



Department of the Attorney General State of Hawaii

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

June 30, 2023

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, 2023

Table of Contents

	Page
PART I – INTRODUCTION SECTION	
Audit Objectives	1
Scope of Audit	1
Organization of Report	2
PART II – FINANCIAL SECTION	
Independent Auditors’ Report	3
Management’s Discussion and Analysis (Unaudited)	7
Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Governmental Activities	14
Statement of Activities – Governmental Activities	15
Governmental Funds Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21

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

Financial Statements, Supplementary Information, and Single Audit Reports

June 30, 2023

Table of Contents

	Page
Notes to Financial Statements	22
Required Supplementary Information (Unaudited):	
Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – General Fund	51
Budgetary Comparison Statement (Non-GAAP Budgetary Basis) – Major Special Revenue Funds:	
Child Support Enforcement	52
Legal Services	53
Crime Prevention and Justice Assistance	54
Criminal Justice Data Center	55
Notes to Budgetary Comparison Statements	56
Supplementary Information:	
Schedule of Expenditures of Federal Awards	58
Notes to Schedule of Expenditures of Federal Awards	61
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 <i>Government Auditing Standards</i>	62
PART IV – COMPLIANCE AND INTERNAL CONTROL OVER FEDERAL AWARDS	
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	64
Schedule of Findings and Questioned Costs	67
Summary of Prior Year Finding	69

PART I

INTRODUCTION SECTION

March 15, 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, 2023. We have also audited the Department's compliance with the requirements applicable to each of its major federal programs for the year ended June 30, 2023. We transmit herewith our report pertaining to our audit of the Department's financial statements and its major federal programs.

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 each of its major federal programs 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 each of its major federal programs.

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 each of its major federal programs 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 (*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).

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, 2023, the schedule of expenditures of federal awards and related notes for the year ended June 30, 2023, 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 each of the Department's major federal programs 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, 2023, 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, 2023, 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. 96, *Subscription-Based Information Technology Arrangements*, 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, 2023, 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.

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, 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 March 15, 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
March 15, 2024

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023. 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 \$39,250,000 at June 30, 2023, which is an increase of \$10,842,000 or 38.2% from the prior year. The increase is due primarily to the excess of revenues over expenses before transfers of \$10,944,000, offset by net transfers out of \$102,000 during the year ended June 30, 2023.
- Total assets amounted to \$69,175,000, which is an increase of \$17,254,000 or 33.2% from the prior year. The increase is due primarily to increases in cash and cash equivalents of \$8,315,000, due from State of Hawaii of \$4,368,000, due from Federal grantors of \$2,135,000, and capital assets of \$2,202,000.
- Total liabilities amounted to \$29,925,000, which is an increase of \$6,412,000 or 27.3% due primarily to increases in vouchers and contracts payable of \$4,877,000, accrued vacation of \$2,161,000, and the recognition of subscription liabilities of \$1,320,000 upon the adoption of GASB Statement No. 96, offset by a decrease in deferred revenue of \$3,368,000.
- Total revenues were \$461,871,000 for the year ended June 30, 2023, which is an increase of \$354,343,000 or 329.5% from the prior year primarily due to an increase in state appropriations, net of \$338,621,000, which includes settlements authorized by Act 280, SLH 2022.
- Total expenses were \$450,927,000 for the year ended June 30, 2023, which is an increase of \$351,822,000 or 355.0% from the prior year primarily due to increase in general administrative and legal services expenses of \$350,284,000, which includes settlement of claims against the State amounting to \$339,946,000.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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.

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.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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.

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 and 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, 2023 and 2022.

Summary Statements of Net Position
June 30, 2023 and 2022
(Rounded to nearest \$1,000)

	2023	2022
Assets:		
Current assets	\$ 61,092,000	\$ 46,040,000
Capital assets, net	8,083,000	5,881,000
Total assets	\$ 69,175,000	\$ 51,921,000
Liabilities:		
Current liabilities	\$ 22,016,000	\$ 17,525,000
Long-term liabilities	7,909,000	5,988,000
Total liabilities	29,925,000	23,513,000
Net Position:		
Net investment in capital assets	5,366,000	5,434,000
Restricted	3,104,000	3,036,000
Unrestricted	30,780,000	19,938,000
Total net position	39,250,000	28,408,000
Total liabilities and net position	\$ 69,175,000	\$ 51,921,000

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

Current assets amounted to \$61,092,000 at June 30, 2023, which is an increase of \$15,052,000 or 32.7% from the prior year. The increase is primarily due to an increase in cash and cash equivalents of \$8,315,000, due from State of Hawaii of \$4,368,000, and due from Federal grantors of \$2,135,000.

Capital assets, net of depreciation and amortization, amounted to \$8,083,000 at June 30, 2023, which is an increase of \$2,202,000 or 37.4% from the prior year. The increase is due primarily to additions to furniture and equipment of \$929,000, lease assets of \$1,301,000, and subscription assets of \$1,478,000 recognized during fiscal year 2023 upon the adoption of GASB Statement No. 96, offset by depreciation and amortization expense of \$1,506,000.

Current liabilities amounted to \$22,016,000 at June 30, 2023, which is an increase of \$4,491,000 or 25.6% from the prior year. The increase is primarily attributable to increases in the current portion of accrued vacation of \$2,113,000 and vouchers and contracts payable of \$4,877,000, offset by a decrease in the deferred revenue liability of \$3,368,000.

Long-term liabilities amounted to \$7,909,000 at June 30, 2023, which is an increase of \$1,921,000 or 32.1% from the prior year. The increase is primarily attributable to increases in the noncurrent portion of subscription and lease payables of \$1,063,000 and \$810,000, respectively.

Net position as of June 30, 2023 amounted to \$39,250,000, which is an increase of \$10,842,000 or 38.2% from the prior year. Net investment in capital assets (i.e., capital assets, net less lease and subscription payables) of \$5,366,000 and \$5,434,000, and restricted funds of \$3,104,000 and \$3,036,000, as of June 30, 2023 and 2022, respectively, together represent 21.6% and 29.8% of the Department's 2023 and 2022 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 \$30,780,000 and \$19,938,000 as of June 30, 2023 and 2022, respectively.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023 and 2022.

Summary Statements of Activities
Years Ended June 30, 2023 and 2022
(Rounded to nearest \$1,000)

	2023	2022
Revenues:		
Program revenues:		
Charges for services	\$ 36,962,000	\$ 24,398,000
Operating grants and contributions	35,370,000	33,678,000
General revenues	389,539,000	49,452,000
Total revenues	461,871,000	107,528,000
 Expenses:		
General administrative and legal services	409,600,000	59,316,000
Child support enforcement	24,590,000	19,261,000
Crime prevention and justice assistance	10,554,000	14,327,000
Criminal justice data center	6,183,000	6,201,000
Total expenses	450,927,000	99,105,000
Excess of revenues over expenses before transfers	10,944,000	8,423,000
 Transfers out	(102,000)	(427,000)
Change in net position	10,842,000	7,996,000
Net Position, beginning of the year	28,408,000	20,412,000
Net Position, end of the year	\$ 39,250,000	\$ 28,408,000

The Department's total revenues increased by \$354,343,000 or 329.5% from 2022, primarily due to an increase in general revenues. General revenues increased by approximately \$340,087,000 from 2022, primarily due to an increase in state appropriations, net of \$338,621,000. This includes appropriations authorized to satisfy claims against the State under Act 280, SLH 2022 of \$335,578,000.

Total expenses increased by \$351,822,000 or 355.0% from 2022. The increase in total expenses was mainly due to payments to satisfy claims against the State of \$339,946,000.

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023, revenues were \$16,561,000 or 4.3% under budget, and total expenditures were \$5,042,000 or 1.3% under budget.

Special Revenue Funds Budgetary Analysis

For the year ended June 30, 2023, revenues were \$45,473,000 or 40.6% under budget, and total expenditures were \$13,444,000 or 18.4% under budget. The differences reflect the timing of restricted cash received versus expenditures and budget allotments.

Capital Assets

As of June 30, 2023 and 2022, the Department had \$8,083,000 and \$5,881,000, respectively, in capital assets, net of accumulated depreciation and amortization. The 2023 amount represents a net increase of \$2,202,000 or 37.4% from 2022. For the year ended June 30, 2023, there was \$3,708,000 in net additions to capital assets. Depreciation and amortization expense for capital assets totaled \$1,506,000 for the year ended June 30, 2023.

Included in capital assets were lease assets reported in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 and subscription assets reported in accordance with GASB Statement No. 96. Lease and subscription assets at June 30, 2023 aggregated to \$3,648,000, and related accumulated amortization totaled \$1,069,000.

Net capital assets (rounded to nearest \$1,000) as of June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Capital assets:		
Buildings and improvements	\$ 20,980,000	\$ 20,980,000
Furniture and equipment	11,279,000	10,857,000
Lease assets	2,171,000	870,000
Subscription assets	1,477,000	-
Less accumulated depreciation and amortization	<u>(27,824,000)</u>	<u>(26,826,000)</u>
Capital assets, net	<u>\$ 8,083,000</u>	<u>\$ 5,881,000</u>

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023

Assets:

Current assets:

Cash and cash equivalents	\$ 52,633,958
Due from State of Hawaii	4,367,935
Due from grantor - Federal	3,120,631
Due from other State agencies	<u>969,139</u>
Total current assets	61,091,663

Capital assets, net

8,083,375

Total assets

69,175,038

Liabilities:

Current liabilities:

Vouchers and contracts payable	6,257,465
Accrued vacation	4,096,635
Accrued wages and employee benefits	3,818,526
Deferred revenue	7,030,380
Lease payable	338,048
Subscription payable	256,581
Due to State of Hawaii	<u>218,903</u>

Total current liabilities

22,016,538

Long-term liabilities:

Accrued vacation, less current portion	5,785,747
Subscription payable, less current portion	1,063,375
Lease payable, less current portion	<u>1,059,616</u>

Total long-term liabilities

7,908,738

Total liabilities

29,925,276

Net Position:

Net investment in capital assets	5,365,755
Restricted	3,103,698
Unrestricted	<u>30,780,309</u>
Total net position	<u>\$ 39,249,762</u>

See accompanying notes to financial statements.

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

Statement of Activities – Governmental Activities

Year Ended June 30, 2023

<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	\$ 409,600,273	\$ 34,572,757	\$ 1,784,586	\$ (373,242,930)
Child support enforcement	24,589,919	-	21,454,580	(3,135,339)
Crime prevention and justice assistance	10,553,555	-	10,974,290	420,735
Criminal justice data center	6,183,273	2,388,708	1,156,816	(2,637,749)
Total governmental activities	<u>\$ 450,927,020</u>	<u>\$ 36,961,465</u>	<u>\$ 35,370,272</u>	<u>\$ (378,595,283)</u>
General revenues:				
State appropriations, net				375,227,850
Non-imposed employee fringe benefits				14,311,532
Total general revenues				<u>389,539,382</u>
Excess revenues over expenses				10,944,099
Other financing uses - transfers, net				<u>(102,728)</u>
Change in net position				10,841,371
Net position, beginning of year				<u>28,408,391</u>
Net position, end of year				<u><u>\$ 39,249,762</u></u>

See accompany notes to financial statements.

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

Balance Sheet – Governmental Funds

June 30, 2023

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Assets:						
Cash and cash equivalents	\$ 3,017,408	\$ 20,113,193	\$ 22,997,292	\$ 3,124,221	\$ 3,381,844	\$ 52,633,958
Due from State of Hawaii	4,367,935	-	-	-	-	4,367,935
Due from grantor - Federal	-	2,946,171	92,639	60,121	21,700	3,120,631
Due from other State agencies	-	-	969,139	-	-	969,139
Total assets	<u>\$ 7,385,343</u>	<u>\$ 23,059,364</u>	<u>\$ 24,059,070</u>	<u>\$ 3,184,342</u>	<u>\$ 3,403,544</u>	<u>\$ 61,091,663</u>
Liabilities:						
Vouchers and contracts payable	\$ 4,839,263	\$ 780,275	\$ 415,048	\$ 39,170	\$ 166,600	\$ 6,240,356
Accrued wages and employee benefits	2,146,780	498,935	1,042,127	28,652	102,032	3,818,526
Deferred revenue	-	6,573,771	-	456,609	-	7,030,380
Due to State of Hawaii	-	-	218,903	-	-	218,903
Total liabilities	<u>6,986,043</u>	<u>7,852,981</u>	<u>1,676,078</u>	<u>524,431</u>	<u>268,632</u>	<u>17,308,165</u>
Fund Balances (Deficit):						
Restricted	-	-	411,681	2,659,911	32,106	3,103,698
Committed	-	-	21,971,311	-	3,102,806	25,074,117
Assigned	2,859,755	4,706,719	-	-	-	7,566,474
Unassigned	(2,460,455)	10,499,664	-	-	-	8,039,209
Total fund balances	<u>399,300</u>	<u>15,206,383</u>	<u>22,382,992</u>	<u>2,659,911</u>	<u>3,134,912</u>	<u>43,783,498</u>
Total liabilities and fund balances	<u>\$ 7,385,343</u>	<u>\$ 23,059,364</u>	<u>\$ 24,059,070</u>	<u>\$ 3,184,342</u>	<u>\$ 3,403,544</u>	<u>\$ 61,091,663</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, 2023

Total fund balances - governmental funds	\$ 43,783,498
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	8,083,375
Accrued vacation not reported in the governmental funds	(9,882,382)
Lease payable not reported in the governmental funds	(1,397,664)
Subscription payable not reported in the governmental funds	(1,319,956)
Accrued interest on leases and subscriptions not reported in the governmental funds	<u>(17,109)</u>
Total net position - governmental activities	<u><u>\$ 39,249,762</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, 2023

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Revenues:						
State appropriations, net	\$ 375,227,850	\$ -	\$ -	\$ -	\$ -	\$ 375,227,850
Special fund revenues	-	16,323,017	29,299,861	-	-	45,622,878
State revenue for non-imposed employee fringe benefits	14,311,532	-	-	-	-	14,311,532
Intergovernmental	-	-	1,784,586	10,962,227	1,156,816	13,903,629
Fees and other	-	12,891	5,272,896	12,063	2,388,708	7,686,558
Share of TANF collections	-	5,118,672	-	-	-	5,118,672
Total revenues	389,539,382	21,454,580	36,357,343	10,974,290	3,545,524	461,871,119
Expenditures:						
Current:						
General administrative and legal services	384,983,740	-	23,937,793	-	-	408,921,533
Child support enforcement	5,420,297	18,575,748	-	-	-	23,996,045
Crime prevention and justice assistance	-	-	-	10,618,242	-	10,618,242
Criminal justice data center	2,312,324	-	-	-	5,649,722	7,962,046
Total expenditures	392,716,361	18,575,748	23,937,793	10,618,242	5,649,722	451,497,866
Excess (deficit) of revenues over (under) expenditures	(3,176,979)	2,878,832	12,419,550	356,048	(2,104,198)	10,373,253
Other financing sources (uses):						
Issuance of leases	1,033,190	-	267,553	-	-	1,300,743
Issuance of subscription assets	-	-	-	-	1,477,792	1,477,792
Transfers in/(out)	599,472	-	(651,163)	(226,699)	213,468	(64,922)
Net change in fund balances	(1,544,317)	2,878,832	12,035,940	129,349	(412,938)	13,086,866
Fund balances, beginning of year	1,943,617	12,327,551	10,347,052	2,530,562	3,547,850	30,696,632
Fund balances, end of year	\$ 399,300	\$ 15,206,383	\$ 22,382,992	\$ 2,659,911	\$ 3,134,912	\$ 43,783,498

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, 2023

Total net change in fund balances - governmental funds		\$ 13,086,866
Amounts reported for governmental activities that are different in the statement of net position due to:		
Capital asset outlays, net of transfers and disposals	\$ 3,708,167	
Depreciation and amortization expense	<u>(1,505,902)</u>	
		2,202,265
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.		
Changes in accrued vacation	(2,161,003)	
Change in lease and subscription payables	(2,270,681)	
Changes in accrued interest related to lease and subscription payables	<u>(16,076)</u>	
		<u>(4,447,760)</u>
Change in net position of governmental activities		<u><u>\$ 10,841,371</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, 2023

	Custodial Funds
Assets:	
Cash and cash equivalents	\$ <u>14,064,674</u>
Total assets	<u>14,064,674</u>
Net Position:	
Restricted for individuals, organizations, and other governments	<u>14,064,674</u>
Total net position	<u><u>\$ 14,064,674</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, 2023

	Custodial Funds
Additions:	
Child support collections	\$ 105,640,447
Forfeited and seized funds	344,920
Interest earned	15,131
Total additions	<u>106,000,498</u>
Deductions:	
Child support disbursements	104,571,247
Forfeitures disbursed	149,852
Total deductions	<u>104,721,099</u>
Net increase in fiduciary net position	1,279,399
Net position, beginning of year	<u>12,785,275</u>
Net position, end of year	<u><u>\$ 14,064,674</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2023

(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, 2023, 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, 2023

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, 2023

- *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 offices. The division's Medicaid 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
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2023

- *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
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2023

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
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2023

- *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, 2023

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, 2023

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, 2023

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
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2023

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) and right-to-use subscription assets (subscription assets). Refer to *Leases – As Lessee* and *Subscription-Based Information Technology Arrangements* sections below for the Department’s accounting policy for lease assets and subscriptions 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
STATE OF HAWAII**

Notes to Financial Statements

June 30, 2023

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.

Subscription-Based Information Technology Arrangements

The Department recognizes a subscription liability and a subscription asset in the government-wide financial statements for subscription liabilities with an initial, individual value of \$500,000 or more with subscription term greater than one year. Variable payments based on future performance of the Department, usage of the underlying information technology (IT) asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a subscription-based information technology arrangement (SBITA), the Department initially measures the subscription liability at the present value of payments expected to make during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, plus any payments made to the SBITA vendor before the commencement of the subscription term and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

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

Notes to Financial Statements

June 30, 2023

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- *Preliminary project stage* – Outlays are expensed as incurred.
- *Initial implementation stage* – Outlays are capitalized as an addition to the subscription asset.
- *Operation and additional implementation stage* – Outlays are expensed as incurred unless they meet specific capitalization criteria.

Subscription assets are reported in capital assets (see Note 4) and subscription liabilities are reported as subscription payable (see Note 6) in the accompanying statement of net position – governmental activities.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the Department has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

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

- The Department uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Department generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The subscription term includes the noncancelable period of the SBITAs. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the Department is reasonably certain to exercise.
- The Department monitors changes in circumstances that would require a remeasurement of its subscription.

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.

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

Notes to Financial Statements

June 30, 2023

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, 2023, the excess amount which was due to the State amounted to approximately \$219,000.

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.

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.

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

Notes to Financial Statements

June 30, 2023

At June 30, 2023, the Department’s governmental fund financial statements reported fund balances (deficit) as follows:

	General Fund	Child Support Enforcement	Legal Services	Crime Prevention and Justice Assistance	Criminal Justice Data Center	Total
Restricted for:						
Federal grants	\$ -	\$ -	\$ -	\$ 2,659,911	\$ 32,106	\$ 2,692,017
Tobacco enforcement fund	-	-	411,052	-	-	411,052
Other	-	-	629	-	-	629
	<u>-</u>	<u>-</u>	<u>411,681</u>	<u>2,659,911</u>	<u>32,106</u>	<u>3,103,698</u>
Committed to:						
Medicaid investigation recovery fund	-	-	11,434,547	-	-	11,434,547
DNA registry	-	-	89,401	-	-	89,401
Litigation services	-	-	1,100,303	-	-	1,100,303
Enforcement for charitable solicitations	-	-	3,884,229	-	-	3,884,229
Criminal forfeiture fund	-	-	350,328	-	-	350,328
Criminal history record revolving fund	-	-	-	-	3,102,806	3,102,806
Settlements	-	-	4,292,350	-	-	4,292,350
Other	-	-	820,153	-	-	820,153
	<u>-</u>	<u>-</u>	<u>21,971,311</u>	<u>-</u>	<u>3,102,806</u>	<u>25,074,117</u>
Assigned to:						
Encumbrances	2,859,755	4,706,719	-	-	-	7,566,474
Unassigned	(2,460,455)	10,499,664	-	-	-	8,039,209
Total fund balances	<u>\$ 399,300</u>	<u>\$ 15,206,383</u>	<u>\$ 22,382,992</u>	<u>\$ 2,659,911</u>	<u>\$ 3,134,912</u>	<u>\$ 43,783,498</u>

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, subscriptions, 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.”

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

Notes to Financial Statements

June 30, 2023

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

Recently Issued Accounting Pronouncements

GASB Statement No. 96

During fiscal year 2023, the Department implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. There was no effect on net position previously reported as of June 30, 2022.

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 requirements that were effective immediately and beginning after June 15, 2022 did not have a material effect on the Department's financial statements. For the remaining requirements, the Department is currently evaluating the impact that this statement will have on its financial statements.

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

Notes to Financial Statements

June 30, 2023

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.

GASB Statement No. 102

The GASB issued Statement No. 102, *Certain Risk Disclosures*. The primary objective of this statement is to provide users of government financial statements with information about risks related to a government’s vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this statement are effective for reporting periods beginning after June 15, 2024. The Department is currently evaluating the impact that this statement will have on its financial statements.

(3) Cash and Cash Equivalents and Investments

Cash at June 30, 2023 consisted of the following:

	Governmental Funds	Custodial Funds
Cash in State Treasury	\$ 38,226,154	\$ 1,962,050
Cash held outside of State Treasury	14,407,804	12,102,624
	<u>\$ 52,633,958</u>	<u>\$ 14,064,674</u>

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

Notes to Financial Statements

June 30, 2023

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 three 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, 2023, the carrying amount of this account was \$12,102,624. 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, 2023, the carrying amount of this bank account was \$8,877,233. This account is presented as cash and cash equivalents in the governmental fund balance sheet under the special revenue fund for Child Support Enforcement.

The third bank account, opened in fiscal year 2023, is used to account for CSEA incentive payments. As of June 30, 2023, the carrying amount of this bank account was \$5,530,571.

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, 2023, the uninsured amount totaled approximately \$28,605,000.

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

Notes to Financial Statements

June 30, 2023

(4) Capital Assets

Capital assets activities for the governmental activities of the Department for the year ended June 30, 2023 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Building and improvements	\$ 20,979,724	\$ -	\$ -	\$ 20,979,724
Accumulated depreciation	(16,932,546)	(365,910)	-	(17,298,456)
Building and improvements, net	<u>4,047,178</u>	<u>(365,910)</u>	<u>-</u>	<u>3,681,268</u>
Furniture and equipment	10,856,797	929,632	(507,289)	11,279,140
Accumulated depreciation	(9,466,208)	(497,674)	507,289	(9,456,593)
Furniture and equipment, net	<u>1,390,589</u>	<u>431,958</u>	<u>-</u>	<u>1,822,547</u>
Lease assets	870,166	1,300,743	-	2,170,909
Accumulated amortization	(426,823)	(373,629)	-	(800,452)
Lease assets, net	<u>443,343</u>	<u>927,114</u>	<u>-</u>	<u>1,370,457</u>
Subscription assets	-	1,477,792	-	1,477,792
Accumulated amortization	-	(268,689)	-	(268,689)
Subscription assets, net	<u>-</u>	<u>1,209,103</u>	<u>-</u>	<u>1,209,103</u>
Capital assets, net	<u>\$ 5,881,110</u>	<u>\$ 2,202,265</u>	<u>\$ -</u>	<u>\$ 8,083,375</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	\$ 532,755
Child support enforcement	314,043
Crime prevention and justice assistance	24,989
Criminal justice data center	<u>634,115</u>
Total governmental activities depreciation and amortization expense	<u>\$ 1,505,902</u>

(5) Lease Payable

The Department has entered into six leases for the use of certain office facilities (see Note 12). The terms of the agreements range from 3 to 10 years. The calculated interest rate ranged between 2.87% and 4.23%.

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

Notes to Financial Statements

June 30, 2023

Principal and interest payments to maturity are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 338,048	\$ 48,355	\$ 386,403
2025	289,002	37,069	326,071
2026	209,538	27,757	237,295
2027	224,628	19,129	243,757
2028	53,404	13,228	66,632
Thereafter	283,044	28,133	311,177
	<u>\$ 1,397,664</u>	<u>\$ 173,671</u>	<u>\$ 1,571,335</u>

(6) Subscription Payable

The Department has entered into a SBITA for a message switch system. The term of the SBITA agreement is 5.5 years. The calculated interest rate used was 3.93%.

Principal and interest payments to maturity are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 256,581	\$ 45,927	\$ 302,508
2025	277,109	35,199	312,308
2026	298,336	23,767	322,103
2027	320,411	11,477	331,888
2028	167,519	854	168,373
	<u>\$ 1,319,956</u>	<u>\$ 117,224</u>	<u>\$ 1,437,180</u>

(7) Changes in Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2023 were as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due within One Year</u>
Accrued vacation	\$ 7,721,379	\$ 3,099,251	\$ (938,248)	\$ 9,882,382	\$ 4,096,635
Lease payable (Note 5)	446,939	1,300,364	(349,639)	1,397,664	338,048
Subscription payable (Note 6)	-	1,477,792	(157,836)	1,319,956	256,581
	<u>\$ 8,168,318</u>	<u>\$ 5,877,407</u>	<u>\$ (1,445,723)</u>	<u>\$ 12,600,002</u>	<u>\$ 4,691,264</u>

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

Notes to Financial Statements

June 30, 2023

(8) 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 \$14,311,532 for the year ended June 30, 2023, have been reported as revenues and expenditures in the Department’s general fund in the statement of revenues, expenditures, and changes in fund balances and in the Department’s statement of activities.

(9) Interfund Balances and Activity

Balances Due to/from Other Funds

The following balances as of June 30, 2023 represent amounts due from other state agencies and the State of Hawaii:

<u>Fund</u>	<u>Other State Agencies</u>	<u>State of Hawaii</u>	<u>Description/Purpose</u>
General	\$ -	\$ 4,367,935	Due from state general fund for purposes of satisfying claims for legislative relief for claims against the State, its officers or employees.
Legal Services	<u>969,139</u>	<u>-</u>	Due from other state departments and agencies for legal services provided.
	<u>\$ 969,139</u>	<u>\$ 4,367,935</u>	

The following balances as of June 30, 2023 represent amount due to the State of Hawaii:

<u>Fund</u>	<u>State of Hawaii</u>	<u>Description/Purpose</u>
Legal Services	<u>\$ 218,903</u>	Due to state general fund for funds in the Tobacco Enforcement special revenue fund in excess of \$500,000 at June 30, 2023.

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

Notes to Financial Statements

June 30, 2023

Transfers in/out Other Funds

Interfund transfers in for the year ended June 30, 2023 were as follows:

<u>Fund</u>	<u>Other Department Funds</u>	<u>State of Hawaii</u>	<u>Description/Purpose</u>
General	\$ -	\$ 599,472	Benefits for transferred employees
Criminal Justice Data Center	213,468	-	Transfers in from Crime Prevention and Justice Assistance fund for federal grant payments.
	<u>\$ 213,468</u>	<u>\$ 599,472</u>	

Interfund transfers out for the year ended June 30, 2023 were as follows:

<u>Fund</u>	<u>Other Department Funds</u>	<u>State of Hawaii</u>	<u>Description/Purpose</u>
Legal Services	\$ -	\$ 651,163	Transfers out to state general fund for Tobacco Enforcement special revenue funds in excess of \$500,000 at June 30, 2023.
Crime and Prevention and Justice Assistance	226,699	-	Transfers out to Criminal Justice Data Center for federal grant payments and to other funds.
	<u>\$ 226,699</u>	<u>\$ 651,163</u>	

(10) 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 \$16,616,000 for the fiscal year ended June 30, 2023, and the amount due from other State agencies totaled approximately \$969,000 at June 30, 2023.

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

Notes to Financial Statements

June 30, 2023

(11) Retirement Benefits

Pension Plan

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.hawaii.gov/resources/financials>.

Benefits Provided

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

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

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.

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

Notes to Financial Statements

June 30, 2023

- *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.

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.

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

Notes to Financial Statements

June 30, 2023

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.

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.

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

Notes to Financial Statements

June 30, 2023

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.

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 2023 was 24% 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.

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

Notes to Financial Statements

June 30, 2023

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.

Postemployment Health Care and Life Insurance Benefits

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 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.

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

Notes to Financial Statements

June 30, 2023

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.

(12) Commitments and Contingencies

Lease Commitment

The Department leases office facilities expiring at various dates through January 2033, the expenditures of which are reported in the general fund 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.

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

Notes to Financial Statements

June 30, 2023

SBITA Commitment

The Department entered into a SBITA expiring in October 2027 for a message switch, the expenditures of which are reported in the special revenue funds. See Notes 4 and 6 for reported – subscription asset and subscription payable, respectively, related to this SBITA.

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, 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, 2023 was approximately \$33,247,000.

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 10 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.

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

Notes to Financial Statements

June 30, 2023

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.

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.

(13) Subsequent Events

The Department has evaluated subsequent events from the balance sheet date through March 15, 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, 2023

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
State appropriations	\$ 387,420,654	\$ 370,859,915	\$ (16,560,739)
Total revenues	387,420,654	370,859,915	(16,560,739)
Expenditures:			
Personal services	29,578,562	27,484,313	2,094,249
Other	350,147,968	347,200,325	2,947,643
Total expenditures	379,726,530	374,684,638	5,041,892
Excess (deficiency) of revenues over (under) expenditures	7,694,124	(3,824,723)	(11,518,847)
Transfers in	599,472	599,472	-
Excess (deficiency) of revenues over (under) expenditures and transfers	\$ 8,293,596	\$ (3,225,251)	\$ (11,518,847)

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, 2023

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	\$ 38,951,443	\$ 20,381,514	\$ (18,569,929)
Total revenues	38,951,443	20,381,514	(18,569,929)
Expenditures:			
Personal services	10,756,502	10,030,929	725,573
Other	(4,290,304)	11,608,176	(15,898,480)
Total expenditures	6,466,198	21,639,105	(15,172,907)
Excess (deficiency) of revenues over (under) expenditures	\$ 32,485,245	\$ (1,257,591)	\$ (33,742,836)

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, 2023

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues			
Special funds and others	\$ 36,662,405	\$ 31,836,127	\$ (4,826,278)
Total revenues	36,662,405	31,836,127	(4,826,278)
Expenditures			
Personal services	21,470,547	18,775,421	2,695,126
Other	11,054,540	4,399,689	6,654,851
Total expenditures	32,525,087	23,175,110	9,349,977
Excess of revenues over expenditures	4,137,318	8,661,017	4,523,699
Transfers in/(out)	378,933	(667,108)	(1,046,041)
Excess of revenues over expenditures and transfers	\$ 4,516,251	\$ 7,993,909	\$ 3,477,658

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, 2023

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	\$ 23,767,831	\$ 10,765,725	\$ (13,002,106)
Total revenues	23,767,831	10,765,725	(13,002,106)
Expenditures:			
Personal services	759,646	593,798	165,848
Other	21,285,474	10,029,702	11,255,772
Total expenditures	22,045,120	10,623,500	11,421,620
Excess of revenues over expenditures	1,722,711	142,225	(1,580,486)
Transfers out	-	(226,699)	(226,699)
Excess (deficiency) of revenues over (under) expenditures and transfers	\$ 1,722,711	\$ (84,474)	\$ (1,807,185)

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, 2023

	Original & Final Budget	Actual (Budgetary Basis)	Variance - Positive (Negative)
Revenues:			
Special funds and others	\$ 12,686,407	\$ 3,612,204	\$ (9,074,203)
Total revenues	12,686,407	3,612,204	(9,074,203)
Expenditures:			
Personal services	2,688,398	1,997,585	690,813
Other	9,255,632	2,100,749	7,154,883
Total expenditures	11,944,030	4,098,334	7,845,696
Excess (deficiency) of revenues over (under) expenditures	742,377	(486,130)	(1,228,507)
Transfers in	48,749	213,468	164,719
Excess (deficiency) of revenues over (under) expenditures and transfers	\$ 791,126	\$ (272,662)	\$ (1,063,788)

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, 2023

(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.

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 GAAP.

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

Notes to Budgetary Comparison Statements (Unaudited)

June 30, 2023

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2023 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 (deficiency) of revenues over (under) expenditures and other financing sources (uses), GAAP basis	\$ (1,544,317)	\$ 2,878,832	\$ 12,035,940	\$ 129,349	\$ (412,938)
Increase (decrease) in revenues:					
Current year receivables	(4,367,935)	(2,946,171)	(1,061,778)	(60,121)	(21,700)
Prior year receivables	-	758,535	811,205	63,232	88,380
Current year deferred revenue	-	6,573,771	-	456,609	-
Prior year deferred revenue	-	(5,459,201)	(4,270,642)	(668,285)	-
	<u>(4,367,935)</u>	<u>(1,073,066)</u>	<u>(4,521,215)</u>	<u>(208,565)</u>	<u>66,680</u>
Increase (decrease) in expenditures:					
Current year accrued liabilities	(6,986,043)	(1,279,210)	(1,457,175)	(67,822)	(268,632)
Prior year accrued liabilities	2,289,845	997,513	1,120,512	73,080	229,659
Current year encumbrances, net of adjustments	2,859,755	4,706,719	-	-	31,396
Expenditures for liquidation of prior year encumbrances	(850,558)	(1,361,665)	(158,466)	-	(66,019)
	<u>(2,687,001)</u>	<u>3,063,357</u>	<u>(495,129)</u>	<u>5,258</u>	<u>(73,596)</u>
Increase (decrease) in transfers:					
Current year due to State of Hawaii	-	-	218,903	-	-
Prior year due to State of Hawaii	-	-	(234,848)	-	-
	<u>-</u>	<u>-</u>	<u>(15,945)</u>	<u>-</u>	<u>-</u>
Excess(deficiency) of revenues over (under) expenditures and transfers, budgetary basis	<u>\$ (3,225,251)</u>	<u>\$ (1,257,591)</u>	<u>\$ 7,993,909</u>	<u>\$ (84,474)</u>	<u>\$ (272,662)</u>

SUPPLEMENTARY INFORMATION

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

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Number</u>	<u>Program or Award Amount</u>	<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Justice:					
Sexual Assault Services Formula Program:	16.017	2020-KF-AX-0021	\$ 389,751	\$ 84,540	\$ 84,540
		15JOVW-21-GG-00473-SASP	429,511	352,377	352,637
			<u>819,262</u>	<u>436,917</u>	<u>437,177</u>
Coronavirus Emergency Supplemental Funding Program:	16.034	2020-VD-BX-0310	3,642,919	124,515	229,126
Hawaii ICAC Task Force	16.543	2020-MC-FX-K017	1,025,814	-	256,005
State Justice Statistics Program for Statistical Analysis Centers:	16.550	2020-86-CX-K005	51,722	-	9,675
		15PBJs-22-GK-00696-BJSB	63,120	-	46,986
			<u>114,842</u>	<u>-</u>	<u>56,661</u>
National Criminal History Improvement Program:	16.554	2019-RU-BX-K033	290,000	-	31,350
		2020-RU-BX-K016	753,230	-	212,774
		15PBJs-21-GK-00146-NCHI	984,300	-	271,437
		15PBJs-22-GK-01032-NCHI	2,224,899	-	144,649
			<u>4,252,429</u>	<u>-</u>	<u>660,210</u>
Crime Victim Assistance:	16.575	2018-V2-GX-0015	14,803,390	559,561	560,118
		2019-V2-GX-0017	10,058,537	1,698,748	1,922,772
		2020-V2-GX-0055	7,502,120	3,493,918	3,756,179
		15POVC-21-GG-00621-ASSI	4,783,838	791,143	791,143
			<u>37,147,885</u>	<u>6,543,370</u>	<u>7,030,212</u>
Victim Assistance Academy Program:	16.582	2018-V3-GX-0029	161,866	49,500	49,500
STOP Violence Against Women Formula Grants:	16.588	2017-WF-AX-0042	1,119,445	74,988	74,988
		2018-WF-AX-0024	1,129,162	24,814	49,986
		2019-WF-AX-0035	1,125,400	112,502	115,746
		2020-WF-AX-0001	1,107,864	343,056	448,503
		15JOVW-21-GG-00576-STOP	1,103,635	476,261	479,269
			<u>5,585,506</u>	<u>1,031,621</u>	<u>1,168,492</u>

(continued)

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

**DEPARTEMENT OF THE ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Justice (Continued):					
Residential Substance Abuse Treatment for State Prisoners:	16.593	2019-J2-BX-0013	\$ 160,296	\$ 92,600	\$ 98,791
Edward Byrne Memorial Justice Assistance Grant Program:	16.738	2017-DJ-BX-0190	840,284	38,753	38,753
		2018-DJ-BX-0471	846,920	144,337	148,389
		2019-DJ-BX-0069	810,917	201,291	395,498
		2020-DJ-BX-0048	748,592	199,228	264,837
		15PBJA-21-GG-00244-JAGX	956,688	-	-
		15PBJA-22-GG-00653-JAGX	928,484	-	-
			<u>5,131,885</u>	<u>583,609</u>	<u>847,477</u>
Byrne SCIP Grant Program	16.738	15PBJA-23-GG-00009-BSCI	1,445,832	-	869
Paul Coverdell Forensic Sciences Improvements Grant Program:	16.742	2020-KF-AX-0021	264,698	141,483	141,582
		15JOVW-21-GG-00473-SASP	296,966	1,874	1,874
			<u>561,664</u>	<u>143,357</u>	<u>143,456</u>
Support For Adam Walsh Act Implementation Grant Program:	16.750	2019-AW-BX-0001	360,344	-	120,576
		2020-AW-BX-0003	388,585	-	216,912
		15PSMA-21-GG-02526-AWAX	380,526	-	6,828
			<u>1,129,455</u>	<u>-</u>	<u>344,316</u>
NICS Act Record Improvement (NARIP):	16.813	2019-NS-BX-K015	254,375	-	14,712
		2020-NS-BX-K004	828,510	-	157,885
		15PBJS-22-GK-01004-NARI	1,575,000	-	125,073
			<u>2,657,885</u>	<u>-</u>	<u>297,670</u>
John R. Justice Prosecutors And Defenders Incentive Act:	16.816	15PBJA-21-GG-00106-JRJX	33,094	-	33,094
Total U.S. Department of Justice			<u>63,870,634</u>	<u>9,005,489</u>	<u>11,653,056</u>

(continued)

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

**DEPARTMENT OF ATTORNEY GENERAL
STATE OF HAWAII**

Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant Number	Program or Award Amount	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services:					
Child Support Enforcement Title IV-D:	93.563	2201HICSES	\$ 9,965,840	\$ -	\$ 3,736,134
		2301HICSES	11,537,456	-	10,056,421
			<u>21,503,296</u>	<u>-</u>	<u>13,792,555</u>
Medicaid Cluster:					
State Medicaid Fraud Control Units:	93.775	01-2201-HI-5050	1,811,916	-	454,454
		01-2301-HI-5050	1,915,296	-	1,256,065
Total Medicaid Cluster			<u>3,727,212</u>	<u>-</u>	<u>1,710,519</u>
Total U.S. Department of Health and Human Services			<u>25,230,508</u>	<u>-</u>	<u>15,503,074</u>
Executive Office of the President					
High Intensity Drug Trafficking Areas Program:	95.001	G21HI0007A	846,420	-	434,118
		G22HI0007A	942,132	-	408,159
Total Executive Office of the President			<u>1,788,552</u>	<u>-</u>	<u>842,277</u>
U.S. Department of Homeland Security					
Passed through Hawaii Department of Defense: Homeland Security Grant Program:	97.067	EMW-2019-SS-00019	85,000	-	11,851
Total U.S. Department of Homeland Security			<u>85,000</u>	<u>-</u>	<u>11,851</u>
Total Expenditures of Federal Awards			<u>\$ 90,974,694</u>	<u>\$ 9,005,489</u>	<u>\$ 28,010,258</u>

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

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

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

(1) Basis of Presentation

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 principles 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.

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, 2023, and the related notes to financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated March 15, 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
March 15, 2024

PART IV

**COMPLIANCE AND INTERNAL CONTROL OVER
FEDERAL AWARDS**

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

The Auditor
State of Hawaii:

Report on Compliance for Each Major Federal Program

Opinion on Each 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 each of the Department's major federal programs for the year ended June 30, 2023. The Department's major federal programs are 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 each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each 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 each 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 each 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.

Report on Internal Control Over Compliance

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.

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. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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
March 15, 2024

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

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 programs:

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

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

Yes No

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
16.588	U.S. Department of Justice – STOP Violence Against Women Formula Grants
16.738	U.S. Department of Justice – Edward Byrne Memorial Justice Assistance Grant Program
93.563	U.S. Department of Health and Human Services – Child Support Enforcement Title IV-D

Dollar threshold used to distinguish between Type A and
Type B programs:

\$840,308

Auditee qualified as low-risk auditee?

Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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

Summary of Prior Year Finding

Year Ended June 30, 2023

Findings and Recommendations	Status
<p>Timely Submission of Single Audit Reports to the Federal Audit Clearinghouse</p> <p>We noted that the Department did not submit the single audit reports required by the Uniform Guidance, including the <i>Data Collection Form</i>, to the Federal Audit Clearinghouse for the year ended June 30, 2022, within the stipulated nine months after the end of the audit period.</p> <p>We recommended 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 <i>Data Collection Form</i>.</p>	<p>No similar finding was identified in the current year. Finding is considered resolved.</p>