**

Section 87A-30, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$8,633	\$5,778	\$2,595	\$2,253	\$2,509
Revenues	7	17	66	2	10
Interest	169	85	61	12	7
Expenditures	(6,281)	(7,685)	(4,030)	(4,508)	(4,947)
Transfers*	3,250	4,400	3,561	4,750	4,248
Ending Balance	\$5,778	\$2,595	\$2,253	\$2,509	\$1,827
Encumbrances	\$5,276	\$2,176	\$1,993	\$2,062	\$826

* Transfers-in from the Hawai'i EUTF Clearing Account: FY2009, \$3,250,000; FY2010, \$4,400,000; FY2011, \$3,918,000; FY2012, \$4,750,000; FY2013, \$4,149,000. Transfers-out to EUTF specific appropriation accounts: FY2011, \$357,000; transfer-in from EUTF specific appropriation accounts: FY2013, \$99,000.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was created. Act 88, SLH 2001, established statutory authority for the fund, which was created in 2002 to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents. The fund assumed the functions, assets, and staff of the Public Employees Health Fund on July 1, 2003. Revenues consist of contributions, interest, income, dividends, refunds, rate credits, and other returns. The fund also provides health and other benefit plans for approximately 189,129 people through contracted insurance carriers and to pay administrative and other fund expenses. Administrative fees are collected from employers and employees to provide services needed to administer health and life insurance benefits. Administrative fees are initially deposited into the Hawai'i EUTF Clearing Account and then transferred to this trust fund. The State plans to close the fund during FY2014 and replace it with a trust fund held outside the state treasury.

Hawai'i EUTF Clearing Account

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$32,138	\$30,883	\$48,786	\$98,885	\$90,741
Revenues	624,821	679,744	759,800	871,227	904,117
Interest	930	733	1,014	653	278
Expenditures	(638,756)	(658,174)	(706,573)	(875,274)	(877,212)
Transfers*	11,750	(4,400)	(4,142)	(4,750)	(4,150)
Ending Balance	\$30,883	\$48,786	\$98,885	\$90,741	\$113,774
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfer-in from the Hawai'i EUTF Self-Directed Investments, FY2009, \$15,000,000. Transfers-out to the Hawai'i EUTF Trust Fund: FY2009, \$3,250,000; FY2010, \$4,400,000; FY2011, \$3,919,000; FY2012, \$4,750,000; FY2013, \$4,150,000. Transfer-out to EUTF specific appropriation account: FY2011, \$223,000.

This account meets the definition of a trust account and serves the purpose for which it was created. In 2004, the account was created as a clearing account to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents. The account consists of contributions, interest, income, dividends, refunds, rate credits, and other returns. It also provides health and other benefit plans for beneficiaries through contracted insurance carriers. Sources of revenues are contributions from employee beneficiaries and employers, which includes administrative fees and premiums for health and life insurance carriers, and health and life

insurance net gains. Premiums and claims are paid to health and life insurance carriers. Administrative fees collected from employers and employees are initially deposited into this trust account, then transferred to the Hawai'i EUTF Trust Fund. This account is expected to be closed in FY2014 and replaced by the Hawai'i EUTF—Clearing Held Outside State Treasury.

***Hawai'i EUTF—
Clearing Held Outside
State Treasury***

***Administratively
established***

Financial Data for Fiscal Year 2013 (in thousands)

	FY2013
Beginning Balance	\$0
Revenues	77,893
Interest	0
Expenditures	(53,396)
Transfers	0
Ending Balance	\$24,497
Encumbrances	\$0

This account meets the criteria of a trust account and serves the purpose for which it was created. In 2012, the account was created as a clearing account held outside of the state treasury to provide health and life insurance benefits for eligible active and retired state and county public employees and their dependents in a similar manner as the previous clearing account that was within the state treasury. The account consists of contributions, interest, income, dividends, refunds, rate credits, and other returns. It also provides health and other benefit plans for beneficiaries through contracted insurance carriers. Administrative fees are collected from the employers and employees to provide the services needed to administer the health and life insurance benefits.

**Hawai'i EUTF
Investments Held
Outside State Treasury**

**Administratively
established**

Financial Data for Fiscal Years 2011–2013 (in thousands)

	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$148,771	\$231,706
Revenues	0	83,143	64,763
Interest	0	0	0
Expenditures	0	(208)	(337)
Transfers*	148,771	0	0
Ending Balance	\$148,771	\$231,706	\$296,132
Encumbrances	\$0	\$0	\$0

* In FY2011 \$148,771,000 was transferred from trust account Hawai'i EUTF Self-Directed Investments; the moneys are invested with Bank of Hawai'i.

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account was created in 2011 so that the EUTF could invest its own funds by going outside the state treasury to participate in other allowable investment vehicles that provide better returns on investments than what was provided by the State. The account provides health and life insurance benefits for eligible active and retired state and county public employees and their dependents.

**Hawai'i EUTF Self-
Directed Investments**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$49,271	\$93,708	\$135,182	\$0	\$0
Revenues	59,437	41,474	13,589	0	0
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers*	(15,000)	0	(148,771)	0	0
Ending Balance	\$93,708	\$135,182	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

* In FY2009, \$15,000,000 was transferred to the Hawai'i EUTF Clearing Account; in FY2011, \$148,771,000 was transferred to the Hawai'i EUTF Investments Held Outside State Treasury trust account.

This account meets the criteria of a trust account but no longer continues to serve the purpose for which it was created. The account has been inactive since FY2011 and we recommend it be closed. The account was created in 2007 so the EUTF could invest its own funds through the department's Financial Administration Division to maximize its savings. The account provides health and life insurance benefits for eligible active and retired state and county public employees and their dependents. During FY2011, moneys were transferred to Bank of Hawai'i to participate in other allowable investment vehicles that provide better returns on investments than what was provided by the State. Those moneys subsequently are accounted for under the trust account, Hawai'i EUTF Investments Held Outside State Treasury. The remaining account balance of six cents will be transferred to the Bank of Hawai'i in FY2014.

***Hawai'i Tobacco
Prevention and Control
Trust Fund***

Section 328L-5, HRS

Financial Data for Years 2009–2013 (in thousands)

	CY2009	CY2010	CY2011	CY2012	CY2013
Beginning Balance	\$42,438	\$50,889	\$52,767	\$50,598	\$48,197
Revenues	6,317	2,987	2,884	0	0
Interest	9,959	4,059	2,792	4,181	1,709
Expenditures	(7,825)	(5,168)	(7,845)	(6,582)	(2,646)
Transfers	0	0	0	0	0
Ending Balance	\$50,889	\$52,767	\$50,598	\$48,197	\$47,260
Encumbrances	\$0	\$0	\$0	\$0	\$0

Note: Trust fund financial records are maintained on a calendar year basis. CY2013 is year-to-date through July 31, 2013.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was created. The fund was established in 1999 in accordance with the requirements of Sections 328L-2, and -5, HRS, for tobacco prevention and control activities. The fund receives a portion of the distribution of the Tobacco Settlement Special Fund (TSSF), which was created to receive payments to the State resulting from a class action lawsuit master settlement agreement against tobacco companies. Historically, the fund allocation was 25 percent of the TSSF when it was established in 1999, but this was reduced to 12.5 percent through Act 14, Third Special Session Laws 2001. The fund's portion of the TSSF was further reduced to 6.5 percent through Act 119, SLH 2009. Subsequently, Act 124, SLH 2011, diverted two years of the 6.5 percent

trust fund portion of the TSSF to the general fund for 2012 and 2013. Pursuant to Section 328L-5(a), HRS, the fund was established within the nonprofit entity, the Hawai'i Community Foundation.

Interest Earned—Bond Investment Pool

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$808	\$2,669	\$514	\$1,518	\$1,857
Revenues	1,861	503	1,004	339	546
Interest	0	0	0	0	0
Expenditures	0	(2,658)	0	0	(2,272)
Transfers*	0	0	0	0	(75)
Ending Balance	\$2,669	\$514	\$1,518	\$1,857	\$56
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfer for FY2013 resulted from a reconciliation adjustment with the Interest Earned—Investment Pool trust account.

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account was administratively established in 2001 to hold moneys earned from the State Treasury Centralized Bond Pool investments until allocations can be calculated and moneys are distributed into the general fund and to revenue bond agencies' various special funds. The state treasury manages a centralized Bond Investment Pool in which general obligation and revenue bond funds are invested. Interest earnings from investments are distributed each month to participating funds and accounts.

**Interest Earned—
Investment Pool****Administratively
established****Financial Data for Fiscal Years 2009–2013 (in thousands)**

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	(\$318)	\$13,663	\$17,195	\$2,293	\$621
Revenues	13,981	29,057	8,668	703	(19)
Interest	0	0	0	0	0
Expenditures	0	(25,525)	(23,570)	(2,375)	(700)
Transfers*	0	0	0	0	75
Ending Balance	\$13,663	\$17,195	\$2,293	\$621	(\$23)
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfer for FY2013 resulted from a reconciliation adjustment with the Interest Earned—Bond Investment Pool trust account.

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account was administratively established in 2000 to hold moneys earned from the State Treasury Centralized Pool investments until allocations can be calculated and moneys distributed into the general fund and to various participating departments' special and trust funds. Interest earnings are distributed each month to funds and accounts participating in the investment pool.

**Overpayment
Collections to OHA—
Ceded Lands****Administratively
established****Financial Data for Fiscal Year 2013 (in thousands)**

	FY2013
Beginning Balance	\$0
Revenues	1,599
Interest	0
Expenditures	0
Transfers	0
Ending Balance	\$1,599
Encumbrances	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account, established in 2013, is used to collect overpayments made to the Office of Hawaiian Affairs (OHA) for ceded lands. Pursuant to Act 178, SLH 2006, a set amount of

\$3,775,000 is transferred each quarter from departments or agencies that collect receipts from lands within the public land trust. Executive Order 06-06 delineates the procedures for these quarterly transfers and requires that if receipts transferred to OHA exceed \$3,775,000, the Department of Budget and Finance must notify OHA and OHA must transfer the overpayment into a carry-forward trust holding account established by the director of finance. This fund is used as a trust holding account.

Petroleum Industry Monitoring, Analysis, and Reporting Special Fund

Section 486J-5.6, HRS, repealed

Financial Data for Fiscal Years 2009–2012 (in thousands)

	FY2009	FY2010	FY2011	FY2012
Beginning Balance	\$1,200	\$1,063	\$499	\$76
Revenues	0	0	0	0
Interest	0	0	0	0
Expenditures	(137)	(564)	(69)	0
Transfers*	0	0	(354)	(76)
Ending Balance	\$1,063	\$499	\$76	\$0
Encumbrances	\$635	\$144	\$0	\$0

* Upon repeal, \$354,000 and \$76,000 were transferred back to the general fund in FY2011 and FY2012, respectively.

Act 78, SLH 2006, established the Petroleum Industry Monitoring, Analysis, and Reporting (PIMAR) Special Fund; required the PIMAR Program to include an automated petroleum industry information reporting system; and made appropriations into and from the PIMAR Special Fund to be expended by the Public Utilities Commission to establish and maintain the PIMAR Program. The program was repealed by Act 152, SLH 2010, and the remaining associated moneys were returned to the general fund.

**Public Utilities
Commission Special
Fund**

Section 269-33, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$12,179	\$2,991	\$16,866	\$12,511	\$13,490
Revenues	17,617	21,782	17,165	19,271	21,762
Interest	0	0	0	0	0
Expenditures	(8,049)	(6,995)	(6,543)	(8,130)	(8,953)
Transfers*	(18,756)	(912)	(14,977)	(10,162)	(11,191)
Ending Balance	\$2,991	\$16,866	\$12,511	\$13,490	\$15,108
Encumbrances	\$1,090	\$1,113	\$1,524	\$2,306	\$1,825

* Transfers of excess special funds to the general fund: FY2009, \$18,756,000; FY2010, \$912,000; FY2011, \$14,752,000; FY2012, \$10,012,000; FY2013, \$10,380,000. Other transfers from special fund: FY2011, \$45,000 to Public Utilities Commission (PUC) specific appropriation account and \$180,000 transfer to Department of Commerce and Consumer Affairs, Division of Consumer Advocacy; FY2012, \$150,000 to Department of Accounting and General Services (DAGS) for PUC office space renovation project; FY2013, \$811,000 to DAGS for PUC project.

This fund meets the criteria of a special fund and serves the purpose for which it was created. During the five years of review, the fund collected approximately \$97.6 million, while transferring approximately \$54.8 million in excess moneys to the general fund.

The fund was established in 1994. Pursuant to Section 269-33, HRS, the fund is used to pay for all operating expenses of the Public Utilities Commission and the Division of Consumer Advocacy of the Department of Commerce and Consumer Affairs in accordance with legislative appropriations. The commission is responsible for regulating all chartered, franchised, certificated, and registered public utility companies that provide electricity, gas, telecommunications, private water and sewage, and motor and water carrier transportation services in the state. The commission has statutory authority to establish and enforce applicable state statutes, administrative rules and regulations, and to set policies and standards. All fees and other revenues collected by the commission are deposited into the special fund. Public utilities are required to pay an annual fee of .5 percent of the gross income of the public utility's previous year's business. Motor carriers pay annual fees of .25 percent of their gross revenues of the previous year's business. Other special fund revenues include filing fees, duplication fees, interest, and penalties. All moneys in excess of \$1 million remaining in the fund at year's end are transferred to the general fund.

**Public Utilities
Commission On-Bill
Financing**

**Administratively
established**

Financial Data for Fiscal Years 2012–2013 (in thousands)

	FY2012	FY2013
Beginning Balance	\$0	\$125
Revenues	167	0
Interest	0	0
Expenditures	(42)	(125)
Transfers	0	0
Ending Balance	\$125	\$0
Encumbrances	\$125	\$0

This account meets the criteria of a trust account and served the purpose for which it was created. The account was established in FY2012 and closed in FY2013. Act 204, SLH 2011, directed the Public Utilities Commission to investigate the viability of an on-bill financing program (OBFP) to allow electric utility company customers to finance purchases of renewable energy systems or energy efficient devices through the energy saving provide by such systems. The commission determined that a paid professional consultant was necessary to aid in its investigation of an OBFP study. Blue Planet, a Hawai‘i clean energy advocacy organization, was supportive of the study and agreed to make a private contribution to the commission to defray the costs of the study, not to exceed \$200,000. Accordingly, a trust account was established to deposit Blue Planet’s contribution upon commission approval of the study’s cost estimate.

**Special Purpose
Revenue Bond—
Security Deposit**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$2	\$8	\$10	\$12	\$13
Revenues	6	2	2	1	2
Interest	0	0	0	0	0
Expenditures	0	0	0	0	0
Transfers *	0	0	0	0	0
Ending Balance	\$8	\$10	\$12	\$13	\$15
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfers to the general fund are recorded as non-revenue receipts, residual equity transfers. The ending balance as of FY2013 was transferred to the general fund in July 2013.

This account meets the criteria of a trust account. Although there was a delay in transfers to the general fund, the account continues to serve the purpose for which it was created. The non-refundable security deposit account was established in 1989 to reimburse the State for costs and out-of-pocket expenses relating to issuing special purpose revenue bonds for projects. Such bonds are issued by the department to help projects finance the construction of qualified facilities, the debt service of which is payable by the project. Beneficiaries are the general public. Non-refundable security deposits are transferred to the general fund when bond issuance proceedings are complete.

**Taxes Payable to
Counties—Fuel Tax**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	72,416	67,911	75,299	72,297	74,417
Interest	0	0	0	0	0
Expenditures	(72,416)	(67,911)	(75,299)	(72,297)	(74,407)
Transfers	0	0	0	0	0
Ending Balance	\$0	\$0	\$0	\$0	\$10
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. According to the department, the account was established in 2006 as a clearing account for liquid fuel taxes collected pursuant to Section 243-6, HRS. Revenues come from liquid fuel taxes collected by the Department of Taxation on behalf of the various counties. The account is used as a clearing account into which tax collections are held until distributed monthly to each county.

Taxes Payable to Counties—GETax Surcharge

Administratively established

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$0	\$0	\$0	\$0
Revenues	178,729	175,061	199,010	211,850	193,136
Interest	0	0	0	0	0
Expenditures	(160,856)	(157,555)	(179,109)	(190,665)	(123,466)
Transfers*	(17,873)	(17,506)	(19,901)	(21,185)	(19,314)
Ending Balance**	\$0	\$0	\$0	\$0	\$50,356
Encumbrances	\$0	\$0	\$0	\$0	\$0

* Transfers to general fund.

** For FY2013 as a result of timing, this amount was subsequently disbursed to the City and County of Honolulu in July 2013.

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. According to the department, the account was established in 2007 as a holding account for the general excise tax surcharge for mass transit funds collected pursuant to Section 248-2.6, HRS. The director of finance deducts 10 percent of the gross mass transit proceeds to reimburse the State for the costs of assessment, collection, and transfer of the county surcharge. Amounts retained are general fund realizations of the State. Any remaining balance is paid on a quarterly basis to the City and County of Honolulu. This fund is used as a clearing account into which tax collections are held until distributed to the City and County of Honolulu.

**Taxes Payable to
Counties—HTA-TAT**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$8,057	\$8,924	\$7,510	\$7,464	\$0
Revenues	197,048	192,546	224,706	197,638	197,000
Interest	0	0	0	0	0
Expenditures	(196,181)	(193,960)	(224,752)	(205,102)	(197,000)
Transfers	0	0	0	0	0
Ending Balance	\$8,924	\$7,510	\$7,464	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. According to the department, the account was established in 2005 as a holding and clearing account for monthly transient accommodations tax funds owed, per various statutes, to each of the counties and the Hawai'i Tourism Authority (HTA). Distributions are made semi-annually to counties and monthly to the HTA. The state treasury electronically distributes moneys to the respective counties and the HTA. This account holds tax collections until distributed to the HTA and each county.

**Taxes Payable to Other
State Agencies**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$0	\$2,260	\$0	\$0	\$0
Revenues	20,018	17,966	19,828	19,457	18,366
Interest	0	0	0	0	0
Expenditures	(17,758)	(20,226)	(19,828)	(19,457)	(18,366)
Transfers	0	0	0	0	0
Ending Balance	\$2,260	\$0	\$0	\$0	\$0
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. According to the department, the account was established in 2007 as a holding account for the cigarette tax increase pursuant to Act 316, SLH 2006. The account is used as

a clearing account into which tax collections are held until distributed monthly to the University of Hawai'i for special funds it administers: the Hawai'i Cancer Research Special Fund, per Act 316, SLH 2006, and the UH Energy System Development Special Fund, per Act 73, SLH 2010.

**Temporary Deposits—
Budget and Finance**

**Administratively
established**

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$5	\$5	\$5	\$6	\$7
Revenues	1,242	0	1	1	0
Interest	0	0	0	0	0
Expenditures	(1,242)	0	0	0	(1)
Transfers	0	0	0	0	0
Ending Balance	\$5	\$5	\$6	\$7	\$6
Encumbrances	\$0	\$0	\$0	\$0	\$0

This account meets the criteria of a trust account and continues to serve the purpose for which it was created. The account was administratively established prior to 1980 to hold temporary deposits related to vendor bids, performance bonds, salary overpayments, and miscellaneous deposits of a temporary nature.

**Unclaimed Property
Trust Fund**

Section 523A-26, HRS

Financial Data for Fiscal Years 2009–2013 (in thousands)

	FY2009	FY2010	FY2011	FY2012	FY2013
Beginning Balance	\$10,222	\$1,829	\$13,302	\$2,914	\$13,286
Revenues	16,531	17,716	20,363	18,867	26,205
Interest	0	0	0	0	0
Expenditures	(6,005)	(5,722)	(6,266)	(6,895)	(5,880)
Transfers*	(18,919)	(521)	(24,485)	(1,600)	(11,953)
Ending Balance	\$1,829	\$13,302	\$2,914	\$13,286	\$21,658
Encumbrances	\$22	\$18	\$13	\$33	\$16

* Transfers of trust funds in excess of the statutory ending fund balance of \$1.3 million are made to the general fund in the following fiscal year in the amounts noted.

This fund meets the criteria of a trust fund and continues to serve the purpose for which it was created. Act 55, SLH 2008, repealed the previous Uniform Unclaimed Property Act and established statutory authority for this trust fund. The fund was established in 2000 to collect remittances of unclaimed property and is the source from which claims for return of abandoned property are paid. At the end of each fiscal year, all unencumbered and unexpended moneys in excess of \$1.3 million are transferred to the general fund. The State serves as custodian of all unclaimed property by annually receiving reports of abandoned property, reporting such property to the general public, and safekeeping all property until the rightful owner files a claim. The Unclaimed Property Trust Fund holds these funds until the owner files a claim and provides evidence of ownership.

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Chapter 5

Observations on Departmental Reporting and Accounting for Funds

During our review of the special, revolving, and trust funds and trust accounts of the Departments of Accounting and General Services, Agriculture, and Budget and Finance, we noted inconsistent adherence to statutory reporting of financial transactions and balances, resulting in reports that are incomplete or not filed. We also noted that although some funds have been repealed or are no longer active, the appropriation accounts have not been closed and balances remain.

As we reported in Report No. 12-04, *Study of the Transfer of Non-general Funds to the General Fund*, special, revolving, and other types of non-general funds collectively represent about half of the State's operating budget—moneys that are not subject to the same level of legislative scrutiny. Accurate and complete reporting, as well as timely closing of funds, will greatly improve the Legislature's oversight and control of these funds and provide increased budgetary flexibility. This chapter presents our observations regarding these accounting and reporting matters.

Two Departments Did Not Report All Funds As Required by Law

Section 37-47, Hawai'i Revised Statutes (HRS), requires departments to submit to the Legislature an annual report of each non-general fund account. These reports, often referred to as non-general fund reports, must include:

1. The name of the fund and a cite to the law authorizing the fund;
2. The intended purpose of the fund;
3. Current program activities that the fund supports;
4. The balance of the fund at the beginning of the current fiscal year;
5. The total amount of expenditures and other outlays from the fund account for the previous fiscal year;
6. The total amount of revenue deposited to the account for the previous fiscal year;
7. A detailed list of all transfers from the fund;

8. The amount of moneys encumbered in the account as of the beginning of the fiscal year;
9. The amount of funds in the account that are required for bond conveyance or other related bond obligations;
10. The amount of moneys in the account derived from bond proceeds; and
11. The amount of moneys of the fund held in certificates of deposit, escrow accounts, or other investments.

We noted several funds, however, for which departments did not submit the required reports. The Department of Agriculture did not file reports for five funds (three special funds and two trust funds) and the Department of Budget and Finance did not submit reports for four funds (two trust funds and two trust accounts).

Fund reports are one of the primary means through which legislative money committees track non-general funds. The reports are used to monitor fund balances and identify excess moneys for possible transfer to the general fund. According to the Senate Ways and Means Committee budget chief, there is no master list of funds; the Legislature must compile this information from each of the separate non-general fund reports. While departmental failure to submit these reports appears to be inadvertent, we must reiterate the importance of this reporting function.

Departments Are Not Consistent in Reporting Administratively Created Funds

Section 37-52.5, HRS, requires that, except for the Judiciary, any department that administratively establishes a new fund or account must submit a report to the Legislature. The report, which must be filed within 30 working days of the creation of the fund, must include a statement of justification for the fund or account as well as the sources of revenue. The law also requires, at least 20 days prior to the convening of each regular session, each department to submit reports listing all administratively established funds or accounts along with a statement of revenues, expenditures, encumbrances, and ending balances for each fund or account.

Shortly after enactment of Section 37-52.5, the state comptroller issued Memorandum No. 2002-35 in October 2002 alerting agency heads as well as departmental administrative and fiscal officers of the reporting requirement. The memorandum noted that departments and agencies are responsible for meeting the requirements from July 1, 2002.

We noted inconsistencies in the ways administratively-created funds were reported by the departments we reviewed. For instance, the Department of Agriculture properly reported administratively-established funds and accounts as required by law. The Department of Budget and Finance, however, did not report on its administrative establishment of two funds in 2013; previously, the last report it submitted for administratively-created funds and accounts was in January 2008. Similarly, the Department of Accounting and General Services has not been submitting reports on administratively-established accounts. Its position is that the non-general fund reports it submits pursuant to Section 37-47, HRS, also satisfy the administratively-established account requirement under Section 37-52.5, HRS. These informational gaps hinder the Legislature's ability to monitor non-general funds.

Departments Do Not Always Ensure Timely Closure of Inactive or Terminated Funds

On April 26, 2013, the state comptroller asked department heads to review prior-year appropriation accounts in an effort to eliminate those that were no longer active. Comptroller's Memorandum No. 2013-09 asked departments to check prior-year accounts and clear out balances that were no longer required. Under Section 40-67, HRS, the comptroller can close accounts after receiving notification from departments that all outstanding accounts against an appropriation have been paid. The comptroller noted that many old accounts contain cash balances, which should either be returned to the general fund or brought forward to the current-year fiscal account.

However, we noted a number of instances in which funds have been terminated or are no longer active, but accounts have not been closed and idle balances remain, in some cases for an extended period of time. For example:

- The law creating the Department of Agriculture's Permit Revolving Fund, Section 150A-6.7, HRS, was repealed in 2010, but more than \$58,000 remained in the fund at the end of FY2013. When queried, the department said it was in the process of closing the fund;
- The Department of Agriculture indicated that its HDOA Biocontrol Foreign Exploration Special Fund was closed at the end of FY2012, but the fund still had a balance of nearly \$25,000 at the end of FY2013. The department stated that it was working to resolve the balance issue; and
- The Department of Accounting and General Services' Parking Control Revolving Fund Escrow Account has not been active

for at least nine years; however, it still contains a balance of approximately \$37,000 recorded during FY1998 and FY1999. The department is awaiting instructions from the Department of Budget and Finance regarding disposition of the remaining balance.

Departments should be diligent about closing remnant appropriation accounts linked to special and revolving funds, especially if the accounts hold unused funds. Idle balances—sometimes significant amounts—are an inefficient use of public moneys. For example, in Report No. 12-04, *Study of the Transfer of Non-general Funds to the General Fund*, we found that the Department of Transportation’s Photo Enforcement Revolving Fund had been repealed by Act 58, SLH 2002, which also mandated that remaining money be transferred to the general fund. According to the Department of Transportation, the \$3.46 million remaining balance was transferred in 2012 to the State Highway Fund, which advanced \$5 million to cover contract encumbrance of the enforcement contract.

Conclusion

Departments need to improve their reporting and accounting for non-general funds, including special, revolving, and trust funds and trust accounts. This is especially important in light of the State’s efforts to implement an enterprise-wide system, which will integrate many of the State’s business processes into a new, unified system designed to promote efficiency and transparency. In preparation for the system conversion, departments should identify and eliminate extraneous funds and accounts and ensure that the information they present to the Legislature regarding their non-general funds and accounts is accurate and complete so that the new system will be as correct and transparent as possible.

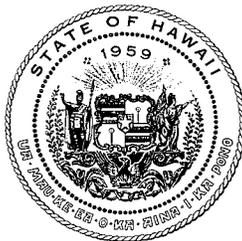
Responses of the Affected Agencies

Comments on Agency Responses

On December 26, 2013, we transmitted a draft of this review to the Departments of Accounting and General Services, Agriculture, and Budget and Finance. A copy of the transmittal letter to the Department of Accounting and General Services is included as Attachment 1. Similar transmittal letters were sent to the other two departments. Copies of the responses received from the Department of Agriculture and Department of Budget and Finance are included as Attachments 2 and 3, respectively. The Department of Accounting and General Services agreed with our review of its funds but did not submit written comments.

The Department of Agriculture generally concurred with our conclusions. However, in reference to the Agricultural Development and Food Security Fund, the department pointed out that language in Act 73, SLH 2010, states that there *is* nexus between the tax on petroleum products and programs to support food security. We recognize that this language exists in the preamble to Act 73; however, our analysis did not find convincing evidence of such nexus.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



JAN K. YAMANE
Acting State Auditor



(808) 587-0800
FAX: (808) 587-0830

December 26, 2013

COPY

The Honorable Dean H. Seki
Comptroller
Department of Accounting and General Services
Kalanimoku Building
1151 Punchbowl Street
Honolulu, Hawaii 96813

Dear Mr. Seki:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments Accounting and General Services, Agriculture, and Budget and Finance*. We ask that you telephone us by Monday, December 30, 2013, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, January 6, 2014.

The Departments of Agriculture and Budget and Finance, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Jan K. Yamane
Acting State Auditor

Enclosures

NEIL ABERCROMBIE
Governor



State of Hawaii
DEPARTMENT OF AGRICULTURE
1428 South King Street
Honolulu, Hawaii 96814-2512
Phone: (808) 973-9600 FAX: (808) 973-9613

SCOTT E. ENRIGHT
Chairperson, Board of Agriculture

January 2, 2014

Jan K. Yamane
Acting State Auditor
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

RECEIVED

2014 JAN -6 PM 12:44

OFF. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Yamane,

Thank you for the opportunity to provide comments on the report entitled, *Review of Special Funds, Revolving Funds, Trust Funds, and Trust Accounts of the Departments Accounting and General Services, Agriculture, and Budget and Finance*. We applaud your office for its thoroughness and have focused our comments on the five funds that have been identified as not meeting the criteria for continuance.

The Agricultural Development and Food Security Fund was created by Act 73 of the 2010 Legislative Session. The Hawaii Department of Agriculture (HDOA) appreciates the finding of a partial nexus between a tax on petroleum products and programs to support food security but would point out that in Act 73 the Legislature had clearly stated that "producing local food would reduce Hawaii's demand for fossil fuels, keep money in our community, and decrease the State's vulnerability to food-supply disruptions caused by natural disasters or worldwide economic events". This language would seem to point to a clear nexus between the tax on petroleum products and programs to support food security. HDOA agrees with the finding that the fund is jeopardized by the repeal of the authorizing statute that is set for June 2015 and looks forward to working with the legislature to repeal that sunset date. HDOA also agrees that general funds could be used to support programs currently using this special fund and would be open to discussing a means to incorporate general fund appropriations.

The Agricultural Park Special Fund and the Non-Agricultural Park Lands Special Fund have both been identified as funding programs that can be implemented successfully under the general fund appropriation process. These two special funds support the Agricultural Park Program and the Non-Agricultural Park Lands Program, respectively. While the programs can be implemented through general funds, HDOA would like to emphasize the strong nexus that occurs between income generated through rental income, appraisal fees, and other fees, and the salaries, equipment rentals, and other related operations and maintenance costs required to effectively run the Agricultural Park and Non-Agricultural Park Lands Programs.



With regards to the HDOA Biocontrol Foreign Exploration Special Fund, HDOA agrees with the findings of the auditor and has worked to rectify the situation. The fund has since been closed and the remaining monies returned to the Department of Land and Natural Resources.

The Irrigation System Revolving Fund provides the necessary support for the upkeep of state irrigation systems state-wide. The auditor rightly points out that fees charged by the program do not cover the costs of maintaining the irrigation systems. HDOA understands the importance of water to agriculture and as a result is hesitant to raise water rates that increase costs for our local farmers and ranchers. While this can mean a shortage within the fund, we believe the continuity in water pricing allows for better planning for our local farmers and ranchers. In the past, a portion of the revolving fund had been used for positions but, as the auditor points out, many positions have since been moved to an alternate source of funding. HDOA acknowledges that general funds could be used to support this program and would be open to discussing how best to incorporate a dedicated source of general fund appropriations.

Again, HDOA appreciates the work put forward by the Auditor's Office and is grateful for the opportunity to provide a response as well.

Mahalo,

A handwritten signature in black ink, appearing to read 'Scott Enright', written over a horizontal line.

Scott Enright, Chairperson
Board of Agriculture

NEIL ABERCROMBIE
GOVERNOR



KALBERT K. YOUNG
DIRECTOR

LUIS P. SALAVERIA
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT

January 6, 2014

RECEIVED

2014 JAN -7 AM 9:30

OFF. OF THE AUDITOR
STATE OF HAWAII

Ms. Jan K. Yamane, Acting State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Yamane:

The following are the Department of Budget and Finance's comments in response to your December 26, 2013 letter relating to the draft report, *Review of Special Funds, Revolving Funds, Trust Funds and Trust Accounts of the Departments of Accounting and General Services, Agriculture and Budget and Finance*:

Finding: Two Departments Did Not Report All Funds as Required by law

The draft report indicated that the Department of Budget and Finance did not submit reports for our funds (two trust funds and two trust accounts).

Comments: We acknowledge the finding and will take the appropriate measures to ensure compliance. Specifically, our Budget and Fiscal Staff will work with all programs to identify all funds and accounts; and to develop a checklist to ensure that the annual non-general fund report submissions are complete going forward.

Finding: Departments are Not Consistent in Reporting Administratively Created Funds

The draft report indicated that the Department of Budget and Finance did not report on its administrative establishment of two funds in 2013 as required by HRS 37-52.5.

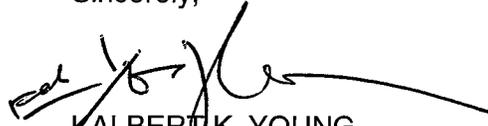
Comments: We acknowledge the finding and will take the appropriate measures to ensure compliance. Specifically, our Budget and Fiscal Staff will monitor closely the establishment of administratively created funds and will work with the fiscal personnel of the administratively attached agencies to ensure compliance with HRS 37-52.5.

Thank you for the opportunity to comment on the draft report. Please contact me if you have any questions or your staff may contact Ms. Louisa Lee of our Budget and Fiscal Staff or Mr. Tracy Ban of our Administrative and Research Office for more clarifications. Ms. Lee may be

Ms. Jan K. Yamane, Acting State Auditor
January 6, 2014
Page 2 of 2

reached at 586-1632 or via email Louisa.k.lee@hawaii.gov. Mr. Ban may be reached at 586-1601 or via email tracy.m.ban@hawaii.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kalbert K. Young', with a long horizontal flourish extending to the right.

KALBERT K. YOUNG
Director of Finance