This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2015

NEW ISSUES **RATINGS: See "Ratings" herein.**
FULL BOOK-ENTRY ONLY

In the opinion of Kutak Rock LLP, Bond Counsel to the State, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series ET Bonds, the Series EU Bonds, the Series EV Bonds, the Series EW Bonds, the Series EX Bonds, the Series EY Bonds and the Series EZ Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Series FA Bonds is not excludable from gross income for federal income tax purposes. Bond Counsel is further of the opinion that all of the Bonds and the income therefrom are exempt from all taxation by the State of Hawaii or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

STATE OF HAWAII

$190,000,000*
General Obligation
Bonds of 2015,
Series ET

$35,000,000*
General Obligation
Bonds of 2015,
Series EU
(Green Bonds)

$8,700,000*
General Obligation
Refunding Bonds of 2015,
Series EV

$34,750,000*
General Obligation
Refunding Bonds of 2015,
Series EW

$23,640,000*
General Obligation
Refunding Bonds of 2015,
Series EX

$213,420,000*
General Obligation
Refunding Bonds of 2015,
Series EY

$216,915,000*
General Obligation
Refunding Bonds of 2015,
Series EZ

$25,000,000*
Taxable General Obligation
Bonds of 2015,
Series FA

(Base CUSIP: 419791)

Dated: Date of Delivery **Due: As shown on inside cover pages**

The General Obligation Bonds of 2015, Series ET, the General Obligation Bonds of 2015, Series EU, the General Obligation Refunding Bonds of 2015, Series EV, the General Obligation Refunding Bonds of 2015, Series EW, the General Obligation Refunding Bonds of 2015, Series EX, the General Obligation Refunding Bonds of 2015, Series EY, the General Obligation Refunding Bonds of 2015, Series EZ and the Taxable General Obligation Bonds of 2015, Series FA (individually, the "Series ET Bonds", the "Series EU Bonds", the "Series EV Bonds", the "Series EW Bonds," the "Series EX Bonds", the "Series EY Bonds", the "Series EZ Bonds" and the "Series FA Bonds", and, collectively, the "Bonds"), will be issuable in fully registered form and when issued will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC or its nominee is the registered owner of the Bonds, purchases of the Bonds will be made in book-entry form only, through brokers and dealers who are, or who act through, DTC participants; beneficial owners of the Bonds will not receive physical delivery of Bond certificates; payment of the principal of and interest and any premium on the Bonds will be made directly to DTC or its nominee; and disbursement of such payments to DTC participants will be the responsibility of DTC and disbursement of such payments to the beneficial owners will be the responsibility of DTC participants. Purchases of the Bonds may be made in the denomination of $5,000 or any integral multiple thereof. See APPENDIX H—"BOOK-ENTRY SYSTEM" herein. The Bonds of each series bear interest payable at the rates set forth on the inside cover pages hereof on April 1 and October 1 of each year, commencing April 1, 2016.

The Bonds are subject to optional redemption prior to their stated maturities as and to the extent described herein.

The Series ET Bonds and the Series FA Bonds are being issued for the purpose of financing, or reimbursing the State of Hawaii for, the costs of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries and parks and for other public purposes. The Series EU Bonds are being issued for the purpose of financing the acquisition of land in fee simple and a conservation easement on certain land on the North Shore of the island of Oahu. The Series EV Bonds, the Series EW Bonds, the Series EX Bonds, the Series EY Bonds and the Series EZ Bonds (collectively, the "Refunding Bonds") are being issued for the purpose of refunding certain outstanding general obligation bonds of the State previously issued for such purposes. See "AUTHORITY AND PURPOSE" and "PLAN OF REFUNDING" herein. The Bonds are general obligations of the State of Hawaii. The interest and principal payments on the Bonds are a first charge on the General Fund of the State of Hawaii, and the full faith and credit of the State of Hawaii are pledged to the punctual payment thereof.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices hereto, to obtain information essential to the making of an informed investment decision.

MATURITY SCHEDULE—See Inside Cover Pages

The Bonds of each series are offered when, as and if issued and received by the Underwriters, and are subject to the approval of legality by Kutak Rock LLP, Bond Counsel to the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP and McCorriston Miller Mukai MacKinnon LLP. It is expected that the Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about October 29, 2015.

BofA Merrill Lynch **Citigroup** **Morgan Stanley**

Goldman, Sachs & Co. **RBC Capital Markets**

Dated: October __, 2015

* Preliminary; subject to change.

STATE OF HAWAII

$190,000,000* GENERAL OBLIGATION BONDS OF 2015, SERIES ET
Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)†
2018	$ 6,800,000			
2019	7,115,000			
2020	7,480,000			
2021	7,865,000			
2022	8,270,000			
2023	8,690,000			
2024	9,135,000			
2025	9,605,000			
2026	10,100,000			
2027	10,615,000			
2028	11,160,000			
2029	11,735,000			
2030	12,335,000			
2031	12,870,000			
2032	13,325,000			
2033	13,800,000			
2034	14,295,000			
2035	14,805,000			

* Preliminary; subject to change.

† Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

$35,000,000* GENERAL OBLIGATION BONDS OF 2015, SERIES EU

(GREEN BONDS)
Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2018	$1,255,000			
2019	1,310,000			
2020	1,380,000			
2021	1,450,000			
2022	1,525,000			
2023	1,600,000			
2024	1,685,000			
2025	1,770,000			
2026	1,860,000			
2027	1,955,000			
2028	2,055,000			
2029	2,160,000			
2030	2,270,000			
2031	2,370,000			
2032	2,455,000			
2033	2,540,000			
2034	2,635,000			
2035	2,725,000			

* Preliminary; subject to change.

$8,700,000* GENERAL OBLIGATION REFUNDING BONDS OF 2015, SERIES EV
Dated: Date of Delivery
Due: April 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2016	$8,700,000			

$34,750,000* GENERAL OBLIGATION REFUNDING BONDS OF 2015, SERIES EW
Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2018	$34,750,000			

$23,640,000* GENERAL OBLIGATION REFUNDING BONDS OF 2015, SERIES EX
Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2019	$2,890,000			
2020	3,040,000			
2021	3,195,000			
2022	3,360,000			
2023	3,535,000			
2024	3,715,000			
2025	3,905,000			

* Preliminary; subject to change.

$213,420,000* GENERAL OBLIGATION REFUNDING BONDS OF 2015, SERIES EY
Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2020	$22,245,000			
2021	23,390,000			
2022	24,585,000			
2023	25,850,000			
2024	27,175,000			
2025	28,570,000			
2026	30,030,000			
2027	31,575,000			

$216,915,000* GENERAL OBLIGATION REFUNDING BONDS OF 2015, SERIES EZ
Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2019	$17,145,000			
2020	18,020,000			
2021	18,945,000			
2022	19,915,000			
2023	20,940,000			
2024	22,015,000			
2025	23,140,000			
2026	24,330,000			
2027	25,575,000			
2028	26,890,000			

* Preliminary; subject to change.

$25,000,000* TAXABLE GENERAL OBLIGATION BONDS OF 2015, SERIES FA

Dated: Date of Delivery
Due: October 1, as shown below

Due*	Principal Amount*	Interest Rate	Yield	CUSIP Number (419791)
2018	$1,090,000			
2019	1,105,000			
2020	1,130,000			
2021	1,150,000			
2022	1,180,000			
2023	1,210,000			
2024	1,240,000			
2025	1,280,000			
2026	1,320,000			
2027	1,360,000			
2028	1,410,000			
2029	1,460,000			
2030	1,515,000			
2031	1,575,000			
2032	1,640,000			
2033	1,705,000			
2034	1,775,000			
2035	1,855,000			

* Preliminary; subject to change.

STATE OF HAWAII

ADMINISTRATIVE OFFICIALS

David Y. Ige
Governor

Shan S. Tsutsui
Lieutenant Governor

Wesley K. Machida
Director of Finance

Douglas S. Chin
Attorney General

Douglas G. Murdock
Comptroller

BOND COUNSEL TO STATE

Kutak Rock LLP

This Official Statement, which includes the cover page and appendices, does not constitute an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. No dealer, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon.

Certain information contained in this Official Statement has been provided by the State of Hawaii. Certain other information contained herein has been obtained by the State of Hawaii from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder at any time shall create any implication that the information contained herein is correct as of any time subsequent to its date. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the State of Hawaii and the terms of the offering, including the merits and risks involved.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

State of Hawaii

**$190,000,000*
General Obligation
Bonds of 2015,
Series ET**

**$35,000,000*
General Obligation
Bonds of 2015,
Series EU
(Green Bonds)**

**$8,700,000*
General Obligation
Refunding Bonds of 2015,
Series EV**

**$34,750,000*
General Obligation
Refunding Bonds of
2015,
Series EW**

**$23,640,000*
General Obligation
Refunding Bonds of
2015,
Series EX**

**$213,420,000*
General Obligation
Refunding Bonds of
2015,
Series EY**

**$216,915,000*
General Obligation
Refunding Bonds of
2015,
Series EZ**

**$25,000,000*
Taxable General Obligation
Bonds of 2015,
Series FA**

(Base CUSIP: 419791)

INTRODUCTION

The purpose of this Official Statement, which includes the cover pages and the inside cover pages hereof and the appendices hereto, is to set forth information concerning the State of Hawaii (sometimes herein referred to as the "State") and its $190,000,000* aggregate principal amount of General Obligation Bonds of 2015, Series ET (the "Series ET Bonds"), its $35,000,000* aggregate principal amount of General Obligation Bonds of 2015, Series EU (the "Series EU Bonds"), its $8,700,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EV (the "Series EV Bonds"), its $34,750,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EW (the "Series EW Bonds"), its $23,640,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EX (the "Series EX Bonds"), its $213,420,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EY (the "Series EY Bonds"), its $216,915,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EZ and its $25,000,000* aggregate principal amount of Taxable General Obligation Bonds of 2015, Series FA (the "Series FA Bonds", and, together with the Series ET Bonds, Series EU Bonds, Series EV Bonds, Series EW Bonds, Series EX Bonds, Series EY Bonds and Series EZ Bonds, the "Bonds"), in connection with the sale of the Bonds by the State of Hawaii. In addition, the Series ET Bonds, the Series EU Bonds, the Series EV Bonds, the Series EW Bonds, the Series EX Bonds, the Series EY Bonds and the Series EZ Bonds are referred to collectively herein as the "Tax Exempt 2015 Bonds" and the Series FA Bonds are sometimes referred to herein as the "Taxable 2015 Bonds."

AUTHORITY AND PURPOSE

Authority

The Bonds will be issued pursuant to the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and the laws of the State, including Part I of Chapter 39 of the Hawaii Revised Statutes, as amended ("HRS"), and pursuant to the authority of certain acts of the Legislature of the State (the "Legislature") and a Certificate of the Director of Finance of the State (the "Bond Issuance Certificate").

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* Preliminary; subject to change.

Purpose

The proceeds from the sale of the Bonds will be used (i) in the case of the Series ET Bonds and the Series FA Bonds, to finance, or to reimburse the State for, certain expenditures for public purposes for which appropriations have been made in certain Acts of the Legislature and which the Legislature may from time to time approve, and the costs of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries, and parks and for certain other public purposes, (ii) in the case of the Series EU Bonds, to finance the acquisition of land in fee simple and a conservation easement on certain land on the North Shore of the island of Oahu, (iii) in the case of the Series EV Bonds, the Series EW Bonds, the Series EX Bonds, the Series EY Bonds and the Series EZ Bonds (collectively, the "Refunding Bonds"), to refund certain outstanding general obligation bonds previously issued for such purposes, as described below under "PLAN OF REFUNDING," in order to reduce the debt service payable on the State's general obligation bonds in certain years, and (iv) to pay costs of issuance of the Bonds. See "DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit" in Appendix A.

Green Bonds

Green Project. The State has designated the Series EU Bonds as "Green Bonds," based on the intended use of proceeds of the Series EU Bonds for the financing of a project identified by the State as being environmentally beneficial. As noted above, proceeds of the Series EU Bonds are expected to be used to acquire land in fee simple and a conservation easement over certain land situated at Kahuku Koolauloa, Oahu and to preserve the land for natural habitat, coastal and inland ecosystems, recreational, research and educational values, and open space.

Tracking and Reporting. All of the proceeds of the Series EU Bonds will be spent to acquire such land and conservation easement immediately following the issuance of the Bonds, and therefore no further tracking and reporting of the use of such proceeds is expected to be undertaken by the State.

PLAN OF REFUNDING

Upon delivery of the Refunding Bonds, the State and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), will enter into an Escrow Agreement (the "Escrow Agreement") to provide for the refunding of certain series of State of Hawaii General Obligation Bonds and General Obligation Refunding Bonds as specified by the Bond Issuance Certificate (the "Refunded Bonds"). See APPENDIX I—"BONDS TO BE REFUNDED." The refundings are being undertaken to realize aggregate debt service savings. The final payment dates of the Refunded Bonds will be their respective stated maturity dates or, if earlier, designated redemption dates, as shown in APPENDIX I—"BONDS TO BE REFUNDED."

The Refunded Bonds to be redeemed will be irrevocably designated for redemption on the applicable redemption dates, and provisions will be made in the Escrow Agreement and otherwise for the giving of the notices of such redemption. The Refunded Bonds may not be redeemed other than as described in APPENDIX I—"BONDS TO BE REFUNDED."

The Escrow Agreement creates an irrevocable trust fund (the "Escrow Fund") which is to be held by the Escrow Agent, and the moneys and securities held therein are to be applied to the payment of principal of and interest on the Refunded Bonds. Immediately upon the issuance and delivery of the Refunding Bonds, the State will deposit, or cause to be deposited, with the Escrow Agent, a portion of the proceeds derived from the sale of the Refunding Bonds. Moneys deposited in the Escrow Fund will be invested, at the direction of the State, in noncallable direct obligations of, or to the extent permitted obligations unconditionally guaranteed by, the United States (the "Escrow Securities") which, together with cash held uninvested in the Escrow Fund, will be sufficient, without reinvestment, and will be applied: (i) to pay the principal of and interest on the Refunded Bonds of each particular series and maturity due on and prior to the stated maturity or earlier

redemption date of such Refunded Bonds and (ii) to redeem the Refunded Bonds of each particular series and maturity that are irrevocably called for redemption on the corresponding redemption date at the redemption price thereof. See APPENDIX I—"BONDS TO BE REFUNDED." The maturing principal of and interest on the Escrow Securities and cash held in the Escrow Fund, in the amounts needed to pay the principal of and interest on the Refunded Bonds, are pledged solely for the benefit of the holders of the Refunded Bonds. The Escrow Securities will be purchased from the Treasury Department of the United States of America or in the open market, in either case at interest rates and prices which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), not to exceed the applicable yield permitted by such provisions. See "VERIFICATION." If the Escrow Securities are purchased in the open market, they may be purchased from one or more of the underwriters of the Bonds shown on the cover page of this Official Statement.

THE BONDS

Details of the Bonds

The Bonds will mature serially on the dates and years, and will bear interest at the rates (calculated on the basis of a 360-day year composed of twelve 30-day months), as shown on the inside cover pages hereof, payable on April 1 and October 1 of each year, commencing April 1, 2016 (each an "interest payment date"). The Bonds will be dated their date of delivery, and will be issued in fully registered form without coupons, in the denomination of $5,000 or any integral multiple of $5,000.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only under the book-entry system described herein (the "Book-Entry System"), in the principal amount of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in the Bonds. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as the Registrar and Paying Agent for the Bonds, to DTC, which will in turn remit such principal and interest to its Direct Participants and Indirect Participants (each as defined in Appendix H), for subsequent distribution to the Beneficial Owners (as defined in Appendix H) of the Bonds, as described herein. The Bonds may be transferred or exchanged in the manner described in the Bonds and as referenced in related proceedings of the State. See APPENDIX H—"BOOK-ENTRY SYSTEM." The Director of Finance may select a different Registrar and Paying Agent to perform such payment and registration functions.

Optional Redemption of the Bonds

Optional Redemption. All of the Bonds maturing on or after _____ will be subject to redemption prior to their stated maturities at the option of the State at any time on and after _____, in whole or in part, in any order of maturity selected by the State and by lot within a maturity bearing interest at the same rate, at a price equal to the principal amount thereof plus accrued interest to the redemption date.

Make-Whole Optional Redemption. In addition to the foregoing, the Taxable 2015 Bonds are subject to redemption prior to _____ at the option of the State, in whole or in part (and if in part on a pro rata basis), on any date at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Taxable 2015 Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Taxable 2015 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable 2015 Bonds are to be redeemed, discounted to the date on which such Taxable 2015 Bonds are to be redeemed on a

semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Comparable Treasury Yield (defined below) plus __ basis points;

plus, in each case, accrued interest on such Taxable 2015 Bonds to be redeemed to the redemption date.

For purposes of the foregoing, the following terms have the following meanings:

"Calculation Agent" means a commercial bank or an investment banking institution of national standing that is a primary dealer of United States government securities in the United States and designated by the State (which may be one of the institutions that served as an underwriter for the Bonds).

"Comparable Treasury Issue" means the United States Treasury security selected by the Calculation Agent as having a maturity comparable to the remaining term to maturity of the Taxable 2015 Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Taxable 2015 Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Taxable 2015 Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Calculation Agent is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Calculation Agent, at 5:00 p.m. New York City time on a date selected by the Calculation Agent which is not less than three business days and not more than 20 business days preceding the date fixed for redemption.

"Comparable Treasury Yield" means the yield that represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Calculation Agent that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Taxable 2015 Bonds being redeemed. The Comparable Treasury Yield will be determined no sooner than the third business day nor earlier than the twentieth calendar day preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Taxable 2015 Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis between the weekly average yields on the United States Treasury securities that have a constant maturity (i) closest to and greater than the remaining term to maturity of the Taxable 2015 Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Taxable 2015 Bonds being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward. If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"Reference Treasury Dealer" means a primary dealer of United States Government securities in the United States (which may be one of the institutions that served as an underwriter for the Bonds) appointed by the State and reasonably acceptable to the Calculation Agent.

Selection for Redemption

If less than all of the Bonds of a series are called for redemption, the State will designate the maturities from which the Bonds of such series are to be redeemed. For so long as the Bonds of such series are registered in book-entry form and DTC or a successor securities depository is the sole registered owner of such Bonds, if fewer than all of such Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds to be redeemed shall be selected: (i) by lot, in the case of any redemption of Tax Exempt 2015 Bonds, and (ii) on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, in the case of any redemption of Taxable 2015 Bonds; provided that, so long as the Taxable 2015 Bonds are held in book-entry form, the selection for redemption of the Taxable 2015 Bonds as described above under "Optional Redemption" and "Make-Whole Optional Redemption" will be made in accordance with the operational arrangements of DTC then in effect, and if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, all Taxable 2015 Bonds to be so redeemed will be selected for redemption in accordance with DTC procedures by lot; provided further that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations. See APPENDIX H-"BOOK-ENTRY SYSTEM."

In connection with any repayment of principal of the Taxable 2015 Bonds, including payments of scheduled mandatory sinking fund payments, the Paying Agent will direct DTC to make a pass-through distribution of principal to the owners of the Taxable 2015 Bonds. A form of Pro Rata Pass-Through Distribution of Principal Notice will be provided to the Paying Agent that includes a table of factors reflecting the relevant scheduled redemption payments, based on the current schedule of mandatory sinking fund payments, which is subject to change upon certain optional redemptions, and DTC's currently applicable procedures, which are subject to change.

For purposes of calculating pro rata pass-through distributions of principal, "pro rata" means, for any amount of principal or interest to be paid, the application of a fraction to such amounts where (a) the numerator is equal to the amount due to the owners of the Taxable 2015 Bonds on a payment date and (b) the denominator is equal to the total original par amount of the Taxable 2015 Bonds.

It is the State's intent that redemption allocations made by DTC with respect to the Taxable 2015 Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, neither the State nor the Underwriters can provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of such Taxable 2015 Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of the Taxable 2015 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the Taxable 2015 Bonds of such maturity and bearing such interest rate to be redeemed will be selected on a pro rata basis, and the particular Tax Exempt 2015 Bonds of such maturity and bearing such interest rate to be redeemed will be selected by lot, provided that any such redemption must be performed such that all Bonds remaining outstanding will be in authorized denominations.

General Redemption Provisions

Except as described above, if any Bond is of a denomination in excess of $5,000, portions of the principal sum thereof in installments of $5,000 or any integral multiple thereof may be redeemed.

If any Bond (or any portion of the principal sum thereof) shall be redeemable and shall have been duly called for redemption and notice of such redemption shall have been duly given as provided in the Bond Issuance Certificate, and if on or before the date fixed for such redemption the State shall have duly made or provided for the payment of the principal sum thereof to be redeemed, the premium, if any, payable upon such redemption and the interest accrued on the principal sum to be redeemed to the date fixed for such redemption, and unless such notice is conditioned upon satisfaction of any other condition or the occurrence of any other

event and such condition is not satisfied or such event has not occurred, then such Bond (or the portion of the principal sum thereof to be redeemed) shall become due and payable upon such date fixed for redemption and interest shall cease to accrue and become payable from and after the date fixed for such redemption on the principal sum thereof to be redeemed.

Notice of redemption will be mailed, not fewer than 30 days prior to the fixed date for redemption, to each Holder of a Bond in whose name such Bond is registered upon the Bond Register as of the close of business on the forty-fifth day (whether or not a business day) next preceding the date fixed for redemption at such Holder's address as shown on such Bond Register. Failure of the Holder of a Bond to receive such notice by mail or any defect in such notice will not affect the sufficiency of the proceedings for the redemption of any Bond.

Any notice of any optional redemption of Bonds may state that it is conditional upon receipt by the Registrar and Paying Agent of money sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. The State shall provide notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event, in the same manner as the notice of redemption.

For so long as the Book-Entry System is in effect with respect to the Bonds, the Registrar and Paying Agent will mail notice of redemption to DTC or its nominee or its successor. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, to notify a Beneficial Owner of a Bond of any such redemption will not affect the sufficiency or the validity of the redemption of such Bond. See APPENDIX H – "BOOK-ENTRY SYSTEM."

SECURITY FOR THE BONDS

Security Provisions

Under the Constitution and the laws of the State, the payment of principal of and interest on general obligation bonds of the State, including the Bonds, shall be a first charge on the General Fund of the State. Under said laws, the full faith and credit of the State are pledged to the punctual payment of the principal of and interest on general obligation bonds of the State, including the Bonds, and sufficient revenues shall be raised and provided from time to time for the purpose of payment. Amounts on deposit in the General Fund are applied to the payment of the debt service on the issued and outstanding general obligation bonds of the State, including the Bonds, as the debt service becomes due and payable.

Market Risk

There can be no assurance of continued marketability of the Bonds at current price levels. Various factors affect the market value of municipal securities, including the Bonds, over most of which the State has no control, such as general economic conditions, inflation, federal economic policies, interest rate trends and proposed or actual changes to the Internal Revenue Code of 1986 as amended. State finances, future State legislative actions and bond ratings may also affect the market value of the Bonds.

Sovereign Immunity

Under the doctrine of sovereign immunity, a state of the Union (including the State) cannot be sued by its own citizens. Under the United States Constitution, a state of the Union (including the State) cannot be sued by citizens of another state of the Union or by citizens or subjects of any foreign state. A state (including the State) may waive its immunity and consent to a suit against itself, and under current law the State has waived its immunity to be sued in limited circumstances, including for claims against the State founded upon

any State statute or upon any contract with the State (except a contract or any act of any State officer which the officer is not authorized to make or do by State law). However, such waiver and consent may subsequently be withdrawn by the State. Such immunity from and constitutional prohibition against suits against a state extend to officers of a state acting in their official capacity. Therefore, there can be no assurance that, in the event the State fails to make timely payment of principal of or interest on the Bonds, a right of action would lie against State officials to enforce such payment. The State has never defaulted in the payment of either principal of or interest on any indebtedness of the State.

THE STATE OF HAWAII

Certain general information concerning the State of Hawaii is contained in Appendix A to this Official Statement. Selected financial information concerning the State of Hawaii, including information about the State's outstanding indebtedness and its revenue projections, is contained in Part I of Appendix B to this Official Statement. Part II of Appendix B contains the Comprehensive Annual Financial Report of the State of Hawaii for the State's fiscal year ended June 30, 2014. The State of Hawaii provided certain information, and obtained from other sources believed to be reliable certain other information, set forth in Appendices A and B. The Underwriters (as hereinafter defined) and their counsel, Bond Counsel and Accuity LLP, independent auditors, have not independently verified any of such information, nor have they made an independent determination of the financial position of the State. There can be no assumption that the information is indicative of the current financial position or future financial performance of the State.

PENDING LITIGATION

There is currently no pending litigation seeking to restrain or enjoin the sale, issuance, execution or delivery of the Bonds or in any other manner affecting the validity of the Bonds or the proceedings or authority pursuant to which they are to be sold and issued. The State has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations which are not expected to have a material adverse effect on the State's financial position.

Described under this heading and in Appendix E are certain other lawsuits and claims that, if ultimately resolved against the State, could have a material adverse effect on the State's financial condition or as to which the State is unable to predict the magnitude of its potential liability, if any. Such lawsuits and claims include those involving (i) the Office of Hawaiian Affairs ("OHA") and certain lands (the "Ceded Lands") transferred in 1898 by the Republic of Hawaii to the United States and in 1959, upon the State's admission to the Union, by the United States to the State (as to, among other things, claims to a portion of the income and proceeds of the Ceded Lands); (ii) the Hawaiian Home Lands Trust and the Department of Hawaiian Home Lands (as to certain alleged breaches of trust and fiduciary duties and related individual claims by beneficiaries of the Hawaiian Homes Commission Act of 1920, referred to herein as the "Individual Claims Cases"; and separately, as to alleged violations of Article XII, Section 1 of the State Constitution for the Legislature not providing sufficient funding for the Department's Administration and Operating Budget, referred to herein as *"Nelson"*) and (iii) the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") (as to the alleged rights of retirees and their dependents to health care benefits equivalent to those provided to active employees and their dependents).

The State intends to defend vigorously against all of the claims referred to in clause (i) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E–"PENDING LITIGATION—Office of Hawaiian Affairs and Ceded Lands." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of all of the claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

The State intends to defend vigorously against the claims against the State in all of the remaining Individual Claims Cases and in *Nelson* referred to in clause (ii) of the second paragraph under this caption, and

as such claims and related proceedings are further described in APPENDIX E–"PENDING LITIGATION—Department of Hawaiian Home Lands." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in *Nelson*, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

The State intends to defend vigorously against the claims brought against the State, the EUTF, and the EUTF Board referred to in clause (iii) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E – "PENDING LITIGATION—Hawaii Employer Union Health Benefits Trust Fund." The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in their favor in this case could have a material adverse effect on the State's financial condition.

TAX MATTERS

The Tax Exempt 2015 Bonds

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Tax Exempt 2015 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the State with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Tax Exempt 2015 Bonds. Failure to comply with such covenants could cause interest on the Tax Exempt 2015 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Tax Exempt 2015 Bonds. The State has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Tax Exempt 2015 Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Tax Exempt 2015 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Tax Exempt 2015 Bonds may otherwise affect the federal income tax liability of the owners of the Tax Exempt 2015 Bonds. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Tax Exempt 2015 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Tax Exempt 2015 Bonds.

Bond Counsel is also of the opinion that, under existing State statutes, the Tax Exempt 2015 Bonds and the income therefrom (and, as described below under "The Taxable 2015 Bonds," the Taxable Bonds and the income therefrom) are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Tax Exempt 2015 Bonds under the laws of the State or any other state or jurisdiction.

A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds, including the Tax Exempt 2015 Bonds, is attached as Appendix G to this Official Statement.

Original Issue Discount. The Tax Exempt 2015 Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Tax Exempt 2015 Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Tax Exempt 2015 Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Tax Exempt 2015 Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Tax Exempt 2015 Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Tax Exempt 2015 Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Tax Exempt 2015 Bond, on days that are determined by reference to the maturity date of such Discount Tax Exempt 2015 Bond. The amount treated as original issue discount on such Discount Tax Exempt 2015 Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Tax Exempt 2015 Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Tax Exempt 2015 Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Tax Exempt 2015 Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Tax Exempt 2015 Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Tax Exempt 2015 Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Tax Exempt 2015 Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Tax Exempt 2015 Bond. Subsequent purchasers of Discount Tax Exempt 2015 Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Tax Exempt 2015 Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Premium Tax Exempt 2015 Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Tax Exempt 2015 Bond over its stated redemption price at maturity constitutes premium on such Premium Tax Exempt 2015 Bond. A purchaser of a Premium Tax Exempt 2015 Bond must amortize any premium over such Premium Tax Exempt 2015 Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Tax Exempt 2015 Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Tax Exempt 2015 Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Tax Exempt 2015 Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Tax Exempt 2015 Bonds should consult their tax advisors

with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Tax Exempt 2015 Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Tax Exempt 2015 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Tax Exempt 2015 Bonds who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Tax Exempt 2015 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

The Taxable 2015 Bonds

General Matters. Bond Counsel is of the opinion that interest on the Taxable 2015 Bonds is not excludable from gross income for federal income tax purposes. Bond Counsel is also of the opinion that, under existing State statutes, the Taxable 2015 Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Taxable 2015 Bonds under the laws of the State or any other state or jurisdiction. A copy of the proposed form of opinion of Bond Counsel with respect to the Bonds, including the Taxable 2015 Bonds, is attached as Appendix G to this Official Statement.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Taxable 2015 Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Taxable 2015 Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable 2015 Bonds.

In general, interest paid on the Taxable 2015 Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Taxable 2015 Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Taxable 2015 Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Taxable 2015 Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount. An investor that acquires a Taxable 2015 Bond for a price less than the adjusted issue price of such bond (or an investor who purchases a Taxable 2015 Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Taxable 2015 Bond originally issued at a discount, the amount by which the issue price of such bond,

increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Taxable 2015 Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Taxable 2015 Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Taxable 2015 Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Taxable 2015 Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable 2015 Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable 2015 Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals earning certain investment income. Holders of the Taxable 2015 Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Taxable 2015 Bonds and to gain on the sale of a Taxable 2015 Bond.

Sales or Other Dispositions. If an owner of Taxable 2015 Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Taxable 2015 Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Taxable 2015 Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Taxable 2015 Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Taxable 2015 Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Taxable 2015 Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Taxable 2015 Bonds, if such owner, upon issuance of the Taxable 2015 Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Taxable 2015 Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Taxable 2015 Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Taxable 2015 Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing Taxable 2015 Bonds owned by foreign investors. In those instances in which payments of interest on the Taxable 2015 Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Taxable 2015 Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Taxable 2015 Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Taxable 2015 Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Taxable 2015 Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Taxable 2015 Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular

circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Taxable 2015 Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the State or any dealer of the Taxable 2015 Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Taxable 2015 Bonds are acquired by such plans or arrangements with respect to which the State or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Taxable 2015 Bonds. The sale of the Taxable 2015 Bonds to a plan is in no respect a representation by the State or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Taxable 2015 Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the State. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix G hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or

fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman LLP and McCorriston Miller Mukai MacKinnon LLP.

RATINGS

Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., have rated the Bonds "__," "__" and "__," respectively, based on the credit of the State. The State furnished the rating agencies with certain information and materials relating to the Bonds and the State which have not been included in this Official Statement. Generally, a rating agency bases its rating on the information and materials so furnished and on investigations, studies and assumptions made by such rating agency. Such ratings reflect only the respective views of such rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. There is no assurance that any of such ratings will be retained for any given period of time or that the same will not be revised downward, suspended or withdrawn entirely by the rating agency furnishing the same if, in its judgment, circumstances so warrant. The State undertakes no responsibility to oppose any such downward revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of such ratings, or any of them, may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC, Goldman, Sachs & Co. and RBC Capital Markets, LLC (collectively, the "Underwriters") have agreed to purchase the Bonds at an aggregate purchase price equal to the principal amount of the Bonds, plus or minus net original issue premium or discount, less an aggregate underwriting discount of $_____, which includes $_____ for other costs of issuance. The Underwriters will be obligated to purchase all of the Bonds if any are purchased.

The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than the public offering prices appearing on the inside cover, and the public offering prices may be changed from time to time.

Citigroup Global Markets Inc., one of the Underwriters of the Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for its selling efforts with respect to the Bonds.

Goldman, Sachs & Co. ("Goldman Sachs"), one of the Underwriters of the Bonds, has entered into a master dealer agreement (the "Master Dealer Agreement") with Incapital LLC ("Incapital") for the distribution of certain municipal securities offerings, including the Bonds, to Incapital's retail distribution network at the initial public offering prices. Pursuant to the Master Dealer Agreement, Incapital will purchase Bonds from Goldman Sachs at the initial public offering price less a negotiated portion of the selling concession applicable to any Bonds that Incapital sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the State, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the State.

PRICING ADVISOR

The State has retained First Southwest Company, LLC (the "Pricing Advisor"), as pricing advisor with respect to the issuance of the Bonds. The Pricing Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Pricing Advisor is an independent advisory firm.

CAUTIONARY STATEMENTS REGARDING FORWARD LOOKING STATEMENTS AND PROJECTIONS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or similar words.

The achievement of certain results or other expectations contained in such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performances or achievements described to be materially different from any future results, performances or achievements expressed or implied by such forward looking statements. The State does not plan to issue any updates or revisions to those forward looking statements if and when changes to its expectations, or events, conditions or circumstances on which such statements are based, occur, unless such updates or revisions are made in the course of fulfilling its continuing disclosure obligations, as described under "CONTINUING DISCLOSURE."

Certain statements set forth in this Official Statement constitute "projections" and were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State's management, were prepared on a reasonable basis, reflect the best currently available estimates and judgments, and present, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future information. Neither the State's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

CONTINUING DISCLOSURE

The State will enter into a Continuing Disclosure Certificate (the "Disclosure Certificate") in the form set forth in Appendix F hereto, for the benefit of the holders and Beneficial Owners of the Bonds, agreeing to provide certain financial information and operating data relating to the State with respect to its general obligation bonds and certificates of participation electronically to the Municipal Securities Rulemaking Board annually and to provide notice to the Municipal Securities Rulemaking Board of the occurrence of certain enumerated events pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. §240.15c2-12) (the "Rule"). See APPENDIX F— "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

In one instance within the past five years the State filed its annual report on a timely basis, but did not include its unaudited financial statements (as required by the applicable continuing disclosure certificates because the State's audited financial statements were not available at the time of such filing). In that case, a notice was filed that the audited financial statements were not available and audited financial statements were filed when they became available. In addition, the State has in certain years during the past five years failed to file certain defeasance, refunding and redemption notices or failed to file them in a timely manner. The State has policies and procedures in place to enhance compliance with its continuing disclosure undertakings including the one referenced in the preceding paragraph. The State regularly updates Appendix B, which may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

A failure by the State to comply with the Disclosure Certificate will not constitute an event of default of the Bonds, although any Bondholder or any Beneficial Owner may bring action to compel the State to comply with its obligations under the Disclosure Certificate. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

VERIFICATION

Causey Demgen & Moore P.C. (the "Verification Agent") will verify from the information provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated the mathematical accuracy as of the date of issuance of the Bonds of (1) the computations contained in the schedules provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated to determine that the anticipated receipts from the securities and cash deposits listed in such schedules to be held in escrow will be sufficient to pay when due the principal and interest payment requirements of the Refunded Bonds, and (2) the computations of yield on both the Escrow Securities and the Bonds contained in the schedules provided to Bond Counsel for use in its determination that the interest on the Tax Exempt 2015 Bonds is excluded from gross income for federal income tax purposes. The Verification Agent will express no opinion on the reasonableness of the assumptions provided to them, the likelihood that the principal of and interest on the Bonds will be paid as described in the schedules provided to them, or the exclusion of the interest on the Tax Exempt 2015 Bonds from gross income for federal income tax purposes.

FINANCIAL STATEMENTS

The General Purpose Financial Statements and additional information as of and for the year ended June 30, 2014, included as Part II of Appendix B, have been audited by Accuity LLP, independent auditors, as stated in their report appearing therein, which is based in part on the reports of other auditors (which report expresses an unqualified opinion on the financial statements). There can be no assurance that the information in Part II of Appendix B is indicative of the current financial position or future financial performance of the State.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

Neither this Official Statement, nor any statement that may have been made verbally or in writing, is to be construed as a contract with the holders of any of the Bonds.

The Department of Budget and Finance, State of Hawaii has prepared this Official Statement and has duly authorized the delivery hereof.

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APPENDIX A

GENERAL INFORMATION ABOUT THE STATE OF HAWAII

The statistical information presented by this Appendix A is the most current information available to the State. Because such information becomes available at different times, the dates of such information, as presented herein, are not the same.

INTRODUCTION

General

The State was admitted into the Union on August 21, 1959, as the fiftieth state. It is an archipelago of eight major islands, seven of which are inhabited, plus 124 named islets, totaling 6,425 square miles in land area, located in the Pacific Ocean in the Northern Hemisphere, mostly below the Tropic of Cancer, about 2,400 statute miles from San Francisco. The State is slightly larger than the combined area of the States of Connecticut and Rhode Island and ranks forty-seventh of the fifty states in land area, being also larger in area than the State of Delaware. The island of Hawaii is the largest island, with 4,028 square miles in area. The other inhabited islands, in order of size, are Maui, Oahu, Kauai, Molokai, Lanai and Niihau. According to the U.S. Census, the total population of the State was 422,770 in 1940, 499,794 in 1950, 632,772 in 1960, 769,913 in 1970, 964,691 in 1980, 1,115,274 in 1990, 1,211,537 in 2000, and 1,360,301 in 2010, making the State the 40th most populous state in the Union as of 2010. The City and County of Honolulu consists of the island of Oahu (plus some minor islets) with a land area of 599.8 square miles. The capital of the State and the principal port are located on Oahu. According to the 2010 U.S. Census, about 70.1 percent of the population of the State lives on Oahu. Hawaii's population exhibits greater ethnic diversity than other states because it is descended from immigrants from Asia as well as from Europe and the mainland United States. Based on the 2010 U.S. Census, approximately 38.6 percent of the State's population is of Asian descent and about 24.7 percent of the State's population is Caucasian. Native Hawaiians and other Pacific Islanders constitute 10.0 percent of the population. The balance consists of people of mixed races and other races, such as African Americans and American Indians.

State Government

The Constitution of the State provides for three separate branches of government: the legislative branch, the executive branch and the judicial branch. The legislative power is vested in a bicameral Legislature consisting of a Senate of twenty-five members elected for four-year terms and a House of Representatives of fifty-one members elected for two-year terms. The Legislature convenes annually. The executive power is vested in a Governor elected for a four-year term. In the event of the absence of the Governor from the State, or his or her inability to exercise and discharge the powers and duties of his or her office, the Lieutenant Governor, also elected for a four-year term, serves as the chief executive. Under the Constitution, the judicial power is vested in a Supreme Court, one intermediate appellate court, circuit courts, district courts, and such other courts as the Legislature may from time to time establish. Pursuant to statute, the Legislature has established four circuit courts, four district courts and an intermediate appellate court. The executive and administrative offices are limited to not more than twenty principal departments under the supervision of the Governor. The executive functions have in fact been grouped into eighteen departments. The heads of the departments are appointed by the Governor, with the advice and consent of the Senate, and hold office for a term to expire with the term of the Governor. The Department of Budget and Finance is one of the principal departments permitted by the Constitution of the State, with the head of said department being designated as the Director of Finance. Under the general direction of the Governor, the Department of Budget and Finance administers the State's proposed six-year program and financial plan, the State budget, and financial management programs of the State.

No Voter Initiative and Referendum

The Hawaii State Constitution and Hawaii state law do not authorize either State-wide voter initiatives (that is, the electoral process by which a percentage of voters can propose legislation and compel a vote on it to enact such a measure) or State-wide referendum actions (that is, the process of referring a state legislative act or an important public issue to the public for their final approval by public vote). The issuance of bonds is not subject to approval by public vote.

The Counties and Their Relationship to the State

There are four counties in the State: the City and County of Honolulu, the County of Maui, the County of Hawaii and the County of Kauai (and one quasi county, Kalawao). Each of the counties has a separate charter for its government, each of which provides for an elected mayor and an elected council. The mayor is the chief executive and the council is the legislative body. There are no independent or separate cities or other municipalities, school districts or townships. The State government of Hawaii has total responsibility for many functions that are performed by or shared by local governments in most other parts of the United States. For example, the State pays all costs in connection with the public school system, libraries, public welfare, and judiciary. The greatest expenditures by the State in past years have been in the areas of education and public welfare. The counties' major areas of responsibility and expenditure are in police and fire protection, waste disposal, water and sewer facilities, and secondary streets and highways.

DEBT STRUCTURE

Types of Bonds Authorized by the Constitution

The Constitution of the State empowers the Legislature to authorize the issuance of four types of bonds (defined by the Constitution as bonds, notes and other instruments of indebtedness): general obligation bonds (defined by the Constitution as all bonds for the payment of the principal and interest for which the full faith and credit of the State or a political subdivision are pledged and, unless otherwise indicated, including reimbursable general obligation bonds hereinafter defined); bonds issued under special improvement statutes; revenue bonds (defined by the Constitution as all bonds payable from revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law); and special purpose revenue bonds (defined by the Constitution as all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law, including a loan program to a state property insurance program providing hurricane coverage to the general public). Under the Constitution, special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist, manufacturing, processing or industrial enterprises, certain not for profit private schools, utilities serving the general public, health care facilities provided to the general public by not for profit corporations, early childhood education and care facilities provided to the general public by not for profit corporations, agricultural enterprises serving important agricultural lands, or low and moderate income government housing programs. All bonds of the State other than special purpose revenue bonds must be authorized by a majority vote of the members to which each house of the Legislature is entitled. Special purpose revenue bonds of the State must be authorized by two-thirds vote of the members to which each house of the Legislature is entitled.

Outstanding Indebtedness and Debt Limit

The Constitution provides that determinations of the total outstanding indebtedness of the State and the exclusions therefrom shall be made annually and certified by law or as prescribed by law. General obligation bonds may be issued by the State, provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds in the current or any future fiscal year, whichever is higher, to exceed a sum equal to 18.5% of the average of the General Fund revenues of the State

in the three fiscal years immediately preceding such issuance. For the purposes of such determination, General Fund revenues of the State do not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded in computing the total indebtedness of the State.

In order to carry out the provisions contained in the Constitution, the Legislature enacted Part IV of Chapter 39, HRS ("Part IV"), to require the Director of Finance to prepare statements of the total outstanding indebtedness of the State and the exclusions therefrom and of the debt limit of the State evidencing the power of the State to issue general obligation bonds and, prior to the issuance of any general obligation bonds, to find that the issuance of such bonds will not cause the debt limit of the State to be exceeded. Part IV provides that such statements shall be prepared as of July 1 of each year and submitted to the Legislature no later than December 1 of such year. The July 1, 2014 statement is the most recent such statement prepared and submitted to the Legislature. See "INFORMATION ABOUT INDEBTEDNESS" in Part I of Appendix B for a tabular summary of the statement of total outstanding indebtedness of the State and exclusions therefrom as of July 1, 2014, including general obligation bonded indebtedness, revenue bonded indebtedness, special assessment bonded indebtedness and special purpose revenue bonded indebtedness, and the permitted exclusions from the general obligation bonded indebtedness. See APPENDIX D—"GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII."

The State will file the statements described above, but as of July 1, 2015, when the same became available, on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org. While such statements are not expected to be available prior to the issuance of Bonds, the State is in compliance with the State debt limit and will certify that it is in compliance therewith upon the issuance of the Bonds.

The summary statement of debt limit of the State evidencing the power of the State to incur indebtedness sets forth the General Fund revenues of the State, exclusive of federal grants, for the fiscal years ended June 30, 2012, 2013 and 2014 and the net General Fund revenues after required exclusions, the average of the said three fiscal years, and the limit of total principal and interest which may be payable in any fiscal year. See "SUMMARY STATEMENT OF THE DEBT LIMIT OF THE STATE OF HAWAII" in Part I of Appendix B.

The greatest amount of principal and interest payable in any fiscal year on the outstanding general obligation indebtedness as of October 1, 2015 and on the Bonds giving effect to the issuance of the Bonds, after exclusions therefrom permitted by the Constitution, is $_____ in the fiscal year ending June 30, _____. A summary of debt service on all general obligation bonded indebtedness of the State (including the Bonds) is set forth under "SUMMARY OF DEBT SERVICE" in Part I of Appendix B; however, the debt service excluded in that table includes reimbursements that are made as required, regardless of whether such reimbursements may be excluded under the Constitution, as described below under "Exclusions."

As calculated from the State Comptroller's Bond Fund report as of August 31, 2015, the amount of authorized but unissued general obligation bonds (including the Series ET Bonds, the Series EU Bonds and the Series FA Bonds) is $3,177,981,781. Such amount does not include general obligation refunding bonds such as the Refunding Bonds. These authorized but unissued general obligation bonds are scheduled to be issued prior to June 30, 2019.

The State has not formally adopted a debt management policy, however, it uses the requirements in the Constitution as a guide for issuing debt. See APPENDIX C—"EXTRACT FROM THE CONSTITUTION OF THE STATE OF HAWAII" for a description of these provisions in the Constitution. The Legislature recently passed Act 149, SLH 2015, which requires the Director of Finance to submit a debt management policy to the Legislature for adoption before the regular session of 2017 convenes. The recommended policy is required to be consistent with, but may be more restrictive than, the constitutional provisions and existing

statutes related to issuing debt. Act 149, SLH 2015 further requires the Director of Finance to submit a debt affordability study before the regular session of each odd-numbered year convenes to provide the Legislature with information on the affordability of the future debt planned for the State.

Exclusions

The Constitution contains nine general provisions excluding certain types of bonds (including certain general obligation bonds) when determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision. Six of these exclusions are described below. As stated above, the limitation on indebtedness of the State under the Constitution applies only to the power to issue general obligation bonds, and the limitation is measured by the debt service on general obligation bonds against the three year average of General Fund revenues. The three exclusions relating to revenue bonds, special purpose revenue bonds, and bonds issued under special improvement statutes for which the only security is the properties benefited or assessments thereon are chiefly of concern to counties when computing the funded debt of counties. Accordingly, those provisions will not be discussed in this Official Statement. However, the complete provisions of Sections 12 and 13 of Article VII of the Constitution relating to the incurring of indebtedness by the State and its political subdivisions are set forth in Appendix C.

One of the nine exclusionary provisions excludes bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then current fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

Another of the exclusionary provisions excludes reimbursable general obligation bonds (defined in the Constitution as general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a combination of both, may be derived for the payment of the principal and interest as reimbursement to the General Fund and for which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the General Fund is required by law to be made from the revenues of the political subdivision) issued for a public undertaking, improvement or system, but only to the extent that reimbursements to the General Fund are made from the net revenues, or net user tax receipts, or combination of both, derived from the particular undertaking, improvement or system or payments or return on security under a loan program or a loan thereunder for the immediately preceding fiscal year, with the result that the amount of reimbursable general obligation debt excluded will vary from year to year. A "user tax" is defined by the Constitution as a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system, provided that mortgage recording taxes shall constitute taxes of a State property insurance program. Thus, for example, the aviation fuel tax is a user tax insofar as the airports system of the State is concerned, since the tax is substantially derived from the sale of a good (aviation fuel) in the utilization of the functions of the airports, but the aviation fuel tax would not be a user tax so far as schools or a stadium is concerned, since the tax is not derived from the consumption or use or sale of goods in using schools or a stadium.

Two other exclusionary provisions exclude (a) reimbursable general obligation bonds of the State issued for any political subdivision, but only for so long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law, and (b) general obligation bonds issued for assessable public improvements to the extent reimbursements to the General Fund for principal and interest on such bonds are in fact made from assessment collections available therefor.

One other exclusionary provision excludes bonds constituting instruments of indebtedness under which the State incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed 7% of the principal amount of outstanding general obligation bonds not otherwise excluded by the exclusionary provisions of the Constitution and subject to the condition that the State shall

establish a reserve in an amount in a reasonable proportion to outstanding loans guaranteed by the State. This exclusion is intended to permit the exclusion of such items as general obligation guarantees of loans under State loan programs to the extent the principal amount of such items does not exceed 7% of the outstanding principal amount of general obligation bonds not otherwise excluded. At such time as the principal amount of such items exceeds 7% of the outstanding principal amount of general obligation bonds not otherwise excluded, the potential debt service on all such items in excess of 7% of the outstanding principal amount of general obligation bonds not otherwise excluded would be included in determining the power of the State to incur indebtedness.

A final exclusionary provision excludes bonds issued by or on behalf of the State or a political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

Other Constitutional and Statutory Provisions

General obligation bonds of the State must be authorized pursuant to the Constitution by a majority vote of the members to which each house of the Legislature is entitled. The Legislature from time to time enacts laws specifying the amount of such bonds (without fixing any particular details of such bonds) that may be issued and defining the purposes for which the bonds are to be issued.

The Constitution requires that general obligation bonds of the State with a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest, the first installment of principal to mature not later than five years from the date of the issue of such series and the last installment to mature not later than twenty-five years from the date of such issue, except that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of such issue.

Part I of Chapter 39, HRS, as amended, is the general law for the issuance of general obligation bonds of the State. Such part sets forth limitations on general obligation bonds, such as interest rates and maturity dates, and also sets forth the provisions for the sale and form of such bonds. Such part provides that the Director of Finance, with the approval of the Governor, may issue from time to time general obligation bonds of the State in accordance with acts of the Legislature authorizing the issuance of such bonds and defining the purposes for which such bonds are to be issued.

The Governor determines when the projects authorized by the acts authorizing bonds shall commence. General obligation bonds are sold from time to time pursuant to the authorization of such acts and Part I of Chapter 39, HRS, as amended, in order to finance the projects. The Governor then allots the proceeds of the bonds so issued to the purposes specified in the acts authorizing bonds.

Section 11 of Article VII of the Constitution provides that all appropriations for which the source is general obligation bond funds or the General Fund must be for specified periods which may not exceed three years, except for appropriations from the State Educational Facilities Improvement Special Fund. Any appropriation or any portion of an appropriation which is unencumbered at the close of the fiscal period for which the appropriation is made will lapse, provided that no appropriation or portion thereof for which the source is general obligation bond funds shall lapse if the Legislature determines that such appropriation is necessary to qualify for federal aid financing and reimbursement. A general obligation bond authorization, to the extent such authorization is dependent on a specific appropriation, must be reduced in an amount equal to the amount of appropriation lapsed by operation of law or Section 11 of Article VII of the Constitution.

Set forth in Appendix C are the provisions of Sections 11, 12 and 13 of Article VII of the Constitution applicable to the incurring of indebtedness by the State and its political subdivisions.

Financing Agreements (Including Leases)

HRS Chapter 37D provides for financing agreements (including leases and installment sale agreements) for the improvement, use or acquisition of real or personal property which is or will be owned or operated by the State or any State agency and specifies that any such financing agreement shall not be an obligation for which the full faith and credit of the State or any State agency is pledged, and that no moneys other than amounts appropriated by the Legislature or otherwise held in trust for such purposes shall be required to be applied to the payment thereof. The Legislature is not required to appropriate moneys for such purpose, and financing agreements do not constitute "bonds" within the meaning of Sections 12 or 13 of Article VII of the Constitution including but not limited to for debt limitation purposes. Chapter 37D does provide that the Governor's Executive Budget shall include requests to the Legislature for appropriation of moneys to pay amounts due each fiscal period under financing agreements. See "SUMMARY OF DEBT SERVICE—Certificates of Participation and Financing Agreements."

Reimbursement to State General Fund for Debt Service

As indicated above, all general obligation bonds of the State are payable as to principal and interest from the General Fund of the State. Acts of the Legislature authorizing the issuance of general obligation bonds for certain purposes frequently (but not always) require that the General Fund be reimbursed for the payment from such fund of the debt service on such bonds, such reimbursement to be made from any income or revenues or user taxes derived from the carrying out of such purposes. Such income or revenues or user taxes are not pledged to the payment of such bonds. There are now outstanding general obligation bonds (including general obligation refunding bonds) issued for highway, harbor and airport facilities, for land development, for economic development projects, for university revenue projects, and for State parking facilities, where the General Fund of the State is required to be reimbursed for all debt service. Reimbursement is made from the income or revenues or user taxes derived from or with respect to such highways, harbor and airport facilities, land development, economic development projects, university projects, parking facilities and housing programs. The legislation authorizing the Series EU Bonds also provides for reimbursement to the General Fund from transient accommodations tax revenues and certain moneys from the land conservation fund. Of the bonds referred to in this paragraph: (a) reimbursement to the General Fund of general obligation bonds issued for highways is made exclusively from the tax on motor fuel and does not include any revenues such as toll revenue; and (b) reimbursement to the General Fund of general obligation bonds issued for airports is made from the aviation fuel tax as well as from airports system revenues. See "TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL—Special Fund" for a description of such taxes. Reimbursement to the General Fund of all the other general obligation bonds referred to in this paragraph is made from non-tax revenues, such as from wharfage and dockage charges, pier rentals and other charges for harbor facilities; from land sales or rentals; and from dormitory and dining hall revenues and income from other ancillary facilities.

Some of the bonds referred to in the immediately preceding paragraph do not constitute "reimbursable general obligation bonds" excludable from the debt limit because they are not issued for the type of public undertaking, improvement or system to which the constitutional provisions for such exclusion pertain. See "DEBT STRUCTURE—Exclusions." See "GENERAL OBLIGATION BONDS OUTSTANDING" in Part I of Appendix B for a tabular summary of reimbursable and non-reimbursable general obligation bonds.

TAX STRUCTURE; GENERAL AND SPECIAL FUNDS; FEDERAL MONEYS; BUDGET SYSTEM; EXPENDITURE CONTROL

Introduction

The State receives the majority of its revenues from taxes, fees and other sources. The Department of Taxation, headed by the Director of Taxation, is charged with the responsibility of administering and enforcing the tax revenue laws and the collection of most taxes and other payments payable thereunder. All tax revenues of the State are credited to one or the other of the two operating funds maintained by the State, designated respectively as the General Fund and Special Funds. The revenues and expenditures for the last five fiscal years of the General Fund are set forth in Part I of Appendix B.

The State Constitution does not prohibit or limit the power of taxation, and reserves all taxing power to the State, except to the extent delegated by the Legislature to the political subdivisions of the State and except all the functions, powers and duties related to real property taxation, which is exercised exclusively by the counties. The State cannot predict the impact, if any, of proposed changes in the federal individual and corporate income tax laws on the tax revenues of the State.

The State Constitution requires the establishment of a tax review commission to be appointed as provided by law every five years. The purpose of such commission is to submit to the Legislature an evaluation of the State's tax structure and to recommend revenue and tax policy, after which such commission is dissolved. The State Constitution does not require action by the Legislature with respect to the recommendations as submitted. The Legislature has the option of accepting or rejecting all or portions of the commission's findings. The fifth tax review commission convened on July 26, 2005, and issued its report in final form on December 1, 2006, in which it concluded that the Hawaii tax system is "basically sound." The sixth tax review commission convened on July 15, 2011 and issued its report on November 28, 2012. After reviewing Hawaii's tax structure, including how the structure fared during the Great Recession of 2008–2010 and how adequate the structure will be to meet future needs, the commission expressed concern about a possible budget gap and, as a result, one of its recommendations was the establishment of a separate commission to review and make recommendations on both revenues and expenditures. Although the Legislature did not take action on this recommendation, the Legislature did pass legislation addressing several of the commission's concerns; e.g., increasing the food/excise tax credit, modernizing the tax computer system, and funding the unfunded liabilities in other post employment benefits (see "EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM—State Employees' Health Benefits").

General Fund

The General Fund is used to account for resources not specifically set aside for special purposes. Any activity not financed through another fund is financed through the General Fund. The appropriations acts adopted by the Legislature provide the basic framework in which the resources and obligations of the General Fund are accounted. The operating appropriations and the related General Fund accounting process complement each other as basic control functions in the general administration of the government.

The State Constitution provides that whenever the General Fund balance at the close of each of two successive fiscal years exceeds 5% of General Fund revenues for each of the two years, the Legislature in the next regular session shall provide for a tax refund or tax credit to the taxpayers of the State, as provided by law. The State Constitution does not specify the amount of, or a formula for calculating, any such tax refund or tax credit. General Fund balances exceeded 5% of General Fund revenues for fiscal years 2006, 2007 and 2008; as a result: (1) the 2008 Legislature passed Act 58, SLH 2008, to provide for a tax credit in the aggregate amount of approximately $1 million and (2) the 2009 Legislature passed Act 84, SLH 2009, to provide for a tax credit in the aggregate amount of approximately $1.1 million. In November 2010, Section 6 of Article VII of the State Constitution was amended to add another option to dispose of excess revenues. In addition to providing for a tax refund or tax credit, the Legislature may make a deposit into one or more funds

that serve as temporary supplemental sources of funding in times of an emergency, economic downturn or unforeseen reduction in revenues, as provided by law. Act 138, SLH 2010, provided for the deposit of general funds into the Emergency and Budget Reserve Fund ("EBRF") whenever State General Fund revenues for each of two successive fiscal years exceed revenues for each of the preceding fiscal years by 5%; however, no such transfer shall be made whenever the balance of the EBRF is equal to or more than 10% of General Fund revenues for the preceding fiscal year. Subsequent to the tax credit provided by the 2009 Legislature, no tax refund or tax credit or deposit into the EBRF has been required. Nevertheless, the Legislature enacted Act 267, SLH 2013, appropriating $50 million of General Fund revenues to be deposited into the EBRF in fiscal year 2014. In fiscal years 2013 and 2014, the General Fund balance exceeded 5% of General Fund revenues for those years, but fiscal year 2014 General Fund revenues did not exceed 5% of fiscal year 2013 General Fund revenues; therefore, the 2015 Legislature was required to provide for a tax refund or tax credit but was not required to make a deposit into the EBRF. However, the 2015 Legislature found it preferable to address possible emergencies and contingencies that may occur in the future should revenues slow down and, instead of providing for a tax refund or tax credit, enacted Act 202, SLH 2015, to appropriate $10 million of general funds for deposit into the EBRF in FY 2015. Because the measure was signed into law after the specified appropriation period, the $10 million could not be deposited into the EBRF in 2015 and legislation is expected to be submitted in the 2016 Legislature to re-appropriate the $10 million for FY 2016. (See "Emergency and Budget Revenue Fund; Tobacco Settlement; Hurricane Relief Fund" in this Appendix A.)

As part of the annual financial planning and executive budgeting process, the Department of Budget and Finance prepares a General Fund financial plan that includes projections of General Fund revenues and expenditures for each fiscal year and revises such projections from time to time during the fiscal year. See "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—General Fund Financial Plan" in Part I of Appendix B for further information.

Taxes and Other Amounts Deposited in General Fund

The proceeds of the taxes described below are deposited to the General Fund. See "REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS—Actual Tax Collections and Distributions" in Part I of Appendix B.

Individual and corporate income taxes, general excise and use taxes, public service company taxes, estate and certain transfer taxes, a franchise tax on financial corporations, liquor and tobacco taxes, transient accommodations taxes, insurance premium taxes and other taxes are deposited entirely or in part to the General Fund. For fiscal year 2015, these taxes represented approximately 88% of all tax revenues of the State, and approximately 87% of all General Fund revenues (as reported by the Department of Accounting and General Services ("DAGS")). The information contained in this Official Statement for fiscal year 2015, as reported by DAGS or otherwise, is unaudited.

The following table provides the General Fund tax revenues for fiscal year 2015 as reported by DAGS. (Please note that the tax revenue numbers reported by DAGS may differ from the tax revenue numbers reported by the Department of Taxation because of accounting system reclassifications and collection timing issues.):

General Fund Taxes

Description	FY 2015 ($ thousands)	% of Total Taxes
General Excise Tax	2,993,284	46.13%
Individual Net Income	1,987,733	30.64%
Transient Accommodations Tax	202,970	3.13%
Public Service Companies	163,481	2.52%
Premiums of Insurance Companies	145,672	2.25%
Tobacco Tax	82,829	1.28%
Corporation Net Income	52,319	0.81%
Liquor Tax	50,281	0.77%
Franchise (Banks and Other Financial Corporations)	17,930	0.28%
Environmental Response Tax	14,833	0.23%
Inheritance	12,071	0.19%
Conveyance Tax	11,058	0.17%
Rental Motor Vehicle Surcharge Tax	1	0.00%
Total	5,734,462	88.38%

Note: Totals may not add due to rounding.

General Excise and Use Tax. The general excise tax is a tax imposed on businesses for the privilege of doing business in Hawaii, and is assessed at various percentage rates on the gross income businesses derive from activity in the State. Businesses also may need to pay the use tax on the value of tangible personal property, services, and contracting that are brought into Hawaii from anywhere outside Hawaii. The tax is based upon the purchase price or value of the tangible personal property, contracting, or services purchased or imported, whichever is applicable. The general excise tax rate varies depending on the business activity; it is 0.15% on insurance commissions, 0.5% on certain activities such as wholesaling, and 4% on most activities at the consumer level. For fiscal year 2015, the general excise tax comprised approximately 46% of all taxes (as reported by DAGS). Effective January 1, 2007, the general excise and use tax was amended to provide the City and County of Honolulu a surcharge for the purpose of funding a mass transit system, thereby increasing the general excise and use tax rate for transactions attributable to the county, the proceeds of which accrue to the county. The surcharge of ½ of 1% is imposed upon Oahu activities subject to the 4% General Excise and Use Taxes through 2022. Act 240, SLH 2015, provides that the City and County of Honolulu, by ordinance, may extend the surcharge through 2027. The State retains, as General Fund realizations, 10% of the county surcharge collected to reimburse the State for the costs of assessment, collection and disposition of the surcharge.

Income Taxes. Net taxable income (gross income less exclusions and deductions) for both individuals and corporations is subject to a State income tax. Although there are differences, Hawaii income tax law generally follows the federal Internal Revenue Code in computing the net taxable income. The individual income tax rates for married individuals, including qualifying surviving spouses, and unmarried individuals, including qualifying heads of households, range from 1.4% to 11.0% of net taxable income. New top rates of 9%, 10% and 11% were added by Act 60, SLH 2009. The new top rates are in effect for taxable years beginning after December 31, 2008 and are repealed on December 31, 2015, after which the top rate of the individual income tax reverts to its old rate of 8.25%. The income tax rates for estates and trusts range from 1.4% to 8.25%. Corporate income tax rates range from 4.4% to 6.4%. For fiscal year 2015, income taxes comprised approximately 31% of all taxes (as reported by DAGS).

Transient Accommodations Tax. The transient accommodations tax ("TAT") is levied on the furnishing of a room, apartment, suite or the like customarily occupied by the transient for less than 180 consecutive days for each letting by a hotel, apartment, motel, horizontal property regime or cooperative apartment, rooming house or other place in which lodgings are regularly furnished to transients for consideration, including the fair market rental value of time share vacation units. The TAT rate is 9.25%, except that time share vacation rentals are taxed at 7.25%. Act 93, SLH 2015, increases the TAT rates on time

share vacation rentals to 8.25% beginning January 1, 2016 and 9.25% beginning January 1, 2017. Act 121, SLH 2015, prioritized the distribution of TAT revenues to the following order, with the excess revenues to be deposited into the General Fund: 1) $1.5 million to the Turtle Bay conservation easement special fund beginning July 1, 2015, 2) $26.5 million to the convention center enterprise special fund, 3) $82.0 million to the tourism special fund and 4) $103.0 million for FY 2015 and FY 2016 and $93.0 million for each fiscal year thereafter to the counties. Act 117, SLH 2015, provides that $3 million shall be allocated to the special land and development fund, beginning July 1, 2016. For fiscal year 2015, the General Fund portion of the TAT comprised approximately 3% of all taxes (as reported by DAGS).

Other Taxes. The General Fund also receives revenues from several other taxes. The public service company tax is a tax on the gross income from the public utility business of public utilities in lieu of the general excise tax. The tax rate on the gross income of public service companies ranges from 1/2% (for sales for resale) to 8.2%. For a public utility, only the first 4% is a realization of the State, and any excess over 4% is distributed to counties that: (1) provide by ordinance for a real property tax exemption for real property used by the public utility in its public utility business and owned by the public utility, or leased by the public utility under a lease requiring the public utility to pay the taxes on the property, and (2) have not denied the exemption to the public utility. For a carrier of passengers by land between points on a scheduled route, the gross income is taxed at 5.35%, all of which is realized by the State. The estate tax is a tax on the transfer of a taxable estate and is based on the federal taxable estate, but has its own tax rate schedule, with tax rates varying from 10.0% to 15.7%. The generation skipping tax is also based on the federal taxable transfer, but has its own tax rate (currently 2.25%). The banks and financial corporations tax is a franchise tax (in lieu of net income and general excise taxes) on banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, or subsidiaries not subject to the taxes discussed above. The tax is assessed on net income for the preceding year from all sources at a rate of 7.92%. Insurance premiums tax is a tax on insurance companies (underwriters) based on premiums written in the State in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. Tax rates range between 0.8775% and 4.68% depending on the nature of the policy. There is also an excise tax on those who sell or use tobacco products and a gallonage tax imposed on those who sell or use liquor.

Non-tax Revenues. Other amounts deposited to the General Fund are derived from non-tax sources, including investment earnings, rents, fines, licenses and permits, grants, charges for administrative services and other sources. From fiscal years 2004 to 2008, fiscal year 2010 and fiscal years 2012 to 2015 non-tax revenues have averaged approximately 12% of General Fund revenues. In fiscal year 2009, however, non-tax revenues were approximately 16% of total General Fund revenues, primarily as a result of one-time revenue sources such as: (1) the transfer of $81 million from special funds that was authorized by Act 79, SLH 2009; and (2) the transfer of $104 million resulting from debt service savings and a delay in payments for retirement and health insurance premiums. In fiscal year 2011, non-tax revenues were again approximately 16% of total General Fund revenues, primarily as a result of one-time sources such as: (1) the transfer of $111 million from the Hurricane Reserve Trust Fund that was authorized by Act 62, SLH 2011, and (2) the transfer of $63 million from non-general funds that was authorized by Act 192, SLH 2010 and Act 124, SLH 2011.

Special Funds

Special Funds are used to account for revenues designated for particular purposes. Unlike the General Fund, Special Funds have legislative or other restrictions imposed upon their use. Special Funds are not a source of payment for the Bonds. Special Funds are used primarily and extensively with regard to highway construction and maintenance, harbor and airport operations, hospital operations, housing and homestead programs, certain programs in the area of public education and the University of Hawaii, business regulation, consumer protection, environmental management and tourism and other economic development. The types of revenues credited to the various Special Funds are user tax receipts (fuel taxes), revenues from public undertakings, improvements or systems (airports, harbors and university revenue producing undertakings, among others), and various business, occupation and non-business licenses, fees and permits.

The following table provides the special fund tax revenues for fiscal year 2015 as reported by DAGS. (Please note that the tax revenue numbers reported by DAGS may differ from the tax revenue numbers reported by the Department of Taxation because of accounting system reclassifications and collection timing issues.):

Special Fund Taxes

Description	FY 2015 ($ thousands)	% of Total Taxes
Unemployment Insurance Tax	240,458	3.71%
Transient Accommodations Tax	115,000	1.77%
Liquid Fuel – Highways	86,822	1.34%
State Motor Vehicle Weight Tax	76,092	1.17%
Rental Motor Vehicle Surcharge Tax	51,940	0.80%
State Vehicle Registration Fee	49,021	0.76%
Tobacco Tax	46,830	0.72%
Conveyance Tax	27,913	0.43%
Environmental Response Tax	8,652	0.13%
Liquid Fuel –Aviation	4,453	0.07%
Premiums of Insurance Companies	2,095	0.03%
Franchise (Banks and Other Financial Corporations)	2,000	0.03%
Liquid Fuel – Small Boats	1,627	0.03%
Employment and Training Fund Assessment	1,118	0.02%
Total	714,020	11.00%

Note: Totals may not add due to rounding.

Fuel taxes, motor vehicle taxes, rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge taxes and unemployment insurance taxes are deposited into Special Funds. In addition, portions of the tobacco taxes, transient accommodations taxes, environmental response, energy, and food security taxes, and conveyance taxes are deposited into Special Funds (and portions of these taxes are deposited into the General Fund). In fiscal year 2015, taxes deposited into Special Funds were approximately 11% of the total tax revenues of the State (as reported by DAGS). Distributors are required to pay taxes on aviation fuel, diesel oil, alternative fuels for operation of an internal combustion engine and on liquid fuels other than the foregoing, e.g., on gasoline used to operate motor vehicles upon the public highways. The State has a vehicle weight tax that varies from $0.0175 per pound to $0.0225 per pound, depending on the net weight of the vehicle; vehicles over ten thousand pounds net weight are taxed at a flat rate of $300.00. The unemployment insurance tax is a tax on wages paid by employing units with one or more employees with certain exemptions. The unemployment tax rate is determined according to a multi contribution schedule system. There is an additional employment and training fund assessment on taxable wages paid to an employee. The percentage rate for this additional tax is .01%. There is a rental motor vehicle surcharge tax on a rented or leased motor vehicle. The tax is levied on the lessor. There is also a tour vehicle surcharge tax for each tour vehicle in the over 25 passenger seat category and for each tour vehicle in the 8 to 25 passenger seat category. The tax is levied on the tour vehicle operator. Act 104, SLH 2011, raised the rental motor vehicle surcharge from $3.00 per day to $7.50 per day and deposited $4.50 to the General Fund, effective from July 1, 2011 to June 30, 2012. After June 30, 2012, the tax reverted to the previous rate of $3.00 per day. Act 226, SLH 2008, established a rental motor vehicle customer facility charge of $1.00 per day on motor vehicles rented from airport locations to pay for the development of airport rental car facilities. Act 204, SLH 2010, increased the rental motor vehicle customer facility charge to $4.50 per day in fiscal year 2011, but collection of the charge was suspended in fiscal year 2012 during the period when the rental motor vehicle surcharge was $7.50 per day. The rental motor vehicle customer facility charge has been restored to $4.50 per day effective July 1, 2012. Act 110, SLH 2014 established a car-sharing vehicle surcharge of 25 cents per half hour (up to a maximum of $3 per day) on motor vehicles rented by a car-sharing organization, effective January 1, 2015.

The tobacco tax currently assesses $0.16 for each cigarette or little cigar, 70% of the wholesale price of tobacco products, and 50% of the wholesale price of each large cigar. The environmental response, energy, and food security tax is currently set at $1.05 per barrel of petroleum product for the period from July 1, 2010. Act 185, SLH 2015, also imposed the environmental response, energy, and food security tax on fossil fuel. The tax is 19¢ on each 1,000,000 BTUs of fossil fuel, effective July 1, 2015. The conveyance tax is imposed on the amount paid in the sale, lease, sublease, assignment, transfer, or conveyance of realty or any interest therein. The tax rate ranges from $0.10 per $100 to $1.25 per $100, depending on the value of the property, the type of improvements on the property and whether the purchaser is eligible for a homeowner's exemption for the property.

Federal Grants

State departments, agencies, and institutions annually receive both competitive and formula-driven federal grants. Federal grants are not a source of payment for the Bonds. Over the past five years, approximately 52% of the federal grants were awarded to human resources programs in public health, vocational rehabilitation, income maintenance, services to the blind, and other social or health services. Approximately 27% of such federal grants were used to support programs in the public schools, community colleges, and the university system. Transportation and highway safety activities received about 8% of all federal grants, primarily for interstate highway construction. Employment programs, including unemployment compensation benefit payments, accounted for about 6% of such federal receipts. Other programs accounted for the balance of such receipts. In past years, federal funds generally accounted for approximately 15% to 18% of the total State budget for each year. With the receipt of federal stimulus funds in fiscal years 2010 to 2013, the portion of the State budget made up by federal funds increased to 23% in fiscal year 2010 and 20% in fiscal year 2011 and has been approximately 18% to 20% of the State budget since then. The federal budget sequestration has not had a material adverse effect on the amount or timing of federal grants to the State.

In July 2013, the Office of Federal Award Management ("OFAM") was established in the Department of Budget and Finance. The purpose of OFAM is to: (1) develop and implement a Federal Award Accountability System ("FAAS") to structure and document the State's federal award process and provide a consistent and uniform set of policies and procedures for State recipients of federal funds; (2) develop and implement policies and procedures to be able to produce quarterly financial reports on federal awards directly from the State's accounting system; (3) provide information on the use of federal funds by State entities on a public website; and (4) prepare for the implementation of a new State financial accounting and management system that will include a federal awards management system. The following table shows the amount of federal grants for the indicated fiscal years to the State's departments, agencies and institutions.

Fiscal Year Ended June 30	Grant Amount (in millions)
2006	$1,877.4
2007	2,009.8
2008	1,999.0
2009	2,294.2
2010	2,845.0*
2011	3,114.4*
2012	2,573.3*
2013	2,449.6*
2014	2,665.6*
2015	2,751.2*

*Includes $367.7 million in fiscal year 2010, $506.7 million in fiscal year 2011, $158.0 million in fiscal year 2012, $62.9 million in fiscal year 2013, $35.3 million in fiscal year 2014 and $15.4 million in fiscal year 2015 from federal stimulus funds (note: amounts for federal stimulus funds do not include the University of Hawaii).

Source: State of Hawaii—Department of Accounting and General Services' FAMIS report MBP455, Comparison of Receipts by Department (includes federal grants deposited to the General Fund and Special Funds).

Budget System; Legislative Procedure

Pursuant to Act 185, the Executive Budget Act of 1970, the Planning, Programming and Budgeting System of the State was adopted. The purpose of this act was to integrate the planning, programming and budgeting processes to improve decisions on the allocation of resources. The act established a comprehensive system for State programs and their related costs over a timeframe of six years. The operating and capital improvement requirements are evaluated together to insure compatibility and mutual support. Systematic evaluations and analyses are conducted to ascertain the attainment of program objectives and alternative means or methods of improving current State services.

The Legislature convenes annually in regular session on the third Wednesday in January. Regular sessions are limited to a period of 60 days, and special sessions are limited to a period of 30 days. Any session may be extended by no more than 15 days. At least 30 days before the Legislature convenes in regular session in an odd numbered year, the Governor submits to the Legislature the Governor's proposed State budget of the executive branch for the ensuing fiscal biennium. The budgets of the judicial branch, the legislative branch, and the Office of Hawaiian Affairs are submitted by their respective leaders to the Legislature for its consideration. In such regular session, no appropriation bill, except bills recommended by the Governor for immediate passage, or to cover the expenses of the Legislature, shall be passed on final reading until the bill authorizing the operating expenditures for the executive branch for the ensuing fiscal biennium, to be known as the general appropriations bill, has been transmitted to the Governor.

In each regular session in an even numbered year, the Governor may submit to the Legislature a bill to amend any appropriation for operating expenditures of the current fiscal biennium, to be known as the supplemental appropriations bill. In such session to which the Governor submits to the Legislature a supplemental appropriations bill, no other appropriations bill, except bills recommended by the Governor for immediate passage, or to cover the expenses of the Legislature, shall be passed on final reading until the supplemental appropriations bill has been transmitted to the Governor.

To become law, a bill must pass three readings in each house on separate days. Each bill passed by the Legislature shall be certified by the presiding officers and clerks of both houses and thereupon be presented to the Governor. If the Governor approves and signs the bill, it becomes law. If the Governor does not approve a bill, the Governor may return it, with the Governor's objections, to the Legislature. Except for items appropriated to be expended by the judicial and legislative branches, the Governor may veto any specific item or items in any bill that appropriates money for specific purposes by striking out or reducing the same; but the Governor shall veto other bills only as a whole.

The Governor has ten days to consider bills presented to the Governor ten or more days before the adjournment of the Legislature sine die, and if any such bill is neither signed nor returned by the Governor within that time, it becomes law in like manner as if the Governor had signed it.

The Governor has forty-five days, after the adjournment of the Legislature sine die, to consider bills presented to the Governor less than ten days before such adjournment, or presented after adjournment, and any such bill becomes law on the forty-fifth day unless the Governor by proclamation has given ten days' notice to the Legislature that the Governor plans to return such bill with the Governor's objections on that day. The Legislature may convene on or before the forty-fifth day in special session, without call, for the sole purpose of acting upon any such bill returned by the Governor. In case the Legislature fails to so convene, such bill shall not become law. Any such bill may be amended to meet the Governor's objections and, if so amended and passed, only one reading being required in each house for such passage, it must be presented again to the Governor, but becomes law only if the Governor signs it within ten days after presentation.

Emergency and Budget Reserve Fund; Tobacco Settlement; Hurricane Relief Fund

Emergency and Budget Reserve Fund. HRS Chapter 328L, relating to the Hawaii Tobacco Settlement Special Fund, which established a special fund for moneys received from the settlement between the State of Hawaii and various tobacco companies, also established the Emergency and Budget Reserve Fund ("EBRF"), a special fund for emergency and "rainy day" purposes. Deposits to the EBRF include appropriations made by the Legislature and a portion of the tobacco settlement moneys. In addition, Act 138, SLH 2010, provided that whenever State General Fund revenues for each of two successive fiscal years exceeds revenues for each of the preceding fiscal years by 5%, 5% of the State General Fund balance at the end of the fiscal year shall be deposited into the EBRF; however, no such transfer shall be made whenever the balance of EBRF is equal to or more than 10% of General Fund revenues for the preceding fiscal year. The State Constitution (Article VII, Section 6) also requires that the General Fund balance at the close of each of two successive fiscal years must exceed 5% of General Fund revenues for each of the two fiscal years before a deposit into an emergency fund is required. Thus far, no such deposits into the EBRF have been required. Pursuant to Act 138, SLH 2010, all interest earned from moneys in the EBRF is credited to the EBRF; previously, the interest had been credited to the General Fund. Appropriations from the EBRF require a two thirds majority vote of each house of the Legislature. The table below provides EBRF balances as of the end of each fiscal year from 2006 through 2015. See "General Fund" in this Appendix A.

Emergency and Budget Reserve Fund Balances
(Fiscal Years Ended June 30, 2006-2015)

Fiscal Year	$ (Millions)
2006	53.5
2007	61.5
2008	74.0
2009	60.4
2010	62.5
2011	9.7[(1)]
2012	24.2[(2)]
2013	24.2[(3)]
2014	83.2[(4)]
2015	90.2[(5)]

Source: Department of Accounting and General Services.

(1) In fiscal year 2011, the fund balance decreased because a total of $59.6 million was transferred out of the EBRF pursuant to Act 191, SLH 2010 (as amended by Act 25, SLH 2011) and Act 30, SLH 2011, to maintain levels of programs determined to be essential to education, public health and public welfare, and to cover a shortfall in public welfare programs.

(2) In fiscal year 2012, the fund balance increased because a total of $15.7 million of unspent funds was returned to the EBRF while $1.1 million was transferred out of the fund pursuant to Act 191, SLH 2010. Pursuant to Act 124, SLH 2011, no tobacco settlement moneys were deposited into the EBRF in fiscal year 2012.

(3) In fiscal year 2013, the fund balance did not change. Pursuant to Act 124, SLH 2011, no tobacco settlement moneys were deposited into the EBRF in fiscal year 2013.

(4) In fiscal year 2014, the fund balance increased because $50 million of general funds was appropriated to the EBRF by Act 267, SLH 2013, and $7.5 million was deposited into the EBRF from tobacco settlement moneys.

(5) In fiscal year 2015, the fund balance increased because $6.7 million from tobacco settlement moneys was deposited into the EBRF.

It is noted that Act 202, SLH 2015, appropriated $10 million in general funds for deposit into the EBRF in FY 2015 pursuant to Article VII, Section 6, of the Hawaii State Constitution, which requires the

legislature to provide a tax refund or tax credit to state taxpayers or make a deposit into a reserve fund when certain conditions are met. However, Act 202 was signed into law after the specified appropriation period. Consequently, the $10 million appropriation was deemed invalid and could not be deposited into the EBRF. To remedy the situation, legislation is expected to be introduced in the 2016 Legislature to re-appropriate the $10 million for deposit into the EBRF in FY 2016.

Tobacco Settlement. PricewaterhouseCoopers LLP, independent auditor for the Tobacco Master Settlement Agreement, in a September 1999 report, estimated that the State will receive annual proceeds from the tobacco settlement ranging from $48 million to $63 million a year for the next 25 years, for a total of $1.3 billion. Actual moneys received have been less than the maximum projected as shown below. The amount of future annual proceeds is not guaranteed and is subject to adjustment.

Of the tobacco settlement moneys received by the State each fiscal year, $350,000 is deposited in the Tobacco Enforcement Special Fund and a special fund assessment is deducted. In fiscal year 2015, the balance was distributed as follows: 15% to the EBRF, 25% to the Department of Health, 6.5% to the Hawaii tobacco prevention and control trust fund, 26% to the University of Hawaii, and 27.5% to the State General Fund. Pursuant to Act 118, SLH 2015, distribution of the balance in fiscal year 2016 is: 15% to the EBRF, 12.5% to the Hawaii tobacco prevention and control trust fund, 26% to the University of Hawaii, and 46.5% to the State General Fund. Act 118 also appropriated general funds in FY 2016 to various health and human services programs formerly supported by tobacco settlement funds.

The following table shows annual proceeds from the tobacco settlement for fiscal years 2006 through 2015.

Tobacco Settlement Proceeds
(Fiscal Years Ended June 30, 2006-2015)

Fiscal Year	$ (Millions)
2006	34.9
2007	36.6
2008	56.1
2009	60.0
2010	50.9
2011	47.7
2012	48.2
2013	48.6
2014	52.7
2015	47.2

Source: Department of Health.

Hawaii Hurricane Relief Fund. The Hawaii Hurricane Relief Fund ("HHRF") was established pursuant to Act 339, SLH 1993, (codified as Chapter 431P, HRS) to provide hurricane insurance coverage for Hawaii property owners should the private market prove unreliable. It was created to address the problem of private insurers leaving the hurricane insurance market following Hurricane Iniki in September 1992. As of January 1, 1999, the HHRF provided hurricane coverage for approximately 155,000 policyholders statewide. The HHRF ceased operations in 2002 when private insurers returned fully to the market. No policies have been issued since that time.

The HHRF's operations are funded by policyholder premiums, assessments on licensed Hawaii property and casualty insurers, a special mortgage recording fee, and a surcharge on premiums on policies issued by licensed property and casualty insurers (as necessary). As a component of the HHRF funding, the Director of Finance was authorized to issue revenue bonds and reimbursable general obligation bonds to assist

the HHRF in carrying out its plan of operation. However, no revenue or reimbursable general obligation bonds were issued.

Upon ceasing operations, the HHRF's reserves, amounting to $186.7 million, were kept in the HHRF to provide working capital if reactivation of operations becomes necessary. Reactivation may be needed if a major hurricane were to strike the Hawaiian Islands in the future, and private insurers, after settling claims for that event, were to leave the hurricane insurance market again.

Section 431P 16(i), HRS, provides that upon dissolution of the HHRF, net moneys in the HHRF, after payments to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks are completed, revert to the General Fund. Act 179, SLH 2002, designated that interest earned from the principal of moneys in the HHRF shall be deposited into the General Fund each year that the HHRF remains in existence.

Although not formally established as a budget reserve, the HHRF has been used as a de facto budget reserve. Appropriations from the HHRF require a majority vote by the Legislature. Act 143, SLH 2010, appropriated $67.0 million from the HHRF (of which $12.4 million was not required and was subsequently returned to the HHRF) to restore public school instructional days for school year 2010-11 that were reduced as part of a cost cutting, collective bargaining agreement that furloughed public school teachers for 21 days of which 17 were instructional days. Act 62, SLH 2011, authorized the Governor to transfer in two steps the remaining balance of the HHRF to the General Fund (at that point $120.3 million) in fiscal year 2011 to maintain program levels determined to be essential for education, public health, and public welfare. In total, $111.0 million was transferred pursuant to Act 62. Act 62 also provided a statutory mechanism to repay the HHRF in fiscal years 2014 (50 percent) and 2015 (50 percent) through designation of general excise tax revenues to be deposited into the HHRF. Act 266, SLH 2013, further accelerated the recapitalization of the HHRF by appropriating $50 million of general funds in fiscal year 2014 to the HHRF. The total amount that was deposited to the HHRF in fiscal year 2014 was $105.5 million and, as a result, the balance of the HHRF as of June 30, 2014 was $126.6 million. For fiscal year 2015, the required $55.5 million deposit from general excise taxes was completed in two increments: $25 million on September 24, 2014 and $30.5 million on September 26, 2014. As a result, the HHRF balance at the end of the fiscal year was $182.4 million.

The following table provides HHRF balances as of the end of each fiscal year from 2006 through 2015:

Hawaii Hurricane Relief Fund Balances
(Fiscal Years Ended June 30, 2006-2015)

Fiscal Year	$ (Millions)
2006	180.2
2007	181.7
2008	184.5
2009	188.0
2010	188.2
2011	21.1
2012	21.1
2013	20.8
2014	126.6
2015	182.4

Expenditure Control

Expenditure Ceiling. The State Constitution provides that, notwithstanding any other provision to the contrary, the Legislature shall establish a General Fund expenditure ceiling which shall limit the rate of growth

of General Fund appropriations, excluding federal funds received by the General Fund, to the estimated rate of growth of the State's economy as provided by law and that no appropriations in excess of such ceiling shall be authorized during any legislative session unless the Legislature shall, by a two-thirds vote of the members to which each house of the Legislature is entitled, set forth the dollar amount and the rate by which the ceiling will be exceeded and the reasons therefor. Pursuant to such Constitutional provision, Part V of Chapter 37, HRS, provides, in general, that appropriations from the General Fund for each year of the biennium or each supplementary budget fiscal year shall not exceed the expenditure ceiling for that fiscal year. The expenditure ceiling is determined by adjusting the immediate prior fiscal year expenditure ceiling by the applicable "state growth." State growth means the estimated growth of the State's economy and is established by averaging the annual percentage change in total State personal income for the three calendar years immediately preceding the fiscal year for which appropriations from the General Fund are to be made. The Governor is required to submit to the Legislature a plan of proposed aggregate appropriations for the State which includes the executive budget, proposed grants to private entities, any specific appropriation measures to be proposed by the executive branch and estimates of the aggregate proposed appropriations of the judicial and legislative branches of government. In any year in which this plan of proposed General Fund appropriations exceeds the estimated expenditure ceiling, the Governor must declare the dollar amount, the rate by which the expenditure ceiling would be exceeded and the reasons for proposing appropriations in excess of the ceiling amount. Appropriations for recent fiscal years, except fiscal year 2007, have not exceeded the expenditure ceiling and projected appropriations for fiscal year 2016 are also not expected to exceed the expenditure ceiling.

The State Constitution provides that no public money shall be expended except as appropriated by law. It also requires that provision for the control of the rate of expenditures of appropriated State moneys, and for the reduction of such expenditures under prescribed conditions, shall be made by law and that General Fund expenditures for any fiscal year shall not exceed the State's current General Fund revenues and unencumbered cash balances, except when the Governor publicly declares the public health, safety or welfare is threatened, as provided by law.

Operating Expenditures. Maximum limits for operating expenditures are established for each fiscal year by legislative appropriations. Pursuant to Part II, Chapter 37, HRS, moneys can be withheld by the Governor or the Director of Finance to ensure the solvency of each fund. Expenditure plans consisting of quarterly requirements of all State programs are prepared at the beginning of each fiscal year by the respective departments of the Executive Branch of State government. After the expenditure plans are evaluated, allotments are made to each department as prescribed by Chapter 37, HRS. The Director of Finance and the Governor may modify or withhold planned expenditures if such expenditures would be in excess of authorized levels of service or in the event that State receipts and surpluses would be insufficient to meet authorized expenditure levels. Allotment transfers between different appropriation items within individual departments can be made after approval is obtained from the Governor, or if delegated, the Director of Finance. Unencumbered allotment balances at the end of each quarter shall revert to the related appropriation account, except for the Department of Education and the UH. Requests to amend allotments must be approved by the Director of Finance. If federal funds allocable to a particular item are greater than had been estimated, general funds are reduced proportionately as allowable, except for the Department of Education. Although the State has a biennial budget, appropriations are made for individual fiscal years and may not be expended interchangeably, except for 5% of appropriations to the Department of Education, which by statutory authority may be retained up to one year into the next fiscal biennium. The Office of the Governor approves consultant contracts above $100,000 as to justification and need. Department heads have been delegated authority to review and approve certain consultant contracts such as medical services. In order to realize savings from bulk acquisition, central purchasing is used for certain office and medical supplies, equipment, and motor vehicles. The Department of Accounting and General Services performs pre-audits on each financial transaction of $10,000 or more before any payment can be made, except for the UH and the Department of Education, which have statutory authority to pre-audit their own payments. Financial audits of individual programs and organizations are conducted on a periodic basis by the Department of Accounting and General Services. Internal audits are done on a continuous basis by each department. Management audits are accomplished on

an as needed basis by the Department of Budget and Finance. In addition, the State Auditor performs financial and management audits on a selective basis.

Capital Improvement Expenditures. Annual capital improvement implementation plans are also prepared to control and monitor allotments and expenditures. Prior to the initiation of a project, it is reviewed for compliance with legislative intent and other economic considerations, and as to its justification. The Governor must approve the release of funds before any action can be taken. Competitive bidding is enforced to ensure that the lowest possible costs are obtained. Change orders during construction must be substantiated and approved by the expending agency. The need for additional capital improvement funds for each project must be approved by the Governor and must be funded from available balances of other capital improvement project appropriations. An assessment of the quality of construction material being used is performed on a continuous basis. Individual guarantees and warranties are inventoried and monitored as to the adequacy of stipulated performances. Additional reviews and assessments are conducted to identify and resolve any environmental concerns and to preserve historical and archaeological sites, and coastal areas.

State Educational Facilities Improvement Special Fund

The State has established a State Educational Facilities Improvement Special Fund ("SEFISF"). The amounts in the SEFISF are to be used solely for capital improvements and facilities under the jurisdiction of the State Department of Education, except public libraries. The fund provides a consistent source of funding for these projects and is capitalized by annual appropriations of at least $45 million in general obligation bonds or by annual transfers of at least $45 million from the General Excise Tax if no general obligation bond appropriations are authorized. Over the years, capital improvement projects for public school facilities have generally been funded by moneys in the SEFISF that are subsequently fully capitalized through the issuance of general obligation bonds. In light of this arrangement, Act 157, SLH 2013, limits expenditures from the SEFISF to projects authorized prior to July 1, 2016 and repeals the SEFISF as of July 1, 2023, to allow the Department of Education's capital improvement projects to be funded directly with general obligation bonds.

Act 134, SLH 2013 as amended by Act 122, SLH 2014, appropriated $53.0 million for fiscal year 2014 and $353.0 million for fiscal year 2015 of general obligation bond funds to be transferred to the SEFISF. Act 119, SLH 2015, appropriated $38.1 million for fiscal year 2016 of general obligation bond funds to be transferred to the SEFISF.

EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM

Employee Relations

Article XIII of the State Constitution grants public employees the right to organize for the purpose of collective bargaining as provided by law. HRS Chapter 89 provides for 14 recognized bargaining units for all public employees throughout the State including State and county employees. Each bargaining unit designates an employee organization as the exclusive representative of all employees of such unit, which organization negotiates with the public employer. In the case of bargaining units for nonsupervisory blue collar positions, supervisory blue collar positions, nonsupervisory white collar positions, supervisory white collar positions, registered professional nurses, institutional health and correctional workers and professional and scientific employees, the Governor of the State shall have six votes, and the mayors of each of the counties, the Chief Justice of the State Judiciary and the Hawaii Health Systems Corporation Board shall each have one vote. In the case of bargaining units for police officers and fire fighters, the Governor shall have four votes and the mayors shall each have one vote. In the case of bargaining units for teachers and educational officers, the Governor shall have three votes, the State Board of Education shall have two votes and the state superintendent of education shall have one vote. In the case of bargaining units for University of Hawaii ("UH") faculty and UH administrative, professional and technical staff, the Governor shall have three votes, the UH Board of Regents shall have two votes and the UH president shall have one vote. Decisions by the employer

representatives shall be on the basis of simple majority, except when a bargaining unit includes county employees from more than one county. In such case, the simple majority shall include at least one county.

Act 137, Session Laws of Hawaii 2013, authorized a fourteenth bargaining unit to represent State law enforcement officers and State and county ocean safety and water safety officers. These employees were formerly members of bargaining units 3 and 4. The employee voting structure, impasse procedures, and exclusive representative of these employees are the same as for bargaining units 3 and 4. Although the bargaining unit has been formed, these employees will continue to follow the provisions of the contracts for bargaining units 3 and 4 until an agreement is reached. Negotiations are ongoing for the initial contract. An arbitration hearing is scheduled for November 2015.

By statute, if an impasse in any negotiation is declared, the parties may attempt to resolve the impasse through mediation, fact finding, and, if mutually agreeable to the parties, final and binding arbitration. Although the statute characterizes arbitration as "final and binding," it also provides that all cost items are subject to appropriations by the appropriate legislative bodies. If final and binding arbitration is not agreed upon, either party may take other lawful action to end the dispute, which, in the case of blue collar workers, public school teachers and university professors, could include an employee strike. In the case of the remaining ten bargaining units, including fire fighters and police officers, a strike is prohibited by law, and negotiation impasses are subject to mandatory final and binding arbitration, subject to appropriation of cost items, as described above. Certain employees are not party to a formal labor contract, including elected and appointed officials and certain contractual hires.

The status of negotiations and awards for wages and health benefits for the period from July 1, 2015 to June 30, 2017 is as follows:

Unit 1 (blue collar workers) ratified a new agreement on April 26, 2013 for the period July 2013 through June 2017. The agreement provides for 2% across-the-board increases in October and April in each of the four years of the contract.

Units 2 (blue collar supervisors) ratified a new agreement in April 2015 for the period July 2015 through June 2017, providing 2% across-the-board increases in October and April of each year as well as other adjustments to the salary schedule.

Units 3 (white collar workers) and 4 (white collar supervisors), ratified a new agreement in April 2015 for the period July 2015 through June 2017, providing catch up step movements on July 1, 2015 ($1,500 lump sum for those not eligible for a step movement), a 1.6% across-the-board increase on July 1, 2016, a lump sum payment of $1,200 in the second year of the agreement, and continuation of the step movement plan throughout the contract.

Unit 5 (teachers) ratified a new agreement on April 17, 2013 for the period July 1, 2013 through June 30, 2017. The contract provides for step movements in the first and third years of the contract ($1,500 lump sum for teachers on the top step) and 3.2% across-the-board increases in the second and fourth years. The contract also provided for the parties to meet and bargain not less than ninety days before the 2015 legislative session on whether salaries and other compensation should be increased. As a result, the parties agreed to an additional $2,000 lump sum payment to be paid to each teacher in October of 2015 and an additional 1.8% across-the-board increase at the end of the contract.

Unit 6 (educational officers) had an arbitration award issued on April 17, 2014 for the period July 1, 2013 through June 30, 2017. The award provides for 4.5% across-the-board increases in July of each year of the contract. The award institutes a new ninety day cap on leave for principals and provides for payout of the resulting excess balances.

Unit 7 (University of Hawaii Professional Assembly ("UHPA")) ratified a new agreement on August 25, 2014 for the period July 2015 through June 2017. The agreement provides for 4% across-the-board increases in each year of the agreement and adjustments to the minimum salaries.

Unit 8 (University of Hawaii administrative, professional and technical staff) is subject to mandatory binding arbitration. An arbitration hearing was held July 7 – 11, 2015. The arbitration panel is expected to issue a decision in October 2015.

Unit 9 ratified a new agreement in April 2015, for the period July 1, 2015 through June 30, 2017. The agreement provides for 4% across-the-board increases in each year of the agreement and continuation of the step movement plan.

Unit 10 (institutional health and correctional workers) ratified a new agreement on September 25, 2013 for the period July 2013 through June 2017. The agreement provides for a step movement and 4% lump sum payments for those on the top of the salary schedule in each year of the contract and across-the-board increases of 0.3% in fiscal year 2014, 0.5% in fiscal year 2015, 0.5% in fiscal year 2016 and 1.0% in fiscal year 2017.

Unit 11 (firefighters) had an arbitration award issued on November 15, 2013 for the period July 1, 2011 through June 30, 2017. The award provides for the addition of a new step L5 for twenty-five years of service and a catch-up on the step movement plan on January 1, 2014 with continuation of the step movement plan throughout the remainder of the contract. The award also provides for 2% across-the-board increases in July and January of years three through five of the contract and a final 5% across-the-board increase in July 2016. Other significant terms in the contract included a new provision for rank-for-rank recall pay.

Unit 13 (professional and scientific employees) ratified a new agreement on October 4, 2013 for the period July 2013 through June 2017. The agreement provides for a 4% across-the-board increase in July 2013 and catch-up step movements beginning in July of 2014. The last two years of the agreement provide for 3.5% across-the-board increases in January of each year and continuation of the step movement plan.

State Employees' Health Benefits

The State has recently enacted measures to reduce significantly the State's actuarial accrued liability for unfunded Other Post Employment Benefit ("OPEB"). As described below, the State is taking measures to prefund OPEB liabilities.

Act 88, SLH 2001, Relating to Public Employees Health Benefits (partially codified as HRS Chapter 87A), established the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund"). The Trust Fund provides health and other benefit plans for public employees, retirees and their dependents. The employers participating in the Trust Fund include the State and each of the counties. Public employer contributions to the Trust Fund for the health and other benefit plans of public employees and their dependents are determined under HRS Chapter 89C, or by way of applicable public sector collective bargaining agreements. Except for reimbursement of medical insurance coverage under Medicare, public employer contributions to fund the health and other benefit plans of retirees are not to exceed certain monthly contribution levels specified in HRS Chapter 87A.

Act 245, SLH 2005 (partially codified as HRS Chapter 87D), temporarily authorized employee organizations to establish voluntary employees beneficiary association ("VEBA") trusts to provide health benefits to state and county employees in their bargaining units outside of the Trust Fund. Each VEBA trust was to provide health benefits to State and county employees who retired after establishment of the VEBA trust ("future retirees") and was to give State and county employees who were members of applicable

bargaining units and who retired before establishment of the VEBA trust ("existing retirees") a one-time option to transfer from the Trust Fund to the VEBA trust. The State and county employers' monthly contributions to each VEBA trust for active employees and future retirees were to be established by collective bargaining. Monthly contributions to each VEBA trust for existing retirees were to be equal to the contributions paid on behalf of similarly situated retirees under the Trust Fund. The stated purpose of Act 245 was to allow the temporary establishment of a VEBA trust pilot program so as to enable a thorough analysis of the costs and benefits of VEBA trusts against the Trust Fund to determine what actual savings could be realized by the State through the VEBA trust mechanism. The Hawaii State Teachers Association ("HSTA") implemented a VEBA trust for its active employees on March 1, 2006 and for retirees on January 1, 2007. Act 245 was amended by Act 294, SLH 2007 to extend the repeal date to July 1, 2009 for any VEBA implemented in March 2006. Act 5, First Special Session 2008, amended Act 245, SLH 2005, to extend the sunset date to July 1, 2010. Act 106, SLH 2010, amended Act 245, SLH 2005, to provide a final extension of the sunset date to December 31, 2010, to allow for a smoother transition from the HSTA VEBA trust to the Trust Fund. In September 2010, two participants in the HSTA VEBA trust and the trustees of the HSTA VEBA trust ("plaintiffs") filed a purported class action lawsuit seeking, in part, to enjoin the transition from the HSTA VEBA trust to the Trust Fund. See Gail Kono, et al. v. Neil Abercrombie, et al, Civil No. 10 1 1966 09, First Circuit Court, State of Hawaii. On December 7, 2010, the First Circuit Court ("circuit court") denied the plaintiffs' motion for a temporary injunction to enjoin the transition of active employees and retirees from the HSTA VEBA trust to the Trust Fund. However, the circuit court ruled that the Trust Fund was required to provide the active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund with the same standard of coverage benefits that they had in their HSTA VEBA trust health benefits plans. The circuit court also ruled that approximately $3.96 million in surplus funds that the HSTA VEBA trust returned to the State's General Fund should be paid by the State to the Trust Fund and used to ensure that active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund can maintain their same standard of coverage benefits as ordered by the circuit court. Based on these rulings, the active employees and retirees in the HSTA VEBA trust were transitioned to the Trust Fund, effective January 1, 2011. A final judgment was entered on the circuit court's rulings and both the State and plaintiffs filed appeals. On April 24, 2013, the Intermediate Court of Appeals (the "ICA") issued a memorandum opinion vacating the final judgment and several related orders. The ICA said the circuit court lacked authority to render the final judgment in the absence of an appropriate pending motion from either party. When the final judgment was entered, the ICA said there was no pending dispositive motion on which the circuit court could terminate the litigation. The ICA remanded the case to the circuit court for further proceedings. The ICA left standing the order that requires the Trust Fund to provide active employees and retirees who transitioned from the HSTA VEBA trust to the Trust Fund with the same standard of coverage benefits that they had in their former HSTA VEBA trust health benefits plans and that required the State to pay the surplus funds returned by the HSTA VEBA trust to the Trust Fund. The State intends to continue to vigorously defend against Plaintiffs' claim in this lawsuit. The outcome of this lawsuit cannot be determined and no amount has been recorded in the financial statements as of or for the years ended June 30, 2013, 2014 and 2015.

Other Post Employment Benefits

The Government Accounting Standards Board ("GASB") has issued Statements No. 43 ("GASB 43"), Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans (i.e., "OPEBs"), and No. 45 ("GASB 45"), Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. GASB 43 was implemented by the Trust Fund for fiscal year ending June 30, 2007 and GASB 45 was implemented by the employers for fiscal year ending June 30, 2008 and for the County of Kauai for fiscal year ending June 30, 2009. On July 9, 2012, Act 304, SLH 2012 was signed into law and provided for the establishment of "a separate trust fund for the purpose of receiving employer contributions that will prefund other post-employment health and other benefit plan costs for retirees and their beneficiaries." Effective June 30, 2013, the Board approved the Plan and Trust Agreement for Hawaii Employer-Union Health Benefits Trust Fund for Other Post-Employment Benefits ("OPEB Trust") establishing the irrevocable trust whose assets are legally protected from creditors and can only be used for the benefit of participants' other post-employment benefits. The OPEB Trust is set up as an agent multiple-employer plan. Funds are pooled

together but employer contributions; related investment income, investment expenses and gains/losses; and distributions are recorded separately by employer.

The State has received the Hawaii Employer-Union Health Benefits Trust Fund ("EUTF") July 1, 2013 Actuarial Valuation Study (the "Trust Fund Report") of the Trust Fund's OPEB liabilities. The Trust Fund Report was prepared by the State's professional actuarial advisors, Gabriel Roeder Smith & Company. The Trust Fund Report quantifies the Actuarial Accrued Liabilities ("AAL") of the respective employers under GASB 45 and develops Annual Required Contributions ("ARC") as the basis for determining the amounts that the respective employers will report under GASB 45, effective for the fiscal year beginning July 1, 2014.

The Trust Fund Report provides, based on stated actuarial assumptions, costs with prefunding of the ARC and a discount rate of 7%. The Trust Fund Report states that the State's AAL as of July 1, 2013 is $8,529.5 million. The corresponding ARC for the fiscal years ending June 30, 2015 and 2016 are $717.7 million and $742.8 million, respectively, of which 75% is an expense of the General Fund and 25% is to be paid from non-general funds of the State. The Trust Fund Report estimates the "pay as you go" funding amount for fiscal years ending June 30, 2015 and 2016 are $302.7 million and $333.8 million, respectively. The Trust Fund Report is updated every two years and the report dated as of July 1, 2015 is expected to be available in December 2015.

In the past, the State funded its OPEB costs on a "pay as you go" basis; however, the State began the process of pre-funding its OPEB costs with contributions in the amount of $100 million for fiscal year ending June 30, 2014. The State has met its pre-funding OPEB contribution in accordance with Act 268, SLH 2013 for the fiscal years ending June 30, 2015 and 2016 with actual contributions of $117.4 million (versus the $83.0 million Act 268, SLH 2013 required contribution) and $163.6 million (which equals the Act 268, SLH 2013 required contribution), respectively. The fiscal year ending June 30, 2016 contribution was made in July 2015. The market value of the State's OPEB assets amounted to $388 million as of July 31, 2015.

In addition, the State commenced its analysis of the alternatives available to it in the light of the GASB 43 and 45 standards and the information contained in the Trust Fund Report. Act 268, SLH 2013, establishes a task force to examine the unfunded liability of the EUTF, requires the EUTF to establish a separate trust fund for public employer contributions with separate accounts for each public employer (which was accomplished as described above) and requires the annual public employer contribution to be equal to the amount determined by an actuary commencing with the fiscal year 2018-2019. There is a schedule to phase in the annual required contribution as follows:

Hawaii EUTF Contributions

FY 2014 – FY 2019

Fiscal Year	ARC	Benefit Payment*	UAAL Prefunding Balance	Act 268 Prefunding Requirement %	Act 268 Prefunding Requirement $	Actual/ Appropriations
2014	$692,622,000	$281,584,000	$411,038,000	N/A	N/A	$100,000,000
2015	717,689,000	302,738,000	414,951,000	20%	$ 82,990,000	117,400,000
2016	742,808,000	333,770,000	409,038,000	40%	163,615,000	163,615,000
2017*	776,908,000	367,221,000	409,687,000	60%	245,812,000	245,812,000
2018*	802,472,000	403,399,000	399,073,000	80%	319,258,000	--
2019*	854,250,000	441,520,000	412,730,000	100%	412,730,000	--

*Gabriel Roeder Smith & Company projections

If the State public employer contributions into the fund are less than the amount of the annual required contribution commencing with the fiscal year 2018-2019, general excise tax revenues will be used to supplement State public employer contribution amounts. If the county public employer contributions into the fund are less than the amount of the annual required contribution commencing with the fiscal year 2018-2019, transient accommodations tax revenues apportioned to the counties will be used to supplement county public employer contribution amounts. The State intends to accelerate the timetable for prefunding by making additional contributions in fiscal year 2017 and fiscal year 2018 to reach the 100% contribution level in fiscal year 2017 rather than in fiscal year 2019.

This statute also requires the Director of Finance to report to the Legislature on an implementation plan to have both the EUTF and the ERS jointly sharing investment information and services for the benefit of the Trust Fund. A report was prepared dated September 2014 which concludes that joint investment services face hurdles due to tax law and fiduciary responsibility conflicts.

State Employees' Retirement System

This section contains certain information relating to the Employees' Retirement System of the State of Hawaii (the "System" or "ERS"). The information contained in this section is primarily derived from information produced by the System, its independent accountant and its actuary. The State has not independently verified the information provided by the System, its independent accountant and its actuary, and makes no representations nor expresses any opinion as to the accuracy of such information. The comprehensive annual financial report of the System and most recent valuation report of the System may be obtained by contacting the System. The comprehensive annual financial reports of the System are also available on the State's website at http://portal.ehawaii.gov/, and other information about the System are available on the System's website at http://ers.ehawaii.gov/. Such documents and other information are not incorporated herein by reference.

The System uses a variety of assumptions to calculate the actuarial accrued liability, actuarial value of assets and other actuarial calculations and valuations of the System. No assurance can be given that any of the assumptions underlying such calculations and valuations (including, but not limited to, the current actuarial assumptions adopted by the System's Board of Trustees, the System's benefit structure or the actuarial method used by the System) will reflect the actual results experienced by the System. Variances between the

assumptions and actual results may cause an increase or decrease in, among other things, the System's actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability or funded ratio. Actuarial assessments are "forward-looking" information that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions (including, but not limited to, the current actuarial assumptions, benefit structure or actuarial method used by the System), one or more or which may prove to be inaccurate or be changed in the future. Actuarial assessments will change with the future experience of the pension plans. See "—General Information" and "—Actuarial Valuation" herein for more information on the actuarial assumptions used by the System.

Much of the disclosure set forth in this "State Employees' Retirement System" section is based on the Report to the Board of Trustees on the 89th Annual Actuarial Valuation for the Year Ended June 30, 2014 (the "2014 Valuation Report"), which is the most recent valuation report of the System. The information presented in the 2014 Valuation Report was based on actuarial assumptions adopted by the System's Board of Trustees in January 2011. As described more fully under "—General Information" below, a revised benefit structure for new members was enacted through statute. In addition, future employer contribution rates were enacted through statute. This is the second valuation with new members under the new tier of benefits and member contribution rates. However, the liability for this group of employees represents just a small fraction of the total liabilities of the system. Included in the 2014 Valuation Report are projections showing the long-term impact of both the increased employer contributions and the change in benefits for employees first hired after June 30, 2012. In June 2012, the Governmental Accounting Standards Board ("GASB") voted to approve two new statements relating to the accounting and financial reporting for public employee pension plans by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), is effective for reporting periods beginning after June 15, 2013. GASB 67 requires enhanced pension disclosures in notes and required supplementary information for financial reports of pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), is effective for fiscal years beginning after June 15, 2014. GASB 68 will require governments providing defined benefit pension plans to recognize pension obligations as balance sheet liabilities (as opposed to footnote disclosures), require more immediate recognition of certain changes in liabilities, require use of the entry age normal actuarial cost method (currently employed by the System) for reporting purposes, and limit the smoothing of differences between actual and expected investment returns on pension assets. In certain cases, a lower discount rate will be required for valuing pension liabilities. In addition, employers participating in cost-sharing, multiple employer defined benefit plans will be required to report their proportionate shares of the collective net pension liability and expense for such plans.

The State expects to implement GASB 68 beginning with the fiscal year ending June 30, 2015. Like most public employers, the State will be required to reflect pension liabilities directly on its Statement of Net Position, which is expected to result in a reduction in the State's reported net assets. The amount of the ERS net pension liability allocated to the State is $5.8 billion or 72% (of the $8.0 billion net pension liability for all participating employers).

General Information

The System began operation on January 1, 1926. The System is a cost sharing, multiple employer defined benefit pension plan. The actuarial information presented herein is provided for all employers of the System in total. The System's plan year runs from July 1 of each year through the following June 30. The System covers all regular employees of the State and each of its counties, including judges and elected officials. As it is a cost sharing plan, the System does not allocate its liabilities among participating employers. However, based on the new GASB 68 financial reporting requirements for employers, the State estimates that its share of the System, based on employer contributions, is approximately 72%, with the remaining 28% share as the responsibility of the four counties. Although the State's employer contributions are recorded as expenses of the General Fund, approximately 29.0% are reimbursed from various non-general funds of the State.

The statutory provisions of HRS Chapter 88 govern the operation of the System. Responsibility for the general administration of the System is vested in a Board of Trustees, with certain areas of administrative control being vested in the Department of Budget and Finance. The Board of Trustees consists of eight members: the Director of Finance of the State, ex officio; four members of the System (two general employees, one teacher, and one retiree) who are elected by the members and retirees of the System; and three citizens of the State (one of whom shall be an officer of a bank authorized to do business in the State, or a person of similar experience) who are appointed by the Governor and may not be employees of the State or any county. All contributions, benefits and eligibility requirements are established by statute, under HRS Chapter 88, and may only be amended by legislative action.

Prior to 1984, the System consisted of only a contributory plan. Legislation enacted in 1984 created a noncontributory retirement plan for certain members of the System who are also covered under Social Security. The noncontributory plan provides for reduced benefits and covers most employees hired after June 30, 1984 and employees hired before that date who elected to join the plan. Police officers, firefighters, other enforcement officials, certain elected and appointed officials and other employees not covered by Social Security are excluded from the noncontributory plan. The minimum service required for retirement eligibility is five years of credited service under the contributory plan and ten years of credited service under the noncontributory plan. Both the contributory and noncontributory plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (the "AFC"). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971 or the three highest paid years of service, excluding the vacation payment (whichever is higher). The AFC for members hired after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new defined benefit contributory plan (the "Hybrid Plan") was established pursuant to Act 179, SLH 2004. Members in the Hybrid Plan are eligible for retirement with full benefits at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the Hybrid Plan. Most new employees hired from July 1, 2006 were required to join the Hybrid Plan.

In December 2010, the System's actuary completed an Actuarial Experience Study for the five-year period ended June 30, 2010 (the "2010 Experience Study"). In fiscal year 2011, based in part on the results of the Experience Study, the Legislature acted to limit the growth of the State's pension liabilities by passing Act 163, SLH 2011. This Act, effective July 1, 2012, enacts certain changes to the funding of the System and the benefit structure for new members in all plans. Funding changes include increasing the statutorily required employer contribution rates (see "—Funding Status" below). Benefit changes for new members include increasing the age and service requirements for retirement eligibility, reducing the retirement benefit multiplier and reducing the interest rate credited to employee contributions to 2%. The change in the interest rate credited to employee contributions to 2% is for new members in the Hybrid Plan and Contributory Plan hired on or after July 1, 2011. All other benefit changes are effective for new members hired on or after July 1, 2012. Act 163, SLH 2011, also reduced the investment yield rate assumption for fiscal year 2011 from 8% to 7.75% and gave authority to the Board of Trustees to adopt all assumptions to be used for actuarial valuations of the System, including the assumed investment yield rate for subsequent fiscal years. To better reflect the recent actual experience of the System, the Board of Trustees adopted the assumption recommendations set forth in the 2010 Experience Study, including continuing the investment yield rate assumption of 7.75%. During its September 23, 2014 meeting, the Board of Trustees reviewed actuarial scenarios based on the System's short and long-term investment return risk and approved a three year plan for the phased-in reduction of the investment yield rate from 7.75% to 7.50% beginning with the June 30, 2015 valuation of the System, as follows: 7.65% for the June 30, 2015 valuation, 7.55% for the June 30, 2016 valuation and 7.50% for the June 30, 2017 valuation, respectively. The Legislature also enacted Act 152 and 153, SLH 2012, effective June 30, 2012 and July 1, 2012, respectively, to define compensation for retirement purposes as normal periodic payments excluding overtime, supplemental payments, bonuses and other differentials, and to assess employers annually for all retiree pension costs attributable to non-base pay during the last years of retirement.

In fiscal year 2011, the Legislature acted to improve and protect the System's funded status by placing a moratorium on the enhancement of benefits. Act 29, SLH 2011, provides that there shall be no benefit enhancement for any group of members until the actuarial value of the System's assets is 100 percent of the System's actuarial accrued liability.

The demographic data for each annual June 30 valuation is collected as of the March 31st preceding the valuation date. As of March 31, 2014, the contributory plan covered 6,281 active employees or 9.3% of all active members of the System, the noncontributory plan covered approximately 17,061 active employees or 25.4%, and the Hybrid Plan covered 43,864 active members or 65.3%. The Hybrid Plan membership will continue to increase in the future as most new employees hired from July 1, 2006 will be required to join this plan.

As of March 31, 2014, the System's membership comprised approximately 67,206 active employees, 8,150 inactive vested members and 43,087 pensioners and beneficiaries. The following table shows the number of active members, inactive vested members and retirees and beneficiaries of the System as of March 31, 2013, 2014 and 2015:

Category	March 31, 2013	March 31, 2014	(unaudited) March 31, 2015
Active	66,226	67,206	67,361
Inactive, vested	7,312	8,105	7,404
Retirees and beneficiaries	41,812	43,087	44,206
Total	**115,350**	**118,398**	**118,971**

Funded Status

Based on the 2014 Valuation Report, the System's underfunded status has increased, compared to the prior year. However, the increase was less than anticipated due to an offsetting investment gain which was caused primarily by the significantly higher than expected returns during fiscal year 2014. The unfunded actuarial accrued liability (the "UAAL") as of June 30, 2014 was $8.58 billion. The State estimates its share of the UAAL is 51% as an expense of the General Fund, 21% is to be paid from non-general funds of the State, and the remaining 28% of the UAAL to be funded by the four counties. The statutory employee and employer contribution rates are intended to provide for the normal cost plus the amortization of the UAAL over a period not in excess of 30 years. Based on the current contribution rates of 25.0% for police and fire employees and 17.0% for all other employees, the future contribution rates established in statute (see "—Funding Policy" below), and the new benefit tier for employees hired after June 30, 2012 the actuary has determined that the remaining amortization period is 26 years. Because this period is within 30 years (the maximum period specified by HRS Section 88-122(e)(1)), the financing objectives of the System are currently being realized. Section 88-122(e)(1) of the Hawaii Revised Statutes provides that the employer contribution rates are subject to adjustment when the funding period is in excess of 30 years. See "—Funding Policy" below for information on increases in the employer contribution rates and benefits changes.

Funding Policy

Prior to fiscal year 2006, the System was funded on an actuarial reserve basis. Actuarial valuations were prepared annually by the consulting actuary to the Board of Trustees to determine the employer contribution requirement. In earlier years, the total actuarially determined employer contribution was reduced by some or all of the investment earnings in excess of the investment yield rate applied in actuarial valuations to determine the net employer appropriations to be made to the System. Act 327, SLH 1997, amended Section 88 107, HRS, so that, beginning with the June 30, 1997 valuation, the System retains all of its excess

earnings for the purpose of reducing the unfunded actuarial accrued liability. However, Act 100, SLH 1999, reinstated the excess earnings credit for the June 30, 1997 and June 30, 1998 valuations. For those two valuations, the investment earnings in excess of a 10% actuarial return was to be applied as a reduction to the employer contributions. In accordance with the statutory funding provisions (Section 88 122, HRS, as amended by Act 147, SLH 2001), the total actuarially determined employer contribution to the pension accumulation fund was comprised of the normal cost plus the level annual payment required to amortize the unfunded actuarial accrued liability over a period of 29 years from July 1, 2000. The contribution requirement was determined in the aggregate for all employers in the System and then allocated to individual employers based on the payroll distribution of covered employees as of the March preceding the valuation date. The actuarially determined employer contribution derived from a valuation was paid during the third fiscal year following the valuation date, e.g., the contribution requirement derived from the June 30, 1998 valuation was paid into the System during the fiscal year ended June 30, 2001. The actuarial cost method used to calculate employer contributions was changed in 1997 by Act 327 from the frozen initial liability actuarial cost method to the entry age normal actuarial cost method effective with the June 30, 1995 actuarial valuation. Employer contributions were determined separately for two groups of covered employees: (1) police officers, firefighters, and corrections officers; and (2) all other employees who are members of the System.

Act 181, SLH 2004, established fixed employer contribution rates as a percentage of compensation (15.75% for their police officers and firefighters and 13.75% for other employees) effective July 1, 2005. Pursuant to Act 256, SLH 2007, employer contributions beginning July 1, 2008 increased to 19.70% for police officers and firefighters and 15.00% for all others employees. As of June 30, 2010, the System's actuary determined that the remaining period required to amortize the UAAL was 41.3 years, which was greater than the maximum of 30 years specified by HRS Section 88 122(e)(1). As a result, and pursuant to the recommendations of the 2010 Experience Study, the Board of Trustees requested an increase in the statutory employer contribution rates to bring the funding period down to 30 years. In response, the Legislature enacted Act 163, SLH 2011, pursuant to which, effective July 1, 2012, employer contribution requirements will gradually increase as follows:

Employer Contribution effective starting	Police Officers and Firefighters (% of total payroll)	Other Employees (% of total payroll)
July 1, 2012	22.0	15.5
July 1, 2013	23.0	16.0
July 1, 2014	24.0	16.5
July 1, 2015	25.0	17.0

Under the contributory plan, police officers, firefighters, and corrections officers are required to contribute 12.2% of their salary to the plan and most other covered employees are required to contribute 7.8% of their salary. Under the Hybrid Plan, covered employees are generally required to contribute 6.0% of their salary to the plan, with sewer workers in specified classifications, water safety officers and emergency medical technicians required to contribute 9.75% of their salary. Effective July 1, 2012, contribution rates for newly hired employees covered under the contributory and Hybrid Plan increased by 2% pursuant to Act 163, SLH 2011, such that the corresponding contribution rates for new employees as discussed in this paragraph will be 14.2%, 9.8%, 8.0% and 11.75%, respectively. Employees covered under the noncontributory plan do not make contributions.

Actuarial Methods

The System's actuary uses the entry age normal cost method. The most recent valuation was performed for the year ended June 30, 2014.

Since the State statutes governing the System establish the current employee and employer contribution rates, the actuarial valuation determines the number of years required to amortize (or fund) the

UAAL. For the June 30, 2014 valuation, this determination was made using an open group projection to reflect both the increasing contribution rates and the changes in benefits for members hired after June 30, 2012.

Because of this amortization procedure, any change in the unfunded actuarial accrued liability due to (i) actuarial gains and losses, (ii) changes in actuarial assumptions or (iii) amendments, affects the funding period.

On an aggregate basis with regards to the contributory, the Hybrid, and the noncontributory plans, the total normal cost for benefits provided by the System for the fiscal year beginning July 1, 2014 was 10.96% of payroll, which was 11.74% of payroll less than the total contributions required by law (17.28% from employers plus 5.42% in the aggregate from employees). Since only 5.54% of the employers' 17.28% contribution is required to meet the normal cost (5.42% comes from the employee contribution), it is intended that the remaining 11.74% of payroll will be used to amortize any unfunded actuarial accrued liabilities over a period of years in the future, assuming that total payroll increases by 3.50% per year. Due to the changes enacted in 2011 (increases in the employer contribution rates and new benefits and contribution rates for members hired after June 30, 2012), the percentage of payroll available to amortize the unfunded actuarial liabilities is expected to increase each year for the foreseeable future.

Actuarial Valuation

The actuarial value of assets is equal to the market value, adjusted for a four-year phase-in of actual investment return in excess of or below expected investment return. The actual return is calculated net of investment and administrative expenses, and the expected investment return is equal to the assumed investment return rate multiplied by the prior year's market value of assets, adjusted for contributions, benefits paid, and refunds. The actuarial value of assets has been based on a four–year smoothed valuation that recognizes the excess or shortfall of investment income over or under the actuarial investment yield rate assumption. The actuarial asset valuation method is intended to smooth out year to year fluctuations in the market return. The excess or shortfall in the actual return during the year, compared to the investment yield rate assumption, is spread over this valuation and the next three valuations.

The System's actuary uses certain assumptions (including rates of salary increase, probabilities of retirement, termination, death and disability, and an investment yield rate assumption) to determine the amount that an employer must contribute in a given year to provide sufficient funds to the System to pay benefits when due. Prior to fiscal year 2012, HRS Section 88 122(b) provided for the Board of Trustees to adopt the assumptions to be used by the System except the investment yield rate, which was set by the Legislature. Act 163, SLH 2011, set the investment yield rate at 7.75% for fiscal year 2011 but also amended HRS Section 88 122(b) to allow the Board of Trustees to establish, for subsequent fiscal years, all assumptions to be used by the System, including the investment yield rate assumption. The Board of Trustees periodically evaluates and revises the assumptions used by the System for actuarial valuations, including by commissioning experience studies to evaluate the actuarial assumptions to be used by the System. The current assumptions, including the 7.75% investment yield rate, were adopted by the System's Board of Trustees based on the recommendations of the System's actuary in the most recent experience study, the 2010 Experience Study. These assumptions, funding changes and benefit structure are reflected in the 2014 Valuation Report. The impact of the phased-in reduction of the investment yield rate from 7.75% to 7.50%, which was also based on actuarial assumptions recommended in the 2010 Experience Study, cannot be determined at this time, but will be reflected beginning with the June 30, 2015 Valuation Report, which is expected to be available in December 2015, as follows: 7.65% for the June 30, 2015 valuation, 7.55% for the June 30, 2016 valuation and 7.50% for the June 30, 2017 valuation, respectively. Also, a new 5-year experience study for the System will be conducted for fiscal years 2011 to 2015 that is expected to be available in April 2016.

The actual investment returns of the System for fiscal years 2005 through 2014 shown below are market returns, net of investment and administrative expenses.

Fiscal Year	Percentage
2005	10.53%
2006	11.50%
2007	17.81%
2008	-3.51%
2009	-17.54%
2010	11.96%
2011	21.25%
2012	-0.14%
2013	12.57%
2014	17.77%

Source Report on Investment Activity for the ERS prepared by Callan Associates, Inc. (2005-2006), and Pension Consulting Alliance, Inc. (2007 to 2014), and reported in the ERS CAFRs.

The State anticipates that as the percentage of employees hired on and after July 1, 2012, increases and the new funding policies impact the System, the State will be able to fully amortize the UAAL over a 26 year period. Assuming a constant employment base, the number of employees entitled to pre-2012 retirement benefits should equal the number of employees entitled to post-2012 retirement benefits in fiscal year 2023. The combination of the higher contribution policies and new benefit structure for future employees will enable the Retirement System to absorb the prior adverse experience over the 26 year term.

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The following table sets forth the schedule of funding progress of the System for the ten most recent actuarial valuation dates.

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in millions)

June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b)–(a)	Funded Ratio (a)/(b)	Payroll (c)	UAAL as a Percentage of Payroll ((b)–(a))/(c)
2005	8,914.8	12,986.0	4,071.1	68.6%	3,041.1	133.9%
2006*	9,529.4	14,661.4	5,132.0	65.0%	3,238.3	158.5%
2007	10,589.8	15,696.5	5,106.8	67.5%	3,507.0	145.6%
2008	11,381.0	16,549.1	5,168.1	68.8%	3,782.1	136.6%
2009	11,400.1	17,636.4	6,236.3	64.6%	4,030.1	154.7%
2010	11,345.6	18,483.7	7,138.1	61.4%	3,895.7	183.2%
2011**	11,942.8	20,096.9	8,154.2	59.4%	3,916.0	208.2%
2012	12,242.5	20,683.4	8,440.9	59.2%	3,890.0	217.0%
2013	12,748.8	21,243.7	8,494.9	60.0%	3,906.7	217.4%
2014	13,641.8	22,220.1	8,578.3	61.4%	3,991.6	214.9%

Source: The 2014 Valuation Report.
*Assumption changes and new Hybrid Plan effective June 30, 2006.
**Figures reflect assumption changes effective June 30, 2011.

The total assets of the System on a market value basis amounted to approximately $11.3 billion as of June 30, 2012, $12.4 billion as of June 30, 2013, $14.2 billion as of June 30, 2014 and $14.4 billion as of June 30, 2015 (unaudited). Actuarial certification of assets as of June 30, 2013 was $12.7 billion and as of June 30, 2014 was $13.6 billion (See "STATE EMPLOYEES' RETIREMENT SYSTEM" in Part I of Appendix B hereto).

The following table shows a comparison of the actuarial value of assets ("AVA") to the market values, the ratio of the AVA to market value and the funded ratio based on AVA compared to funded ration based on market value assets:

Fiscal Year (ending June 30)	Actuarial Value of Assets (in millions)	Market Value of Assets (in millions)	Market Value as Percentage of AVA	Funded Ratio (AVA)	Funded Ratio (Market Value)
2005	8,914.8	9,195.9	103.2%	68.6%	70.8%
2006	9,529.4	9,932.4	104.2%	65.0%	67.7%
2007	10,589.8	11,434.3	108.0%	67.5%	72.8%
2008	11,381.0	10,846.8	95.3%	68.8%	65.5%
2009	11,400.1	8,818.0	77.4%	64.6%	50.0%
2010	11,345.6	9,821.6	86.6%	61.4%	53.2%
2011	11,942.8	11,642.3	97.5%	59.4%	57.9%
2012	12,242.5	11,285.9	92.2%	59.2%	54.6%
2013	12,748.8	12,357.8	96.9%	60.0%	58.2%
2014	13,641.8	14,203.0	104.1%	61.4%	63.9%

Source The 2005-2014 Valuation Reports.

As of June 30, 2014, the UAAL of the System was $8.58 billon. Since the System is a cost sharing, multiple employer public retirement system, the unfunded actuarial accrued liability is not allocated to the State and the counties. However, under GASB 68 a portion of the Net Pension Liability will be allocated to each participating employer including the State. The amount of the ERS net pension liability that is expected to be allocated to the State is $5.8 billion, of which the State estimates that the General Fund portion is 71%. The following table shows the normal cost (which means the annual cost of providing retirement benefits for services performed by today's members) as a percentage of payroll, employee contribution rate and effective employer normal cost rate for the two groups of covered employees for fiscal years 2013 and 2014:

NORMAL COST

	June 30,					
	2013			2014		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	19.84%	9.91%	11.02%	19.47%	9.92%	10.96%
Employee contribution rate	12.24%	4.38%	5.26%	12.30%	4.58%	5.42%
Effective employer normal cost rate	7.60%	5.53%	5.76%	7.17%	5.34%	5.54%

Source: The 2014 Valuation Report.

The following table shows the annual required contributions, actual contributions and the percentage of actuarially required contribution that has been funded as of the last 10 valuation dates. Employer contribution rates are set prospectively by the statute and, accordingly, may be greater or less than the ARC in any given year.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2005	328,717	328,717	100.0%
2006*	423,446	423,446	100.0%
2007	476,754	454,494	95.3%
2008	510,727	488,770	95.7%
2009	526,538	578,635	109.9%
2010	536,237	547,613	102.1%
2011	582,535	534,858	91.8%
2012	654,755	548,353	83.7%
2013	667,142	581,447	87.2%
2014	705,224	653,128	92.6%

Source: The 2014 Valuation Report.
* Effective July 1, 2005, the required contributions are based on contribution rates and not specific dollar amounts.

Asset Allocation

The following table shows the target and actual asset allocation of the System as of June 30, 2014:

ASSET ALLOCATION
(as of June 30, 2014)

Asset Type	Actual Allocation		Target Allocation		Allocation Difference
	Amount ($mm)	Percentage	Amount ($mm)	Percentage	
Domestic Equity	$5,111.0	36.2%	$4842.0	34.3%	1.9%
Non-US Equity	3,595.6	25.5%	3670.3	26.0%	-0.5%
Fixed Income	2408.7	17.1%	2823.3	20.0%	-2.9%
Real Estate	899.7	6.4%	903.5	6.4%	0.0%
Private Equity	568.5	4.0%	568.5	4.0%	0.0%
Real Return	615.7	4.3%	601.6	4.3%	0.0%
Covered Calls	810.2	5.7%	705.8	5.0%	0.7%
Other	107.2	0.8%	0.0	0.0%	0.8%
Total	**$14,116.6**	**100.0%**	**$14,115.0**	**100.0%**	

Source: Valuations provided by BNY Mellon – 2014; values unaudited.

As of June 30, 2015, the System reported an asset allocation of 30.63% domestic equity, 18.83% non-U.S. equity, 18.11% fixed income, 6.19% real estate, 5.8% covered calls, 4.6% real return, 4.78% private equity, and the balance in other assets. In August 2014, the Board of Trustees of the System approved the adoption of a change in its asset allocation policy from the current asset-class policy to a new risk-based asset allocation framework within the categories of Broad Growth, Principal Protection, Real Estate and Real Return and Other. The new policy became effective as of October 1, 2014.

See "STATE EMPLOYEES' RETIREMENT SYSTEM" in Part I of Appendix B for summary of the actuarial certification, employer contribution rate and unfunded accrued liabilities information about the System, including employees of the State and each of its counties.

GENERAL ECONOMIC INFORMATION

General

The following material pertaining to economic factors in the State under the captions "State of the Economy" from "Table 1" through "Table 10" has been excerpted from the Hawaii State Department of Business, Economic Development and Tourism ("DBEDT") Third Quarter 2015 Quarterly Statistical and Economic Report ("QSER") or from other materials prepared by DBEDT, some of which may be found at http://dbedt.hawaii.gov/. Unless otherwise stated, the following information is historical, estimated figures are used only when the definitive figures are unavailable. Unless otherwise specifically stated, all references to years and quarters in the following information are for calendar years and calendar quarters, respectively. The text refers to certain enumerated tables found under "GENERAL ECONOMIC INFORMATION." The following descriptions of the various components of the State's economy and DBEDT's outlook for the economy are below under "State of the Economy" and there is a brief description in the "Outlook for the Economy" section below explaining the impact of these components on the State's fiscal position.

DBEDT's latest forecast for the State's nominal Gross Domestic Product ("GDP") (the value of all goods and services produced within the State, formerly called the Gross State Product or "GSP") growth in 2015 is 3.4 percent. In real terms (adjusting for inflation), DBEDT estimates that the 2015 State's GDP growth to be 1.9 percent over that of the previous year. DBEDT calculates that the State's GDP has diversified from 67% to 85% in non-tourism sectors from 1988 to 2015.

State of the Economy

Hawaii's major economic indicators were mostly positive in the second quarter of 2015. State general fund tax revenues, visitor arrivals, visitor expenditures, wage and salary jobs, personal income, government contracts awarded, State CIP expenditures, and private building permits all increased in the quarter as compared to the same quarter of 2014.

In the second quarter of 2015, the total number of visitors arriving by air to Hawaii increased 122,172 or 6.1 percent. Due to shorter lengths of stay, the daily visitor census increased 4.9 percent in the quarter. Since visitors spent more on a daily basis during the second quarter of 2015, the total spending by visitors arriving by air increased 6.8 percent in the quarter. Historical data shows that after seventeen quarters of positive growth from the third quarter of 2009 to the third quarter of 2013, Hawaii's tourism sector experienced one quarter of negative growth in the fourth quarter of 2013. Since the first quarter of 2014, however, Hawaii's tourism sector returned to positive growth compared with the same quarter in the previous year.

In construction, the government contracts awarded, State CIP expenditures, and the value of private building permits all increased. In the second quarter of 2015, government contracts awarded increased $389.5 million, State CIP expenditures increased $27.0 million, and the permit value for private construction increased $33.9 million. The construction sector added 1,000 jobs compared with the same quarter of 2014. According to the most recent data available, current construction put-in-place increased $69.1 million or 4.0 percent in the first quarter of 2015 compared with the same quarter of 2014. Construction-put-in-place is based on excise tax data.

In the second quarter of 2015, State general fund tax revenues were up $41.2 million or 2.8 percent over the same period of 2014. State general excise tax revenue increased $32.9 million or 4.4 percent in the second quarter of 2015 compared to the same quarter in 2014; an indicator of economic activity. In the first half of 2015, State general fund tax revenues increased $198.7 million or 7.2 percent, and the state general excise tax revenue increased $68.4 million or 4.6 percent, compared with the same period of 2014.

Labor market conditions were positive. Since the fourth quarter of 2010, Hawaii's jobs increased for the 19th consecutive quarter. In the second quarter of 2015 Hawaii's civilian non-agricultural wage and salary jobs averaged 633,000 jobs, an increase of 7,600 jobs or 1.2 percent from the same quarter of 2014.

The job increase in the second quarter of 2015 was due to job increases in the private sector. In this quarter, the private sector added about 8,700 non-agricultural jobs compared to the second quarter of 2014. Jobs increased the most in Retail Trade, adding 1,900 jobs or 2.8 percent; followed by Health Care and Social Assistance, adding 1,500 jobs or 2.3 percent, Food Services and Drinking Places, adding 1,400 jobs or 2.3 percent, Professional and Business Services, adding 1,400 jobs or 1.7 percent, and Natural Resources, Mining & Construction, adding 1,000 jobs or 3.2 percent in the quarter. In this quarter, Accommodation lost 600 jobs, Manufacturing lost 300 jobs, Educational Services and Information each lost 200 jobs compared to the same quarter of 2014. During the second quarter of 2015, the three levels of government lost 1,100 jobs or 0.9 percent compared to the same quarter of 2014. The Federal Government lost 600 jobs or 1.8 percent; the State Government lost 800 jobs or 1.1 percent, while the Local Government added 200 jobs or 1.1 percent compared to the second quarter of 2014.

The most recent data from the U.S. Bureau of Economic Analysis (BEA) shows that Hawaii's total nominal annualized personal income in the first quarter of 2015 increased $2,664.2 million or 4.1 percent from the same quarter of 2014. This increase includes inflation so the growth of real personal income was smaller. The increase in nominal personal income during the first quarter of 2015 was due to increases in almost all major components of personal income. In dollar terms, the largest increases occurred in wages and salaries, followed by personal current transfer receipts, dividends, interest, and rent, supplements to wage and salaries, which include retirement and unemployment insurance benefits, and proprietors' income. In 2014, total annualized personal income was $65,874.4 million, an increase of 3.8 percent from the previous year.

Consumer prices in Honolulu increased 0.7 percent in the first half of 2015 compared with the same period of 2014, as measured by the Honolulu Consumer Price Index for Urban Consumers (CPI-U). In contrast, the U.S. CPI-U decreased 0.1 percent in the first half of 2015. In 2014, the Honolulu CPI-U increased 1.4 percent from the previous year. In the first half of 2015, the Honolulu CPI-U increased the most in the price index of Other Goods and Services (5.3 percent), followed by Medical Care (4.8 percent), Food and Beverages (4.2 percent), Education and Communication (3.1 percent), Housing (1.0 percent), and Recreation (0.9 percent). The price of Transportation and Apparel decreased 8.6 percent and 2.1 percent, respectively, compared to the first half of 2014.

Outlook for the Economy

Hawaii's economy is expected to continue positive growth for the rest of 2015 and into 2016. This outlook is based on the most recent developments in the national and global economies, the performance of Hawaii's tourism industry, labor market conditions, and the growth of personal income and tax revenues.

Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. According to the August 2015 Blue Chip Economic Consensus Forecasts, U.S. real GDP is expected to increase by 2.3 percent in 2015, 0.2 of a percentage point lower than the 2.5 percent growth rate projected in the May 2015 forecast. For 2016 the consensus forecast predicts an overall 2.7 percent growth in U.S. real GDP.

According to the August 2015 Blue Chip Economic Consensus Forecast, real GDP growth for Japan is now expected to increase 0.9 percent in 2015, 0.1 of a percentage point lower than the growth rate projected in the May 2015 forecast. For 2016, the consensus forecast now expects an overall 1.5 percent growth rate for Japanese real GDP.

For the local economy, DBEDT expects visitor related indicators will grow at higher rates than projected in the previous forecast. For GDP growth, however, the current forecast was lower than the previous forecast due to revised historical GDP data from BEA.

Overall, Hawaii's economy, as measured by real GDP, is projected to show a 1.9 percent increase in 2015, 0.6 of a percentage point below the growth rate forecasted last quarter. The real GDP growth forecast in 2016 is 2.3 percent, 0.1 of a percentage point below the growth rate forecasted last quarter.

Hawaii's unemployment rate is projected to be 4.0 percent in 2015 and 3.7 percent in 2016, both are 0.1 of a percentage point higher than the previous forecast.

Visitor arrivals are expected to increase 4.3 percent in 2015, 1.8 percentage points higher than the previous forecast. The forecast for visitor days in 2015 increased 1.5 percentage points to 4.2 percent. The forecast for visitor expenditure growth in 2015 was revised upward to 3.8 percent, from 2.0 percent growth projected in the previous forecast. For 2016, the growth rate of visitor arrivals, visitor days, and visitor expenditures are now expected to be 1.6 percent, 1.5 percent, and 3.5 percent, respectively.

The projection for the non-agricultural wage and salary job growth rate in 2015 is 1.1 percent, same as the previous forecast. In 2016, jobs are projected to increase 1.2 percent, the same as the previous forecast.

The Honolulu Consumer Price Index (CPI) is now expected to increase 1.0 percent in 2015, 0.5 of a percentage point below the previous forecast. In 2016, the CPI is projected to increase 2.3 percent, 0.1 of a percentage point above the previous forecast.

Personal income in current dollars is now expected to increase 4.3 percent in 2015, the same as the previous forecast. Real personal income is currently projected to grow 3.5 percent in 2015, 1.0 percentage point higher than the previous forecast. In 2016, current-dollar personal income and real personal income are expected to increase 4.6 percent and 2.9 percent, respectively.

Beyond 2016, the economy will continue its expansion path, with job growth expected to be 1.0 percent in 2017 and 1.1 percent in 2018. Visitor arrivals are expected to increase 1.7 percent in 2017 and 2018. Visitor expenditures are expected to increase 4.3 percent in 2017 and 2018. Real personal income is projected to increase 2.7 percent in 2017 and 2.6 percent in 2018. Hawaii's real GDP growth is expected to increase 2.4 percent in 2017 and 2018. The unemployment rate is expected to decrease to 3.4 percent in 2017 and 3.3 percent in 2018.

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INFORMATION ON EMPLOYMENT, WAGES AND SALARIES, TAX REVENUES AND TAX BASE

Table 1

SELECTED ECONOMIC ACTIVITIES: STATE

SERIES	2nd QUARTER 2014	2nd QUARTER 2015	2nd QUARTER % CHANGE YEAR AGO	YEAR-TO-DATE 2014	YEAR-TO-DATE 2015	YEAR-TO-DATE % CHANGE YEAR AGO
Civilian labor force, NSA (persons) 1/	668,750	676,150	1.1	666,400	675,350	1.3
Civilian employed, NSA	638,300	648,700	1.6	635,950	647,750	1.9
Civilian unemployed, NSA	30,450	27,450	-9.9	30,450	27,600	-9.4
Unemployment rate, NSA (%) 1/ 2/	4.6	4.1	-0.5	4.6	4.1	-0.5
Total wage and salary jobs, NSA	632,400	639,000	1.0	631,300	636,900	0.9
Total non-agric. wage & salary jobs	625,400	633,000	1.2	624,300	630,900	1.1
Nat. Resources, Mining, Constr.	31,400	32,400	3.2	31,100	32,000	2.9
Manufacturing	13,700	13,400	-2.2	13,600	13,500	-0.7
Wholesale Trade	17,600	18,200	3.4	17,600	18,000	2.3
Retail Trade	68,900	70,800	2.8	69,000	70,800	2.6
Transp., Warehousing, Util.	30,000	30,800	2.7	30,000	30,500	1.7
Information	8,400	8,200	-2.4	8,400	8,200	-2.4
Financial Activities	27,400	27,500	0.4	27,300	27,500	0.7
Professional & Business Services	81,900	83,300	1.7	81,800	83,300	1.8
Educational Services	14,600	14,400	-1.4	14,600	14,300	-2.1
Health Care & Social Assistance	64,500	66,000	2.3	64,300	65,800	2.3
Arts, Entertainment & Recreation	12,100	12,500	3.3	12,100	12,500	3.3
Accommodation	39,400	38,800	-1.5	39,400	38,900	-1.3
Food Services & Drinking Places	61,700	63,100	2.3	61,600	62,900	2.1
Other Services	26,500	27,200	2.6	26,500	26,600	0.4
Government	127,500	126,400	-0.9	127,400	126,100	-1.0
Federal	33,200	32,600	-1.8	33,200	32,700	-1.5
State	75,600	74,800	-1.1	75,500	74,600	-1.2
Local	18,800	19,000	1.1	18,700	18,900	1.1
Agriculture wage and salary jobs	7,000	6,000	-14.3	7,000	6,000	-14.3
State general fund revenues ($1,000)	1,487,285	1,528,447	2.8	2,774,273	2,973,010	7.2
General excise and use tax revenues	740,811	773,664	4.4	1,487,535	1,555,966	4.6
Income-individual	520,787	570,832	9.6	867,701	1,035,062	19.3
Declaration estimated taxes	214,397	217,604	1.5	316,352	334,134	5.6
Payment with returns	95,920	117,073	22.1	111,908	136,950	22.4
Withholding tax on wages	405,860	440,176	8.5	831,212	875,740	5.4
Refunds ('-' indicates relative to State)	-195,390	-204,023	4.4	-391,771	-311,764	-20.4
Transient accommodations tax	102,268	109,810	7.4	210,817	223,646	6.1
Honolulu County Surcharge 3/	54,953	(NA)	(NA)	123,454	(NA)	(NA)
Private Building Permits ($1,000)	806,458	840,376	4.2	1,564,850	2,137,980	36.6
Residential	305,551	412,746	35.1	456,197	895,251	96.2
Commercial & industrial	80,677	113,926	41.2	175,556	497,536	183.4
Additions & alterations	420,230	313,704	-25.3	933,097	745,194	-20.1
Visitor Days - by air	17,969,243	18,856,486	4.9	37,481,706	38,942,673	3.9
Domestic visitor days - by air	13,537,490	14,230,458	5.1	27,418,024	28,434,156	3.7
International visitor days - by air	4,431,754	4,626,028	4.4	10,063,682	10,508,517	4.4
Visitor arrivals by air - by air	2,009,213	2,131,386	6.1	4,035,296	4,216,392	4.5
Domestic flight visitors - by air	1,399,480	1,503,721	7.4	2,715,812	2,873,095	5.8
International flight visitors - by air	609,733	627,665	2.9	1,319,484	1,343,297	1.8
Visitor expend. - arrivals by air ($1,000)	3,457,716	3,694,443	6.8	7,294,042	7,558,286	3.6
Hotel occupancy rates (%) 2/	74.0	77.9	3.7	77.5	79.1	1.6

1/ Labor force and jobs are Hawaii DLIR monthly and annual data. Quarterly averages computed by the Hawaii DBEDT.

2/ Change represents absolute change in rates rather than percentage change in rates.

3/ 0.5% added to the general excise tax to pay for O'ahu's mass transit system and took effect January 1, 2007.

Includes taxpayers who have business activities on Oahu but whose businesses are located outside Oahu.

Source: Hawaii State Department of Business, Economic Development, & Tourism <http://www.hawaii.gov/dbedt/inf>, Hawaii State Department of Labor & Industrial Relations <http://www.hiwi.org/cgi/dataanalysis/?PAGEID=94>; Hawaii State Department of Taxation <http://www.hawaii.gov/tax/a5_3txcolrpt.htm> and Hospitality Advisors, LLC.

Key Economic Indicators

Table 2

ACTUAL AND FORECAST KEY ECONOMIC INDICATORS FOR HAWAII
2013 TO 2018

Economic Indicators	2013	2014	2015	2016	2017	2018
	(Actual)		(Forecast)			
Total population (thousands)	1,409	1,420	1,434	1,448	1,463	1,477
Visitor arrivals (thousands) 1/	8,174	8,308	8,661	8,796	8,944	9,097
Visitor days (thousands) 1/	74,942	75,646	78,788	80,004	81,356	82,754
Visitor expenditures (million dollars) 1/	14,521	14,943	15,518	16,063	16,748	17,476
Honolulu CPI-U (1982-84=100)	253.9	257.6	260.2	266.1	272.8	280.2
Personal income (million dollars)	63,468	65,874	68,707	71,867	75,461	79,234
Real personal income (millions of 2009$) 2/	50,920	52,346	54,178	55,749	57,282	58,752
Non-agricultural wage & salary jobs (thousands)	618.6	625.3	632.2	639.8	646.2	653.3
Civilian unemployment rate	4.8	4.4	4.0	3.7	3.4	3.3
Gross domestic product (million dollars)	75,095	77,389	80,045	83,256	86,533	90,294
Real gross domestic product (millions of 2009$)	69,968	70,532	71,874	73,544	75,310	77,117
Gross domestic product deflator (2009=100)	107.3	109.7	111.4	113.2	114.9	117.1
Annual Percentage Change						
Total population	1.2	0.8	1.0	1.0	1.0	1.0
Visitor arrivals 1/	1.8	1.6	4.3	1.6	1.7	1.7
Visitor days 1/	0.6	0.9	4.2	1.5	1.7	1.7
Visitor expenditures 1/	1.1	2.9	3.8	3.5	4.3	4.3
Honolulu CPI-U	1.8	1.4	1.0	2.3	2.5	2.7
Personal income	2.4	3.8	4.3	4.6	5.0	5.0
Real personal income 2/	2.0	2.8	3.5	2.9	2.7	2.6
Non-agricultural wage & salary jobs	2.0	1.1	1.1	1.2	1.0	1.1
Civilian unemployment rate 3/	-1.2	-0.4	-0.4	-0.3	-0.3	-0.1
Gross domestic product	3.4	3.1	3.4	4.0	3.9	4.3
Real gross domestic product	1.4	0.8	1.9	2.3	2.4	2.4
Gross domestic product deflator (2009=100)	1.9	2.2	1.5	1.7	1.5	1.9

1/ Visitors who came to Hawaii by air or by cruise ship. Expenditures includes supplementary expenditures estimated by HTA for 2014 and DBEDT thereafter.

2/ Using personal income deflator developed by the U.S. Bureau of Economic Analysis and estimated by DBEDT.

3/ Absolute change from previous year.

Source: Hawaii State Department of Business, Economic Development & Tourism, August 18, 2015.

Labor Force and Jobs

Hawaii's labor market conditions continued to improve in the second quarter of 2015. Since the civilian labor force increased less than the civilian employment, the civilian unemployment rate decreased 0.5 of a percentage point in the quarter. For the 19th consecutive quarter, civilian non-agricultural wage and salary jobs increased.

In the second quarter of 2015, the civilian labor force averaged 676,150 people, an increase of 7,400 people or 1.1 percent from the same quarter of 2014. In the first half of 2015, the civilian labor force increased 8,950 people or 1.3 percent from the same period of 2014.

Civilian employment totaled 648,700 people in the second quarter of 2015, an increase of 10,400 people or 1.6 percent compared to the same quarter of 2014. This is the eleventh quarterly increase following four consecutive quarterly decreases from the fourth quarter of 2011 to the third quarter of 2012. In the first

half of 2015, average civilian employment increased 11,800 people or 1.9 percent from the same period of 2014.

In the second quarter of 2015, the number of civilian unemployed averaged 27,450, a decrease of 3,000 people or 9.9 percent from the same quarter of 2014. In the first half of 2015, the number of unemployed decreased 2,850 people or 9.4 percent from the same period of 2014.

The unemployment rate (not seasonally adjusted) decreased from 4.6 percent in the second quarter of 2014 to 4.1 percent in the second quarter of 2015. In the first half of 2015, the unemployment rate decreased 0.5 of a percentage point from the same period of 2014.

In the second quarter of 2015, Hawaii's civilian non-agricultural wage and salary jobs averaged 633,000 jobs, an increase of 7,600 jobs or 1.2 percent from the same quarter of 2014. This is the 19th consecutive quarterly increase in non-agricultural wage and salary jobs after ten consecutive quarterly decreases in jobs since the second quarter of 2008. In the first half of 2015, average non-agricultural wage and salary jobs increased 1.1 percent or 6,600 jobs from the same period of 2014.

The job increase in the second quarter of 2015 was due to a job increase in the private sector. In this quarter, the private sector added about 8,700 non-agricultural jobs compared to the second quarter of 2014. Jobs increased the most in Retail Trade, adding 1,900 jobs or 2.8 percent. This was followed by Health Care and Social Assistance, adding 1,500 jobs or 2.3 percent, Food Services and Drinking Places, adding 1,400 jobs or 2.3 percent, Professional and Business Services, adding 1,400 jobs or 1.7 percent, and Natural Resources, Mining and Construction, adding 1,000 jobs or 3.2 percent in the quarter. For the private sector, in the second quarter of 2015, Accommodation lost 600 jobs, Manufacturing lost 300 jobs, Educational Services and Information each lost 200 jobs compared to the same quarter of 2014.

The three levels of government lost 1,100 jobs or 0.9 percent in the second quarter of 2015 compared to the same quarter of 2014. The Federal Government lost 600 jobs or 1.8 percent; the State Government lost 800 jobs or 1.1 percent, while the Local Government added 200 jobs or 1.1 percent compared to the second quarter of 2014.

The initial liable claims for unemployment, which measures the number of people who lost jobs in Hawaii and moved to other states, decreased 22.4 percent in the second quarter of 2015 compared to the same quarter of 2014. In the first half of 2015, the initial liable claims for unemployment decreased 11.5 percent from the same period of 2014.

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Table 3

CIVILIAN LABOR FORCE AND EMPLOYMENT
(NUMBER OF PERSONS)

Year	Civilian Labor Force	% Change Civilian Labor Force	Civilian Employment	% Change Civilian Employment	Civilian Unemployment Rate
2005	626,900	2.6	608,950	3.2	2.9
2006	638,250	1.8	621,550	2.1	2.6
2007	638,400	0.0	620,550	-0.2	2.8
2008	639,700	0.2	612,100	-1.4	4.3
2009	631,700	-1.3	586,500	-4.2	7.2
2010	647,250	2.5	602,300	2.7	6.9
2011	660,150	2.0	615,100	2.1	6.8
2012	648,000	-1.8	609,100	-1.0	6.0
2013	651,100	0.5	619,550	1.7	4.8
2014	668,200	2.6	639,000	3.1	4.4
2015 1/	675,350	1.3	647,750	1.9	4.1

1/ First 2 quarters
Source: Hawaii State Department of Labor and Industrial Relations.

Income and Prices

Hawaii's total personal income increased during the first quarter of 2015 over the same quarter of 2014, all major components of personal income increased in the quarter. In dollar terms, the largest increases occurred in wages and salaries, followed by personal current transfer receipts, dividends, interest, and rent, supplements to wages and salaries, and proprietors' income.

In the first quarter of 2015, total nominal annualized personal income (i.e., not adjusted for inflation) increased $2,664.2 million or 4.1 percent from the first quarter of 2014. In 2014, total annualized personal income was $65,874.4 million, an increase of 3.8 percent from the previous year.

In the first quarter of 2015, wages and salaries increased $1,338.9 million or 4.2 percent from the first quarter of 2014. This was the 19th quarterly year-over-year increase since the third quarter of 2010. In 2014, wages and salaries increased 3.6 percent from the previous year.

Supplements to wages and salaries, consisting of employer payments to retirement plans, private group health insurance plans, private workers compensation plans, and other such benefits, increased $282.9 million or 3.0 percent in the first quarter of 2015 from the same quarter of 2014. In 2014, supplements to wages and salaries increased 3.1 percent from the previous year.

Proprietors' income increased $227.5 million or 4.7 percent in the first quarter of 2015 over that of 2014. In 2014, proprietors' income was up 3.2 percent from the previous year.

Dividends, interest, and rent increased $450.6 million or 3.3 percent in the first quarter of 2015 from the same quarter of 2014. In 2014, income in this category was up 3.4 percent from the previous year.

The annualized personal current transfer receipts grew by $570.6 million or 5.6 percent in the first quarter of 2015 from the same quarter of 2014. In 2014, personal current transfer receipts increased 6.2 percent over the previous year.

Contributions to government social insurance, which is subtracted from total personal income, increased $206.3 million or 3.7 percent in the first quarter of 2015, compared to the first quarter of 2014. In 2014, contributions to government social insurance increased 4.5 percent from the previous year.

In the first quarter of 2015, total non-farm private sector annualized earnings increased $1,831.5 million or 4.0 percent from the first quarter of 2014. In dollar terms, the largest increase occurred in construction, followed by accommodation and food services, health care and social assistance, retail trade, administrative and waste services, transportation and warehousing, and management of companies and enterprises. During the first quarter of 2015, total government earnings increased $210.8 million or 1.5 percent from the same quarter of 2014. Earnings from the federal government increased $87.8 million or 1.1 percent in the first quarter of 2015. Earnings from the state and local governments increased $123.0 million or 2.0 percent in the quarter.

In the first half of 2015, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 0.7 percent from the same period in 2014. This is in contrast to the 0.1 percent decrease for the U.S. average CPI-U and is substantially lower than the 2014 Honolulu CPI-U increase of 1.4 percent from the previous year. In the first half of 2015, the Honolulu CPI-U increased the most in Other Goods and Services (5.3 percent), followed by Medical Care (4.8 percent), Food and Beverages (4.2 percent), Education and Communication (3.1 percent), Housing (1.0 percent), and Recreation (0.9 percent). The price of Transportation and Apparel decreased 8.6 percent and 2.1 percent, respectively, compared to the first half of 2014.

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Table 4

PERSONAL INCOME FOR HAWAII BY MAJOR SOURCES
(In millions of dollars at seasonally adjusted annual rates and percent. As of QSER September 2003, according to NAICS classification.)

Series	First Quarter 2014	Fourth Quarter 2014	First Quarter 2015	YTD 2014	YTD 2015	Percentage change: First Quarter 2015 — First Quarter 2014	Percentage change: First Quarter 2015 — Fourth Quarter 2014	Percentage change: YTD 2015 — YTD 2014
PERSONAL INCOME	64,809,996	66,747,317	67,474,188	64,809,996	67,474,188	4.1	1.1	4.1
Earnings By Place of Work	46,615,520	47,850,300	48,464,909	46,615,520	48,464,909	4.0	1.3	4.0
Wages and salaries	32,187,815	33,070,231	33,526,714	32,187,815	33,526,714	4.2	1.4	4.2
Supplements to wages and salaries	9,549,963	9,714,912	9,832,905	9,549,963	9,832,905	3.0	1.2	3.0
Emp'er contrib. for emp'ee pension & ins. funds	6,650,137	6,751,722	6,828,291	6,650,137	6,828,291	2.7	1.1	2.7
Employer contrib. for gov't social ins.	2,899,826	2,963,190	3,004,614	2,899,826	3,004,614	3.6	1.4	3.6
Proprietors' income	4,877,742	5,065,157	5,105,290	4,877,742	5,105,290	4.7	0.8	4.7
Farm proprietors' income	75,816	63,536	87,684	75,816	87,684	15.7	38.0	15.7
Nonfarm proprietors' income	4,801,926	5,001,621	5,017,606	4,801,926	5,017,606	4.5	0.3	4.5
Dividends, interest, and rent	13,617,374	14,011,627	14,067,934	13,617,374	14,067,934	3.3	0.4	3.3
plus: Personal current transfer receipts	10,186,759	10,623,390	10,757,337	10,186,759	10,757,337	5.6	1.3	5.6
Social Security benefits	3,566,571	3,656,383	3,737,714	3,566,571	3,737,714	4.8	2.2	4.8
Medicare benefits	2,020,271	2,053,663	2,075,385	2,020,271	2,075,385	2.7	1.1	2.7
Medicaid 1/	1,843,118	2,094,622	2,110,389	1,843,118	2,110,389	14.5	0.8	14.5
State unempl. ins. comp.	209,553	170,849	159,796	209,553	159,796	-23.7	-6.5	-23.7
All other personal current transfer receipts	2,547,246	2,647,873	2,674,053	2,547,246	2,674,053	5.0	1.0	5.0
Less: Contributions for gov't social ins.	5,609,657	5,738,000	5,815,992	5,609,657	5,815,992	3.7	1.4	3.7
Personal contributions for gov't social ins.	2,709,831	2,774,810	2,811,378	2,709,831	2,811,378	3.7	1.3	3.7
Employer contributions for gov't social ins.	2,899,826	2,963,190	3,004,614	2,899,826	3,004,614	3.6	1.4	3.6
Earnings By Industry	46,615,520	47,850,300	48,464,909	46,615,520	48,464,909	4.0	1.3	4.0
Farm Earnings	315,292	307,496	333,189	315,292	333,189	5.7	8.4	5.7
Nonfarm Earnings	46,300,228	47,542,804	48,131,720	46,300,228	48,131,720	4.0	1.2	4.0
Private earnings	31,942,186	33,092,010	33,562,898	31,942,186	33,562,898	5.1	1.4	5.1
Forestry, fishing, & related activities	67,334	70,632	71,452	67,334	71,452	6.1	1.2	6.1
Mining	38,425	35,048	34,554	38,425	34,554	-10.1	-1.4	-10.1
Utilities	565,698	591,253	616,244	565,698	616,244	8.9	4.2	8.9
Construction	3,392,868	3,540,415	3,682,808	3,392,868	3,682,808	8.5	4.0	8.5
Manufacturing	819,317	881,436	884,411	819,317	884,411	7.9	0.3	7.9
Durable goods	257,240	272,564	278,988	257,240	278,988	8.5	2.4	8.5
Nondurable goods	562,077	608,872	605,423	562,077	605,423	7.7	-0.6	7.7
Wholesale trade	1,238,323	1,272,133	1,282,687	1,238,323	1,282,687	3.6	0.8	3.6
Retail trade	2,848,643	2,939,447	3,016,962	2,848,643	3,016,962	5.9	2.6	5.9
Transportation and warehousing	1,783,423	1,844,405	1,879,691	1,783,423	1,879,691	5.4	1.9	5.4
Information	707,630	697,911	709,789	707,630	709,789	0.3	1.7	0.3
Finance and insurance	1,360,516	1,411,376	1,417,870	1,360,516	1,417,870	4.2	0.5	4.2
Real estate and rental and leasing	1,885,474	1,962,674	1,963,512	1,885,474	1,963,512	4.1	0.0	4.1
Prof., scientific, & technical services	2,693,586	2,729,508	2,736,245	2,693,586	2,736,245	1.6	0.2	1.6
Management of companies and enterprises	800,946	860,884	883,846	800,946	883,846	10.4	2.7	10.4
Admin. & waste management services	2,143,730	2,243,914	2,242,567	2,143,730	2,242,567	4.6	-0.1	4.6
Educational services	742,305	745,861	750,914	742,305	750,914	1.2	0.7	1.2
Health care and social assistance	4,470,365	4,599,566	4,666,584	4,470,365	4,666,584	4.4	1.5	4.4
Arts, entertainment, and recreation	490,801	554,194	556,576	490,801	556,576	13.4	0.4	13.4
Accommodation and food services	4,073,115	4,250,562	4,289,786	4,073,115	4,289,786	5.3	0.9	5.3
Other services, except public admin.	1,819,687	1,860,791	1,876,400	1,819,687	1,876,400	3.1	0.8	3.1
Government and government enterprises	14,358,042	14,450,794	14,568,822	14,358,042	14,568,822	1.5	0.8	1.5
Federal	8,175,375	8,223,232	8,263,128	8,175,375	8,263,128	1.1	0.5	1.1
Federal, civilian	3,350,807	3,334,805	3,355,612	3,350,807	3,355,612	0.1	0.6	0.1
Military	4,824,568	4,888,427	4,907,516	4,824,568	4,907,516	1.7	0.4	1.7
State and local	6,182,667	6,227,562	6,305,694	6,182,667	6,305,694	2.0	1.3	2.0

1/ 2014Q1 to 2014Q4 revised from previous *QSER*.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, State Quarterly Personal Income, June 22, 2015 <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3> accessed June 22, 2015.

Table 5

PERSONAL INCOME
(In millions of dollars at seasonally adjusted annual rates)

YEAR	ANNUAL AVERAGE	% CHANGE
2005	46,126	7.1
2006	49,617	7.6
2007	52,688	6.2
2008	55,217	4.8
2009	55,700	0.9
2010	56,824	2.0
2011	59,192	4.2
2012	61,968	4.7
2013	63,468	2.4
2014	65,874	3.8
2015 1Q	67,474	4.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Table 6

HONOLULU AND U.S. CONSUMER PRICE INDEX,
ALL URBAN CONSUMERS (CPI-U)
(1982-84=100. DATA ARE NOT SEASONALLY ADJUSTED)

		Honolulu								
Period	U.S.	All Items	Food & Beverages	Housing	Apparel	Transpor-tation	Medical Care	Recre-ation 1/	Educ. & Comm. 1/	Other Goods & Services
2005	195.3	197.8	185.9	205.2	102.5	191.6	2/	97.8	114.3	321.0
2006	201.6	209.4	194.2	222.5	104.4	202.1	2/	101.1	114.0	332.1
2007	207.342	219.504	204.942	238.428	104.145	205.027	2/	102.572	113.967	347.499
2008	215.303	228.861	216.625	248.700	105.277	213.998	317.955	105.290	117.118	365.441
2009	214.537	230.048	224.317	249.735	112.811	200.296	321.599	105.239	122.843	395.186
2010	218.056	234.869	224.774	251.968	116.423	214.411	320.153	107.484	128.483	415.526
2011	224.939	243.622	232.656	260.606	118.394	229.223	324.180	110.473	132.248	433.536
2012	229.594	249.474	242.786	265.473	121.481	231.275	334.441	113.961	137.276	440.428
2013	232.957	253.924	250.922	269.885	119.011	233.133	345.184	116.818	139.423	447.178
2014	236.736	257.589	256.023	273.499	111.141	236.373	351.763	119.586	143.488	457.958
2013H1	232.366	253.202	250.337	269.213	119.349	232.743	343.253	116.347	138.251	446.226
H2	233.548	254.646	251.508	270.557	118.673	233.523	347.116	117.289	140.594	448.131
2014H1	236.384	255.989	252.895	271.656	112.261	237.614	348.133	119.313	141.981	450.011
H2	237.088	259.190	259.151	275.343	110.021	235.132	355.393	119.860	144.995	465.906
2015H1	236.265	257.848	263.610	274.380	109.941	217.288	364.754	120.419	146.406	473.733
Percentage Change from the Same Period in Previous Year										
2005	3.4	3.8	3.2	5.6	1.3	5.0	(2/)	-4.4	0.7	2.8
2006	3.2	5.9	4.5	8.4	1.9	5.5	(2/)	3.4	-0.3	3.5
2007	2.8	4.8	5.5	7.2	-0.2	1.4	(2/)	1.5	0.0	4.6
2008	3.8	4.3	5.7	4.3	1.1	4.4	(2/)	2.6	2.8	5.2
2009	-0.4	0.5	3.6	0.4	7.2	-6.4	1.1	0.0	4.9	8.1
2010	1.6	2.1	0.2	0.9	3.2	7.0	-0.4	2.1	4.6	5.1
2011	3.2	3.7	3.5	3.4	1.7	6.9	1.3	2.8	2.9	4.3
2012	2.1	2.4	4.4	1.9	2.6	0.9	3.2	3.2	3.8	1.6
2013	1.5	1.8	3.4	1.7	-2.0	0.8	3.2	2.5	1.6	1.5
2014	1.6	1.4	2.0	1.3	-6.6	1.4	1.9	2.4	2.9	2.4
2013H1	1.5	1.8	3.9	2.0	-2.3	-0.2	2.8	2.6	1.8	1.4
H2	1.4	1.7	2.9	1.3	-1.7	1.8	3.6	2.4	1.3	1.7
2014H1	1.7	1.1	1.0	0.9	-5.9	2.1	1.4	2.5	2.7	0.8
H2	1.5	1.8	3.0	1.8	-7.3	0.7	2.4	2.2	3.1	4.0
2015H1	-0.1	0.7	4.2	1.0	-2.1	-8.6	4.8	0.9	3.1	5.3

Data on U.S. CPI are released monthly and Honolulu CPI, twice a year in February and August for the half (H) year previous.
1/ New indexes as of January 1998. Base period is December 1997. The former "Entertainment" index has been discontinued.
2/ No data were available or data did not meet U.S. Bureau of Labor Statistics' publication criteria.
Source: U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers (Current Series) <http://data.bls.gov/cgi-bin/dsrv> accessed August 13, 2015, and BLS Honolulu CPI News Releases and <http://www.bls.gov/ro9/cpihono.htm> accessed August 19, 2015.

Tourism

Visitor arrivals continue to be strong with both domestic and international visitor arrivals increasing in the second quarter of 2015. Due to shorter lengths of stay, the daily visitor census increased less than the increase of visitor arrivals in the quarter. Since visitors spent more on a daily basis during the second quarter of 2015, total visitor spending increased more than the growth of the average total daily visitor census in the quarter. With the exception of the fourth quarter of 2013, visitor arrivals have increased steadily since the third quarter of 2009.

The total number of visitor arrivals by air increased 122,172 or 6.1 percent in the second quarter of 2015, compared to the same quarter of 2014. The total average daily census was up 9,750 or 4.9 percent in the quarter. In

the first half of 2015, total visitor arrivals by air increased 181,096 or 4.5 percent, while the average daily census increased 8,072 or 3.9 percent from the same period of 2014.

In the second quarter of 2015, total visitor arrivals on domestic flights increased 104,240 or 7.4 percent compared to the same quarter of 2014. In the first half of 2015, domestic arrivals were up 157,283 or 5.8 percent from the same period of 2014.

Arrivals on international flights increased 17,932 or 2.9 percent in the second quarter of 2015 compared to the second quarter of 2014. In the first half of 2015, international arrivals were up 23,813 or 1.8 percent from the same period of 2014.

In terms of major market areas, from the second quarter of 2014 to the same period of 2015, arrivals from the U.S. West increased 76,294 or 8.9 percent, arrivals from the U.S. East increased 27,796 or 6.2 percent, and arrivals from Japan increased 2,998 or 0.9 percent. In the first half of 2015, arrivals from U.S. West were up 137,824 or 8.7 percent; arrivals from the U.S. East were up 16,091 or 1.8 percent; and Japanese arrivals were down 14,780 or 2.1 percent from the same period of 2014.

While visitor arrivals have increased, the length of stay per visitor has decreased. Due to the shorter length of stay, the average total daily visitor census increased less than the growth of visitor arrivals in the quarter. The total average daily visitor census was up 4.9 percent or 9,750 visitors per day in the second quarter of 2015 over the same quarter of 2014. The domestic average daily census increased 5.1 percent or 7,615 visitors per day, while the international average daily census increased 4.4 percent or 2,135 visitors per day. In the first half of 2015, the domestic average daily census increased 5,614 or 3.7 percent; and the international average daily census increased 2,458 or 4.4 percent from the same period of 2014.

From 2009 to 2014, visitor arrivals increased the most from Other Asia market which consists of China, Hong Kong, Korea, Singapore, and Taiwan at 233.8 percent, followed by visitors from Oceania market which includes New Zealand and Australia with 171.4 percent increase. Visitors from Latin America market which consists of Argentina, Brazil, and Mexico, increased 72.0 percent; visitors from Canada increased by 51.4 percent; visitors from European market which consists of United Kingdom, France, Germany, Italy, and Switzerland, increased 37.0 percent; visitors from Japan increased 29.0 percent; and visitors from the United States mainland increased 17.3 percent.

Nominal visitor expenditures by air totaled $3,694.4 million in the second quarter of 2015, up 6.8 percent or $236.7 million from the same quarter of 2014. In the first half of 2015, visitor expenditures increased $264.2 million or 3.6 percent compared with the same period of 2014.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 9.0 percent or 247,972 seats in the second quarter of 2015, domestic seats increased 13.2 percent or 246,288 seats; international seats increased 0.2 percent or 1,684 seats, compared to the same quarter of 2014. In the first half of 2015, the number of total available seats increased 7.4 percent or 406,858 seats from the same period of 2014.

According to the most recent data available, in the second quarter of 2015, the statewide hotel occupancy rate averaged 77.9 percent, 3.7 percentage points higher than that of the same quarter of 2014. For the first half of 2015, the statewide hotel occupancy rate averaged 79.1 percent, 1.6 percentage points higher than that of the previous year.

Table 7

VISITOR ARRIVALS BY AIR

Average Length of Stay, Visitor Days, Average Daily Census

	2011	2012	2013	2014	% Change 2011-2012	% Change 2012-2013	% Change 2013-2014
Total Arrivals							
Total	7,174,397	7,867,143	8,003,474	8,183,671	9.7	1.7	2.3
Domestic	5,127,291	5,403,025	5,405,300	5,473,388	5.4	0.0	1.3
International	2,047,106	2,464,118	2,598,174	2,710,283	20.4	5.4	4.3
Average Length of Stay							
Total	9.5	9.3	9.3	9.2	-1.2	-0.9	-1.0
Domestic	10.1	10.1	10.1	10.0	-0.5	0.2	-0.5
International	7.8	7.8	7.5	7.4	-0.6	-2.8	-1.5
Visitor Days							
Total	67,825,871	73,462,636	74,049,772	74,982,915	8.3	0.8	1.3
Domestic	51,839,799	54,343,793	54,462,717	54,854,993	4.8	0.2	0.7
International	15,986,073	19,118,843	19,587,054	20,127,921	19.6	2.4	2.8
Average Daily Census							
Total	185,824	201,267	202,876	205,433	8.3	0.8	1.3
Domestic	142,027	148,887	149,213	150,288	4.8	0.2	0.7
International	43,797	52,380	53,663	55,145	19.6	2.4	2.8

Source: Hawaii Tourism Authority.

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Table 8

HOTEL OCCUPANCY RATE (%)

Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	**Annual Average**
In Percent					
2005	83.8	78.4	84.8	77.2	81.1
2006	83.6	78.2	82.5	74.1	79.5
2007	77.5	72.0	78.6	72.0	75.0
2008	78.7	68.8	70.5	63.8	70.4
2009	66.7	63.7	67.3	63.5	64.8
2010	70.6	67.3	75.2	69.5	70.7
2011	76.6	68.6	76.1	71.9	73.2
2012	80.3	73.8	78.9	74.5	76.9
2013	82.0	74.2	77.8	72.3	76.5
2014 1/	80.8	74.0	78.7	75.0	77.0
2015 1/	80.1	77.9	(NA)	Year-to-Date	79.1

NA Not available.

The 2nd, 3rd, and 4th Quarter averages are computed by Hawaii State Department of Business, Economic Development & Tourism from PKF-Hawaii monthly averages through January 1995 and Hospitality Advisors LLC monthly averages from February 1995. The 1st quarter and Annual are as released or revised by source.

1/ Source revises each month of previous year when current year is released, i.e. 2015Q2.

Source: Hawaii State Department of Business, Economic Development & Tourism, PKF-Hawaii and Hospitality Advisors LLC.

Construction and Real Estate

The indicators of Hawaii's construction industry were all positive in the second quarter of 2015. The value of private building authorizations, construction jobs, government contracts awarded, and State CIP expenditures all increased in the quarter.

Construction has been one of the major contributors to job growth in Hawaii over the past few years. In the second quarter of 2015, the construction sector added 1,000 jobs or 3.2 percent compared with the same quarter of 2014. In the first half of 2015, the construction sector added 900 jobs or 2.9 percent from the same period of 2014. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0 percent per year. In the fourth quarter of 2007, the average number of construction jobs reached a peak of 40,000 jobs. The strength of the current construction job market is a sharp contrast to the recession period. From the second quarter of 2008 until the third quarter of 2011 quarter-over-quarter construction job growth was negative in all quarters.

In the second quarter of 2015, the private building authorizations in the state increased $33.9 million or 4.2 percent, compared with the second quarter of 2014. In the first half of 2015, private building authorizations for the state increased $573.1 million or 36.6 percent compared with the same period of 2014.

In the second quarter of 2015, private building authorizations in Honolulu decreased $2.7 million or 0.6 percent, compared with the second quarter of 2014. In the first half of 2015, private building authorizations in Honolulu increased $234.1 million or 24.8 percent compared with the same period of 2014.

In the second quarter of 2015, private building authorizations in Hawaii County decreased $18.8 million or 8.0 percent, compared with the second quarter of 2014. In the first half of 2015, private building authorizations in Hawaii County increased $20.8 million or 6.3 percent compared with the same period of 2014.

In the second quarter of 2015, private building authorizations in Maui increased $48.6 million or 62.9 percent, compared with the second quarter of 2014. In the first half of 2015, private building authorizations in Maui increased $308.2 million or 125.0 percent compared with the same period of 2014.

In the second quarter of 2015, private building authorizations (residential only) in Kauai increased $6.8 million or 24.6 percent, compared with the second quarter of 2014. In the first half of 2015, private building authorizations in Kauai increased $10.0 million or 23.3 percent compared with the same period of 2014.

Government contracts awarded increased $389.5 million or 133.7 percent in the second quarter of 2015 compared to the same quarter of 2014. In the first half of 2015, government contracts awarded increased $458.8 million or 102.6 percent compared with the same period of 2014. State government CIP expenditures increased $27.0 million or 7.6 percent in the second quarter of 2015. In the first half of 2015, CIP expenditures decreased $52.5 million or 7.5 percent from the first half of the previous year.

According to the most recent data available, the Honolulu Construction Cost Index increased 7.5 percent for Single Family Residence and 7.4 percent for High-Rise Building in the first quarter of 2015 over that of 2014.

In the first half of 2015, Honolulu's median price for single family resales was $685,000, an increase of $15,500 or 2.3 percent from the first half of 2014. The median price for condominium units was $358,500, an increase of $8,500 or 2.4 percent from the first half last year. In the second quarter of 2015, the number of single-family unit resales was up 9.2 percent, and the number of condominium unit resales was up 6.9 percent compared with the second quarter of 2014. In the first half of 2015, the number of single-family unit resales was up 3.4 percent, and condominium unit resales was up 3.3 percent compared with the same period of 2014.

In the second quarter of 2015, single-family unit resales increased 4.6 percent, and condominium unit resales decreased 9.8 percent in Maui County compared to the same quarter of 2014.

Similar information for Hawaii and Kauai Counties is not available.

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Table 9

ESTIMATED VALUE OF COMPLETED CONSTRUCTION, NEW PRIVATE BUILDING AUTHORIZATIONS, AND GOVERNMENT CONTRACTS AWARDED
(In millions of dollars)

Year		Contracting tax base 1/	Private Building Authorization 2/				Government Contracts Awarded
			Total Private Authorizations	Residential	Commercial & Industrial 3/	Additions & Alterations	
In Millions of Dollars							
2005		6,024.0	3,492.0	2,259.3	433.5	799.1	725.1
2006		7,223.3	3,770.1	1,811.8	732.0	1,226.2	853.8
2007		8,072.9	3,585.4	1,855.4	703.9	1,026.2	869.5
2008		7,987.1	2,906.6	1,381.6	427.1	1,097.9	952.8
2009		6,641.7	1,998.9	799.2	284.8	914.9	778.6
2010		5,589.8	1,980.3	779.0	377.5	823.8	1,057.6
2011		5,837.4	1,858.8	687.9	285.9	884.9	430.7
2012		7,006.1	2,643.8	837.2	271.1	1,535.5	772.9
2013		7,330.0	2,720.5	1,025.0	296.5	1,399.0	1,194.2
2014		7,024.0	3,315.1	985.9	498.5	1,830.6	1,096.6
2014	1 Qtr.	1,732.3	758.4	150.6	94.9	512.9	155.7
	2 Qtr.	1,766.6	806.5	305.6	80.7	420.2	291.3
	3 Qtr.	1,666.4	789.6	230.4	73.8	485.4	394.9
	4 Qtr.	1,858.7	960.6	299.3	249.2	412.1	254.7
2015	1 Qtr.	1,801.4	1,297.6	482.5	383.6	431.5	225.0
	2 Qtr.	(NA)	840.4	412.7	113.9	313.7	680.8
Percentage Change from the Same Period in Previous Year							
2005		22.4	28.1	27.8	43.0	21.9	-47.6
2006		19.9	8.0	-19.8	68.8	53.4	17.8
2007		11.8	-4.9	2.4	-3.8	-16.3	1.8
2008		-1.1	-18.9	-25.5	-39.3	7.0	9.6
2009		-16.8	-31.2	-42.2	-33.3	-16.7	-18.3
2010		-15.8	-0.9	-2.5	32.5	-10.0	35.8
2011		4.4	-6.1	-11.7	-24.3	7.4	-59.3
2012		20.0	42.2	21.7	-5.2	73.5	79.4
2013		4.6	2.9	22.4	9.4	-8.9	54.5
2014		-4.2	21.9	-3.8	68.1	30.8	-8.2
2014	1 Qtr.	-6.2	20.6	-47.9	102.3	75.0	-31.9
	2 Qtr.	-8.7	12.9	58.1	-44.6	12.0	-21.5
	3 Qtr.	-9.7	14.7	-27.4	168.5	41.3	-18.0
	4 Qtr.	9.2	39.4	32.9	225.8	6.4	125.2
2015	1 Qtr.	4.0	71.1	220.3	304.3	-15.9	44.5
	2 Qtr.	(NA)	4.2	35.1	41.2	-25.3	133.7

NA Not available.

First Hawaiian Bank has discontinued compiling Government Contracts Awarded. Hawaii State Department of Business, Economic Development & Tourism has compiled preliminary estimates beginning with the fourth quarter 1997 based on data in *Building Industry*.

1/ Formerly, this category was "Value of Construction Completed", subject to revision by Hawaii State Department of Taxation.

2/ Kauai County available for residential data only.

3/ Includes hotels.

Source: Hawaii State Department of Taxation; county building departments; U.S. Census Bureau; First Hawaiian Bank; *Building Industry*.

Table 10

ESTIMATED VALUE OF PRIVATE BUILDING CONSTRUCTION AUTHORIZATIONS, BY COUNTY

Year		State	City & County of Honolulu	Hawaii County	Kauai County 1/	Maui County
In Thousands of Dollars						
2005		3,491,964	1,364,030	1,008,386	288,132	831,416
2006		3,770,051	1,625,328	926,019	239,294	979,412
2007		3,585,447	1,676,232	912,529	268,915	727,772
2008		2,906,578	1,481,272	704,317	277,149	443,840
2009		1,998,908	1,247,196	309,165	218,111	224,437
2010		1,980,296	1,357,314	360,328	68,047	194,607
2011		1,858,763	1,272,923	282,638	59,520	243,683
2012		2,643,840	1,769,454	427,394	79,998	366,994
2013		2,720,519	1,866,352	443,739	85,413	325,014
2014		3,315,078	2,072,202	697,063	102,195	443,617
2014	1 Qtr.	758,392	474,522	99,031	15,514	169,325
	2 Qtr.	806,458	468,094	233,543	27,598	77,222
	3 Qtr.	789,623	543,927	138,863	26,516	80,318
	4 Qtr.	960,605	585,659	225,626	32,567	116,753
2015	1 Qtr.	1,297,604	711,333	138,610	18,758	428,904
	2 Qtr.	840,376	465,408	214,771	34,383	125,814
Percentage Change From The Same Period in Previous Year						
2005		28.1	3.3	22.0	120.5	85.2
2006		8.0	19.2	-8.2	-16.9	17.8
2007		-4.9	3.1	-1.5	12.4	-25.7
2008		-18.9	-11.6	-22.8	3.1	-39.0
2009		-31.2	-15.8	-56.1	-21.3	-49.4
2010		-0.9	8.8	16.5	-68.8	-13.3
2011		-6.1	-6.2	-21.6	-12.5	25.2
2012		42.2	39.0	51.2	34.4	50.6
2013		2.9	5.5	3.8	6.8	-11.4
2014		21.9	11.0	57.1	19.6	36.5
2014	1 Qtr.	20.6	-0.6	16.2	2.2	230.4
	2 Qtr.	12.9	8.4	103.1	38.5	-47.6
	3 Qtr.	14.7	10.4	21.7	8.9	40.5
	4 Qtr.	39.4	26.1	74.3	25.4	68.9
2015	1 Qtr.	71.1	49.9	40.0	20.9	153.3
	2 Qtr.	4.2	-0.6	-8.0	24.6	62.9

1/ For residential only.
Source: County building departments and U.S. Census Bureau.

Federal Government and Military

The Federal government plays an important role in Hawaii's economy. According to the most recent Bureau and Economic Analysis ("BEA") data, the total compensation of employees ("COE") of federal government employees in Hawaii was $8.2 billion in 2014, about the same as in 2013. The total COE of combined military and civilian federal employees in Hawaii accounted for about 19.4 percent of Hawaii's total COE in 2014. Between 2004 and 2014, the annual average compounded growth rate for COE was 3.6 percent

for civilian and 4.5 percent for military personnel in Hawaii. The military personnel accounted for 59.3 percent of the total Federal COE in 2014. The federal government accounted for about 12.9 percent of State GDP in Hawaii in 2013, a majority of which is defense related.

The most recent BEA data also shows that the earnings of federal government employees in the first quarter of 2015 increased 1.1 percent over the same quarter of 2014. In 2014, the earnings of federal government employees increased 0.3 percent from the previous year.

Future levels of federal funding (including defense funding) in Hawaii are subject to potential spending cutbacks and deferrals that may be implemented to reduce the federal budget deficit, but, on the other hand, may increase to reflect the growing importance of the Asia Pacific Region. The federal budget sequestration has not had a material adverse effect on the State.

Transportation

Because the State's population resides on seven islands, the State is dependent on fast, efficient, low cost transportation, both interstate and intrastate.

Sea Transportation. The State is dependent on regular shipping service for overseas lifeline support. While nearly all visitors to the State arrive by air, sea transportation provides the State with the bulk of both its imported goods and delivery of exported local products. Overseas and inter island cargo shipments for the fiscal years 2011, 2012, 2013 and 2014 amounted to, 18.8 million short tons, 19.0 million short tons, 19.8 million short tons and 20.4 million short tons respectively.

The Harbors System is comprised of ten commercial harbors, which are operated and maintained by the Department of Transportation as a single integrated system for financial and management purposes. The harbors are: (1) Honolulu Harbor, and Kalaeloa Barbers Point Harbor on the island of Oahu, comprising the Oahu District; (2) Hilo Harbor and Kawaihae Harbor on the island of Hawaii, comprising the Hawaii District; (3) Nawiliwili Harbor and Port Allen Harbor on the island of Kauai, comprising the Kauai District; and (4) Kahului Harbor and Hana Harbor on the island of Maui, Kaunakakai Harbor on the island of Molokai, and Kaumalapau Harbor on the island of Lanai, comprising the Maui District. The Harbors System previously managed Kewalo Basin for its landowner, the Hawaii Community Development Authority ("HCDA"). Effective March 1, 2009, HCDA assumed management and operations of Kewalo Basin. Kewalo Basin's inclusion as a program under the Harbors System ceased on June 30, 2009. Act 200, SLH 2008, authorized the transfer of Hana Harbor on the island of Maui to the jurisdiction of the Harbors System, effective July 1, 2008.

The State uses nine harbors, with the exception of Hana Harbor, to facilitate the movement of goods from and between the mainland, foreign and inter island ports. The number of commercial vessels entering all ports was 8,490 in fiscal year 2011, 7,912 in fiscal year 2012, 6,832 in fiscal year 2013 and 6,565 in fiscal year 2014. The U.S. military moves most of its cargo through the State's Harbors System.

Honolulu Harbor is the hub of the Statewide Commercial Harbors System. It serves as a major distribution point of overseas cargo to the neighbor islands and is the primary consolidation center for the export of overseas cargo. Overseas and inter-island cargo tonnage handled through Honolulu Harbor was 9.8 million short tons in 2011, 10.0 million short tons in fiscal year 2012, 10.9 million short tons in fiscal year 2013 and 11.2 million short tons in fiscal year 2014. The State manages, maintains and operates the statewide harbors system to provide for the efficient movement of cargo and passengers.

Act 200, SLH 2008, was enacted to authorize a statewide Harbors Modernization Plan ("HMP") to address harbor infrastructure improvements to Kahului Harbor on Maui, Nawiliwili Harbor on Kauai, Hilo and Kawaihae Harbors on Hawaii, and Honolulu and Kalaeloa Harbors on Oahu. In addition to the six commercial harbors included in the plan, the law placed Hana Harbor on Maui under the jurisdiction of the Harbors System and included appropriations for its upgrade. Act 200 also designated the Aloha Tower Development

Corporation ("ATDC") as the entity responsible for the management and implementation of the HMP under the direction of the Department of Transportation. Act 200 authorizes the Department of Transportation to issue harbor revenue bonds to finance the improvements. The cost of the HMP is estimated at $618 million. ATDC's failure to obtain legislative approval for operating funds for fiscal year 2011 effectively terminated its operations on June 30, 2010. The Harbors Division assumed management and implementation responsibilities of the HMP. Act 152, SLH 2011 placed the ATDC under the Department for administrative purposes and repealed references to the HMP. The Deputy Director Harbors currently serves as the Acting Chief Executive Officer for the ATDC.

Air Transportation. The statewide airports systems consists of 15 airports-11 serving both commercial and general aviation, and four small airports for general aviation only, all located on six islands within the State of Hawaii. The principal airport which provides facilities for overseas flights (i.e., other than inter-island flights within the State) is Honolulu International Airport (HNL) on the island of Oahu. HNL is located approximately five miles by highway from the center of the downtown area of Honolulu. It has four runways, two of which (12,000 feet and 12,300 feet) are among the nation's longest. With 52 gates for overseas and interisland flights, HNL is the most important airport in the State airports system.

Kahului Airport on the island of Maui, Hilo International Airport (renamed from General Lyman Field) at Hilo and Kona International Airport at Keahole (both on the island of Hawaii), and Lihue Airport on the island of Kauai also service direct flights to and from the continental United States.

In fiscal year 2014, total passenger counts decreased from 33,172,859 to 32,590,478 due to decreased tourism traffic and reduced load factors. Aircraft operations increased to 977,326 from 954,696, in fiscal year 2014 and 2013, respectively, primarily due to added flights. Total airline and concession revenues have grown over the past five (5) years. It has grown to $317 million in fiscal year 2014 or $51 million since fiscal years 2009 mainly due to increases from signatory airlines, rental car, and parking revenues. Airport concession revenues have improved as well.

Capital Improvement Projects to modernize the State's airport facilities continue to move forward. The projects are funded by cash, revenue bonds, federal grants, passenger facility fees, and rental car facility collections. The upward trend in domestic and international travel to Hawaii and limited resources (staffing and status quo budget) continue to challenge the State in maintaining and upgrading its facilities. The Airports Division is seeking improvements to the State's contractual and procurement process in order to deliver projects on a timely basis. Improving the overall contractual and procurement process will also enable the Airports Division to timely utilize Federal Aviation Administration (FAA) grants, thus prevent jeopardizing the availability of future grant funding. The Airports Division continues to adapt to airline industry standards and additional FAA and U. S. Customs and Border Protection requirements. Airline related Capital Improvement Projects are reviewed by its staff and approved by Signatory Airline Carriers.

Land Transportation. In the State, three levels of government have authority to construct and maintain public highways, streets and roads. These levels of government are the State, the counties and various federal agencies. The State is served by approximately 4,309.891 linear miles of public highways, streets and roads administered by the Department of Transportation and the counties. An additional 129.54 miles of public highways, streets and roads open to the public in national parks and military reservations are the responsibility of various federal agencies, including the United States National Park Service and the military services.

The State Highway System, which is administered by the Department of Transportation, consists of 953.545 linear miles of roadways. The most important component of the State Highway System is the 54.85 miles of interstate system on Oahu, which includes Interstates H 1, H 2, H 3 and H 201.

The City and County of Honolulu is proceeding with plans for a new $5.3 billion, 20 mile fixed guideway mass transit system to provide rail service along Oahu's east west corridor between Kapolei and

downtown Honolulu (terminating at Ala Moana Shopping Center). Construction of the project is expected to be funded with the City and County of Honolulu surcharge of ½ of 1% imposed upon Oahu activities subject to the 4% General Excise and Use Taxes and federal moneys. Construction and operation of this system is the sole responsibility of the City and County of Honolulu.

The following table sets forth the total number of motor vehicle registrations subject to renewal in the State by type of vehicle for each of the last ten calendar years ending December 31, 2014.

Motor Vehicle Registration

Motor Vehicle Registration

Calendar Year	Passenger Vehicles	Ambulances & Hearses	Buses	Trucks	Motorcycles & Scooters	Trailers	Total
2005	906,799	47	2,472	185,646	24,874	29,565	1,149,403
2006	907,659	46	2,349	191,230	26,024	31,789	1,157,027
2007	911,607	47	2,260	193,650	26,978	32,698	1,167,240
2008	903,518	57	2,213	193,332	28,447	33,076	1,160,643
2009	895,770	63	2,143	190,935	28,879	32,138	1,149,928
2010	898,452	64	2,103	190,025	29,436	31,601	1,151,681
2011	951,170	79	2,320	194,557	33,022	29,222	1,210,370
2012	1,033,975	91	2,621	203,323	38,223	32,053	1,310,286
2013	1,089,709	98	2,669	207,496	41,180	30,189	1,371,341
2014	1,042,818	105	2,565	200,934	37,771	28,252	1,312,445

Source: Summary of Registered Vehicles, Various Years, Department of Information Technology, City & County of Honolulu.

Education

Unlike many other states, the State operates a statewide public school system for elementary, intermediate, and high schools. In addition, the State operates a statewide public system for colleges and universities. In the 2014–2015 school year, system enrollment decreased from a total of 185,930 in the 2013-2014 school year to a projected total of 180,807 in 288 K–12 public schools (includes 34 charter schools). The public education system at all levels (elementary, intermediate, high school, colleges and universities) is financed at the State level rather than the local level. This includes both capital outlays and costs of operation.

The University of Hawaii was established in 1907 on the model of the American system of land grant universities created initially by the Morrill Act of 1862. In the 1960s and 1970s, the University was developed into a system of accessible and affordable campuses. These institutions currently include:

(i) a research university at Manoa, offering a comprehensive array of undergraduate, graduate and professional degrees through the doctoral level, including law, and a medical school and a cancer research center in Kakaako in downtown Honolulu;

(ii) a comprehensive, primarily baccalaureate institution at Hilo, offering professional programs based on a liberal arts foundation and selected graduate degrees; a College of Pharmacy with a four year curriculum leading to a Doctor of Pharmacy degree, seated its inaugural class in the fall of 2007;

(iii) a baccalaureate institution at West Oahu, for which a new permanent campus was opened in August 2012, offering degrees in the liberal arts and professional studies; and

(iv) a system of seven open door community colleges spread across the islands of Kauai, Oahu, Maui and Hawaii, offering quality liberal arts and workforce programs.

In the fall of 2014, 57,052 students attended the University of Hawaii System, 19,507 of them on the Manoa campus.

For the fall of 2015, it is projected that 56,423 will attend the University of Hawaii System, 19,288 of them on the Manoa campus.

State Housing Programs

Since 1970, the State has undertaken a program to alleviate the shortage of housing in the State under a comprehensive housing law. The law recognizes that all phases of housing are related to one another and consequently attempts to cover all such phases, from construction through permanent financing, and also attempts to solve or mitigate the housing problem by using both the public and private sectors. To this end the State has undertaken, among other things, facilitating the development of real property and the construction of dwelling units thereon in partnerships with qualified developers and contractors. The State's participation in such partnerships has consisted of construction financing (interim financing), including land acquisition. Other State efforts include construction and permanent financing for developers of residential housing; development by the State itself of single and multifamily residential housing units on land owned by the State or on land purchased or to be purchased for such purpose or on land to be leased from others; and loans to qualified residents of the State who are qualified purchasers of affordable dwelling units.

The State also administers federal and state housing assistance programs for low income families. Included are the management of low rent public housing units, the administration of the Section 8 tenant based housing assistance program and other federal and State programs intended to provide very low to low income residents with safe, decent and sanitary housing.

The State housing programs previously were carried out by the Housing and Community Development Corporation of Hawaii (the "HCDCH"). On July 1, 2006, pursuant to Act 196, SLH 2005, as amended by Act 180, SLH 2006, the HCDCH was bifurcated into the Hawaii Public Housing Authority (the "HPHA") and the Hawaii Housing Finance and Development Corporation (the "HHFDC"). The assets, obligations and functions of the HCDCH were transferred to the HHFDC and to the HPHA, as provided by such Acts. The HHFDC performs the function of housing finance and development. The HHFDC is empowered to raise funds through the issuance of revenue bonds and to use such funds for housing purposes. The bonds are special obligations of the HHFDC and do not impact the debt limit of the State, nor do the bonds constitute general obligations of the State. The HPHA performs the function of developing and maintaining public housing.

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APPENDIX B

FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII

PART I

SELECTED FINANCIAL INFORMATION

(commences on page B-1)

PART II

GENERAL PURPOSE FINANCIAL STATEMENTS OF THE

STATE OF HAWAII AS OF JUNE 30, 2014 AND

INDEPENDENT AUDITORS' REPORT

(commences on page B-21)

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APPENDIX B

FINANCIAL INFORMATION ABOUT THE STATE OF HAWAII

PART I
SELECTED FINANCIAL INFORMATION

The statistical information presented by this Part I of Appendix B is the most current such information available to the State. Because such information becomes available at different times, the dates of such information, as presented herein, are not the same.

INFORMATION ABOUT INDEBTEDNESS

The following tables set forth the State's total indebtedness as of July 1, 2014, including reimbursable general obligation bonds excludable for the purposes of calculating the constitutional debt limit. See "DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit" in Appendix A.

SUMMARY OF TOTAL INDEBTEDNESS OF THE STATE OF HAWAII

GENERAL OBLIGATION BOND INDEBTEDNESS

General obligation bonds outstanding		$ 5,720,580,000
Less excludable reimbursable general obligation bonds [1]		
Highways	$ 7,906,528	
Harbors	31,175,970	
University of Hawaii	555,371	
Parking facilities	49,234	
Hawaiian Home Lands	77,107	
Subtotal excludable reimbursable general obligation bonds	$ 39,764,210	
Less all general obligation bonds maturing in the current year	$ 314,399,679	$ 354,163,889
Net general obligation bonds outstanding		$ 5,366,416,111

Footnotes on following page.

REVENUE BOND INDEBTEDNESS[2]

As of July 1, 2014

Revenue bonds outstanding:		
Airports:		
Airports system	$ 843,515,000	
Airports special facility	29,130,000	$ 872,645,000
Housing:		
Single family mortgage purchase	71,334,402	
Multifamily	262,174,792	333,509,194
Harbors:		
Revenue		341,975,000
Highway:		
Revenue		353,355,000
University of Hawaii:		
Revenue		593,930,000
Hawaiian Home Lands		39,075,000
Hawaii Health Systems Corporation (Maui Regional Health Care System)		21,502,000
Total revenue bonds outstanding		$ 2,555,991,194

SPECIAL PURPOSE REVENUE BOND INDEBTEDNESS[3]

As of July 1, 2014

Special Purpose Revenue Bonds outstanding:	
Health care facilities	$ 732,560,000
Utilities serving the general public	473,400,000
Industrial enterprises	9,812,500
Not-for-profit secondary schools, colleges and university serving the general public	69,125,000
Total special purpose revenue bonds outstanding	$ 1,284,897,500

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1 See "DEBT STRUCTURE—Exclusions" and "DEBT STRUCTURE—Reimbursement to State General Fund for Debt Service" in Appendix A for exclusions and sources of reimbursement.

2 All revenue indebtedness is payable solely from the revenues derived from rates, rentals, fees and charges except for the revenue bonds issued for the airports system, which are payable from both the revenues of the airports system derived from rates, rentals, fees and charges and from the aviation fuel tax, and except for a portion of the revenue bonds issued for the University of Hawaii, which is payable from both the revenues of the University derived from tuition, fees and charges and from tobacco settlement funds.

3 All special purpose revenue indebtedness is payable solely from receipts derived from payments by special purpose entities or persons under contract or from any security for such contract or special purpose revenue bonds.

Since July 1, 2014, the State has issued additional general obligation bonds, and has redeemed and retired other general obligation bonds. As of October 1, 2015, and not taking into account the anticipated issuance of the Bonds, the State had a total of $5,804,655,000 of general obligation bonds outstanding. See "APPENDIX D—GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII."

The following table presents a summary of the calculation of the State's constitutional debt limit as of July 1, 2014. The greatest amount of principal and interest payable in any fiscal year on outstanding general obligation indebtedness as of July 1, 2014, after exclusions permitted by the Constitution, is $655,551,824 in the fiscal year ending June 30, 2017, which is within the July 1, 2014 debt limit of $1,107,742,921.

SUMMARY STATEMENT OF THE DEBT LIMIT OF THE STATE OF HAWAII

NET GENERAL FUND REVENUES FOR THE STATE OF HAWAII FOR THE PRECEDING THREE FISCAL YEARS	2011-2012	2012-2013	2013-2014
Total General Fund revenues exclusive of grants from the federal government	$5,660,629,181	$6,234,438,652	$6,096,208,295
Less:			
Receipts in reimbursement of any indebtedness that is excluded in computing the total outstanding indebtedness of the State Agencies	11,828,531	8,429,886	7,618,992
Net General Fund revenues	$5,648,800,650	$6,226,008,766	$6,088,589,303
Sum of net General Fund revenues for preceding three fiscal years	$17,963,398,719		
Average of preceding three fiscal years	$5,987,799,573		
18½% of average net General Fund revenues of the three preceding years ended June 30, 2012, 2013 and 2014	$1,107,742,921		

NOTE: This Summary Statement is based on the July 1, 2014 statement of indebtedness. See "DEBT STRUCTURE — Outstanding Indebtedness and Debt Limit" in Appendix A.

The July 1, 2014 statement is the most recent such statement prepared and submitted to the Legislature. The State will file its debt statements as of July 1, 2015 (which are due by December 1, 2015) when the same became available on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board, currently located at http://emma.msrb.org. While such statements are not expected to be available prior to the issuance of Bonds, the State is in compliance with the State debt limit and will certify that it is in compliance therewith upon the issuance of the Bonds.

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GENERAL OBLIGATION BONDS OUTSTANDING
AS OF JULY 1, 2014

	Principal Amount	Balance	% of Total
Reimbursable General Obligation Bonds [1]			
From State Special Funds for			
Highways	$ 7,906,528		
Commercial Harbors	$ 31,175,970		
Small Boat Harbors [2]	$ 2,207,506		
Hawaiian Home Lands	$ 77,107		
University of Hawaii	$ 555,371		
Parking Facilities	$ 49,234		
Waiahole Water System [2]	$ 6,399,778		
Convention Center [2]	$ 221,125,289		
Total for Special Funds	$ 269,496,783		
Total Reimbursable General Obligation Bonds		$ 269,496,783	4.71%
Non Reimbursable General Obligation Bonds			
From State General Funds for various purposes	$5,451,083,217		
Total Non-reimbursable General Obligation Bonds		$ 5,451,083,217	95.29%
Total General Obligation Bonds Issued and Outstanding.....		$ 5,720,580,000	100%

[1] See "DEBT STRUCTURE - Reimbursement to State General Fund for Debt Service" in Appendix A concerning sources of reimbursement, including taxes. The figures in this table should not be taken as an indication that in all instances the reimbursement to the General Fund will in fact be made or that such reimbursement will be made in whole.

[2] Not excludable for debt limit purposes.

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The following table sets forth a summary of the debt service payable on all outstanding general obligation bonded indebtedness of the State of Hawaii as of October 1, 2015, including the Refunded Bonds, as well as debt service payable on the Bonds as of the expected date of delivery thereof. Further detail concerning the State's various outstanding general obligation indebtedness is set forth in Appendix D hereto.

SUMMARY OF DEBT SERVICE
As of October 1, 2015

							Debt Service on the Bonds[3]			
Fiscal Year Ending June 30	Total Remaining Principal Amount[1]	Total Principal Payable	Total Interest Payable	Total Debt Service Payable	Less Amounts Reimbursable to General Fund[2]	Net Debt Service Payable	Total Principal Payable	Total Interest Payable	Less: Refunded Bond Debt Service[4]	Total Debt Service[5]
2016	5,804,655,000	225,540,000	207,651,800	433,191,800	Pending	Pending				
2017	5,579,115,000	431,530,000	255,027,632	686,557,632	32,728,343	653,829,289				
2018	5,147,585,000	409,010,000	237,727,401	646,737,401	31,485,094	615,252,307				
2019	4,738,575,000	414,835,000	221,650,051	636,485,051	30,417,121	606,067,930				
2020	4,323,740,000	388,295,000	201,183,495	589,478,495	30,417,931	559,060,564				
2021	3,935,445,000	341,850,000	183,637,725	525,487,725	30,420,401	495,067,324				
2022	3,593,595,000	360,695,000	167,063,700	527,758,700	30,417,896	497,340,804				
2023	3,232,900,000	359,595,000	149,569,752	509,164,752	30,417,213	478,747,539				
2024	2,873,305,000	368,595,000	131,973,038	500,568,038	30,417,893	470,150,145				
2025	2,504,710,000	345,995,000	115,230,624	461,225,624	30,422,683	430,802,941				
2026	2,158,715,000	338,910,000	99,428,241	438,338,241	30,424,388	407,913,853				
2027	1,819,805,000	305,430,000	82,419,828	387,849,828	28,145,958	359,703,870				
2028	1,514,375,000	292,190,000	68,008,193	360,198,193	1,365,184	358,833,009				
2029	1,222,185,000	273,850,000	53,269,776	327,119,776	428,556	326,691,220				
2030	948,335,000	234,500,000	39,466,709	273,966,709	429,270	273,537,439				
2031	713,835,000	199,505,000	27,814,447	227,319,447	430,068	226,889,379				
2032	514,330,000	208,705,000	18,522,869	227,227,869	430,933	226,796,936				
2033	305,625,000	144,420,000	10,477,916	154,897,916	431,788	154,466,128				
2034	51,965,000	109,240,000	4,726,733	113,966,733	334,834	113,631,899				
2035	0	51,965,000	1,118,719	53,083,719	218,971	52,864,748				

[1] Remaining principal amount, as of commencement of fiscal year, of all general obligation bonded indebtedness of the State that was outstanding as of October 1, 2015.

[2] These figures show debt service on outstanding general obligation bonds of the State issued for certain activities, undertakings, improvements and systems of the State where the payment of such debt service from the General Fund is required by statute to be reimbursed to the General Fund from the respective income, revenues or user taxes pertaining to the particular activity, undertaking, improvement or system and regardless of whether excludable under the provisions of the Constitution when determining the power of the State to incur indebtedness. Consequently, the amount of reimbursement to the General Fund in the table above is greater than the excludable reimbursement under the Constitution. For example, of the $_____ amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2016, only $_____ is an excludable reimbursement for purposes of the debt limit calculation under the Constitution. See "DEBT STRUCTURE—Reimbursement to State General Fund for Debt Service" in Appendix A for the sources of reimbursement, including taxes.

[3] As of the expected date of delivery thereof.

[4] Reflects debt service payable on the Refunded Bonds.

[5] Approximate. Reflects bond debt service on all outstanding general obligation bonded indebtedness of the State of Hawaii as of October 1, 2015, plus debt service on the Bonds as of their expected date of delivery, taking into account the refunding of the Refunded Bonds.

BONDED DEBT PER CAPITA
(Amounts in thousands except "Debt Per Capita")

Fiscal Year	Population [1]	General Obligation Bonded Debt [2&3]	Less Debt Service Moneys Available [2]	Net General Obligation Bonded Debt	Net General Obligation Bonded Debt Per Capita
2010	1,300	5,157,198	118	5,157,080	3,967
2011	1,375	4,987,544	109	4,987,435	3,627
2012	1,392	5,475,348	64	5,475,284	3,933
2013	1,404	5,534,921	63	5,534,858	3,942
2014	1,420	5,784,139	35	5,784,104	4,073

[1] Source: State of Hawaii, Department of Business, Economic Development and Tourism - Census Data.
[2] Source: State of Hawaii, Department of Accounting and General Services, Accounting Division.
[3] Excludes Enterprise Funds and Component Unit - University of Hawaii general obligation bonds.

Certificates of Participation and Lease Purchase Agreements

Certificates of Participation. In November 1998, the State executed a Lease Agreement (the "Kapolei Lease") related to the issuance of $54,850,000 in certificates of participation, the proceeds of which were used to purchase a state office building in Kapolei (the "Kapolei COPs"); in December 2000, the State executed a second Lease Purchase Agreement (the "Capitol District Lease") for the issuance of $23,140,000 in certificates of participation, the proceeds of which were used to purchase the No. 1 Capitol District State Office Building in Honolulu (the "Capitol District COPs"). Certificates of participation in the aggregate principal amount of $41,120,000 were issued in November 2009 for the purpose of refunding all Kapolei Certificates and Capitol District Certificates, and such certificates of participation are payable from the lease payments owed by the State under the Kapolei Lease and the Capitol District Lease.

In December 2006, the State executed a Facility Lease Agreement related to the issuance of $24,500,000 of Certificates of Participation (the "Hawaiian Homeland COPs"), the proceeds of which were used to construct a headquarters office and conference center building for the Department of Hawaiian Homelands in Kapolei. Each building is located on the island of Oahu. The Kapolei COPs, Capital District COPs and Hawaiian Homeland COPs (collectively, the "COPs") are secured by rental payments payable from lawfully available funds of the State, including the State's General Fund. The rental payments do not constitute an obligation for which the State has levied any form of taxation. The COPs do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In December 2013, the Department of Transportation entered into a lease agreement in respect of the issuance of $167,740,000 certificates of participation related to an energy savings contract for the Airports System in fiscal year 2014. Rental payments under COPs issued by the Department of Transportation are secured by Airports System Revenues, subject to annual appropriation by the Legislature, and do not constitute an obligation payable from the State's General Fund revenues.

Lease Purchase Agreements. In September 2009, April 2011 and September 2013, the State, by the Department of Accounting and General Services and the Department of Public Safety, entered into Equipment Lease Purchase Agreements (the "Equipment Leases") with an aggregate principal component of $54,723,668. The State directly placed the Equipment Leases with the respective lessors. The principal components of the Equipment Leases amortize over periods that may not exceed 20 years, with the final payment coming due in September 2033. The State is using the Equipment Lease proceeds to acquire certain energy savings capital improvements pursuant to corresponding energy savings contracts for numerous State-owned buildings and

structures. The lease payments under the Equipment Leases are payable from lawfully available funds of the State, including the State's General Fund, but do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the Equipment Leases do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In November 2014, the State, by the Na Wai Ola Public Charter School, entered into a Master Lease Agreement (the "Charter School Equipment Lease") with an aggregate principal component of $30,000. The State directly placed the Charter School Equipment Lease with the lessor. The principal components of the Charter School Equipment Lease amortize over a period of five years. The State used the Charter School Equipment Lease proceeds to acquire certain equipment for use at a charter school facility. The lease payments under the Charter School Equipment Lease are payable from lawfully available funds of the State, including the State's General Fund, but do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the Charter School Equipment Lease do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In January 2015, the State, by the Hawaii Criminal Justice Data Center, a division of the Department of Attorney General, entered into an Equipment Lease Purchase Agreement (the "CJDC Equipment Lease") with an aggregate principal amount component of $3,007,422. The State directly placed the CJDC Equipment Lease with the lessor. The principal component of the CJDC Equipment Lease amortizes over a period of five years. The State is using the proceed of the CJDC Equipment Lease to acquire and install hardware and software upgrades to the State's Automated Fingerprint Identification System. The lease payments under the CJDC Equipment Lease are payable from lawfully available funds of the State, including the State's General Fund, but do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the CJDC Equipment Lease do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

In July 2015 and September 2015, the State, acting through the Department of Transportation Highways Division and Harbors Division, entered into Equipment Lease Purchase Agreements (the "DOT Equipment Leases") with an aggregate principal component of $86,531,655. The principal components of the DOT Equipment Leases amortize over periods that may not exceed 20 years, with the final payments coming due in 2032. The State is using the DOT Equipment Lease proceeds to acquire certain energy savings capital improvements pursuant to corresponding energy savings contracts at facilities and property of the Department of Transportation Highways Division and Harbors Division. The lease payments under the DOT Equipment Leases are payable solely from revenues of the Department of Transportation Highways Division and Harbors Division, as applicable, and do not constitute an obligation for which the State has levied any form of taxation. The obligations of the State under the DOT Equipment Leases do not constitute an indebtedness of the State or any political subdivision thereof within the meaning of the Constitution or any statute of the State.

No Obligations Subject to Mandatory Purchase or Acceleration

The State currently has no outstanding variable rate obligations subject to purchase by the State upon an event of default and no direct bank loans or other obligations subject to acceleration upon an event of default which are, in either case, secured or otherwise supported by the General Fund. The State could in the future incur such obligations under certain circumstances, and such obligations may under certain circumstances be subject to payment in full prior to the payment of the Bonds.

INVESTMENT OF STATE FUNDS

Cash Management Program Policy

The objectives of the investment policies of the State's cash management program are: (a) Safety: To safeguard State funds and require full collateralization of State deposits; (b) Liquidity: To ensure the

availability of funds to meet State expenditures by the timely forecasting of cash requirements and the selection of securities that can be promptly converted into cash with a minimum risk of principal; and (c) Yield: To maximize interest earnings on State investments of funds in excess of immediate needs.

Securities in Which State Funds May Be Invested

The General Fund, the various Special Funds and other funds are held in the State Treasury. The moneys held in the State Treasury, which in the judgment of the Director of Finance are in excess of the amounts necessary to meet the immediate requirements of the State, are invested in securities authorized in Section 36-21, HRS. The securities in which State funds may currently be invested include the following: (a) U.S. Treasury obligations, including Treasury bills, notes and bonds for which the full faith and credit of the United States are pledged for the payment of principal and interest; (b) certain U.S. Government-Sponsored Enterprises (GSE); (c) time certificates of deposit in federally insured financial institutions; (d) interest bearing accounts with federally insured financial institutions; (e) repurchase agreements with federally insured banks and savings and loan associations; (f) commercial paper with at least an A1/P1 rating; (g) bankers' acceptances with at least an A1/P1 rating; (h) money market mutual funds that are rated AAA or its equivalent by a nationally recognized rating agency or whose portfolio consists of securities that are rated as first tier securities by a nationally recognized statistical rating organization; and (i) securities of a mutual fund whose portfolio is limited to securities issued or guaranteed by the full faith and credit of the United States. Section 36-21, HRS, prohibits the State from investing in securities which require the State to make any swap, counter or other payments other than the original purchase price plus accrued interest.

In the investment of State funds, it is the policy of the State to give due regard to depositories doing business within the State of Hawaii. This policy takes into account the beneficial effects to the State of using local depositories. Deposits are allocated among local financial institutions based upon the yield offered on investments and their ability to fully collateralize such investments.

As of August 31, 2015, 3% of the State's investment portfolio and cash in banks consisted of repurchase agreements with banks, 39% consisted of time certificates with banks, 42% consisted of U.S. Federal Agency and Government Sponsored Entity Securities, 10% consisted of U.S. Treasury securities, and 6% consisted of cash in bank accounts.

Safety of Public Funds

All State funds deposited with financial institutions are deemed, under State law, to be deposited in the State Treasury. Except for that portion of any deposit which is insured by an agency of the federal government, e.g., the Federal Deposit Insurance Corporation ("FDIC"), all deposits of State funds must be collateralized by the depository with securities deposited with the Director of Finance, which has market value equivalent to the lesser of the market value of the collateral based on reputable pricing sources or its par value. Margins have been established for each type of security pledged, as provided in Section 38-3, HRS.

With respect to the types of securities pledged as collateral, Section 38-3, HRS, requires such securities to be evidences of indebtedness of the State or its counties or agencies thereof, of certain county improvement districts or frontage improvement, of the United States or certain agencies thereof, State warrants or warrant notes, direct obligations of other states or cities or counties in the continental United States and other assets of the depository eligible to secure advances from the Federal Reserve Banks. The State will not accept, as collateral, derivative products or other securities that move inversely to the general level of interest rates.

The collateral pledged by depositories is monitored by the Director of Finance on a computerized system, which determines the adequacy of the amount of collateral pledged by depositories on a daily basis.

Investment Yield

Cash positions of State moneys in depositories are reviewed at the beginning of each work day. A determination is made as to the amount of moneys needed to meet payment of State obligations, e.g., payroll, debt service, vendor and contract payments. Any amounts in excess of those requirements are then committed to investment to maximize interest income to the State. Interest earned on moneys in the State Treasury which are requested to be invested by a special fund agency are credited to the special fund agency and is determined by cash flow requirements of the particular program and the general direction of interest rates.. All investments of the State are made by the Director of Finance. The maximum length or term of an investment is five years from the date of investment pursuant to Section 36-21, HRS.

As of June 30, 2015, $7.1 million was credited to the General Fund as investment earnings for that fiscal year. The total accrued investment interest represents an average return on investment for the General Fund of 0.46%. For July 2015, the first month of the current fiscal year, the General Fund realized $750,270 of interest.

SELECTED FINANCIAL STATEMENTS

The following is the balance sheet of the General Fund ending each June 30 from 2010 to 2014. Following thereafter is the statement of revenues and expenditures of the General Fund for each such fiscal year including the statement of revenues and expenditures for each such fiscal year. See also the schedules relating to the General Fund accompanying the General Purpose Financial Statements from the State's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014, in Part II of Appendix B.

The data set forth in the balance sheets and other financial statements have been prepared by the Comptroller of the State. The General Fund is presented and reported using the modified accrual basis of accounting. Under such basis, revenues are recorded when collected in cash except for (a) revenues susceptible to accrual, i.e., measurable and available, and (b) revenues received prior to the period of benefit. Revenues for which receivables have been recorded (and other noncash assets generally) are fully reserved until such time as they are converted to cash.

Expenditures are recorded at the time vouchers for payments are filed with the Comptroller. At the end of a fiscal year, existing liabilities for which payment is due are vouchered and recorded as expenditures as of the end of the fiscal year. Other liabilities for which payment is not due, and obligations in the form of open purchase orders, are recorded as encumbrances at the end of a fiscal year and are not recorded as expenditures until the encumbrances are subsequently liquidated.

General fixed assets purchased or constructed are recorded initially as expenditures and are subsequently reflected at cost in the government-wide statement of Net Position. Depreciation is recorded in the government-wide statement of activities (accrual basis) but not in the governmental funds (modified accrual basis).

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BALANCE SHEET OF THE GENERAL FUND
OF THE STATE OF HAWAII
As of June 30
(Amounts in Thousands)

	2010	2011	2012	2013	2014
ASSETS:					
Cash	$ 134,232	$ 106,420	$ 238,623	$ 76,050	$ 114,395
Advances to other funds	-	-	-	-	-
Due from other funds	149,467	138,352	133,005	120,748	213,063
Due from Component Units	34,916	102,304	29,300	23,800	21,800
Receivables:					
Taxes	123,459	356,975	441,549	461,846	463,187
Notes	3,281	2,906	2,187	1,440	1,470
Other	2,274	10,050	14,047	8,763	8,125
Total receivables	129,014	369,931	457,783	472,049	472,782
Investments	80,448	169,838	286,913	1,102,679	842,394
Other Assets		37,144	15,060	932	18,778
TOTAL ASSETS	$ 528,077	$ 923,989	$ 1,160,684	$ 1,796,258	$ 1,683,212
LIABILITIES AND FUND EQUITY:					
Liabilities:					
Vouchers payable	$ 112,010	$ 100,685	$ 115,379	$ 105,252	$ 101,042
Other accrued liabilities	342,001	219,554	213,900	250,459	231,422
Due to other funds	12,718	109	64	63	35
Due to Component Units	10,182	1,261	1,563	1,601	1,514
Deferred revenue	18,232	45,334	22,340	13,610	13,536
Total liabilities	495,143	366,943	353,246	370,985	347,549
FUND EQUITY:					
Reserves:					
Unrealized receivables	3,281	N/A	N/A	N/A	N/A
Encumbrances	222,865	N/A	N/A	N/A	N/A
Unencumbered allotments	17,339	N/A	N/A	N/A	N/A
Total reserves	243,485	N/A	N/A	N/A	N/A
Unreserved fund balance:					
Designated for future expenditures	—	N/A	N/A	N/A	N/A
Undesignated	(210,551)	N/A	N/A	N/A	N/A
Total fund equity	32,934	N/A	N/A	N/A	N/A
Restricted	N/A	—	—	—	—
Committed	N/A	—	—	—	—
Assigned	N/A	210,164	236,779	271,020	256,483
Unassigned	N/A	346,882	570,659	1,154,253	1,079,180
* Total fund balances	N/A	557,046	807,438	1,425,273	1,335,663
TOTAL LIABILITIES AND FUND EQUITY	$ 528,077	$ 923,989	$ 1,160,684	$ 1,796,258	$ 1,683,212

* Governmental Accounting Standards Board (GASB) Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* is effective for governmental fund financial statements issued beginning with fiscal year ended June 30, 2011. GASB Statement 54 establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. All revenues deposited into the General Fund are not constrained for specific purposes and are the general obligations of the State and are unassigned. Encumbrance balances at year-end are reflected as assigned.

REVENUES AND EXPENDITURES OF THE GENERAL FUND OF THE STATE OF HAWAII
(for the fiscal years shown)
(Amounts in Thousands)

	2009-2010	% of Total	2010-2011	% of Total	2011-2012	% of Total	2012-2013	% of Total	2013-2014	% of Total
REVENUES:										
General excise tax	$ 2,279,310	51.37	$ 2,507,980	50.89	$ 2,774,636	52.32	$ 2,991,792	51.73	$ 2,816,346	50.12
Income tax-corporation	57,394	1.29	44,143	0.90	81,179	1.53	95,060	1.64	85,940	1.53
Income tax-individual	1,351,571	30.46	1,429,045	29.00	1,552,233	29.27	1,709,349	29.55	1,755,023	31.23
Service companies tax	157,661	3.55	117,940	2.39	150,528	2.84	163,930	2.83	166,179	2.96
Liquor licenses and taxes	44,074	0.99	48,053	0.98	48,854	0.92	48,961	0.85	48,305	0.86
Tobacco licenses and taxes	85,502	1.93	106,137	2.15	102,853	1.94	94,180	1.63	77,659	1.38
Insurance premiums tax	104,667	2.36	139,090	2.82	117,617	2.22	131,906	2.28	137,179	2.44
Rental motor/tour vehicle surcharge tax	0	0.00	0	0.00	61,430	1.16	4,519	0.08	1	0.00
Inheritance and estate tax	0	0.00	6,900	0.14	14,124	0.27	14,886	0.26	14,789	0.26
Franchise tax	18,666	0.42	31,682	0.64	5,229	0.10	20,673	0.36	36,983	0.66
Environmental response tax	0	0.00	13,995	0.28	15,776	0.30	15,537	0.27	17,356	0.31
Transient accommodations tax *	31,635	0.71	59,839	1.21	137,529	2.59	185,377	3.20	188,721	3.36
Conveyance tax	17,918	0.40	22,706	0.46	17,899	0.34	21,148	0.37	27,592	0.49
Total Taxes	4,148,398	93.48	4,527,510	91.86	5,079,887	95.80	5,497,318	95.05	5,372,073	95.60
Charges for current services and other revenues	288,401	6.52	400,594	8.14	223,724	4.20	286,686	4.95	247,072	4.40
TOTAL REVENUES	$ 4,436,799	100.00	$ 4,928,104	100.00	$ 5,303,611	100.00	$ 5,784,004	100.00	$ 5,619,145	100.00
EXPENDITURES:										
General government	$ 344,110	8.14	$ 353,124	8.50	$ 369,664	7.99	$ 322,464	6.95	$ 425,549	8.43
Public safety	294,576	6.97	259,086	6.24	316,863	6.85	291,855	6.29	377,408	7.48
Conservation of natural resources	35,390	0.84	28,119	0.68	26,290	0.57	28,260	0.61	34,132	0.68
Health	503,625	11.92	461,894	11.12	484,543	10.48	521,592	11.24	559,981	11.09
Welfare	712,900	16.87	761,208	18.32	1,019,919	22.05	1,102,912	23.77	992,675	19.67
Education:										
Higher	525,446	12.43	502,424	12.09	535,457	11.58	518,486	11.17	563,764	11.17
Lower and others	1,725,192	40.82	1,699,828	40.91	1,782,369	38.54	1,746,939	37.65	1,965,499	38.94
Culture-recreation	35,884	0.85	38,682	0.93	39,144	0.85	38,979	0.84	43,567	0.86
Urban redevelopment and housing	20,386	0.48	82	0.00	108	0.00	294	0.00	10,005	0.20
Economic development & assistance	28,269	0.67	43,755	1.05	24,141	0.52	25,876	0.56	32,992	0.65
Other	114	0.01	6,722	0.16	26,250	0.57	42,621	0.92	42,013	0.83
TOTAL EXPENDITURES	$ 4,225,892	100.00	$ 4,154,924	100.00	$ 4,624,748	100.00	$ 4,640,278	100.00	$ 5,047,585	100.00
OTHER FINANCING SOURCES (USES):										
Transfers in	$ 16,586	-	$ 126,695	-	$ 53,497	-	$ 77,451	-	$ 65,648	-
Transfers out	(382,767)	-	(413,652)	-	(591,053)	-	(696,818)	-	(818,488)	-
Other	3,188	-	37,889	-	109,085	-	93,476	-	91,670	-
TOTAL OTHER FINANCING SOURCES (USES)	$ (362,993)	-	$ (249,068)	-	$ (428,471)	-	$ (525,891)	-	$ (661,170)	-

* Act 156, SLH 1998 distributed the Transient Accommodations Tax (TAT) revenues: 44.8% to the counties, 17.3% to the Convention Center Special Fund and 37.9% to the Tourism Special Fund. On June 30, 2000, the Convention Center Capital and Operations Special Fund ceased to exist, leaving the 17.3% Convention Center share to be distributed to the general fund. On July 1, 2002, Act 253, SLH 2002 redirected these deposits to a Convention Center Special Fund; provided that beginning January 1, 2002 TAT Convention Center Special Fund revenues in excess of $31 million a calendar year shall be deposited into the general fund. Act 250, SLH 2002 redirected a portion of the Tourism Special Fund deposits to other tourism-related special funds as follows: 5.3% to the Trust Fund and 32.6% to the Tourism Special Fund; provided that beginning on July 1, 2002 the TAT collected for the Tourism Special Fund in excess of $62.292 million for the fiscal year shall be deposited into the following funds: 90% of the first $1 million shall be deposited into the state parks special fund, 10% of the first $1 million shall be deposited into the Hawaii statewide trail and access program; provided that the total amount deposited into the state parks special fund and to the Hawaii statewide trail and access program shall not exceed $1 million in any fiscal year. Act 113, SLH 2003, Section 2(b)(2)(A) redirected the TAT: from the first $1 million in revenues deposited in excess of $62.292 million, 10% of the first $1 million shall be deposited into the special land and development fund; provided that the total amount deposited into the state parks special fund and to the special land and development fund for the Hawaii statewide trail and access program shall not exceed $1 million in any fiscal year. Act 235, SLH 2005 increases allocation to tourism special fund to 34.2% and repeals TAT trust fund, effective July 1, 2007. Act 209, SLH 2006, increases ceiling on allocation to the convention center enterprise fund to $33 million. Effective on July 1, 2006. Pursuant to Chapter 237D, HRS, a 7.25% Transient Accommodations Tax is assessed and distributed to various counties and special funds of the state. Effective July 1, 2009, an additional 1% tax is assessed for the period July 1, 2009 through June 30, 2010, and an additional 2% for the period July 1, 2010 through June 30, 2015. The additional 1% and 2% is to be distributed to the state general fund. Act 61, SLH 2009 authorizing the increase in taxes is set to repeal on June 30, 2015. Act 171, SLH 2012 changed the maximum amount deposited into the tourism special fund to $71 million beginning on July 1, 2012 and ending on June 30, 2015 provided that $2 million shall be expended for the development and implementation of initiatives to take advantage of expanded visa programs and increased travel opportunities for international visitors to Hawaii. Act 243, SLH 2012 amends the provision that revenues in excess of $33 million deposited to the convention center enterprise fund in any calendar year be deposited to the general fund to be for any fiscal year. Act 161, SLH 2013, effective July 1, 2013, amended the TAT revenue distribution from a percentage of revenues collected to annual amounts of $33,000,000 to the convention center enterprise special fund, $82,000,000 to the tourism special fund and $93,000,000 to the counties and made permanent the transient accommodation tax rate of 9.25%. Act 81, SLH 2014, allocated $3 million to the Turtle Bay conservation easement special fund and decreased the convention center enterprise special fund annual allocation from $33 million to $26.5 million. Act 174, SLH 2014, increased the ceiling distribution allocated to the counties from $93 million to $103 million for fiscal years 2014-2015 and 2015-2016, with distributions of $93 million for each fiscal year thereafter.

REVENUE PROJECTIONS; CERTAIN TAX COLLECTIONS

Introduction

The State Constitution requires that there be established by law a Council on Revenues (the "Council") to prepare revenue estimates of the State government and to report such estimates to the Governor and the Legislature. The revenue estimates serve as the basis for the Governor's budget preparation and the Legislature's appropriation of funds and enactment of revenue measures. If the Council's latest revenue estimates are not used by the Governor or the Legislature for budget preparation or appropriations, respectively, then the party not using the latest estimates must publicly state the reasons for using a differing revenue estimate. Act 278, SLH 1980, provided for the establishment of such a council consisting of seven members, with three members appointed by the Governor and two members each appointed by the President of the Senate and the Speaker of the House. The Council regularly reports its estimates and revisions each June 1, September 10, January 10, and March 15. The Council also revises its estimates when it determines that such revisions are necessary or upon request of the Governor or the Legislature. The Council's estimates are used by the Department of Budget and Finance in formulating the State Multi Year Program and Financial Plan, the Executive Budget, and the Executive Supplemental Budget for submission to the Legislature.

The following is a summary of the Council's actions since September 2014.

In September 2014, the Council lowered its growth rate for fiscal year 2015 from 5.5% to 3.5% primarily as a result of its concerns regarding the lower than expected actual general fund tax collections for fiscal year 2014. The Council also revised the growth rates for fiscal years 2016 to 2020 to 5.5% for each fiscal year and continued the 5.5% growth rate to fiscal year 2021. Although the Council believed that the U.S. and Hawaii economies were still growing, the Council expressed uncertainty about the future.

In January 2015, the Council raised its growth rate for fiscal year 2015 from 3.5% to 4.5% primarily because actual general fund tax revenues had been growing faster than their earlier forecasts; however, the Council continued to express concerns about the future. The Council retained its September 2014 growth forecasts at 5.5% for fiscal years 2016 to 2021.

In March 2015, the Council raised its growth rate for fiscal year 2015 from 4.5% to 5.5% primarily due to higher than anticipated actual collections for the first 8 months of the fiscal year. The Council maintained its January 2015 forecasts for fiscal years 2016 through 2018, but lowered its forecasts for fiscal year 2019 through 2021 from 5.5% to 5.0% for each fiscal year.

In May 2015, the Council raised its growth rate for fiscal year 2015 from 5.5% to 7.5% and lowered its growth rate for fiscal year 2016 from 5.5% to 2.7% primarily based on actual collections to date and the expected reduction in tax refund payments resulting from the slower processing of individual income tax returns due to new processing procedures put in place to prevent payment of fraudulent refund claims. It was estimated that $104 million of refunds that would normally have been paid in fiscal year 2015 would instead be paid in fiscal year 2016. The Council also raised its growth rate for fiscal year 2017 from 5.5% to 6.4% and maintained its March 2015 forecasts for fiscal years 2018 through 2021.

For fiscal year 2015, preliminary actual General Fund tax revenues increased by 6.8%, which is less than the projected 7.5%, partly as result of more tax refunds being processed in fiscal year 2015 than had previously been anticipated.

In September 2015, the Council raised its growth rate for fiscal year 2016 from 2.7% to 6.0% partly because the Department of Taxation was able to catch up with refund processing by the end of fiscal year 2015 and the shift of refund payments from fiscal year 2015 to fiscal year 2016 was not expected to occur. Additional revenues were also expected as a result of the Hawaii Supreme Court's decision for the online travel companies' case ($39 million) and the increase in the general fund allocation of conveyance taxes ($20

million). The Council continued to expect steady, but moderate growth in visitor arrivals and spending, in Hawaii's total personal income and in construction, but expressed concerns and uncertainty about the future. The Council changed its growth rate for fiscal year 2017 from 6.4% to 5.5% and kept its growth rates for fiscal years 2018 and 2019 at 5.5% and 5.0%, respectively. The growth rates for fiscal years 2020 and 2021 were reduced from 5.0% to 4.5% for both years and the 4.5% growth rate was carried to fiscal year 2022. The Council's projections take into account all of the tax law changes enacted during the 2015 regular legislative session plus changes from preceding sessions.

The Council's next report is due January 2016. See also "General Fund Financial Plan" in this Appendix B.

The management of the State has prepared the prospective financial information set forth below to present projections of certain tax collections and expenditures. The accompanying prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the State's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the projected course of action and the projected future financial performance of the State. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the State's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

General Fund Financial Plan

Set forth below are the actual budgetary General Fund resources, expenditures, and balances for fiscal year 2014, preliminary actuals for fiscal year 2015 and estimates for fiscal years 2016 through 2020. The budgetary General Fund resources, expenditures and balances below and under "General Fund Tax Revenues" and "Actual Collections and Distributions" are presented on a cash-basis. The State's normal practice is to utilize this cash-basis methodology for budgetary and financial planning purposes. In contrast, the State's audited financial statements are prepared on a modified accrual basis. Consequently, the cash-basis information presented under this caption and the next two captions titled "General Fund Tax Revenues" and "Actual Collections and Distributions" is not directly comparable to the modified accrual basis information presented in the State's audited financial statements, and the differences in reporting may vary substantially.

MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 2014 – 2020[1]
(in millions of dollars)

	Actual FY 14	Prelim Act FY 15	Estimated FY 16	Estimated FY 17	Estimated FY 18	Estimated FY 19	Estimated FY 20
REVENUES:							
Executive Branch:							
Tax revenues [2,3]	5,370.7	5,734.5	6,079.2	6,413.6	6,766.4	7,104.7	7,424.4
Nontax revenues [2,3]	690.9	807.4	644.3	672.5	691.9	710.4	729.7
Judicial Branch revenues [2,3]	34.7	34.8	36.4	37.1	37.8	38.4	39.1
Other revenues[4]	--	--	40.0	80.0	80.0	80.0	80.0
TOTAL REVENUES	6,096.2	6,576.7	6,799.9	7,203.2	7,576.0	7,933.5	8,273.2
EXPENDITURES							
Executive Branch:							
Operating	5,944.3	6,189.2	6,584.7	6,883.6	7,101.1	7,317.0	7,425.9
Specific appropriations/CB	268.0	260.9	156.4	137.0	137.6	137.6	137.6
Other expenditures/adjustments[5]	0.3	--	14.2	433.0	251.3	241.7	288.8
Sub-total - Exec Branch	6,212.6	6,450.1	6,755.4	7,453.7	7,490.0	7,696.3	7,852.3
Legislative Branch	35.5	37.7	38.8	39.3	39.3	39.3	39.3
Judicial Branch	148.7	154.9	158.2	162.3	162.3	162.3	162.3
OHA	3.1	2.7	3.2	3.0	3.0	3.0	3.0
Counties	--	--	0.4	0.4	0.4	0.4	0.4
Lapses	(124.5)	(231.9)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
TOTAL EXPENDITURES	6,275.4	6,413.4	6,876.1	7,578.7	7,614.9	7,821.2	7,977.3
REV. OVER (UNDER) EXPEND.	(179.2)	163.3	(76.2)	(375.5)	(38.9)	112.2	295.9
CARRY-OVER BALANCE (DEFICIT)							
Beginning	844.0	664.8	828.1	752.0	376.5	337.6	449.8
Ending	664.8	828.1	752.0	376.5	337.6	449.8	745.7

[1] *Unaudited. The State's cash-basis statements are not directly comparable with the State's audited financial statements, which are modified accrual basis.*
[2] *Reflects actual FY 2014 and preliminary actual FY 2015 revenue collections as reported by the Department of Accounting and General Services.*
[3] *Reflects FY 2016 - 2020 Council on Revenues' September 2015 projections.*
[4] *Reflects other revenue sources and adjustments: reimbursement of OPEB costs from non-general funds.*
[5] *Reflects estimated FY 2017 Supplemental Budget costs, funds to accelerate phase-in to reach 100% OPEB prefunding by FY 2017 and additional funds for EBRF in FY 2016 and FY 2017.*

Note: Reflects the FB 2015-2017 Executive Budget as authorized by Act 119, SLH 2015. Totals may not add due to rounding. This plan is not included as an item in the financial statements under "FINANCIAL STATEMENTS" in Part 1 of this Appendix B, nor in the projections of the Council on Revenues.

Sources: Department of Accounting and General Services; Department of Budget and Finance, September 2015.

The preceding General Fund financial plan is based on revised revenue projections reported by the Council on Revenues on September 10, 2015, that also incorporates revenue decreases due to: an increase in the food/excise tax credit for certain taxpayers; an increase in the allocation of the transient accommodations tax to the counties for fiscal years 2015 and 2016; an increase in the motion picture, digital media and film production tax credit and extension of the credit to January 1, 2019; and the continuation of the general excise tax exemption for certain expenses paid by hotel operators and timeshare projects and removal of the cap on the aggregate amount of the exemptions that can be claimed. The Council's projections also include revenue increases due to: the continuation of the transient accommodations tax rate of 9.25% beyond fiscal year 2015; the extension of the current rate for the environmental response tax as well as the allocation of a portion of the tax to the general fund; and changes in the allocation of the conveyance tax and the tobacco tax. For purposes of developing the State budget, debt service on Build America Bonds is budgeted based upon expected gross debt service without taking into account the expected amount of federal interest subsidy payments on such bonds, and subsidy payments are recognized as non-tax revenues.

With respect to expenditures, it reflects the fiscal biennium 2015-17 Executive Budget. In addition, the financial plan includes additional funds to reach the 100% contribution level for OPEB prefunding in fiscal year 2017, continuing costs of existing collective bargaining settlements, additional funds for the EBRF and estimated funds for the fiscal year 2017 Supplemental Budget. The State is in the process of developing and preparing its supplemental budgets for the fiscal year 2017 for the Executive and Judicial Branches and the Office of Hawaiian Affairs. These budgets are to be submitted to the 28th Hawaii State Legislature, which convenes on January 20, 2016, for review and approval. The development of these budgets and subsequent deliberations during the upcoming legislative session could result in changes to program expenditures and modifications to tax and other revenue laws that are not currently reflected in the General Fund financial plan included herein.

In the General Fund financial plan, fiscal year revenues are recognized based upon receipt while fiscal year expenditures are recognized when appropriations are expended or encumbered in that year. At the end of the fiscal year, encumbrances, although they may subsequently lapse, are considered to be expended. Additionally, the Department of Education, by law, is allowed to retain up to 5% of its appropriations up to one year into the next fiscal biennium. For example, $44.9 million was carried over from fiscal year 2015 to fiscal year 2016 by the Department of Education, but in the financial plan, was considered to be expended in fiscal year 2015.

General Fund Tax Revenues

Receipts of taxes constitute the largest portion of General Fund revenues for the fiscal year ended June 30, 2015, and represent approximately 87% of the total General Fund revenues (as reported by DAGS). Set forth below are the actual, cash-basis General Fund tax revenues for the fiscal years ended June 30, 2014 and June 30, 2015, and estimated tax revenues for the fiscal years ending June 30, 2016 and June 30, 2017 as reported by the Department of Taxation. The estimated tax revenues are based on the forecast for total General Fund revenues from the Council on Revenues' September 10, 2015 report, and the line item projections prepared by the Department of Taxation to be consistent with the Council's forecast.

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GENERAL FUND TAX REVENUES
(Thousands of Dollars)

	Actual 2013-2014	Actual* 2014-2015	Estimated 2015-2016	Estimated 2016-2017
General Excise and Use	$2,825,041	$2,992,707	$3,185,440	$3,362,132
Income—Individual	1,745,312	1,987,752	2,058,464	2,163,827
Income—Corporation	87,021	52,319	82,683	82,072
Public Service Company	166,179	163,481	167,469	172,598
Insurance Premiums	137,179	145,679	149,815	156,429
Tobacco & Licenses	77,659	82,829	87,198	90,900
Liquor & Permits	48,305	50,281	50,532	50,969
Banks & Other Financial Corp.	36,983	17,930	10,595	19,500
Inheritance and Estate Tax	14,789	12,071	12,232	12,436
Conveyance	26,508	11,534	32,653	34,545
Transient Accommodation Tax	187,229	202,970	16,262	251,937
Miscellaneous	18,063	15,588	225,906	16,263
TOTAL BEFORE ADJUSTMENTS	$5,370,268	$5,735,141	$6,079,249	$6,413,608
GROWTH RATE	-1.77%	6.79%	6.00%	5.50%

Sources: Actual collections are from Tax Research and Planning reports. Estimates are from the Council on Revenues' report of September 10, 2015 and line item projections prepared by the Department of Taxation.

* Unaudited. The State's cash basis statements are not directly comparable with the State's audited financial statements, which are accrual basis. Details may not add to totals due to rounding.

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Actual Collections and Distributions

Set forth below is an unaudited statement of State tax collections and distributions for fiscal years 2014 and 2015 as reported by the State Director of Taxation. The collections from all sources for fiscal year 2015 amounted to $6.9 billion. This represents a 4.8% increase from the previous fiscal year.

	Fiscal Year Ended 6/30	
	2015	**2014**
State Tax Collections—Source of Revenue	(Thousands of Dollars)	
Banks/Financial corporations[1]	$19,930	$38,983
Conveyances[1]	78,702	75,831
Employment security contributions	167,248	264,178
Fuel	193,082	193,550
General excise, license and registration fees	577	609
General excise and use[2]	3,048,207	2,880,541
Honolulu County Surcharge[3]	248,518	242,657
Income—corporations:		
Declaration of estimated taxes	155,279	162,041
Payment with returns	-5,016	27,480
Refunds	-97,944	-102,500
Income—individuals[1]:		
Declaration of estimated taxes	498,418	445,432
Payment with returns	181,142	153,649
Withholding tax on wages	1,728,510	1,624,994
Refunds	-419,876	-478,265
Inheritance and estate	12,071	14,789
Insurance premiums	145,679	137,179
Liquor and permits	50,281	48,305
Motor Vehicle Tax/Fees, Etc.[4]	180,827	168,726
Public Service companies	163,481	166,179
Tobacco and licenses[1]	129,851	121,742
Transient Accommodations Fees/Time Share Occupation fees	12	13
Transient Accommodations Tax/Time Share Occupation Tax[1]	420,970	395,229
All other[5]	165	83
TOTAL	$6,900,114	$6,581,424

Note: Details may not add to totals due to rounding.

[1] Gross collection — does not reflect allocation to Special Funds.
[2] May also contain some revenue from the Honolulu County Surcharge.
[3] Taxpayers with businesses located outside of Oahu, but with business activities on Oahu, may be subject to Honolulu County Surcharge tax.
[4] Includes State Motor Vehicle Weight Tax, Registration Fees, Commercial Driver's License, Periodic Motor Vehicle Inspection Fees, Rental Vehicle Registration Fees and Rental Vehicle Surcharge Tax.
[5] Includes fuel retail dealer permits, penalties and interest on fuel tax, and permitted transfers.

	Fiscal Year Ended 6/30	
	2015	**2014**
State Tax Collections—Distribution	(Thousands of Dollars)	
State General Fund	$5,735,141	$5,370,268
State Highway Fund	267,648	255,805
State Airport Fund	4,453	4,809
Boating Special Fund	1,627	1,627
Environmental Fund	1,236	1,240
Cigarette Stamp Administrative Fund	234	219
Cigarette Stamp Enforcement Fund	1,805	1,692
Compliance Resolution Fund	2,000	2,000
Election Campaign Fund	162	190
Employment Security Fund	167,248	264,178
Rental Housing Fund	39,511	22,765
Natural Area Reserve Fund	19,755	18,970
Convention Center Enterprise Fund	33,000	33,000
Land Conservation Fund	7,902	7,588
Tourism Special Fund	82,000	82,000
School Minor Repairs and Maintenance Fund	69	77
Public Libraries Fund	66	72
Domestic Violence/Child Abuse Neglect Funds	145	158
Cancer Research Fund	14,995	14,058
Trauma System Fund	11,243	10,540
Emergency Medical Service Fund	9,373	8,787
Community Health Centers Fund	9,373	8,787
Energy Security Fund	3,708	3,719
Energy Systems Development Fund	2,472	0
Agricultural Development & Food Security Fund	3,708	3,719
Hawaii Hurricane Relief Fund	55,500	55,500
Subtotal	6,474,373	6,171,769
Honolulu County Surcharge	248,518	242,657
Distributions to Counties*:		
Fuel tax	74,223	73,999
Transient Accommodations Tax	103,000	93,000
Counties Total	177,223	166,999
TOTAL	$6,900,114	$6,581,424

*Refers to distributions received by the Counties from the specified taxes.
Source: State Department of Taxation: Tax Research and Planning.
Note: Details may not add to totals due to rounding.

STATE EMPLOYEES' RETIREMENT SYSTEM

A description of the Employees' Retirement System of the State of Hawaii for employees of the State and the counties is provided under "EMPLOYEE RELATIONS; STATE EMPLOYEES' RETIREMENT SYSTEM—State Employees' Retirement System" in Appendix A. The following statistical information addresses the entire System, including both State and county employees. The System issues a Comprehensive Annual Financial Report that may be obtained by writing to the Employees' Retirement System of the State of Hawaii, 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813.

Employer Contribution Rate

The schedule which follows shows the statutory total employer contribution rate for all employees based on the last eight annual actuarial valuations.

Actuarial Valuation as of June 30	Total Employer Contribution Rate for All Employees (% of total payroll)*	Funding Period (Years)
2007	13.95	25.5
2008	15.46	22.6
2009	15.47	28.2
2010	15.49	41.3
2011	15.52	25.0
2012	16.11	30.0
2013	16.76	28.0
2014	17.28	26.0

* Reflects Act 181, SLH 2004, which amended HRS Sections 88-105,88-122,88-123, 88-124, 88-125 & 88-126, and Act 163, SLH 2011.

The funding period decreased in 2007 and 2008 reflect an increase in employer contribution rates that became effective July 1, 2008 pursuant to Act 256, SLH 2007, and the net asset gain from investments that offsets actuarial losses resulting from higher than expected salary increases. The increases in fiscal years 2009 and 2010 were from the recognition of the actuarial asset loss from the significant decline in the financial markets during fiscal year 2009. The decrease in the funding period in 2011 is a reflection of Act 163, SLH 2011, which was enacted to raise the employer contribution rates over the next several years and to provide for smaller benefits for employees hired after June 30, 2012, to bring the funding period in line with the 30-year statutory requirement. The increase in the funding period in 2012 reflects the final recognition of the investment losses from fiscal year 2009. It also reflects the significant changes due to Act 163 and ERS' open group projection policy which assumes that the number of active members will remain constant and there will be no actuarial gains or losses on liabilities or investments. The decrease in the funding period in 2014 was due to investment gains from positive experience versus the actuarial assumptions.

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Summary of Actuarial Certification Statement

The summary of the actuarial certification of the Employees' Retirement System as of June 30, 2013 and 2014 is set forth below:

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2013 and 2014
(Includes all counties)

ASSETS	2013	2014
Total current assets	$12,748,828,110	$13,641,755,300
Present value of future employee contributions	1,679,827,365	1,800,553,136
Present value of future employer normal cost contributions	1,737,037,958	1,703,379,872
Unfunded actuarial accrued liability	8,494,916,267	8,578,342,247
Present value of future employer Early Incentive Retirement Program contribution	N/A	N/A
TOTAL ASSETS	24,660,609,700	$25,724,030,555
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	11,182,535,047	11,672,987,746
Present value of future benefits to active employees and inactive members	13,478,074,653	14,051,042,809
TOTAL LIABILITIES	$24,660,609,700	$25,724,030,555

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2014, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately $8.578 billion. The System's funded ratios — assets divided by the actuarial accrued liability — increased during fiscal year 2014 as shown below:

FUNDED RATIOS

June 30, 2013	June 30, 2014
60.0%	61.4%

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PART II
GENERAL PURPOSE FINANCIAL STATEMENTS OF THE STATE OF HAWAII AS OF JUNE 30, 2014 AND INDEPENDENT AUDITORS' REPORT

Following is the State of Hawaii Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014 ("CAFR"). For ease of reference, Part II of Appendix B retains the CAFR's pagination as shown on the Table of Contents of the CAFR.

The full CAFR has been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system and may be obtained from its website, http://emma.msrb.org, or upon request to the State of Hawaii Department of Budget and Finance, 250 South Hotel Street, Honolulu, Hawaii 96813, Attention: Financial Administration Division.

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STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

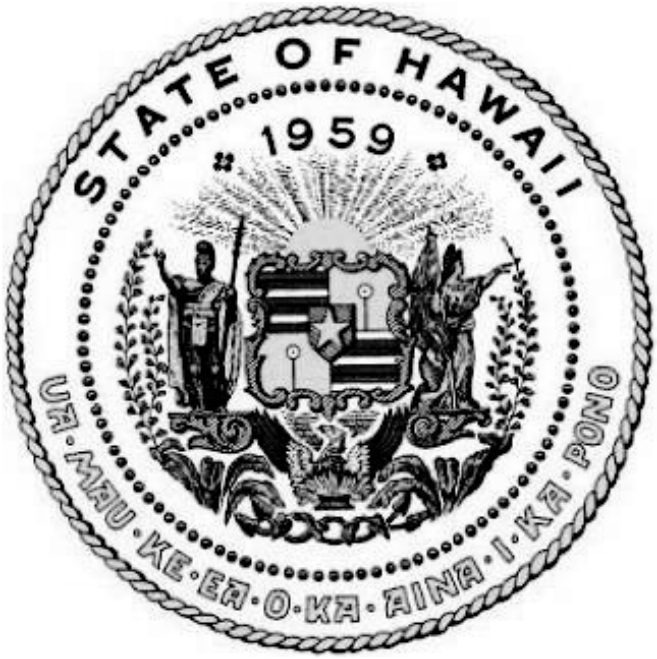
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

KERRY K. YONESHIGE
COMPTROLLER

HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2014



KERRY K. YONESHIGE
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
Comprehensive Annual Financial Report
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June 30, 2014

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PART I: INTRODUCTORY SECTION

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State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2014

Kerry K. Yoneshige
Comptroller

Governor	**David Y. Ige**
Director of Finance	**Wesley K. Machida**
Director of Taxation	**Maria E. Zielinski**
Comptroller	**Kerry K. Yoneshige**

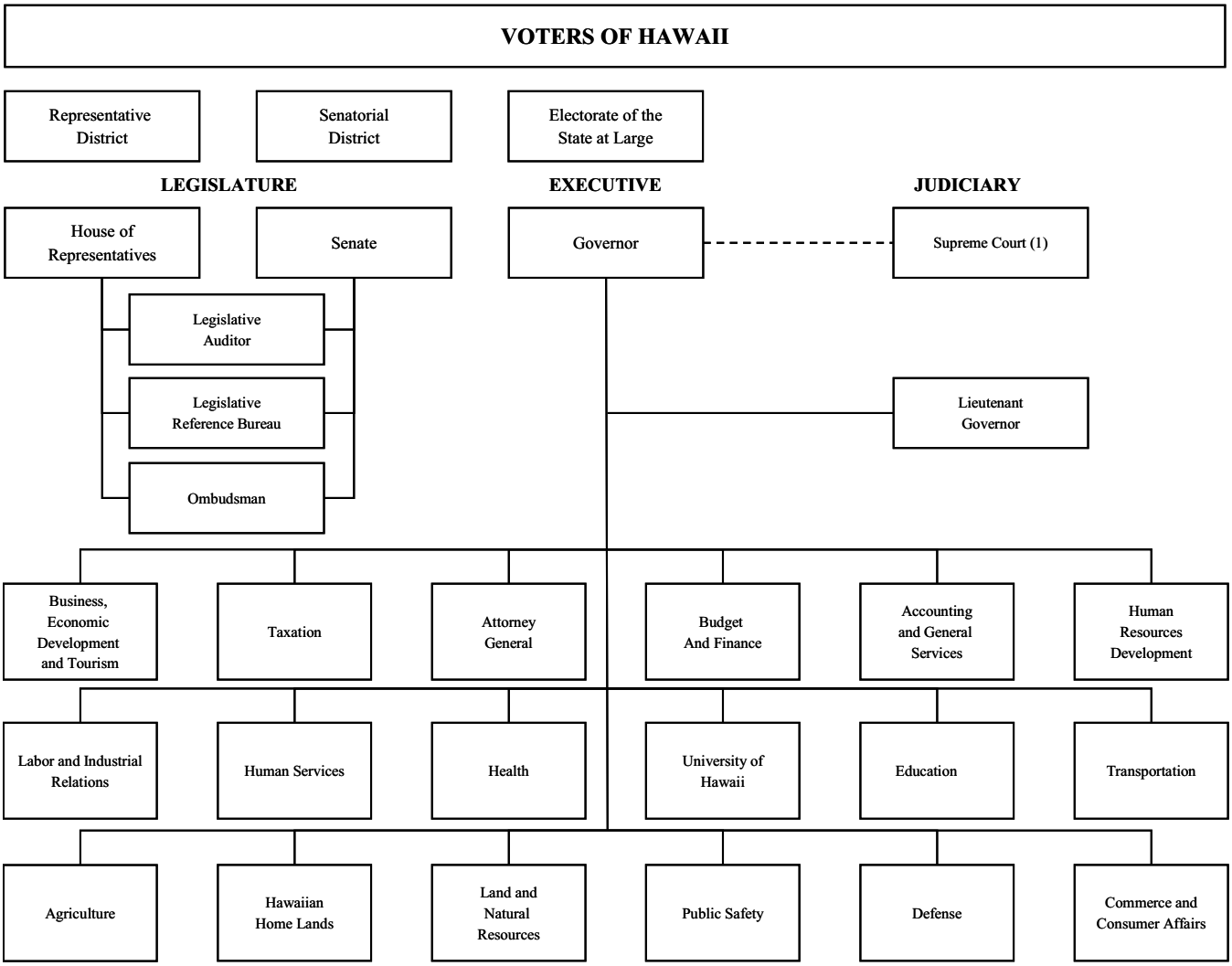
Notes:

The Director of Finance is also department head of the Department of Budget and Finance.

The Comptroller is also department head of the Department of Accounting and General Services.

An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

State of Hawaii
Organizational Chart
June 30, 2014



(1) The Governor's appointment of justices of the Supreme Court confirmed by the Senate.

DAVID Y. IGE
GOVERNOR

KERRY K. YONESHIGE
Comptroller

STATE OF HAWAII
DEPARTMENT OF ACCOUNTING
AND GENERAL SERVICES
P.O. BOX 119
HONOLULU, HAWAII 96810-0119

December 31, 2014

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Twenty-Eighth State
Legislature of the State of Hawaii

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2014. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A is included in Part II of this report.

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

This report includes the various funds comprising the State, including all entities that are accountable to the State. The Employees' Retirement System of the State of Hawaii, which is administered on behalf of public employees for both the state and county governments, and the Office of Hawaiian Affairs, which exists for the betterment of the conditions of native Hawaiians, are not included in the State's basic financial statements because those agencies, based on their fiscal independence and/or separate legal entity status, are not accountable to the State.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the State operates.

State of the Economy

Overview

During the third quarter of 2014, Hawaii's economic indicators for the tourism industry, tax revenues, the construction industry, and unemployment were mostly positive. The civilian labor force and the total non-agricultural wage and salary jobs increased.

Labor

After ten consecutive quarterly decreases in jobs from the second quarter of 2008 to the third quarter of 2010, Hawaii's jobs increased for the 16th consecutive quarter. During the first nine months of 2014, Hawaii's total civilian employment averaged 632,550 persons, an increase of 15,750 persons or 2.6% over the same period in 2013. The number of wage and salary jobs was up 8,150 to 628,450 for an increase of 1.3%. Job increases were most notable in government (2,000), food services and drinking places (1,400), and professional and business services (1,100). A few sectors experienced declines including retail trade (200), natural resources, mining and construction (50), and information (50). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 4.4% for the first nine months of 2014, compared to 4.8% for the same period in 2013.

Taxes

Tax revenues distributed to the State's General Fund decreased $44.3 million, or 1.1%, during the first nine months of 2014 compared to the same period in 2013. Among its components, individual net income tax collections remained about the same with a slight decrease of $652,000 or 0.0%, general excise and use tax (GET) collections increased $28.7 million, or 1.3%, and transient accommodations tax (TAT) collections were up $19.1 million, or 6.4%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $4.6 billion, or 3.7% in the first half of 2014 compared to the same period in 2013. Among its components, the fastest growth was seen in personal current transfer receipts of 7.1%, dividends, interest and rent of 3.8%, and wages and salary disbursements of 3.0%. Contributions for government social insurance, which are subtracted from personal income, decreased by 4.3%.

Prices

Honolulu's consumer price index (CPI) increased 1.1% for the first half of 2014 compared to the same period in 2013, lower than the 1.7% United States (U.S.) average CPI-U increase. The Honolulu increase was primarily due to increases in education and communication (2.7%), recreation (2.5%), transportation (2.1%), and medical care (1.4%). The prices also increased for food and beverage (1.0%), housing (0.9%), and other goods and services (0.8%). The price decreased for apparel (5.9%).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2014, total visitor arrivals by air increased 55,003 or 0.9% compared to the same period of 2013. Domestic arrivals (visitors on flights originating inside of the U.S.) decreased 0.3% while international arrivals increased 3.6%. Total visitor days (visitor arrivals multiplied by average length of stay) were down 0.1% in the first nine months of 2014 compared to the same period of 2013 and total visitor spending increased $230.7 million or 2.1% over the same

period. Statewide hotel occupancy rate averaged 77.3% in the first half of 2014, 0.7% lower than the average rate during the same period of 2013.

Construction

Hawaii's construction industry was one of the major contributors to job growth during the 2002–2007 years. Since the second quarter of 2008 to the second quarter of 2011, the quarter-over-quarter growth rate has been negative. However, in the third quarter of 2014, the construction sector gained 150 jobs or 0.5% compared with the same quarter of 2013. During the first nine months of 2014, construction jobs decreased by 50 or 0.2% compared to the same period of 2013. The total value of new private building authorizations increased $332.9 million or 15.9% for the first nine months of 2014 compared to the same period of 2013.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth for the rest of 2014 and into 2015. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies. International conditions or prospects that affect Hawaii's economy such as Japan's financial crisis and China's slower economic growth. The November 2014 Blue Chip Economic Consensus Forecasts expected real GDP growth in 2015 to increase 3.0% for the U.S. and 1.3% for Japan.

In 2015, visitor arrivals, visitor days and visitor expenditures are predicted to increase 1.9%, 2.2% and 3.6%, respectively.

DBEDT projects total non-agricultural wage and salary jobs to increase 1.5% in 2015. Real Personal Income is expected to increase 2.5% in 2015 with real GDP projected to increase 2.8% in 2015.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.2% in 2015. The State GDP deflator is expected to grow 2.1% in 2015.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and maintaining the State's accounting system, consideration is given to the effectiveness of internal control, which is designed to accomplish certain objectives of management, including:

1. Transactions are executed in accordance with management's general and specific authorization.

2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to maintain accountability for assets.

3. Access to assets is permitted only in accordance with management's authorization.

Internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives were accomplished. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the State's internal controls are effective in accomplishing management's objectives.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2013 and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. In 2013, the Legislature created a new bargaining unit. This bargaining unit will be composed of State and county employees, relocating individuals from two existing collective bargaining units into the new Bargaining Unit 14. The Hawaii Government Employees Association is currently engaged in the collective bargaining process with the employer for an initial collective bargaining agreement for this new unit.

Of the other 13 collective bargaining units, 12 include State employees. Six units have collective bargaining agreements in effect through June 30, 2015 and those bargaining units are currently engaged in the collective bargaining process with the employer. Seven units have collective bargaining agreements that will be in effect through June 30, 2017.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2014. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We extend our appreciation to the staff of the various State agencies whose dedicated time and effort made the preparation of this report possible. Their combined efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,

KERRY K. YONESHIGE
Comptroller, State of Hawaii

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Hawaii

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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PART II: FINANCIAL SECTION

ACcuity LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 30–106) as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, an agency of the State; and the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Business-Type Activities	92 %	67 %
Aggregate Discretely Presented Component Units	26 %	36 %
Fiduciary Funds	59 %	7 %

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Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors. The reports on the Department of Transportation – Airports and Harbors Divisions, and Hawaii Health Systems Corporation contain an emphasis-of-matter paragraph relating to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–27), budgetary comparison information (pages 109–112 and 120–126), and Schedules of Funding Progress (page 113) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual fund statements and schedules (pages 116–119 and 127–131), introductory section (pages 1–8) and statistical section (pages 134–167) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of the State of Hawaii's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the State adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2014, on our consideration of the State of Hawaii'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 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 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 State of Hawaii's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
December 31, 2014

As management of the State of Hawaii (the State), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–7 of this report.

Financial Highlights

Government-Wide Highlights
The assets of the State exceeded its liabilities at June 30, 2014 by $4.7 billion (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative $2.0 billion, a decrease of $250.6 million from the previous year. Net position of governmental activities and business-type activities decreased by $423.2 million and increased by $305.4 million, respectively. The combined decrease to the State was $117.8 million from the prior fiscal year.

Fund Highlights
At June 30, 2014, the State's Governmental Funds reported combined ending fund balances of $2.0 billion, an increase of $76.6 million from the prior fiscal year. Of this amount, $1.3 billion, or 66.4%, of total fund balances was in the General Fund, and the remaining $676.0 million represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position of $3.9 billion at June 30, 2014, an increase of $305.4 million during the fiscal year.

Liabilities
The State's liabilities increased during the current fiscal year to $13.6 billion, an increase of $596.7 million. During fiscal 2014, the State issued General Obligation bonds in the amount of $171.1 million to advance refund $181.1 million of previously issued outstanding General Obligation bonds. In addition, the State issued $635.0 million in General Obligation bonds and $54.8 million in taxable General Obligation bonds for the purpose of financing or reimbursing the State of Hawaii for the Hawaiian Home Lands Settlement and for financing capital projects. During fiscal 2014, the State issued Revenue Bonds in the amount of $23.6 million to refund previously issued outstanding Revenue Bonds.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting By Employers For Postemployment Benefits Other Than Pensions*, the State increased the liability for postemployment benefits other than pension, to $3.4 billion, an increase of $274.0 million for the fiscal year ended June 30, 2014.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements
The Government-Wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private sector business.

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

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include general government, public safety, conservation of natural resources, highways, health, welfare, education, culture and recreation, urban redevelopment and housing, economic development and assistance, and interest on long-term debt. The business-type activities of the State include the Department of Transportation – Airports Division (Airports), Department of Transportation – Harbors Division (Harbors), and the Unemployment Compensation Fund, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The Government-Wide financial statements include not only the State itself (known as the Primary Government), but also the activities of seven legally separate Component Units: the Hawaii Community Development Authority, the Hawaii Health Systems Corporation, the Hawaii Housing Finance and Development Corporation, the Hawaii Hurricane Relief Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, and the University of Hawaii, comprised of the State's public institutions of higher education, for which the State is financially accountable. Financial information for these Component Units is reported separately from the financial information presented for the Primary Government itself. The Component Units issue separate financial statements containing management's discussion and analysis.

The Government-Wide financial statements can be found on pages 30–32 of this report.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

Governmental Funds
Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide financial statements, Governmental Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities in the Government-Wide financial statements.

Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Capital Projects Fund, and Med-Quest Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

The State adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and each Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedule for the General Fund is located in the required supplementary information and the budgetary comparison statements for each of the Special Revenue Funds are located in the supplementary information section of this report.

The basic Governmental Funds financial statements can be found on pages 34–37 of this report.

Proprietary Funds
Proprietary Funds are used to show activities that operate more like those of commercial enterprises. They are known as Enterprise Funds because they charge fees for services provided to outsiders. They are used to report the same functions presented as business-type activities in the Government-Wide financial statements. The State uses Enterprise Funds to account for the operations of Airports, Harbors, the Unemployment Compensation Fund, and its other business-type activities.

Proprietary Funds provide the same type of information as the Government-Wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for Airports, Harbors, and the Unemployment Compensation Fund, each of which are considered to be major funds of the State. Conversely, the other business-type activities are combined into a single, aggregate presentation in the Proprietary Funds financial statements.

The basic Proprietary Funds financial statements can be found on pages 38–42 of this report.

Fiduciary Funds
Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the Government-Wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Funds financial statements can be found on pages 43–44 of this report.

Notes to Basic Financial Statements
The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and fund financial statements. The notes to basic financial statements can be found on pages 52–106 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents the combining financial statements referred to earlier in connection with nonmajor Governmental, Proprietary and Fiduciary Funds. These statements are presented immediately following the notes to basic financial statements. The total columns of these combining financial statements carry to the applicable fund financial statements.

Government-Wide Financial Analysis

The following financial analysis focuses on the Primary Government (governmental and business-type activities of the State). Separate financial statements for each of the State's Component Units, including their respective management's discussion and analysis, can be obtained from the Department of Accounting and General Services.

Net position is a useful indicator of a government's financial position. For the State, total assets exceed liabilities by $4.7 billion as of June 30, 2014, and net position decreased $117.9 million, or 2.5%, over the course of this fiscal year's operations. The net position of the governmental activities decreased by $423.2 million, or 34.5%, and business-type activities had an increase of $305.4 million, or 8.6%. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2014 and 2013
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013 As Restated	2014	2013 As Restated	2014	2013 As Restated
Assets						
Current and other assets	$ 3,522,709	$ 3,530,384	$ 2,978,774	$ 2,659,165	$ 6,501,483	$ 6,189,549
Capital assets, net	8,978,930	8,929,329	2,671,775	2,533,079	11,650,705	11,462,408
Total assets	$ 12,501,639	$ 12,459,713	$ 5,650,549	$ 5,192,244	$ 18,152,188	$ 17,651,957
Deferred outflows of resources						
Deferred loss on refunding	$ 96,843	$ 116,588	$ 9,334	$ 10,952	$ 106,177	$ 127,540
Total deferred outflows of resources	$ 96,843	$ 116,588	$ 9,334	$ 10,952	$ 106,177	$ 127,540
Liabilities						
Long-term liabilities	$ 10,001,076	$ 9,508,549	$ 1,610,731	$ 1,433,798	$ 11,611,807	$ 10,942,347
Other liabilities	1,792,573	1,839,670	183,718	209,360	1,976,291	2,049,030
Total liabilities	$ 11,793,649	$ 11,348,219	$ 1,794,449	$ 1,643,158	$ 13,588,098	$ 12,991,377
Net position						
Net investment in capital assets	$ 2,772,220	$ 2,863,379	$ 1,653,902	$ 1,599,483	$ 4,426,122	$ 4,462,862
Restricted	1,128,678	1,051,548	1,160,551	1,068,146	2,289,229	2,119,694
Unrestricted	(3,096,065)	(2,686,845)	1,050,981	892,409	(2,045,084)	(1,794,436)
Total net position (restated)	$ 804,833	$ 1,228,082	$ 3,865,434	$ 3,560,038	$ 4,670,267	$ 4,788,120

Analysis of Net Position

By far, the largest portion of the State's net position ($4.4 billion or 94.8%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position ($2.3 billion or 49.0%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative $2.0 billion or negative 43.8% represents unrestricted net position.

At June 30, 2014, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's other postemployment benefit liability of $3.3 billion.

Changes in Net Position

The State's net position decreased by $117.9 million, or 2.5%, during the fiscal year ended June 30, 2014. Approximately 56.0% of the State's total revenues came from taxes, while 28.0% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 15.7% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, general government, and highways.

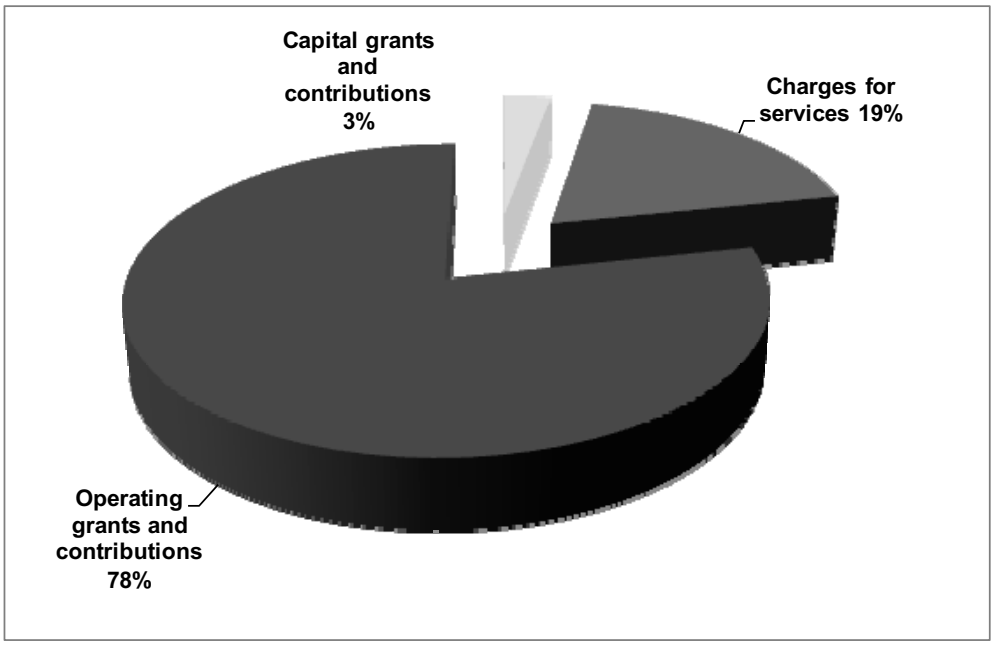
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2014 and 2013
(Amounts in thousands)

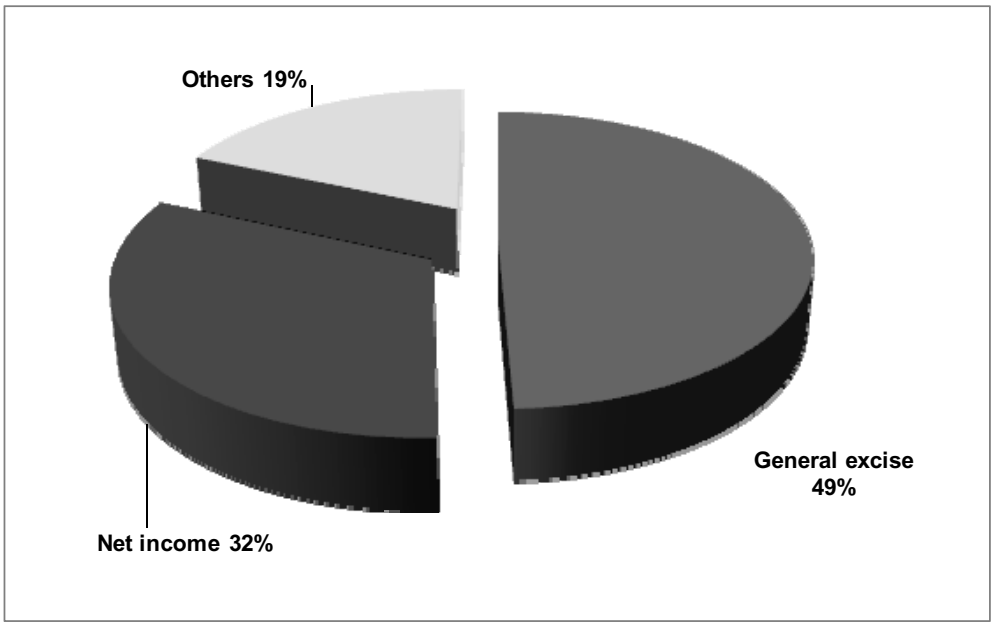
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013 As Restated	2014	2013 As Restated	2014	2013 As Restated
Revenues						
Program revenues						
Charges for services	$ 641,341	$ 494,647	$ 961,967	$ 1,154,047	$ 1,603,308	$ 1,648,694
Operating grants and contributions	2,660,770	2,589,537	-	-	2,660,770	2,589,537
Capital grants and contributions	97,290	96,184	98,628	64,313	195,918	160,497
General revenues						
Taxes	5,698,560	5,796,549	-	-	5,698,560	5,796,549
Investment income and other	13,163	25,502	12,805	33,633	25,968	59,135
Total revenues	9,111,124	9,002,419	1,073,400	1,251,993	10,184,524	10,254,412
Expenses						
General government	567,941	532,471	-	-	567,941	532,471
Public safety	533,727	451,946	-	-	533,727	451,946
Highways	554,039	490,091	-	-	554,039	490,091
Conservation of natural resources	101,587	52,208	-	-	101,587	52,208
Health	849,493	813,190	-	-	849,493	813,190
Welfare	2,879,813	2,798,053	-	-	2,879,813	2,798,053
Lower education	2,685,037	2,592,125	-	-	2,685,037	2,592,125
Higher education	693,292	654,611	-	-	693,292	654,611
Other education	21,766	20,086	-	-	21,766	20,086
Culture and recreation	104,303	94,679	-	-	104,303	94,679
Urban redevelopment and housing	137,160	173,677	-	-	137,160	173,677
Economic development and assistance	166,455	172,602	-	-	166,455	172,602
Interest expense	239,760	241,677	-	-	239,760	241,677
Airports	-	-	346,699	365,828	346,699	365,828
Harbors	-	-	89,327	90,941	89,327	90,941
Unemployment compensation	-	-	244,947	336,931	244,947	336,931
Nonmajor proprietary fund	-	-	87,031	66,119	87,031	66,119
Total expenses	9,534,373	9,087,416	768,004	859,819	10,302,377	9,947,235
Change in net position	(423,249)	(84,997)	305,396	392,174	(117,853)	307,177
Net position						
Beginning of year (restated)	1,228,082	1,313,079	3,560,038	3,167,864	4,788,120	4,480,943
End of year	$ 804,833	$ 1,228,082	$ 3,865,434	$ 3,560,038	$ 4,670,267	$ 4,788,120

The following charts depict revenues of the governmental activities for the fiscal year:

Program Revenues by Source — Governmental Activities
Fiscal Year Ended June 30, 2014



Tax Revenues by Source — Governmental Activities
Fiscal Year Ended June 30, 2014



Analysis of Changes in Net Position
The State's net position decreased by $117.9 million during the current fiscal year. This is explained in the governmental and business-type activities discussion, and is primarily due to decrease in net position of governmental activities of $423.2 million offset by increases in net position of Unemployment Compensation Fund of $116.0 million, Airports of $125.9 million, Harbors of $32.4 million, and Nonmajor Proprietary Funds of $31.1 million.

Governmental Activities
Governmental activities decreased the State's net position by $423.2 million. The elements of this decrease are reflected below:

	Governmental Activities (Amounts in thousands)	
	2014	2013 As Restated
General revenues		
Taxes	$ 5,698,560	$ 5,796,549
Interest and investment income and other	13,163	25,502
Total general revenues	5,711,723	5,822,051
Expenses, net of program revenues		
General government	313,079	186,401
Public safety	423,136	407,183
Highways	354,953	313,526
Conservation of natural resources	14,412	(16,969)
Health	593,900	582,276
Welfare	876,936	929,893
Lower education	2,341,385	2,203,050
Higher education	693,292	654,611
Other education	21,766	20,086
Culture and recreation	87,011	91,430
Urban redevelopment and housing	96,056	141,583
Economic development and assistance	79,286	151,669
Interest expense	239,760	242,309
Total governmental activities expenses, net of program revenues	6,134,972	5,907,048
Decrease in governmental activities net position	$ (423,249)	$ (84,997)

Tax revenues decreased by $98.0 million, or 1.7%, from the previous fiscal year. The decrease was primarily due to decrease in general excise taxes of $175.4 million, offset by an increase in individual and corporate income taxes of $45.2 million.

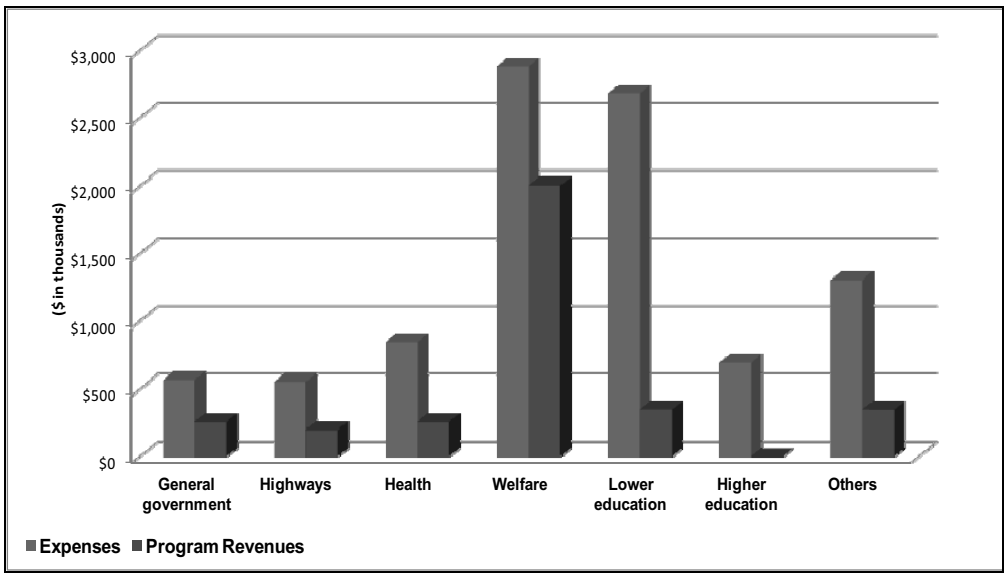
Interest and investment income decreased by $12.3 million from the previous year. The decrease is primarily due to the fiscal year 2013 increase in the fair market value of the student loan auction rate securities of $12.6 million upon the sale of these securities in fiscal year 2013.

General government net expenses increased $126.7 million or 68% from the previous year. This change is primarily due to the decrease in operating grants and contributions in 2014 compared to 2013.

Lower education net expenses increased $138.3 million or 6.3%. This change is primarily due to the increase in expenses and decrease in revenues for the school based budgeting program and the decrease of revenues for the school support program.

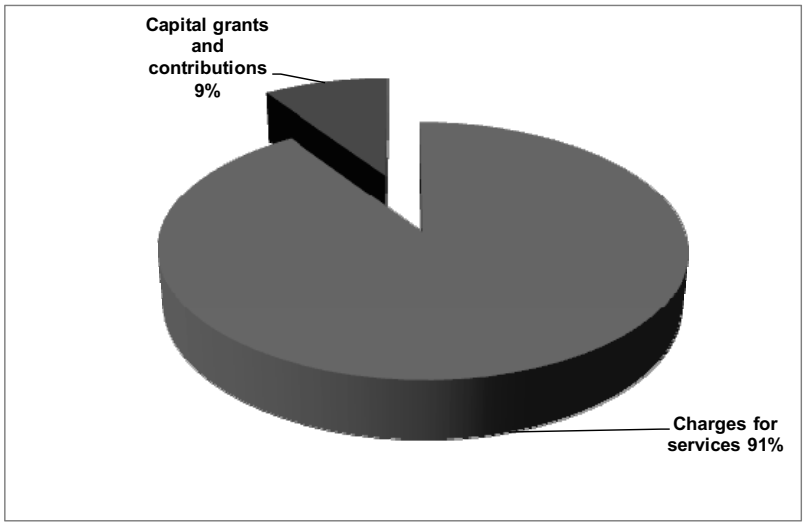
A comparison of the cost of services by function of the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State:

Expenses and Program Revenues — Governmental Activities
Fiscal Year Ended June 30, 2014

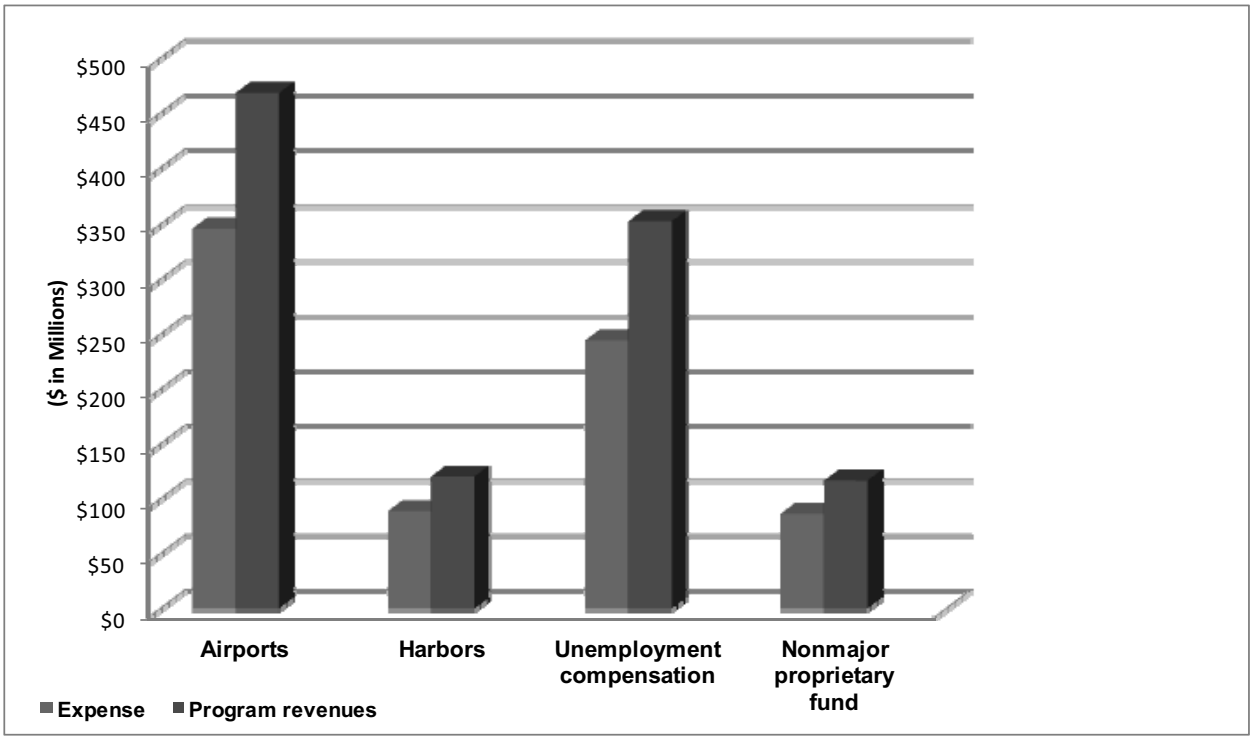


Business-Type Activities
The following charts depict revenues and expenses of the business-type activities for the fiscal year:

Program Revenues by Source — Business-Type Activities
Fiscal Year Ended June 30, 2014



Expenses and Program Revenues — Business-Type Activities
Fiscal Year Ended June 30, 2014



Business-type activities increased the State's net position by $305.4 million in fiscal 2014, compared to an increase of $392.2 million in fiscal 2013. Key elements of this increase are as follows:

- Airport's net position increased $125.9 million compared to an increase of $122.6 million in the prior fiscal year. Charges for current services decreased by $27.3 million primarily due to the decrease in landing fees, aeronautical revenues and concession revenues from a decrease in passenger traffic. Operating and capital grants and contributions increased $33.7 million mainly due to an increase in federal capital and federal stimulus grants.

- Harbor's net position increased $32.4 million in fiscal 2014 compared to an increase of $27.8 million in fiscal 2013. Charges for current services increased by $9.0 million offset by a decrease in capital contributions of $4.1 million and a decrease in expenses of $1.6 million.

- The Unemployment Compensation Fund's net position increased $116.0 million compared to an increase of $173.1 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of $92.0 million offset by a decrease in unemployment tax revenues of $153.6 million.

- The Nonmajor Proprietary Fund's net position increased $31.1 million in fiscal 2014 compared to an increase of $68.7 million in fiscal 2013. The change was primarily due to the operations of the Employer-Union Health Benefits Trust Fund (EUTF). EUTF's expenses for self-funded plans increased $22.6 million while premium revenue for self-insurance plans decreased $25.0 million.

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2014 and 2013 are as follows:

	Business-Type Activities (Amounts in thousands)									
	Program Revenues									
	Charges for Services		Operating and Capital Grants and Contributions		Total		Expenses		Program Revenues Net of Expenses	
	2014	2013	2014	2013	2014	2013	2014	2013 As Restated	2014	2013 As Restated
Airports	$ 404,442	$ 431,708	$ 64,303	$ 30,619	$ 468,745	$ 462,327	$ 346,699	$ 365,828	$ 122,046	$ 96,499
Harbors	121,038	112,060	-	4,115	121,038	116,175	89,327	90,941	31,711	25,234
Unemployment compensation	353,546	507,096	-	-	353,546	507,096	244,947	336,931	108,599	170,165
Nonmajor proprietary funds	82,941	103,183	34,325	29,579	117,266	132,762	87,031	66,119	30,235	66,643
Total	$ 961,967	$ 1,154,047	$ 98,628	$ 64,313	$ 1,060,595	$ 1,218,360	$ 768,004	$ 859,819	$ 292,591	$ 358,541

Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds
The focus of the State's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. The fund balance classifications comprise a hierarchy based primarily on the extent the State is bound to honor constraints on the specific purpose for which amounts can be spent.

At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of $2.0 billion. Of this amount, $27.1 million is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $497.9 million has been committed to specific purposes. An additional $995.8 million has been assigned to specific purposes by management. The unassigned fund balance was $490.8 million at fiscal year end. This amount includes a deficit of a negative unrestricted fund balance of $545.5 million in the Capital Projects Fund, which indicates that the fund spent or committed more than what was expendable.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was $1.3 billion compared to $1.4 billion in fiscal 2013. This decrease is mainly attributed to the decrease in tax revenues. The fund balance of the State's Capital Projects Fund increased $18.0 million during the fiscal year. The Capital Projects Fund deficit is the result of the State's policy of recording expenditures upon the allotment of general obligation bond appropriations expended by component units and incurring general obligation bond expenditures in excess of cash available. The deficit caused by the recording of expenditures when funds are allotted is $558.4 million and is reflected on the balance sheet as Due to Component Units. The fund balance of the Med-Quest Special Fund and other Nonmajor Governmental Funds increased $9.6 million and $138.6 million, respectively.

Proprietary Funds
The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of $125.9 million, Harbors had an increase in net position of $32.4 million, the Unemployment Compensation Fund had an increase in net position of $116.0 million, and the Nonmajor Proprietary Funds had an increase in net position of $31.1 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights
The General Fund revenues were $34.9 million, or 0.6%, less than the final budget.
The decrease was attributed to lower tax revenues of $92.3 million, which was comprised of decreases in corporate and individual net income tax of $34.3 million and general excise tax of $91.2 million, offset by higher franchise tax of $13.7 million and transient accommodations tax of $15.6 million.

The difference between the final budget and actual expenditures on a budgetary basis was $132.9 million. The large positive variance in general government of $65.0 million was mostly due to $20.9 million savings in retirement and $15.7 million in collective bargaining payments.

Also contributing to the positive variance in general government was $17.3 million in appropriations made to the State Legislature that was carried over to the next fiscal year. As in previous fiscal years, the positive variance in lower education resulted when the Department of Education carried over $37.2 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations.

Capital Asset and Debt Administration

The State's capital assets for its governmental and business-type activities as of June 30, 2014, amounted to $11.7 billion (net of accumulated depreciation of $10.3 billion), an increase of $188.3 million from fiscal 2013. The increase is due to an increase in governmental activities assets of $466.5 million and in business-type assets of $245.9 million offset by increases in primary governmental activities and business-type activities accumulated depreciation of $416.9 million and $107.2 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2014, included the following:

- $238.7 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- $120.3 million for various capital improvement projects at the Honolulu International Airport.
- $60.0 million for construction of a new access road, land acquisition, and various construction projects at Kahului airport.
- $80.0 million for improvements to rental car facilities, statewide.
- $250.0 million for Kapalama Military Reservation improvements at Honolulu Harbor.
- $201.6 million for various construction, maintenance and renovation projects at various University of Hawaii campuses.
- $41.5 million for various health and safety renovation projects at state community hospitals.
- $45.0 million for renovations and improvements to federal and state low income housing projects.
- $187.5 million for the acquisition of agricultural lands on Oahu.
- $36.0 million for the design and construction to add a third lane on Fort Weaver Road from the cross section of Geiger Road to Keoneula Parkway in both directions.
- $46.0 million for the planning, design, development and hardware for the modernization of the enterprise resource project and tax system.

Additional information on the State's capital assets can be found in note 3 to the basic financial statements.

Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of $7.4 billion. Of this amount, $5.8 billion comprises debt backed by the full faith and credit of the State and $1.6 billion (i.e., revenue bonds), is revenue bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt
June 30, 2014 and 2013
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	$ 5,784,139	$ 5,534,921	$ 31,176	$ 32,934	$ 5,815,315	$ 5,567,855
Revenue bonds	412,725	441,150	1,278,137	1,326,112	1,690,862	1,767,262
Total	$ 6,196,864	$ 5,976,071	$ 1,309,313	$ 1,359,046	$ 7,506,177	$ 7,335,117

The State's total long-term debt increased by $171.1 million, or 2.3%, during the current fiscal year. The increase resulted from declining principal balances in revenue bonds of the State's business-type activities, and partially offset by issuances of GO bonds (see notes 4 and 5 to the basic financial statements).

As of June 30, 2014, the State's underlying general obligation bond ratings were Moody's Investors Service (Aa2), Standard and Poor's Corporation (AA) and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2014 was $414.1 million.

Additional information on the State's long-term debt can be found in notes 4, 5 and 6 to the basic financial statements.

Other Post-Employment Benefits (OPEB)

The State implemented provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for fiscal year ended June 30, 2008.

The latest actuarial valuation studies were completed as of July 1, 2013 for the Employer-Union Health Benefits Trust Fund (EUTF) and the University of Hawaii. These studies determined the State's combined unfunded actuarial accrued liability to be approximately $8.5 billion. The State's combined annual OPEB cost for fiscal 2014 was $757.6 million and its OPEB contributions were $380.2 million, resulting in an increase in the net OPEB obligation of $377.4 million. The total net OPEB obligation balance at fiscal year-end increased to $4.3 billion.

In July 2013, Act 268 was signed into law, which established the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability. The law also requires the State beginning in fiscal 2015 to pay additional amounts towards reducing the unfunded liability until fiscal 2019 when 100% of the annual required contribution must be paid. Commencing fiscal year 2019, general excise tax revenues will be used to fund any difference between the annual required contribution and the payment made by the State. In June 2014, the state made the first additional payment in the amount of $100 million.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for November 2014 was 4.0% while the seasonally adjusted national unemployment rate was 5.8%. One year ago, the State's seasonally adjusted unemployment rate stood at 4.4% while the seasonally adjusted national unemployment rate was 7.0%.

The Council of Revenues in September 2014 revised the State's General Fund tax revenue growth rate for fiscal year 2015 from 5.5% to 3.5% and also adjusted the revenue growth rate for fiscal year 2016 to 5.5%.

Cumulative general fund tax revenues for the first five months of fiscal 2015 was $2.3 billion, an increase of $152.5 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 8.7%.

The State is optimistic about the recovery of Hawaii's economy but remains cautious about its sustainability in the face of numerous uncertainties. Therefore, the Governor has imposed a 10% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2015.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Department of Accounting and General Services, P.O. Box 119, Honolulu, Hawaii 96810-0119. General information about the State can be found at the State's website: http://www.hawaii.gov.

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BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2014
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 334,060	$ 1,322,711	$ 1,656,771	$ 428,088
Receivables				
Taxes	463,187	68,975	532,162	-
Accounts and accrued interest, net	-	27,512	27,512	197,742
Notes, loans, mortgages and contributions, net	74,251	414,402	488,653	605,476
Federal government	87,834	10,058	97,892	1,227
Premiums	-	49,248	49,248	-
Drug rebate	38,998	-	38,998	-
Other, net	60,627	7,664	68,291	24,365
Total receivables	724,897	577,859	1,302,756	828,810
Internal balances	1,617	(1,617)	-	-
Due from component units	289,734	-	289,734	-
Due from primary government	-	-	-	570,433
Investments	2,147,454	6,792	2,154,246	934,581
Inventories				
Developments in progress and dwelling units	-	-	-	11,359
Materials and supplies	-	257	257	31,551
Total inventories	-	257	257	42,910
Restricted assets	-	1,046,095	1,046,095	197,710
Other assets				
Prepaid expenses	5,473	6,275	11,748	15,483
Other	19,474	20,402	39,876	19,075
Total other assets	24,947	26,677	51,624	34,558
Capital assets				
Land and land improvements	2,236,891	1,860,143	4,097,034	506,618
Infrastructure	9,153,284	-	9,153,284	214,746
Construction in progress	927,901	564,863	1,492,764	303,459
Buildings, improvements and equipment	4,678,659	2,476,349	7,155,008	4,398,068
Intangible assets – software	83,289	-	83,289	-
Accumulated depreciation and amortization	(8,101,094)	(2,229,580)	(10,330,674)	(2,223,467)
Total capital assets, net	8,978,930	2,671,775	11,650,705	3,199,424
Total assets	12,501,639	5,650,549	18,152,188	6,236,514
Deferred outflows of resources				
Deferred loss on refunding	96,843	9,334	106,177	6,164
Total deferred outflows of resources	$ 96,843	$ 9,334	$ 106,177	$ 6,164

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Statement of Net Position
June 30, 2014
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Vouchers and contracts payable	$ 286,968	$ 36,758	$ 323,726	$ 187,504
Other accrued liabilities	329,730	99,028	428,758	94,399
Due to component units	570,433	-	570,433	-
Due to primary government	-	-	-	289,734
Due to federal government	16,854	-	16,854	-
Unearned revenue	-	7,843	7,843	45,128
Unamortized bond premium	508,123	-	508,123	-
Premiums payable	-	40,089	40,089	-
Other	80,465	-	80,465	20,249
Long-term liabilities				
Due within one year				
Payable from restricted assts – revenue bonds payable, net	-	49,074	49,074	-
Prepaid airport use charge fund	-	1,092	1,092	-
General obligation (GO) bonds payable	412,126	1,844	413,970	-
Notes, mortgages and installment contracts payable	-	-	-	14,325
Accrued vacation and retirement benefits payable	79,405	4,120	83,525	45,689
Revenue bonds payable, net	29,945	-	29,945	21,371
Reserve for losses and loss adjustment costs	23,880	1,040	24,920	8,757
Capital lease obligations	6,447	-	6,447	9,324
Due more than one year				
Prepaid airport use charge fund	-	27,092	27,092	-
GO bonds payable	5,372,013	29,332	5,401,345	-
Notes, mortgages and installment contracts payable	-	-	-	54,640
Accrued vacation and retirement benefits payable	147,393	8,984	156,377	70,354
Revenue bonds payable, net	382,780	1,229,063	1,611,843	910,331
Reserve for losses and loss adjustment costs	123,240	3,789	127,029	19,242
Capital lease obligations	96,175	-	96,175	21,169
Lease revenue certificates of participation	-	173,771	173,771	-
Premium on bonds payable	-	-	-	3,802
Unearned revenue	-	-	-	22,100
Estimated future costs of land sold	-	-	-	35,272
Other postemployment benefit liability	3,327,313	81,530	3,408,843	903,825
Other	359	-	359	51,617
Total liabilities	11,793,649	1,794,449	13,588,098	2,828,832
Net position				
Net investment in capital assets	2,772,220	1,653,902	4,426,122	2,318,239
Restricted for				
Capital maintenance projects	71,157	-	71,157	-
Health and welfare	154,817	-	154,817	-
Natural resources	128,605	-	128,605	-
Native Hawaiian programs	298,439	-	298,439	-
Education	154,448	-	154,448	-
Regulatory and economic development	113,130	-	113,130	-
Administrative support	171,560	-	171,560	-
Other purposes	36,487	-	36,487	-
Bond requirements and other	35	1,160,551	1,160,586	994,048
Unrestricted	(3,096,065)	1,050,981	(2,045,084)	101,559
Total net position	$ 804,833	$ 3,865,434	$ 4,670,267	$ 3,413,846

State of Hawaii
Statement of Activities
Year Ended June 30, 2014
(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenue (Expense) and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
General government	$ 567,941	$ 223,066	$ 31,796	$ -	$ (313,079)	$ -	$ (313,079)	
Public safety	533,727	50,056	60,535	-	(423,136)	-	(423,136)	
Highways	554,039	8,064	93,732	97,290	(354,953)	-	(354,953)	
Conservation of natural resources	101,587	58,767	28,408	-	(14,412)	-	(14,412)	
Health	849,493	130,338	125,255	-	(593,900)	-	(593,900)	
Welfare	2,879,813	64,341	1,938,536	-	(876,936)	-	(876,936)	
Lower education	2,685,037	48,619	295,033	-	(2,341,385)	-	(2,341,385)	
Higher education	693,292	-	-	-	(693,292)	-	(693,292)	
Other education	21,766	-	-	-	(21,766)	-	(21,766)	
Culture and recreation	104,303	8,790	8,502	-	(87,011)	-	(87,011)	
Urban redevelopment and housing	137,160	24,313	16,791	-	(96,056)	-	(96,056)	
Economic development and assistance	166,455	24,987	62,182	-	(79,286)	-	(79,286)	
Interest expense	239,760	-	-	-	(239,760)	-	(239,760)	
Total governmental activities	9,534,373	641,341	2,660,770	97,290	(6,134,972)	-	(6,134,972)	
Business-type activities								
Airports	346,699	404,442	-	64,303	-	122,046	122,046	
Harbors	89,327	121,038	-	-	-	31,711	31,711	
Unemployment compensation	244,947	353,546	-	-	-	108,599	108,599	
Nonmajor proprietary funds	87,031	82,941	-	34,325	-	30,235	30,235	
Total business-type activities	768,004	961,967	-	98,628	-	292,591	292,591	
Total primary government	$ 10,302,377	$ 1,603,308	$ 2,660,770	$ 195,918	(6,134,972)	292,591	(5,842,381)	
Component units								
University of Hawaii	$ 1,659,856	$ 382,191	$ 494,321	$ -				$ (783,344)
Hawaii Housing Finance and Development Corporation	51,778	58,683	10,015	-				16,920
Hawaii Public Housing Authority	139,574	19,316	73,020	13,868				(33,370)
Hawaii Health Systems Corporation	737,090	576,460	2,638	46,716				(111,276)
Hawaii Tourism Authority	102,292	8,205	-	-				(94,087)
Hawaii Community Development Authority	9,412	15,910	-	-				6,498
Hawaii Hurricane Relief Fund	5	-	-	-				(5)
Total component units	$ 2,700,007	$ 1,060,765	$ 579,994	$ 60,584				(998,664)
General revenues								
Taxes								
General excise tax					2,816,346	-	2,816,346	-
Net income tax – corporations and individuals					1,840,890	-	1,840,890	-
Public service companies tax					166,179	-	166,179	-
Transient accommodations tax					188,721	-	188,721	115,000
Tobacco and liquor tax					155,990	-	155,990	-
Liquid fuel tax					88,707	-	88,707	-
Tax on premiums of insurance companies					139,074	-	139,074	-
Vehicle weight and registration tax					124,686	-	124,686	-
Rental motor/tour vehicle surcharge tax					42,853	-	42,853	-
Franchise tax					38,983	-	38,983	-
Other tax					96,131	-	96,131	-
Interest and investment income					13,163	12,805	25,968	53,554
Payments from the State, net					-	-	-	992,793
Gifts and subsidies					-	-	-	75,605
Other					-	-	-	(6,470)
Total general revenues					5,711,723	12,805	5,724,528	1,230,482
Change in net position					(423,249)	305,396	(117,853)	231,818
Net position								
Beginning of year, as restated					1,228,082	3,560,038	4,788,120	3,182,028
End of year					$ 804,833	$ 3,865,434	$ 4,670,267	$ 3,413,846

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Governmental Funds
Balance Sheet
June 30, 2014
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 114,395	$ 17,173	$ 2,980	$ 199,512	$ 334,060
Receivables					
Taxes	463,187	-	-	-	463,187
Notes and loans, net of allowance for doubtful accounts of $43,212	1,470	-	-	72,781	74,251
Federal government	-	-	87,834	-	87,834
Drug rebate	-	-	38,998	-	38,998
Medical assistance	-	-	25,000	-	25,000
Other	8,125	-	-	-	8,125
Due from other funds	213,063	-	-	2,035	215,098
Due from proprietary funds	20	1,597	-	-	1,617
Due from component units	21,800	-	-	-	21,800
Investments	842,394	172,323	21,856	1,110,881	2,147,454
Other assets	18,758	-	-	-	18,758
Total assets	$ 1,683,212	$ 191,093	$ 176,668	$ 1,385,209	$ 3,436,182
Liabilities and Fund Balances					
Liabilities					
Vouchers and contracts payable	$ 101,042	$ 86,319	$ 7,058	$ 92,550	$ 286,969
Other accrued liabilities	231,422	-	63,625	36,815	331,862
Due to federal government	-	-	-	16,854	16,854
Due to other funds	35	91,900	95,519	27,644	215,098
Due to component units	1,514	558,376	-	-	559,890
Unearned revenue	13,536	-	-	-	13,536
Payable from restricted assets					
Matured bonds and interest payable	-	-	-	359	359
Total liabilities	347,549	736,595	166,202	174,222	1,424,568
Fund balances					
Restricted	-	-	-	27,145	27,145
Committed	-	-	-	497,932	497,932
Assigned	256,483	-	10,466	728,813	995,762
Unassigned	1,079,180	(545,502)	-	(42,903)	490,775
Total fund balances	1,335,663	(545,502)	10,466	1,210,987	2,011,614
Total liabilities and fund balances	$ 1,683,212	$ 191,093	$ 176,668	$ 1,385,209	$ 3,436,182

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014
(Amounts in thousands)

Total fund balance – Governmental funds	$ 2,011,614
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of	
Land and land improvements	2,236,891
Infrastructure	9,153,284
Construction in progress	927,901
Buildings, improvements and equipment	4,678,659
Intangible assets – software	83,289
Accumulated depreciation and amortization	(8,101,094)
	8,978,930
Accrued interest and other payables are not recognized in governmental funds	(588,587)
Other assets are not available to pay for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables	414,136
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(5,784,139)
Accrued vacation payable	(226,798)
Revenue bonds payable	(412,725)
Reserve for losses and loss adjustment costs	(147,120)
Other postemployment benefit liability	(3,327,313)
Long-term transactions with component units	(10,543)
Capital lease obligations	(102,622)
	(10,011,260)
Net position of governmental activities	$ 804,833

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
General excise tax	$ 2,816,346	$ -	$ -	$ -	$ 2,816,346
Net income tax – corporations and individuals	1,840,963	-	-	-	1,840,963
Public service companies tax	166,179	-	-	-	166,179
Transient accommodations tax	188,721	-	-	-	188,721
Tobacco and liquor tax	125,964	-	-	30,026	155,990
Liquid fuel tax	-	-	-	88,707	88,707
Tax on premiums of insurance companies	137,179	-	-	1,895	139,074
Vehicle weight and registration tax	-	-	-	124,686	124,686
Rental motor/vehicle surcharge tax	1	-	-	42,852	42,853
Franchise tax	36,983	-	-	2,000	38,983
Other	59,737	-	-	36,394	96,131
Total taxes	5,372,073	-	-	326,560	5,698,633
Interest and investment income	5,012	-	17	8,134	13,163
Charges for current services	130,601	-	-	233,190	363,791
Intergovernmental	12,924	-	1,183,874	1,454,078	2,650,876
Rentals	26	-	-	31,820	31,846
Fines, forfeitures and penalties	22,624	-	-	10,463	33,087
Licenses and fees	6,443	-	-	40,766	47,209
Revenues from private sources	3,257	-	43,527	66,132	112,916
Other	66,185	-	36,269	71,029	173,483
Total revenues	5,619,145	-	1,263,687	2,242,172	9,125,004
Expenditures					
Current					
General government	425,549	59,460	-	58,120	543,129
Public safety	377,408	18,494	-	124,052	519,954
Highways	-	118,899	-	284,660	403,559
Conservation of natural resources	34,132	13,783	-	60,788	108,703
Health	559,981	59,636	-	208,471	828,088
Welfare	992,675	8,071	1,253,776	690,848	2,945,370
Lower education	1,958,940	201,129	-	443,705	2,603,774
Higher education	563,764	129,528	-	-	693,292
Other education	6,559	-	-	15,207	21,766
Culture and recreation	43,567	23,253	-	41,026	107,846
Urban redevelopment and housing	10,005	2,328	-	52,895	65,228
Economic development and assistance	32,992	40,690	-	84,697	158,379
Housing	19,687	43,996	-	-	63,683
Other	22,326	-	-	7,492	29,818
Debt service	-	-	-	737,298	737,298
Total expenditures	5,047,585	719,267	1,253,776	2,809,259	9,829,887
Excess (deficiency) of revenues over (under) expenditures	571,560	(719,267)	9,911	(567,087)	(704,883)
Other financing sources (uses)					
Issuance of GO and refunding GO bonds – par	-	689,795	-	171,060	860,855
Issuance of GO and refunding GO bonds – premium	72,835	-	-	14,500	87,335
Other financing sources – other	18,835	-	-	-	18,835
Payment to refunded bond escrow agent	-	-	-	(185,560)	(185,560)
Transfers in	65,648	80,046	12,372	908,714	1,066,780
Transfers out	(818,488)	(32,560)	(12,697)	(203,035)	(1,066,780)
Total other financing sources (uses)	(661,170)	737,281	(325)	705,679	781,465
Net change in fund balances	(89,610)	18,014	9,586	138,592	76,582
Fund balances					
Beginning of year	1,425,273	(563,516)	880	1,072,395	1,935,032
End of year	$ 1,335,663	$ (545,502)	$ 10,466	$ 1,210,987	$ 2,011,614

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2014
(Amounts in thousands)

Total net change in fund balances – Governmental funds	$ 76,582
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are	
Capital outlay, net of disposals	485,065
Depreciation expense	(435,464)
Excess of capital outlay over depreciation expense	49,601
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, this is the amount of proceeds received from general obligation bonds issued.	(948,190)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of	
Bond principal retirement	640,062
Capital lease additions, net	(12,743)
Total long-term debt repayment	627,319
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in postemployment liability	(260,861)
Change in accrued vacation payable	(6,025)
Change in reserve for losses and loss adjustment costs	8,018
Change in accrued interest on bonds payable	(10,911)
Amortization of bond premium and deferred amount on refunding	41,218
Total	(228,561)
Change in net position of governmental activities	$ (423,249)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2014
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	$ 569,949	$ 165,399	$ 359,047	$ 228,316	$ 1,322,711
Investments	-	-	-	6,792	6,792
Restricted assets – cash and short-term investments	61,768	33,895	-	-	95,663
Receivables					
Taxes	394	-	68,581	-	68,975
Accounts and accrued interest, net of allowance for doubtful accounts of $4,441	17,226	9,545	-	741	27,512
Promissory note receivable, net of allowance for doubtful accounts of $3,827	11	-	-	31,347	31,358
Federal government	9,955	-	-	103	10,058
Premiums	-	-	-	49,248	49,248
Other	1,396	426	-	5,842	7,664
Materials and supplies inventory	194	63	-	-	257
Prepaid expenses and other assets	-	874	-	5,401	6,275
Total current assets	660,893	210,202	427,628	327,790	1,626,513
Noncurrent assets					
Capital assets					
Land and land improvements	1,326,249	533,894	-	-	1,860,143
Construction in progress	505,641	59,222	-	-	564,863
Buildings and improvements	1,724,319	440,358	-	-	2,164,677
Equipment	282,146	18,130	-	11,396	311,672
	3,838,355	1,051,604	-	11,396	4,901,355
Less: Accumulated depreciation	(1,915,911)	(305,967)	-	(7,702)	(2,229,580)
Net capital assets	1,922,444	745,637	-	3,694	2,671,775
Promissory note receivable	-	-	-	383,044	383,044
Restricted assets – net direct financing leases	29,326	-	-	-	29,326
Restricted assets – cash and cash equivalents	461,914	212,232	-	-	674,146
Restricted assets – investments	246,960	-	-	-	246,960
Other	7,776	138	-	12,488	20,402
Total noncurrent assets	2,668,420	958,007	-	399,226	4,025,653
Total assets	3,329,313	1,168,209	427,628	727,016	5,652,166
Deferred outflows of resources					
Deferred loss on refunding	5,023	4,311	-	-	9,334
Total deferred outflows of resources	$ 5,023	$ 4,311	$ -	$ -	$ 9,334

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2014
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	$ 28,072	$ 6,562	$ 1,359	$ 765	$ 36,758
Payable from restricted assets – contracts payable, accrued interest and other	61,824	21,791	-	-	83,615
Other accrued liabilities	8,986	-	-	2,478	11,464
Due to primary government	-	1,617	-	-	1,617
Benefit claims payable	-	-	-	3,949	3,949
Prepaid airport use charge fund	1,092	-	-	-	1,092
Unearned revenue	7,843	-	-	-	7,843
General obligation bonds payable, current portion	-	1,844	-	-	1,844
Reserve for losses and loss adjustment costs	961	79	-	-	1,040
Accrued vacation, current portion	3,244	672	-	204	4,120
Payable from restricted assets – revenue bond payable	35,240	13,834	-	-	49,074
Premiums payable	-	-	-	40,089	40,089
Total current liabilities	147,262	46,399	1,359	47,485	242,505
Noncurrent liabilities					
General obligation bonds payable	-	29,332	-	-	29,332
Accrued vacation	6,875	1,619	-	490	8,984
Revenue bonds payable, net of unamortized bond premium and bond discount	890,848	338,215	-	-	1,229,063
Reserve for losses and loss adjustment cost	3,301	488	-	-	3,789
Lease revenue certificates of participation	173,771	-	-	-	173,771
Other postemployment benefit liability	64,588	13,176	-	3,766	81,530
Prepaid airport use charge fund	27,092	-	-	-	27,092
Total long-term liabilities	1,166,475	382,830	-	4,256	1,553,561
Total liabilities	1,313,737	429,229	1,359	51,741	1,796,066
Net position					
Net investment in capital assets	1,139,337	510,870	-	3,695	1,653,902
Restricted for bond requirements and other	448,211	88,454	-	623,886	1,160,551
Unrestricted	433,051	143,967	426,269	47,694	1,050,981
Net position	$ 2,020,599	$ 743,291	$ 426,269	$ 675,275	$ 3,865,434

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2014
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	$ 143,570	$ -	$ -	$ -	$ 143,570
Unemployment compensation	-	-	353,546	-	353,546
Aviation fuel tax	4,847	-	-	-	4,847
Airport use charges	52,930	-	-	-	52,930
Rentals	108,363	26,720	-	-	135,083
Services and others	-	92,356	-	-	92,356
Administrative fees	-	-	-	7,944	7,944
Premium revenue – self insurance	-	-	-	57,562	57,562
Increase in premium reserves	-	-	-	14,516	14,516
Other	7,414	2,262	-	2,920	12,596
Total operating revenues	317,124	121,338	353,546	82,942	874,950
Operating expenses					
Personnel services	133,369	16,775	-	5,737	155,881
Depreciation and amortization	87,233	23,633	-	1,449	112,315
Repairs and maintenance	40,033	1,920	-	93	42,046
Airports operations	54,310	-	-	-	54,310
Harbors operations	-	18,561	-	-	18,561
Fireboat operations	-	1,672	-	-	1,672
General administration	18,816	8,632	-	4,360	31,808
Unemployment compensation	-	-	244,947	-	244,947
Claims	-	-	-	69,067	69,067
Other	354	-	-	6,326	6,680
Total operating expenses	334,115	71,193	244,947	87,032	737,287
Operating income (loss)	(16,991)	50,145	108,599	(4,090)	137,663
Nonoperating revenues (expenses)					
Interest and investment income	3,867	673	7,406	859	12,805
Interest expense	(30,043)	(18,248)	-	-	(48,291)
Federal grants	2,656	-	-	-	2,656
Gain (loss) on disposal of capital assets	(1,542)	368	-	-	(1,174)
Rental car customer and passenger facility charges	88,862	-	-	-	88,862
Debt service support charges	19,000	-	-	-	19,000
Other	(1,542)	(555)	-	-	(2,097)
Total nonoperating revenues (expenses)	81,258	(17,762)	7,406	859	71,761
Income (loss) before capital contributions	64,267	32,383	116,005	(3,231)	209,424
Capital contributions	61,647	-	-	34,325	95,972
Change in net position	125,914	32,383	116,005	31,094	305,396
Net position					
Beginning of year, as restated	1,894,685	710,908	310,264	644,181	3,560,038
End of year	$ 2,020,599	$ 743,291	$ 426,269	$ 675,275	$ 3,865,434

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2014
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	$ 325,370	$ 120,263	$ -	$ -	$ 445,633
Cash received from taxes	-	-	367,381	-	367,381
Cash received from employees for premiums and benefits	-	-	-	552,132	552,132
Cash paid to suppliers	(164,633)	(33,545)	-	(4,454)	(202,632)
Cash paid to employees	(71,235)	(14,641)	-	(4,938)	(90,814)
Cash paid for unemployment compensation	-	-	(243,860)	-	(243,860)
Cash paid for premiums and benefits payable	-	-	-	(523,380)	(523,380)
Reserves returned by insurance carriers	-	-	-	53	53
Interest income from notes receivable	-	-	-	2,357	2,357
Administrative loan fees	-	-	-	3,261	3,261
Principal repayments on notes receivable	-	-	-	32,122	32,122
Disbursement of note receivable proceeds	-	-	-	(83,641)	(83,641)
Other cash receipts	-	-	34,412	-	34,412
Net cash provided by (used in) operating activities	89,502	72,077	157,933	(26,488)	293,024
Cash flows from noncapital financing activities					
State capital contributions	-	-	-	4,025	4,025
Proceeds from federal operating grants	3,033	-	-	30,556	33,589
Disbursements of federal operating grants	-	-	-	(296)	(296)
Other	-	(300)	-	-	(300)
Net cash provided by (used in) noncapital financing activities	3,033	(300)	-	34,285	37,018
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(171,219)	(21,823)	-	-	(193,042)
Repayment of general obligation and revenue bonds principal	(40,305)	(38,223)	-	-	(78,528)
Interest paid on bonds	(43,811)	(20,348)	-	-	(64,159)
Proceeds from issuance of bonds	-	23,361	-	-	23,361
Proceeds from passenger facility charges program	55,301	-	-	-	55,301
Proceeds from rental car customer facility charges program	34,750	-	-	-	34,750
Payments for rental car customer facility charges program	(5,672)	-	-	-	(5,672)
Payments for passenger facility charges program	(7,387)	-	-	-	(7,387)
Net proceeds from lease revenue certificates of participation	172,977	-	-	-	172,977
Proceeds from federal, state, and capital grants and contributions	60,079	936	-	-	61,015
Net cash provided by (used in) capital and related financing activities	54,713	(56,097)	-	-	(1,384)
Cash flows from investing activities					
Purchase of investments	(385,927)	-	-	(6,792)	(392,719)
Proceeds from sales and maturities of investments	235,860	-	-	-	235,860
Interest from and change in fair value of investments	2,018	750	7,407	874	11,049
Net cash provided by (used in) investing activities	(148,049)	750	7,407	(5,918)	(145,810)
Net increase (decrease) in cash and cash equivalents	(801)	16,430	165,340	1,879	182,848
Cash and short-term investments, including restricted amounts					
Beginning of year	1,094,432	395,096	193,707	226,437	1,909,672
End of year	$ 1,093,631	$ 411,526	$ 359,047	$ 228,316	$ 2,092,520

(continued)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2014
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ (16,991)	$ 50,145	$ 108,599	$ (4,090)	$ 137,663
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Provision for uncollectible accounts	-	190	-	-	190
Depreciation	87,233	23,633	-	1,449	112,315
Bad debt recovery	(722)	-	-	-	(722)
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	6,386	-	-	-	6,386
Premium reserves held by insurance companies	-	-	-	23,152	23,152
Principal forgiveness of loans	-	-	-	4,075	4,075
Changes in assets and liabilities					
Receivables	90	(508)	48,248	(58,113)	(10,283)
Inventory of materials and supplies	(28)	(1)	-	-	(29)
Prepaid expenses	-	(31)	-	(46)	(77)
Vouchers and contracts payable	(671)	(2,635)	1,086	156	(2,064)
Other postemployment benefit liability	10,244	2,186	-	676	13,106
Other accrued liabilities	2,789	(902)	-	4,969	6,856
Unearned revenue	1,172	-	-	-	1,172
Benefit claims payable	-	-	-	1,284	1,284
Net cash provided by (used in) operating activities	$ 89,502	$ 72,077	$ 157,933	$ (26,488)	$ 293,024
Supplemental information					
Noncash investing, capital, and financing activities					
Amortization of bond discount, bond premium and loss on refunding	$ (3,255)	$ (72)	$ -	$ -	$ (3,327)
Interest payments relating to special facility revenue bonds	1,808	-	-	-	1,808
Principal payments on special facility revenue bonds	970	-	-	-	970
Amortization of certificates of participation premium	(878)	-	-	-	(878)
Amounts included in contracts payable for the acquisition of capital assets	40,224	-	-	-	40,224
Interest capitalized in capital assets	15,458	-	-	-	15,458
Net book value of capital asset write-offs	1,663	-	-	-	1,663
Decrease in airports use charge fund for transfer to Airports to offset signatory airline requirement	19,000	-	-	-	19,000

(concluded)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2014
(Amounts in thousands)

	Agency Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	$ 239,103	$ 246,225
Receivables – taxes	41,694	-
Investments	429,781	379,860
Other assets, primarily due from individuals, businesses and counties	92,267	-
Total	802,845	626,085
Liabilities and Net Position		
Liabilities		
Vouchers payable	60,612	-
Due to individuals, businesses and counties	742,233	-
Other accrued liabilities	-	17
Total liabilities	802,845	17
Net position held in trust for OPEB benefits	$ -	$ 626,068

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Changes in Fiduciary Net Position – OPEB Trust Fund
Year Ended June 30, 2014
(Amounts in thousands)

	OPEB Trust Fund
Additions	
Employer contributions	$ 262,626
Investment earnings	49,002
	311,628
Deductions	
Administrative expenses	324
Net increase in net position	311,304
Net position	
Beginning of year	314,764
End of year	$ 626,068

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Component Units
Statement of Net Position
June 30, 2014
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Assets				
Current assets				
Cash and cash equivalents	$ 64,307	$ 176,475	$ 68,305	$ 55,687
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of $60,347	89,751	19,307	423	87,460
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $995	17,788	40,830	-	-
Federal government	-	-	1,227	-
Other, net of allowance for doubtful accounts of $136	-	2,394	245	17,757
Due from primary government	274	7,805	125,128	70,378
Investments	278,046	39	-	5,180
Inventories				
Developments in progress and dwelling units	-	11,359	-	-
Materials and supplies	11,608	-	564	19,379
Prepaid expenses and other assets	13,022	284	2,112	-
Total current assets	474,796	258,493	198,004	255,841
Restricted assets				
Cash and cash equivalents	-	67,536	-	22,388
Investments	-	96,558	-	-
Deposits, funded reserves and other	-	472	-	-
Total restricted assets	-	164,566	-	22,388
Capital assets				
Land and land improvements	163,801	43,231	25,340	7,492
Infrastructure	170,432	-	-	-
Construction in progress	230,965	-	28,977	34,785
Buildings, improvements, and equipment	2,737,273	168,638	598,438	658,074
Less: Accumulated depreciation	(1,230,621)	(115,613)	(349,808)	(345,929)
Total capital assets, net	2,071,850	96,256	302,947	354,422
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $7,408	52,116	469,025	8,717	-
Due from primary government	348,701	10,543	-	-
Investments	499,460	6,455	-	-
Other assets	17,703	-	-	996
Total other assets	917,980	486,023	8,717	996
Total assets	3,464,626	1,005,338	509,668	633,647
Deferred outflows of resources				
Deferred loss on refunding	5,576	588	-	-
Total deferred outflows of resources	$ 5,576	$ 588	$ -	$ -

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 46,040	$ 16,330	$ 944	$ 428,088
-	431	370	197,742
-	-	-	58,618
-	-	-	1,227
635	3,334	-	24,365
-	7,604	-	211,189
-	-	126,674	409,939
-	-	-	11,359
-	-	-	31,551
45	20	-	15,483
46,720	27,719	127,988	1,389,561
10,756	-	-	100,680
-	-	-	96,558
-	-	-	472
10,756	-	-	197,710
131,497	135,257	-	506,618
-	44,314	-	214,746
2,383	6,349	-	303,459
215,871	19,774	-	4,398,068
(126,136)	(55,360)	-	(2,223,467)
223,615	150,334	-	3,199,424
-	17,000	-	546,858
-	-	-	359,244
18,727	-	-	524,642
-	376	-	19,075
18,727	17,376	-	1,449,819
299,818	195,429	127,988	6,236,514
-	-	-	6,164
$ -	$ -	$ -	$ 6,164

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2014
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Liabilities				
Current liabilities				
Vouchers and contracts payable	$ 71,078	$ 896	$ 5,345	$ 104,533
Other accrued liabilities	84,132	7,471	2,517	-
Due to primary government	6,000	-	-	2,000
Unearned revenue	44,010	385	702	-
Notes, mortgages and installation contracts payable	-	65	-	14,260
Accrued vacation and retirement benefits payable	28,491	-	-	16,915
Revenue bonds payable, net	15,345	6,026	-	-
Reserve for losses and loss adjustment costs	5,350	-	-	3,407
Capital lease obligations	-	-	-	9,324
Other liabilities	9,177	-	1,401	7,025
Total current liabilities	263,583	14,843	9,965	157,464
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	17,000	5,466	-	32,174
Accrued vacation and retirement benefits payable	44,341	-	-	25,303
Revenue bonds payable, net	578,585	331,746	-	-
Reserve for losses and loss adjustment costs	8,918	-	-	10,324
Premium on bonds payable	3,802	-	-	-
Capital lease obligations	-	-	-	21,169
Due to primary government	380	-	-	13,800
Unearned revenue	-	22,100	-	-
Estimated future cost of land sold	-	35,272	-	-
Other postemployment benefit liability	579,196	3,685	15,146	302,156
Other liabilities	12,871	1,964	1,554	21,578
Total noncurrent liabilities	1,245,093	400,233	16,700	426,504
Total liabilities	1,508,676	415,076	26,665	583,968
Net position				
Net investment in capital assets	1,519,669	35,073	302,947	307,727
Restricted	816,203	145,006	2,276	980
Unrestricted	(374,346)	410,771	177,780	(259,028)
Total net position	$ 1,961,526	$ 590,850	$ 483,003	$ 49,679

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 4,973	$ 424	$ 255	$ 187,504
130	149	-	94,399
20,173	-	-	28,173
-	31	-	45,128
-	-	-	14,325
148	135	-	45,689
-	-	-	21,371
-	-	-	8,757
-	-	-	9,324
-	1,559	1,087	20,249
25,424	2,298	1,342	474,919
-	-	-	54,640
408	302	-	70,354
-	-	-	910,331
-	-	-	19,242
-	-	-	3,802
-	-	-	21,169
247,381	-	-	261,561
-	-	-	22,100
-	-	-	35,272
1,988	1,654	-	903,825
-	13,650	-	51,617
249,777	15,606	-	2,353,913
275,201	17,904	1,342	2,828,832
2,489	150,334	-	2,318,239
22,128	7,455	-	994,048
-	19,736	126,646	101,559
$ 24,617	$ 177,525	$ 126,646	$ 3,413,846

(concluded)

State of Hawaii
Component Units
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2014
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	$ 1,659,856	$ 51,778	$ 139,574	$ 737,090
Program revenues				
Charges for services	382,191	58,683	19,316	576,460
Operating grants and contributions	494,321	10,015	73,020	2,638
Capital grants and contributions	-	-	13,868	46,716
Total program revenues	876,512	68,698	106,204	625,814
Net program revenues (expenses)	(783,344)	16,920	(33,370)	(111,276)
General revenues (expenses)				
Interest and investment income (loss)	51,520	-	-	252
Transient accommodations tax	-	-	-	-
Payments from State, net	699,028	15,911	49,631	120,494
Gifts and subsidies	61,127	-	14,478	-
Other	(3,702)	-	46	(2,822)
Net general revenues	807,973	15,911	64,155	117,924
Change in net position	24,629	32,831	30,785	6,648
Net position				
Beginning of year, as restated	1,936,897	558,019	452,218	43,031
End of year	$ 1,961,526	$ 590,850	$ 483,003	$ 49,679

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
$ 102,292	$ 9,412	$ 5	$ 2,700,007
8,205	15,910	-	1,060,765
-	-	-	579,994
-	-	-	60,584
8,205	15,910	-	1,701,343
(94,087)	6,498	(5)	(998,664)
587	(249)	1,444	53,554
115,000	-	-	115,000
190	3,126	104,413	992,793
-	-	-	75,605
8	-	-	(6,470)
115,785	2,877	105,857	1,230,482
21,698	9,375	105,852	231,818
2,919	168,150	20,794	3,182,028
$ 24,617	$ 177,525	$ 126,646	$ 3,413,846

1. Summary of Significant Accounting Policies

The basic financial statements of the State of Hawaii (the State) have been prepared in conformity 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 State's significant accounting policies are described below.

Reporting Entity
The accompanying basic financial statements present the financial activity of the State (Primary Government) and its Component Units, entities for which the Primary Government is considered to be financially accountable. Discretely presented Component Units are legally separate organizations for which the Primary Government is financially accountable or for which the nature and significance of their relationship to the Primary Government are such that exclusion would cause the State's reporting entity to be misleading or incomplete.

Primary Government
The following branches and departments are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Executive:
- Accounting and General Services
- Agriculture
- Attorney General
- Budget and Finance
- Business, Economic Development and Tourism
- Commerce and Consumer Affairs
- Defense
- Education
- Hawaiian Home Lands
- Health
- Human Resource Development
- Human Services
- Labor and Industrial Relations
- Land and Natural Resources
- Public Safety
- Taxation
- Transportation

Judicial

Legislative

Discretely Presented Component Units
The Component Units column in the basic financial statements includes the financial data of the State's discretely presented Component Units. They are reported in a separate column to emphasize that they are legally separate from the State. The governing bodies of these discretely presented Component Units are appointed by the Governor of the State (Governor). The discretely presented Component Units are as follows:

University of Hawaii – The University of Hawaii (UH) is Hawaii's sole public higher education system and is governed by a Board of Regents consisting of fifteen members appointed by the Governor of the State of Hawaii. The University system is comprised of ten campuses with approximately 60,000 students and 10,000 faculty and staff. UH provides a broad range of 385 degree programs from baccalaureate to post-doctoral level, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui and Kauai, UH offers more than 279 certificate and associate degree programs and, in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the UH system houses more than a hundred centers with research and service activities at hundreds of Hawaii schools, hospitals and community sites, and carries out these activities across the Pacific Islands and in foreign countries. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH.

Hawaii Housing Finance and Development Corporation – Hawaii Housing Finance and Development Corporation (HHFDC) is a corporate body placed within the Department of Business, Economic Development and Tourism (DBEDT) for administrative purposes. Act 196, Session Laws of Hawaii (SLH) of 2005, as amended by Act 180, SLH of 2006, created the HHFDC. The HHFDC is tasked with developing and financing low and moderate income housing projects and administering home-ownership programs. HRS Chapter 201H states that the HHFDC shall be a public body and a body corporate and politic and be headed by a board of directors comprised of nine voting members. The nine members consist of the following:

- Six public members appointed by the Governor:
  - At least four of the public members shall have knowledge and expertise in public or private financing and development of affordable housing.
  - Public members shall be appointed from each of the counties of Honolulu, Hawaii, Maui and Kauai.
  - At least one public member shall represent community advocates for low-income housing, affiliated with private nonprofit organizations that serve the residents of low-income housing.
  - The public members of the board of directors shall serve four-year staggered terms; provided that the initial appointments shall be as follows:
    - Two members to be appointed for four years;
    - Two members to be appointed for three years; and
    - Two members to be appointed for two years.
- The Director of DBEDT or a designated representative,
- The Director of Finance or a designated representative, and
- A representative of the Governor's office.

Hawaii Public Housing Authority – Act 196, SLH of 2005, as amended by Act 180, SLH of 2006, created the Hawaii Public Housing Authority (HPHA).

HPHA is administratively attached to the Department of Human Services. Its mission is to provide safe, decent and sanitary dwelling for low and moderate income residents of the State of Hawaii and to operate its housing program in accordance with federal and state of Hawaii laws and regulations.

HRS Chapter 356D states that the HPHA shall be a public body and a body corporate and politic and be headed by a board of directors comprised of 11 members. The 11 members consist of the following:

- Nine public members appointed by the Governor (four appointed from each of the counties of Honolulu, Hawaii, Maui and Kauai, and five appointed at large);
- The Director of Human Services, as an Ex Officio voting member; and
- A representative of the Governor's office, as an Ex Officio voting member.

Hawaii Health Systems Corporation – The Hawaii Health Systems Corporation (HHSC) is a public body corporate and politic and an instrumentality and agency of the State of Hawaii. HHSC is managed by a chief executive officer under the control of a 13-member board of directors.

Act 262, SLH of 1996, which became effective in fiscal year 1997, transferred all facilities under the administration of the Department of Health – Division of Community Hospitals to HHSC. HHSC operates the following facilities:

East Hawaii Region:
- Hilo Medical Center
- Hale Hoʻola Hamakua
- Kaʻu Hospital
- Yukio Okutsu Veterans Care Home

West Hawaii Region:
- Kona Community Hospital
- Kohala Hospital

Kauai Region:
- Kauai Veterans Memorial Hospital
- Samuel Mahelona Memorial Hospital

Maui Region:
- Maui Memorial Medical Center
- Kula Hospital
- Lanai Community Hospital

Oahu Region:
- Leahi Hospital
- Maluhia

Kahuku Medical Center

Act 262 also amended a previous act to exempt all facilities from the obligation to pay previously allocated central service and departmental administration expenses by the State.

HHSC is considered to be administratively attached to the Department of Health of the State and is a component unit of the State. Hawaii Health Systems Foundation (HHSF) and Alii Community Care, Inc. (Alii) are nonprofit organizations of which HHSC is the sole member. The purpose of HHSF is to raise funds and obtain gifts and grants on behalf of HHSC. The purpose of Alii is to own, manage and operate assisted living and other healthcare facilities in the State.

Act 290, SLH of 2007, which became effective July 1, 2007, required the establishment of a 7 to 15 member regional system board of directors for each of the five regions of the HHSC system. Each regional board was given custodial control and responsibility for management of the facilities and other assets in their respective regions. This Act also restructured the 13-member HHSC board of directors to 15 members, comprised of 10 members appointed by the Governor from nominees submitted by legislative leadership, two at-large members at the Governor's discretion, two physician members selected by the HHSC board, and the State Director of Health.

Act 290 also exempted the regions from the requirements of the State procurement code and other exemptions from State agency laws, such as tax clearance certificate requirements, the concession law, and the sunshine law.

Act 182, SLH of 2009, effective July 1, 2009, allowed the individual facilities or regions of HHSC to transition into a new legal entity in any form recognized under the laws of the State of Hawaii, including but not limited to a nonprofit corporation, a for-profit corporation, a municipal facility, a public benefit corporation, or a combination of the above. The Act also amended the requirement for maintenance of services to outline a process that must be followed in order for a facility to substantially reduce or eliminate a direct patient care service. Further, the Act reconstituted the HHSC board of directors to a 12-member board of directors which includes the five regional chief executive officers, one representative each appointed by the East Hawaii, West Hawaii, Kauai and Oahu regional boards, two members appointed by the Maui regional board, and the Director of the Department of Health as an ex-officio non-voting member.

Act 126, SLH of 2011, effective July 1, 2011, reconstituted the HHSC board of directors to a 13-member board of directors by adding an at-large voting member appointed by the Governor and changing the voting status of the Director of the Department of Health from a non-voting to voting member.

In June 2013, Act 278, SLH 2013, effective July 2013, again reconstituted the HHSC board of directors by adding five regional members appointed by the Governor and making the five regional chief executive officers ex-officio, nonvoting members.

Hawaii Tourism Authority – The Hawaii Tourism Authority (HTA) was established on January 1, 1999, by Act 156, SLH of 1998 and was placed within DBEDT for administrative purposes. The HTA is responsible for developing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment, taxes, and lesser known and underutilized destinations. In addition, effective July 1, 2000, control and management of the Hawaii Convention Center (the Center) was transferred to the HTA from the Convention Center Authority (CCA) by Executive Order No. 3817. Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center, which opened to the general public in June 1998, is used for a variety of events including conventions and trade shows, public shows, and spectator events. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA is governed by a board of directors comprised of 12 voting members. The Governor appoints the 12 voting members.

Hawaii Community Development Authority – The Hawaii Community Development Authority (HCDA) was established as a body corporate and a public instrumentality of the State, which is attached to DBEDT for administrative purposes. The HCDA was established to supplement traditional community renewal methods by promoting and coordinating public and private sector community development. The HCDA has redevelopment responsibility for the Kakaʻako, Kalaeloa, and Heʻeia Community Development Districts.

The HCDA was established by HRS Chapter 206E, to join the strengths of private enterprise, public development and regulation into a form capable of long-term planning and implementation of improved community development in urban areas in the State.

The HCDA is comprised of 16 voting members who, as a body, oversee the HCDA's operations and establish policies to implement its legislative objectives. The board is required to report annually to the State Legislature and the Governor. The 16-member board is comprised of the following:

- Five members that vote on issues related to Kakaʻako, Kalaeloa and Heʻeia:
  - The Director of Budget and Finance, as an Ex Officio voting member,
  - The Director of DBEDT, as an Ex Officio voting member,
  - The Comptroller of the Department of Accounting and General Services, as an Ex Officio voting member,
  - The Director of Transportation, as an Ex Officio voting member, and
  - One member who is a cultural expert.
- The Chairperson of the Hawaiian Homes Commission that votes only on issues related to Kalaeloa.
- One member appointed by the Governor that votes only on issues related to Kakaʻako and Heʻeia.
- Three members appointed by the Governor that vote only on issues related to Kakaʻako:
  - The members are selected by the Governor from a list of names submitted by the Honolulu City Council.
- Three members appointed by the Governor that vote only on issues related to Kalaeloa:
  - The members are selected by the Governor from a list of names submitted by the Honolulu City Council.
- Three members appointed by the Governor that vote only on issues related to Heʻeia:
  - The members shall be residents of the Heʻeia community development district or the Koolaupoko district.

Hawaii Hurricane Relief Fund – The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to, and operates in accordance with, HRS Chapter 431P. The HHRF, which began operations on July 1, 1993, was established as a public body and a body corporate and politic to be placed within the Department of Commerce and Consumer Affairs for administrative purposes. The HHRF was primarily organized to provide hurricane property insurance policies in the State of Hawaii in the event the private insurance market does not make such policies readily available to consumers in Hawaii.

Due to the increase in the availability of hurricane property insurance coverage from the private sector, the HHRF ceased writing hurricane property insurance policies effective December 1, 2000.

Although the HHRF no longer functions in its capacity to provide hurricane property insurance coverage subsequent to November 2001, it has been determined at this time that the HHRF should not be dissolved in the event it may need to reenter the insurance market.

The HHRF is administered and operated by a board of directors. The board of directors consists of the following seven members:

- The Insurance Commissioner, as an Ex Officio voting member, appointed by the Governor; and

- Six members appointed by the Governor with the advice and consent of the Senate:

  – Two members appointed by the Governor;

  – Two members appointed by the Governor from a list of nominations submitted by the President of the Senate; and

  – Two members appointed by the Governor from a list of nominations submitted by the Speaker of the House of Representatives.

Information for obtaining financial statements for the discretely presented Component Units may be obtained from the Department of Accounting and General Services (DAGS), 1151 Punchbowl Street, Room 400, Honolulu, Hawaii 96813.

The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, and the Office of Hawaiian Affairs (OHA), which exists for the betterment of the conditions of native Hawaiians, are excluded from the State's reporting entity because those agencies, based on the fiscal independence and/or separate legal entity status, are not accountable to the State.

Government-Wide and Fund Financial Statements
The Government-Wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these Government-Wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, Fiduciary Funds, and major Component Units. However, the Fiduciary Funds are not included in the Government-Wide financial statements. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Funds Financial Statements
The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues, which are not considered susceptible to accrual, and therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchises.

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

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

Proprietary Funds, Fiduciary Funds and Component Units Financial Statements
The financial statements of the Proprietary Funds, Fiduciary Funds and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above. Agency Funds do not have a measurement focus and report only assets and liabilities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting
The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying fund financial statements have been classified into the following major and nonmajor Governmental and Proprietary Funds. In addition, a description of the Fiduciary Funds and Component Units are as follows:

Governmental Fund Types – The State reports the following major Governmental Funds:

- **General Fund** — This fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- **Capital Projects Fund** – This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State's capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.

- **Med-Quest Special Revenue Fund** – This fund accounts for the State's Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government.

The nonmajor Governmental Funds are comprised of the following:

- **Special Revenue Funds** – These funds account for the financial resources obtained from specific revenue sources and used for restricted purposes.

- **Debt Service Fund** – This fund accounts for the financial resources obtained and used for the payment of principal and interest on general and revenue long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

Proprietary Fund Type – Enterprise Funds – The major Enterprise Funds are comprised of the following:

- **Department of Transportation – Airports Division** (Airports) – Airports operates the State's airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.

- **Department of Transportation – Harbors Division** (Harbors) – Harbors maintains and operates the State's commercial harbors system.

- **Unemployment Compensation Fund** – This fund accounts for the unemployment compensation benefits to qualified recipients.

The nonmajor Enterprise Funds are comprised of, the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Water Pollution Control Revolving Fund (WPCF), and the Drinking Water Treatment Revolving Loan Fund (DWTLF). The EUTF accounts for the benefits relating to active employees and beneficiaries, which includes medical, dental and life insurance coverage. The WPCF accounts for loans to county agencies for the construction of wastewater treatment facilities. The DWTLF accounts for loans to county agencies for construction of drinking water treatment facilities.

Fiduciary Fund Types –

- **Agency Funds** – Agency Funds account for retiree healthcare benefits, which includes medical, dental and life insurance coverage as well as various taxes, deposits and property held by the State, pending distribution to other governments and individuals.

- **Other Post-Employment Benefit (OPEB) Trust Fund** – Accounts for plan assets and related expenses from the pre-funding contributions made by the State and counties. The OPEB Trust Fund meets the criteria for plans that are administered as trusts, or equivalent arrangements.

Component Units – Component Units are comprised of the:

- UH, which is comprised of the State's public institutions of higher education;

- HHFDC, which finances housing programs for residents of the State;

- HPHA, which manages state housing programs;

- HHSC, which provides quality health care for the people of the State;

- HTA, which manages the State's convention center as well as markets the State's visitor industry;

- HCDA, which coordinates private and public community development for residents of the State; and

- HHRF, which funds, assesses and provides, when necessary, hurricane property insurance to residents of the State.

Cash and Cash Equivalents
Cash and cash equivalents include all cash, repurchase agreements, and U.S. government securities with original maturities of three months or less, and time certificates of deposit. For purposes of the statement of cash flows, the State has defined cash equivalents to be all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Receivables and Payables
Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide financial statements as internal balances.

All tax and other receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Investments
Investments in U.S. government securities and time certificates of deposit are carried at fair value based on quoted market prices. Investments in repurchase agreements are carried at cost.

Inventories
Inventories of developments in progress and units available for sale are stated at the lower of cost or estimated net realizable value, with cost being determined by the specific-identification method. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Units available for sale include constructed units, developed lots, and repurchased units available for sale. Developments in progress include construction in progress and land held for future development.

Materials and supplies inventories are stated at the lower of cost or market, with cost being determined principally using the first-in, first-out method.

Restricted Assets
Revenue bond indentures authorize the State's trustees to invest monies in time certificates of deposit, money market funds, and investment securities, including U.S. government or agency obligations, certain municipal bonds, and repurchase agreements. Uninsured time certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value held by the State's agent in the State's name.

Capital Assets
Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks and similar items), buildings and improvements, and equipment, are reported in the applicable governmental and business-type activities columns, as well as the Component Units column, in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period.

The State's capitalization thresholds are $5,000 for equipment, and $100,000 for land and land improvements, infrastructure, and buildings and improvements. The primary government's capitalization threshold is $1,000,000 for purchased and internally generated software and $100,000 for other intangible assets. Component units and major enterprise funds establish separate capitalization thresholds and estimated useful lives, as appropriate. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets of the Primary Government, as well as the Component Units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years
Computer software	5–15 years
Other intangible assets	30 years

Works of art and historical treasures held for public exhibition, education or research in furtherance of public service, rather than financial gain, are capitalized. These items are protected, kept encumbered, conserved and preserved by the State. It is the State's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Compensated Absences
It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations
In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs except any portion related to prepaid insurance costs, are expensed in the period incurred. Amortization of bond premiums or discounts, prepaid insurance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, Governmental Funds recognize bond premiums, discounts and prepaid insurance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance
In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net position is reported in three categories: net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Restricted net position represents net position restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and include unspent proceeds of bonds issued to acquire or construct capital assets.

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The State classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. Classifications include:

- **Restricted** — Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other governments.

- **Committed** — Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State's Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.

- **Assigned** — Balances that are constrained by management to be used for specific purposes, as authorized by the Hawaii Revised Statutes, but are not restricted or committed. For general fund only, encumbrance balances at fiscal year-end are classified as assigned.

- **Unassigned** — Residual balances that are not contained in the other classifications.

The State spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the State would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The following table presents the State's fund balance by major function at June 30, 2014:

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for					
Welfare	$ -	$ -	$ -	$ 27,110	$ 27,110
Debt service	-	-	-	35	35
	-	-	-	27,145	27,145
Committed to					
General Government	-	-	-	51,966	51,966
Public Safety	-	-	-	38,916	38,916
Highways	-	-	-	18,577	18,577
Conservation of Natural Resources	-	-	-	94,766	94,766
Health	-	-	-	158,886	158,886
Welfare	-	-	-	1,257	1,257
Culture & Recreation	-	-	-	3,270	3,270
Urban Development and Housing	-	-	-	96,727	96,727
Economic Development	-	-	-	33,567	33,567
	-	-	-	497,932	497,932
Assigned to					
General Government	27,562	-	-	113,430	140,992
Public Safety	14,777	-	-	43,560	58,337
Highways	-	-	-	145,356	145,356
Conservation of Natural Resources	9,134	-	-	37,536	46,670
Health	66,255	-	-	-	66,255
Welfare	54,966	-	10,466	-	65,432
Education	79,546	-	-	152,879	232,425
Culture & Recreation	1,353	-	-	8,457	9,810
Urban Development and Housing	1,589	-	-	201,712	203,301
Economic Development	1,301	-	-	25,883	27,184
	256,483	-	10,466	728,813	995,762
Unassigned	1,079,180	(545,502)	-	(42,903)	490,775
Total	$ 1,335,663	$ (545,502)	$ 10,466	$ 1,210,987	$ 2,011,614

Nonexchange Transactions

The Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Medicare and Medicaid Reimbursements

Revenues from services reimbursed under Medicare and Medicaid programs are recorded at the estimated reimbursable amounts. Final determination of the amounts earned is subject to review by the fiscal intermediary or a peer review organization. The State has the opinion that adequate provision has been made for any adjustments that may result from such reviews.

Risk Management

The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first $1,000,000 per occurrence of property losses, the first $4,000,000 with respect to general liability claims, and the first $500,000 of losses due to crime. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is $200,000,000, except for earthquake, which individually is a $100,000,000 aggregate loss, and terrorism, which is $50,000,000 per occurrence. The annual aggregate limit for general liability losses is $15,000,000 per occurrence and for crime losses, the limit per occurrence is $10,000,000 with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in

the amount of $35,000,000 per occurrence and $39,000,000 in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, nonincremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed, and as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim 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.

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, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

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

Newly Issued Accounting Pronouncements

GASB Statement No. 65
During fiscal year 2014, the State implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The provisions of this standard require that deferred charges related to bond issuance costs (other than insurance) be expensed rather than amortized. As a result, net position as of July 1, 2013 for governmental activities and business-type activities was reduced by $17,454,000 and $7,331,000, respectively. In addition, $116,588,000 and $10,952,000 previously recorded as Bond Issue Costs – Net has been reclassified as Deferred Outflow of Resources – Deferred Loss on Refunding for governmental activities and business-type activities, respectively.

GASB Statement No. 66
The GASB issued Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statement No. 10 and No. 62*, which became effective for financial statements for periods beginning after December 15, 2012. The objective of this Statement is to resolve conflicting accounting and financial reporting guidance between previously issued statements. This Statement did not have a material impact on the State's financial statements.

GASB Statement No. 67
The GASB issued Statement No. 67, *Financial Reporting for Pension Plans; an Amendment of GASB Statement No. 25*, which became effective for financial periods beginning after June 15, 2013. This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trust or equivalent arrangements. The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, is excluded from the State's reporting entity; therefore, this Statement did not have a material impact on the State's financial statements.

GASB Statement No. 68
The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which will become effective for financial statements for fiscal years beginning after June 15, 2014. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement.

The State is currently evaluating the impact that Statement No. 68 will have on its financial statements.

GASB Statement No. 69
The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations,* which will become effective for financial statements for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The State does not expect that this Statement will have a material effect on its financial statements.

GASB Statement No. 70
The GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which became effective for reporting periods beginning after June 15, 2013. This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions (nonexchange financial guarantees). This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 71
The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*, which should be applied simultaneously with the provisions of Statement No. 68. Statement No. 71 amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. The State is currently evaluating the impact that Statement No. 71 will have on its financial statements.

2. Cash and Investments

The Director of Finance 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. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions.

Cash
The State maintains approximately 20 bank accounts for various purposes at locations throughout the State and the nation. Bank deposits are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) as of June 30, 2014, was $1,656,771,000 and $1,046,095,000, respectively, for the Primary Government and unrestricted cash for the Fiduciary Funds as of June 30, 2014, was $485,328,000.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately $2,616,080,000 at June 30, 2014. Of that amount, approximately $2,615,980,000 represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of $358,556,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Investments
The State holds investments both for its own benefit and as an agent for other parties.

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance (Budget and Finance). The pool's investment options are limited to investments listed in the Hawaii Revised Statutes. As of June 30, 2014, the State had material investments in repurchase agreements. According to Budget and Finance, the repurchase agreement investment contracts are valued on the cost basis.

At the end of each year, Budget and Finance allocates the investment pool amount to each of the participants including those participants who are part of the Proprietary Funds and Fiduciary Funds. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The following table presents the State's investments and maturities at June 30, 2014 (amounts expressed in thousands).

		Maturity (in years)		
	Fair Value	Less than 1	1−5	>5
Investments − Primary government				
Certificates of deposit	$ 947,868	$ 890,025	$ 57,843	$ -
U.S. government securities	1,098,666	257,086	840,670	910
Repurchase agreements	107,712	75,578	32,134	-
	$ 2,154,246	$ 1,222,689	$ 930,647	$ 910
Investments – Fiduciary funds				
Certificates of deposit	$ 176,603	$ 165,826	$ 10,777	$ -
U.S. government securities	204,698	47,899	156,630	169
Repurchase agreements	20,068	14,081	5,987	-
	401,369	$ 227,806	$ 173,394	$ 169
Mutual funds	408,272			
Total investments	$ 809,641			

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk
The State's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

Custodial Risk
For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. Excess-SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

3. Capital Assets

For the fiscal year ended June 30, 2014, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

	Governmental Activities			
	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
Capital assets not being depreciated				
Land and land improvements	$ 2,232,588	$ 4,305	$ (2)	$ 2,236,891
Construction in progress	864,716	274,246	(211,061)	927,901
Total capital assets not being depreciated	3,097,304	278,551	(211,063)	3,164,792
Capital assets being depreciated				
Infrastructure	9,046,606	109,589	(2,911)	9,153,284
Buildings and improvements	4,064,946	140,724	-	4,205,670
Equipment	404,666	91,551	(23,228)	472,989
Intangible assets – software	-	83,289	-	83,289
Total capital assets being depreciated	13,516,218	425,153	(26,139)	13,915,232
Less: Accumulated depreciation and amortization				
Infrastructure	(5,144,167)	(290,049)	632	(5,433,584)
Buildings and improvements	(2,211,969)	(107,889)	228	(2,319,630)
Equipment	(328,057)	(31,577)	17,703	(341,931)
Intangible assets – software	-	(5,949)	-	(5,949)
Total accumulated depreciation and amortization	(7,684,193)	(435,464)	18,563	(8,101,094)
Total capital assets	$ 8,929,329	$ 268,240	$ (218,639)	$ 8,978,930

	Business-type Activities			
	Balance at July 1, 2013	Additions	Deductions	Balance at June 30, 2014
Capital assets not being depreciated				
Land and land improvements	$ 605,915	$ 20,023	$ (1)	$ 625,937
Construction in progress	415,562	250,492	(101,191)	564,863
Total capital assets not being depreciated	1,021,477	270,515	(101,192)	1,190,800
Capital assets being depreciated				
Land and improvements	1,188,453	45,754	(1)	1,234,206
Buildings and improvements	2,132,532	33,401	(1,256)	2,164,677
Equipment	312,920	3,713	(4,961)	311,672
Total capital assets being depreciated	3,633,905	82,868	(6,218)	3,710,555
Less: Accumulated depreciation				
Land and improvements	(783,156)	(32,287)	138	(815,305)
Buildings and improvements	(1,139,287)	(60,124)	(60)	(1,199,471)
Equipment	(199,860)	(19,766)	4,822	(214,804)
Total accumulated depreciation	(2,122,303)	(112,177)	4,900	(2,229,580)
Total capital assets	$ 2,533,079	$ 241,206	$ (102,510)	$ 2,671,775

Depreciation expense for the fiscal year ended June 30, 2014, was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities		
Highways	$	273,438
Lower education		75,678
Urban redevelopment and housing		22,721
Public safety		18,863
General government		15,328
Conservation of natural resources		9,377
Welfare		7,869
Health		5,751
Economic development and assistance		4,511
Culture and recreation		1,928
Total depreciation expense – governmental activities	$	435,464
Business-type activities		
Airports	$	87,233
Harbors		23,495
EUTF		1,371
DWTLF		67
WPCF		11
Total depreciation expense – business-type activities	$	112,177

4. General Obligation Bonds Payable

The State issues general obligation bonds primarily to provide for the acquisition and construction of major capital facilities. Although certain general obligation debt are being retired from the resources of the Proprietary Funds – Airports and Harbors and are recorded in those funds, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues, except Series CM, issued December 1, 1996; Series CY, issued February 15, 2002; Series DL, issued May 20, 2008; Series DO and DP, issued December 16, 2008; Series DR, issued June 23, 2009; Series DT, issued November 24, 2009; Series DY, issued February 18, 2010; Series ED, issued December 7, 2011; and Series EI, EJ, EK and EL, issued November 21, 2013, contain call provisions. Stated interest rates range from 0.2% to 6.5%.

On November 21, 2013, the State issued $635,000,000 of general obligation bonds of 2013 Series EH, $171,060,000 of general obligation refunding bonds of 2013 Series EI, EJ, EK and EL, and $54,795,000 of taxable general obligation bonds of 2013, Series EM and EN. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. Within the newly issued Series EH, EM and EN, the bonds that mature on or after August 1, 2023 are subject to optional redemption.

Refunding Series EI, EJ, EK and EL have interest rates of 1.0% to 5.0% and were used to advance refund $181,080,000 of certain general obligation bonds previously issued. The net proceeds of $185,560,000 (including premiums of $14,500,000) related to the issuance of Series EI, EJ, EK and EL were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds series DA, DB, DD, DE and DF. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the government-wide financial statements. Due to the advanced refunding, the State decreased its total debt service payments over the next 10 years by $21,770,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $20,155,000.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2014, $611,800,000 of bonds outstanding is considered defeased. At June 30, 2014, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 4,857,075
Noncallable	958,240
Total general obligation bonds outstanding	5,815,315
Less: Amount recorded as a liability of proprietary funds – Harbors	(31,176)
Amount recorded in the governmental activities of the primary government	$ 5,784,139

A summary of general obligation bonds outstanding by series as of June 30, 2014, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
CM	December 1, 1996	6.500%	December 1, 2014–2016	$ 150,000	$ 24,990
CY	February 15, 2002	5.750%	February 1, 2015	319,290	43,525
DE	November 10, 2004	3.500%–5.000%	October 1, 2014	225,000	12,105
DF	June 15, 2005	3.600%–5.000%	July 1, 2014–2025	225,000	52,300
DG	June 15, 2005	5.000%	July 1, 2014–2017	722,575	361,465
DI	March 23, 2006	3.900%–5.000%	March 1, 2015–2026	350,000	73,820
DJ	April 12, 2007	3.750%–5.000%	April 1, 2015–2027	350,000	220,575
DK	May 20, 2008	3.750%–5.000%	May 1, 2015–2028	375,000	321,440
DL	May 20, 2008	3.500%–5.000%	May 1, 2015–2018	29,010	17,410
DN	December 16, 2008	3.500%–5.500%	August 1, 2014–2028	100,000	92,070
DO	December 16, 2008	3.500%–5.000%	August 1, 2014–2018	101,825	67,545
DP	December 16, 2008	5.180%–5.680%	August 1, 2014–2016	26,000	13,960
DQ	June 23, 2009	3.600%–5.000%	June 1, 2015–2029	500,000	431,060
DR	June 23, 2009	3.000%–5.000%	June 1, 2015–2019	225,410	170,235
DS	November 5, 2009	0.200%–1.450%	September 15, 2014–2024	32,000	32,000
DT	November 24, 2009	2.250%–5.000%	November 1, 2014–2019	204,140	204,140
DX	February 18, 2010	3.000%–5.530%	February 1, 2015–2030	500,000	500,000
DY	February 18, 2010	3.000%–5.000%	February 1, 2015–2020	221,625	221,625
DZ	December 7, 2011	3.500%–5.000%	December 1, 2016–2031	800,000	800,000
EA	December 7, 2011	2.000%–5.000%	December 1, 2016–2023	403,455	403,455
ED	December 7, 2011	2.000%–5.000%	December 1, 2015	23,750	23,750
EE	December 4, 2012	1.000%–5.000%	November 1, 2017–2032	444,000	444,000
EF	December 4, 2012	5.000%	November 1, 2017–2024	396,990	396,990
EG	December 4, 2012	1.000%–3.625%	November 1, 2017–2032	26,000	26,000
EH	November 21, 2013	4.000%–5.000%	August 1, 2018–2033	635,000	635,000
EI	November 21, 2013	5.000%	August 1, 2014	34,515	34,515
EJ	November 21, 2013	3.000%–5.000%	August 1, 2015	58,355	58,355
EK	November 21, 2013	3.000%–5.000%	August 1, 2016	27,330	27,330
EL	November 21, 2013	1.000%–5.000%	August 1, 2017–2023	50,860	50,860
EM	November 21, 2013	1.950%–4.800%	August 1, 2018–2033	25,000	25,000
EN	November 21, 2013	1.950%–4.800%	August 1, 2018–2033	29,795	29,795
					$ 5,815,315

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement and the acquisition, construction, extension or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and for other public purposes.

A summary of the bond premium activities for fiscal year 2014 is as follows (amounts expressed in thousands):

Balance – July 1, 2013	$ 478,285
GO bond series EH, EI, EJ, EK, EL, EM and EN	87,335
Defeased bond series DA, DB, DD, DE and DF	(11,026)
Current-year amortization	(61,943)
Balance – June 30, 2014	$ 492,651

A summary of debt service requirements to maturity on the governmental activities' general obligation bonds is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2015	$ 412,126	$ 278,170	$ 690,296
2016	406,333	251,433	657,766
2017	425,552	232,191	657,743
2018	406,728	211,199	617,927
2019	412,607	193,395	606,002
2020–2024	1,675,574	711,098	2,386,672
2025–2029	1,376,599	333,700	1,710,299
2030–2034	668,620	63,349	731,969
	$ 5,784,139	$ 2,274,535	$ 8,058,674

A summary of debt service requirements to maturity on the business-type activities' general obligation bonds are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2015	$ 1,844	$ 1,537	$ 3,381
2016	1,932	1,449	3,381
2017	2,023	1,358	3,381
2018	2,122	1,258	3,380
2019	2,228	1,153	3,381
2020–2024	12,896	4,008	16,904
2025–2028	8,131	804	8,935
	$ 31,176	$ 11,567	$ 42,743

The State Constitution limits the amount of general obligation bonds, which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2014 was $414,066,000.

At June 30, 2014, general obligation bonds authorized but unissued were approximately $1,679,933,000.

5. Revenue Bonds Payable

Governmental Activities
Revenue bonds are payable from and collateralized by each Departments' revenues generated from certain capital improvement projects. On December 15, 2011, Highways issued $112,270,000 in State of Hawaii Highway Revenue Bonds of 2011, Series A, with interest rates ranging from 0.75% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2032.

On December 15, 2011, Highways issued $5,095,000 in State of Hawaii Highway Revenue Bonds of 2011, Series B, with an interest rate of 4.0% to advance refund $5,400,000 of certain outstanding highway revenue bonds previously issued. The bond is payable on January 1, 2023.

On April 2, 2009, the State of Hawaii Department of Hawaiian Home Lands (DHHL) issued $42,500,000 in Revenue Bonds, Series 2009, with interest rates ranging from 2.0% to 6.0% to finance the construction of certain DHHL capital improvement projects. The bonds are payable annually on April 1 through 2039.

On December 17, 2008, Highways issued $125,175,000 in State of Hawaii Highway Revenue Bonds, Series 2008, with interest rates ranging from 4.0% to 6.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2029.

On March 15, 2005, Highways issued $60,000,000 in State of Hawaii Highway Revenue Bonds of 2005, Series A, with interest rates ranging from 3.0% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on July 1 through 2025.

On March 15, 2005, Highways issued $123,915,000 of State of Hawaii Highway Revenue Bonds of 2005, Series B, with interest rates ranging from 3.0% to 5.25% to advance refund $128,705,000 of certain outstanding highway revenue bonds previously issued. The bonds are payable annually on July 1 through 2021.

On July 1, 1998, Highways issued State of Hawaii Highway Revenue Bonds, Series of 1998, in the principal amount of $94,920,000. Bond proceeds related to this issue amounted to $97,542,000, of which $71,921,000 was used to finance certain highway improvements and other related projects for the state highways system, and $25,621,000 was used to advance refund certain outstanding highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest ranging from 4.5% to 5.5% and mature on July 1, 2017 and July 1, 2018.

The bonds are payable solely from and collateralized by the revenues, consisting primarily of highway fuel taxes, vehicle registration fees, vehicle weight taxes, and rental motor vehicle and tour vehicle surcharge taxes.

In addition to the proceeds from the State of Hawaii Highway Revenue Bonds of 2005, Series B; the proceeds of the State of Hawaii Highway Revenue Bond of 2011, Series B, State of Hawaii Highway Revenue Bonds, Series of 2003; and a portion of the proceeds of the State of Hawaii Highway Revenue Bonds, Series of 1998 (see above); were placed in irrevocable trusts and used to purchase securities of the U.S. government to meet the debt service requirements of the refunded bonds.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions.

The following is a summary of Highways' and DHHL revenue bonds issued and outstanding at June 30, 2014 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
1998	July 1, 1998	5.50%	July 1, 2017-2018	$ 94,920	$ 27,580
2005 A	March 15, 2005	3.75%–5.00%	July 1, 2014–2025	60,000	41,630
2005 B	March 15, 2005	5.00%–5.25%	July 1, 2014–2021	123,915	90,205
2008	December 17, 2008	4.75%–6.00%	January 2, 2015–2029	125,175	104,545
2011 A	December 15, 2011	1.00%–5.00%	January 1, 2015–2032	112,270	104,595
2011 B	December 15, 2011	4.00%	January 1, 2023	5,095	5,095
DHHL					
2009	April 2, 2009	4.00%–6.00%	April 1, 2015–2039	42,500	39,075
					$ 412,725

A summary of the revenue bond premium activities for fiscal year 2014 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance – July 1, 2013	$ 18,017
Current-year amortization	(2,545)
Balance – June 30, 2014	$ 15,472

Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

	Principal	Interest	Total
Fiscal Year			
2015	$ 29,945	$ 20,609	$ 50,554
2016	31,390	19,148	50,538
2017	32,925	17,593	50,518
2018	34,530	15,922	50,452
2019	36,260	14,162	50,422
2020–2024	105,590	52,468	158,058
2025–2029	94,745	27,890	122,635
2030–2034	34,655	8,081	42,736
2035–2039	12,685	2,372	15,057
	$ 412,725	$ 178,245	$ 590,970

Business-Type Activities
Revenue bonds are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

Airports System Revenue Bonds
The Airports system revenue bonds are payable solely from and collateralized by airport revenues, which include all aviation fuel taxes levied. The Airports system revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2014 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2010A, refunding	2.00%–5.25%	2039	$ 478,980	$ 478,090
2010B, refunding	3.00%–5.00%	2020	166,000	135,750
2011, refunding	2.00%–5.00%	2024	300,885	263,885
			$ 945,865	877,725
Add: Unamortized premium				19,233
				896,958
Less: Current portion				(34,210)
Noncurrent portion				$ 862,748

Airports Special Facility Revenue Bonds
Airports entered into two special facility lease agreements with Continental Airlines, Inc. (Continental) in November 1997 and July 2000. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of $25,255,000 and $16,600,000, respectively. These bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facilities and aggregated to $29,130,000 at June 30, 2014.

The following is a summary of pertinent information on the Airports special facility revenue bonds at June 30, 2014:

$25,255,000 Issue
The bonds bear interest at 5.625%, and are subject to redemption at the option of Airports upon the request of Continental at prices ranging from 101% to 100%, depending on the dates of redemption, or at 100% plus interest, if the facilities are destroyed or damaged extensively.

Interest-only payments are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due.

$16,600,000 Issue
On July 15, 2000, Airports issued $16,600,000 of term special facility bonds (Continental), Refunding Series of 2000, with an interest rate of 7%, due June 1, 2020, to, in part; refund $18,225,000 of its outstanding Series of 1990 bonds (Continental). The bonds are subject to redemption on or after June 1, 2010, at the option of Airports, upon the request of Continental or, if the facilities are destroyed or damaged extensively, at 100% of principal, plus interest.

Special facility revenue bonds payable at June 30, 2014, consisted of the following (amounts expressed in thousands):

	Outstanding Amount
Current portion	$ 1,030
Noncurrent portion	28,100
	$ 29,130

The special facility leases are accounted for and recorded as direct financing leases. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as a restricted asset, and the special facility revenue bonds outstanding are recorded as a liability in the accompanying basic financial statements.

Harbors Revenue Bonds

The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices at 100% of face value.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2014 (amounts expressed in thousands):

				Current			
Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Principal Due July 1, 2014	Due January 1, 2015	Total	Noncurrent
2004	January 1, 2024	2.50%–6.00%	$ 52,030	$ -	$ 1,505	$ 1,505	$ 17,775
2006	January 1, 2031	4.00%–5.25%	96,570	-	2,930	2,930	74,710
2007	July 1, 2027	4.25%–5.50%	51,645	1,920	-	1,920	36,000
2010	July 1, 2040	3.00%–5.75%	201,390	6,315	-	6,315	186,620
2013	July 1, 2029	3.25%	23,615	835	-	835	22,435
			$ 425,250	$ 9,070	$ 4,435	13,505	337,540
Add: Unamortized premium						329	675
						$ 13,834	$ 338,215

On August 2, 2013, Harbors issued $23,615,000 Series A of 2013 revenue refunding bonds through a private placement transaction with Capital One Public Funding LLC. These bonds refunded the Series A of 2000 and Series B of 2002 revenue bonds. This bond refunding provided net present value savings of approximately $3,940,000 as measured from the closing date at a fixed coupon rate of 3.25%.

Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2015	$ 48,745	$ 62,096	$ 110,841
2016	51,005	59,758	110,763
2017	53,340	57,376	110,716
2018	55,825	54,895	110,720
2019	58,495	52,197	110,692
2020–2024	325,850	216,328	542,178
2025–2029	228,235	141,493	369,728
2030–2034	173,190	90,245	263,435
2035–2039	204,585	42,746	247,331
2040–2041	58,630	2,164	60,794
	$ 1,257,900	$ 779,298	$ 2,037,198

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the 12- and 6-month periods, respectively, preceding the date on which the payments are due.

Revenue Bonds Authorized, but Unissued
At June 30, 2014, revenue bonds authorized, but unissued, were approximately $4,674,426,000.

Special Purpose Revenue Bonds
HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2014 amounted to approximately $1,284,898,000. At June 30, 2014, special purpose revenue bonds of $1,322,320,000 were authorized, but unissued.

Improvement District Bonds
The HCDA is authorized to issue improvement district bonds under HRS Chapter 206E. Proceeds from the bond issues are utilized to finance the redevelopment of districts designated by the State Legislature. The bonds are not general obligations of the State and are payable solely by assessment liens on the real property of the designated district. Accordingly, the State has not included those bonds in its basic financial statements. There were no bonds outstanding as of June 30, 2014.

6. Changes in Long-Term Liabilities

Changes in the long-term liabilities for the primary government (governmental activities and business-type activities) were as follows (amounts expressed in thousands):

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General obligation bonds payable	$ 5,534,921	$ 860,855	$ (611,637)	$ 5,784,139	$ 412,126
Revenue bonds payable	441,150	-	(28,425)	412,725	29,945
Add: Unamortized premium	496,302	87,335	(75,514)	508,123	64,481
Total bonds payable	6,472,373	948,190	(715,576)	6,704,987	506,552
Accrued vacation payable	220,773	96,334	(90,309)	226,798	79,405
Reserve for losses and loss adjustment costs	155,138	36,643	(44,661)	147,120	23,880
Other postemployment benefits liability	3,066,452	561,744	(300,883)	3,327,313	-
Capital lease obligations	89,879	18,835	(6,092)	102,622	6,447
Total	$ 10,004,615	$ 1,661,746	$ (1,157,521)	$ 10,508,840	$ 616,284

	Business-type Activities				
	Balance July 1, 2013 As Restated	Additions	Deductions	Balance June 30, 2014	Due Within One Year
General obligation bonds payable, net	$ 32,934	$ -	$ (1,758)	$ 31,176	$ 1,844
Revenue bonds payable	1,312,025	23,615	(77,740)	1,257,900	48,745
Add: Unamortized premium, net	25,038	-	(4,801)	20,237	329
Total bonds payable	1,369,997	23,615	(84,299)	1,309,313	50,918
Accrued vacation and retirement benefits payable	12,479	6,667	(6,042)	13,104	4,120
Reserve for losses and loss adjustment costs	4,815	1,734	(1,720)	4,829	1,040
Other postemployment benefits liability	68,424	19,840	(6,734)	81,530	-
Lease revenue certificates of participation	-	174,649	(878)	173,771	-
Prepaid airport use charge fund	40,797	6,387	(19,000)	28,184	1,092
Customer advances	953	-	(953)	-	-
Total	$ 1,497,465	$ 232,892	$ (119,626)	$ 1,610,731	$ 57,170

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 79%, 20% and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2014.

7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2014 (amounts expressed in thousands):

	Due From	Due To
Governmental funds		
General Fund		
Special Revenue Funds	$ 27,644	$ -
Capital Projects Fund	89,900	-
Med-Quest Special Revenue Fund	95,519	-
Proprietary Fund	20	-
Debt Service Fund	-	35
	213,083	35
Capital Projects Fund		
General Fund	-	89,900
Special Revenue Funds	-	2,000
Proprietary Fund	1,597	-
	1,597	91,900
Med-Quest Special Revenue Fund		
General Fund	-	95,519
Nonmajor Governmental Funds		
General Fund	35	27,644
Capital Projects Fund	2,000	-
	2,035	27,644
Proprietary Fund		
Harbors	-	1,617
	$ 216,715	$ 216,715

The due from Capital Projects Fund in the General Fund consists primarily of funds transferred prior to the issuance of bonds. Remaining interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

8. Transfers

Transfers between funds occur when a fund receiving revenues, transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2014, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds		
General Fund – Nonmajor Governmental Funds	$ 65,648	$ 818,488
Capital Projects Fund – Nonmajor Governmental Funds	80,046	32,560
Med-Quest Special Revenue Fund		
General Fund	11,591	10,693
Nonmajor Governmental Funds	781	2,004
	12,372	12,697
Nonmajor Governmental Funds		
General Fund	806,897	54,955
Capital Projects Fund	32,560	80,046
Med-Quest Special Revenue Fund	2,003	781
Other Nonmajor Governmental Funds	67,254	67,253
	908,714	203,035
	$ 1,066,780	$ 1,066,780

The General Fund transferred approximately $681,993,000 to the Nonmajor Governmental Funds for debt service payments and approximately $55,277,000 to subsidize various Special Revenue Funds' programs. Approximately $80,046,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. Leases

Lease Commitments

Governmental Activities
The State leases office facilities and equipment under various operating leases expiring through fiscal 2024. Future minimum lease commitments for noncancelable operating leases as of June 30, 2014, were as follows (amounts expressed in thousands):

Fiscal Year	
2015	$ 15,786
2016	11,737
2017	8,703
2018	6,010
2019	4,157
2020–2024	5,539
Total future minimum lease payments	$ 51,932

Rent expenditures for operating leases for the fiscal year ended June 30, 2014 amounted to approximately $35,015,000.

An equipment lease purchase agreement between DAGS and Banc of America Public Capital Corp. was entered into on August 1, 2013, to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of $18,835,000 were deposited in an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the State. Payments commenced on March 20, 2014 and continue through September 20, 2033 at an interest rate of 3.63%.

On April 14, 2011, an equipment lease purchase agreement between the Department of Public Safety and Capital One Public Funding, LLC was entered into, to fund the acquisition and installation of energy conservation equipment at the Halawa Correctional Facility and Oahu Community Correctional Center. An escrow agent to provide for future vendor payments as requested by the State deposited the proceeds of $25,512,000 in an escrow fund. Payments commenced on May 1, 2012 and continue through November 1, 2030 at an interest rate of 5.021%.

An equipment lease purchase agreement between the Department of Accounting and General Services and Capital One Public Funding, LLC was entered into on September 3, 2009, to fund the acquisition and installation of energy conservation equipment at various State buildings in the downtown Honolulu district. The proceeds of $12,377,000 were deposited in an escrow fund by an escrow agent to provide for future vendor payments as requested by the State. Payments commenced on June 1, 2010 and continue through June 1, 2026 at an interest rate of 5.389%.

The State issued $41,120,000 in Certificates of Participation (COPS) 2009 Series A, on November 5, 2009, to fully refund $47,185,000 of the 1998 Series A Certificates and the 2000 Series A Certificates which proceeds were used to purchase the Kapolei State Office Building and the Capitol District Building. The net proceeds of $43,490,000 (including a premium of $2,876,000 and after payment of $503,000 in underwriting fees) were deposited to the Depository Trust Company in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding COPS. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advance refunding, the State reduced its total debt service payments over the next 10 years by $7,487,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,061,000. Payments commenced on May 1, 2010, and continue through May 1, 2020 with interest rates ranging from 2.0% to 5.0%. The 2009 Series A Certificates are subject to prepayment prior to their maturity dates in the event of a casualty loss or governmental taking of all or a portion of the premises subject to the Leases, but are not otherwise subject to prepayment prior to maturity.

In November 2006, the State issued $24,500,000 in COPS to finance the construction of the Kapolei Office and Conference Facility. The proceeds of the COPS were remitted to a trustee, who will then remit the amounts to the developer as construction progresses. The holders of the COPS are the current owners of the Kapolei Office and Conference Facility. Accordingly, the State's rental payments for the use of the Kapolei Office and Conference Facility are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 2007, and continue through November 1, 2031, with interest rates ranging from 3.63% to 5%. Title to the Kapolei Office and Conference Facility will transfer to the State upon the payment of all required rents.

Future minimum lease payments for these capital leases are as follows (amounts expressed in thousands):

Fiscal Year		
2015	$	11,247
2016		11,766
2017		12,098
2018		12,543
2019		8,460
2020–2024		37,186
2025–2029		33,179
2030–2034		18,810
Total future minimum lease payments		145,289
Less: Amount representing interest		(42,667)
Present value of net minimum lease payments		102,622
Less: Current potion		(6,447)
Noncurrent portion	$	96,175

Capital assets acquired under these capital leases are as follows (amounts in thousands):

Asset type		
Buildings and improvements	$	65,620
Equipment		56,724
Total assets	$	122,344

Business-Type Activities

Airports – Lease Revenue Certificates of Participation
Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the energy performance contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPs issued by Airports in the amount of $167,740,000 at interest rates ranging from 3.00% to 5.25%. These lease revenue COPs are payable from revenues derived by Airports from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State. At June 30, 2014, the outstanding balance of the lease revenue COPs and the unamortized premium were $167,740,000 and $6,031,000, respectively. Future lease rent payments for the lease revenues COPs as of June 30, 2014 were as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2015	$ -	$ 9,316	$ 9,316
2016	-	8,343	8,343
2017	4,745	8,272	13,017
2018	5,675	8,059	13,734
2019	6,490	7,787	14,277
2020–2024	52,615	32,413	85,028
2025–2029	98,215	13,557	111,772
	$ 167,740	$ 87,747	$ 255,487

Lease Rentals

Airports — Airport-Airline Lease Agreement
The DOT and the airline companies serving the Airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992. Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements and services of the Airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter the lease agreement and the five subsequent agreements are collectively referred to as the “lease extension agreement”). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement effective January 1, 2008.

Under the first amended lease extension agreement, the Airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airport system facilities from the signatory airlines that directly use them. The Airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing

landed weight basis (per 1,000-pound units), and (6) system support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Airports — Prepaid Airport Use Charge Fund
The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal 1996 through 2012 have been transferred to the PAUCF.

Airports — Aviation Fuel Tax
In May 1996, the Department of Taxation issued a tax information release which stated that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to approximately $4,847,000 for fiscal year 2014.

Airports — System Rates and Charges
Signatory and nonsignatory airlines were assessed the following rates and charges:

- Landing fees amounted to approximately $56,904,000 for fiscal year 2014. Airport landing fees are shown net of aviation fuel tax credits of $3,974,000 for fiscal year 2014, on the statement of revenues, expenses and changes in net position, which resulted in net airport landing fees of $52,930,000 for fiscal year 2014. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports interisland landing fees for signatory airlines were set at 42% of the Airports landing fees for overseas flights for 2014 and are scheduled to increase 1% annually until it reaches 100%.

- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately $53,857,000 for fiscal year 2014. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per enplaning or deplaning passenger.

- Exclusive use premise charges amounted to approximately $40,039,000 for fiscal year 2014, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately $20,452,000 for fiscal year 2014.

Airports — Other Operating Leases
Airports leases building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2014 was approximately $31,693,000.

In fiscal years 2006 and 2013, Airports converted certain past-due amounts from two lessees and a lessee, respectively, into promissory notes. The notes bear interest at rates ranging up to 5.0%, and are due over periods ranging up to nine years. The balance of $152,000 at June 30, 2014 is due as follows: $61,000 in 2015, $8,000 in 2016, $8,000 in 2017, and $75,000 thereafter.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kahului retail concession, accounted for approximately 24% of total concession fees revenues for the fiscal year ended June 30, 2014.

DFS was awarded a 10-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007, and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883. The amended lease contract provides for a minimum annual guarantee rent, as well as percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2007 to May 31, 2011, the minimum annual guarantee rent was $38 million and the percentage rent was as follows: (1) for total concession receipts greater than $155 million, but less than $195 million, 22.5% for on-airport sales, and 18.5% for off-airport sales; (2) for total concession receipts greater than $195 million, but less than $235 million, 30.0% for on-airport sales and 22.5% off-airport sales; (3) for total concession receipts greater than $235 million, but less than $275 million, 30.0% for on-airport sales, and 26.5% for off-airport sales; and (4) for total concession receipts greater than $275 million 30.0% for on-airport sales and off-airport sales. For the period from June 1, 2011 to May 31, 2017, the minimum annual guarantee rent is equal to 85% of the total rent paid for the fourth year of the lease term. Percentage rent during this period is calculated the same as during the first four years of the lease term.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Honolulu International Airport, with the term commencing on April 1, 2009, and scheduled to terminate on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) minimum annual guarantee rent (85% of the actual annual fee paid for the preceding year). The lease agreement was extended for a holdover period through March 31, 2015. During the holdover period the minimum annual guarantee rent is $12,000,000. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the minimum annual guarantee rent for the period April 1, 2015 through March 31, 2016 be $12,000,000 and for each subsequent year, the minimum annual guarantee rent will be 85% of the actual annual fee paid for the preceding year.

Harbors — Aloha Tower Complex Development
The Aloha Tower Development Corporation (ATDC) is a state agency established under HRS Chapter 206J, primarily to redevelop the Aloha Tower complex. The complex encompasses Piers 5 to 23 of Honolulu Harbor. In September 1993, Harbors entered into a lease with the ATDC transferring to the ATDC portions of the Aloha Tower complex. The ATDC is required annually to reimburse Harbors for any losses in revenues during the term of the lease caused by any action of the ATDC or the developer, and to provide replacement facilities for maritime activities at no cost to Harbors.

In September 1993, the ATDC subleased lands surrounded by Piers 8 and 9 and a portion of land surrounded by Pier 10 to a developer, and the developer and Harbors entered into a capital improvements, maintenance, operations and securities agreement (Operations Agreement). The Operations Agreement allows Harbors to operate the harbor facilities at Piers 8, 9 and 10. The lease between the ATDC and the developer requires the developer to construct, at the developer's cost, various facilities, including a marketplace.

The developer later went into bankruptcy. The subsequent operator of the marketplace assumed the obligations of the sublease and the Operations Agreement in March 1998. This replacement operator has also gone through a bankruptcy proceeding and there is a new operator who has assumed the same obligations. Although the marketplace construction was substantially completed, several items on Harbors' construction punchlist have yet to be completed and

were pursued with the new operator. A settlement has been reached with the new operator to satisfy the punchlist obligations, which have a total value of $3,500,000, depending upon when actual payments are made by the operator within a six-year timeframe.

An amendment of the lease executed in fiscal 2006 altered the obligations of the ATDC to reimburse Harbors on an annual basis. For the fiscal year commencing July 1, 2004, the amendment provides that the ATDC shall pay $225,000 as a minimum annual base payment. The amendment further provides that for the fiscal year commencing July 1, 2005 onward, for any year in which the ATDC shall pay for all or any portion of the cost of personnel and other expenses relating to the Hawaii Harbors Project, the parties agree that the minimum annual base payment shall be commensurately reduced by such payments.

In addition to the minimum annual base payment, the ATDC shall also pay an amount equal to 50% of the difference between the total revenues received by the ATDC for such fiscal year and the operating expenses of the ATDC for such fiscal year (equity payment) to reduce the amount owed to Harbors for losses in revenues by the ATDC prior to July 1, 2004. The amendment provides for an increase in the equity participation payment as the ATDC's revenues increase. The balance owed to the Harbors Division by ATDC as of June 30, 2014 was approximately $3,761,000.

At its meeting on July 13, 2011, the ATDC Board approved the transfer of the leasehold interest for the Aloha Tower Marketplace to a private operator.

Subsequent to the year ended June 30, 2014, the State, by its Interim Director of the DOT, entered into a successor memorandum of understanding with the ATDC and Hawaii Lifestyle Retail Properties (HLRP) whereby ATDC agreed to abate rent under the lease between ATDC and HLRP for the period retroactive to July 1, 2014 to June 30, 2015 in consideration for the construction of HLRP improvements to create student and faculty residences and various university spaces for Hawaii Pacific University and to memorialize the understanding of the parties with respect to various aspects of its agreement.

$1,000,000 in rent has been abated for fiscal year July 1, 2014 to June 30, 2015. As ATDC will not be receiving any revenues during this period, it will not be making an equity participation payment to the Harbors Division in an amount of 50% of the difference between the total revenues and total operating expense of ATDC for fiscal year, representing a loss of approximately $388,000 of the Harbors Division in fiscal year 2015.

The successor memorandum of understanding also amended the punchlist obligations owed to the Harbors Division which had a total value of $3,500,000, depending upon when actual payments are made by the operator within a six-year timeframe ending June 2016. The amendment provided that in consideration of ATDC's issuance of any renewed leases, HLRP shall pay the Harbors Division the sum of $1,750,000 on or before December 31, 2021.

Harbors — Leasing Operations
Harbors leases land, wharf and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through September 2058. Those leases generally call for rental increases every 5 to 10 years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2014 amounted to $26,720,000 and have been included in rental revenues.

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2014 (amounts expressed in thousands):

	Proprietary Funds		
	Airports	Harbors	Total
Fiscal Year			
2015	$ 118,761	$ 7,615	$ 126,376
2016	66,984	7,376	74,360
2017	57,935	5,957	63,892
2018	24,533	5,671	30,204
2019	21,779	5,120	26,899
2020–2024	42,652	25,680	68,332
2025–2029	24,871	24,771	49,642
2030–2034	11,652	21,472	33,124
2035–2039	10,532	13,741	24,273
2040–2044	9,831	10,585	20,416
2045–2049	-	4,695	4,695
2050–2054	-	2,611	2,611
2055–2059	-	1,957	1,957
	$ 389,530	$ 137,251	$ 526,781

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2014, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 44,143
Less: Amount representing interest	(18,217)
	25,926
Cash with trustee and other	3,400
	$ 29,326

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2014, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2015	$ 2,770
2016	2,778
2017	2,776
2018	2,788
2019	2,778
2020–2024	7,651
2025–2028	26,002
	$ 47,543

10. Significant Transactions With Component Units

Hawaii Housing Finance and Development Corporation
Amounts payable from the State to the HHFDC include approximately $505,000 of miscellaneous advances previously made to other departments and approximately $10,543,000 of amounts due from DHHL related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual $2,200,000 payments to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights and the net present value of the estimated future cash flows from the State using an imputed interest rate. The agreement was amended to reduce the annual payments to $1,700,000.

Hawaii Health Systems Corporation
In fiscal year 2003, HHSC received a $14,000,000 advance from the State to relieve its cash flow shortfall. At June 30, 2014, the full amount was not yet repaid to the State. The amount due to the State of $36,123,000 at June 30, 2014 includes the $14,000,000 advance plus $20,123,000 of cash advances that was assumed by HHSC. HHSC also received $4,500,000 in advances from the State of which $2,500,000 was repaid in fiscal year 2014 and $2,000,000 is due in fiscal year 2015.

Hawaii Tourism Authority
During the period from October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is to be primarily funded by an allocated portion of the State's transient accommodations tax (TAT) revenue and revenue generated from the operation of the Center. Through June 30, 2000 and from July 1, 2000 to June 30, 2002, these funds were collected and accounted for by the CCA and Budget and Finance, respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253, SLH of 2002. In accordance with Act 253, the Convention Center Fund was placed within HTA and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's TAT. Act 253 further states that all funds collected by the Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

The creation of the Convention Center Fund provided HTA the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to HTA by the CCA. The terms of the payment plan require HTA to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6% through January 1, 2027. HTA's ability to meet its obligations in accordance with the payment plan is dependent upon the funds received by the Convention Center Fund. At June 30, 2014, the outstanding principal and aggregate interest amounts required to be reimbursed by HTA were $221,125,000 and $122,452,000, respectively. The scheduled payments to maturity for each of the next five years and thereafter in five-year increments are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2015	$ 13,920	$ 12,506	$ 26,426
2016	14,755	11,671	26,426
2017	15,645	10,786	26,431
2018	16,580	9,847	26,427
2019	17,575	8,852	26,427
2020–2024	105,025	27,118	132,143
2025–2028	37,625	41,672	79,297
	$ 221,125	$ 122,452	$ 343,577

For the year ended June 30, 2014, HTA was required to reimburse Budget and Finance approximately $26,400,000 for principal and interest.

Hawaii Hurricane Relief Fund
In 2002, Act 179, SLH of 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2014, interest and dividends earned and earmarked for transfer into the State General Fund amounted to $1,540,000.

In 2011, Act 62, SLH of 2011 appropriated $42,000,000 from the HHRF into the General Fund to help balance the State's fiscal year 2011 budget. The law authorized the Governor to appropriate additional monies from HHRF, as necessary, to balance the fiscal year 2011 State Budget. In that regard, HHRF pledged to transfer an additional $69,000,000 to the General Fund as of June 30, 2011 and made the transfer in July 2011.

The transfers to the General Fund reduced the balance of HHRF to levels below what would be adequate to buy reinsurance in the event of a hurricane. However, Act 62 established a mechanism to replenish the HHRF from fiscal years 2014 and 2015 general excise tax revenues and authorizes HHRF to issue $75,000,000 in revenue bonds through June 30, 2015. HHRF has not issued any revenue bonds as of June 30, 2014.

In 2013, Act 266, SLH of 2013 appropriated $55,500,000 from general excise tax revenues for fiscal years 2014 and 2015 to be deposited into the HHRF. The fiscal years 2014 and 2015 transfers were made in September 2013 and 2014, respectively. Act 266 authorized to further accelerate recapitalization of fiscal reserves, by transferring an additional $50,000,000 to HHRF, which was made in November 2013.

11. Retirement Benefits

Employees' Retirement System

Plan Description
All eligible employees of the State and counties are required by HRS Chapter 88 to become members of the ERS, a cost-sharing multiple-employer defined benefit public employee retirement plan. The ERS provides retirement benefits, as well as death and disability benefits. The ERS is governed by a Board of Trustees. All contributions, benefits and eligibility requirements are established by HRS Chapter 88 and can be amended by legislative action. The ERS issues a comprehensive annual financial report that is available to the public. That report may be obtained by writing to the ERS at 201 Merchant Street, Suite 1400, Honolulu, Hawaii 96813, or through the ERS's website: ers.hawaii.gov.

Prior to June 30, 1984, the plan consisted of only a contributory plan. In 1984, legislation was enacted to add a new noncontributory plan for members of the ERS who are also covered under Social Security. Police officers, firefighters, judges, elected officials and persons employed in positions not covered by Social Security are precluded from the noncontributory plan. The noncontributory plan provides for reduced benefits and covers most eligible employees hired after June 30, 1984. Employees hired before that date were allowed to continue under the contributory plan or to elect the new noncontributory plan and receive a refund of employee contributions. All benefits vest after five and ten years of credited service under the contributory and noncontributory plans, respectively.

Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after that date is based on the three highest paid years of service, excluding the vacation payment.

On July 1, 2006, a new hybrid contributory plan became effective pursuant to Act 179, SLH of 2004. Members in the hybrid plan are eligible for retirement at age 62 with 5 years of credited service or age 55 and 30 years of credited service. Members receive a benefit multiplier of 2% for each year of credited service in the hybrid plan. The benefit payment options are similar to the current contributory plan. Almost 58,000 current members, all members of the noncontributory plan and certain members of the contributory plan were eligible to join the new hybrid plan. Most of the new employees hired from July 1, 2006, were required to join the hybrid plan.

Effective July 1, 2012, the hybrid contributory plan was revised by Act 163, SLH of 2011. Members joining the hybrid plan on or after that date are eligible for retirement at age 65 with 10 years of credited service or age 60 with 30 years of credited service. Members will receive a benefit multiplier of 1.75% for each year of credited service in the hybrid plan. The benefit options remain similar to the current contributory plan.

Funding Policy
Covered employees of the contributory plan who became members on or before June 30, 2012 are required to contribute 7.8% of their salary. Police officers, firefighters, investigators of the departments of the County Prosecuting Attorney and the Attorney General, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2% of their salary. Covered employees of the hybrid plan who became members on or before June 30, 2012 are required to contribute 6% of their salary. The funding method used to calculate the total employer contribution requirement is the Entry Age Normal Actuarial Cost Method. Effective July 1, 2005,

employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liability.

The State's contribution requirements as of June 30, 2014, 2013 and 2012 were approximately $463,832,000, $418,415,000 and $396,380,000, respectively. The State contributed 90.9%, 87.4% and 84.8% of its required contribution for those years, respectively. Covered payroll for the fiscal year ended June 30, 2014 was approximately $2,891,989,000.

Post-Retirement Health Care and Life Insurance Benefits

Plan Descriptions
The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH of 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to the EUTF at PO Box 2121, Honolulu, Hawaii 96805-2121.

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

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

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

Cost
Effective July 1, 2006, the State implemented GASB Statement No. 43 (GASB 43), *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. GASB 43 establishes accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB) other than pensions. GASB 43 requires defined benefit OPEB plans that are administered as trust or equivalent arrangements to prepare a statement of plan assets and a statement of changes in plan assets.

The reporting of active and retiree (including their respective beneficiaries) healthcare benefits provided through the same plan should separate those benefits for accounting purposes between active and retiree healthcare benefits. Accordingly, the State reports the retiree healthcare benefits as OPEB in conformity with GASB 43 and the active employee healthcare benefits as risk financing

in conformity with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended.

The State is required by GASB Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to obtain an actuarial valuation every other year. Therefore, an actuarial valuation was performed as of July 1, 2013.

The State's base contribution levels to EUTF are established by statutes and the retiree is responsible to pay the difference if the base contribution is less than the cost of the monthly premium.

Prior to fiscal year 2014, the State's base contribution levels were tied to the pay-as-you-go amounts necessary to provide current benefits to retirees. In fiscal year 2014, the State contributed $100,000,000 in addition to amounts necessary to provide current benefits to retirees.

The State's annual OPEB cost for each plan was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters in GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the annual OPEB cost, contributions made, the net OPEB liability, and the funding status for the EUTF and UH for each of the plans for the fiscal year ended June 30, 2014 (amounts expressed in thousands):

	EUTF	UH
Annual required contribution	$ 594,289	$ 98,333
Interest on net OPEB obligation	239,460	36,005
Adjustment to annual required contribution	(182,931)	(27,506)
Annual OPEB cost	650,818	106,832
Contributions made	(338,200)	(42,000)
Increase in net OPEB obligation	312,618	64,832
Net OPEB obligation		
Beginning of year	3,420,854	514,364
End of year	$ 3,733,472	$ 579,196
Actuarial accrued liability (AAL) July 1, 2013	$ 7,343,756	$ 1,185,790
Funded OPEB plan assets	-	-
Unfunded actuarial accrued liability (UAAL) July 1, 2013	$ 7,343,756	$ 1,185,790
Funded ratio	- %	- %
Covered payroll	$ 2,341,231	$ 550,758
UAAL as percentage of covered payroll	313.7 %	215.3 %

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the preceding years were as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
EUTF	June 30, 2014	$ 650,818	52.0%	$ 3,733,472
	June 30, 2013	867,567	27.2%	3,420,854
	June 30, 2012	856,589	27.0%	2,789,487
UH	June 30, 2014	$ 106,832	39.3%	$ 579,196
	June 30, 2013	142,602	29.2%	514,364
	June 30, 2012	136,078	30.6%	413,462

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

On July 3, 2013, the Governor signed into law Act 268, SLH of 2013. Act 268 requires the EUTF to establish and administer separate trust accounts for each public employer for the purpose of receiving irrevocable employer contributions to prefund post-employment health and other benefit costs for retirees and their beneficiaries. It establishes the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability and requires all public employers to make annual required public employer contributions effective fiscal year 2014. Commencing fiscal year 2019, the annual public employer contribution shall be equal to the annual required contribution, as determined by an actuary retained by the EUTF board. In any fiscal year, should an employer's contribution be less than the annual required public employer contribution, the difference shall be transferred to the appropriate trust account from a portion of all general excise tax revenues, for the State, or transient accommodations tax revenues, for the counties.

Actuarial Methods and Assumptions
Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

	EUTF and UH
Actuarial valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Remaining amortization period	30 years
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increase	3.5%
Healthcare inflation rates	
PPO	9.0% initial, 5.0% after 10 years
HMO	7.5% initial, 5.0% after 10 years
Dental	4.0%
Vision	3.0%
Medicare Part B	5.0%

Effective July 1, 2014, the active contracts for medical, prescription drug, dental, vision, supplemental medical drug, and life insurance were extended through June 30, 2015.

The Governor signed into law Act 226, SLH of 2013 that among other things, prohibited mandatory mail order. The EUTF voluntarily implemented Act 226 on October 1, 2013 for active employees and implemented Act 226 on January 1, 2014 for retirees.

12. Commitments and Contingencies

Commitments

General Obligation Bonds
The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2014, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds		
Highways	$	8,726
Agriculture		6,401
Natural Resources		2,262
All other		139
	$	17,528

Accumulated Sick Leave – Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2014, accumulated sick leave was approximately $1,110,368,000.

Intergovernmental Expenditures – In accordance with Act 250, SLH of 2002, HRS Section 237D-6.5, $93,000,000 in revenues generated by the transient accommodations tax are to be distributed to the counties.

Guarantees of Indebtedness – The State is authorized to guarantee indebtedness of others at a maximum amount of approximately $233,500,000 for aquaculture/agriculture loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units – HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2014.

Proprietary Fund Type — Enterprise Funds

Construction and Service Contracts
At June 30, 2014, the Enterprise Funds had commitments of approximately $477,850,000 for construction and service contracts.

Contingencies
The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time. The litigation payments relating to the fiscal years ended June 30, 2014, 2013 and 2012 approximated $20,344,000, $17,790,000 and $3,668,000, respectively.

Tobacco Settlement
In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement will pay the State approximately $1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State has received approximately $52,658,000 during the fiscal year ended June 30, 2014. As of June 30, 2014, the State expects to receive $27,500,000 for the first six months of fiscal 2015.

Office of Hawaiian Affairs and Ceded Lands
In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the Ceded Lands) to the State of Hawaii to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law, to better the conditions of native Hawaiians. In 1979, the

Legislature adopted HRS Chapter 10 (Chapter 10), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the *OHA v. HHA* case discussed below, the Legislature, the state and federal courts, and the State's governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

In OHA v. HHA, OHA filed suit on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95-2682-07 (1st Cir.)) against the Hawaii Housing Authority (the HHA, since succeeded by the Hawaii Public Housing Authority, as described below), the executive director of the HHA, the board members of the HHA and the Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in *OHA, et al. v. State of Hawaii, et al.,* Civil No. 94-0205-01 (1st Cir.). The September 12, 2001 decision of the Hawaii Supreme Court (*OHA v. State of Hawaii,* 96 Haw. 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in *OHA v. HHA,* and the case remains pending.

The Housing Finance and Development Corporation (HFDC) and the HHA were merged into the Housing and Community Development Corporation of Hawaii, after the above-described suits against them were filed. This corporation subsequently was bifurcated into the Hawaii Housing Finance and Development Corporation and the Hawaii Public Housing Authority.

The State intends to defend vigorously against OHA's claim in *OHA v. HHA.*

Department of Hawaiian Home Lands
In 1991, the Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (HHCA) to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

The process was a three step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the Panel) to provide the Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the

Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661.

Kalima et al. v. State of Hawaii et al., Civil No. 99-4771 12VSM (1st Cir.) (*Kalima I*). Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in *Kalima I* that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, *Aguiar v. State of Hawaii, et al.*, Civil No. 99-612 (3rd Cir.) (*Aguiar),* is pending and stayed.

On March 30, 2000, the three named plaintiffs in *Kalima I* filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674.

Kalima et al. v. State of Hawaii, et al., Civil No. 00-1-1041-03 (1st Cir.) (*Kalima II*). All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in *Kalima I* that are common to both *Kalima I* and *Kalima II*. *Kalima I, Kalima II* and *Aguiar* are collectively referred to under this caption as the "Individual Claims Cases."

The plaintiffs in *Kalima I* filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in Kalima I for lack of subject matter jurisdiction. The circuit court granted the plaintiffs' motion and denied the State's motion. The State was permitted to take an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court's determination that the plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings.

The plaintiffs in *Kalima I* have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent's or spouse's homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered and (9) other allegedly wrongful conduct. The court granted the plaintiffs' motion to try the waiting list subclass' claims separately and first, and after a six week bifurcated trial to determine liability only, the circuit judge for *Kalima II* ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State's objection), and again as the

Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt-out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL Website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012, and February 14, 2013. After a three-day trial completed on October 3, 2013, the court ruled in a minute order that (1) the annual fair market rental values used to calculate damages for claimants who applied for Oahu residential leases be based on four percent of the fee simple value of a 5,000 square foot lot in Maili, obtained from a "best fit" curve derived from actual fee simple Maili valuations from 1959 through July 8, 2013, (2) for damage calculations the rents adjust annually, and (3) that there are no increases for the consumer price index or other present value adjustments. However, to date, no proceeding or procedure has been scheduled or devised to apply the damages model to determine whether and how much each claimant would be awarded in damages. The parties have participated in a private mediation on the matters in controversy in the case, pursuant to the circuit court's order approving the parties' Stipulation to Participate in Private Mediation, etc., filed on September 13, 2013.

Nelson – In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) (*Nelson*), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (HHC Act) by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

As beneficiaries of the Hawaiian Home Lands trust and the HHC Act, the *Nelson* plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the

Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, the DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

On May 9, 2012, the Hawaii Supreme Court concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Hawaii Supreme Court thus held plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. The Hawaii Supreme Court did, however, uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case has been remanded to the circuit court for further proceedings.

The State intends to defend vigorously the claims against the State in all of the remaining Individual Claims Cases and in *Nelson*. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in *Nelson*, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

Employees' Retirement System
In *Kaho'ohanohano, et al. v. State of Hawaii*, Civil No. 02-1-1001-04 (GWBC) (1st Cir.), the plaintiffs challenged certain legislation enacted by the State Legislature in 1999 (Act 100). Act 100 authorized the State to apply the ERS actuarial investment earnings in excess of 10% for fiscal years 1997 and 1998 toward the State and county employees' annual contributions to the pension accumulation of the ERS fund. The plaintiffs asked the court to declare Act 100 unconstitutional, to enjoin the State from taking future actions inconsistent with Article XVI, Section 2 of the Hawaii Constitution, and to require the State to pay damages to the ERS in the amount of $346,900,000 plus lost earnings and pre- and post-judgment interest, costs, and attorneys' fees.

The plaintiffs were allowed to amend their complaint to add two state civil service employees as plaintiffs, and their motion to certify a class, consisting of all current and former public employees other than members of the legislature, judges and attorneys in the Department of the Attorney General, was granted. Motions made by the trustees of the ERS to intervene as plaintiffs and by the City and County of Honolulu to intervene as a defendant were granted. The Court made the counties of Hawaii, Maui, and Kauai intervenor defendants.

The plaintiffs filed two motions for partial summary judgment (as to liability only), and the State filed a motion to dismiss and a motion for summary judgment against the claims of the plaintiffs as well as the ERS' trustees. The State's motion to dismiss was denied in an order filed on May 16, 2003. An order granting summary judgment in favor of the State and against all of the claims of the plaintiffs and ERS trustees, and denying the plaintiffs' two motions, and a final judgment were entered on June 24, 2003. The county intervenor defendants filed a motion to alter or amend the order and judgment on June 27, 2003. By court rule, the motion was deemed denied on September 25, 2003, and notices of appeal from the June 24, 2003 order and judgment were filed by plaintiffs and the ERS trustees on October 27, 2003. The State cross appealed the order denying its motion to dismiss on November 7, 2003. On December 10, 2003, the circuit court entered an order granting the county intervenor defendants motion to alter or amend the June 24, 2003 order and judgment, and filed an amended summary judgment order and an amended final judgment. The plaintiffs and the ERS trustees filed notices of appeal from the amended order and

amended judgment on December 23, 2003. The appeals from the amended order and amended judgment were dismissed on April 30, 2004.

In a 3-2 decision filed on July 23, 2007, the Hawaii Supreme Court vacated the June 24, 2003 order and judgment, and remanded the case to the circuit court with instructions to (1) enter an order dismissing the plaintiffs' claims for lack of jurisdiction, (2) enter summary judgment against the State and in favor of the ERS' trustees on the trustees' declaratory judgment claim that Act 100 violated Article XVI, Section 2 of the Hawaii Constitution, and (3) dispose of the ERS' trustees' other claims for declaratory relief appropriately. In concluding that Act 100 was unconstitutional, the majority held that "necessarily implied in Article XVI, Section 2 [of the Hawaii Constitution] prohibiting impairment of accrued benefits is the protection of the sources of those benefits;…Act 100 retroactively divested the ERS of $346,900,000 of employer contributions for 1997, 1998 and 1999, thereby eliminating the sources used to fund constitutionally protected 'accrued benefits'; and…Act 100 undermined the retirement systems' continuing security and integrity." "[U]nder the circumstances of th[e] case," the court declined to issue the prospective injunction the ERS' trustees sought. (In their prayer for relief, the ERS' trustees asked that "the State and its officers and agents [be enjoined] from any further skimming the ERS' investment earnings and from taking any other or further action that (a) will diminish, impair or otherwise obligate the ERS' actuarial investment earnings; or (b) will reduce the Employers' periodic contributions as determined by the Board's actuary in accordance with the Chapter 88 and sound actuarial practice; or (c) otherwise will impair the contractual rights of the members.").

On remand, the circuit court entered an Order on Remand on April 8, 2014: (1) dismissing all claims of the named individual plaintiffs and the State of Hawaii Organization of Police Officers against the State and the four counties contained in the Complaint and the First and Second Amended Complaints filed by the plaintiffs; (2) entering summary judgment in favor of the ERS' trustees and against the State on the trustees' claim for declaratory judgment that Section 1 of Act 100 violated Article XVI, section 2, of the Hawaii Constitution; and (3) directing that the injunctive relief sought by the ERS trustees not issue. By a Stipulation for Dismissal Without Prejudice of All Remaining Claims and Parties filed on April 17, 2014, the parties stipulated and agreed that (1) all remaining claims of the ERS trustees (however denominated) be and are dismissed without prejudice; (2) all remaining claims of the State and the four counties (however denominated) be and are dismissed without prejudice; (3) a final judgment be entered in favor of the ERS trustees and against the State on the trustees' claim for a declaratory judgment that Section 1 of Act 100 violated Article XVI, section 2 of the Hawaii Constitution; and (4) each party bear his/her/its own attorneys' fees and costs. A Final Judgment was entered on May 20, 2014. No appeal from that judgment has been filed. This case is now closed.

Hawaii Employer-Union Health Benefits Trust Fund
In June 2006, certain retired public employees (Plaintiffs) filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), and the EUTF Board of Trustees (collectively, the Defendants). *See Marion Everson, et al. v. State of Hawaii, et al.*, Civil No. 06-1-1141-06, First Circuit Court, State of Hawaii (Civil No. 06-1-1141-06). In relevant part, Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute "accrued benefits" pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A-23) did not require that retiree health benefits reasonably approximate those provided

to active employees. *See Everson v. State*, 122 Hawai'i 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits "accrued" so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (nka *James Dannenberg, et al. v. State of Hawaii, et al*.) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) health care benefits that are equivalent to those provided to State and county active employees; and/or (b) health care benefits that are equivalent to benefits provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for health care because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for health care that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. In January 2011, the Defendants filed an answer denying the substantive allegations of the Second Amendment Complaint.

On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs' Motion for Class Action Certification. The class certified is all employees (and their dependent-beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post-retirement health benefits as a retiree or dependent-beneficiary of such a retiree. This includes: (a) those who have not yet received any post-retirement health benefits from Defendants as a retiree or dependent-beneficiary of such a retiree; and (b) those who have received any post-retirement health benefits from Defendants since July 1, 2003 as a retiree or dependent-beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent-beneficiary of a retiree who is or was a member of the class.

On December 10, 2012, Plaintiffs filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against Plaintiffs on all of Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of Plaintiffs by not providing health care benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of Plaintiffs by not providing health care benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit Court on October 30, 2013, and taken under advisement. On October 16, 2014, the Court issued an Order Denying Plaintiffs' Motion for Partial Summary Judgment and Order Granting State

Defendants' Motion for Partial Summary Judgment (Order). The Court ruled that Plaintiffs' accrued health benefits have not been reduced, diminished or impaired inasmuch as the health benefits that retirees received under the Hawaii Public Employees Health Fund. Plaintiffs filed a motion for reconsideration of the Order or alternatively for an interlocutory appeal. On November 13, 2014, the Court issued a minute order denying a motion. No trial date has been set. State Defendants intend to continue to rigorously defend against Plaintiffs' claims in this lawsuit.

Department of Education
Consolidated class action cases have been brought against the State Department of Education (DOE) on behalf of substitute teachers alleging that the DOE has failed to pay substitute teachers in accordance with the rate provided in the Hawaii Revised Statutes from July 1, 1996 to June 30, 2005.

An adverse ruling against the State was made by the First Circuit Court on a motion for summary judgment regarding liability issues. The adverse ruling was the subject of an interlocutory appeal to the Intermediate Court of Appeals, which issued its ruling on October 30, 2009, affirming the adverse ruling. The Supreme Court denied certiorari on August 16, 2010 and the case was remanded to the Circuit Court for a determination of damages.

The parties agreed to settle before the matter was set for trial on this issue. On February 26, 2014, a settlement check in the amount of approximately $15,091,100 was transmitted to Plantiffs' attorney. Subsequently, the Circuit Court granted Plantiffs' motion for the award of prejudgment interest. The State will likely appeal that decision.

Continuing Disclosure Certificates
The State entered into continuing disclosure certificates for the benefit of general obligation bondholders, where it agreed to provide certain financial information and operating data relating to the State with respect to its general obligation bonds and certificates of participation to the Municipal Securities Rulemaking Board.

In two instances within the past five years, the State filed annual reports on a timely basis, but did not include audited financial statements or, as required by the applicable continuing disclosure certificates, when audited financial statements were not available, unaudited financial statements. In each case, a notice was filed that the audited financial statements were not available and audited financial statements were filed when they became available. In addition, the State has in certain years during the past five years failed to file certain notices or file them in a timely manner. The State has policies and procedures in place to enhance compliance with its continuing disclosure undertakings.

13. Risk Management

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

Property Insurance
The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a $1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is $200,000,000, except for earthquake,

which individually has a $100,000,000 limit and terrorism, which is $50,000,000 per occurrence and a $10,000 deductible.

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

General Liability (Including Torts)
Liability claims under $10,000 and automobile claims under $15,000 are handled by the risk management office of the Department of Accounting and General Services. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a $4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is $15,000,000 and for crime loss, $10,000,000 with no aggregate limit.

Losses under the deductible amount or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Medical Insurance
The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy covers losses from personal injury, professional liability, patient property damage, and employee benefits. This policy covers losses up to a limit of $35,000,000 per occurrence and $39,000,000 in aggregate.

Self-Insured Risks
The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses below $15,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

Reserve for Losses and Loss Adjustment Costs
A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2014, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses will be paid from legislative appropriations of the State's General Fund. The following table represents changes in the amount of the estimated losses and the loss adjustment costs at June 30, 2014 (amounts expressed in thousands):

	2014	2013
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	$ 155,138	$ 169,900
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	35,050	26,270
Change in provision for insured events of prior fiscal years	1,593	(1,159)
Total incurred losses and loss adjustment costs	36,643	25,111
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(24,333)	(19,954)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(20,328)	(19,919)
Total payments	(44,661)	(39,873)
Unpaid losses and loss adjustment costs		
End of the fiscal year	$ 147,120	$ 155,138

14. Subsequent Events

General Obligation Bonds
On November 25, 2014, the State issued $575,000,000 in General Obligation Bonds of 2014, Series EO, $209,015,000 in General Obligation Refunding Bonds of 2014, Series EP, $25,000,000 in Taxable General Obligation Bonds of 2014, Series EQ, $5,880,000 in Taxable General Obligation Refunding Bonds of 2014, Series ER, and $193,880,000 in Taxable General Obligation Refunding Bonds of 2014, Series ES. Series EO and EQ were issued for the purpose of financing or reimbursing the State for the Hawaiian Home Lands Settlement, and for the cost of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries and parks and for other public purposes. The refunding bonds were issued for the purpose of refunding outstanding general obligation bonds previously issued.

Department of Transportation – Highways Division
On August 14, 2014, Highways issued $103,375,000 in Tax-Exempt Highway Revenue Bonds, Series 2014 A, $32,285,000 in Tax-Exempt Refunding Highway Revenue Bonds, Series 2014 B, and $28,020,000 in Taxable Refunding Highway Revenue Bonds, Series 2014 C. The Series 2014 Bonds were issued to fund certain highway capital improvement projects, refund certain outstanding Highway Revenue Bonds, pay the cost of issuance, and to purchase an insurance policy as a Support Facility for deposit to the Highway Senior Debt Service Reserve Subaccount to satisfy the Reserve Requirement.

Department of Business, Economic Development, and Tourism
On November 13, 2014, the Department of Business, Economic Development and Tourism issued $150,000,000 in Taxable Green Energy Market Securitization Bonds, 2014 Series A. The bonds are special and limited obligations of the State payable from and secured by the Revenues and other Bond Collateral which is pledged to the payment thereof, including the Green Infrastructure Property and Accounts held under Indenture. The bonds were issued for the financing of environmentally beneficial projects.

Department of Transportation – Airports Division
In August 2014, the State, acting through the DOT, entered into a loan agreement with Hawaii Regional Center, LP I and Hawaii Regional Center, LP II (together, the Lenders), with CanAM HI GP I, LLC. acting as the agent of the Lenders. The Lenders were created to permit foreign investors to invest in certain projects at the Hawaii Airports System pursuant to an Immigration Investor Program (EB-5) created according to legislation enacted by the United States Congress in 1990. The total amount the State may borrow under the agreement is $76,000,000. The EB-5 loan is the first series of obligations issued under an Indenture of Trust between the State, acting through the DOT and MUFG Union Bank, N.A., as Trustee, and is payable solely from Trust Estate, with Customer Facility Charges being the primary component. The EB-5 loan is not payable from Revenues and Aviation Fuel Taxes, which the DOT has pledged for the repayment of Airports System Revenue Bonds issued under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

State of Hawaii
Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)

General Fund – Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis)

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis)

Notes to Required Supplementary Information – Budgetary Control

Reconciliation of the Budgetary to GAAP Basis –
General Fund and Med-Quest Special Revenue Fund

Schedules of Funding Progress – EUTF, HSTA-VEBA and UH

State of Hawaii
General Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2014
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	$ 3,086,956	$ 2,916,278	$ 2,825,041	$ (91,237)
Net income tax				
Corporations	74,809	64,677	87,062	22,385
Individuals	1,708,604	1,801,980	1,745,283	(56,697)
Inheritance and estate tax	14,753	15,136	14,789	(347)
Liquor permits and tax	51,303	49,245	48,305	(940)
Public service companies tax	162,270	168,981	166,179	(2,802)
Tobacco tax	107,478	81,065	77,659	(3,406)
Tax on premiums of insurance companies	120,000	132,000	137,179	5,179
Franchise tax (banks and other financial institutions)	26,237	23,243	36,983	13,740
Transient accommodations tax	191,048	171,652	187,229	15,577
Other taxes, primarily conveyances tax	34,396	38,666	44,949	6,283
Total taxes	5,577,854	5,462,923	5,370,658	(92,265)
Non-taxes				
Interest and investment income	10,250	5,089	5,012	(77)
Charges for current services	255,797	253,261	273,671	20,410
Intergovernmental	12,918	12,893	12,924	31
Rentals	707	266	26	(240)
Fines, forfeitures and penalties	23,903	22,990	22,623	(367)
Licenses and fees	5,812	6,019	6,443	424
Revenues from private sources	2,504	2,501	3,257	756
Debt service requirements	34,630	34,779	34,815	36
Other	181,156	284,291	320,682	36,391
Total non-taxes	527,677	622,089	679,453	57,364
Total revenues	6,105,531	6,085,012	6,050,111	(34,901)
Expenditures				
General government	2,361,147	2,409,437	2,344,446	64,991
Public safety	227,529	286,933	286,343	590
Conservation of natural resources	35,586	36,369	31,359	5,010
Health	417,451	441,018	430,377	10,641
Hospitals	82,940	104,040	104,040	-
Welfare	1,103,022	1,104,439	1,095,950	8,489
Lower education	1,468,939	1,508,192	1,469,769	38,423
Higher education	387,221	391,425	391,273	152
Other education	5,630	5,719	5,563	156
Culture and recreation	40,764	41,653	41,177	476
Economic development and assistance	24,838	26,125	23,921	2,204
Housing	21,982	21,993	20,783	1,210
Other	9,632	22,328	21,805	523
Total expenditures	6,186,681	6,399,671	6,266,806	132,865
Deficiency of revenues under expenditures	(81,150)	(314,659)	(216,695)	97,964
Other financing sources – Transfers in	34,321	47,820	46,097	(1,723)
Deficiency of revenues and other sources under expenditures	$ (46,829)	$ (266,839)	$ (170,598)	$ 96,241

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2014
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues - non-taxes				
Interest and investment income	$ -	$ -	$ 17	$ 17
Charges for current services	-	-	18	18
Intergovernmental	43,704	86,448	67,385	(19,063)
Revenues from private sources	-	-	43,527	43,527
Other	18,141	39,985	47,608	7,623
Total revenues - non-taxes	61,845	126,433	158,555	32,122
Expenditures				
Welfare	75,912	75,912	51,897	24,015
Total expenditures	75,912	75,912	51,897	24,015
(Deficiency) excess of revenues (under) over expenditures	$ (14,067)	$ 50,521	$ 106,658	$ 56,137

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2013 and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2013–2015 biennial budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budget in the accompanying General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represents the original appropriations, transfers and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detail level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2014, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, the General Fund's appropriations generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund are presented in the General Fund statement of revenues and expenditures – budget and actual (budgetary basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

State of Hawaii
General Fund and Med-Quest Special Revenue Fund
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2014
(Amounts in thousands)

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2014 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess (deficiency) of revenues and other sources over (under) expenditures – actual (budgetary basis)	$ (216,695)	$ 106,658
Transfers	707,267	(898)
Excess (deficiency) of revenues over (under) expenditures – actual (budgetary basis)	490,572	105,760
Reserve for encumbrances at fiscal year end*	349,083	-
Expenditures for liquidation of prior fiscal year encumbrances	(354,435)	(30,809)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	16,421	(73,571)
Tax refunds payable	4,068	-
Accrued liabilities	68,504	(24,488)
Accrued revenues	(2,653)	33,019
Excess of revenues over expenditures - GAAP basis	$ 571,560	$ 9,911

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii
Schedules of Funding Progress
June 30, 2014
(Amounts in Millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
EUTF						
July 1, 2009	$ -	$ 11,523	$ 11,523	– %	$ 1,432	804.7%
July 1, 2011	-	11,706	11,706	– %	2,093	559.3%
July 1, 2013	-	7,344	7,344	– %	2,341	313.7%
HSTA-VEBA						
July 1, 2009	$ -	$ 2,484	$ 2,484	– %	$ 683	363.7%
UH						
July 1, 2009	$ -	$ 1,850	$ 1,850	– %	$ 495	373.7%
July 1, 2011	-	1,861	1,861	– %	504	369.3%
July 1, 2013	-	1,186	1,186	– %	551	215.3%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Certain Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The Special Revenue Funds are as follows:

Highways – Accounts for programs related to maintaining and operating land transportation facilities.

Natural Resources – Accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.

Health – Accounts for programs related to mental health, nutrition services, communicable disease and for other public health services.

Human Services — Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.

Education – Accounts for programs related to instructional education, school food services and student driver education.

Economic Development – Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.

Employment – Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.

Regulatory – Accounts for programs related to consumer protection, business registration and cable television regulation.

Hawaiian Programs — Accounts for programs related to the betterment of the conditions of native Hawaiians.

Administrative Support – Accounts for programs of certain administrative agencies.

All Other – Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds.

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2014
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Assets						
Cash and cash equivalents	$ 23,733	$ 14,288	$ 19,520	$ 6,537	$ 49,610	$ 3,900
Notes and loans receivable, net	-	20,455	-	-	-	-
Due from other funds	2,000	-	-	-	-	-
Investments	174,042	104,779	143,145	47,943	132,689	28,605
Total assets	$ 199,775	$ 139,522	$ 162,665	$ 54,480	$ 182,299	$ 32,505
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	$ 30,602	$ 6,300	$ 15,124	$ 11,579	$ 14,719	$ 845
Other accrued liabilities	5,240	2,090	6,052	586	13,132	765
Due to federal government	-	-	-	16,854	-	-
Due to other funds	-	2,527	-	22,600	-	-
Payable from restricted assets – Matured bonds and interest payable	-	-	-	-	-	-
Total liabilities	35,842	10,917	21,176	51,619	27,851	1,610
Fund balances						
Restricted	-	-	-	27,110	-	-
Committed	18,577	94,766	158,886	1,257	-	16,046
Assigned	145,356	33,839	-	-	154,448	14,849
Unassigned	-	-	(17,397)	(25,506)	-	-
Total fund balances	163,933	128,605	141,489	2,861	154,448	30,895
Total liabilities and fund balances	$ 199,775	$ 139,522	$ 162,665	$ 54,480	$ 182,299	$ 32,505

The accompanying notes are an integral part of the basic financial statements.

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ 3,967	$ 6,752	$ 33,196	$ 32,151	$ 5,499	$ 199,153	$ 359	$ 199,512
-	-	52,326	-	-	72,781	-	72,781
-	-	-	-	-	2,000	35	2,035
29,091	49,516	216,656	144,079	40,336	1,110,881	-	1,110,881
$ 33,058	$ 56,268	$ 302,178	$ 176,230	$ 45,835	$ 1,384,815	$ 394	$ 1,385,209
$ 2,904	$ 560	$ 3,236	$ 1,875	$ 4,806	$ 92,550	$ -	$ 92,550
1,598	2,029	503	2,795	2,025	36,815	-	36,815
-	-	-	-	-	16,854	-	16,854
-	-	-	-	2,517	27,644	-	27,644
-	-	-	-	-	-	359	359
4,502	2,589	3,739	4,670	9,348	173,863	359	174,222
-	-	-	-	-	27,110	35	27,145
17,521	38,916	96,727	55,236	-	497,932	-	497,932
11,035	14,763	201,712	116,324	36,487	728,813	-	728,813
-	-	-	-	-	(42,903)	-	(42,903)
28,556	53,679	298,439	171,560	36,487	1,210,952	35	1,210,987
$ 33,058	$ 56,268	$ 302,178	$ 176,230	$ 45,835	$ 1,384,815	$ 394	$ 1,385,209

State of Hawaii
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Revenue						
Taxes						
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -
Other tax revenue	-	30,023	1,239	-	-	3,719
Tobacco and liquor taxes	-	-	28,115	-	-	-
Liquid fuel tax	86,819	261	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Vehicle weight and registration tax	119,297	-	5,389	-	-	-
Rental motor/tour vehicle surcharge tax	42,852	-	-	-	-	-
Total taxes	248,968	30,284	34,743	-	-	3,719
Interest and investment income	737	890	212	4	70	1,535
Charges for current services	3,684	28,789	35,277	257	40,348	5,806
Intergovernmental	180,693	18,055	118,698	717,628	278,016	15,619
Rentals	612	8,947	-	-	369	1,395
Fines, forfeitures and penalties	1,945	103	2,444	-	-	-
Licenses and fees	1,823	625	1,043	115	603	-
Revenues from private sources	-	129	52,345	37	8,781	-
Other	10,329	4,930	1,687	783	18,736	3,120
Total revenues	448,791	92,752	246,449	718,824	346,923	31,194
Expenditures						
Current						
General government	-	4,482	176	-	-	-
Public safety	-	1,925	-	-	-	-
Highways	283,802	123	-	-	-	-
Conservation of natural resources	-	60,763	-	-	-	-
Health	-	-	208,471	-	-	-
Welfare	-	-	-	677,302	-	-
Lower education	-	-	-	-	436,752	-
Other education	-	-	-	15,207	-	-
Culture and recreation	-	10,109	-	-	2,907	-
Urban redevelopment and housing	-	-	-	2,390	-	-
Economic development and assistance	-	2,002	-	-	-	27,129
Other	268	5	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	284,070	79,409	208,647	694,899	439,659	27,129
Excess (deficiency) of revenues over (under) expenditures	164,721	13,343	37,802	23,925	(92,736)	4,065
Other financing sources (uses)						
Issuance of GO and refunding GO bonds – par	-	-	-	-	-	-
Issuance of GO and refunding GO bond – premium	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	454	1,819	327	1,665	67,091	6,020
Transfers out	(135,077)	(1,231)	(25,701)	(17,410)	-	-
Total other financing sources (uses)	(134,623)	588	(25,374)	(15,745)	67,091	6,020
Net change in fund balances	30,098	13,931	12,428	8,180	(25,645)	10,085
Fund balances						
Beginning of year	133,835	114,674	129,061	(5,319)	180,093	20,810
End of year	$ 163,933	$ 128,605	$ 141,489	$ 2,861	$ 154,448	$ 30,895

The accompanying notes are an integral part of the basic financial statements.

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
$ -	$ 2,000	$ -	$ -	$ -	$ 2,000	$ -	$ 2,000
1,413	-	-	-	-	36,394	-	36,394
-	-	-	1,911	-	30,026	-	30,026
-	-	-	-	1,627	88,707	-	88,707
-	1,895	-	-	-	1,895	-	1,895
-	-	-	-	-	124,686	-	124,686
-	-	-	-	-	42,852	-	42,852
1,413	3,895	-	1,911	1,627	326,560	-	326,560
76	136	4,173	231	70	8,134	-	8,134
15,245	19,964	5,371	56,018	22,431	233,190	-	233,190
40,850	1,624	5,682	20,933	56,280	1,454,078	-	1,454,078
-	-	15,942	1,019	3,536	31,820	-	31,820
1,412	1,879	-	218	2,462	10,463	-	10,463
-	14,681	-	21,332	544	40,766	-	40,766
-	-	3,000	1,803	37	66,132	-	66,132
2,593	387	11,109	12,269	5,086	71,029	-	71,029
61,589	42,566	45,277	115,734	92,073	2,242,172	-	2,242,172
-	-	-	35,096	18,366	58,120	-	58,120
3,586	39,654	-	15,317	63,570	124,052	-	124,052
-	-	365	370	-	284,660	-	284,660
-	-	-	25	-	60,788	-	60,788
-	-	-	-	-	208,471	-	208,471
-	-	-	11,998	1,548	690,848	-	690,848
-	-	-	6,953	-	443,705	-	443,705
-	-	-	-	-	15,207	-	15,207
-	-	-	10,871	17,139	41,026	-	41,026
-	-	50,433	72	-	52,895	-	52,895
55,028	-	-	-	538	84,697	-	84,697
-	-	-	5,910	1,309	7,492	-	7,492
-	-	-	-	-	-	737,298	737,298
58,614	39,654	50,798	86,612	102,470	2,071,961	737,298	2,809,259
2,975	2,912	(5,521)	29,122	(10,397)	170,211	(737,298)	(567,087)
-	-	-	-	-	-	171,060	171,060
-	-	-	-	-	-	14,500	14,500
-	-	-	-	-	-	(185,560)	(185,560)
-	3,465	30,000	53,158	7,445	171,444	737,270	908,714
(85)	(2,900)	(3,054)	(15,670)	(1,907)	(203,035)	-	(203,035)
(85)	565	26,946	37,488	5,538	(31,591)	737,270	705,679
2,890	3,477	21,425	66,610	(4,859)	138,620	(28)	138,592
25,666	50,202	277,014	104,950	41,346	1,072,332	63	1,072,395
$ 28,556	$ 53,679	$ 298,439	$ 171,560	$ 36,487	$ 1,210,952	$ 35	$ 1,210,987

State of Hawaii
Nonmajor Special Revenue Funds
Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2014
(Amounts in thousands)

	Highways			Natural Resources		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax						
Highways	$ 87,435	$ 86,819	$ (616)	$ 230	$ 261	$ 31
Vehicle registration fee tax	42,100	43,137	1,037	-	-	-
State vehicle weight tax	67,681	76,160	8,479	-	-	-
Rental/tour vehicle surcharge tax	46,361	42,852	(3,509)	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	14,200	26,303	12,103
Environmental response tax	-	-	-	3,700	3,719	19
Transient accommodations tax	-	-	-	1,000	-	(1,000)
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	243,577	248,968	5,391	19,130	30,283	11,153
Non-taxes						
Interest and investment income	500	733	233	1,143	871	(272)
Charges for current services	35,158	3,684	(31,474)	25,965	28,695	2,730
Intergovernmental	48,000	68,496	20,496	475	197	(278)
Rentals	-	612	612	5,290	8,947	3,657
Fines, forfeitures and penalties	2,008	1,945	(63)	68	103	35
Licenses and fees	1,998	1,823	(175)	535	625	90
Revenues from private sources	-	-	-	-	128	128
Other	56	1,653	1,597	2,671	4,909	2,238
Total non-taxes	87,720	78,946	(8,774)	36,147	44,475	8,328
Total revenues	331,297	327,914	(3,383)	55,277	74,758	19,481
Expenditures						
General government	-	-	-	4,852	4,541	311
Public safety	-	-	-	1,198	776	422
Highways	291,369	267,859	23,510	-	-	-
Conservation of natural resources	-	-	-	65,842	54,399	11,443
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	7,171	4,933	2,238
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	1,800	268	1,532	-	-	-
Total expenditures	293,169	268,127	25,042	79,063	64,649	14,414
Excess (deficiency) of revenues over (under) expenditures	$ 38,128	$ 59,787	$ 21,659	$ (23,786)	$ 10,109	$ 33,895

The accompanying notes are an integral part of the basic financial statements.

Health			Human Services		
Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
5,378	5,389	11	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
33,209	28,115	(5,094)	-	-	-
-	-	-	-	-	-
1,340	1,240	(100)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
39,927	34,744	(5,183)	-	-	-
270	212	(58)	-	3	3
80,944	88,047	7,103	-	257	257
1,810	3,257	1,447	240	982	742
-	-	-	-	-	-
1,142	2,444	1,302	-	-	-
1,307	1,044	(263)	406	115	(291)
50,300	52,345	2,045	-	37	37
1,305	974	(331)	-	779	779
137,078	148,323	11,245	646	2,173	1,527
177,005	183,067	6,062	646	2,173	1,527
258	176	82	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
216,363	165,630	50,733	-	-	-
-	-	-	4,031	1,483	2,548
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
216,621	165,806	50,815	4,031	1,483	2,548
$ (39,616)	$ 17,261	$ 56,877	$ (3,385)	$ 690	$ 4,075

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2014
(Amounts in thousands)

	Education			Economic Development		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax						
Highways	$ -	$ -	$ -	$ -	$ -	$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	11,050	3,719	(7,331)
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	11,050	3,719	(7,331)
Non-taxes						
Interest and investment income	109	54	(55)	63	1,527	1,464
Charges for current services	39,171	35,057	(4,114)	11,130	5,805	(5,325)
Intergovernmental	23,386	32,758	9,372	4,762	4,451	(311)
Rentals	40	369	329	2,242	1,337	(905)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	657	603	(54)	-	-	-
Revenues from private sources	182	322	140	250	-	(250)
Other	2,060	14,308	12,248	6	8,390	8,384
Total non-taxes	65,605	83,471	17,866	18,453	21,510	3,057
Total revenues	65,605	83,471	17,866	29,503	25,229	(4,274)
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	132,648	70,075	(62,573)	-	-	-
Culture and recreation	3,125	1,491	(1,634)	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	148,551	15,480	133,071
Other	-	-	-	-	-	-
Total expenditures	135,773	71,566	(64,207)	149,651	15,480	134,171
Excess (deficiency) of revenues over (under) expenditures	$ (70,168)	$ 11,905	$ 82,073	$ (120,148)	$ 9,749	$ 129,897

The accompanying notes are an integral part of the basic financial statements.

Employment			Regulatory		
Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
450	1,413	963	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	1,900	1,895	(5)
450	1,413	963	3,900	3,895	(5)
130	64	(66)	202	136	(66)
19,025	15,227	(3,798)	19,886	19,964	78
-	891	891	850	1,357	507
-	-	-	-	-	-
200	1,412	1,212	835	1,879	1,044
-	-	-	11,930	14,680	2,750
-	-	-	-	-	-
-	2,211	2,211	3,003	3,852	849
19,355	19,805	450	36,706	41,868	5,162
19,805	21,218	1,413	40,606	45,763	5,157
-	-	-	-	-	-
2,868	1,821	1,047	65,523	43,954	21,569
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
33,940	18,690	15,250	-	-	-
-	-	-	-	-	-
36,808	20,511	16,297	65,523	43,954	21,569
$ (17,003)	$ 707	$ 17,710	$ (24,917)	$ 1,809	$ 26,726

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2014
(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax						
Highways	$ -	$ -	$ -	$ -	$ -	$ -
Vehicle registration fee tax	-	-	-	-	-	-
State vehicle weight tax	-	-	-	-	-	-
Rental/tour vehicle surcharge tax	-	-	-	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	2,052	1,911	(141)
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	2,052	1,911	(141)
Non-taxes						
Interest and investment income	138	86	(52)	440	242	(198)
Charges for current services	1	17	16	48,924	58,392	9,468
Intergovernmental	-	-	-	58	216	158
Rentals	10,014	15,504	5,490	6,235	6,519	284
Fines, forfeitures and penalties	-	-	-	270	218	(52)
Licenses and fees	-	-	-	18,670	21,332	2,662
Revenues from private sources	-	3,000	3,000	1,946	1,803	(143)
Other	4,200	2,579	(1,621)	12,766	64,377	51,611
Total non-taxes	14,353	21,186	6,833	89,309	153,099	63,790
Total revenues	14,353	21,186	6,833	91,361	155,010	63,649
Expenditures						
General government	-	-	-	103,064	45,375	57,689
Public safety	-	-	-	11,397	9,554	1,843
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	285	-	285
Health	-	-	-	-	-	-
Welfare	-	-	-	575	376	199
Lower education	-	-	-	7,000	6,953	47
Culture and recreation	-	-	-	13,419	10,560	2,859
Urban redevelopment and housing	29,879	11,884	(17,995)	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	-	-	-	18,194	6,272	11,922
Total expenditures	29,879	11,884	(17,995)	153,934	79,090	74,844
Excess (deficiency) of revenues over (under) expenditures	$ (15,526)	$ 9,302	$ 24,828	$ (62,573)	$ 75,920	$ 138,493

The accompanying notes are an integral part of the basic financial statements.

All Other			Total Special Revenue Funds		
Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
$ -	$ -	$ -	$ 87,665	$ 87,080	$ (585)
-	-	-	47,478	48,526	1,048
-	-	-	67,681	76,160	8,479
-	-	-	46,361	42,852	(3,509)
-	-	-	450	1,413	963
-	-	-	35,261	30,026	(5,235)
-	-	-	14,200	26,303	12,103
-	-	-	16,090	8,678	(7,412)
-	-	-	1,000	-	(1,000)
-	-	-	2,000	2,000	-
-	-	-	1,900	1,895	(5)
-	-	-	320,086	324,933	4,847
52	48	(4)	3,047	3,976	929
8,717	12,623	3,906	288,921	267,768	(21,153)
1,294	2,112	818	80,875	114,717	33,842
-	-	-	23,821	33,288	9,467
3,042	2,423	(619)	7,565	10,424	2,859
464	544	80	35,967	40,766	4,799
3	37	34	52,681	57,672	4,991
7,823	8,744	921	33,890	112,776	78,886
21,395	26,531	5,136	526,767	641,387	114,620
21,395	26,531	5,136	846,853	966,320	119,467
18,801	15,544	3,257	126,975	65,636	61,339
22,309	12,149	10,160	104,395	68,254	36,141
-	-	-	291,369	267,859	23,510
-	-	-	66,127	54,399	11,728
-	-	-	216,363	165,630	50,733
1,550	1,548	2	6,156	3,407	2,749
-	-	-	139,648	77,028	62,620
16,949	14,156	2,793	40,664	31,140	9,524
-	-	-	29,879	11,884	17,995
-	-	-	182,491	34,170	148,321
-	-	-	19,994	6,540	13,454
59,609	43,397	16,212	1,224,061	785,947	438,114
$ (38,214)	$ (16,866)	$ 21,348	$ (377,208)	$ 180,373	$ 557,581

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2014
(Amounts in thousands)

Excess of revenues over expenditures – actual (budgetary basis)	$	180,373
Reserve for encumbrance at year end *		161,390
Expenditures for liquidation of prior fiscal year encumbrances		(347,655)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds		68,359
Transfers		115,230
Accrued liabilities		(494,701)
Accrued revenues		487,215
Excess of revenues over expenditures – GAAP basis	$	170,211

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2014
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents	$ 30,180	$ 128,693	$ 69,443	$ 228,316
Investments	6,792	-	-	6,792
Receivables				
Accounts and accrued interest	-	605	136	741
Promissory note receivable	-	25,870	5,477	31,347
Federal government	-	48	55	103
Premiums	49,248	-	-	49,248
Other	4,878	326	638	5,842
Prepaid expenses and other assets	5,401	-	-	5,401
Total current assets	96,499	155,542	75,749	327,790
Capital assets – Equipment	9,956	85	1,355	11,396
Less: Accumulated depreciation	(6,520)	(62)	(1,120)	(7,702)
Net capital assets	3,436	23	235	3,694
Promissory note receivable	-	310,150	72,894	383,044
Other	-	12,488	-	12,488
Total noncurrent assets	3,436	322,661	73,129	399,226
Total assets	$ 99,935	$ 478,203	$ 148,878	$ 727,016
Liabilities				
Current liabilities				
Vouchers and contracts payable	$ 135	$ 143	$ 487	$ 765
Other accrued liabilities	2,478	-	-	2,478
Accrued vacation, current portion	65	97	42	204
Benefits claims payable	3,949	-	-	3,949
Premiums payable	40,089	-	-	40,089
Total current liabilities	46,716	240	529	47,485
Noncurrent liabilities				
Accrued vacation	190	195	105	490
Other postemployment benefit liability	1,900	1,266	600	3,766
Total liabilities	48,806	1,701	1,234	51,741
Net Position				
Net investment in capital assets	3,435	23	237	3,695
Restricted for bond requirements and other	-	476,479	147,407	623,886
Unrestricted	47,694	-	-	47,694
Total net position	$ 51,129	$ 476,502	$ 147,644	$ 675,275

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2014
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Operating revenues				
Administrative fees	$ 4,677	$ 1,224	$ 2,043	$ 7,944
Premium revenue – self insurance	57,562	-	-	57,562
Increase in premium reserves	14,516	-	-	14,516
Other	555	2,122	243	2,920
Total operating revenue	77,310	3,346	2,286	82,942
Operating expenses				
Personnel services	2,879	1,785	1,073	5,737
Depreciation	1,371	11	67	1,449
Repairs and maintenance	8	-	85	93
General administration	2,220	166	1,974	4,360
Claims	69,067	-	-	69,067
Other	2,337	2,008	1,981	6,326
Total operating expenses	77,882	3,970	5,180	87,032
Operating loss	(572)	(624)	(2,894)	(4,090)
Nonoperating revenues				
Interest and investment income	266	401	192	859
Loss before capital contributions	(306)	(223)	(2,702)	(3,231)
Capital contributions	-	10,678	23,647	34,325
Change in net position	(306)	10,455	20,945	31,094
Net position				
Beginning of year	51,435	466,047	126,699	644,181
End of year	$ 51,129	$ 476,502	$ 147,644	$ 675,275

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2014
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from employer and employee for premium and benefit payments	$ 552,132	$ -	$ -	$ 552,132
Cash paid to suppliers	(2,383)	(140)	(1,931)	(4,454)
Cash paid to employees	(2,429)	(1,551)	(958)	(4,938)
Cash paid for premiums and benefit payments	(523,380)	-	-	(523,380)
Reserves returned by insurance carriers	53	-	-	53
Interest income from notes receivable	-	2,130	227	2,357
Administrative loan fees	-	1,228	2,033	3,261
Principal repayments on notes receivable	-	27,353	4,769	32,122
Disbursement of notes receivable proceeds	-	(59,878)	(23,763)	(83,641)
Net cash provided by (used in) operating activities	23,993	(30,858)	(19,623)	(26,488)
Cash flows from noncapital financing activities				
State capital contributions	-	2,200	1,825	4,025
Proceeds from federal operating grants	-	8,416	22,140	30,556
Disbursement of federal operating grants	-	(296)	-	(296)
Net cash provided by noncapital financing activities	-	10,320	23,965	34,285
Cash flows from investing activities				
Purchase of investments	(6,792)	-	-	(6,792)
Interest received and change in fair value of investments	310	387	177	874
Net cash provided by (used in) investing activities	(6,482)	387	177	(5,918)
Net increase (decrease) in cash and cash equivalents	17,511	(20,151)	4,519	1,879
Cash and cash equivalents, including restricted amounts				
Beginning of year	12,669	148,844	64,924	226,437
End of year	$ 30,180	$ 128,693	$ 69,443	$ 228,316
Reconciliation of operating loss to net cash provided by (used in) operating activities				
Operating loss	$ (572)	$ (624)	$ (2,894)	$ (4,090)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities				
Depreciation	1,371	11	67	1,449
Premium reserves held by insurance companies	23,152	-	-	23,152
Principal forgiveness of loan	-	2,116	1,959	4,075
Change in assets and liabilities				
Receivables	(6,533)	(32,563)	(19,017)	(58,113)
Deposits	-	-	-	-
Prepaid and other expenses	(46)	-	-	(46)
Vouchers and contracts payable	(56)	60	152	156
Other accrued liabilities	5,393	142	110	5,645
Benefits claim payable	1,284	-	-	1,284
Net cash provided by (used in) operating activities	$ 23,993	$ (30,858)	$ (19,623)	$ (26,488)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Combining Statement of Fiduciary Net Position – Agency Funds
June 30, 2014
(Amounts in thousands)

	Agency Funds			Total Agency Funds
	Tax Collections	Custodial	Other	
Assets				
Cash and cash equivalents	$ 4,836	$ 223,561	$ 10,706	$ 239,103
Receivables – taxes	-	-	41,694	41,694
Investments	35,463	317,948	76,370	429,781
Other assets – primarily due from individuals, businesses and counties	18,653	73,614	-	92,267
Total assets	$ 58,952	$ 615,123	$ 128,770	$ 802,845
Liabilities				
Vouchers payable	$ 58,952	$ -	$ 1,660	$ 60,612
Due to individuals, businesses and counties	-	615,123	127,110	742,233
Total liabilities	$ 58,952	$ 615,123	$ 128,770	$ 802,845

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2014
(Amounts in thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Tax collections				
Assets				
Cash and cash equivalents	$ 2,137	$ 7,851,321	$ (7,848,622)	$ 4,836
Due from individuals, businesses and counties	(26,506)	7,896,479	(7,851,320)	18,653
Investments	33,479	35,463	(33,479)	35,463
Total assets	$ 9,110	$ 15,783,263	$ (15,733,421)	$ 58,952
Liabilities				
Vouchers payable	$ 9,110	$ 58,952	$ (9,110)	$ 58,952
Total liabilities	$ 9,110	$ 58,952	$ (9,110)	$ 58,952
Custodial				
Assets				
Cash and cash equivalents	$ 208,917	$ 4,412,097	$ (4,397,453)	$ 223,561
Due from individuals, businesses and counties	58,159	483,927	(468,472)	73,614
Investments	279,636	317,948	(279,636)	317,948
Total assets	$ 546,712	$ 5,213,972	$ (5,145,561)	$ 615,123
Liabilities				
Vouchers payable	$ 7	$ -	$ (7)	$ -
Due to individuals, businesses and counties	546,705	4,449,541	(4,381,123)	615,123
Total liabilities	$ 546,712	$ 4,449,541	$ (4,381,130)	$ 615,123
Other				
Assets				
Cash and cash equivalents	$ 5,629	$ 29,275	$ (24,198)	$ 10,706
Receivables	39,078	41,694	(39,078)	41,694
Investments	82,856	76,370	(82,856)	76,370
Total assets	$ 127,563	$ 147,339	$ (146,132)	$ 128,770
Liabilities				
Vouchers payable	$ 597	$ 1,660	$ (597)	$ 1,660
Due to individuals, businesses and counties	126,966	31,891	(31,747)	127,110
Total liabilities	$ 127,563	$ 33,551	$ (32,344)	$ 128,770
Total – All agency funds				
Assets				
Cash and cash equivalents	$ 216,683	$ 12,292,693	$ (12,270,273)	$ 239,103
Receivables	39,078	41,694	(39,078)	41,694
Due from individuals, businesses and counties	31,653	8,380,406	(8,319,792)	92,267
Investments	395,971	429,781	(395,971)	429,781
Total assets	$ 683,385	$ 21,144,574	$ (21,025,114)	$ 802,845
Liabilities				
Vouchers payable	$ 9,714	$ 60,612	$ (9,714)	$ 60,612
Due to individuals, businesses and counties	673,671	4,481,432	(4,412,870)	742,233
Total liabilities	$ 683,385	$ 4,542,044	$ (4,422,584)	$ 802,845

The accompanying notes are an integral part of the basic financial statements.

PART III: STATISTICAL SECTION

State of Hawaii
Statistical Section (Unaudited)
June 30, 2014

This Part of the State's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information on the State's overall financial health.

Contents **Page(s)**

Financial Trends Information: These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	134–143
Revenue Capacity Information: These schedules contain information to help the reader assess the State's most significant local revenue sources, the general excise tax and net income tax.	144–151
Debt Capacity Information: These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	152–158
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	159–161
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services provided and the activities performed by the State.	162–167

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting)
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Governmental activities					
Net investment in capital assets	$ 2,772,220	$ 2,863,379	$ 2,794,481	$ 3,326,245	$ 3,118,606
Restricted	1,128,678	1,051,548	930,294	917,730	655,238
Unrestricted	(3,096,065)	(2,669,391)	(2,394,874)	(2,384,187)	(1,306,716)
Total governmental activities net position	$ 804,833	$ 1,245,536	$ 1,329,901	$ 1,859,788	$ 2,467,128
Business-type activities					
Net investment in capital assets	$ 1,653,902	$ 1,599,483	$ 1,560,267	$ 1,476,136	$ 1,469,676
Restricted	1,160,551	1,068,146	966,042	956,894	922,846
Unrestricted	1,050,981	899,740	649,583	579,383	493,163
Total business-type activities net position	$ 3,865,434	$ 3,567,369	$ 3,175,892	$ 3,012,413	$ 2,885,685
Primary government					
Net investment in capital assets	$ 4,426,122	$ 4,462,862	$ 4,354,748	$ 4,802,381	$ 4,588,282
Restricted	2,289,229	2,119,694	1,896,336	1,874,624	1,578,084
Unrestricted	(2,045,084)	(1,769,651)	(1,745,291)	(1,804,804)	(813,553)
Total primary government net position	$ 4,670,267	$ 4,812,905	$ 4,505,793	$ 4,872,201	$ 5,352,813

Note: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

2009	2008	2007	2006	2005
$ 3,298,144	$ 3,987,244	$ 3,597,174	$ 3,709,504	$ 4,318,111
641,031	909,877	569,006	1,285,902	1,163,684
(471,543)	121,480	1,578,412	1,267,569	858,907
$ 3,467,632	$ 5,018,601	$ 5,744,592	$ 6,262,975	$ 6,340,702
$ 1,527,018	$ 1,458,305	$ 1,278,608	$ 1,272,249	$ 1,186,703
782,569	730,061	655,055	217,478	189,093
597,624	1,013,447	1,304,586	1,150,363	1,089,615
$ 2,907,211	$ 3,201,813	$ 3,238,249	$ 2,640,090	$ 2,465,411
$ 4,825,162	$ 5,445,549	$ 4,875,782	$ 4,981,753	$ 5,504,814
1,423,600	1,639,938	1,224,061	1,503,380	1,352,777
126,081	1,134,927	2,882,998	2,417,932	1,948,522
$ 6,374,843	$ 8,220,414	$ 8,982,841	$ 8,903,065	$ 8,806,113

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Expenses					
Governmental activities					
General government	$ 567,941	$ 531,839	$ 552,788	$ 535,434	$ 421,327
Public safety	533,727	451,946	502,002	471,459	538,110
Highways	554,039	490,091	516,924	450,548	466,322
Conservation of natural resources	101,587	52,208	96,349	89,021	81,561
Health	849,493	813,190	773,288	816,525	858,476
Welfare	2,879,813	2,798,053	2,464,582	2,553,829	2,348,190
Lower education	2,685,037	2,592,125	2,598,444	2,545,980	2,616,768
Higher education	693,292	654,611	672,716	707,381	700,335
Other education	21,766	20,086	16,753	14,018	14,034
Culture and recreation	104,303	94,679	111,628	108,697	108,247
Urban redevelopment and housing	137,160	173,677	23,888	66,144	101,505
Economic development and assistance	166,455	172,602	209,460	238,315	209,611
Interest expense	239,760	241,677	243,938	239,836	210,243
Total governmental activities expenses	9,534,373	9,086,784	8,782,760	8,837,187	8,674,729
Business-type activities					
Airports	346,699	366,918	353,541	354,368	336,127
Harbors	89,327	90,548	84,826	80,355	68,291
Unemployment compensation	244,947	336,931	468,610	561,548	686,141
Nonmajor proprietary funds	87,031	66,119	169,166	250,346	256,205
Total business-type activities expenses	768,004	860,516	1,076,143	1,246,617	1,346,764
Total primary government expenses	$ 10,302,377	$ 9,947,300	$ 9,858,903	$ 10,083,804	$ 10,021,493
Program revenues					
Governmental activities					
Charges for services					
General government	$ 223,066	$ 267,081	$ 266,878	$ 270,078	$ 231,629
Health	130,338	56,963	32,339	46,215	98,547
Other	287,937	170,603	121,928	112,479	111,295
Operating grants and contributions	2,660,770	2,589,537	2,370,437	2,837,464	2,598,141
Capital grants and contributions	97,290	96,184	97,322	132,825	144,445
Total governmental activities program revenues	3,399,401	3,180,368	2,888,904	3,399,061	3,184,057
Business-type activities					
Charges for services					
Airports	404,442	431,708	343,279	387,484	324,577
Unemployment Compensation	353,546	507,096	533,963	535,243	486,476
Others	203,979	215,243	272,317	341,707	344,889
Capital grants and contributions	98,628	64,313	85,899	75,324	98,099
Total business-type activities program revenues	1,060,595	1,218,360	1,235,458	1,339,758	1,254,041
Total primary government program revenues	$ 4,459,996	$ 4,398,728	$ 4,124,362	$ 4,738,819	$ 4,438,098
Net (expense) revenue					
Governmental activities	$ (6,134,972)	$ (5,906,416)	$ (5,893,856)	$ (5,438,126)	$ (5,490,672)
Business-type activities	292,591	357,844	159,315	93,141	(92,723)
Total primary government net expenses	$ (5,842,381)	$ (5,548,572)	$ (5,734,541)	$ (5,344,985)	$ (5,583,395)

Note: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

2009	2008	2007	2006	2005
$ 564,356	$ 548,439	$ 541,889	$ 455,008	$ 494,174
464,897	414,463	378,409	336,362	248,685
487,391	490,754	385,267	646,336	282,339
119,705	74,411	68,745	76,490	79,545
843,826	895,413	833,669	690,265	561,155
2,140,202	1,877,188	1,773,505	1,709,526	1,615,721
2,656,592	2,385,056	2,288,641	2,151,891	1,758,596
878,126	815,116	759,777	678,338	559,379
29,935	23,206	21,127	19,183	19,667
106,583	107,676	92,444	98,121	72,920
145,710	187,861	73,991	87,789	53,077
158,808	157,421	148,164	215,578	214,842
127,576	140,032	118,708	172,673	169,738
8,723,707	8,117,036	7,484,336	7,337,560	6,129,838
347,089	354,554	329,942	292,086	273,949
124,611	80,344	76,830	61,408	64,568
437,553	159,098	112,411	105,786	112,329
38,672	22,619	4,871	2,587	2,883
947,925	616,615	524,054	461,867	453,729
$ 9,671,632	$ 8,733,651	$ 8,008,390	$ 7,799,427	$ 6,583,567
$ 206,431	$ 203,336	$ 168,877	$ 136,113	$ 146,242
99,788	102,032	98,681	132,360	81,607
119,126	101,390	110,942	131,143	127,819
2,260,551	1,887,298	1,820,886	1,726,217	1,667,492
145,771	130,643	75,697	279,323	143,183
2,831,667	2,424,699	2,275,083	2,405,156	2,166,343
290,464	266,820	256,843	251,678	241,326
169,976	87,486	138,070	181,146	165,337
84,692	95,013	93,650	86,360	77,501
103,195	81,967	148,597	81,145	35,048
648,327	531,286	637,160	600,329	519,212
$ 3,479,994	$ 2,955,985	$ 2,912,243	$ 3,005,485	$ 2,685,555
$ (5,892,040)	$ (5,692,337)	$ (5,209,253)	$ (4,932,404)	$ (3,963,495)
(299,598)	(85,329)	113,106	138,462	65,483
$ (6,191,638)	$ (5,777,666)	$ (5,096,147)	$ (4,793,942)	$ (3,898,012)

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980	$ 2,279,310
Net income tax – corporations and individuals	1,840,890	1,795,683	1,633,085	1,477,624	1,408,965
Public service companies tax	166,179	163,930	150,528	117,940	157,661
Transient accommodations tax	188,721	186,377	138,529	60,839	32,635
Tobacco and liquor tax	155,990	161,066	170,824	173,851	149,596
Liquid fuel tax	88,707	87,645	88,842	91,265	82,780
Tax on premiums of insurance companies	139,074	133,585	119,472	140,586	105,848
Vehicle weight and registration tax	124,686	121,605	98,187	59,476	58,659
Rental motor/tour vehicle surcharge tax	42,853	52,112	106,417	43,892	40,401
Franchise tax	38,983	22,673	7,229	33,682	20,666
Other tax	96,131	80,081	70,873	67,799	32,165
Interest and investment income	13,163	25,502	5,347	55,852	124,516
Other	-	-	-	-	(3,034)
Total governmental activities	5,711,723	5,822,051	5,363,969	4,830,786	4,490,168
Business-type activities					
Interest and investment income	12,805	14,633	4,164	33,587	68,950
Other	-	19,000	-	-	-
Total business-type activities	12,805	33,633	4,164	33,587	68,950
Total primary government	$ 5,724,528	$ 5,855,684	$ 5,368,133	$ 4,864,373	$ 4,559,118
Changes in net position					
Governmental activities	$ (423,249)	$ (84,365)	$ (529,887)	$ (607,340)	$ (1,000,504)
Business-type activities	305,396	391,477	163,479	126,728	(23,773)
Total primary government	$ (117,853)	$ 307,112	$ (366,408)	$ (480,612)	$ (1,024,277)

Note: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

2009	2008	2007	2006	2005
$ 2,410,756	$ 2,597,121	$ 2,659,339	$ 2,359,316	$ 2,145,603
1,366,576	1,634,117	1,620,452	1,675,131	1,490,964
126,069	127,481	124,017	120,678	108,686
14,408	17,756	7,382	124,133	110,723
135,388	134,886	131,813	134,216	128,982
88,006	90,123	87,179	84,719	82,733
95,181	96,332	96,385	89,778	84,822
59,392	60,842	59,422	56,101	54,057
39,751	49,196	49,479	45,885	41,886
28,075	20,213	19,012	18,324	38,520
19,215	26,149	27,523	46,850	34,191
(42,051)	112,024	102,295	99,546	64,236
305	106	-	-	(2,847)
4,341,071	4,966,346	4,984,298	4,854,677	4,382,556
4,639	48,893	82,046	40,122	27,784
-	-	-	-	(297)
4,639	48,893	82,046	40,122	27,487
$ 4,345,710	$ 5,015,239	$ 5,066,344	$ 4,894,799	$ 4,410,043
$ (1,550,969)	$ (725,991)	$ (224,955)	$ (77,727)	$ 419,061
(294,959)	(36,436)	195,152	178,574	92,970
$ (1,845,928)	$ (762,427)	$ (29,803)	$ 100,847	$ 512,031

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
General Fund					
Reserved	N/A	N/A	N/A	N/A	$ 243,485
Unreserved	N/A	N/A	N/A	N/A	(210,551)
Total General Fund	N/A	N/A	N/A	N/A	$ 32,934
All other governmental funds					
Reserved	N/A	N/A	N/A	N/A	$ 2,275,968
Unreserved, reported in					
Capital projects fund	N/A	N/A	N/A	N/A	(1,651,855)
Special revenue funds	N/A	N/A	N/A	N/A	293,625
Total all other governmental funds	N/A	N/A	N/A	N/A	$ 917,738
General Fund (under GASB 54)					
Assigned fund balance	$ 256,483	$ 271,020	$ 236,779	$ 210,164	N/A
Unassigned fund balance	1,079,180	1,154,253	570,659	346,882	N/A
Total General Fund	$ 1,335,663	$ 1,425,273	$ 807,438	$ 557,046	N/A
All other governmental funds (under GASB 54)					
Restricted fund balance	$ 27,145	$ 21,854	$ 109	$ 21,582	N/A
Committed fund balance	497,932	486,240	518,374	600,125	N/A
Assigned fund balance	739,279	612,762	532,466	339,337	N/A
Unassigned fund balance	(588,405)	(611,097)	(408,575)	(766,665)	N/A
Total all other governmental funds	$ 675,951	$ 509,759	$ 642,374	$ 194,379	N/A

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance has not been restated for prior years.

N/A Not applicable

2009	2008	2007	2006	2005
$ 272,557	$ 406,884	$ 414,899	$ 249,581	$ 219,800
(87,537)	567,474	881,311	1,013,988	745,770
$ 185,020	$ 974,358	$ 1,296,210	$ 1,263,569	$ 965,570
$ 2,801,012	$ 2,344,961	$ 1,643,345	$ 1,851,194	$ 1,552,524
(2,019,696)	(1,788,357)	(1,111,924)	(878,164)	(615,763)
255,844	410,265	556,963	637,664	637,585
$ 1,037,160	$ 966,869	$ 1,088,384	$ 1,610,694	$ 1,574,346
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Revenues					
Taxes					
General excise tax	$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980	$ 2,279,310
Net income tax – corporations and individuals	1,840,963	1,804,409	1,633,412	1,473,188	1,408,965
Public service companies tax	166,179	163,930	150,528	117,940	157,661
Transient accommodations tax	188,721	186,377	138,529	60,839	32,635
Tobacco and liquor tax	155,990	161,066	170,824	173,851	149,596
Liquid fuel tax	88,707	87,645	88,842	91,265	82,780
Tax on premiums of insurance companies	139,074	133,585	119,472	140,586	105,848
Vehicle weight and registration tax	124,686	121,605	98,187	59,476	58,659
Rental motor/tour vehicle surcharge tax	42,853	52,112	106,417	43,892	40,401
Franchise tax	38,983	22,673	7,229	33,682	20,666
Other	96,131	80,079	70,873	67,799	32,165
Total taxes	5,698,633	5,805,273	5,358,949	4,770,498	4,368,686
Interest and investment income (loss)	13,163	25,502	5,347	55,854	124,518
Charges for current services	363,791	369,269	337,765	348,108	364,893
Intergovernmental	2,650,876	2,372,480	2,238,639	2,567,266	2,432,369
Rentals	31,846	28,633	25,421	23,319	19,712
Fines, forfeitures and penalties	33,087	36,802	35,083	34,712	35,982
Licenses and fees	47,209	46,839	46,390	41,557	36,641
Revenues from private sources	112,916	104,670	65,085	54,857	57,850
Other	173,483	235,516	152,091	343,318	182,367
Total revenues	9,125,004	9,024,984	8,264,770	8,239,489	7,623,018
Expenditures					
Current					
General government	543,129	408,538	487,596	487,848	436,290
Public safety	519,954	432,024	454,957	423,716	457,058
Highways	403,559	418,991	414,629	376,780	442,971
Conservation of natural resources	108,703	92,601	98,428	93,600	88,873
Health	828,088	779,755	729,841	757,482	801,923
Welfare	2,945,370	2,773,241	2,443,936	2,526,743	2,315,726
Lower education	2,603,774	2,358,763	2,330,130	2,208,303	2,325,066
Higher education	693,292	654,611	672,716	707,380	700,335
Other education	21,766	20,086	16,753	14,018	14,033
Culture and recreation	107,846	107,940	109,974	117,306	108,536
Urban redevelopment and housing	65,228	66,243	48,484	73,789	115,796
Economic development and assistance	158,379	157,468	147,445	158,104	166,320
Housing	63,683	112,614	46,133	61,352	24,153
Other	29,818	32,716	12,108	12,223	4,460
Debt service					
Principal	458,983	399,382	313,721	191,244	179,624
Interest and others	278,315	288,267	274,039	266,737	248,551
Total expenditures	9,829,887	9,103,240	8,600,890	8,476,625	8,429,715
Excess (deficiency) of revenues over (under) expenditures	(704,883)	(78,256)	(336,120)	(237,136)	(806,697)
Other financing sources (uses)					
Proceeds from borrowing and refunding	948,190	1,066,848	1,600,308	-	1,150,482
Payments to escrow agent	(185,560)	(503,372)	(565,801)	-	(619,708)
Transfers in	1,066,780	1,033,917	950,717	921,433	721,810
Transfers out	(1,066,780)	(1,033,917)	(950,717)	(921,433)	(721,810)
Other	18,835	-	-	37,889	4,415
Total other financing sources	781,465	563,476	1,034,507	37,889	535,189
Net change in fund balances	$ 76,582	$ 485,220	$ 698,387	$ (199,247)	$ (271,508)

2009	2008	2007	2006	2005
$ 2,410,756	$ 2,597,121	$ 2,632,485	$ 2,359,316	$ 2,145,603
1,373,893	1,637,265	1,618,570	1,664,331	1,484,664
126,069	127,481	124,017	120,678	108,686
14,408	17,756	7,382	124,133	110,723
135,388	134,886	131,813	134,216	128,982
88,006	90,123	87,179	84,719	82,733
95,181	96,332	96,385	89,778	84,822
59,392	60,842	59,422	56,101	54,057
39,751	49,196	49,479	48,092	43,950
28,075	20,213	2,000	18,324	38,520
19,215	26,149	44,535	46,850	34,191
4,390,134	4,857,364	4,853,267	4,746,538	4,316,931
(42,051)	115,247	122,606	82,013	58,236
357,078	341,371	318,235	343,424	298,670
2,090,058	1,807,376	1,727,895	1,601,005	1,574,899
21,107	20,152	21,639	32,493	28,732
33,888	32,618	28,488	26,827	27,482
33,324	31,731	30,837	29,364	27,297
63,401	59,508	39,401	39,647	41,836
246,369	131,291	127,444	128,283	101,387
7,193,308	7,396,658	7,269,812	7,029,594	6,475,470
597,210	537,541	458,236	493,301	508,154
435,414	411,152	376,032	322,578	291,369
442,421	406,795	337,862	267,213	301,784
120,693	103,596	107,578	86,628	74,188
798,026	863,914	832,333	685,679	564,807
2,119,481	1,857,473	1,770,707	1,709,810	1,614,559
2,454,668	2,201,901	2,305,280	1,984,129	1,798,208
878,127	815,116	759,777	678,338	559,379
29,912	23,206	20,122	19,183	19,667
107,302	110,404	92,574	87,478	73,774
179,819	255,783	170,614	60,725	52,698
169,547	149,075	147,146	215,559	214,377
1,909	-	-	-	-
1,175	5,880	7,248	4,634	4,784
204,604	231,478	271,010	247,935	128,378
197,118	247,257	231,723	199,642	193,570
8,737,426	8,220,571	7,888,242	7,062,832	6,399,696
(1,544,118)	(823,913)	(618,430)	(33,238)	75,774
1,174,768	445,687	395,303	367,585	1,491,445
(349,697)	(29,510)	-	-	(947,869)
761,393	803,456	796,195	499,655	495,098
(761,393)	(803,456)	(796,195)	(499,655)	(495,098)
-	-	-	-	(2,847)
825,071	416,177	395,303	367,585	540,729
$ (719,047)	$ (407,736)	$ (223,127)	$ 334,347	$ 616,503

State of Hawaii
Revenue Capacity Information
Personal Income by Industry
Ten Years Ended June 30, 2014
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Farm earnings	$ 349	$ 243	$ 288	$ 288	$ 250
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities and other	66	60	60	42	45
Mining	37	39	35	33	51
Construction	3,328	3,236	3,046	2,843	2,598
Manufacturing – durable and nondurable goods	833	804	767	768	766
Subtotal goods – producing industries	4,264	4,139	3,908	3,686	3,460
Service-producing industries					
Transportation, communication and utilities	2,316	2,178	1,889	1,783	1,718
Trade	4,089	3,929	3,768	3,666	3,651
Information	711	692	645	711	732
Finance, insurance and real estate	3,267	2,752	2,329	2,081	2,014
Service	17,126	16,423	15,438	15,075	14,901
State and local government	6,089	5,873	5,425	5,327	5,609
Federal government	8,139	8,507	10,094	9,531	9,252
Subtotal service-producing industries	41,737	40,354	39,588	38,174	37,877
Total nonfarm wage and salary worker	46,001	44,493	43,496	41,860	41,337
Other (1)	18,270	18,473	16,144	15,981	14,661
Total personal income	$ 64,620	$ 63,209	$ 59,928	$ 58,129	$ 56,248
Total direct income tax rate (2)	N/A	N/A	N/A	N/A	N/A

(1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(2) The total direct rate for personal income is not available.

Source: State of Hawaii Department of Business, Economic Development and Tourism – Data Book and Quarterly Statistical and Economic Report (QSER)
Bureau of Economic Analysis – SQ5N Personal Income by major source and earnings by major NAICS industry.

N/A Not available.

2009	2008	2007	2006	2005
$ 232	$ 220	$ 213	$ 210	$ 213
36	47	42	53	54
44	45	55	53	50
2,714	3,271	3,188	3,004	2,736
807	874	1,003	1,000	916
3,601	4,237	4,288	4,110	3,756
1,714	1,826	1,926	1,831	1,760
3,636	3,817	3,654	3,540	3,366
657	711	759	758	690
2,044	2,126	2,311	2,367	2,308
14,514	14,723	13,611	13,013	12,226
5,609	5,372	5,023	4,747	4,443
9,077	8,258	7,745	7,249	6,751
37,251	36,833	35,029	33,505	31,544
40,852	41,070	39,317	37,615	35,300
13,329	12,891	10,601	9,514	8,598
$ 54,413	$ 54,181	$ 50,131	$ 47,339	$ 44,111
N/A	N/A	N/A	N/A	N/A

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates
Ten Years Ended December 31, 2014

	Top Income Tax Rate is Applied to Taxable Income in Excess of					
Year	Top Rate	Single	Top Rate	Married Filing Jointly	Top Rate	Head of Household
2014	11.00% + $16,379	$ 200,000	11.00% + $32,757	$ 400,000	11.00% + $24,568	$ 300,000
2013	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2012	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2011	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2010	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2009	11.00% + $16,379	200,000	11.00% + $32,757	400,000	11.00% + $24,568	300,000
2008	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2007	8.25% + $3,214	48,000	8.25% + $6,427	96,000	8.25% + $4,820	72,000
2006	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000
2005	8.25% + $2,678	40,000	8.25% + $5,356	80,000	8.25% + $4,017	60,000

Source: State of Hawaii, Department of Taxation.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry
Ten Years Ended June 30, 2014
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Taxable sales by activities					
Retailing	$ 31,152	$ 29,636	$ 29,095	$ 25,887	$ 23,919
Services	13,795	12,985	12,696	11,944	11,154
Contracting	7,046	7,547	6,253	5,687	5,864
Hotel rentals	4,279	3,871	3,431	3,024	2,606
All other rentals	6,472	6,377	6,154	5,999	5,778
All other (4%)	5,683	5,337	5,160	4,825	4,360
Subtotal	68,427	65,753	62,789	57,366	53,681
Producing	436	399	401	370	340
Manufacturing	1,876	639	681	698	704
Wholesaling	14,675	14,430	14,442	13,121	12,207
Use (0.5%)	6,489	8,867	8,005	6,669	6,430
Services (intermediary)	1,096	628	653	577	572
Insurance solicitors	485	464	477	480	502
Subtotal	25,057	25,427	24,659	21,915	20,755
Total all activities	$ 93,484	$ 91,180	$ 87,448	$ 79,281	$ 74,436

General excise and use tax is imposed on the gross income received by the business, as follows:

- 4% of sales of tangible personal property, services, contracting, theater amusement and broadcasting, commissions, transient accommodation rentals, other rentals, interest, and other business activities;
- 0.5% of sales from wholesaling, manufacturing, producing, wholesale services, and imports for resale;
- 0.15% on insurance producer commissions.

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

2009	2008	2007	2006	2005
$ 24,318	$ 26,183	$ 25,509	$ 24,812	$ 22,578
11,059	11,073	11,205	10,314	8,780
7,631	7,863	7,904	6,545	5,523
2,812	3,321	3,480	3,251	2,727
6,094	5,818	5,814	5,445	4,758
4,375	5,238	5,606	5,245	4,385
56,289	59,496	59,518	55,612	48,751
405	457	482	589	586
809	761	818	720	693
12,502	13,746	13,558	12,963	11,835
6,883	7,215	7,742	7,125	6,067
611	649	718	563	377
535	544	617	551	530
21,745	23,372	23,935	22,511	20,088
$ 78,034	$ 82,868	$ 83,453	$ 78,123	$ 68,839

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2014		2013		2012		2011		2010	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
Retailing	$ 1,246,061	43.3%	$ 1,185,446	40.3%	$ 1,163,805	43.1%	$ 1,035,465	41.5%	$ 956,761	41.3%
Services	551,784	19.2%	519,419	17.6%	507,864	18.8%	477,753	19.3%	446,142	19.3%
Contracting	281,839	9.8%	301,875	10.3%	250,122	9.3%	227,497	9.1%	234,562	10.1%
Theater, amusement, etc.	15,619	0.5%	15,986	0.5%	15,776	0.6%	14,945	0.6%	13,378	0.6%
Interest	3	0.0%	3	0.0%	4	0.0%	74	0.0%	191	0.0%
Commissions	45,125	1.6%	42,064	1.4%	38,848	1.4%	36,574	1.5%	33,024	1.4%
Hotel rentals	171,162	5.9%	154,837	5.3%	137,222	5.1%	120,954	4.8%	104,260	4.5%
All other rentals	258,886	9.0%	255,074	8.7%	246,151	9.1%	239,944	9.6%	231,123	10.0%
Use (4%)	40,277	1.4%	41,015	1.4%	41,797	1.6%	37,316	1.5%	34,484	1.5%
All other (4%)	126,306	4.4%	114,396	3.9%	109,989	4.1%	104,073	4.2%	93,327	4.0%
Pineapple canning	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Producing	2,181	0.1%	1,997	0.1%	2,004	0.1%	1,850	0.1%	1,697	0.1%
Manufacturing	9,380	0.3%	3,194	0.1%	3,402	0.1%	3,488	0.1%	3,517	0.2%
Wholesaling	73,373	2.5%	72,149	2.4%	72,210	2.7%	65,608	2.6%	61,036	2.6%
Use (0.5%)	32,446	1.1%	44,337	1.5%	40,026	1.5%	33,347	1.3%	32,152	1.4%
Services (Intermediary)	5,480	0.2%	3,139	0.1%	3,265	0.1%	2,886	0.1%	2,862	0.1%
Insurance solicitors	728	0.0%	697	0.0%	716	0.0%	721	0.0%	753	0.0%
Unallocated collections	19,893	0.7%	188,859	6.4%	64,750	2.4%	93,312	3.7%	67,165	2.9%
Total	$ 2,880,543	100.0%	$ 2,944,487	100.0%	$ 2,697,951	100.0%	$ 2,495,807	100.0%	$ 2,316,434	100.0%

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

Note: Information for number of filers is not available

2009		2008		2007		2006		2005	
Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total
$ 972,728	40.1%	$ 1,047,340	40.0%	$ 1,020,357	39.9%	$ 992,472	42.1%	$ 903,104	42.3%
442,356	18.3%	442,909	17.0%	448,202	17.5%	412,576	17.5%	351,200	16.4%
305,241	12.6%	314,538	12.0%	316,142	12.4%	261,804	11.1%	220,916	10.3%
13,557	0.6%	13,998	0.5%	13,588	0.5%	12,791	0.5%	11,963	0.6%
339	0.0%	7,963	0.3%	13,818	0.5%	8,937	0.4%	5,953	0.3%
35,230	1.5%	42,500	1.6%	52,101	2.0%	55,306	2.4%	46,332	2.2%
112,484	4.6%	132,841	5.1%	139,186	5.5%	130,048	5.5%	109,090	5.1%
243,762	10.1%	232,718	8.9%	232,539	9.1%	217,799	9.3%	190,314	8.9%
34,088	1.4%	39,034	1.5%	37,548	1.5%	38,144	1.6%	33,831	1.6%
91,761	3.8%	106,040	4.0%	107,196	4.2%	94,636	4.0%	77,326	3.6%
-	0.0%	-	0.0%	76	0.0%	35	0.0%	25	0.0%
2,023	0.1%	2,286	0.1%	2,336	0.1%	2,908	0.1%	2,907	0.1%
4,045	0.2%	3,804	0.1%	4,091	0.2%	3,598	0.2%	3,463	0.2%
62,509	2.6%	68,730	2.6%	67,790	2.7%	64,814	2.8%	59,177	2.8%
34,415	1.4%	36,073	1.4%	38,712	1.5%	35,623	1.5%	30,333	1.4%
3,054	0.1%	3,242	0.1%	3,592	0.1%	2,813	0.1%	1,883	0.1%
803	0.0%	815	0.0%	925	0.0%	827	0.0%	796	0.0%
61,855	2.6%	123,953	4.8%	57,563	2.3%	20,186	0.9%	87,989	4.1%
$ 2,420,250	100.0%	$ 2,618,784	100.0%	$ 2,555,762	100.0%	$ 2,355,317	100.0%	$ 2,136,602	100.0%

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type
Ten Years Ended June 30, 2014
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Governmental activities					
General obligation bonds	$ 5,784,139	$ 5,534,921	$ 5,475,348	$ 4,987,544	$ 5,157,198
Revenue bonds	412,725	441,150	468,180	378,625	400,215
Capital leases	102,622	89,879	95,340	100,520	64,385
Total governmental activities	6,299,486	6,065,950	6,038,868	5,466,689	5,621,798
Business-type activities					
General obligation bonds	31,176	32,934	34,611	36,221	37,362
Revenue bonds	1,278,137	1,326,112	1,370,314	1,410,624	1,248,680
Lease revenue certificates of participation	173,771	-	-	-	-
Total business-type activities	1,483,084	1,359,046	1,404,925	1,446,845	1,286,042
Total primary government	$ 7,782,570	$ 7,424,996	$ 7,443,793	$ 6,913,534	$ 6,907,840
Hawaii total personal income	$ 64,620,000	$ 63,209,000	$ 59,928,000	$ 58,129,000	$ 56,248,000
Debt as a percentage of personal income	12.0%	11.7%	12.4%	11.9%	12.3%
Hawaii population	1,420	1,404	1,392	1,375	1,300
Amount of debt per capita	$ 5,481	$ 5,288	$ 5,348	$ 5,028	$ 5,314

Source: State of Hawaii, Comprehensive Annual Financial Reports.
State of Hawaii, Department of Business, Economic Development and Tourism – QSER.

Note: Details regarding the State's outstanding debt can be found in the notes to basic financial statements.

2009	2008	2007	2006	2005
$ 4,779,666	$ 4,408,572	$ 4,079,714	$ 4,322,964	$ 4,256,633
420,605	268,425	283,310	306,255	319,305
71,685	75,480	79,090	58,035	61,340
5,271,956	4,752,477	4,442,114	4,687,254	4,637,278
38,329	38,357	37	137	167
861,423	861,141	939,349	883,823	927,695
-	-	-	-	-
899,752	899,498	939,386	883,960	927,862
$ 6,171,708	$ 5,651,975	$ 5,381,500	$ 5,571,214	$ 5,565,140
$ 54,413,000	$ 54,181,000	$ 50,131,000	$ 47,339,000	$ 44,111,000
11.3%	10.4%	10.7%	11.8%	12.6%
1,295	1,287	1,299	1,285	1,273
$ 1,766	$ 4,392	$ 4,143	$ 4,336	$ 4,372

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding
Ten Years Ended June 30, 2014
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less: Debt Services Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2014	$ 93,484,000	1,420	$ 5,784,139	$ 35	$ 5,784,104	6.2%	$ 4,073
2013	91,181,000	1,404	5,534,921	63	5,534,858	6.1%	3,942
2012	87,448,000	1,392	5,475,348	64	5,475,284	6.3%	3,933
2011	79,281,000	1,375	4,987,544	109	4,987,435	6.3%	3,627
2010	74,436,000	1,300	5,157,198	118	5,157,080	6.9%	3,967
2009	78,034,000	1,295	4,779,666	68	4,779,598	6.1%	3,691
2008	82,868,000	1,287	4,408,572	22	4,386,570	5.3%	3,395
2007	83,453,000	1,276	4,079,714	22	4,058,010	5.2%	3,124
2006	78,123,000	1,285	4,322,694	7	4,315,738	5.9%	3,359
2005	68,839,000	1,273	4,256,633	184	4,256,449	6.4%	3,344

(1) **Source:** State of Hawaii, Department of Taxation.

(2) **Source:** State of Hawaii, Department of Business, Economic Development and Tourism – Census Data.

(3) **Source:** State of Hawaii, Department of Accounting and General Services, Accounting Division.

(4) Excludes Enterprise Funds and Component Unit – UH general obligation bonds.

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Average general fund revenues of the three preceding fiscal years	$ 5,987,800	$ 5,659,152	$ 5,197,547	$ 4,992,943	$ 5,032,973
Constitutional debt limit percentage	18.5%	18.5%	18.5%	18.5%	18.5%
Constitutional debt limit for total principal and interest payable in a current or future year	1,107,743	1,046,943	961,546	923,694	931,100
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ended June 30, 2012)	(693,677)	(693,592)	(667,041)	(618,711)	(610,255)
Legal debt margin	$ 414,066	$ 353,351	$ 294,505	$ 304,983	$ 320,845
Legal debt margin as a percentage of the debt limit	37.4%	33.8%	30.6%	33.0%	34.5%

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

2009	2008	2007	2006	2005
$ 5,126,782	$ 5,083,126	$ 4,832,700	$ 4,423,191	$ 4,043,868
18.5%	18.5%	18.5%	18.5%	18.5%
948,455	940,378	894,050	818,290	748,116
(563,266)	(540,348)	(550,696)	(533,810)	(516,641)
$ 385,189	$ 400,030	$ 343,354	$ 284,480	$ 231,475
40.6%	42.5%	38.4%	34.8%	30.9%

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage
Ten Years Ended June 30, 2014
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue bonds – Airports										
Gross revenue (1)	$ 341,155	$ 385,841	$ 319,542	$ 322,639	$ 295,087	$ 288,583	$ 307,418	$ 286,838	$ 267,927	$ 245,464
Less: Operating expenses (2)	246,982	244,328	230,224	218,290	214,208	233,896	239,667	211,119	171,990	150,332
Net available revenue	94,173	141,513	89,318	104,349	80,879	54,687	67,751	75,719	95,937	95,132
Debt services										
Principal (3)	34,210	40,305	30,579	25,370	23,615	22,310	21,140	32,250	30,565	25,250
Interest (4)	23,414	40,705	34,440	35,319	21,300	17,453	26,076	10,868	11,557	21,516
Total debt services	57,624	81,010	65,019	60,689	44,915	39,763	47,216	43,118	42,122	46,766
Coverage (5)	163%	175%	137%	172%	180%	138%	143%	176%	228%	203%
Revenue bonds – Harbors										
Gross revenue (6)	$ 122,379	$ 114,640	$ 104,678	$ 88,018	$ 74,155	$ 80,896	$ 96,256	$ 97,414	$ 89,402	$ 79,319
Less: Operating expenses (7)	43,837	44,048	41,202	37,650	36,930	47,814	49,229	42,967	35,140	36,053
Net available revenue	78,542	70,592	63,476	50,368	37,225	33,082	47,027	54,447	54,262	43,266
Debt services	31,528	31,531	27,770	27,965	23,226	23,167	24,290	25,364	19,265	19,224
Coverage (5)	249%	224%	229%	180%	160%	143%	194%	215%	282%	225%
Revenue bonds – Highways										
Gross revenue	N/A	$ 428,136	$ 232,543	$ 197,142	$ 184,852	$ 189,498	$ 213,378	$ 210,989	$ 204,287	$ 190,438
Less: Operating expenses	N/A	245,863	173,811	165,857	179,400	189,987	184,097	172,167	172,633	121,776
Net available revenue	N/A	182,273	58,732	31,285	5,452	(489)	29,281	38,822	31,654	68,662
Debt services										
Principal	27,685	26,320	22,465	21,570	20,535	16,150	15,495	14,885	14,295	11,800
Interest	19,658	21,047	18,906	17,195	18,028	15,823	12,930	12,988	14,096	13,043
Total debt services	47,343	47,367	41,371	38,765	38,563	31,973	28,425	27,873	28,391	24,843
Coverage (8)	N/A	385%	142%	81%	14%	-2%	103%	139%	111%	276%
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	$ 15,763	$ 12,585	$ 12,078	$ 12,036	$ 11,939	$ -	$ -	$ -	$ 10,289	$ 8,611
Less: Operating expenses	-	-	-	-	-	-	-	-	6,321	5,601
Net available revenue	15,763	12,585	12,078	12,036	11,939	-	-	-	3,968	3,010
Debt services										
Principal	740	710	680	655	640	-	-	-	1,250	1,200
Interest	2,270	2,301	2,328	2,254	2,370	-	-	-	391	440
Total debt services	3,010	3,011	3,008	2,909	3,010	-	-	-	1,641	1,640
Coverage (5)	524%	418%	402%	414%	397%	0%	0%	0%	242%	184%

(1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.

(2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.

(3) On January 5, 2005, Airports disbursed $69,300,000 for the Airport Revenue Fund to the paying agent to redeem the outstanding balance of the Airports System Revenue Bonds, Refunding Series of 2003 in its entirety.

(4) For purposes of calculating the debt service requirement, interest payments for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.

For fiscal 2005, Airports deposited $20,000,000 of available funds into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2005 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

For fiscal 2008, Airports deposited $10,000,000 of available funds into the Airports Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2008 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

For fiscal 2014, Airports transferred $19,000,000 of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

(5) Revenue bond indentures require a minimum debt service coverage percentage of 125%.

(6) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.

(7) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.

(8) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).

N/A Not available

Coverage equals net available revenue divided by debt services.

Source: Airports Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Airports Division.
Harbors Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Harbors Division.
Highways Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Highways Division.

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics
Ten Years Ended June 30, 2014

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Population (in thousands)										
State	1,420	1,404	1,392	1,375	1,300	1,298	1,287	1,276	1,285	1,273
Percentage change	1.14%	0.85%	1.22%	5.77%	0.15%	0.46%	0.54%	1.09%	1.50%	1.04%
National	318,857	316,129	313,914	311,592	308,746	307,007	304,375	301,580	285,593	295,753
Percentage change	0.86%	0.70%	0.74%	0.92%	0.57%	0.86%	0.93%	1.00%	0.96%	0.92%
Total personal income (in millions)										
State	$ 64,620	$ 63,209	$ 59,928	$ 58,129	$ 56,248	$ 54,413	$ 54,181	$ 50,131	$ 47,339	$ 44,111
Percentage change	2.23%	5.19%	3.00%	3.34%	3.37%	0.43%	8.08%	5.90%	7.32%	7.51%
National	$ 14,420,041	$ 13,904,502	$ 13,150,560	$ 12,691,347	$ 12,530,101	$ 12,015,535	$ 12,225,589	$ 11,879,836	$ 11,256,516	$ 10,476,669
Percentage change	3.71%	5.42%	3.49%	1.29%	4.28%	(1.72%)	2.91%	5.54%	7.44%	5.52%
Per capita personal income (in thousands)										
State	$ 45,507	$ 45,021	$ 43,052	$ 42,276	$ 43,268	$ 42,018	$ 42,099	$ 39,073	$ 37,013	$ 34,788
Percentage change	1.08%	4.37%	1.80%	(2.29%)	2.97%	(0.19%)	7.74%	5.57%	6.40%	6.33%
National	$ 45,224	$ 43,984	$ 41,892	$ 40,731	$ 40,584	$ 39,138	$ 40,166	$ 39,392	$ 37,698	$ 35,424
Percentage change	2.82%	4.75%	2.77%	0.36%	3.69%	(2.56%)	1.96%	4.49%	6.42%	4.45%
Resident civilian labor force and employment										
Civilian labor force employed	624,638	615,546	615,333	591,329	587,304	594,500	620,000	623,150	622,300	609,850
Unemployed	30,142	33,913	43,321	39,941	41,600	43,250	26,000	17,000	15,800	17,250
Unemployment rate	4.60%	5.20%	6.60%	6.30%	6.60%	6.80%	4.00%	2.70%	2.50%	2.90%

Source: State of Hawaii, Department of Business, Economic Development and Tourism – QSER.
Bureau of Economic Analysis – Regional Economic Accounts.
State of Hawaii, Department of Labor and Industrial Relations – Hawaii Workforce Infonet (HWI).

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers
June 30, 2014 and June 30, 2005

2014			2005		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
Bank of Hawaii Corp	2,261	0.3%	Aloha Airgroup Inc.	3,701	0.6%
First Hawaiian Bank	2,056	0.3%	Hawaii Pacific Health	5,449	0.9%
Hawaii Pacific Health	6,307	1.0%	Hawaiian Airlines, Inc.	3,300	0.5%
Hawaiian Electric Industries, Inc.	3,966	0.6%	Hawaiian Electric Industries, Inc.	3,354	0.5%
Hawaiian Holdings, Inc.	5,249	0.8%	Kaiser Permanente Hawaii	3,918	0.6%
Kaiser Permanente Hawaii	4,371	0.7%	Kyo-ya Co. Ltd	3,574	0.6%
Kamehameha Schools	2,300	0.4%	Marriott International	3,698	0.6%
Kyo-ya Company LLC	2,964	0.5%	McDonald's Restaurants of Hawaii	3,750	0.6%
Securitas Security Services USA, Inc.	2,400	0.4%	Starwood Hotels and Resorts Hawaii	3,500	0.6%
The Queen's Health Systems	5,585	0.9%	The Queen's Health Systems	3,673	0.6%

Source: Hawaii Business, Annual August Issue.
State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor (Total State Employees).

Note: Total Annual Average Employment for Hawaii for fiscal year 2014 – 655,000 and for fiscal year 2005 – 617,000.

Listed alphabetically.

State of Hawaii
Demographic and Economic Information
State Employees by Function
Ten Years Ended June 30, 2014

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	4,572	4,419	4,394	4,381	4,381	4,752	4,720	4,523	4,638	4,698
Public safety	3,175	2,981	2,903	2,864	2,880	3,089	3,011	2,889	2,881	2,828
Transportation	2,254	2,275	2,202	2,160	2,158	2,290	2,229	2,222	2,287	2,266
Conservation of natural resources	1,007	972	929	941	983	1,146	1,126	1,041	1,040	976
Health	6,813	7,136	6,919	6,876	6,863	7,266	6,730	6,909	6,906	6,697
Welfare	1,941	1,940	1,800	1,788	1,848	2,404	2,312	2,242	2,386	2,400
Lower education	21,797	21,976	22,065	21,917	22,090	22,675	22,620	23,521	22,771	22,104
Higher education	9,080	8,978	8,795	8,687	8,732	9,066	8,705	8,619	8,375	8,108
Other education	492	-	454	473	482	516	518	509	523	505
Urban redevelopment and housing	127	116	127	130	146	154	150	147	136	131
Economic development and assistance	759	781	815	816	835	1,141	865	850	864	912
Total	52,017	51,574	51,403	51,033	51,398	54,499	52,986	53,472	52,807	51,625

Source: State of Hawaii, Department of Human Resources Development.

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2014

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
General government					
Tax Commission					
Total individual net income returns	737,205	612,373	703,262	747,237	665,057
Number of individual net income returns filed electronically	483,817	397,178	430,421	388,463	322,515
Percentage of individual net income returns transmitted electronically	65.63%	64.86%	61.20%	51.99%	48.49%
Public safety					
Inmate population					
In-state facilities	4,456	4,438	4,396	4,423	4,047
Out-of-state facilities	1,363	1,415	1,677	1,667	1,940
Total	5,819	5,853	6,073	6,090	5,987
Conservation and natural resources					
Department of Parks and Recreation					
Number of state-owned parks	51	53	53	53	53
Health					
Environmental health					
Air quality sites monitored	13	14	12	14	13
Water quality stations	173	173	193	201	290
Mental health					
Adult consumers served	10,408	10,728	11,062	11,194	14,633
Individuals with developmental disabilities served	2,615	2,599	2,558	2,438	2,661
Revolving loan funds	149	133	120	109	107
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	8,927	10,075	10,300	10,014	9,448
Average time on assistance	N/A	14.6	13.5	13.0	15.0
Monthly benefits paid for the month of July (in millions)	$ 4.10	$ 5.47	$ 6.42	$ 6.17	$ 5.29
General assistance					
Individuals per month	5,598	5,687	5,633	5,298	5,068
Food stamp program					
Number of persons participating	193,565	187,062	172,676	154,496	133,043
Number of households participating	98,440	94,649	86,418	77,133	66,885
Benefits issued (in millions)	$ 43.39	$ 40.33	$ 37.18	$ 33.42	$ 28.74
Medicaid programs					
MedQuest enrollment	325,510	292,423	287,902	272,218	259,307

2009	2008	2007	2006	2005
682,178	678,305	667,297	602,375	595,035
308,366	271,212	231,154	196,959	156,199
45.20%	39.98%	34.64%	32.70%	26.25%
3,928	6,014	6,045	6,251	6,092
2,077	2,014	2,009	1,844	1,730
6,005	8,028	8,054	8,095	7,822
53	53	53	53	N/A
14	14	16	16	N/A
349	271	363	363	N/A
15,772	15,586	13,545	12,245	10,136
2,879	2,821	3,360	2,300	3,302
102	90	73	65	53
8,661	8,358	8,381	9,837	10,642
14.0	13.0	16.0	15.0	15.0
$ 3.46	$ 4.75	$ 4.60	$ 5.09	$ 5.96
5,014	4,458	3,955	3,917	3,994
109,268	93,956	88,847	88,967	95,032
54,925	47,545	45,026	46,285	47,795
$ 20.22	$ 14.64	$ 12.89	$ 12.49	$ 12.98
235,203	211,105	202,126	203,345	200,534

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2014

	Fiscal Year Ended June 30,				
	2014	2013	2012	2011	2010
Lower education					
Number of schools	288	286	286	287	286
Number of students	185,273	183,251	181,213	178,208	178,649
Staff					
Classroom teachers	11,781	11,632	11,458	11,046	11,262
Librarians	185	192	199	204	225
Counselors	625	629	627	618	646
Administrators	833	823	806	734	728
Other support staff	9,014	8,987	8,975	8,408	8,607
Total	22,438	22,263	22,065	21,010	21,468
Higher education					
Enrollment					
Number of credit students	57,052	58,941	60,295	60,330	60,090
Degrees earned					
Certificates/Associate Degrees/Advanced	5,158	4,097	3,638	3,324	3,025
Professional certificates					
Bachelor's degrees	4,408	4,236	4,055	3,796	3,593
Master's degrees/Professional diploma	1,179	1,095	1,287	1,269	1,216
Doctor's degrees/First Professional	467	508	494	496	351
Other	66	65	154	103	106
Total	11,278	10,001	9,628	8,988	8,291
Degrees by campus/college					
University of Hawaii at Manoa	4,949	4,737	4,767	4,675	4,414
University of Hawaii at Hilo	806	809	915	731	601
University of Hawaii at West Oahu	352	349	301	255	242
Hawaii Community College	669	552	452	405	426
Honolulu Community College	683	551	565	559	486
Kapiolani Community College	1,513	1,193	987	851	783
Kauai Community College	203	216	196	208	162
Leeward Community College	1,090	770	721	657	608
Maui Community College	660	601	560	482	416
Windward Community College	353	223	164	165	153
Total	11,278	10,001	9,628	8,988	8,291

N/A Not available.

Note: Migration to new registration system at the UH Community Colleges in Fall 2006 and at UH Mānoa, UH at Hilo, and UH at West Oahu in Fall 2006.

Source: General Government – State of Hawaii, Department of Taxation.
Public Safety – State of Hawaii, Department of Public Safety.
Conservation of Natural Resources – State of Hawaii, Department of Land and Natural Resources.
Health – State of Hawaii, Department of Health.
Welfare – State of Hawaii, Department of Human Services.
Lower Education – State of Hawaii, Department of Education.
Higher Education – University of Hawaii.

2009	2008	2007	2006	2005
289	287	286	285	285
177,871	178,369	179,234	181,406	181,897
11,294	11,396	11,270	11,226	11,146
249	257	272	292	291
660	660	670	671	657
747	773	746	706	701
8,654	8,566	8,103	8,164	7,735
21,604	21,652	21,061	21,059	20,530
57,945	53,526	50,454	49,990	50,157
2,785	2,660	2,710	2,637	2,671
3,705	3,698	3,586	3,639	3,294
1,185	1,269	1,219	1,320	1,262
354	369	320	321	310
55	-	-	-	-
8,084	7,996	7,835	7,917	7,537
4,496	4,566	4,313	4,401	4,175
614	588	592	614	497
221	180	217	265	194
386	346	311	339	315
504	520	537	515	561
702	685	757	641	731
163	139	135	114	165
503	475	514	533	482
364	367	336	360	306
131	130	123	135	111
8,084	7,996	7,835	7,917	7,537

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function
Ten Years Ended June 30, 2014

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government										
Department of Accounting and General Services	78	74	74	74	74	74	72	71	10	10
Buildings	650	608	600	592	582	602	571	553	581	701
Vehicles										
Department of the Attorney General										
Buildings	6	5	5	5	5	5	5	5	5	5
Vehicles	3	3	3	3	3	3	2	1	1	1
The Judiciary										
Buildings	19	19	18	18	18	18	17	17	17	17
Vehicles	18	18	18	17	16	15	13	14	15	43
Other departments										
Buildings	23	22	24	24	24	23	23	23	21	21
Vehicles	4	4	4	4	4	4	5	6	6	6
Public Safety										
Department of Public Safety										
Buildings and correction facilities	75	74	74	74	73	72	71	71	71	72
Vehicles	279	274	277	278	277	262	260	245	241	228
Department of Defense										
Buildings	98	98	97	97	96	96	96	100	98	93
Vehicles	128	118	112	81	79	79	79	84	77	80
Department of Commerce and Consumer Affairs										
Buildings	4	4	4	4	4	4	4	4	4	4
Vehicles	-	-	-	-	1	-	-	-	-	-
Highways										
Department of Transportation										
Highway lane miles	2,488	N/A	N/A	N/A	2,497	2,479	2,478	2,466	2,433	2,438
Highway bridges	752	N/A	N/A	N/A	752	752	752	752	752	752
Buildings	37	36	36	34	34	34	29	26	26	26
Vehicles	982	984	951	958	968	963	949	932	918	894

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles and Highway Bridges – State of Hawaii, Department of Transportation.
Land Area – State of Hawaii, Data Book 2013.

	Fiscal Year Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Conservation of natural resources										
Department of Land and Natural Resources										
Land area (in square miles)	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423
Buildings	96	94	93	95	95	95	74	76	75	75
Vehicles	785	788	756	758	732	731	706	681	597	669
Department of Agriculture										
Buildings	32	32	32	32	32	32	32	31	27	27
Vehicles	166	167	170	176	186	186	184	166	167	166
Health										
Department of Health										
Buildings	74	74	74	74	74	72	71	75	69	68
Vehicles	227	238	252	259	280	284	295	292	283	290
Welfare										
Department of Human Services										
Buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	116	110	107	111	111	117	128	126	134	132
Lower education										
Department of Education										
Buildings	8	8	8	8	8	8	8	8	8	7
Other education										
Department of Education – libraries										
Buildings	38	38	34	34	34	34	34	34	34	34
Vehicles	25	27	28	27	28	28	30	31	33	32
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	18	18	18	18	18	17	16	18	15	12
Vehicles	33	37	33	34	34	34	33	30	29	26
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	32	32	33	33	33	33	32	27	30	28
Vehicles	28	30	32	33	34	34	39	37	36	40
Department of Labor and Industrial Relations										
Buildings	8	8	8	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	6

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APPENDIX C

EXTRACT FROM THE CONSTITUTION OF THE STATE OF HAWAII

ARTICLE VII
TAXATION AND FINANCE
LAPSING OF APPROPRIATIONS

Section 11. All appropriations for which the source is general obligation bond funds or general funds shall be for specified periods. No such appropriation shall be made for a period exceeding three years; provided that appropriations from the state educational facilities improvement special fund may be made for periods exceeding three years to allow for construction or acquisition of public school facilities. Any such appropriation or any portion of any such appropriation that is unencumbered at the close of the fiscal period for which the appropriation is made shall lapse; provided that no appropriation for which the source is general obligation bond funds nor any portion of any such appropriation shall lapse if the legislature determines that the appropriation or any portion of the appropriation is necessary to qualify for federal aid financing and reimbursement. Where general obligation bonds have been authorized for an appropriation, the amount of the bond authorization shall be reduced in an amount equal to the amount lapsed.

DEFINITIONS; ISSUANCE OF INDEBTEDNESS

Section 12. For the purposes of this article:

1. The term "bonds" shall include bonds, notes and other instruments of indebtedness.

2. The term "general obligation bonds" means all bonds for the payment of the principal and interest of which the full faith and credit of the State or a political subdivision are pledged and, unless otherwise indicated, includes reimbursable general obligation bonds.

3. The term "net revenues" or "net user tax receipts" means the revenues or receipts derived from:

   a. A public undertaking, improvement or system remaining after the costs of operation, maintenance and repair of the public undertaking, improvement or system, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made; or

   b. Any payments or return on security under a loan program or a loan thereunder, after the costs of operation and administration of the loan program, and the required payments of the principal of and interest on all revenue bonds issued therefor, have been made.

4. The term "person" means an individual, firm, partnership, corporation, association, cooperative or other legal entity, governmental body or agency, board, bureau or other instrumentality thereof, or any combination of the foregoing.

5. The term "rates, rentals and charges" means all revenues and other moneys derived from the operation or lease of a public undertaking, improvement or system, or derived from any payments or return on security under a loan program or a loan thereunder; provided that insurance premium payments, assessments and surcharges, shall constitute rates, rentals and charges of a state property insurance program.

6. The term "reimbursable general obligation bonds" means general obligation bonds issued for a public undertaking, improvement or system from which revenues, or user taxes, or a combination of both, may be derived for the payment of the principal and interest as reimbursement to the general fund and for

which reimbursement is required by law, and, in the case of general obligation bonds issued by the State for a political subdivision, general obligation bonds for which the payment of the principal and interest as reimbursement to the general fund is required by law to be made from the revenue of the political subdivision.

7. The term "revenue bonds" means all bonds payable from the revenues, or user taxes, or any combination of both, of a public undertaking, improvement, system or loan program and any loan made thereunder and secured as may be provided by law, including a loan program to provide loans to a state property insurance program providing hurricane insurance coverage to the general public.

8. The term "special purpose revenue bonds" means all bonds payable from rental or other payments made to an issuer by a person pursuant to contract and secured as may be provided by law.

9. The term "user tax" means a tax on goods or services or on the consumption thereof, the receipts of which are substantially derived from the consumption, use or sale of goods and services in the utilization of the functions or services furnished by a public undertaking, improvement or system; provided that mortgage recording taxes shall constitute user taxes of a state property insurance program.

The legislature, by a majority vote of the members to which each house is entitled, shall authorize the issuance of all general obligation bonds, bonds issued under special improvement statutes and revenue bonds issued by or on behalf of the State and shall prescribe by general law the manner and procedure for such issuance. The legislature by general law shall authorize political subdivisions to issue general obligation bonds, bonds issued under special improvement statutes and revenue bonds and shall prescribe the manner and procedure for such issuance. All such bonds issued by or on behalf of a political subdivision shall be authorized by the governing body of such political subdivision.

Special purpose revenue bonds shall only be authorized or issued to finance facilities of or for, or to loan the proceeds of such bonds to assist:

1. Manufacturing, processing or industrial enterprises;

2. Utilities serving the general public;

3. Health care facilities provided to the general public by not for profit corporations;

4. Early childhood education and care facilities provided to the general public by not for profit corporations;

5. Low and moderate income government housing programs;

6. Not for profit private nonsectarian and sectarian elementary schools, secondary schools, colleges and universities;

7. Agricultural enterprises; or

8. Dam and Reservoir Owners,

each of which is hereinafter referred to in this paragraph as a special purpose entity.

The legislature, by a two-thirds vote of the members to which each house is entitled, may enact enabling legislation for the issuance of special purpose revenue bonds separately for each special purpose entity, and, by a two-thirds vote of the members to which each house is entitled and by separate legislative bill, may authorize the State to issue special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be

in the public interest by the legislature; and provided further that the State may combine into a single issue of special purpose revenue bonds two or more proposed issues of special purpose revenue bonds to assist not-for-profit private nonsectarian and sectarian elementary schools, secondary schools, colleges, and universities, separately authorized as aforesaid, in the total amount of not exceeding the aggregate of the proposed separate issues of special purpose revenue bonds. The legislature may enact enabling legislation to authorize political subdivisions to issue special purpose revenue bonds. If so authorized, a political subdivision by a two-thirds vote of the members to which its governing body is entitled and by separate ordinance may authorize the issuance of special purpose revenue bonds for each single project or multi-project program of each special purpose entity; provided that the issuance of such special purpose revenue bonds is found to be in the public interest by the governing body of the political subdivision. No special purpose revenue bonds shall be secured directly or indirectly by the general credit of the issuer or by any revenues or taxes of the issuer other than receipts derived from payments by a person or persons under contract or from any security for such contract or contracts or special purpose revenue bonds and no moneys other than such receipts shall be applied to the payment thereof. The governor shall provide the legislature in November of each year with a report on the cumulative amount of all special purpose revenue bonds authorized and issued, and such other information as may be necessary.

DEBT LIMIT; EXCLUSIONS

Section 13. General obligation bonds may be issued by the State; provided that such bonds at the time of issuance would not cause the total amount of principal and interest payable in the current or any future fiscal year, whichever is higher, on such bonds and on all outstanding general obligation bonds to exceed: a sum equal to twenty percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance until June 30, 1982; and thereafter, a sum equal to eighteen and one-half percent of the average of the general fund revenues of the State in the three fiscal years immediately preceding such issuance. Effective July 1, 1980, the legislature shall include a declaration of findings in every general law authorizing the issuance of general obligation bonds that the total amount of principal and interest, estimated for such bonds and for all bonds authorized and unissued and calculated for all bonds issued and outstanding, will not cause the debt limit to be exceeded at the time of issuance. Any bond issue by or on behalf of the State may exceed the debt limit if an emergency condition is declared to exist by the governor and concurred to by a two-thirds vote of the members to which each house of the legislature is entitled. For the purpose of this paragraph, general fund revenues of the State shall not include moneys received as grants from the federal government and receipts in reimbursement of any reimbursable general obligation bonds which are excluded as permitted by this section.

A sum equal to fifteen percent of the total of the assessed values for tax rate purposes of real property in each political subdivision, as determined by the last tax assessment rolls pursuant to law, is established as the limit of the funded debt of such political subdivision that is outstanding and unpaid at any time.

All general obligation bonds for a term exceeding two years shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal of general obligation bonds and of reimbursable general obligation bonds shall mature not later than five years from the date of issue of such series. The last installment on general obligation bonds shall mature not later than twenty-five years from the date of such issue and the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds and on bonds constituting instruments of indebtedness under which the State or a political subdivision incurs a contingent liability as a guarantor shall mature not later than thirty-five years from the date of such issue. The interest and principal payments of general obligation bonds shall be a first charge on the general fund of the State or political subdivision, as the case may be.

In determining the power of the State to issue general obligation bonds or the funded debt of any political subdivision under Section 12, the following shall be excluded:

1. Bonds that have matured, or that mature in the then current fiscal year, or that have been irrevocably called for redemption and the redemption date has occurred or will occur in the then fiscal year, or for the full payment of which moneys or securities have been irrevocably set aside.

2. Revenue bonds, if the issuer thereof is obligated by law to impose rates, rentals and charges for the use and services of the public undertaking, improvement or system or the benefits of a loan program or a loan thereunder or to impose a user tax, or to impose a combination of rates, rentals and charges and user tax, as the case may be, sufficient to pay the cost of operation, maintenance and repair, if any, of the public undertaking, improvement or system or the cost of maintaining a loan program or a loan thereunder and the required payments of the principal of and interest on all revenue bonds issued for the public undertaking, improvement or system or loan program, and if the issuer is obligated to deposit such revenues or tax or a combination of both into a special fund and to apply the same to such payments in the amount necessary therefor.

3. Special purpose revenue bonds, if the issuer thereof is required by law to contract with a person obligating such person to make rental or other payments to the issuer in an amount at least sufficient to make the required payment of the principal of and interest on such special purpose revenue bonds.

4. Bonds issued under special improvement statutes when the only security for such bonds is the properties benefited or improved or the assessments thereon.

5. General obligation bonds issued for assessable improvements, but only to the extent that reimbursements to the general fund for the principal and interest on such bonds are in fact made from assessment collections available therefor.

6. Reimbursable general obligation bonds issued for a public undertaking, improvement or system but only to the extent that reimbursements to the general fund are in fact made from the net revenue, or net user tax receipts, or combination of both, as determined for the immediately preceding fiscal year.

7. Reimbursable general obligation bonds issued by the State for any political subdivision, whether issued before or after the effective date of this section, but only for as long as reimbursement by the political subdivision to the State for the payment of principal and interest on such bonds is required by law; provided that in the case of bonds issued after the effective date of this section, the consent of the governing body of the political subdivision has first been obtained; and provided further that during the period that such bonds are excluded by the State, the principal amount then outstanding shall be included within the funded debt of such political subdivision.

8. Bonds constituting instruments of indebtedness under which the State or any political subdivision incurs a contingent liability as a guarantor, but only to the extent the principal amount of such bonds does not exceed seven percent of the principal amount of outstanding general obligation bonds not otherwise excluded under this section; provided that the State or political subdivision shall establish and maintain a reserve in an amount in reasonable proportion to the outstanding loans guaranteed by the State or political subdivision as provided by law.

9. Bonds issued by or on behalf of the State or by any political subdivision to meet appropriations for any fiscal period in anticipation of the collection of revenues for such period or to meet casual deficits or failures of revenue, if required to be paid within one year, and bonds issued by or on behalf of the State to suppress insurrection, to repel invasion, to defend the State in war or to meet emergencies caused by disaster or act of God.

The total outstanding indebtedness of the State or funded debt of any political subdivision and the exclusions therefrom permitted by this section shall be made annually and certified by law or as provided by

law. For the purposes of Section 12 and this section, amounts received from on-street parking may be considered and treated as revenues of a parking undertaking.

Nothing in Section 12 or in this section shall prevent the refunding of any bond at any time.

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APPENDIX D

GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII

As of October 1, 2015

ISSUED AND OUTSTANDING

General Obligation bonds and general obligation refunding bonds of the State of Hawaii

issued and outstanding

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
December 1, 1996	$150,000,000, Series CM, non-callable	6.500%	December 1, 2015-2016	@	8,330,000.00	$16,660,000.00
June 15, 2005	$225,000,000, Series DF, callable	3.750%	July 1, 2016	@	60,000.00	$60,000.00
March 23, 2006	$350,000,000, Series DI, callable	4.000%	March 1, 2016	@	7,135,000.00	
		5.000%	March 1, 2016	@	11,030,000.00	
		4.000%	March 1, 2017	@	1,705,000.00	
		5.000%	March 1, 2026	@	16,265,000.00	$36,135,000.00
April 12, 2007	$350,000,000, Series DJ, callable	4.000%	April 1, 2016	@	8,990,000.00	
		4.500%	April 1, 2016	@	2,250,000.00	
		5.000%	April 1, 2016	@	6,095,000.00	
		3.800%	April 1, 2017	@	3,115,000.00	
		4.500%	April 1, 2017	@	375,000.00	
		5.000%	April 1, 2017	@	14,610,000.00	
		5.000%	April 1, 2019	@	17,610,000.00	
		5.000%	April 1, 2021	@	500,000.00	
		5.000%	April 1, 2022	@	2,845,000.00	
		5.000%	April 1, 2025	@	3,650,000.00	
		5.000%	April 1, 2026	@	28,025,000.00	$88,065,000.00
May 20, 2008	$375,000,000, Series DK, callable	5.000%	May 1, 2016	@	17,730,000.00	
		5.000%	May 1, 2017	@	18,615,000.00	
		5.000%	May 1, 2018	@	13,445,000.00	
		4.000%	May 1, 2019	@	3,600,000.00	
		4.250%	May 1, 2019	@	6,350,000.00	
		5.000%	May 1, 2019	@	9,495,000.00	
		4.100%	May 1, 2020	@	3,725,000.00	
		5.000%	May 1, 2020	@	855,000.00	
		4.200%	May 1, 2021	@	3,125,000.00	
		5.000%	May 1, 2021	@	19,325,000.00	
		4.250%	May 1, 2022	@	2,335,000.00	
		5.000%	May 1, 2022	@	21,215,000.00	
		4.300%	May 1, 2023	@	3,735,000.00	
		5.000%	May 1, 2023	@	5,465,000.00	
		4.375%	May 1, 2024	@	125,000.00	
		5.000%	May 1, 2024	@	1,760,000.00	
		4.400%	May 1, 2025	@	2,445,000.00	
		5.000%	May 1, 2025	@	24,760,000.00	
		4.400%	May 1, 2026	@	1,900,000.00	
		5.000%	May 1, 2026	@	26,650,000.00	
		4.500%	May 1, 2027	@	3,255,000.00	
		5.000%	May 1, 2027	@	22,800,000.00	
		4.500%	May 1, 2028	@	5,670,000.00	
		5.000%	May 1, 2028	@	25,780,000.00	$244,160,000.00
May 20, 2008	$29,010,000, Series DL, non-callable (refunding)	3.500%	May 1, 2016	@	4,275,000.00	
		3.700%	May 1, 2017	@	4,425,000.00	
		5.000%	May 1, 2018	@	4,590,000.00	$13,290,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
December 16, 2008	$100,000,000, Series DN, callable	5.000%	August 1, 2016	@	4,660,000.00	
		5.000%	August 1, 2017	@	4,900,000.00	
		4.250%	August 1, 2018	@	935,000.00	
		5.000%	August 1, 2018	@	4,210,000.00	
		5.000%	August 1, 2019	@	5,405,000.00	
		5.000%	August 1, 2020	@	5,685,000.00	
		5.000%	August 1, 2021	@	5,975,000.00	
		5.000%	August 1, 2022	@	6,280,000.00	
		5.000%	August 1, 2023	@	5,800,000.00	
		5.125%	August 1, 2024	@	6,945,000.00	
		5.250%	August 1, 2025	@	7,315,000.00	
		5.500%	August 1, 2026	@	7,720,000.00	
		5.500%	August 1, 2027	@	8,155,000.00	
		5.500%	August 1, 2028	@	8,620,000.00	$82,605,000.00
December 16, 2008	$101,825,000, Series DO, non-callable (refunding)	4.000%	August 1, 2016	@	6,710,000.00	
		5.000%	August 1, 2016	@	6,745,000.00	
		4.000%	August 1, 2017	@	4,835,000.00	
		5.000%	August 1, 2017	@	9,255,000.00	
		4.250%	August 1, 2018	@	7,350,000.00	
		5.000%	August 1, 2018	@	7,410,000.00	$42,305,000.00
December 16, 2008	$26,000,000, Series DP, non-callable (taxable)	5.680%	August 1, 2016	@	4,910,000.00	$4,910,000.00
June 23, 2009	$500,000,000, Series DQ, callable	5.000%	June 1, 2016	@	18,310,000.00	
		5.000%	June 1, 2017	@	23,535,000.00	
		5.000%	June 1, 2019	@	25,945,000.00	
		3.600%	June 1, 2020	@	1,330,000.00	
		5.000%	June 1, 2020	@	25,910,000.00	
		3.750%	June 1, 2021	@	2,015,000.00	
		5.000%	June 1, 2021	@	26,570,000.00	
		4.000%	June 1, 2022	@	475,000.00	
		5.000%	June 1, 2022	@	29,515,000.00	
		4.000%	June 1, 2023	@	2,105,000.00	
		5.000%	June 1, 2023	@	29,380,000.00	
		4.125%	June 1, 2024	@	1,950,000.00	
		5.000%	June 1, 2024	@	31,090,000.00	
		5.000%	June 1, 2025	@	34,670,000.00	
		5.000%	June 1, 2026	@	36,405,000.00	
		5.000%	June 1, 2027	@	38,225,000.00	
		5.000%	June 1, 2028	@	40,140,000.00	
		4.500%	June 1, 2029	@	8,070,000.00	
		5.000%	June 1, 2029	@	34,075,000.00	$409,715,000.00
June 23, 2009	$225,410,000, Series DR, non-callable	3.500%	June 1, 2016	@	2,275,000.00	
		4.000%	June 1, 2016	@	5,075,000.00	
		5.000%	June 1, 2016	@	21,130,000.00	
		3.000%	June 1, 2017	@	1,085,000.00	
		4.000%	June 1, 2017	@	1,435,000.00	
		5.000%	June 1, 2017	@	35,700,000.00	
		4.000%	June 1, 2018	@	3,435,000.00	
		5.000%	June 1, 2018	@	23,155,000.00	
		4.000%	June 1, 2019	@	3,805,000.00	
		4.250%	June 1, 2019	@	15,195,000.00	
		5.000%	June 1, 2019	@	23,060,000.00	$135,350,000.00
November 5, 2009	$32,000,000, Series DS, QSCB tax credit bonds	0.200%	September 15, 2016	@	2,840,000.00	
		0.400%	September 15, 2017	@	2,840,000.00	
		0.600%	September 15, 2018	@	2,880,000.00	
		0.800%	September 15, 2019	@	2,880,000.00	
		1.000%	September 15, 2020	@	2,920,000.00	
		1.200%	September 15, 2021	@	2,960,000.00	
		1.300%	September 15, 2022	@	2,960,000.00	
		1.350%	September 15, 2023	@	3,000,000.00	
		1.450%	September 15, 2024	@	3,040,000.00	$26,320,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
November 24, 2009	$204,140,000, Series DT, non-callable	2.500%	November 1, 2015	@	2,000,000.00	
		4.000%	November 1, 2015	@	11,500,000.00	
		5.000%	November 1, 2015	@	18,085,000.00	
		2.750%	November 1, 2016	@	600,000.00	
		3.500%	November 1, 2016	@	2,750,000.00	
		5.000%	November 1, 2016	@	29,745,000.00	
		3.000%	November 1, 2017	@	1,500,000.00	
		4.000%	November 1, 2017	@	4,250,000.00	
		5.000%	November 1, 2017	@	28,975,000.00	
		3.250%	November 1, 2018	@	6,090,000.00	
		4.000%	November 1, 2018	@	5,240,000.00	
		5.000%	November 1, 2018	@	25,060,000.00	
		3.500%	November 1, 2019	@	4,250,000.00	
		4.500%	November 1, 2019	@	18,250,000.00	
		5.000%	November 1, 2019	@	15,590,000.00	$173,885,000.00
February 18, 2010	$500,000,000, Series DX, BABs, callable (Optional Make-Whole Redemptions)	3.380%	February 1, 2016	@	23,080,000.00	
		3.730%	February 1, 2017	@	23,860,000.00	
		4.090%	February 1, 2018	@	24,745,000.00	
		4.290%	February 1, 2019	@	25,760,000.00	
		4.450%	February 1, 2020	@	26,865,000.00	
		4.600%	February 1, 2021	@	28,060,000.00	
		4.800%	February 1, 2022	@	29,350,000.00	
		4.950%	February 1, 2023	@	30,760,000.00	
		5.100%	February 1, 2024	@	32,280,000.00	
		5.230%	February 1, 2025	@	33,930,000.00	
		5.330%	February 1, 2026	@	35,705,000.00	
		5.430%	February 1, 2027	@	37,605,000.00	
		5.480%	February 1, 2028	@	39,650,000.00	
		5.510%	February 1, 2029	@	41,820,000.00	
		5.530%	February 1, 2030	@	44,125,000.00	$477,595,000.00
February 18, 2010	$221,625,000, Series DY, non-callable	3.000%	February 1, 2016	@	9,730,000.00	
		4.000%	February 1, 2016	@	12,000,000.00	
		5.000%	February 1, 2016	@	12,770,000.00	
		3.500%	February 1, 2017	@	3,715,000.00	
		4.000%	February 1, 2017	@	10,550,000.00	
		5.000%	February 1, 2017	@	21,645,000.00	
		4.000%	February 1, 2018	@	6,915,000.00	
		5.000%	February 1, 2018	@	30,625,000.00	
		4.000%	February 1, 2019	@	9,000,000.00	
		5.000%	February 1, 2019	@	30,350,000.00	
		4.000%	February 1, 2020	@	11,485,000.00	
		5.000%	February 1, 2020	@	29,740,000.00	$188,525,000.00
December 7, 2011	$800,000,000, Series DZ, callable	5.000%	December 1, 2016	@	33,510,000.00	
		5.000%	December 1, 2017	@	35,230,000.00	
		5.000%	December 1, 2018	@	37,035,000.00	
		5.000%	December 1, 2019	@	38,935,000.00	
		5.000%	December 1, 2020	@	40,935,000.00	
		5.000%	December 1, 2021	@	43,030,000.00	
		5.000%	December 1, 2022	@	45,240,000.00	
		5.000%	December 1, 2023	@	47,560,000.00	
		5.000%	December 1, 2024	@	49,995,000.00	
		3.500%	December 1, 2025	@	4,400,000.00	
		5.000%	December 1, 2025	@	48,125,000.00	
		5.000%	December 1, 2026	@	55,185,000.00	
		3.750%	December 1, 2027	@	3,635,000.00	
		5.000%	December 1, 2027	@	54,360,000.00	
		5.000%	December 1, 2028	@	60,945,000.00	
		5.000%	December 1, 2029	@	64,070,000.00	
		4.000%	December 1, 2030	@	18,455,000.00	
		5.000%	December 1, 2030	@	48,805,000.00	
		4.000%	December 1, 2031	@	12,805,000.00	
		5.000%	December 1, 2031	@	57,745,000.00	$800,000,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
December 7, 2011	$403,455,000, Series EA (refunding), callable	2.000%	December 1, 2016	@	2,525,000.00	
		4.000%	December 1, 2016	@	1,900,000.00	
		5.000%	December 1, 2016	@	38,080,000.00	
		2.250%	December 1, 2017	@	1,180,000.00	
		4.000%	December 1, 2017	@	10,100,000.00	
		5.000%	December 1, 2017	@	33,290,000.00	
		2.500%	December 1, 2018	@	555,000.00	
		4.000%	December 1, 2018	@	1,700,000.00	
		5.000%	December 1, 2018	@	44,515,000.00	
		3.000%	December 1, 2019	@	2,940,000.00	
		4.000%	December 1, 2019	@	13,440,000.00	
		5.000%	December 1, 2019	@	32,675,000.00	
		3.000%	December 1, 2020	@	2,745,000.00	
		4.000%	December 1, 2020	@	16,635,000.00	
		5.000%	December 1, 2020	@	31,980,000.00	
		3.000%	December 1, 2021	@	950,000.00	
		4.000%	December 1, 2021	@	20,165,000.00	
		5.000%	December 1, 2021	@	32,650,000.00	
		3.250%	December 1, 2022	@	1,875,000.00	
		4.000%	December 1, 2022	@	13,765,000.00	
		5.000%	December 1, 2022	@	40,680,000.00	
		3.000%	December 1, 2023	@	1,000,000.00	
		5.000%	December 1, 2023	@	58,110,000.00	$403,455,000.00
December 7, 2011	$23,750,000, Series ED (refunding), non-callable	2.000%	December 1, 2015	@	2,350,000.00	
		3.000%	December 1, 2015	@	1,615,000.00	
		5.000%	December 1, 2015	@	19,785,000.00	$23,750,000.00
December 4, 2012	$444,000,000, Series EE, callable	2.000%	November 1, 2017	@	5,210,000.00	
		3.000%	November 1, 2017	@	2,200,000.00	
		4.000%	November 1, 2017	@	11,705,000.00	
		3.000%	November 1, 2018	@	975,000.00	
		4.000%	November 1, 2018	@	500,000.00	
		5.000%	November 1, 2018	@	18,445,000.00	
		1.000%	November 1, 2019	@	1,000,000.00	
		3.000%	November 1, 2019	@	2,645,000.00	
		4.000%	November 1, 2019	@	150,000.00	
		5.000%	November 1, 2019	@	17,085,000.00	
		2.000%	November 1, 2020	@	2,620,000.00	
		4.000%	November 1, 2020	@	1,125,000.00	
		5.000%	November 1, 2020	@	18,110,000.00	
		3.000%	November 1, 2021	@	1,070,000.00	
		4.000%	November 1, 2021	@	650,000.00	
		5.000%	November 1, 2021	@	21,195,000.00	
		3.000%	November 1, 2022	@	1,200,000.00	
		4.000%	November 1, 2022	@	8,720,000.00	
		5.000%	November 1, 2022	@	14,100,000.00	
		4.000%	November 1, 2023	@	435,000.00	
		5.000%	November 1, 2023	@	24,755,000.00	
		4.000%	November 1, 2024	@	7,435,000.00	
		5.000%	November 1, 2024	@	19,010,000.00	
		5.000%	November 1, 2025	@	27,760,000.00	
		5.000%	November 1, 2026	@	29,185,000.00	
		5.000%	November 1, 2027	@	30,680,000.00	
		5.000%	November 1, 2028	@	32,255,000.00	
		5.000%	November 1, 2029	@	33,910,000.00	
		3.000%	November 1, 2030	@	35,285,000.00	
		4.000%	November 1, 2031	@	36,545,000.00	
		4.000%	November 1, 2032	@	38,040,000.00	$444,000,000.00
December 4, 2012	$396,990,000, Series EF, (refunding), callable	5.000%	November 1, 2017	@	41,385,000.00	
		5.000%	November 1, 2018	@	43,505,000.00	
		5.000%	November 1, 2019	@	45,735,000.00	
		5.000%	November 1, 2020	@	48,080,000.00	
		5.000%	November 1, 2021	@	50,550,000.00	
		5.000%	November 1, 2022	@	53,140,000.00	
		5.000%	November 1, 2023	@	55,865,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
		5.000%	November 1, 2024	@	58,730,000.00	$396,990,000.00
December 4, 2012	$26,000,000, Series EG, (taxable), callable	1.000%	November 1, 2017	@	1,370,000.00	
		1.300%	November 1, 2018	@	1,385,000.00	
		1.600%	November 1, 2019	@	1,405,000.00	
		1.950%	November 1, 2020	@	1,430,000.00	
		2.150%	November 1, 2021	@	1,460,000.00	
		2.250%	November 1, 2022	@	1,490,000.00	
		2.450%	November 1, 2023	@	1,525,000.00	
		2.600%	November 1, 2024	@	1,565,000.00	
		2.750%	November 1, 2025	@	1,610,000.00	
		2.850%	November 1, 2026	@	1,655,000.00	
		3.375%	November 1, 2027	@	1,705,000.00	
		3.050%	November 1, 2028	@	1,760,000.00	
		3.150%	November 1, 2029	@	1,815,000.00	
		3.250%	November 1, 2030	@	1,875,000.00	
		3.350%	November 1, 2031	@	1,940,000.00	
		3.625%	November 1, 2032	@	2,010,000.00	$26,000,000.00
November 21, 2013	$635,000,000, Series EH, callable	5.000%	August 1, 2018	@	27,150,000.00	
		4.000%	August 1, 2019	@	11,945,000.00	
		5.000%	August 1, 2019	@	16,535,000.00	
		5.000%	August 1, 2020	@	29,880,000.00	
		4.000%	August 1, 2021	@	575,000.00	
		5.000%	August 1, 2021	@	30,830,000.00	
		4.000%	August 1, 2022	@	32,845,000.00	
		4.000%	August 1, 2023	@	600,000.00	
		5.000%	August 1, 2023	@	33,760,000.00	
		5.000%	August 1, 2024	@	36,120,000.00	
		5.000%	August 1, 2025	@	37,970,000.00	
		4.000%	August 1, 2026	@	34,740,000.00	
		5.000%	August 1, 2026	@	5,000,000.00	
		4.000%	August 1, 2027	@	34,920,000.00	
		5.000%	August 1, 2027	@	6,500,000.00	
		5.000%	August 1, 2028	@	43,365,000.00	
		5.000%	August 1, 2029	@	45,590,000.00	
		5.000%	August 1, 2030	@	47,925,000.00	
		4.000%	August 1, 2031	@	7,260,000.00	
		5.000%	August 1, 2031	@	43,085,000.00	
		5.000%	August 1, 2032	@	52,890,000.00	
		4.000%	August 1, 2033	@	17,530,000.00	
		5.000%	August 1, 2033	@	37,985,000.00	$635,000,000.00
November 21, 2013	$27,330,000, Series EK (refunding), non-callable	3.000%	August 1, 2016	@	10,000,000.00	
		5.000%	August 1, 2016	@	17,330,000.00	$27,330,000.00
November 21, 2013	$50,860,000, Series EL, (refunding), non-callable	3.000%	August 1, 2017	@	6,460,000.00	
		1.000%	August 1, 2018	@	1,500,000.00	
		4.000%	August 1, 2018	@	5,170,000.00	
		1.500%	August 1, 2019	@	1,500,000.00	
		3.000%	August 1, 2019	@	275,000.00	
		5.000%	August 1, 2019	@	5,150,000.00	
		4.000%	August 1, 2020	@	7,210,000.00	
		3.000%	August 1, 2021	@	1,600,000.00	
		5.000%	August 1, 2021	@	5,930,000.00	
		4.000%	August 1, 2022	@	7,860,000.00	
		3.000%	August 1, 2023	@	1,600,000.00	
		5.000%	August 1, 2023	@	6,605,000.00	$50,860,000.00
November 21, 2013	$25,000,000, Series EM, callable	1.950%	August 1, 2018	@	1,190,000.00	
		2.450%	August 1, 2019	@	1,215,000.00	
		2.750%	August 1, 2020	@	1,250,000.00	
		3.100%	August 1, 2021	@	1,285,000.00	
		3.350%	August 1, 2022	@	1,330,000.00	
		3.500%	August 1, 2023	@	1,375,000.00	
		3.750%	August 1, 2024	@	1,425,000.00	
		3.900%	August 1, 2025	@	1,480,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
		4.050%	August 1, 2026	@	1,540,000.00	
		4.200%	August 1, 2027	@	1,605,000.00	
		4.350%	August 1, 2028	@	1,675,000.00	
		4.450%	August 1, 2029	@	1,750,000.00	
		4.650%	August 1, 2030	@	1,835,000.00	
		4.700%	August 1, 2031	@	1,920,000.00	
		4.750%	August 1, 2032	@	2,015,000.00	
		4.800%	August 1, 2033	@	2,110,000.00	$25,000,000.00
November 21, 2013	$29,795,000, Series EN, QSCB -Direct Payment, callable	1.950%	August 1, 2018	@	1,865,000.00	
		2.450%	August 1, 2019	@	1,865,000.00	
		2.750%	August 1, 2020	@	1,865,000.00	
		3.100%	August 1, 2021	@	1,865,000.00	
		3.350%	August 1, 2022	@	1,865,000.00	
		3.500%	August 1, 2023	@	1,865,000.00	
		3.750%	August 1, 2024	@	1,865,000.00	
		3.900%	August 1, 2025	@	1,860,000.00	
		4.050%	August 1, 2026	@	1,860,000.00	
		4.200%	August 1, 2027	@	1,860,000.00	
		4.350%	August 1, 2028	@	1,860,000.00	
		4.450%	August 1, 2029	@	1,860,000.00	
		4.650%	August 1, 2030	@	1,860,000.00	
		4.700%	August 1, 2031	@	1,860,000.00	
		4.750%	August 1, 2032	@	1,860,000.00	
		4.800%	August 1, 2033	@	1,860,000.00	$29,795,000.00
November 25, 2014	$575,000,000, Series EO, callable	3.000%	August 1, 2019	@	7,810,000.00	
		5.000%	August 1, 2019	@	16,685,000.00	
		4.000%	August 1, 2020	@	9,510,000.00	
		5.000%	August 1, 2020	@	16,110,000.00	
		3.000%	August 1, 2021	@	3,740,000.00	
		5.000%	August 1, 2021	@	23,110,000.00	
		4.000%	August 1, 2022	@	5,255,000.00	
		5.000%	August 1, 2022	@	22,905,000.00	
		3.000%	August 1, 2023	@	2,095,000.00	
		5.000%	August 1, 2023	@	27,460,000.00	
		4.000%	August 1, 2024	@	5,305,000.00	
		5.000%	August 1, 2024	@	25,720,000.00	
		3.000%	August 1, 2025	@	730,000.00	
		5.000%	August 1, 2025	@	31,850,000.00	
		4.000%	August 1, 2026	@	440,000.00	
		5.000%	August 1, 2026	@	33,800,000.00	
		3.000%	August 1, 2027	@	2,130,000.00	
		5.000%	August 1, 2027	@	33,845,000.00	
		5.000%	August 1, 2028	@	37,795,000.00	
		5.000%	August 1, 2029	@	37,695,000.00	
		3.250%	August 1, 2029	@	2,020,000.00	
		5.000%	August 1, 2030	@	41,735,000.00	
		4.000%	August 1, 2031	@	23,750,000.00	
		5.000%	August 1, 2031	@	20,000,000.00	
		4.000%	August 1, 2032	@	25,740,000.00	
		5.000%	August 1, 2032	@	20,000,000.00	
		4.000%	August 1, 2033	@	27,815,000.00	
		5.000%	August 1, 2033	@	20,000,000.00	
		3.500%	August 1, 2034	@	7,890,000.00	
		5.000%	August 1, 2034	@	20,000,000.00	
		4.000%	August 1, 2034	@	22,060,000.00	$575,000,000.00
November 25, 2014	$209,015,000, Series EP, (refunding), callable	5.000%	August 1, 2019	@	21,790,000.00	
		5.000%	August 1, 2020	@	22,905,000.00	
		5.000%	August 1, 2021	@	24,080,000.00	
		5.000%	August 1, 2022	@	25,315,000.00	
		5.000%	August 1, 2023	@	26,615,000.00	
		5.000%	August 1, 2024	@	27,980,000.00	
		5.000%	August 1, 2025	@	29,410,000.00	
		5.000%	August 1, 2026	@	30,920,000.00	$209,015,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates and Amount Due			Outstanding Principal
November 25, 2014	$25,000,000, Series EQ, (taxable), callable, Make-Whole Optional Redemption	2.035%	August 1, 2019	@	1,230,000.00	
		2.368%	August 1, 2020	@	1,260,000.00	
		2.648%	August 1, 2021	@	1,290,000.00	
		2.787%	August 1, 2022	@	1,325,000.00	
		2.957%	August 1, 2023	@	1,365,000.00	
		3.107%	August 1, 2024	@	1,405,000.00	
		3.257%	August 1, 2025	@	1,450,000.00	
		3.357%	August 1, 2026	@	1,500,000.00	
		3.507%	August 1, 2027	@	1,555,000.00	
		3.537%	August 1, 2028	@	1,610,000.00	
		3.637%	August 1, 2029	@	1,665,000.00	
		3.715%	August 1, 2030	@	1,730,000.00	
		3.765%	August 1, 2031	@	1,795,000.00	
		3.815%	August 1, 2032	@	1,865,000.00	
		3.865%	August 1, 2033	@	1,940,000.00	
		3.915%	August 1, 2034	@	2,015,000.00	$25,000,000.00
November 25, 2014	$193,880,000, Series ES (taxable refunding), callable, Make-Whole Optional Redemption	0.731%	August 1, 2016	@	96,465,000.00	
		1.231%	August 1, 2107		97,415,000.00	$193,880,000.00
Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding						$5,804,655,000.00

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APPENDIX E

PENDING LITIGATION

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the "Ceded Lands") to the State of Hawaii (the "State") to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish the Office of Hawaiian Affairs ("OHA") to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law, to better the conditions of native Hawaiians. Article XII, Sections 4, 5 and 6, Hawaii Constitution. In 1979, the Legislature adopted HRS Chapter 10 ("Chapter 10"), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the *OHA v. HHA* case discussed below, the Legislature, the state and federal courts, and the State's governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

OHA v. HHA. OHA filed suit on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95 2682 07 (1st Cir.)) against the Hawaii Housing Authority (the "HHA," since succeeded by the Hawaii Public Housing Authority, as described below), the executive director of the HHA, the board members of the HHA and the Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in OHA, et al. v. State of Hawaii, et al., Civil No. 94 0205 01 (1st Cir.). The September 12, 2001 decision of the Hawaii Supreme Court (*OHA v. State of Hawaii*, 96 Haw. 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in OHA v. HHA, and the case remains pending.

The HFDC and the HHA were merged into the Housing and Community Development Corporation of Hawaii, after the above-described suits against them were filed. As more fully described under "GENERAL ECONOMIC INFORMATION—State Housing Programs" in Appendix A, this corporation subsequently was bifurcated into the Hawaii Housing Finance and Development Corporation and the Hawaii Public Housing Authority.

The State intends to defend vigorously against OHA's claim in OHA v. HHA. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of all of the claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

Department of Hawaiian Home Lands

Individual Claims Cases. In 1991, the Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (the "HHCA") to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

The process was a three step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the "Panel") to provide the Legislature with non binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring de novo civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661. *Kalima et al. v. State of Hawaii et al.*, Civil No. 99 4771 12VSM (1st Cir.) (*"Kalima I"*). Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in *Kalima I* that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, *Aguiar v. State of Hawaii, et al.*, Civil No. 99 612 (3rd Cir.) (*"Aguiar"*), is pending and stayed.

On March 30, 2000, the three named plaintiffs in Kalima I filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674. *Kalima et al. v. State of Hawaii, et al.*, Civil No. 00 1 1041 03 (1st Cir.) (*"Kalima II"*). All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in *Kalima I* that are common to both *Kalima I* and *Kalima II*. *Kalima I*, *Kalima II* and *Aguiar* are collectively referred to under this caption as the "Individual Claims Cases."

The plaintiffs in *Kalima I* filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in Kalima I for lack of subject matter jurisdiction. The circuit court granted the plaintiffs' motion and denied the State's motion. The State was permitted to take an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court's determination that the plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings.

The plaintiffs in *Kalima I* have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly

suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent's or spouse's homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered and (9) other allegedly wrongful conduct. The court granted the plaintiffs' motion to try the waiting list subclass' claims separately and first, and after a six week bifurcated trial to determine liability only, the circuit judge for *Kalima II* ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State's objection), and again as the Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt-out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL Website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012, and February 4 and 14, 2013. After a three day trial completed on October 3, 2013, the court ruled in a minute order that the annual fair market rental values used to calculate damages for claimants who applied for Oahu residential leases be based on four percent of the fee simple value of a 5,000 square foot lot in Maili, obtained from a "best fit" curve derived from actual fee simple Maili valuations from 1959 through July 8, 2013, that for damage calculations the rents adjust annually, and that there are no increases for the consumer price index or other present value adjustments. By a third order entered on October 11, 2013, the court certified a Waiting List Damages Subclass defined as "All chapter 674 Plaintiffs who were on the Department of Hawaiian Home Lands waiting list for a homestead and who submitted a claim to the Hawaiian Home Lands Trust Individual Claims Panel because they were not awarded a homestead in a prompt and efficient manner and suffered actual direct monetary out of pocket loss. The parties have participated in a private mediation on the matters in controversy in the case, pursuant to the circuit court's order approving the parties' Stipulation to Participate in Private Mediation etc., filed on September 13, 2013. To date, no settlement has been reached.

Plaintiffs filed a motion for summary judgment to compute the damages of twelve members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu, on January 14, 2015, which the State opposed. The motion was heard on June 30, 2015. A written order disposing of the motion has not yet been entered.

Nelson. In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07 1 1663 08 BIA (1st Cir.) (*"Nelson"*), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (the "HHC Act") by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

As beneficiaries of the Hawaiian Home Lands trust and the HHC Act, the *Nelson* plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request, or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, the DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

The Hawaii Supreme Court, on May 9, 2012, concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Supreme Court thus held plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. The Hawaii Supreme Court did, however, uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case has been remanded to the circuit court for further proceedings.

A trial in circuit court has been held, and a decision is pending.

The State intends to defend vigorously against the claims against the State in all of the remaining Individual Claims Cases and in *Nelson*. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in *Nelson*, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

Hawaii Employer Union Health Benefits Trust Fund

In June 2006, certain retired public employees ("Plaintiffs") filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the Hawaii Employer-Union Health Benefits Trust Fund (the "EUTF"), and the EUTF Board of Trustees (collectively, the "Defendants"). *See Marion Everson, et al. v. State of Hawaii, et al.*, Civil No. 06 1 1141 06, First Circuit Court, State of Hawaii ("Civil No. 06 1 1141 06"). In relevant part, Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute "accrued benefits" pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A 23) did not require that

retiree health benefits reasonably approximate those provided to active employees. *See Everson v. State*, 122 Hawai'i 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits "accrued" so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, Plaintiffs filed a Second Amended Complaint in Civil No. 06 1 1140 06 (nka *James Dannenberg, et al. v. State of Hawaii, et al.*) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) health care benefits that are equivalent to those provided to State and county active employees; and/or (b) health care benefits that are equivalent to benefits provided to other employee beneficiaries and dependent beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A 33 through 87A 36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory, and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for health care because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for health care that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs' Motion for Class Action Certification. The class certified is all employees (and their dependent beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post retirement health benefits as a retiree or dependent beneficiary of such a retiree. This includes: (a) those who have not yet received any post retirement health benefits from Defendants as a retiree or dependent beneficiary of such a retiree; and (b) those who have received any post retirement benefits from Defendants since July 1, 2003 as a retiree or dependent beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent beneficiary of a retiree who is or was a member of the class. On December 10, 2012, Plaintiff filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against Plaintiffs on all of Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual, and statutory rights of Plaintiffs by not providing health care benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of Plaintiffs by not providing health care benefits to retirees and their dependents that are equivalent to those provided to other employee beneficiaries and dependent beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit Court on October 30, 2013. On October 16, 2014, the court issued an order denying Plaintiffs' Motion for Partial Summary Judgment and granting State Defendants' Motion for Partial Summary Judgment. The one remaining claim was voluntarily dismissed by the Plaintiffs by stipulation and Plaintiffs timely appealed. Out of an abundance of caution, State Defendants cross-appealed in order to address some erroneous conclusions in the circuit court's summary judgment order, in the event Plaintiffs prevail on their appeal and a remand is necessary. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing is expected to be completed in September 2015.

The State intends to vigorously defend against all claims brought against the State, the EUTF, and the EUTF Board in the case. The State is currently unable to predict with reasonable certainty the magnitude of its

potential liability, if any, for such claims. Resolution of the Plaintiffs' claims in their favor in this case could have a material adverse effect on the State's financial condition.

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

**$190,000,000*
General Obligation
Bonds of 2015,
Series ET**

**$35,000,000*
General Obligation
Bonds of 2015,
Series EU
(Green Bonds)**

**$8,700,000*
General Obligation
Refunding Bonds of 2015,
Series EV**

**$34,750,000*
General Obligation
Refunding Bonds of
2015,
Series EW**

**$23,640,000*
General Obligation
Refunding Bonds of
2015,
Series EX**

**$213,420,000*
General Obligation
Refunding Bonds of
2015,
Series EY**

**$216,915,000*
General Obligation
Refunding Bonds of
2015,
Series EZ**

**$25,000,000*
Taxable General Obligation
Bonds of 2015,
Series FA**

(Base CUSIP: 419791)

This Continuing Disclosure Certificate (this "Disclosure Certificate") is executed and delivered by the State of Hawaii (the "State") in connection with the issuance of its $190,000,000* aggregate principal amount of General Obligation Bonds of 2015, Series ET, its $35,000,000* aggregate principal amount of General Obligation Bonds of 2015, Series EU, its $8,700,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EV, its $34,750,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EW, its $23,640,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EX, its $213,420,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EY, its $216,915,000* aggregate principal amount of General Obligation Refunding Bonds of 2015, Series EZ and its $25,000,000* aggregate principal amount of Taxable General Obligation Bonds of 2015, Series FA (collectively, the "Bonds"). The Bonds are being issued pursuant to the authority of the Constitution and laws of the State, including, in particular, certain acts of the Legislature of the State, as implemented by that certain Certificate of the Director of Finance of the State of Hawaii providing for the issuance of the Bonds (the "Bond Certificate"). Pursuant to Section 403 of the Bond Certificate, the State covenants and agrees as follows:

Section 1. Purpose of Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the State for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5)(i).

Section 2. Definitions. In addition to the definitions set forth in the Bond Certificate, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the State pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

* Preliminary; subject to change.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Director of Finance or any successor Dissemination Agent designated in writing by the State and which has filed with the State a written acceptance of such designation.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in subsection 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access ("EMMA") website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriters" shall mean any original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The State shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the State's fiscal year (presently June 30), commencing with the report for the Fiscal Year ending June 30, 2015, provide to the MSRB an Annual report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Audited financial statements of the State may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the State's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 15 business days prior to said date, the State shall provide the Annual Report to the Dissemination Agent (if other than the State).

(c) If the State is unable to provide to the MSRB an Annual Report by the date required in subsection (a) above, the State shall provide to the MSRB a notice in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (if the Dissemination Agent is other than the State), file a report with the State certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

Section 4. Contents of Annual Reports. The State's Annual Report shall contain or include by reference updates of the following information included in Appendix B to the final Official Statement (the "Official Statement") dated October ____, 2015, relating to the Bonds:

(1) Summary of Total Indebtedness of the State of Hawaii;

(2) Revenue Projections; Certain Tax Collections – General Fund Tax Revenues; and

(3) Revenue Projections; Certain Tax Collections – Annual Collections and Distributions.

The audited financial statements of the State for the prior fiscal year shall be prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the State's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to subsection 3(a), the Annual Report shall contain unaudited financial statements, if available, without the State having to undertake to prepare unaudited financial statements exclusively for the purpose of satisfying this Section 4, in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Updates of Appendix B may involve adding additional financial and operating data, displaying data in a different format, or eliminating data that are no longer material.

Any of such information may be included by specific reference to other documents, including official statements of debt issues of the State or related public entities, which have been (i) available to the public on the MSRB's website or (ii) filed with the Securities and Exchange Commission. The State shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the State shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) modifications to rights of Bondholders, if material;

(4) bond calls, if material, and tender offers;

(5) defeasances;

(6) rating changes;

(7) adverse tax opinions, material notices of determinations with respect to the tax status of the Series ET Bonds, the Series EU Bonds, the Series EV Bonds, the Series EW Bonds, the Series EX Bonds or the Series EY Bonds or other material events affecting the tax-exempt status of the Bonds;

(8) unscheduled draws on the debt service reserves reflecting financial difficulties;

(9) unscheduled draws on the credit enhancements reflecting financial difficulties;

(10) Substitution of credit or liquidity providers or their failure to perform;

(11) release, substitution or sale of property securing repayment of the Bonds, if material;

(12) bankruptcy, insolvency, receivership or similar event of the State;

(Note to clause 12: For the purposes of the event identified in clause 12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business

of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.)

(13) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The State shall in a timely manner, not in excess of ten (10) business days after the occurrence of a Listed Event, (i) where relevant pursuant to subsection (a) above, determine if such event would be material under applicable federal securities laws, and (ii) in all events, file notice of such occurrence with the MSRB.

Section 6. Filings with MSRB. All Annual Reports, notices of Listed Events and other notices and information provided to the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements), accompanied by such identifying information as is prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The State's obligations under this Disclosure Certificate shall terminate with respect to each Bond upon the legal defeasance or payment in full of such Bond. If the obligations of the State under this Disclosure Certificate with respect to all Bonds terminate prior to the final maturity of the Bonds, the State shall give notice of such termination in the same manner as for a Listed Event under subsection 5.

Section 8. Dissemination Agent. The State may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the State pursuant to this Disclosure Certificate.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the State may amend this Disclosure Certificate, and any provision of this, Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), Section 4 or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Certificate for amendments to the Bond Certificate with the consent of Holders or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the State shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the State. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the State chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the State shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the State to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the State to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Certificate with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the State to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the State, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 13. Governing Law. This Disclosure Certificate shall be construed and interpreted in accordance with the laws of the State of Hawaii, and any suits and actions arising out of this Disclosure Certificate shall be instituted in a court of competent jurisdiction in the State of Hawaii; provided, however, that to the extent this Disclosure Certificate addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

STATE OF HAWAII

By _____
WESLEY K. MACHIDA
Director of Finance
State of Hawaii

EXHIBIT A

FORM OF NOTICE TO THE MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	State of Hawaii
Names of Bond Issues:	State of Hawaii General Obligation Bonds of 2015, Series ET State of Hawaii General Obligation Bonds of 2015, Series EU State of Hawaii General Obligation Refunding Bonds of 2015, Series EV State of Hawaii General Obligation Refunding Bonds of 2015, Series EW State of Hawaii General Obligation Refunding Bonds of 2015, Series EX State of Hawaii General Obligation Refunding Bonds of 2015, Series EY State of Hawaii General Obligation Refunding Bonds of 2015, Series EZ State of Hawaii Taxable General Obligation Bonds of 2015, Series FA
Date of Issuance:	October ___, 2015

NOTICE IS HEREBY GIVEN that the State has not provided an Annual Report with respect to the above-named Bonds as required by its Continuing Disclosure Certificate dated October ___, 2015. [The State anticipates that the Annual Report will be filed by _____.]

Dated: STATE OF HAWAII

By: _____

Name: _____

Title: _____

APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

October __, 2015

State of Hawaii
Honolulu, Hawaii

**$190,000,000*
General Obligation
Bonds of 2015,
Series ET**

**$35,000,000*
General Obligation
Bonds of 2015,
Series EU
(Green Bonds)**

**$8,700,000*
General Obligation
Refunding Bonds of 2015,
Series EV**

**$34,750,000*
General Obligation
Refunding Bonds of
2015,
Series EW**

**$23,640,000*
General Obligation
Refunding Bonds of
2015,
Series EX**

**$213,420,000*
General Obligation
Refunding Bonds of
2015,
Series EY**

**$216,915,000*
General Obligation
Refunding Bonds of
2015,
Series EZ**

**$25,000,000*
Taxable General Obligation
Bonds of 2015,
Series FA**

(Base CUSIP: 419791)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the State of Hawaii (the "State") of $190,000,000* aggregate principal amount of State of Hawaii General Obligation Bonds of 2015, Series ET (the "Series ET Bonds"), $35,000,000* aggregate principal amount of State of Hawaii General Obligation Bonds of 2015, Series EU (the "Series EU Bonds"), $8,700,000* aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2015, Series EV (the "Series EV Bonds"), $34,750,000* aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2015, Series EW (the "Series EW Bonds"), $23,640,000* aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2015, Series EX (the "Series EX Bonds"), $213,420,000* aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2015, Series EY (the "Series EY Bonds"), $216,915,000* aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2015, Series EZ (the "Series EZ Bonds") and $25,000,000* aggregate principal amount of State of Hawaii Taxable General Obligation Bonds of 2015, Series FA (the "Series FA Bonds," and together with the Series ET Bonds, the Series EU Bonds, the Series EV Bonds, the Series EW Bonds, the Series EX Bonds, the Series EY Bonds and the Series EZ Bonds, the "Bonds"), pursuant to a Certificate of the Director of Finance of the State dated October ___, 2015 (the "Certificate"), and various acts of the Legislature of the State identified in the Certificate.

In such connection, we have reviewed the Certificate, the Tax Certificate of the State, dated the date hereof (the "Tax Certificate"), certificates and opinions of the Attorney General and certificates of other

* Preliminary; subject to change.

officers of the State, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Certificate and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions or events will not cause interest on the Series ET Bonds, the Series EU Bonds, the Series EV Bonds, the Series EW Bonds, the Series EX Bonds, the Series EY Bonds or the Series EZ Bonds (collectively, the "Tax-Exempt Bonds") to be included in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code").

The rights and obligations of the State under the Bonds, the Certificate and the Tax Certificate and their enforceability may be subject to applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State of Hawaii. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, choice of law, choice of forum, choice of venue or waiver severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds have been duly authorized and issued in accordance with the Constitution and laws of the State and constitute valid general obligations of the State.

2. The Certificate has been duly executed and delivered by the Director of Finance and constitutes the valid obligation of the State.

3. Interest and principal payments on the Bonds are a first charge on the General Fund of the State and the full faith and credit of the State are pledged to the punctual payment thereof.

4. Interest on the Tax-Exempt Bonds (including original issue discount treated as interest, if any) is excludable from gross income for federal income tax purposes, and interest on the Tax-Exempt Bonds is not a specific item of tax preference for purposes of the federal alternative tax imposed on individuals and corporations. However, for certain corporations, interest on the Tax-Exempt Bonds is included in the "adjusted current earnings" (i.e., alternative minimum taxable income as adjusted for certain items, including those items that would be included in the calculation of a corporation's earnings and profits under Subchapter C of the Code), and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of each such corporation's adjusted current earnings over its alternative minimum

taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

5. Interest on the Series FA Bonds is not excludable from gross income for federal income tax purposes under Section 103 of the Code. Purchasers of the Series FA Bonds should consult their own tax advisors as to the tax consequences of purchasing or owning the Series FA Bonds.

6. All of the Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer and estate taxes and certain franchise taxes.

Very truly yours,

Kutak Rock LLP

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APPENDIX H

BOOK-ENTRY SYSTEM

General. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each maturity of each series of the Bonds bearing interest at the same rate, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC and Its Participants. DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (for the purposes of the discussion under "Book-Entry System," a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices and Other Communications. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example,

Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity of an issue are being redeemed, DTC's practice is to be determined by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest Payments. Principal and redemption price of and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption price and interest to DTC is the responsibility of the State, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of the Official Statement. In reviewing this Official Statement it should be understood that while the Bonds are in the Book-Entry System, references in other Sections of this Official Statement to owners or holders should be read to include the person for whom the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to owners or holders by the State will be given only to DTC. DTC will forward (or cause to be forwarded) the notices to the Participants by its usual procedures so that such Participants may forward (or cause to be forwarded) such notices to the Beneficial Owners.

DTC and Book-Entry Information. Information concerning DTC and the Book-Entry System contained in this Official Statement has been obtained from DTC and other sources that the State and the Underwriters believe to be reliable, and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the State or the Underwriters.

Neither the State nor the Underwriters will have any responsibility or obligation to Direct Participants, to Indirect Participants or to Beneficial Owners with respect to (i) the accuracy of any records maintained by DTC, any Direct Participants or Indirect Participants, (ii) the payment by DTC, any Direct Participants or any Indirect Participants of any amount in respect of principal of or interest on the Bonds, (iii) any notice which is permitted or required to be given to owners (except such notice as

is required to be given by the State to DTC), (iv) any consent given or other action taken by DTC as owner of the Bonds or (v) any other event or purpose.

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APPENDIX I

BONDS TO BE REFUNDED

The final payment dates of the Refunded Bonds will be their respective stated maturity dates or, if earlier, designated redemption dates, as shown in the table below.

Schedule of Bonds to be Refunded†

Refunded Bonds	Principal Amount ($)	Stated Maturity	Interest Rate (%)	Redemption Date	Redemption Price (%)	CUSIP*
Series DF	$ 60,000	07/01/16	3.750%	10/29/15	100%	419780P88
Series DI	1,705,000	03/01/17	4.000%	03/01/16	100%	4197804A6
Series DI	16,265,000	03/01/26	5.000%	03/01/16	100%	4197917B8
Series DJ	17,610,000	04/01/19	5.000%	04/01/17	100%	419791X60
Series DJ	500,000	04/01/21	5.000%	04/01/17	100%	4197917C6
Series DJ	2,845,000	04/01/22	5.000%	04/01/17	100%	4197917D4
Series DJ	3,650,000	04/01/25	5.000%	04/01/17	100%	4197917E2
Series DJ	28,025,000	04/01/26	5.000%	04/01/17	100%	4197806G1
Series DK	3,525,000	05/01/19	4.000%	05/01/18	100%	419787AL0
Series DK	6,220,000	05/01/19	4.250%	05/01/18	100%	419787AM8
Series DK	9,285,000	05/01/19	5.000%	05/01/18	100%	419791A32
Series DK	3,530,000	05/01/20	4.100%	05/01/18	100%	4197917N2
Series DK	620,000	05/01/20	5.000%	05/01/18	100%	4197917P7
Series DK	3,060,000	05/01/21	4.200%	05/01/18	100%	419787AR7
Series DK	18,940,000	05/01/21	5.000%	05/01/18	100%	419787AS5
Series DK	2,285,000	05/01/22	4.250%	05/01/18	100%	419787AT3
Series DK	20,795,000	05/01/22	5.000%	05/01/18	100%	419787AU0
Series DK	3,660,000	05/01/23	4.300%	05/01/18	100%	419787AV8
Series DK	5,050,000	05/01/23	5.000%	05/01/18	100%	4197917Q5
Series DK	90,000	05/01/24	4.375%	05/01/18	100%	4197917R3
Series DK	1,280,000	05/01/24	5.000%	05/01/18	100%	4197917S1
Series DK	2,395,000	05/01/25	4.400%	05/01/18	100%	419787AZ9
Series DK	24,270,000	05/01/25	5.000%	05/01/18	100%	419787BA3
Series DK	8,700,000	05/01/26	5.000%	05/01/18	100%	419787BC9
Series DK	3,190,000	05/01/27	4.500%	05/01/18	100%	419787BD7
Series DK	22,270,000	05/01/27	5.000%	05/01/18	100%	4197917T9
Series DK	5,555,000	05/01/28	4.500%	05/01/18	100%	419787BF2
Series DK	25,270,000	05/01/28	5.000%	05/01/18	100%	419787BG0
Series DN	3,580,000	08/01/19	5.000%	08/01/18	100%	419787CV6
Series DN	3,765,000	08/01/20	5.000%	08/01/18	100%	419787CW4
Series DN	3,960,000	08/01/21	5.000%	08/01/18	100%	419787CX2
Series DN	4,160,000	08/01/22	5.000%	08/01/18	100%	419787CY0
Series DN	3,575,000	08/01/23	5.000%	08/01/18	100%	4197917U6
Series DN	4,605,000	08/01/24	5.125%	08/01/18	100%	419787DA1
Series DN	4,850,000	08/01/25	5.250%	08/01/18	100%	419787DB9
Series DN	5,405,000	08/01/27	5.500%	08/01/18	100%	419787DD5
Series DN	5,715,000	08/01/28	5.500%	08/01/18	100%	419787DE3
Series DQ	14,415,000	06/01/20	5.000%	06/01/19	100%	419787FA9
Series DQ	1,350,000	06/01/21	3.750%	06/01/19	100%	419787FB7
Series DQ	17,860,000	06/01/21	5.000%	06/01/19	100%	419787FC5
Series DQ	17,850,000	06/01/22	5.000%	06/01/19	100%	419787FE1
Series DQ	19,500,000	06/01/23	5.000%	06/01/19	100%	419787FG6
Series DQ	1,310,000	06/01/24	4.125%	06/01/19	100%	419787FH4
Series DQ	20,895,000	06/01/24	5.000%	06/01/19	100%	419787FJ0
Series DQ	20,305,000	06/01/25	5.000%	06/01/19	100%	419787FK7
Series DQ	25,200,000	06/01/27	5.000%	06/01/19	100%	419787FM3
Series DQ	22,600,000	06/01/28	5.000%	06/01/19	100%	419787FN1
Series DQ	5,420,000	06/01/29	4.500%	06/01/19	100%	419787FP6

Refunded Bonds	Principal Amount ($)	Stated Maturity	Interest Rate (%)	Redemption Date	Redemption Price (%)	CUSIP*
Series DQ	19,200,000	06/01/29	5.000%	06/01/19	100%	419787FQ4
Series DZ	600,000	12/01/16	5.000%	-	-	419791E61
Series DZ	2,500,000	12/01/17	5.000%	-	-	419791E79
Series DZ	400,000	12/01/19	5.000%	-	-	419791E95
Series DZ	18,000,000	12/01/22	5.000%	12/01/21	100%	419791F45
Series DZ	25,950,000	12/01/23	5.000%	12/01/21	100%	419791F52
Series DZ	6,150,000	12/01/26	5.000%	12/01/21	100%	419791F86
Series DZ	800,000	12/01/27	5.000%	12/01/21	100%	419791G93

† Preliminary; subject to change.

* Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for convenience of reference only. Neither the State nor the Underwriters take any responsibility for the accuracy of such numbers.

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