



Department of the Attorney General State of Hawaii

Financial Statements, Supplementary Information, and
Single Audit Reports
(With Independent Auditors' Report Thereon)

June 30, 2022

Submitted by
THE AUDITOR
STATE OF HAWAII

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Financial Statements, Supplementary Information, and Single Audit Reports

June 30, 2022

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**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Financial Statements, Supplementary Information, and Single Audit Reports

June 30, 2022

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PART I

INTRODUCTION SECTION

January 30, 2024

The Auditor
State of Hawaii:

We have completed our audit of the financial statements of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year ended June 30, 2022. We have also audited the Department's compliance with the requirements applicable to its major federal program for the year ended June 30, 2022. We transmit herewith our report pertaining to our audit of the Department's financial statements and its major federal program.

Audit Objectives

The objectives of the audit were as follows:

1. To provide opinions on the fair presentation of the Department's financial statements and the schedule of expenditures of federal awards in accordance with accounting principles generally accepted in the United States of America.
2. To consider the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements.
3. To perform tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.
4. To consider the Department's internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance.
5. To provide an opinion on the Department's compliance with applicable laws, regulations, contracts, and grants that could have a direct and material effect on its major federal program.

Scope of Audit

Our audit of the Department's financial statements, the schedule of expenditures of federal awards, and the Department's compliance with the requirements applicable to its major federal program was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

Organization of Report

This report has been organized into four parts as follows:

1. The Introduction Section describes briefly the objectives and scope of our audit and the organization and contents of this report.
2. The Financial Section includes management's discussion and analysis (unaudited), the Department's financial statements and related notes as of and for the year ended June 30, 2022, the schedule of expenditures of federal awards and related notes for the year ended June 30, 2022, and our independent auditors' report thereon.
3. The Internal Control Over Financial Reporting and Compliance Section contains our independent auditors' report on the Department's 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*.
4. The Compliance and Internal Control Over Federal Awards Section contains our independent auditors' report on compliance for the Department's major federal program and on internal control over compliance required by the Uniform Guidance, and a schedule of findings and questioned costs.

* * * * *

We would like to take this opportunity to express our appreciation for the courtesy and assistance extended to us by the personnel of the Department during the course of our engagement. Should you wish to discuss any of the matters contained herein, we will be pleased to meet with you at your convenience.

Very truly yours,

KKDLY LLC

PART II
FINANCIAL SECTION

Independent Auditors' Report

The Auditor
State of Hawaii:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary activities of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary activities of the Department as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matters

Change in Accounting Principle

As discussed in Note 2, the Department adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, as of July 1, 2022. Our opinions are not modified with respect to this matter.

Relationship to the State of Hawaii

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the fiduciary activities of the State of Hawaii that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024 on our consideration of the Department'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 Department'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 Department's internal control over financial reporting and compliance.

KKDL Y LLC

Honolulu, Hawaii
January 30, 2024

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

The Department of the Attorney General, State of Hawaii (the Department), was created in 1959 by the Hawaii State Government Reorganization Act of 1959 (Act 1, Second Special Session Laws of Hawaii 1959). The primary function of the Department is to provide legal and other services to the State of Hawaii (the State), including agencies, offices, and employees of the Executive, Legislative, and Judicial branches of the State's government.

As management of the Department, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Department for the year ended June 30, 2022. This discussion and analysis is designed to assist the reader in the analysis of the Department's financial statements based on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the financial statements which follows this section.

Financial Highlights

- The Department ended with a net position of \$28,408,000 at June 30, 2022, which is an increase of \$7,996,000 or 39.2% from the prior year. The increase is due primarily to the excess of revenues over expenses before transfers of \$8,423,000, offset by net transfers out of \$427,000 during the year ended June 30, 2022.
- Total assets amounted to \$51,921,000, which is an increase of \$9,353,000 or 22.0% from the prior year. The increase is due primarily to an increase in cash and cash equivalents of \$11,090,000, offset by a decrease in due to the State of Hawaii of \$1,330,000.
- Total liabilities amounted to \$23,513,000, which is an increase of \$1,357,000 or 6.1% due primarily to an increase in deferred revenue of \$2,160,000.
- Total revenues were \$107,528,000 for the year ended June 30, 2022, which is an increase of \$3,200,000 or 3.1% from the prior year primarily due to an increase in state appropriations, net of lapses of \$3,618,000.
- Total expenses were \$99,105,000 for the year ended June 30, 2022, which is a decrease of \$7,607,000 or 7.1% from the prior year primarily due to decreases in general administrative and legal services expenses of \$4,304,000, crime prevention and justice assistance expenses of \$1,633,000, and child support enforcement expenses of \$1,256,000.

Overview of the Financial Statements

The financial and compliance audit report consists of the following: Management's Discussion and Analysis, which discusses the Department's financial performance during the fiscal year; a financial section which presents the Department's financial statements, notes to financial statements, required supplementary information, and supplementary information; reports on internal control and compliance; and the schedule of findings and questioned costs.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Government-Wide Financial Statements

The government-wide financial statements report information about the Department as a whole using accounting methods similar to those used by private sector companies. The *Statement of Net Position* provides both short-term and long-term information about the Department's financial position, which reflects the Department's financial condition at the end of the fiscal year.

The *Statement of Net Position* presents the Department's assets and liabilities with the difference between the two reported as "net position." The *Statement of Activities* reflects the operations of the Department during the fiscal year and the resultant change in the net position. All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Activities* on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide detailed information about the Department's significant funds. A fund is a grouping of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are either reported as a major or non-major fund.

The Department has two types of funds:

Governmental Funds:

The Department maintains a general fund and four special revenue funds: the Child Support Enforcement, Legal Services, Crime Prevention and Justice Assistance, and Criminal Justice Data Center special revenue funds. The financial information for each fund is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purposes. Special revenue funds were established to account for the federal funds that are subject to grant restrictions and funds used for attorney services contracted by other State departments.

Fiduciary Funds:

Custodial Funds – The custodial funds are used to account for assets held by the Department in a fiduciary capacity for other parties outside of the Department. Custodial funds are presented separately and are not reflected in the government-wide financial statements because the funds are not rightfully the Department's funds to use for its operations.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Notes to Financial Statements

The notes to financial statements provide additional disclosures for the information reflected in the financial statements, which is essential to understanding the financial data provided in the government-wide fund financial statements.

Government-Wide Financial Analysis

The statement of net position reflects the Department's financial position at the end of the fiscal year on the accrual basis of accounting. The following presents a summarized comparison of the Department's net position as of June 30, 2022 and 2021.

Summary Statement of Net Position

June 30, 2022 and 2021

(Rounded to nearest \$1,000)

	2022	2021
Assets:		
Current assets	\$ 46,040,000	\$ 36,593,000
Capital assets, net of depreciation and amortization	5,881,000	5,975,000
Total assets	\$ 51,921,000	\$ 42,568,000
Liabilities:		
Current liabilities	\$ 17,525,000	\$ 16,785,000
Long-term liabilities	5,988,000	5,371,000
Total liabilities	23,513,000	22,156,000
Net position:		
Net investment in capital assets	5,434,000	5,975,000
Restricted	3,036,000	1,554,000
Unrestricted	19,938,000	12,883,000
Total net position	28,408,000	20,412,000
Total liabilities and net position	\$ 51,921,000	\$ 42,568,000

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Current assets amounted to \$46,040,000 at June 30, 2022, which is an increase of \$9,447,000 or 25.8% from the prior year. The increase is primarily due to an increase in cash and cash equivalents of \$11,090,000, offset by a decrease in due to the State of Hawaii of \$1,330,000.

Capital assets, net of depreciation, amounted to \$5,881,000 at June 30, 2022, which is a decrease of \$94,000 or 1.6% from the prior year. The decrease is due primarily to depreciation and amortization expense in excess of net capital asset additions.

Current liabilities amounted to \$17,525,000 at June 30, 2022, which is an increase of \$740,000 or 4.4% from the prior year. The increase is primarily attributable to an increase in deferred revenue of \$2,160,000, offset by a decrease in vouchers and contracts payable of \$548,000 and the current portion of accrued vacation of \$716,000.

Long-term liabilities amounted to \$5,988,000 at June 30, 2022, which is an increase of \$617,000 or 11.5% from the prior year. The increase is primarily attributable to an increase in the noncurrent portion of accrued vacation of \$367,000 and noncurrent portion of lease payable of \$197,000.

Net position as of June 30, 2022 amounted to \$28,408,000, which is an increase of \$7,996,000 or 39.2% from the prior year. Net investment in capital assets (i.e., capital, net of lease payable) of \$5,434,000 and \$5,975,000, and restricted funds of \$3,036,000 and \$1,554,000, as of June 30, 2022 and 2021, respectively, together represent 29.8% and 36.9% of the Department's 2022 and 2021 net position, respectively. The Department uses these capital assets for the benefit and use by government agencies; consequently, these assets are not available for future spending and cannot be used to liquidate any liabilities. Restricted assets represent resources that are subject to external restrictions or enabling legislation on how they may be used. Unrestricted net position was \$19,938,000 and \$12,883,000 as of June 30, 2022 and 2021, respectively.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

The statement of activities reflects the Department's revenues, expenses, and transfers on the accrual basis of accounting. The following presents a summarized comparison of the Department's change in net position for the years ended June 30, 2022 and 2021.

Summary Statement of Activities
Years Ended June 30, 2022 and 2021
(Rounded to nearest \$1,000)

	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 24,398,000	\$ 24,950,000
Operating grants and contributions	33,678,000	33,226,000
General revenues	49,452,000	46,152,000
Total revenues	107,528,000	104,328,000
Expenses:		
General administrative and legal services	59,316,000	63,620,000
Child support enforcement	19,261,000	20,517,000
Crime prevention and justice assistance	14,327,000	15,960,000
Criminal justice data center	6,201,000	6,615,000
Total expenses	99,105,000	106,712,000
Excess (deficiency) of revenues over expenses before transfers	8,423,000	(2,384,000)
Transfers in (out)	(427,000)	1,931,000
Change in net position	7,996,000	(453,000)
Net Position, beginning of the year	20,412,000	20,865,000
Net Position, end of the year	\$ 28,408,000	\$ 20,412,000

The Department's total revenues increased by \$3,200,000 or 3.1% from 2021, primarily due to an increase in general revenues. General revenues increased by approximately \$3,300,000 from 2021, primarily due to an increase in State appropriations of \$3,618,000.

Total expenses decreased by \$7,607,000 or 7.1% from 2021. Expenses for all divisions decreased by between 6.1% to 10.2% due to budget control measures.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

General Fund Budgetary Analysis

The annual budget for the Department is based on appropriations from the State to support its governmental activities as detailed in the required supplementary information. For the year ended June 30, 2022, revenues were \$2,685,000 or 6.8% under budget, and total expenditures were \$2,463,000 or 6.9% under budget.

Special Revenue Funds Budgetary Analysis

For the year ended June 30, 2022, revenues were \$42,337,000 or 41.1% under budget, and total expenditures were \$26,384,000 or 33.2% under budget. The differences reflect the timing of restricted cash received versus expenditures and budget allotments.

Capital Assets

As of June 30, 2022 and 2021, the Department had \$5,881,000 and \$5,975,000, respectively, in capital assets, net of accumulated depreciation and amortization. The 2022 amount represents a net decrease of \$94,000 or 1.6% from 2021. For the year ended June 30, 2022, there was \$1,415,000 in net additions to capital assets. Depreciation and amortization expense for capital assets totaled \$1,509,000 for the year ended June 30, 2022.

Included in capital assets were right-to-use lease assets (lease assets) reported in accordance with GASB Statement No. 87. Lease assets at June 30, 2022 were \$443,000, which was net of accumulated amortization of \$427,000.

Net capital assets (rounded to nearest \$1,000) as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Capital assets:		
Buildings and improvements	\$ 20,980,000	\$ 20,920,000
Furniture and equipment	10,857,000	10,605,000
Lease assets	870,000	-
Less accumulated depreciation and amortization	<u>(26,826,000)</u>	<u>(25,550,000)</u>
Capital assets, net	<u>\$ 5,881,000</u>	<u>\$ 5,975,000</u>

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Management's Discussion and Analysis (Unaudited)

June 30, 2022

Debt Administration

None.

Currently Known Decisions and Facts

None.

Request for Information

Questions concerning any of the information provided in this report or request for additional financial information should be addressed in writing to the Department of the Attorney General, State of Hawaii, 425 Queen Street, Honolulu, Hawaii 96813 or by email at hawaiiag@hawaii.gov. General information about the Department can be found on the State's website, <https://ag.hawaii.gov/>.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Statement of Net Position - Governmental Activities

June 30, 2022

Assets:

Current assets:

Cash and cash equivalents	\$ 44,318,865
Due from grantor - Federal	985,455
Due from other State agencies	735,897
	<hr/>
Total current assets	46,040,217

Capital assets, net	5,881,110
	<hr/>

Total assets	51,921,327
	<hr/>

Liabilities:

Current liabilities:

Vouchers and contracts payable	1,380,598
Accrued wages and employee benefits	3,331,044
Accrued vacation	1,983,166
Deferred revenue	10,398,128
Due to State of Hawaii	234,848
Lease payable	197,313
	<hr/>
Total current liabilities	17,525,097

Long-term liabilities:

Accrued vacation, less current portion	5,738,213
Lease payable, less current portion	249,626
	<hr/>
Total long-term liabilities	5,987,839

Total liabilities	23,512,936
	<hr/>

Net Position:

Net investment in capital assets	5,434,171
Restricted	3,036,506
Unrestricted	19,937,714
	<hr/>
Total net position	\$ 28,408,391
	<hr/>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Statement of Activities - Governmental Activities

Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General administrative and legal services	\$ 59,316,107	\$ 21,183,682	\$ 2,219,381	\$ (35,913,044)
Child support enforcement	19,260,791	-	14,682,663	(4,578,128)
Crime prevention and justice assistance	14,326,695	-	15,740,915	1,414,220
Criminal justice data center	6,201,515	3,213,851	1,035,688	(1,951,976)
Total governmental activities	<u>99,105,108</u>	<u>24,397,533</u>	<u>33,678,647</u>	<u>(41,028,928)</u>
General revenues:				
State appropriations, net				36,607,058
Non-imposed employee fringe benefits				<u>12,844,613</u>
Total general revenues				<u>49,451,671</u>
Excess revenues over expenses				8,422,743
Other financing uses - transfers, net				<u>(426,792)</u>
Change in net position				7,995,951
Net position, beginning of year				<u>20,412,440</u>
Net position, end of year				<u><u>\$ 28,408,391</u></u>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Balance Sheet - Governmental Funds

June 30, 2022

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Assets:						
Cash and cash equivalents	\$ 4,233,462	\$ 18,025,730	\$ 15,161,849	\$ 3,208,695	\$ 3,689,129	\$ 44,318,865
Due from grantor - Federal	-	758,535	75,308	63,232	88,380	985,455
Due from other State agencies	-	-	735,897	-	-	735,897
Total assets	<u>\$ 4,233,462</u>	<u>\$ 18,784,265</u>	<u>\$ 15,973,054</u>	<u>\$ 3,271,927</u>	<u>\$ 3,777,509</u>	<u>\$ 46,040,217</u>
Liabilities:						
Vouchers and contracts payable	\$ 470,110	\$ 560,209	\$ 193,106	\$ 37,562	\$ 118,578	\$ 1,379,565
Accrued wages and employee benefits	1,819,735	437,304	927,406	35,518	111,081	3,331,044
Deferred revenue	-	5,459,201	4,270,642	668,285	-	10,398,128
Due to the State of Hawaii	-	-	234,848	-	-	234,848
Total liabilities	<u>2,289,845</u>	<u>6,456,714</u>	<u>5,626,002</u>	<u>741,365</u>	<u>229,659</u>	<u>15,343,585</u>
Fund Balances:						
Restricted	-	-	496,061	2,530,562	9,883	3,036,506
Committed	-	-	9,850,991	-	3,537,967	13,388,958
Assigned	850,557	1,032,338	-	-	-	1,882,895
Unassigned	1,093,060	11,295,213	-	-	-	12,388,273
Total fund balances	<u>1,943,617</u>	<u>12,327,551</u>	<u>10,347,052</u>	<u>2,530,562</u>	<u>3,547,850</u>	<u>30,696,632</u>
Total liabilities and fund balances	<u>\$ 4,233,462</u>	<u>\$ 18,784,265</u>	<u>\$ 15,973,054</u>	<u>\$ 3,271,927</u>	<u>\$ 3,777,509</u>	<u>\$ 46,040,217</u>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position

June 30, 2022

Total fund balances - governmental funds	\$ 30,696,632
Amounts reported for governmental activities that are different in the statement of net position due to:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds	5,881,110
Accrued vacation not reported in the governmental funds	(7,721,379)
Lease payable not reported in the governmental funds	(446,939)
Accrued interest related to leases not reported in the governmental funds	<u>(1,033)</u>
Total net position - governmental activities	<u><u>\$ 28,408,391</u></u>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2022

	<u>General Fund</u>	<u>Child Support Enforcement</u>	<u>Legal Services</u>	<u>Crime Prevention and Justice Assistance</u>	<u>Criminal Justice Data Center</u>	<u>Total</u>
Revenues:						
State appropriations, net	\$ 36,607,058	\$ -	\$ -	\$ -	\$ -	\$ 36,607,058
State revenue for non-imposed employee fringe benefits	12,844,613	-	-	-	-	12,844,613
Fees and other	-	5,019	4,557,626	7,420	3,213,851	7,783,916
Intergovernmental	-	-	2,219,381	15,733,495	1,035,688	18,988,564
Special fund revenues	-	10,312,540	16,626,056	-	-	26,938,596
Share of TANF collections	-	4,365,104	-	-	-	4,365,104
Total revenues	<u>49,451,671</u>	<u>14,682,663</u>	<u>23,403,063</u>	<u>15,740,915</u>	<u>4,249,539</u>	<u>107,527,851</u>
Expenditures:						
Current:						
General administrative and legal services	38,565,830	-	21,207,152	-	-	59,772,982
Child support enforcement	5,521,749	14,355,978	-	-	-	19,877,727
Crime prevention and justice assistance	-	-	-	14,319,379	-	14,319,379
Criminal justice data center	2,189,443	-	-	-	3,814,953	6,004,396
Total expenditures	<u>46,277,022</u>	<u>14,355,978</u>	<u>21,207,152</u>	<u>14,319,379</u>	<u>3,814,953</u>	<u>99,974,484</u>
Excess of revenues over expenditures	3,174,649	326,685	2,195,911	1,421,536	434,586	7,553,367
Other financing sources (uses):						
Leases issued	175,269	323,161	371,736	-	-	870,166
Transfers in/(out)	-	-	(234,848)	(17,101)	17,101	(234,848)
Net change in fund balances	3,349,918	649,846	2,332,799	1,404,435	451,687	8,188,685
Fund balances (deficits), beginning of year	<u>(1,406,301)</u>	<u>11,677,705</u>	<u>8,014,253</u>	<u>1,126,127</u>	<u>3,096,163</u>	<u>22,507,947</u>
Fund balances, end of year	<u>\$ 1,943,617</u>	<u>\$ 12,327,551</u>	<u>\$ 10,347,052</u>	<u>\$ 2,530,562</u>	<u>\$ 3,547,850</u>	<u>\$ 30,696,632</u>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2022

Total net change in fund balances - governmental funds		\$ 8,188,685
Amounts reported for governmental activities that are different in the statement of net assets due to:		
Capital asset outlays, net of transfers and disposals	\$ 1,414,977	
Depreciation and amortization expense	<u>(1,509,051)</u>	(94,074)
Expenses reported in the government-wide financial statements that do not use current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued vacation	349,312	
Change in lease payable	(446,939)	
Change in accrued interest related to leases	<u>(1,033)</u>	<u>(98,660)</u>
Change in net position of governmental activities		<u><u>\$ 7,995,951</u></u>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2022

	Custodial Funds
Assets:	
Cash and cash equivalents	<u>\$ 12,785,275</u>
Total assets	<u>12,785,275</u>
Net Position:	
Restricted for individuals, organizations, and other governments	<u>12,785,275</u>
Total net position	<u><u>\$ 12,785,275</u></u>

See accompanying notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2022

	Custodial Funds
Additions:	
Child support collections	\$ 108,932,775
Forfeited and seized funds	251,640
Interest earned	2,841
Total additions	<u>109,187,256</u>
Deductions:	
Child support disbursements	109,716,674
Forfeitures disbursed	353,856
Total deductions	<u>110,070,530</u>
Net decrease in fiduciary net position	(883,274)
Net position, beginning of year	<u>13,668,549</u>
Net position, end of year	<u><u>\$ 12,785,275</u></u>

See accompany notes to financial statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

(1) Organization

The Department of the Attorney General, State of Hawaii (the Department), administers and renders legal services, including furnishing written legal opinions to the Governor, State Legislature, and such state departments and offices as the Governor may direct; represents the State of Hawaii (the State) in all civil actions in which the State is a party; approves as to legality and form all documents relating to the acquisition of any land or interest in land by the State; and unless otherwise provided by law, prosecutes cases involving agreements, uniform laws, or other matters which are enforceable in the courts of the State.

The Department is part of the Executive Branch of the State. The Department's financial statements reflect only its portion of the activities attributable to the Department. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2022, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP). The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which includes the Department's financial activities.

The accompanying financial statements reflect the financial position and changes in financial position of the following divisions of the Department:

Administrative Services Office – The Administrative Services Office provides fiscal, personnel, data processing, library, messenger, reception, and other support services to the Department and its operating divisions.

Office of Child Support Hearings – The Office of Child Support Hearings is an office funded with State and Federal funds that provides a fair and impartial forum for expeditious resolution of child support disputes. Once a part of the Child Support Enforcement Agency, the office has been a separate office of the Department since 1992. The office has concurrent jurisdiction with the court in proceedings in which a support obligation is established, modified, or terminated. Attorney hearings officers issue orders establishing, modifying, terminating, and enforcing child support obligations.

Child Support Enforcement Agency – The Child Support Enforcement Agency (CSEA) provides assistance to children by locating parents, establishing paternity and support obligations (both financial and medical), and enforcing those obligations.

Hawaii Criminal Justice Data Center – The Hawaii Criminal Justice Data Center (HCJDC) is responsible for the statewide Criminal Justice Information System, the statewide Automated Fingerprint Identification System, and the statewide sex offender registry.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

Investigations Division – The Investigations Division conducts investigations in support of the Department’s civil, criminal, and administrative cases. These investigations involve such areas as homeland security; internet crimes against children; high technology computer crimes; drug nuisance abatement; environmental crimes; tobacco tax enforcement; airport, harbors, and highways; cold homicide cases; and other criminal and civil matters.

Crime Prevention and Justice Assistance Division – The Crime Prevention and Justice Assistance Division serves as a central point for obtaining, disseminating, and maintaining information regarding available financial (Federal and state funds) and non-financial resources to assist in improving the coordination of programs of the criminal justice and juvenile justice systems and agencies. It administers grants, provides training and technical assistance, engages in multi-agency and statewide planning efforts, conducts crime prevention programs, researches and analyzes crime issues, develops and maintains a computerized juvenile offender information system, assists in locating, recovering, and reuniting missing children and runaways with their families, and supports the Hawaii Sexual Assault Response and Training program and the statewide standards related to the sexual assault evidence collection kit.

Legal Services –

- ***Administration Division:*** The Administration Division is principally responsible for commercial-related and financial-related legal issues. The division provides legal advice and litigation support to various departments and offices, including the Office of the Governor; the Office of the Lieutenant Governor; the Department of Accounting and General Services (including the State Foundation on Culture and the Arts, the Stadium Authority, and the State Procurement Office); the Department of Budget and Finance (including advice regarding bond matters and advice to the Employees’ Retirement System, the Employer-Union Health Benefits Trust Fund, and the Office of the Public Defender); the Judiciary (including the Commission of Judicial Conduct, the Office of Disciplinary Counsel, the Judiciary Personnel Appeals Board, the Judicial Selection Commission; general consultation with and advice to the staff attorney’s office, and representation of judges in writs and civil lawsuits); the Hawaii State Land Use Commission; the Hawaii State Commission on the Status of Women; the Campaign Spending Commission; and the Office of Elections.
- ***Civil Recoveries Division:*** Civil Recoveries Division systematically recovers and collects monies ranging from accounts receivable, dishonored checks, delinquent loans, salary and benefit overpayments, complex delinquent child support cases, civil judgments, delinquent patient accounts, property damage claims, lease rents, construction litigation, contract disputes, and miscellaneous fees owed to the State and its agencies. In addition, it represents the State in major contract or construction disputes.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

- *Civil Rights Litigation:* The Civil Rights Litigation Division provides legal defense to all State departments and agencies that are sued for monetary damages in cases that may involve an element of personal injury, but primarily arise from allegations of constitutional/civil rights violations.
- *Commerce and Economic Development Division:* The Commerce and Economic Development Division provides legal services and litigation support to the Department of Commerce and Consumer Affairs (including the Professional and Vocational Licensing Boards), the Department of Business, Economic Development, and Tourism (including the Aloha Tower Development Corporation, the Hawaii Strategic Development Corporation, the Hawaii Tourism Authority, the High Technology Development Corporation, and the Natural Energy Laboratory of Hawaii Authority), and the Department of Agriculture (including the Agribusiness Development Corporation). The division also enforces the antitrust laws, administers the laws providing for the commissioning of notaries public, and provides legal services to the Board of Trustees of the State's Deferred Compensation Plan and to other state agencies involved in administering tax deferral programs.
- *Commission to Promote Uniform Legislation:* The Commission to Promote Uniform Legislation was placed in the Department to provide advice on matters relating to the promotion of uniform legislation in accordance with Hawaii Revised Statutes (HRS) Chapter 3 (Uniformity of Legislation) and Section 26-7. The commission consists of five members appointed by the Governor and confirmed by the State Senate, who serve without compensation for a term of four years.
- *Criminal Justice Division:* The Criminal Justice Division performs prosecutorial functions on behalf of the State in areas such as welfare fraud, tax fraud, unemployment fraud, unauthorized practice of law, and public corruption. The division is also responsible for prosecuting Internet crimes against children, high technology crimes, violations of state tobacco laws, drug nuisance, environmental crimes, cold homicide cases, and conflict cases from the four county prosecutor's offices. The division's Medicaid and Fraud Control Unit conducts a statewide program for the investigation and prosecution of cases of provider fraud against the Medicaid Program, fraud in the administration of the Medicaid Program, and cases of abuse or neglect of Medicaid beneficiaries and residents of board and care facilities throughout the State.
- *Education Division:* The Education Division principally provides legal advice and support to the Department of Education and the Board of Education. Other clients include the Charter School Administrative Office and the Charter Schools; the Hawaii Teacher Standards Board; the Research Corporation of the University of Hawaii; and the Hawaii State Public Library System.

**DEPARTMENT OF THE ATTORNEY GENERAL
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Notes to Financial Statements

June 30, 2022

- *Employment Law Division:* The Employment Law Division provides legal representation and advice to the Department of Human Resources Development and to all state departments and agencies on employment-related issues. The division represents all state employers in mandatory arbitration hearings, administrative agency hearings, and civil litigation involving disputes over employment matters with the State's employees.
- *Family Law Division:* The Family Law Division handles all state litigation under the jurisdiction of Family Court, such as child and adult protection, guardianships, truancy, adolescent mental health cases, and involuntary civil mental commitment hearings. Clients include the Department of Health, the Department of Human Services, the Department of Education, and the Office of the Public Guardian. The division also provides support to the Child Support Enforcement Agency.
- *Health and Human Services Division:* The Health and Human Services Division provides the principal legal services and support to the Department of Health and the Department of Human Services. The division enforces the State's environmental laws, provides legal advice to all Department of Health and Department of Human Services programs, takes appeals to circuit court from administrative decisions, defends actions against the State in both State and Federal court, and handles some appeals in both the State and Federal appellate systems.
- *Labor Division:* The Labor Division provides legal services and litigation support to the Department of Labor and Industrial Relations and boards and agencies administratively attached to that department, including the State Fire Council. In connection with its enforcement of the various labor laws, the division also collects penalties, fines, and reimbursements.
- *Land/Transportation Division:* The Land/Transportation Division provides legal services to both the Department of Land and Natural Resources (DLNR) and the Department of Transportation (DOT). These assignments include servicing all divisions of the DLNR (Aquatic Resources, Boating, Conservation and Resources Enforcement, Forestry and Wildlife, Land, State Historic Preservation, State Parks, and Water Resource Management) and the DOT (Airports, Harbors, and Highways). The division also provides services to the following attached commissions, boards, or agencies:

Kaho'olawe Island Reserve Commission, Natural Area Reserves System Commission, Bureau of Conveyances, the four island Burial Councils, Hawaii Historic Places Review Board, Hawaii Invasive Species Council, Commission on Transportation, State Highway Safety Council, and Medical Advisory Board. Most tort litigation involving the DLNR or the DOT is handled by another division, but the Land/Transportation Division handles a number of cases involving the State as a landlord and as a source of permits or as regulator. The division is responsible for all quiet title actions involving the State and virtually all state eminent domain actions, the bulk of which are done on behalf of the State highways program. The division

**DEPARTMENT OF THE ATTORNEY GENERAL
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Notes to Financial Statements

June 30, 2022

prepares land disposition documents for the DLNR and the DOT and prepares office leases for the Department of Accounting and General Services when state agencies rent private property as tenants. The division reviews for legality its clients' contracts and administrative rules. The litigation that the division handles includes enforcement actions for violations of the State Historic Preservation law and the law governing land use in conservation districts and actions for damage to natural resources of the State. The division works on the DOT's complex construction cases.

- *Legislative Division:* The Legislative Division provides legal services on matters pertaining to legislation and to proposed administrative rules. The division coordinates the preparation and review of all legislative bills proposed by the executive branch agencies and coordinates the review, monitoring, and evaluation of all legislative bills during and after each session of the Legislature. In addition, the division coordinates, monitors, and reviews the preparation of administrative rules of the Department. This division also performs the final review of the formal opinions issued by the Attorney General and performs the initial review of complaints involving the Sunshine Law.
- *Public Safety, Hawaiian Home Lands, and Housing Division:* The Public Safety, Hawaiian Home Lands, and Housing Division provides legal services and support to the Department of Public Safety, the Department of Hawaiian Home Lands, the Hawaii Public Housing Authority, and the Hawaii Community Development Agency. The division is responsible for reviewing pardon applications and extradition documents, and responding to petitions for release from inmates under Rule 40 of the Hawaii Rules of Penal Procedure.
- *Tax and Charities Division:* The Tax and Charities Division provides legal representation and advice to the Department of Taxation and other state departments and agencies, primarily in the areas of tax litigation, legislation, rules, investigations, and opinions and advice. The division includes an informal bankruptcy unit devoted to handling all bankruptcy cases for the Department of Taxation, and occasionally assists other agencies in bankruptcy matters. The division represents the Attorney General in the oversight and enforcement of laws pertaining to charitable trusts, public charities, public benefit corporations, and private foundations. The division is also responsible for the Department's registration and bonding function for professional solicitors and professional fundraising counsels under HRS Chapter 467B, and enforcement of the State's charitable solicitation laws. The division is the custodian of certifications by charities that issue charitable gift annuities under HRS §431:204(b).

**DEPARTMENT OF THE ATTORNEY GENERAL
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Notes to Financial Statements

June 30, 2022

- *Tort Litigation Division:* The Tort Litigation Division provides legal defense to personal injury lawsuits and claims made against the State and its departments and agencies. The division does not have primary responsibility for giving advice and counsel to any state department or agency, to provide representation in criminal matters, or to collect monies owed to the State. In general, the services provided by the division include accepting service of legal complaints for the Attorney General, answering legal complaints made against state departments and agencies, investigating claims, conducting discovery on claims, and representing the State's interests in arbitrations, mediations, and trials.

(2) Summary of Significant Accounting Policies

The financial statements of the Department have been prepared in accordance with GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). To facilitate the understanding of data included in the financial statements, summarized below are the more significant accounting policies.

Reporting Entity

As defined by GAAP, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Based upon the required criteria, the Department has no component units and is not a component unit of any other entity. However, because the Department is not legally separate from the State, the financial statements of the Department are included in the financial statements of the State.

Basis of Presentation

The financial activities of the Department are reported in the governmental and fiduciary activities in the State's Annual Comprehensive Financial Report (ACFR). A brief description of the Department's government-wide and fund financial statements is as follows:

Government-wide Financial Statements: The government-wide statement of net position and statement of activities report the overall financial activity of the Department. Eliminations have been made to minimize the double-counting of internal activities of the Department. The financial activities of the Department consist only of governmental activities, which are primarily supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are identifiable with a specific function. Program revenues include (a) charges to customers who purchase, use or directly benefit from goods or services provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included in program revenues are reported as

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Department does not allocate general government (indirect) expenses to other functions.

Fund Financial Statements: The fund financial statements provide information about the Department's funds. The emphasis on fund financial statements is on a major governmental fund, each displayed in a separate column. The Department administers the following major governmental funds of the State:

General Fund – This fund is used to account for the portion of the State's General Fund that is administered by the Department.

Child Support Enforcement Special Revenue Fund – This fund is used to account for the programs related to providing assistance to children by locating parents, establishing paternity and support obligations (both financial and medical), and enforcing those obligations.

Legal Services Special Revenue Fund – This fund is used to account for activities related to the various legal services provided to all state departments and agencies.

Crime Prevention and Justice Assistance Special Revenue Fund – This fund is used to account for programs of the criminal justice and juvenile justice systems and agencies.

Criminal Justice Data Center Special Revenue Fund – This fund is used to account for programs related to the statewide Criminal Justice Information System (CJIS- Hawaii), the statewide Automated Fingerprint Identification System (AFIS), and the statewide sex offender registry.

The Child Support Enforcement Special Revenue Fund, Legal Services Special Revenue Fund, Crime Prevention and Justice Assistance Special Revenue Fund, and Criminal Justice Data Center Special Revenue Fund are reported as part of the Administrative Support Special Revenue Fund in the State's ACFR.

The Department also administers the following fiduciary fund type:

Custodial Fund – This is used to account for assets held by the Department in a fiduciary capacity. These assets include funds for recipients of child support obligations and a revolving fund set up and restricted under HRS §712A-10(4) and (9) for the administrative forfeiture of property other than real property seized by the Department. These assets can only be used or applied if certain requirements are met. The Department's fiduciary activities are reported in the separate statement of fiduciary net position and statement of changes in fiduciary net position. These activities are excluded from the Department's basic financial statements because the Department cannot use these assets to finance its operations.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

Measurement Focus and Basis of Accounting

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

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Department considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the fiscal year.

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

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements described above.

Cash and Cash Equivalents

The Department classifies its investments in the State's investment pool (the Pool) as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Department can withdraw amounts from the Pool without penalty or notice. All other highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

Interfund and Intrafund Transfers

The Department has the following types of interfund transactions between Department’s funds and funds of other state agencies:

Loans -- amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used -- sales and purchases of goods and services between funds for a price approximation of their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of netassets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Capital Assets

Capital assets of the Department include buildings and improvements, and furniture and equipment with estimated useful lives greater than one year and acquisition costs greater than the following amounts:

Buildings and improvements	\$	100,000
Furniture and equipment	\$	5,000

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Transfers are recorded at cost, net of the depreciation which would have been charged had the asset been directly acquired by the Department. Major outlays for capital assets and improvements are capitalized as projects are constructed to the extent the State’s capitalization thresholds are met. Interest incurred during the construction phase of the capital assets is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period. Maintenance and repairs are charged to operations when incurred. Betterments and major

**DEPARTMENT OF THE ATTORNEY GENERAL
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Notes to Financial Statements

June 30, 2022

improvements which significantly increase values, change capacities, or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Useful Life</u>
Buildings and improvements	15 - 30 years
Furniture and equipment	5 - 7 years

Capital assets also include right-to-use lease assets (lease assets). Refer to *Leases – As Lessee* section below for the Department’s accounting policy for lease assets and related amortization.

Leases – As Lessee

The Department recognizes a lease liability and a lease asset in the government-wide financial statements for leases with an initial, individual value of \$100,000 or more for land and building leases and \$25,000 or more for equipment and other leases with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

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

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

**DEPARTMENT OF THE ATTORNEY GENERAL
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June 30, 2022

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

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

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

Lease assets are included with other capital assets (see Note 4) and lease liabilities are reported as lease payable (see Note 5) in the accompanying statement of net position – governmental activities.

Compensated Absences

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

Due to State of Hawaii

Under HRS Sec. 28-15C, funds in the Tobacco Enforcement special revenue fund in excess of \$500,000 at June 30 of each year shall lapse to the credit of the State general fund. At June 30, 2022, the excess amount which was due to the State of Hawaii amounted to approximately \$235,000.

Deferred Compensation Plan

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

**DEPARTMENT OF THE ATTORNEY GENERAL
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Notes to Financial Statements

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

Fund Balances

In governmental fund types, fund balances are reported based on the nature of any limitations requiring the use of resource for specific purpose. Fund balance is reported using the following categories:

Nonspendable – Represents amounts that are either not in a spendable form or are legally or contractually required to remain intact. The Department has no nonspendable fund balance.

Restricted – Represents resources that are restricted to specific purposes usually imposed by external parties such as creditors, grantors, or other governments.

Committed – Represents resources that can only be used for specific purposes pursuant to formal action of the State Legislature.

Assigned – Represents resources that are constrained by management's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Represents residual balances that are neither nonspendable, restricted, committed nor assigned.

Encumbrance balances at year-end are reflected as assigned. The spending policy of the Department's governmental funds is, in order of priority, restricted, committed, and then assigned.

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Notes to Financial Statements

June 30, 2022

At June 30, 2022, the Department’s governmental fund financial statements reported fund balance as follows:

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Restricted for:						
Federal grants	\$ -	\$ -	\$ -	\$ 2,530,562	\$ 9,883	\$ 2,540,445
Tobacco enforcement fund	-	-	495,447	-	-	495,447
Other	-	-	614	-	-	614
	-	-	496,061	2,530,562	9,883	3,036,506
Committed to:						
Medicaid investigation recovery fund	-	-	301,214	-	-	301,214
DNA registry	-	-	70,214	-	-	70,214
Litigation services	-	-	1,257,918	-	-	1,257,918
Enforcement for charitable solicitations	-	-	3,511,501	-	-	3,511,501
Criminal forfeiture fund	-	-	448,844	-	-	448,844
Criminal history record revolving fund	-	-	-	-	3,537,967	3,537,967
Settlements	-	-	3,475,875	-	-	3,475,875
Other	-	-	785,425	-	-	785,425
	-	-	9,850,991	-	3,537,967	13,388,958
Assigned to:						
Encumbrances	850,557	1,032,338	-	-	-	1,882,895
Unassigned	1,093,060	11,295,213	-	-	-	12,388,273
Total fund balances	\$ 1,943,617	\$ 12,327,551	\$ 10,347,052	\$ 2,530,562	\$ 3,547,850	\$ 30,696,632

Net Position

In the government-wide financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation and amortization, less the outstanding balances of any leases, bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Department’s policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted – This consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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Risk Management

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

Use of Estimates

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

Recently Issued Accounting Pronouncements

GASB Statement No. 87

The GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring 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 also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Upon implementation on July 1, 2021, the Department recognized lease liabilities and lease assets as the lessee. There was no effect on net position previously reported as of July 1, 2021.

GASB Statement No. 92

During fiscal year 2022, the Department implemented GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement did not have a material effect on the Department's financial statements.

GASB Statement No. 93

During fiscal year 2022, the Department implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. This statement did not have a material effect on the Department's financial statements.

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June 30, 2022

GASB Statement No. 96

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 for government end users. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Department is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 99

The GASB issued Statement No. 99, *Omnibus*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. Certain requirements of this statement are effective immediately while other requirements are effective for reporting periods beginning after June 15, 2022 and June 15, 2023, respectively. The Department is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 100

The GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for reporting periods beginning after June 15, 2023. The Department is currently evaluating the impact that this statement will have on its financial statements.

GASB Statement No. 101

The GASB issued Statement No. 101, *Compensated Absences*. The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for reporting periods beginning after December 15, 2023. The Department is currently evaluating the impact that this statement will have on its financial statements.

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Notes to Financial Statements

June 30, 2022

(3) Cash and Cash Equivalents and Investments

Cash at June 30, 2022 consisted of the following:

	Governmental Funds	Custodial Funds
Cash in State Treasury	\$ 27,970,968	\$ 606,878
Cash held outside of State Treasury	16,347,897	12,178,397
	<u>\$ 44,318,865</u>	<u>\$ 12,785,275</u>

The Department's cash held in State Treasury is pooled with cash from other State agencies and departments. Cash that is not required for immediate payments is invested by the Department of Budget and Finance, State of Hawaii. Cash accounts that participate in the investment pool accrue interest based on average weighted cash balances.

Detailed information relating to cash and investments held in the State Treasury and related insurance, collateral and risks relating to interest rate, credit, custodial, and concentration are further described in the State's ACFR. The State's ACFR can be obtained at the DAGS' website: <http://hawaii.gov/dags/rpts>.

The Department also maintains certain funds in two interest bearing accounts in a Hawaii bank which are held separately from the State Treasury. One bank account is used primarily for CSEA transactions. As of June 30, 2022, the carrying amount of this account was \$12,178,397. This account is presented as cash and cash equivalents in the statement of fiduciary net position.

The second bank account, opened in fiscal year 2003, is used solely to account for the Federal share of child support payment collections retained by CSEA under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and the Temporary Assistance for Needy Families (TANF) program. As of June 30, 2022, the carrying amount of this bank account was \$16,347,897. This account is presented as cash and cash equivalents in the governmental fund balance sheet under the special revenue fund for Child Support Enforcement.

With respect to the cash held outside the State Treasury, the Federal Deposit Insurance Corporation provided insurance coverage limited to \$250,000 per depositor. At June 30, 2022, the uninsured amount totaled approximately \$30,831,000.

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June 30, 2022

(4) Capital Assets

Capital assets activities for the governmental activities of the Department for the year ended June 30, 2022 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Building and improvements	\$ 20,919,988	\$ 59,736	\$ -	\$ 20,979,724
Accumulated depreciation	(16,576,028)	(356,518)	-	(16,932,546)
Building and improvements, net	<u>4,343,960</u>	<u>(296,782)</u>	<u>-</u>	<u>4,047,178</u>
Furniture and equipment	10,604,998	498,771	(246,972)	10,856,797
Accumulated depreciation	(8,973,774)	(725,710)	233,276	(9,466,208)
Furniture and equipment, net	<u>1,631,224</u>	<u>(226,939)</u>	<u>(13,696)</u>	<u>1,390,589</u>
Lease assets	-	870,166	-	870,166
Accumulated amortization	-	(426,823)	-	(426,823)
Lease assets, net	<u>-</u>	<u>443,343</u>	<u>-</u>	<u>443,343</u>
Capital assets, net	<u>\$ 5,975,184</u>	<u>\$ (80,378)</u>	<u>\$ (13,696)</u>	<u>\$ 5,881,110</u>

Depreciation and amortization expense was charged to functions of the Department in the statement of activities as follows:

Governmental activities:

General administrative and legal services	\$ 317,876
Child support enforcement	598,559
Crime prevention and justice assistance	24,990
Criminal justice data center	<u>567,626</u>
Total governmental activities depreciation and amortization expense	<u>\$ 1,509,051</u>

(5) Lease Payable

The Department has entered into three leases for the use of certain office facilities (see Note 11). The terms of the agreements range from 3 to 5 years. The calculated interest rate used was 2.87%.

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Notes to Financial Statements

June 30, 2022

Principal and interest payments to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 197,313	\$ 9,576	\$ 206,889
2024	156,282	4,569	160,851
2025	93,344	1,022	94,366
	<u>\$ 446,939</u>	<u>\$ 15,167</u>	<u>\$ 462,106</u>

(6) Changes in Long-Term Liabilities

Changes in non-current liabilities during the year ended June 30, 2022 were as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Due within One Year</u>
Accrued vacation	\$ 8,070,691	\$ 2,293,457	\$ 2,642,769	\$ 7,721,379	\$ 1,983,166
Lease payable (Note 5)	-	870,166	423,227	446,939	197,313
	<u>\$ 8,070,691</u>	<u>\$ 3,163,623</u>	<u>\$ 3,065,996</u>	<u>\$ 8,168,318</u>	<u>\$ 2,180,479</u>

(7) Non-imposed Employee Fringe Benefits

Payroll fringe benefit costs of the Department's employees funded by state appropriations (general fund) are assumed by the State and are not paid by the Department's operating funds. These costs, totaling \$12,844,613 for the year ended June 30, 2022, have been reported as revenues and expenditures in the Department's general fund in the statement of revenues, expenditures, and changes in fund balance and in the Department's statement of activities.

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Notes to Financial Statements

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(8) Interfund Balances and Activity

Balances Due to/from Other Funds

The following balances as of June 30, 2022 represent amounts due to/from other state agencies and the State of Hawaii:

<u>Fund</u>	<u>Other State Agencies</u>	<u>Description/Purpose</u>
Legal Services	\$ 735,897	Due from other state departments and agencies for legal services provided.

<u>Fund</u>	<u>State of Hawaii</u>	<u>Description/Purpose</u>
Legal Services	\$ 234,848	Due to the state general fund for funds in the Tobacco Enforcement special revenue fund in excess of \$500,000 at June 30, 2022.

Transfers in/out Other Funds

Interfund transfers in for the year ended June 30, 2022 were as follows:

<u>Fund</u>	<u>Other Department Funds</u>	<u>Description/Purpose</u>
Criminal Justice Data Center	\$ 17,101	Transfers in from Crime Prevention and Justice Assistance fund for federal grant payments.

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Interfund transfers out for the year ended June 30, 2022 were as follows:

<u>Fund</u>	<u>Other Department Funds</u>	<u>State of Hawaii Funds</u>	<u>Description/Purpose</u>
Legal Services	\$ -	\$ 234,848	Transfers out to the state general fund for Tobacco Enforcement special revenue funds in excess of \$500,000 at June 30, 2022.
Crime Prevention and Justice Assistance	17,101	-	Transfers out to Criminal Justice Data Center fund for federal grant payments.
	<u>\$ 17,101</u>	<u>\$ 234,848</u>	

(9) Related Party Transactions

Certain Department employees perform services for other State departments and agencies. The Department bills those departments and agencies for such services and records revenues in the special fund to which the payroll costs were actually charged. Revenues totaled approximately \$14,646,000 for the year ended June 30, 2022, and the amount due from other State agencies totaled approximately \$736,000 at June 30, 2022.

(10) Retirement Benefits

Employees' Retirement System

Plan Description

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

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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% or 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

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

The following summarizes the provisions relevant to the largest employee groups of the respective membership class.

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 10 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. 10 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 surviving dependent children, no benefit is payable.

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Ordinary death benefits are available to employees who were active at time of death with at least 10 years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and surviving dependent children (up to age 18) receive a benefit equal to a percentage of 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.
- 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. 10 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 dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or surviving dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% joint and survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

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Contributory Class for Members Hired After June 30, 2012

- Retirement Benefits – General employees’ retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with 10 years of credited service are eligible to retire at age 60.
- 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. 10 years of credited service is required for ordinary disability.

Death benefits for contributory plan members hired after June 30, 2012 are generally the same as those for contributory plan 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. 10 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 10 years of service and designated one beneficiary, or 100% joint and survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

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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 10 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.
- 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 10 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 10 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 rate for fiscal year 2022 was 24.0% for general employees. The Department’s share of the pension expense is expended by the Department of Budget and Finance and is not reflected in the Department’s financial statements.

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. Contributory members hired after June 30, 2012 are required to contribute 9.8% 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.

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

Measurement of the actuarial valuations of the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension is made for the State as a whole and is not separately computed for the individual State departments and agencies such as the Department. The State allocates the pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension only to component units and proprietary funds that are reported separately in the State ACFR. Accordingly, the Department's proportionate share of the State's pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension is not reported in the accompanying financial statements.

Additional disclosures and required supplementary information pertaining to the State's net pension liability, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension can be found in the State's ACFR.

Post-Retirement 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 of 2001, the State contributes to the Hawaii Employer-Union Health Benefits Trust Fund (the EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues an annual financial report that is available to the public at <http://eutf.hawaii.gov/reports>. The report may also be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

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

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

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

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. The employer is required to make all contributions for members. The Department's share of the non-pension post-retirement benefits is expended by the Department of Budget and Finance and is not reflected in the Department's financial statements.

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

Measurement of the actuarial valuation of the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB is made for the State as a whole and is not separately computed for the individual State departments and agencies such as the Department. The State allocates the OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OEB only to component units and proprietary funds that are reported separately in the State ACFR. Accordingly, the Department's proportionate share of the State's OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB are not reported in the accompanying financial statements.

Additional disclosures and required supplementary information pertaining to the State's net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB can be found in the State's ACFR.

(11) Commitments and Contingencies

Lease Commitment

The Department leases office facilities expiring at various dates through April 2025, the expenditures of which are reported in the general and special revenue funds. In addition to the minimum rent, certain leases also provide for the payment of operating costs and general excise taxes. See Notes 4 and 5 for reported lease assets and lease payable, respectively, related to these leases.

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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 the illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 50 days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2022 was approximately \$25,230,000.

Risk Management

The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

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

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of \$10,000,000 per occurrence with a \$500,000 deductible per occurrence, except for clients property which has a \$5,000,000 limit per occurrence and a \$500,000 deductible and claims expense coverage, supplemental funds transfer coverage, and social engineering which has a \$100,000 limit per occurrence and a \$500,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services, and losses not covered by insurance are paid from the State's General Fund.

Casualty and Professional Liability

Liability claims up to \$25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has various types of coverages with a \$5,000,000 self-insured retention per occurrence, including double \$2,500,000 corridor. The annual aggregate limit for the various coverages is \$5,000,000. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2022

Cyber Liability Insurance

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

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses up to \$25,000 per claim are administered by the Risk Management Office. The State administers its workers' compensation losses via the Department of Human Resources and Development. The Department is covered under the State's self-insurance program for workers' compensation.

(12) Welfare Reform Act

The enactment of Public Law 104-193, the PRWORA, implemented changes in the availability of Federal funding and in the information required to compute State grant awards. PRWORA made effective the TANF Program under Title IV-A of the Social Security Act and repealed the Aid to Families With Dependent Children Program under Title IV-A of this Act.

(13) Subsequent Events

The Department has evaluated subsequent events from the balance sheet date through January 30, 2024, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) - General Fund

Year Ended June 30, 2022

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
State appropriations	\$ 39,292,385	\$ 36,607,058	\$ (2,685,327)
Total revenues	39,292,385	36,607,058	(2,685,327)
Expenditures:			
Personal services	26,002,090	25,033,727	968,363
Other	9,700,541	8,205,427	1,495,114
Total expenditures	35,702,631	33,239,154	2,463,477
Excess of revenues over expenditures	\$ 3,589,754	\$ 3,367,904	\$ (221,850)

See accompanying independent auditors' report and notes to budgetary comparison statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Child Support Enforcement Special Revenue Fund

Year Ended June 30, 2022

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Special funds and others	\$ 29,288,104	\$ 13,198,883	\$ (16,089,221)
Total	29,288,104	13,198,883	(16,089,221)
Expenditures:			
Personal services	10,967,255	9,702,887	1,264,368
Other	1,017,833	4,548,147	(3,530,314)
Total expenditures	11,985,088	14,251,034	(2,265,946)
Excess (deficiency) of revenues over (under) expenditures	\$ 17,303,016	\$ (1,052,151)	\$ (18,355,167)

See accompanying independent auditors' report and notes to budgetary comparison statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Legal Services Special Revenue Fund

Year Ended June 30, 2022

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Special funds and others	\$ 36,546,400	\$ 28,163,593	\$ (8,382,807)
Total revenues	36,546,400	28,163,593	(8,382,807)
Expenditures:			
Personal services	21,700,314	17,385,663	4,314,651
Other	13,011,052	3,428,009	9,583,043
Total expenditures	34,711,366	20,813,672	13,897,694
Excess of revenues over expenditures	1,835,034	7,349,921	5,514,887
Transfers out	-	(462,537)	(462,537)
Excess of revenues over expenditures and transfers	\$ 1,835,034	\$ 6,887,384	\$ 5,052,350

See accompanying independent auditors' report and notes to budgetary comparison statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Crime Prevention and Justice Assistance Special Revenue Fund

Year Ended June 30, 2022

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Special funds and others	\$ 28,213,689	\$ 15,237,682	\$ (12,976,007)
Total revenues	28,213,689	15,237,682	(12,976,007)
Expenditures:			
Personal services	707,310	606,211	101,099
Other	23,067,820	13,709,399	9,358,421
Total expenditures	23,775,130	14,315,610	9,459,520
Excess of revenues over expenditures	4,438,559	922,072	(3,516,487)
Transfers out	-	(17,101)	(17,101)
Excess of revenues over expenditures and transfers	\$ 4,438,559	\$ 904,971	\$ (3,533,588)

See accompanying independent auditors' report and notes to budgetary comparison statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Required Supplementary Information (Unaudited)

Budgetary Comparison Statement (Non-GAAP Budgetary Basis) -
Criminal Justice Data Center

Year Ended June 30, 2022

	Original & Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Special funds and others	\$ 9,061,896	\$ 4,172,444	\$ (4,889,452)
Total revenues	9,061,896	4,172,444	(4,889,452)
Expenditures			
Personal services	2,541,253	1,888,093	653,160
Other	6,470,382	1,830,464	4,639,918
Total expenditures	9,011,635	3,718,557	5,293,078
Excess of revenues over expenditures	50,261	453,887	403,626
Transfers in	-	17,101	17,101
Excess of revenues over expenditures and transfers	\$ 50,261	\$ 470,988	\$ 420,727

See accompanying independent auditors' report and notes to budgetary comparison statements.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Budgetary Comparison Statements (Unaudited)

June 30, 2022

(1) Budgeting and Budgetary Control

The Department of the Attorney General, State of Hawaii's (the Department) budget is established through the State's budgetary process.

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented, and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

The general fund and special revenue funds have legally appropriated annual budgets. All expenditures of appropriated funds are made pursuant to the appropriations in the biennial budget.

Amounts reflected as budgeted revenues in the budgetary comparison statement for the general fund are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act, Supplemental Appropriations Act, and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various State Legislative Hearings.

The final legally adopted budget in the accompanying budgetary comparison statements for the general fund and special revenue funds represents the original appropriations, transfers, and other legally authorized legislative and executive changes.

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

To the extent not expended or encumbered, the general fund and special revenue funds appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies which may terminate the authorizations for other appropriations.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Budgetary Comparison Statements (Unaudited)

June 30, 2022

Budgets adopted by the State Legislature for the general fund and special revenue funds are presented in the respective budgetary comparison statement. The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which represent departures from accounting principles generally accepted in the United States of America.

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2022 follows:

	<u>General</u>	<u>Child Support Enforcement</u>	<u>Legal Services</u>	<u>Crime Prevention and Justice Assistance</u>	<u>Criminal Justice Data Center</u>
Excess of revenues over expenditures and other financing sources (uses), GAAP basis	\$ 3,349,918	\$ 649,846	\$ 2,332,799	\$ 1,404,435	\$ 451,687
Increase (decrease) in revenues:					
Current year receivables	-	(758,535)	(811,205)	(63,232)	(88,380)
Prior year receivables	-	882,878	1,077,046	62,565	11,285
Current year deferred revenue	-	5,459,201	4,270,642	668,285	-
Prior year deferred revenue	-	(7,067,324)	-	(1,170,851)	-
	<u>-</u>	<u>(1,483,780)</u>	<u>4,536,483</u>	<u>(503,233)</u>	<u>(77,095)</u>
Increase (decrease) in expenditures:					
Current year accrued liabilities	(2,289,845)	(997,513)	(1,120,512)	(73,080)	(229,659)
Prior year accrued liabilities	2,076,731	581,870	1,195,894	69,311	130,430
Current year encumbrances, net of adjustments	850,558	1,361,665	158,466	-	66,019
Expenditures for liquidation of prior year encumbrances	<u>(655,430)</u>	<u>(727,805)</u>	<u>(479,639)</u>	<u>-</u>	<u>(63,186)</u>
	<u>(17,986)</u>	<u>218,217</u>	<u>(245,791)</u>	<u>(3,769)</u>	<u>(96,396)</u>
Increase (decrease) in transfers:					
Current year due to State of Hawaii	-	-	234,848	-	-
Prior year due to State of Hawaii	<u>-</u>	<u>-</u>	<u>(462,537)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(227,689)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and transfers, budgetary basis	<u>\$ 3,367,904</u>	<u>\$ (1,052,151)</u>	<u>\$ 6,887,384</u>	<u>\$ 904,971</u>	<u>\$ 470,988</u>

SUPPLEMENTARY INFORMATION

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Justice:					
Sexual Assault Services Formula Program	16.017	2019-KF-AX-0023	\$ 414,072	\$ 90,087	\$ 90,087
		2020-KF-AX-0021	389,751	254,363	254,624
			803,823	344,450	344,711
Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0310	3,642,919	410,517	513,657
Hawaii ICAC Task Force	16.543	2017-MC-FX-K018	891,332	-	50,862
		2020-MC-FX-K017	314,533	-	205,180
			1,205,865	-	256,042
State Justice Statistics Program for Statistical Analysis Centers	16.550	2020-86-CX-K005	51,722	-	39,113
National Criminal History Improvement Program	16.554	2018-RU-BX-K013	401,719	-	233,884
		2019-RU-BX-K033	290,000	-	143,383
		2020-RU-BX-K016	753,230	-	63,052
			1,444,949	-	440,319
Crime Victim Assistance	16.575	2018-V2-GX-0015	14,803,390	2,501,806	2,661,626
		2019-V2-GX-0017	10,058,537	5,510,514	5,813,835
		2020-V2-GX-0055	7,502,120	1,498,074	1,498,074
			32,364,047	9,510,394	9,973,535
Victim Assistance Academy Program	16.582	2018-V3-GX-0029	161,866	53,831	53,831
Violence Against Women Formula Grants	16.588	2016-WF-AX-0022	1,138,212	17,894	17,894
		2017-WF-AX-0042	1,119,445	257,130	284,565
		2018-WF-AX-0024	1,129,162	193,936	277,013
		2019-WF-AX-0035	1,125,400	610,402	682,016
		2020-WF-AX-0001	1,107,864	420,974	420,974
	5,620,083	1,500,336	1,682,462		
Residential Substance Abuse Treatment for State Prisoners	16.593	2018-J2-BX-0045	162,272	44,268	45,977
		2019-J2-BX-0013	160,296	35,970	38,018
			322,568	80,238	83,995
Project Safe Neighborhoods	16.609	2018-GP-BX-0010	146,006	101,528	101,528
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-DJ-BX-0190	840,284	22,695	22,695
		2018-DJ-BX-0471	846,920	111,201	114,698
		2019-DJ-BX-0069	810,917	109,822	163,398
		2020-DJ-BX-0048	748,592	-	-
		2021-DJ (JAGX)	956,688	-	-
		2018-DS-BX-0011	48,725	-	-
		2019-DS-BX-0009	46,635	-	-
	4,298,761	243,718	300,791		

(Continued)

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Justice (continued):					
Paul Coverdell Forensic Sciences Improvements Grant Program	16.742	2019-CD-BX-0026 2020-CD-BX-0005	\$ 272,275 264,698	\$ 166,304 89,832	\$ 166,341 89,837
			<u>536,973</u>	<u>256,136</u>	<u>256,178</u>
Support For Adam Walsh Act Implementation Grant Program:	16.750	2018-AW-BX-K017 2019-AW-BX-0001 2020-AW-BX-0003 15PSMA-21-GG-02526-AWAX	301,000 360,344 388,585 380,526	- - - -	2,426 165,035 2,706 -
			<u>1,430,455</u>	<u>-</u>	<u>170,167</u>
Edward Byrne Memorial Competitive Grant Program	16.751	2019-XT-BX-0016 2020-XT-BX-0005	23,318 21,531	14,498 21,531	14,498 21,531
			<u>44,849</u>	<u>36,029</u>	<u>36,029</u>
NICS Act Record Improvement (NARIP)	16.813	2019-NS-BX-K015 2020-NS-BX-K004	254,375 828,510	- -	90,177 190,973
			<u>1,082,885</u>	<u>-</u>	<u>281,150</u>
John R. Justice Prosecutors And Defenders Incentive Act	16.816	2020-RJ-BX-0019	32,977	-	32,977
Total U.S. Department of Justice			<u>53,190,748</u>	<u>12,537,177</u>	<u>14,566,485</u>
U.S. Department of Health and Human Services					
Child Support Enforcement Title IV-D	93.563	2101HICSES 2201HICSES	11,216,710 9,965,840	- -	2,472,457 9,671,035
			<u>21,182,550</u>	<u>-</u>	<u>12,143,492</u>
Medicaid Cluster: State Medicaid Fraud Control Units	93.775	01-2101-HI-5050 01-2201-HI-5050	1,828,792 1,811,916	- -	232,965 1,047,989
			<u>3,640,708</u>	<u>-</u>	<u>1,280,954</u>
Total U.S. Department of Health and Human Services			<u>24,823,258</u>	<u>-</u>	<u>13,424,446</u>
Executive Office of the President					
High Intensity Drug Trafficking Areas Program	95.001	G20HI0007A G21HI0007A	1,002,322 990,979	- -	414,348 480,880
Total Executive Office of the President			<u>1,993,301</u>	<u>-</u>	<u>895,228</u>
U.S. Department of Homeland Security					
Passed through Hawaii Department of Defense: Homeland Security Grant Program	97.067	EMW-2019-SS-00019 EMW-2021-SS-00030	85,000 124,000	- -	7,978 -
Total U.S. Department of Homeland Security			<u>209,000</u>	<u>-</u>	<u>7,978</u>
Total Federal Expenditures			<u>\$ 80,216,307</u>	<u>\$ 12,537,177</u>	<u>\$ 28,894,137</u>

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Notes to Schedule of Expenditures of Federal Awards

June 30, 2022

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Department of the Attorney General, State of Hawaii (the Department). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position and changes in net assets of the Department.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principle contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The Department has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance Section 200.414.

PART III

**INTERNAL CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE**

Independent Auditors' 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the fiduciary activities of the Department of the Attorney General, State of Hawaii (the Department), as of and for the year then ended June 30, 2022, and the related notes to financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated January 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department'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 Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KKDL Y LLC

Honolulu, Hawaii
January 30, 2024

PART IV

**COMPLIANCE AND INTERNAL CONTROL OVER
FEDERAL AWARDS**

Independent Auditors' Report on Compliance for the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Auditor
State of Hawaii:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Department of the Attorney General, State of Hawaii's (the Department) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Department's major federal program for the year ended June 30, 2022. The Department's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Department's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Department's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Department's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2022-001. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the noncompliance finding identified in our compliance audit described in the accompany schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Department's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KKDL Y LLC

Honolulu, Hawaii
January 30, 2024

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Type of auditors’ report issued on compliance for major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes No

Identification of major federal program:

**Federal
Assistance
Listing Number**

Name of Federal Program or Cluster

93.563

U.S. Department of Health and Human Services –
Child Support Enforcement Title IV-D

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Dollar threshold used to distinguish between Type A and
Type B programs: \$866,824

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiency

Finding No. 2022-001

**U.S. Department of Health and Human Services
Child Support Enforcement Title IV-D
Federal Assistance Listing Number 93.563**

Criteria

A non-Federal entity that expends \$750,000 or more in Federal awards during the year must have a single audit conducted in accordance with 2 CFR §200.514. Pursuant to 2 CFR §200.512, the audit must be completed and Form SF-SAC: *Data Collection Form* and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' report(s), or nine months after year end of the audit period.

Condition

We noted that the Department has not submitted the single audit reports required by the Uniform Guidance, including the *Data Collection Form* to the Federal Audit Clearinghouse for the year ended June 30, 2022, within the stipulated nine months after the end of the audit period.

Cause

The Department did not adhere to established Uniform Guidance terms and conditions regarding the submission dates of the single audit reports and *Data Collection Form* due to the untimely completion of the previous year's single audit.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Effect

The Department is not in compliance with the Uniform Guidance terms and conditions regarding the timely submission of the single audit report and *Data Collection Form* for the year ended June 30, 2022.

Recommendation

We recommend that the Department incorporate internal controls to ensure compliance with the Uniform Guidance with respect to the timely submission of single audit reports and the *Data Collection Form*.

Views of Responsible Officials and Planned Corrective Action

The Department understands the importance of complying with the Uniform Guidance with respect to the timely submission of single audit reports and the Data Collection Form, and have established policies and procedures to ensure compliance. The late submission in the prior year was primarily due to unforeseen circumstances delaying the completion of the 2021 audit engagement.

**DEPARTMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Summary of Prior Year Findings

Year Ended June 30, 2022

Findings and Recommendations	Status
<p>Financial Statements and Schedule of Expenditures of Federal Awards</p> <p>During the 2021 audit, the previous auditors identified instances where (1) certain revenues and expenses were not recognized in the appropriate reporting period, (2) certain fund balances were not correctly reported within fund balance as unrestricted versus restricted, and (3) adjustments were required to the amounts reported in the Department's schedule of expenditures of federal awards (the SEFA).</p> <p>The previous auditors recommended that management enhance its controls over the preparation and review of the Department's financial statements and the reconciliation of amounts reported in the financial statements to the expenditures reported in the SEFA.</p>	<p>No similar finding was identified in the current year. Finding is considered resolved.</p>