FINANCIAL AUDIT OF THE STADIUM AUTHORITY STATE OF HAWAII

Fiscal Year Ended June 30, 2021

Submitted by
The Auditor
State of Hawaii

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

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STATE OF HAWAII

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PART I

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2021, and the changes in financial position and cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 to 11 and the schedules of proportionate share of the net pension liability, pension contributions, proportionate share of net OPEB liability, and OPEB contributions on pages 40 to 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

N + K CPAs, INC.

Honolulu, Hawaii
November 30, 2021

Management of the Stadium Authority, State of Hawaii (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Aloha Stadium as of and for the fiscal year ended June 30, 2021. This management's discussion and analysis is designed to assist the reader in focusing on the Authority's financial issues and activities to identify any significant changes in the Authority's financial position. The Authority encourages readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements comprise four components: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; (3) statement of cash flows; and (4) notes to the financial statements.

The financial statements are designed to provide the reader with a broad overview of the Authority's finances in a manner similar to private sector business. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the full accrual basis of accounting. The difference between these items are reported as net position. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Thus, assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses are reported in these statements for some items that will result in cash flows in future periods (e.g., uncollected rental receipts, earned but unused vacation leave, etc.). These financial statements present the financial position, the changes in net position, and cash flows that are attributable to the transactions of the Authority.

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents information showing the Authority's revenues and expenses for the fiscal year. Functional activities are highlighted in this statement.

Statement of Cash Flows

The statement of cash flows presents the increases and decreases in cash from the Authority's operating, investing, and financing activities during the fiscal year.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2021

Condensed Financial Information

The following are summaries from the Authority's financial statements as of and for the fiscal years ended June 30, 2021 and 2020 (in thousands):

	2021	2020
NET POSITION:		
Assets:		
Current assets	$ 2,806	$ 5,546
Capital assets, net	30,163	94,562
Other assets	31	141
Total assets	33,000	100,249
Deferred outflows of resources	1,450	1,680
Liabilities:		
Current liabilities	1,453	1,580
Noncurrent liabilities	13,847	13,513
Total liabilities	15,300	15,093
Deferred inflows of resources	522	142
Net position:		
Net investment in capital assets	30,163	94,562
Restricted	37	61
Unrestricted	(11,572)	(7,929)
Total net position	$ 18,628	$ 86,694
CHANGES IN NET POSITION:		
Operating revenues:		
Rentals from attractions	$ 2,595	$ 3,735
Commissions from food and beverage concessionaire	34	1,547
Parking	73	891
Other	150	639
Total operating revenues	2,852	6,812
Operating expenses:		
Personnel services	(4,445)	(5,316)
Depreciation	(216)	(4,479)
Other	(1,983)	(3,779)
Total operating expenses	(6,644)	(13,574)
Operating loss	(3,792)	(6,762)
Nonoperating revenues:		
Interest and investment income, net	20	108
Loss before capital contributions	(3,772)	(6,654)
Capital Contributions	9,031	9,046
Extraordinary item - impairment loss	(73,325)	--
Change in net position	(68,066)	2,392
Net position at beginning of year	86,694	84,302
Net position at end of year	$ 18,628	$ 86,694

Financial Analysis

Current assets decreased by $2,740,000 or 49.4% from the previous fiscal year. The decrease is primarily due to the decrease in cash and cash equivalents of $2,874,000.

Capital assets, net decreased by $64,399,000 or 68.1% from the previous fiscal year. The decrease is primarily due to recognizing an impairment loss of the stadium structure.

Management went through a two-step process of 1) identifying potential impairments and 2) testing for impairment. The Stadium Authority Board's decision to decommission and subsequently demolish the stadium was based on a number of major factors including the COVID-19 pandemic and related restrictions imposed on activities to minimize the spread of the virus, insufficient funding to maintain and repair the facility, and a planned redevelopment of the stadium site into a vibrant and robust entertainment district. Collectively, these factors led to the conclusion that the stadium structure may be impaired for financial reporting purposes due to the change in the manner of use and the expected duration of the use of the stadium structure.

To test for impairment, management used a service units (utility) approach (evaluated data in the bowl area: number of events, attendance, and bowl revenue) to determine the significance of the decline in service utility of the stadium structure. Management concluded that the decline in the service utility was both significant and unexpected, triggered in part by the unprecedented health and safety responses to the COVID-19 pandemic.

As of 7/1/2020, the stadium structure had a carrying value of $71,643,000. Management concluded that the existing stadium structure will no longer be used for its originally intended purpose of being a gathering place for the residents of Hawaii. Accordingly, the impaired stadium structure was reported at fair value, which was estimated to be $-0- as of 6/30/21. This resulted in an impairment loss of $73,325,000 ($71,643,000 carrying value of the stadium structure plus two capital improvement projects totaling $1,682,000) for the fiscal year ended June 30, 2021.

The planned redevelopment of the stadium site is moving forward in two phases: 1) the real estate project and 2) the stadium project. The Real Estate Project Request for Proposal (RFP) was released on 10/21/2021. The projected release date for the Stadium Project RFP to the top three priority listed developer led teams is the end of calendar year 2021.

For more information on the New Aloha Stadium Entertainment District (NASED) please visit the website at: *https://nased.hawaii.gov*.

Additional information on the Authority's capital assets can be found in Note E, Capital Assets, to financial statements.

Current liabilities decreased by $127,000 or 8% from the previous fiscal year. The decrease is primarily due to a decrease in workers' compensation due within one year.

Noncurrent liabilities increased by $334,000 from the previous fiscal year. The increase is primarily due to an increase in workers' compensation due in more than one year.

Net position decreased by $68,066,000 or 78.5% from the previous fiscal year. The decrease is primarily due to recognizing an impairment loss of the stadium structure.

The largest portion of the Authority's net position reflects its net investment in capital assets of $30,163,000. The Authority uses these assets to provide services to the customers of Aloha Stadium; consequently, these assets are not available for future spending. An additional portion of the Authority's net position amounting to $37,000 represents resources that are restricted for the maintenance of the field in accordance with an advertising agreement that has expired. In addition, this agreement was made with the Authority's previous advertising agent and the field naming rights sponsor declined to exercise the option to extend. On 10/7/2021, the Comptroller granted approval to transfer the residual balance from the advertising agreement to the stadium development special fund; thereby lifting the restriction on these funds.

The remaining portion of the Authority's net position is unrestricted and reflects a deficit balance of $11,572,000, due primarily to the Authority's allocated share of the State's net pension and net other postemployment benefits liabilities, which collectively total $13,082,000.

Operating revenues decreased by $3,960,000 or 58.1% from the previous fiscal year. The Authority's operations have been severely affected by the COVID-19 pandemic; as a result, the Authority has seen a decrease in revenues.

The Authority has been unable to host events in the stadium bowl with spectators in the grandstands due to emergency proclamations issued by the Governor of the State of Hawaii and the Mayor of the City and County of Honolulu. The Stadium hosted several drive-through events: Trunk or Treat, a haunted house, a Christmas light show, and graduations. Other events held in the parking lot included: rental car storage, drive-in concerts, drive-in drag show, and a drive-in laser light show. Community events included COVID-19 testing, drive-through food distribution, and drive-through voter registration.

Operating expenses decreased by $6,930,000 or 51.1% from the previous fiscal year. To reduce costs, the Authority by mutual agreement, reduced the scope of services for many of its contracts.

The Authority anticipated to end fiscal year 2021 with a deficit. As a result, the Authority requested an emergency appropriation during the 2021 legislative session. Instead of an emergency appropriation, the 2021 State of Hawaii Legislature (Legislature) approved use of funds from the American Rescue Plan Act of 2021 (ARPA), a federal COVID-19 relief package. The Legislature and Governor of the State of Hawaii approved the following ARPA funds for the Authority: fiscal year 2022 $4.4 million and fiscal year 2023 $1 million.

Capital contributions decreased by $15,000 or 0.2% from the previous fiscal year.

Request for Information

The financial report is designed to provide a general overview of the Authority's finances for all those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Stadium Manager, Stadium Authority, P.O. Box 30666, Honolulu, Hawaii 96820-0666.

General information relating to the Authority and Aloha Stadium can be found at the Authority's website: *https://alohastadium.hawaii.gov*.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF NET POSITION
June 30, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 2,443,943
Receivables from concessionaire and other, net	360,809
Interest receivable	1,030
Total current assets	2,805,782
Capital assets, net	30,162,764
Other assets	30,966
Total assets	32,999,512
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	1,065,117
Related to other postemployment benefits	384,931
Total deferred outflows of resources	1,450,048
LIABILITIES	
Current liabilities	
Vouchers payable	798,203
Accrued payroll	263,758
Accrued vacation - due within one year	190,660
Workers compensation - due within one year	18,935
Unemployment	23,490
Due to State General Fund for advances for Imprest Fund	30,000
Other	128,050
Total current liabilities	1,453,096
Net pension liability	6,939,575
Net other postemployment benefits liability	6,142,010
Accrued vacation - due in more than one year	407,824
Workers compensation - due in more than one year	306,638
Licensees' deposits	49,757
Total liabilities	15,298,900
DEFERRED INFLOWS OF RESOURCES	
Related to pension	17,052
Related to other postemployment benefits	505,187
Total deferred inflows of resources	522,239
NET POSITION	
Net investment in capital assets	30,162,764
Restricted	37,292
Unrestricted	(11,571,635)
Total net position	$ 18,628,421

See accompanying notes to the basic financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2021

OPERATING REVENUES	
Rentals from attractions	$ 2,595,264
Parking	73,244
Advertising	80,015
Other	69,686
Commissions from food and beverage concessionaire	33,675
Total operating revenue	2,851,884
OPERATING EXPENSES	
Personnel services	4,445,435
Utilities	935,971
Security	354,993
Repairs and maintenance	254,928
Depreciation	216,430
Special fund assessments	200,250
Professional services	131,120
Other	104,641
Total operating expenses	6,643,768
Operating loss	(3,791,884)
NONOPERATING REVENUES	
Interest and investment income, net	20,481
Loss before capital contributions and extraordinary item	(3,771,403)
CAPITAL CONTRIBUTIONS	9,031,086
EXTRAORDINARY ITEM - IMPAIRMENT LOSS	(73,324,765)
Change in net position	(68,065,082)
NET POSITION AT BEGINNING OF YEAR	86,693,503
NET POSITION AT END OF YEAR	$ 18,628,421

See accompanying notes to the basic financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	2,708,780
Cash paid to suppliers		(1,870,916)
Cash paid to employees		(3,741,262)
Net cash used in operating activities		(2,903,398)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment income		29,529
Net cash provided by investing activities		29,529
Net decrease in cash and cash equivalents		(2,873,869)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		5,317,812
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,443,943
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss		(3,791,884)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		216,430
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables from concessionaires and other		(143,104)
Deferred outflows of resources related to pension		(35,546)
Deferred outflows of resources related to other postemployment benefits		265,189
Vouchers payable		218,972
Accrued payroll and vacation		66,064
Workers compensation		(32,352)
Other liabilities		(37,308)
Net other postemployment benefits liability		(409,698)
Net pension liability		505,522
Licensees' deposits		(105,709)
Deferred inflows of resources related to pension		(39,806)
Deferred inflows of resources related to other postemployment benefits		419,832
Net cash used in operating activities	$	(2,903,398)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital assets contributed	$	9,031,086
Impairment loss - stadium structure	$	(73,324,765)

See accompanying notes to the basic financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

The Stadium Authority, State of Hawaii (the Authority) was established by Act 172, Session Laws of Hawaii (SLH) 1970, effective June 30, 1970, and was placed within the Department of Budget and Finance, State of Hawaii (B&F), for administrative purposes. Effective June 1, 1980, Act 302, SLH 1980 and Executive Order No. 80-5 dated June 20, 1980 transferred the administrative responsibility for the Authority from B&F to the State of Hawaii, Department of Accounting and General Services (DAGS).

The Authority, under the direction of a nine-member board, is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawaii. The Governor appoints the nine members. The president of the University of Hawaii and the superintendent of education are nonvoting ex-officio members.

The Authority is a blended component unit of the State of Hawaii (the State). The State Comptroller maintains the central accounts for all the State's funds and publishes financial statements for the State annually, which include the Authority's financial activities. The accompanying financial statements are intended to present the financial position, the changes in financial position, and cash flows that are attributable to the transactions of the Authority.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

(1) ***Basis of Accounting*** - The accounts of the Authority are reported on a flow of economic resource measurements focus using the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations, management, and maintenance of the Aloha Stadium. The principal operating revenues are from rental charges, while operating expenses include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Revenue from capital contributions are reported separately after nonoperating revenues and expenses.

(2) ***Use of Estimates*** - The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) ***Cash and Cash Equivalents*** - Cash and cash equivalents consists of cash on hand, cash in bank and amounts held in State Treasury as discussed in Note D.

(4) ***Receivables from Concessionaire and Other*** - Receivables are recorded at contracted or invoiced amounts. The Authority records an allowance on a specific account basis by considering a number of factors, including the length of time receivables are past due and the concessionaire's or other third party's current ability to pay its obligations to the Authority. The valuation allowance was approximately $2,200 as of June 30, 2021.

(5) ***Capital Assets*** - Capital assets purchased are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date received.

Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Land improvements, stadium structure, and fixtures	8 - 40 years
Furniture and equipment	4 - 15 years

The Authority's capitalization thresholds are $100,000 for land improvements, the stadium structure, and fixtures, and $5,000 for equipment and furniture. Maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statement of revenues, expenses, and changes in net position.

The Authority evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, other changes in environmental factors, technology changes or evidence of obsolescence, changes in the manner or expected duration of use of a capital asset, and construction stoppage. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset.

(6) ***Deferred Outflows of Resources and Deferred Inflows of Resources*** - Deferred outflows (inflows) of resources represent a consumption of (benefit to) net position that applies to a future period. The deferred outflows (inflows) of resources related to pensions and other postemployment benefits (OPEB) resulted from differences between expected and actual experiences, changes in assumptions, the net difference between projected and actual earnings on pension plan investments, and changes in proportion which will be amortized over approximately five years, and the Authority's contributions to the pension and OPEB plans subsequent to the measurement date of the actuarial valuations for the pension and OPEB plans which will be recognized as a reduction of the net pension liability and net OPEB liability in the subsequent fiscal year.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) ***Compensated Absences*** - The Authority permits employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the accompanying financial statements.

(8) ***Net Position*** - Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position consists of funds subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the Authority's ongoing obligations such as future operational expenses, replacement equipment, and personnel costs. The deficit balance in the unrestricted net position is due primarily to recording the net pension liability and the net OPEB liability for financial statement reporting purposes.

(9) ***Capital Contributions*** - The State of Hawaii pays for portions of construction costs related to various capital projects. The nonexchange transactions are recorded as nonoperating capital contributions in the accompanying statement of revenues, expenses and changes in net position.

(10) ***Risk Management*** - The Authority is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

(11) ***Pension*** - The actuarial valuation of the Employees' Retirement System of the State of Hawaii (ERS) does not provide pension benefits information by department or agency. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the State's net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's Annual Comprehensive Financial Report (ACFR). The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll.

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) ***Postemployment Benefits Other than Pensions*** - The actuarial valuation of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) does not provide OPEB information by department or agency. Accordingly, the State's policy on the accounting and reporting for OPEB is to allocate a portion of the State's net OPEB liability, and any adjustment to the net OPEB liability, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's ACFR. The State allocates annual OPEB expense to component units and proprietary funds based on their proportionate percentage of the State's total contribution to the EUTF plan.

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

(13) ***New Accounting Pronouncements*** - The GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management has not yet determined the effect this Statement will have on the Authority's financial statements.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on the Authority's financial statements.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on the Authority's financial statements.

NOTE C - BUDGETING

The Authority's operations are subject to a comprehensive budget. Estimated revenues and expenses are provided to the State of Hawaii for accumulation with budgeted amounts of the other state departments and offices. Those accumulated estimated revenues and expenses are provided to the State legislature for approval. Once approved by the legislature, the estimates are provided to the Governor of the State for final approval. Budgeted revenues are estimates of rental, commissions, and other revenues to be received during the fiscal year. Budgeted expenses are estimates of expenditures to be made.

NOTE D - CASH AND CASH EQUIVALENTS

The Director of Finance of the State is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury Investment Pool System. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that depository banks pledge as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

The Authority's monies are held in the State cash and investment pool, the Authority does not manage its own investments and the types of investments and related interest rate, credit and custodial risks are not determinable specific to the Authority. The risk disclosures of the State's cash pool are included in the State's ACFR which may be obtained from the State Department of Accounting and General Services' website: *ags.hawaii.gov/accounting/annual-financial-reports/.*

NOTE D - CASH AND CASH EQUIVALENTS (Continued)

The Authority also maintains cash in bank which is held separately from cash in the State Treasury. As of June 30, 2021, the carrying amount of the total bank balance was approximately $212,900, which is insured by the Federal Deposit Insurance Corporation.

NOTE E - CAPITAL ASSETS

The changes in capital assets were as follows:

	Balance July 1, 2020	Additions	Deductions	Transfers	Balance June 30, 2021
Stadium structure	$ 195,256,948	$ --	$ (195,256,948)	$ --	$ --
Land improvements	3,000,433	--	--	--	3,000,433
Equipment, furniture and fixtures	3,809,987	--	(7,495)	(875)	3,801,617
	202,067,368	--	(195,264,443)	(875)	6,802,050
Less accumulated depreciation for:					
Stadium structure	(123,614,066)	--	123,614,066	--	--
Land improvements	(1,599,384)	(100,146)	--	--	(1,699,530)
Equipment, furniture and fixtures	(3,459,235)	(116,284)	7,495	875	(3,567,149)
Total accumulated depreciation	(128,672,685)	(216,430)	123,621,561	875	(5,266,679)
Total depreciable assets, net	73,394,683	(216,430)	(71,642,882)	--	1,535,371
Land	11,518,621	--	--	--	11,518,621
Construction in progress	9,649,121	9,141,531	(1,681,880)	--	17,108,772
	$ 94,562,425	$ 8,925,101	$ (73,324,762)	$ --	$ 30,162,764

Depreciation expense amounted to $216,430 for the fiscal year ended June 30, 2021.

Management has determined that the existing stadium structure experienced a significant and unexpected decline in service utility in fiscal year 2021. For all intents and purposes, the existing stadium structure will no longer be used for its originally intended purpose of serving as a gathering place for the people of Hawaii. Accordingly, the Authority has recorded an impairment loss of approximately $73,325,000 for the fiscal year ended June 30, 2021, which is reported in the statement of revenues, expenses, and changes in net position as an extraordinary item. As of June 30, 2021, the carrying value of the stadium structure was $-0-, which was reported at fair value in the statement of net position. The Authority categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Management's estimate of fair value was developed using inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability (Level 3 inputs). These inputs include the condition of the structure, the present and expected future usage, and the plans to demolish the stadium structure.

NOTE F - ACCRUED VACATION

Accrued vacation activity during the fiscal year ended June 30, 2021, was as follows:

		Amount
Balance at June 30, 2020	$	548,280
Additions		211,447
Deductions		(161,243)
Balance at June 30, 2021		598,484
Less: current portion		(190,660)
Noncurrent portion	$	407,824

NOTE G - RETIREMENT BENEFITS

Plan Description

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

Benefits Provided

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

Noncontributory Class

Retirement Benefits:
General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

Death Benefits:
For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

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

Contributory Class for Members Hired prior to July 1, 2012

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

Disability Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

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

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

Contributory Class for Members Hired After June 30, 2012

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

Disability and Death Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 1.75% of average final compensation for each year of service for police officers and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits:
General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:
Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

Hybrid Class for Members Hired After June 30, 2012

Retirement Benefits:
General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

Disability and Death Benefits:
Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2021 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the ERS from the Authority was $537,238 for the fiscal year ended June 30, 2021.

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

At June 30, 2021, the Authority reported a liability of $6,939,575 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At the measurement date, June 30, 2020, the Authority's proportionate share of the State's net pension liability was .08%, which was equal to its proportionate share as of the measurement date, June 30, 2019.

There were no significant changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2020, and the reporting date, June 30, 2021, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2021, the Authority recognized pension expense of $967,409. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 165,396	$ (104)
Net difference between projected and actual earnings on pension plan investments	241,520	--
Differences between expected and actual experience	81,960	3,083
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	39,003	(20,031)
Contributions subsequent to the measurement date	537,238	--
	$ 1,065,117	$ (17,052)

NOTE G - RETIREMENT BENEFITS (Continued)

At June 30, 2021, the $537,238 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2021 will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2022	$ 206,021
2023	105,306
2024	113,922
2025	83,802
2026	1,776
	$ 510,827

Actuarial Assumptions

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

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

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

Strategic Allocation (Risk-Based Classes)	Target Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return*
Broad growth	63.0%	7.90%	5.70%
Diversifying strategies	37.0%	3.70%	1.50%
Total investments	130.0%		

* Uses an expected inflation rate of 2.20%

Discount Rate

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

NOTE G - RETIREMENT BENEFITS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1 percent decrease (6.00%)	Current discount rate (7.00%)	1 percent increase (8.00%)
Authority's proportionate share of the net pension liability	$ 8,914,828	$ 6,939,575	$ 5,311,167

Pension Plan Fiduciary Net Position

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

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

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at *https://eutf.hawaii.gov/reports*.

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

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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

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

Employees Covered by Benefit Terms

At July 1, 2020, the following number of plan members of the State were covered by the benefit terms:

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

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the EUTF from the Authority was $250,222 for the fiscal year ended June 30, 2021. The employer is required to make all contributions for members.

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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

At June 30, 2021, the Authority reported a net OPEB liability of $6,142,010.The net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2021, the Authority's proportionate share of the State's net OPEB liability was 0.07%.

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

For the fiscal year ended June 30, 2021, the Authority recognized OPEB expense of $525,544. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 65,327	$ (33,610)
Net difference between projected and actual earnings on OPEB plan investments	69,382	3,566
Difference between expected and actual experience	--	(475,143)
Contributions subsequent to the measurement date	250,222	--
	$ 384,931	$ (505,187)

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

At June 30, 2021, the $250,222 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	Amount
2022	$ (74,330)
2023	(71,581)
2024	(70,878)
2025	(66,652)
2026	(86,413)
Thereafter	(624)
	$ (370,478)

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.50% to 7.00%, including inflation
Investment rate of return	7.00%, net of investment expenses, including inflation
Healthcare Cost Trend Rates:	
PPO*	Initial rate of 7.50%; declining to a rate of 4.70% after 13 years
HMO*	Initial rate of 7.50%; declining to a rate of 4.70% after 13 years
Part B & Base Monthly Contribution (BMC)	Initial rates of 5.00%; declining to a rate of 4.70% after 10 years
Dental	Initial rate of 5.00% for first year, followed by 4.00%
Vision	Initial rate of 0.00% for first year, followed by 2.50%
Life Insurance	0.00%

*Blended rates for medical and prescription drug.

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Non-U.S. equity	16.00%	7.72%
U.S. equity	14.00%	6.23%
Core real estate	10.00%	5.98%
Private equity	10.00%	9.66%
Trend following	8.00%	2.12%
U.S. microcap	6.00%	7.85%
Global options	6.00%	4.65%
Private credit	6.00%	5.50%
Long treasuries	6.00%	0.86%
Reinsurance	5.00%	4.34%
Alternative risk premia	5.00%	1.56%
TIPS	5.00%	0.11%
Core bonds	3.00%	0.08%
	100.00%	

Single Discount Rate

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

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

OPEB Plan Fiduciary Net Position

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

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

Changes in the Net OPEB Liability

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 7,801,376	$ 1,249,668	$ 6,551,708
Changes for the fiscal year:			
Service cost	167,508	--	167,508
Interest on the total OPEB liability	537,909	--	537,909
Contributions - employer	--	552,822	(552,822)
Net investment income	--	29,516	(29,516)
Difference between expected and actual experience	(492,477)	--	(492,477)
Changes of assumptions	(40,323)	--	(40,323)
Benefit payments	(247,391)	(247,391)	--
Administrative expense	--	(208)	208
Other	--	185	(185)
Net changes	(74,774)	334,924	(409,698)
Ending balance	$ 7,726,602	$ 1,584,592	$ 6,142,010

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (Continued)

The healthcare trend assumption was updated in the July 1, 2020 actuarial valuation to reflect the repeal of the “Cadillac Tax” on high-cost employer health plans, which resulted in a decrease to the total OPEB liability as of June 30, 2021.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net OPEB liability	$ 7,369,951	$ 6,142,010	$ 5,174,397

The following table presents the Authority’s net OPEB liability calculated using the assumed healthcare cost trend rate, as well as what the Authority’s net OPEB liability would be if it were calculated using healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	$ 5,130,625	$ 6,142,010	$ 7,450,224

NOTE I - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees (excluding part-time, temporary, and casual/seasonal), permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

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

NOTE J - STADIUM SPECIAL ACCOUNT

Contracts with licensees of the Authority and the related ticket sales are controlled in the Stadium Special Account. This account's cash balance and liabilities to third parties, net of amounts owed to the Authority, are included in the accompanying statement of net position and amounted to $188,973 at June 30, 2021. The activity in the account is included in the accompanying statement of revenues, expenses, and changes in net position only as it relates to the Authority's rentals from attractions, expense reimbursements from users, and other miscellaneous transactions (i.e., excludes ticket sales proceeds held on behalf of the licensees).

NOTE K - ADVERTISING AGREEMENT

Under terms of an advertising agreement, the Authority received sponsorship fees subject to external restrictions on how they may be used. The sponsorship fees must be used for the maintenance and replacement of the field and for travel subsidies for the University of Hawaii athletics program, as defined in the advertising agreement. The advertising agreement expired in December 2015. Upon the termination of the agreement, $1,350,000 was transferred to the Public Works Division and $150,000 was disbursed to the University of Hawaii athletics program for travel subsidies. Unspent sponsorship fees aggregated to $37,292 as of June 30, 2021, and are included in cash and cash equivalents, and are considered restricted net position in the accompanying statement of net position.

NOTE L - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately $607,400 as of June 30, 2021.

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an Authority employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2021 totaled approximately $1,904,300.

Legal Matters

The Authority is involved in various actions, the outcome of which, in the opinion of management, will not have a material adverse effect on the Authority's financial position. Losses, if any, are either covered by insurance or will be paid from legislative appropriations of the State's General Fund.

NOTE M - RISK MANAGEMENT

Insurance Coverage

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

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

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

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

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

NOTE M - RISK MANAGEMENT (Continued)

Self-Insured Risks - The State, including the Authority, generally self-insures its automobile no-fault and workers' compensation losses.

A liability for workers' compensation is established if information indicates that a loss has been incurred as of June 30, 2021, and the amount of the loss can be reasonably estimated. The liability includes an estimate for amounts incurred but not reported and loss adjustment expenses.

NOTE N - TRANSACTIONS WITH OTHER STATE DEPARTMENTS

Special Fund Assessments - In accordance with HRS Section 36-27, the Director of Finance of the State assesses the Authority an amount equal to five percent of the Authority's special fund receipts for the purpose of defraying the prorated estimate of central service expenses of the State. In accordance with HRS Section 36-30, the Authority is also responsible for its pro rata share of the administrative expenses incurred by DAGS. For the fiscal year ended June 30, 2021, the amount assessed to the Authority totaled $200,250. As of June 30, 2021 the amounts payable totaled $575,629.

Aloha Stadium Planning Services - For the fiscal year ended June 30, 2021, $110,445 was spent by DAGS Public Works Division on the Aloha Stadium Planning Services project. As of June 30, 2021, $30,966 remained unspent and is presented as other assets on the Authority's statement of net position.

NOTE O - NOVEL CORONAVIRUS DISEASE

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus disease (COVID-19) as a pandemic, which has led to an economic downturn on a global scale that has created significant uncertainty, volatility, and disruption across economies and financial markets. The pandemic has also resulted in federal, state, and local governments and private entities mandating various restrictions, including travel and business restrictions, temporary closures of nonessential businesses, and wide-sweeping quarantines and stay-at-home orders. While the disruption caused by COVID-19 is expected to be temporary, there is uncertainty around the duration and severity of the pandemic. The related financial impact on the Authority's financial statements cannot be reasonably determined at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Fiscal Years *

Measurement Period Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a %age of Covered Payroll	Plan Fiduciary Net Position as a %age of the Total Pension Liability
June 30, 2020	0.08%	$ 6,939,575	$ 2,275,342	304.99%	53.18%
June 30, 2019	0.08%	$ 6,434,053	$ 2,277,716	282.48%	54.87%
June 30, 2018	0.08%	$ 6,018,240	$ 2,122,949	283.48%	55.48%
June 30, 2017	0.08%	$ 5,909,158	$ 1,984,731	297.73%	54.80%
June 30, 2016	0.08%	$ 6,080,439	$ 2,012,765	302.09%	51.30%
June 30, 2015	0.08%	$ 4,020,448	$ 1,918,411	209.57%	62.40%
June 30, 2014	0.08%	$ 3,759,853	$ 1,853,903	202.81%	63.90%
June 30, 2013	0.08%	$ 4,118,508	$ 1,820,655	226.21%	58.00%

* This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See accompanying notes to required supplementary information.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PENSION CONTRIBUTIONS
Last Ten Fiscal Years *

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a %age of Covered Payroll
June 30, 2021	$ 537,238	$ 537,238	$ --	$ 2,282,426	23.54%
June 30, 2020	$ 497,020	$ 497,020	$ --	$ 2,275,342	21.84%
June 30, 2019	$ 426,961	$ 426,961	$ --	$ 2,277,716	18.75%
June 30, 2018	$ 378,904	$ 378,904	$ --	$ 2,122,949	17.85%
June 30, 2017	$ 338,418	$ 338,418	$ --	$ 1,984,731	17.05%
June 30, 2016	$ 340,386	$ 340,386	$ --	$ 2,012,765	16.91%
June 30, 2015	$ 315,405	$ 315,405	$ --	$ 1,918,411	16.44%
June 30, 2014	$ 295,350	$ 295,350	$ --	$ 1,853,903	15.93%

* This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See accompanying notes to required supplementary information.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
REQUIRED BY GASB STATEMENT NO. 68
Fiscal Year Ended June 30, 2021

NOTE A - CHANGES OF ASSUMPTIONS

There were no changes of assumptions or other inputs that significantly affected the measurement of the total pension liability since the measurement period ended June 30, 2016.

Amounts reported in the schedule of the proportionate share of net pension liability as of the measurement period ended June 30, 2016 (fiscal year ended June 30, 2017) were significantly impacted by the following changes of actuarial assumptions:

- The investment return assumption decreased from 7.65% to 7.00%

- Mortality assumptions were modified to assume longer life expectancies as well as to reflect continuous mortality improvement

Prior to the measurement period ended June 30, 2016 (fiscal year ended June 30, 2017), there were no other factors, including the use of different assumptions that significantly affect trends reported in these schedules.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
Last Ten Fiscal Years *

	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 167,508	$ 163,912	$ 143,240	$ 105,687
Interest on the total OPEB liability	537,909	516,664	443,505	320,913
Difference between expected and actual experience	(492,477)	(4,302)	(131,142)	--
Changes in assumptions	(40,323)	41,525	79,371	--
Benefit payments	(247,391)	(247,428)	(215,949)	(158,665)
Net change in total OPEB liability	(74,774)	470,371	319,025	267,935
Total OPEB liability - Beginning	7,801,376	7,331,005	7,011,980	6,744,045
Total OPEB liability - Ending	$ 7,726,602	$ 7,801,376	$ 7,331,005	$ 7,011,980
Plan fiduciary net position				
Contributions - employer	$ 552,822	$ 545,791	$ 426,680	$ 315,524
Net investment income	29,516	49,622	49,161	31,591
Benefit payments	(247,391)	(247,428)	(215,949)	(158,665)
Administrative expense	(208)	(341)	(162)	(81)
Other	185	114,948	--	2,537
Net change in plan fiduciary net position	334,924	462,592	259,730	190,906
Plan fiduciary net position - Beginning	1,249,668	787,076	527,346	336,440
Plan fiduciary net position - Ending	$ 1,584,592	$ 1,249,668	$ 787,076	$ 527,346
Net OPEB liability	$ 6,142,010	$ 6,551,708	$ 6,543,929	$ 6,484,634
Plan fiduciary net position as a percentage of the total OPEB liability	20.51%	16.02%	10.74%	7.52%
Covered-employee payroll	$ 2,275,342	$ 2,277,716	$ 2,122,949	$ 1,984,731
Net OPEB Liability as a Percentage of Covered-employee Payroll	269.94%	287.64%	308.25%	326.73%

* This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See accompanying notes to required supplementary information.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF OPEB CONTRIBUTIONS
Last Ten Fiscal Years *

Fiscal Year Ended	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a %age of Covered Payroll
June 30, 2021	$ 170,912	$ 250,222	$ (79,310)	$ 2,282,426	10.96%
June 30, 2020	$ 577,238	$ 552,822	$ 24,416	$ 2,275,342	24.30%
June 30, 2019	$ 525,976	$ 545,791	$ (19,815)	$ 2,277,716	23.96%
June 30, 2018	$ 426,680	$ 426,680	$ --	$ 2,122,949	20.10%

* This schedule is intended to present information for ten years for each respective fiscal year. Additional years will be built prospectively as information becomes available.

See accompanying notes to required supplementary information.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
REQUIRED BY GASB STATEMENT NO. 75
Fiscal Year Ended June 30, 2021

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS

The actuarially determined contribution for the fiscal year ended June 30, 2021 was developed in the July 1, 2018 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2021:

Actuarial valuation date	July 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Equivalent single amortization period	24 as of June 30, 2021
Inflation rate	2.50%
Investment rate of return	7.00%
Payroll growth	3.50%
Salary increases	3.50% to 7.00% including inflation
Demographic assumptions	Based on the experience study covering the five year period ending June 30, 2015 as conducted for the ERS
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates	
PPO	Initial rate of 10.00%, declining to a rate of 4.86% after 13 years
HMO	Initial rate of 10.00%, declining to a rate of 4.86% after 13 years
Part B	Initial rates of 4.00% and 5.00%; declining to a rate of 4.70% after 12 years
Dental	Initial rate of 5.00% for first 3 years, followed by 4.00%
Vision	Initial rate of 0.00% for first 3 years, followed by 2.50%
Life Insurance	0.00%

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS (Continued)

Prior to the fiscal year ended June 30, 2021, there were no other factors, including the use of different assumptions that significantly affected trends in the amounts reported in the schedule of changes in the net OPEB liability and related ratios or the schedule of contributions (OPEB).

PART II

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Auditor
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Stadium Authority, State of Hawaii (Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N+K CPAs, INC.

Honolulu, Hawaii
November 30, 2021

PART III

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Provided by the Stadium Authority)

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATUS REPORT
Fiscal Year Ended June 30, 2021

This section contains the current status of the prior audit recommendation provided by the Stadium Authority. The recommendation is referenced to the pages of the previous audit report for the fiscal year ended June 30, 2020, dated December 8, 2020.

Reference Number	Recommendation	Current Status
2020-001	**Improve Accounting for Construction-in-Progress** (page 53 - 54)	
	The Authority should improve the coordination with the Public Works Division in identifying all unrecorded additions in preparing capital asset schedules on an accrual basis of accounting.	Accomplished.