

**FINANCIAL AUDIT OF THE  
STADIUM AUTHORITY  
STATE OF HAWAII**

Fiscal Year Ended June 30, 2023

**Submitted by  
The Auditor  
State of Hawaii**



**STADIUM AUTHORITY  
STATE OF HAWAII**

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**STADIUM AUTHORITY  
STATE OF HAWAII**

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**PART I**  
**FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

To the Auditor  
State of Hawaii

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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 opinion.

#### Emphasis of Matters

As discussed in Note B (14) to the financial statements, on July 1, 2022, the Authority adopted the new accounting guidance Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. As discussed in Note N to the financial statements, net position as of July 1, 2022 has been restated to correct a misstatement. Our opinion is not modified with respect to these matters.

## **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 Authority'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.

## **Auditor's 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 auditor's report that includes our opinion. 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 GAAS 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Authority'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 Authority'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 on pages 8 to 11 and the schedules of proportionate share of the net pension liability, pension contributions, proportionate share of net OPEB liability, and OPEB contributions on pages 41 to 47 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*N + K CPAs, INC.*

Honolulu, Hawaii  
December 18, 2023

**Stadium Authority  
State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended June 30, 2023**

Management of the Stadium Authority, State of Hawaii (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Aloha Stadium as of and for the fiscal year ended June 30, 2023. This management's discussion and analysis is designed to assist the reader in focusing on the Authority's financial issues and activities to identify any significant changes in the Authority's financial position. The Authority encourages readers to consider the information presented here in conjunction with the financial statements taken as a whole.

**Overview of the Financial Statements**

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

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

***Statement of Net Position***

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

***Statement of Revenues, Expenses, and Changes in Net Position***

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

***Statement of Cash Flows***

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

***Notes to the Financial Statements***

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



**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2023**

**Condensed Financial Information**

The following are summaries from the Authority's financial statements as of and for the fiscal years ended June 30, 2023 and 2022 (in thousands):

	<b>2023</b>	<b>2022</b> <b>(as restated)</b>
<b>NET POSITION:</b>		
Assets:		
Current assets	\$ 7,448	\$ 5,539
Capital assets, net	18,694	37,386
Other assets	31	52
Total assets	<u>26,173</u>	<u>42,977</u>
Deferred outflows of resources	<u>737</u>	<u>919</u>
Liabilities:		
Current liabilities	691	1,328
Noncurrent liabilities	12,037	11,994
Total liabilities	<u>12,728</u>	<u>13,322</u>
Deferred inflows of resources	<u>1,339</u>	<u>1,631</u>
Net position:		
Net investment in capital assets	18,694	37,386
Unrestricted	<u>(5,851)</u>	<u>(8,443)</u>
Total net position	<u>\$ 12,843</u>	<u>\$ 28,943</u>
<b>CHANGES IN NET POSITION:</b>		
Operating revenues:		
Rentals from swap meet and attractions	\$ 5,803	\$ 4,663
Parking	400	359
Other	148	354
Total operating revenues	<u>6,351</u>	<u>5,376</u>
Operating expenses:		
PPP - Initial direct costs	(3,256)	--
Personnel services	(2,647)	(3,235)
Other	(1,789)	(2,516)
Total operating expenses	<u>(7,692)</u>	<u>(5,751)</u>
Operating loss	<u>(1,341)</u>	<u>(375)</u>
Nonoperating revenues:		
Coronavirus State and Local Fiscal Recovery Funds	--	2,300
Interest and investment income, net	89	17
	<u>89</u>	<u>2,317</u>
Income (loss) before capital contributions and transfers	<u>(1,252)</u>	<u>1,942</u>
Capital contributions and transfers:		
Capital contributions	3,398	7,321
Transfers in	500	--
Transfers out	(177)	--
	<u>3,721</u>	<u>7,321</u>
Change in net position	2,469	9,263
Net position at beginning of year	10,374	19,680
Net position at end of year	<u>\$ 12,843</u>	<u>\$ 28,943</u>

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2023**

**Financial Analysis**

**Current assets** increased by \$2,218,000 or 42.4% from the previous fiscal year. The increase is primarily due to the increase in cash and cash equivalents of \$2.2 million. As the world began to open-up after the COVID19 pandemic, people slowly resumed their pre-pandemic activities. The swap meet benefited from people resuming their pre-pandemic activities and did very well this fiscal year.

In addition, the Authority sought new opportunities for generating revenue as the facility is currently in a "transition phase" awaiting redevelopment plans to be finalized. The Authority was able to increase cash by renting the parking lot and various areas of the facility that otherwise would have been idle.

**Capital assets, net** decreased by \$18,692,000 or 50% from the previous fiscal year. The decrease is a result of adopting Governmental Accounting Standards Board Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements* in 2023. Prior to GASB 94, the Authority capitalized certain costs related to the procurement of the private-sector partner who will be designing, building, operating and maintaining a new multi-use stadium and developing the surrounding district. GASB 94 requires these types of costs, referred to as initial direct costs, to be reported as expense as incurred. The cumulative effect of adopting GASB 94 resulted in a decrease of \$18,569,173 in capital assets and net position as of July 1, 2022.

**Current liabilities** decreased by \$637,000 or 47.9% from the previous fiscal year. The decrease is attributable to outstanding central services assessments of approximately \$576,000 for fiscal years 2020 and 2021 that was paid in fiscal year 2023. To defray central service expenses, special funds transfer to the general fund 5 percent of that special fund's revenue. In addition, special funds must transfer a pro rata share of administrative expenses of the department to the general fund. For fiscal year end 2023, the stadium development special fund was included on the list of special funds that were exempt from central services assessments.

**Noncurrent liabilities** increased by \$43,000 or 0.4% from the previous fiscal year.

**Net position** decreased by \$15,791,000 or 55.15% from the previous fiscal year. The decrease is due primarily to the adoption of GASB 94.

**Operating revenues** increased by \$975,000 or 18.1% from the previous fiscal year. The increase is a result of an increase in swap meet and rental income as described above.

**Operating expenses** increased by \$1,941,000 or 33.8% from the previous fiscal year. Several factors contributed to the net increase. The first factor is the adoption of GASB 94 in the current fiscal year which resulted in the reporting of PPP initial direct costs of \$3.2 million in 2023. The other two factors are decreases in personnel services and repairs and maintenance amounting to \$1.4 million.

In February 2022, there was a reduction-in-force (RIF) where 14.5 positions were eliminated. The "savings" from the RIF is noted in fiscal year 2023 as a decrease in personnel services.

In fiscal year 2021, the Authority recorded an impairment loss related to the existing stadium structure due to the significant and unexpected decline in the service utility of the asset. In fiscal year 2023 and 2022, the Authority expended \$1,900 and \$943,000, respectively, for the structural monitoring of the impaired stadium structure. As a result, there was a decrease in the repairs and maintenance expense.

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**Fiscal Year Ended June 30, 2023**

**Nonoperating revenues** decreased by \$2.2 million or 96% from the previous fiscal year. In fiscal year 2022, the Authority received funding from the American Rescue Plan Act (ARPA) to assist with the effects of the COVID19 pandemic. In fiscal year 2023, there was no ARPA assistance.

**Capital contributions** decreased by \$3.9 million or 53.6% from the previous fiscal year. The decrease is due to a temporary pause to the New Aloha Stadium Entertainment District (NASED) project while the new administration determined the pathway forward.

Under the former administration, the NASED project was two separate but linked projects: 1) real estate project 2) stadium project. Around September 2022, the former administration announced a desired change in direction for the NASED project to a stand-alone stadium developed via the state's traditional design-build model.

When the current administration took office in December 2022, the governor supported the full build-out of the district inclusive of a stadium and surrounding real estate. As a result, in late March 2023, the administration changed the NASED project procurement path to a design-build-operate-maintain (DBOM) model. Under a DBOM path, a single integrated project approach was proposed that would have one developer design, build, operate and maintain the new Aloha Stadium as one of the focal points of the NASED project. The expectation is that the developer will invest their own funds alongside the already appropriated funding by the State to ensure a better-quality stadium than what the State could build using only its own funding. For this investment and long-term maintenance guaranty, the developer will gain development rights to the surrounding land and use revenue from the developments to fund ongoing stadium operating and maintenance costs. The overall goal with this approach is to transfer the responsibility of long-term funding and cost overruns to the private sector, minimizing the risk of financial burden on Hawaii taxpayers.

Due to the various changes in direction of the NASED path, the NASED team had to regroup after each change which resulted in a decrease in expenses from the previous fiscal year.

**Transfers.** The \$500,000 represents transfers in from the general fund for the NASED project. The \$177,000 represents transfers out to another state agency from the \$500,000 received from the general fund for a NASED related project.

**Other information**

Act 220, Session Laws of Hawaii 2022 transfers the Stadium Authority from the Department of Accounting and General Services (DAGS) to the Department of Business, Economic Development, and Tourism (DBEDT) effective July 1, 2022. In addition, the composition of the board changed to include the Director of DBEDT as a voting member. In addition, two board members have residential requirements with one member residing in the Aiea district and another in the West Honolulu district. In total, the Stadium Authority is comprised of 11 total members, with 9 voting members, and two ex-officio, non-voting members.

**Request for Information**

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

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

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

**ASSETS**

Current assets	
Cash and cash equivalents	\$ 7,088,347
Receivables from concessionaire and other, net	323,568
Lease receivable	20,895
Interest receivable	15,567
Total current assets	<u>7,448,377</u>
Capital assets, net	18,693,856
Other assets	30,966
Total assets	<u>26,173,199</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Related to pension	467,036
Related to other postemployment benefits	270,542
Total deferred outflows of resources	<u>737,578</u>

**LIABILITIES**

Current liabilities	
Vouchers payable	139,695
Accrued payroll	268,958
Accrued vacation - due within one year	92,822
Workers compensation - due within one year	11,800
Unemployment	22,830
Due to State General Fund for advances for Imprest Fund	30,000
Other	125,205
Total current liabilities	<u>691,310</u>
Net pension liability	6,045,291
Net other postemployment benefits liability	5,616,267
Accrued vacation - due in more than one year	229,144
Workers compensation - due in more than one year	35,435
Licensees' deposits	111,213
Total liabilities	<u>12,728,660</u>

**DEFERRED INFLOWS OF RESOURCES**

Related to pension	500,410
Related to other postemployment benefits	818,066
Related to leases	20,445
Total deferred inflows of resources	<u>1,338,921</u>

**NET POSITION**

Net investment in capital assets	18,693,856
Unrestricted	<u>(5,850,660)</u>
Total net position	<u>\$ 12,843,196</u>

See accompanying notes to the basic financial statements.

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Fiscal Year Ended June 30, 2023**

**OPERATING REVENUES**

Rentals from swap meet and attractions	\$ 5,803,191
Parking	399,570
Commissions from food and beverage concessionaire	72,301
Other	<u>76,407</u>
Total operating revenue	<u>6,351,469</u>

**OPERATING EXPENSES**

Public-private partnership - initial direct costs	3,255,755
Personnel services	2,647,151
Utilities	736,981
Professional services	312,607
Security	269,591
Depreciation	189,021
Repairs and maintenance	182,449
Other	<u>99,352</u>
Total operating expenses	<u>7,692,907</u>
Operating loss	(1,341,438)

**NONOPERATING REVENUES**

Interest and investment income, net	<u>89,330</u>
Loss before capital contributions and transfers	<u>(1,252,108)</u>

**CAPITAL CONTRIBUTIONS AND TRANSFERS**

Capital contributions	3,398,166
Transfers in	500,000
Transfers out	<u>(177,000)</u>
	<u>3,721,166</u>
Change in net position	<u>2,469,058</u>

<b>NET POSITION AT BEGINNING OF YEAR, as previously reported</b>	28,634,232
<b>CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE</b>	(18,569,173)
<b>RESTATEMENT</b>	<u>309,079</u>
<b>NET POSITION AT BEGINNING OF YEAR, as restated</b>	<u>10,374,138</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 12,843,196</u>

See accompanying notes to the basic financial statements.

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**STATEMENT OF CASH FLOWS**  
**Fiscal Year Ended June 30, 2023**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from customers	\$ 6,633,443
Cash paid to suppliers	(2,150,972)
Cash paid to employees	(2,665,070)
Net cash provided by operating activities	<u>1,817,401</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Transfers in	500,000
Transfers out	(177,000)
Net cash provided by capital and related financing activities	<u>323,000</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and investment income	76,009
Net cash provided by investing activities	<u>76,009</u>
Net increase in cash and cash equivalents	2,216,410

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

4,871,937

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

\$ 7,088,347

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$ (1,341,438)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	189,021
Capital contributions - initial direct costs	3,255,755
Capital contributions - repairs and maintenance	73,543
Loss on disposal of capital assets	2,867
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
Receivables from concessionaires and other	280,148
Lease receivable	60,884
Deferred outflows of resources related to pension	149,893
Deferred outflows of resources related to other postemployment benefits	31,828
Vouchers payable	(660,138)
Accrued payroll and vacation	(832)
Other liabilities	(39,812)
Net other postemployment benefits liability	(284,099)
Net pension liability	391,887
Deferred inflows of resources related to pension	(467,219)
Deferred inflows of resources related to other postemployment benefits	234,171
Deferred inflows of resources related to leases	(59,058)
Net cash provided by operating activities	<u>\$ 1,817,401</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:**

Capital contributions	\$ 3,398,166
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See accompanying notes to the basic financial statements.

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE A - FINANCIAL REPORTING ENTITY**

The Stadium Authority, State of Hawaii (the Authority) was established by Act 172, Session Laws of Hawaii (SLH) 1970, effective June 30, 1970, and was placed within the Department of Budget and Finance, State of Hawaii (B&F), for administrative purposes. Effective June 1, 1980, Act 302, SLH 1980 and Executive Order No. 80-5 dated June 20, 1980 transferred the administrative responsibility for the Authority from B&F to the State of Hawaii, Department of Accounting and General Services (DAGS). Effective July 1, 2022, Act 220, SLH 2022 transferred the administrative responsibility for the Authority from DAGS to the State of Hawaii, Department of Business, Economic Development, and Tourism (DBEDT).

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

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

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

The Authority is currently pursuing an arrangement where a private-sector partner will be designing, building, operating, and maintaining a new multi-use stadium and developing the surrounding district. Initial direct costs incurred to originate the public-private partnership and costs directly related to specified activities performed for this public-private partnership are reported as operating expenses as incurred.

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (2) **Use of Estimates** - The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- (3) **Cash and Cash Equivalents** - Cash and cash equivalents consists of cash on hand, cash in bank and amounts held in State Treasury.
- (4) **Receivables from Concessionaire and Other** - Receivables are recorded at contracted or invoiced amounts. The Authority records an allowance on a specific account basis by considering a number of factors, including the length of time receivables are past due and the concessionaire's or other third party's current ability to pay its obligations to the Authority.
- (5) **Capital Assets** - Capital assets purchased are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date received.

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

Land improvements	14 - 30 years
Furniture and equipment	5 - 15 years

The Authority's capitalization thresholds are \$100,000 for land improvements and \$5,000 for furniture and equipment. Maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from the accounts. Gains or losses on sales and retirements of property are reflected in the statement of revenues, expenses, and changes in net position. Capital assets are evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpectedly declined.

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



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**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The deferred inflows of resources related to leases is initially measured as the amount of the initial measurement of the lease receivable and is subsequently reduced as inflows of resources are recognized in a systematic and rational manner over the term of the lease.

- (7) **Compensated Absences** - The Authority permits employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the accompanying financial statements.
- (8) **Leases - Lessee recognition and measurement:** The Authority has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$25,000 or more 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 Authority 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 Authority has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

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

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses the State's 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 Authority is reasonably certain to exercise.

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The Authority monitors changes in circumstances that would require a remeasurement of its leases 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 reported as right-to-use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

*Lessor recognition and measurement:* The Authority recognizes a lease receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease receivable.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational manner.

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

- The Authority uses the State's estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The Authority leases facilities to a telecommunication company with fixed monthly payments ranging from \$5,100 to \$5,255 that expires in October 2023. The Authority recognized revenue, comprised of lease revenue and interest revenue, of approximately \$61,200 for the fiscal year ended June 30, 2023.

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**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- (9) **Net Position** - Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position consists of funds subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the Authority's ongoing obligations such as future operational expenses, replacement equipment, and personnel costs. The deficit balance in the unrestricted net position is due primarily to recording the net pension liability and the net OPEB liability for financial statement reporting purposes. There was no restricted net position as of June 30, 2023.
- (10) **Capital Contributions** - The State pays for portions of construction costs related to various capital projects. The nonexchange transactions are recorded as capital contributions in the accompanying statement of revenues, expenses and changes in net position.
- (11) **Risk Management** - The Authority is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.
- (12) **Pension** - The actuarial valuation of the Employees' Retirement System of the State of Hawaii (ERS) does not provide pension benefits information by department or agency. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the State's net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's Annual Comprehensive Financial Report (ACFR). The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll.

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

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**NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

- (14) **New Accounting Pronouncements** - GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective July 1, 2022 for the Authority. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). For purposes of applying this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Any initial direct costs incurred by the transferor, for example, costs incurred to originate a PPP and costs directly related to specified activities performed by the transferor for that PPP, should be reported as outflows of resources (for example, expense). As of July 1, 2022, the Authority's capital assets included PPP initial direct costs that were previously capitalized. The cumulative effect of adopting this Statement was to decrease net position as of July 1, 2022 by \$18,569,173.

**NOTE C - BUDGETING**

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

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**NOTE D - CASH AND CASH EQUIVALENTS**

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

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

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

The Authority also maintains cash in bank which is held separately from cash in the State Treasury. As of June 30, 2023, the carrying amount of the total bank balance was approximately \$332,100, which is insured by the Federal Deposit Insurance Corporation.

**NOTE E - CAPITAL ASSETS**

The changes in capital assets were as follows:

	Balance July 1, 2022 (as restated)	Additions	Deductions	Transfers	Balance June 30, 2023
Land improvements	\$ 3,000,433	\$ --	\$ --	\$ --	\$ 3,000,433
Equipment, furniture and fixtures	<u>3,124,015</u>	<u>--</u>	<u>(9,391)</u>	<u>(98,284)</u>	<u>3,016,340</u>
	6,124,448	--	(9,391)	(98,284)	6,016,773
Less accumulated depreciation					
Land improvements	(1,799,518)	(100,301)	--	--	(1,899,819)
Equipment, furniture and fixtures	<u>(2,995,740)</u>	<u>(88,720)</u>	<u>9,391</u>	<u>95,417</u>	<u>(2,979,652)</u>
Total accumulated depreciation	<u>(4,795,258)</u>	<u>(189,021)</u>	<u>9,391</u>	<u>95,417</u>	<u>(4,879,471)</u>
Total depreciable assets, net	1,329,190	(189,021)	--	(2,867)	1,137,302
Land	11,518,621	--	--	--	11,518,621
Construction in progress	<u>5,969,065</u>	<u>68,868</u>	<u>--</u>	<u>--</u>	<u>6,037,933</u>
	\$ <u>18,816,876</u>	\$ <u>(120,153)</u>	\$ <u>--</u>	\$ <u>(2,867)</u>	\$ <u>18,693,856</u>

Depreciation expense amounted to \$189,021 for the fiscal year ended June 30, 2023.

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**NOTE F - LONG-TERM LIABILITIES**

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

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Accrued vacation	\$ 357,850	\$ 84,361	\$ (120,245)	\$ 321,966	\$ 92,822
Workers compensation	123,373	411	(76,549)	47,235	11,800
Licensees' deposits	<u>77,154</u>	<u>69,426</u>	<u>(35,367)</u>	<u>111,213</u>	<u>--</u>
	<u>\$ 558,377</u>	<u>\$ 154,198</u>	<u>\$ (232,161)</u>	<u>\$ 480,414</u>	<u>\$ 104,622</u>

**NOTE G - RETIREMENT BENEFITS**

***Plan Description***

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

***Benefits Provided***

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

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

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**NOTE G - RETIREMENT BENEFITS (Continued)**

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

**Noncontributory Class**

Retirement Benefits:

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

Disability Benefits:

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

Death Benefits:

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

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

**Contributory Class for Members Hired prior to July 1, 2012**

Retirement Benefits:

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

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**NOTE G - RETIREMENT BENEFITS (Continued)**

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

Disability Benefits:

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

Death Benefits:

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

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

**Contributory Class for Members Hired After June 30, 2012**

Retirement Benefits:

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

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



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**NOTE G - RETIREMENT BENEFITS (Continued)**

Disability and Death Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

**Hybrid Class for Members Hired Prior to July 1, 2012**

Retirement Benefits:

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

Disability Benefits:

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

Death Benefits:

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

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

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**NOTE G - RETIREMENT BENEFITS (Continued)**

**Hybrid Class for Members Hired After June 30, 2012**

Retirement Benefits:

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

Disability and Death Benefits:

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

***Contributions***

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2023 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the ERS from the Authority was \$316,405 for the fiscal year ended June 30, 2023.

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

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**NOTE G - RETIREMENT BENEFITS (Continued)**

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

At June 30, 2023, the Authority reported a liability of \$6,045,291 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At the measurement date, June 30, 2022, the Authority's proportionate share of the State's net pension liability was .07%, which was a decrease of .01% from its proportionate share measured as of June 30, 2021.

The following are changes of assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement date:

- The administrative expenses assumption was increased from 0.35% of covered payroll to 0.40% of covered payroll.
- The general wage inflation assumption represents the average increase in wages in the general economy and is used to index salaries for each cohort of new entrants in projections. The general productivity component of the general wage inflation assumption for general employees and teachers decreased from 1.00% to 0.50%, that now yields a nominal assumption of 3.00%. There was no change to the assumption for police officers and firefighters.
- The assumed salary increase schedules increased for all employees. These schedules include an ultimate component for general wage inflation that may add on additional increases for individual merit (which would include promotions) and then an additional component for step rates based on service. The schedules of assumed salary increase, that are the same, for General Employees and Teachers increased to 4.66%, from 4.41% for General Employees and from 4.37% for Teachers; while Police and Firefighters Employees schedules increased to 5.78% from 5.57%.
- Pre-retirement mortality rates increased for police and firefighters.
- Retiree mortality was updated to the 2022 Public Retirees of Hawaii mortality tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP from the year 2022 and with multiplier and setbacks based on plan and group experience.

There were no changes between the measurement date, June 30, 2022, and the reporting date, June 30, 2023, that are expected to have a significant effect on the proportionate share of the net pension liability.

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**NOTE G - RETIREMENT BENEFITS (Continued)**

For the fiscal year ended June 30, 2023, the Authority recognized pension expense of \$390,964. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ (17,056)	\$ (65,308)
Net difference between projected and actual earnings on pension plan investments	--	(342,753)
Differences between expected and actual experience	114,173	(75,990)
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	53,514	(16,359)
Contributions subsequent to the measurement date	<u>316,405</u>	<u>--</u>
	\$ <u><u>467,036</u></u>	\$ <u><u>(500,410)</u></u>

At June 30, 2023, the \$316,405 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions at June 30, 2023 will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2024	\$ (90,775)
2025	(132,234)
2026	(245,095)
2027	120,893
2028	<u>(2,568)</u>
	\$ <u><u>(349,779)</u></u>

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**NOTE G - RETIREMENT BENEFITS (Continued)**

***Actuarial Assumptions***

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, adopted by the ERS's Board of Trustees on August 8, 2022, based on the 2022 Experience Study for the period ended June 30, 2021:

Inflation	2.50%
Payroll growth rate	3.50% for police and fire employees; 3.00% for general employees and teachers
Investment rate of return	7.00% per year, including inflation

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

Post-retirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table. The rates are projected on a fully generational basis by the long-term scale UMP from the year 2022 and with multiplier and setbacks based on plan and group experience. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

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

<u>Classes</u>	<u>Target Allocation</u>	<u>Long-term expected rate of return</u>	<u>Long-term expected real rate of return*</u>
Broad growth:			
Private Equity	13.5%	11.0%	8.9%
Global Equity	20.0%	8.5%	6.4%
Low Volatility Equity	4.0%	7.8%	5.7%
Global Options	4.0%	6.4%	4.3%
Credit	6.0%	7.7%	5.6%
Core Real Estate	6.0%	6.4%	4.3%
Non-Core Real Estate	4.5%	9.5%	7.4%
Timber/Agriculture/Infrastructure	5.0%	8.3%	6.2%
Diversifying Strategies:			
TIPs	2.0%	3.3%	1.2%
Global Macro	4.0%	5.4%	3.3%
Reinsurance	4.0%	6.4%	4.3%
Alternative Risk Premia	8.0%	5.4%	3.3%
Long Treasuries	5.0%	3.8%	1.7%
Intermediate Government	4.0%	3.2%	1.1%
Systematic Trend Following	10.0%	6.2%	4.1%

\* Uses an expected inflation rate of 2.1%

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**NOTE G - RETIREMENT BENEFITS (Continued)**

*Discount Rate*

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

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

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

	1% Decrease (6.00%)	Discount rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ <u>8,106,928</u>	\$ <u>6,045,291</u>	\$ <u>4,338,649</u>

***Pension Plan Fiduciary Net Position***

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

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

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**NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

***Plan Description***

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

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

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

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

***Employees Covered by Benefit Terms***

At July 1, 2022, the following number of plan members of the State were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	39,326
Inactive plan members entitled to but not yet receiving benefits	7,564
Active plan members	<u>48,678</u>
Total plan members	<u><u>95,568</u></u>

***Contributions***

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the EUTF from the Authority was \$147,292 for the fiscal year ended June 30, 2023. The employer is required to make all contributions for members.

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

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

At June 30, 2023, the Authority reported a net OPEB liability of \$5,616,267. The net OPEB liability was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2023, the Authority's proportionate share of the State's net OPEB liability was 0.04%, which was an increase of 0.02% from its proportionate share of 0.02% as of June 30, 2022.

There were no changes between the measurement date, July 1, 2022, and the reporting date, June 30, 2023, that are expected to have a significant effect on the net OPEB liability.

For the fiscal year ended June 30, 2023, the Authority recognized OPEB expense of \$129,193. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 47,771	\$ (112,491)
Net difference between projected and actual earnings on OPEB plan investments	75,479	48,291
Difference between expected and actual experience	--	(753,866)
Contributions subsequent to the measurement date	<u>147,292</u>	<u>--</u>
	\$ <u><u>270,542</u></u>	\$ <u><u>(818,066)</u></u>

At June 30, 2023, the \$147,292 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2024	\$ (169,516)
2025	(166,879)
2026	(179,208)
2027	(88,954)
2028	<u>(90,259)</u>
	\$ <u><u>(694,816)</u></u>



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

*Actuarial Assumptions*

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF Board of Trustees, on January 9, 2023, based on the experience study covering the period ended June 30, 2021 as conducted for the ERS:

Inflation	2.50%
Salary increases	3.75% to 6.75%, including inflation
Investment rate of return	7.00%, net of investment expenses, including inflation

Healthcare Cost Trend Rates:

PPO*	Initial rate of 6.40%; declining to a rate of 4.25% after 22 years
HMO*	Initial rate of 6.40%; declining to a rate of 4.25% after 22 years
Part B & Base Monthly Contribution	Initial rate of 5.00%; declining to a rate of 4.25% after 22 years
Dental	4.00%
Vision	2.50%
Life Insurance	0.00%

\*Blended rates for medical and prescription drug.

Mortality rates are based on system-specific mortality tables utilizing scale MP2021 to project generational mortality improvement.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Private equity	12.50%	11.72%
U.S. microcap	6.00%	8.28%
Global equity	27.50%	6.62%
Global options	5.00%	4.45%
Real assets	10.00%	6.59%
Private credit	8.00%	6.38%
TIPS	5.00%	1.35%
Long treasuries	6.00%	2.32%
Alternative risk premia	5.00%	3.74%
Trend following	10.00%	4.53%
Reinsurance	5.00%	4.81%
	<u>100.00%</u>	

***Single Discount Rate***

The discount rate used to measure the total OPEB liability was 7.00%, based on the expected rate of return on OPEB plan investments of 7.00%. Beginning with the fiscal year 2019 contribution, the State's funding policy is to pay the recommended actuarially determined contribution, which is based on layered, closed amortization periods. In July 2020, the Governor's office issued the Tenth Proclamation related to the COVID-19 Emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ending June 30, 2021 and instead limit their contribution amounts to the OPEB benefits due. This relief provision related to OPEB funding was extended to fiscal years 2022 and 2023 by Act 229, SLH 2021. The OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

***OPEB Plan Fiduciary Net Position***

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

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

***Changes in the Net OPEB Liability***

The following table represents a schedule of changes in the Authority's proportionate share of the State's net OPEB liability. The ending balances are as of the measurement date, July 1, 2022.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Beginning balance</b>	\$ 7,793,495	\$ 1,893,129	\$ 5,900,366
<b>Changes for the fiscal year:</b>			
Service cost	88,174	--	88,174
Interest on the total OPEB liability	294,581	--	294,581
Contributions - employer	--	194,627	(194,627)
Net investment income	--	(28,178)	28,178
Difference between expected and actual experience	(398,555)	--	(398,555)
Changes of assumptions	(101,586)	--	(101,586)
Benefit payments	(135,809)	(135,809)	--
Administrative expense	--	(116)	116
Other	--	380	(380)
<b>Net changes</b>	<u>(253,195)</u>	<u>30,904</u>	<u>(284,099)</u>
<b>Ending balance</b>	\$ <u>7,540,300</u>	\$ <u>1,924,033</u>	\$ <u>5,616,267</u>

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Authority's proportionate share of the net OPEB liability	\$ <u>6,955,454</u>	\$ <u>5,616,267</u>	\$ <u>4,551,888</u>

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net OPEB liability	\$ <u>4,494,054</u>	\$ <u>5,616,267</u>	\$ <u>7,051,146</u>

**NOTE I - DEFERRED COMPENSATION PLAN**

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

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

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**NOTE J - STADIUM SPECIAL ACCOUNT**

Contracts with licensees of the Authority and the related ticket sales are controlled in the Stadium Special Account. This account's cash balance and liabilities to third parties, net of amounts owed to the Authority, are included in the accompanying statement of net position and amounted to \$311,375 at June 30, 2023. The activity in the account is included in the accompanying statement of revenues, expenses, and changes in net position only as it relates to the Authority's rentals from attractions, expense reimbursements from users, and other miscellaneous transactions (i.e., excludes ticket sales proceeds held on behalf of the licensees).

**NOTE K - COMMITMENTS AND CONTINGENCIES**

***Encumbrances***

Encumbrances totaled approximately \$941,392 as of June 30, 2023.

***Accumulated Sick Leave***

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an Authority employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2023 totaled approximately \$1,174,120.

***Legal Matters***

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

**NOTE L - RISK MANAGEMENT**

***Insurance Coverage***

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

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**NOTE L - RISK MANAGEMENT (Continued)**

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

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

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

*Cyber Liability Insurance* - The State is insured for various types of cyber-related activities with a loss limit of \$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 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 University of Hawaii 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, including the Authority, 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.

A liability for workers' compensation is established if information indicates that a loss has been incurred as of June 30, 2023, and the amount of the loss can be reasonably estimated. The liability includes an estimate for amounts incurred but not reported and loss adjustment expenses.

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**June 30, 2023**

**NOTE M - TRANSACTIONS WITH OTHER STATE DEPARTMENTS**

*Special Fund Assessments* - During the fiscal year ended June 30, 2023, the Authority paid \$557,926 to the Director of Finance of the State for special fund assessments incurred prior to July 1, 2021.

*General Fund Appropriations* - During the fiscal year ended June 30, 2023, the Authority was allotted \$500,000 in general funds appropriated by Act 248, SLH 2022 to prepare, repair, and resurface the designated area that will be used to relocate the Aloha Stadium Swap Meet and Marketplace (Swap Meet) and for the installation of restroom and office trailer equipment along with utility connections. In February 2023, the Authority transferred \$177,000 to DAGS Public Works Division to plan, design, and procure services to prepare, repair, and resurface the designated area used to relocate the Swap Meet. These transactions are reported as transfers in the statement of revenues, expenses and changes in net position for the fiscal year ended June 30, 2023.

**NOTE N - RESTATEMENT**

Net position as of June 30, 2022 has been restated to recognize revenue related to a contract for food and beverage concession services that ended in January 2022. The effect of the restatement was to increase net position and accounts receivable by \$309,079 as of June 30, 2022 and increase the change in net position by \$309,079 for the fiscal year ended June 30, 2022.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Stadium Authority**  
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**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Last Ten Fiscal Years**

<u>Measurement Period Ended</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a %age of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a %age of the Total Pension Liability</u>
June 30, 2022	0.07%	\$ 6,045,291	\$ 1,876,850	322.10%	62.76%
June 30, 2021	0.08%	\$ 5,653,404	\$ 2,282,426	247.69%	64.25%
June 30, 2020	0.08%	\$ 6,939,575	\$ 2,275,342	304.99%	53.18%
June 30, 2019	0.08%	\$ 6,434,053	\$ 2,277,716	282.48%	54.87%
June 30, 2018	0.08%	\$ 6,018,240	\$ 2,122,949	283.48%	55.48%
June 30, 2017	0.08%	\$ 5,909,158	\$ 1,984,731	297.73%	54.80%
June 30, 2016	0.08%	\$ 6,080,439	\$ 2,012,765	302.09%	51.30%
June 30, 2015	0.08%	\$ 4,020,448	\$ 1,918,411	209.57%	62.40%
June 30, 2014	0.08%	\$ 3,759,853	\$ 1,853,903	202.81%	63.90%
June 30, 2013	0.08%	\$ 4,118,508	\$ 1,820,655	226.21%	58.00%

See accompanying notes to required supplementary information.

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**SCHEDULE OF PENSION CONTRIBUTIONS**  
**Last Ten Fiscal Years**

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a %age of Covered Payroll
June 30, 2023	\$ 316,405	\$ 316,405	\$ --	\$ 1,326,482	23.85%
June 30, 2022	\$ 445,674	\$ 445,674	\$ --	\$ 1,876,850	23.75%
June 30, 2021	\$ 537,238	\$ 537,238	\$ --	\$ 2,282,426	23.54%
June 30, 2020	\$ 497,020	\$ 497,020	\$ --	\$ 2,275,342	21.84%
June 30, 2019	\$ 426,961	\$ 426,961	\$ --	\$ 2,277,716	18.75%
June 30, 2018	\$ 378,904	\$ 378,904	\$ --	\$ 2,122,949	17.85%
June 30, 2017	\$ 338,418	\$ 338,418	\$ --	\$ 1,984,731	17.05%
June 30, 2016	\$ 340,386	\$ 340,386	\$ --	\$ 2,012,765	16.91%
June 30, 2015	\$ 315,405	\$ 315,405	\$ --	\$ 1,918,411	16.44%
June 30, 2014	\$ 295,350	\$ 295,350	\$ --	\$ 1,853,903	15.93%

See accompanying notes to required supplementary information.

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**REQUIRED BY GASB STATEMENT NO. 68**  
**Fiscal Year Ended June 30, 2023**

**NOTE A - CHANGES OF ASSUMPTIONS**

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

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

- The investment return assumption decreased from 7.65% to 7.00%
- Mortality assumptions were modified to assume longer life expectancies as well as to reflect continuous mortality improvement

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

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**SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY**  
**Last Ten Fiscal Years \***

	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 88,174	\$ 48,000	\$ 167,508	\$ 163,912	\$ 143,240	\$ 105,687
Interest on the total OPEB liability	294,581	159,338	537,909	516,664	443,505	320,913
Difference between expected and actual experience	(398,555)	(67,630)	(492,477)	(4,302)	(131,142)	--
Changes in assumptions	(101,586)	--	(40,323)	41,525	79,371	--
Benefit payments	<u>(135,809)</u>	<u>(72,815)</u>	<u>(247,391)</u>	<u>(247,428)</u>	<u>(215,949)</u>	<u>(158,665)</u>
Net change in total OPEB liability	(253,195)	66,893	(74,774)	470,371	319,025	267,935
Total OPEB liability - beginning	<u>7,793,495</u>	<u>7,726,602</u>	<u>7,801,376</u>	<u>7,331,005</u>	<u>7,011,980</u>	<u>6,744,045</u>
Total OPEB liability - ending	\$ <u>7,540,300</u>	\$ <u>7,793,495</u>	\$ <u>7,726,602</u>	\$ <u>7,801,376</u>	\$ <u>7,331,005</u>	\$ <u>7,011,980</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 194,627	\$ 250,222	\$ 552,822	\$ 545,791	\$ 426,680	\$ 315,524
Net investment income	(28,178)	131,170	29,516	49,622	49,161	31,591
Benefit payments	(135,809)	(72,815)	(247,391)	(247,428)	(215,949)	(158,665)
Administrative expense	(116)	(67)	(208)	(341)	(162)	(81)
Other	<u>380</u>	<u>27</u>	<u>185</u>	<u>114,948</u>	<u>--</u>	<u>2,537</u>
Net change in plan fiduciary net position	30,904	308,537	334,924	462,592	259,730	190,906
Plan fiduciary net position - beginning	<u>1,893,129</u>	<u>1,584,592</u>	<u>1,249,668</u>	<u>787,076</u>	<u>527,346</u>	<u>336,440</u>
Plan fiduciary net position - ending	\$ <u>1,924,033</u>	\$ <u>1,893,129</u>	\$ <u>1,584,592</u>	\$ <u>1,249,668</u>	\$ <u>787,076</u>	\$ <u>527,346</u>
<b>Net OPEB liability</b>	\$ <u>5,616,267</u>	\$ <u>5,900,366</u>	\$ <u>6,142,010</u>	\$ <u>6,551,708</u>	\$ <u>6,543,929</u>	\$ <u>6,484,634</u>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	25.52%	24.29%	20.51%	16.02%	10.74%	7.52%
<b>Covered-employee payroll</b>	\$ 1,876,850	\$ 2,282,426	\$ 2,275,342	\$ 2,277,716	\$ 2,122,949	\$ 1,984,731
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	299.24%	258.51%	269.94%	287.64%	308.25%	326.73%

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

See accompanying notes to required supplementary information.

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

Fiscal Year Ended	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a %age of Covered Payroll
June 30, 2023	\$ 147,292	\$ 147,292	\$ --	\$ 1,326,482	11.10%
June 30, 2022	\$ 319,973	\$ 194,627	\$ 125,346	\$ 1,876,850	10.37%
June 30, 2021	\$ 170,912	\$ 250,222	\$ (79,310)	\$ 2,282,426	10.96%
June 30, 2020	\$ 577,238	\$ 552,822	\$ 24,416	\$ 2,275,342	24.30%
June 30, 2019	\$ 525,976	\$ 545,791	\$ (19,815)	\$ 2,277,716	23.96%
June 30, 2018	\$ 426,680	\$ 426,680	\$ --	\$ 2,122,949	20.10%

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

See accompanying notes to required supplementary information.

**Stadium Authority  
State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
REQUIRED BY GASB STATEMENT NO. 75  
Fiscal Year Ended June 30, 2023**

**NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS**

The actuarially determined contribution for the fiscal year ended June 30, 2023 was developed in the July 1, 2020 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2023:

Actuarial valuation date	July 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Equivalent single amortization period	22 as of June 30, 2023
Inflation	2.50%
Discount rate	7.00%
Payroll growth	3.50%
Salary increases	3.50% to 7.00% including inflation
Demographic assumptions	Based on the experience study covering the five year period ending June 30, 2018 as conducted for the ERS
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates	
PPO	Initial rate of 7.50%, declining to a rate of 4.70% after 13 years
HMO	Initial rate of 7.50%, declining to a rate of 4.70% after 13 years
Part B	Initial rate of 5.00%; declining to a rate of 4.70% after 10 years
Dental	Initial rate of 5.00% for first year, followed by 4.00%
Vision	Initial rate of 0.00% for first year, followed by 2.50%
Life Insurance	0.00%

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**REQUIRED BY GASB STATEMENT NO. 75 (Continued)**  
**Fiscal Year Ended June 30, 2023**

**NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS (Continued)**

Prior to the fiscal year ended June 30, 2023, there were no other factors, including the use of different assumptions that significantly affected trends in the amounts reported in the schedule of changes in the net OPEB liability and related ratios or the schedule of contributions (OPEB).

**PART II**

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



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

The Auditor  
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 18, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

## **Stadium Authority's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

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

*N + K CPAs, INC.*

Honolulu, Hawaii  
December 18, 2023

**PART III**  
**SCHEDULE OF FINDINGS**

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**SCHEDULE OF FINDINGS**  
**Fiscal Year Ended June 30, 2023**

**2023-001      Improve Year-End Financial Close and Reporting Process**

**Criteria:**

Management is responsible for the design, implementation, and operating effectiveness of policies and procedures over the year-end financial close and reporting process. Specific procedures include, but are not limited to, the following:

- Perform and review key analyses during the period-end close process, such as the review of significant cash receipt and disbursement transactions subsequent to the end of the financial reporting period.
- Initiate, authorize, and record recurring and nonrecurring adjustments to the financial statements that are not reflected in transactions posted to the State of Hawaii's Financial Accounting and Management Information System (FAMIS).

**Condition:**

- A. Based on the terms and conditions of a contract for food and beverage concession services at the Aloha Stadium that ended in January 2022, the contractor was required to set aside and pay two percent of each month's gross receipts into a cash reserve account maintained by the contractor during the term of the contract to be used for improvements, renovations, new equipment and mobile concession trailers within the concession premises. At the end of the contract term, the contractor was required to promptly pay any amounts in the cash reserve account to the Authority. As of June 30, 2022, the amount in the cash reserve account was approximately \$309,079, which was remitted to the Authority in September 2022 and recorded as revenue for the fiscal year ended June 30, 2023. However, this transaction should have been recorded as an accounts receivable and related revenue as of and for the fiscal year ended June 30, 2022.
- B. The Authority records a liability for vacation leave earned but not used during the current or prior periods and for which employees can receive compensation in a future period. However, we noted one instance where the accrued vacation liability for an employee who retired on June 30, 2023 was double counted (i.e. included in the year-end accrued vacation leave schedule and also in accrued payroll based on the cash payment of the liability made subsequent to June 30, 2023), which resulted in an overstatement of the liability by approximately \$52,000 as of June 30, 2023.

Adjusting journal entries to correct the financial statements as of and for the fiscal year ended June 30, 2023 have been recorded by management.

**Stadium Authority**  
**State of Hawaii**  
(A Component Unit of the State of Hawaii)  
**SCHEDULE OF FINDINGS**  
**Fiscal Year Ended June 30, 2023**

**2023-001      Improve Year-End Financial Close and Reporting Process (Continued)**

**Cause:**

The misstatements noted were the result of an oversight by management of the Authority.

**Effect:**

The ineffective design, implementation, or operation of policies and procedures over the year-end financial close and reporting process could result in material misstatements that are not prevented or detected by management when preparing the Authority's year-end financial statements in accordance with accounting principles generally accepted in the United States of America.

**Recommendation:**

The Authority should improve the year-end financial close and reporting process in order to achieve reliable financial reporting. This includes the performance and review of key analyses during the period-end close process (e.g. subsequent cash receipts and disbursements) and the review and authorization of recurring and nonrecurring adjustments to the financial statements.

**Views of Responsible Officials and Planned Corrective Action:**

Management agrees with the finding and recommendation. See Corrective Action Plan on page 55.

**PART IV**  
**CORRECTIVE ACTION PLAN**

**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR

**JAMES KUNANE TOKIOKA**  
DBEDT DIRECTOR

**DANE K. WICKER**  
DBEDT DEPUTY DIRECTOR



**BRENNON T. MORIOKA**  
CHAIR, STADIUM AUTHORITY

**RYAN G. ANDREWS**  
STADIUM MANAGER

**CHRIS J. SADAYASU**  
DEPUTY STADIUM MANAGER

*An Agency of the State of Hawaii*

## **SCHEDULE OF FINDINGS FISCAL YEAR ENDED JUNE 30, 2023**

The Stadium Authority appreciates the opportunity to comment on the subject report. We realize that audit findings and recommendations from the auditor are a management tool to assist the Stadium Authority in making ongoing improvements to our existing processes in order to better manage and monitor our funds.

### **2023-001: Improve Year-End Financial Close and Reporting Process**

The Stadium Authority recognizes that (A) the cash reserve account amount of \$309,079 from the Food and Beverage Concession services contract should have been recorded as an accounts receivable and related revenue as of and for the fiscal year ended June 30, 2022 and (B) the accrued vacation liability for an employee who retired on June 30, 2023 was double counted which resulted in an overstatement of the liability by approximately \$52,000 as of June 30, 2023.

### **Planned Corrective Action**

As part of the financial statement closing process, management currently reviews:

- 1) Subsequent cash receipts and disbursements,
- 2) Prior year and current year adjustments to ensure transactions are properly recorded, and
- 3) Significant variances between current and prior fiscal years.

During the fiscal year, management will:

1. Note items that may affect the financial statements,
2. File the information in the audit file, and
3. Review these items at year end to determine if adjusting journal entries are required.

Person(s) Responsible: Liane Nakagawa, Fiscal Officer  
Ebru Yilmaz-Pedro, Administrative Services Officer  
Administrative Services Office/Stadium Authority