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

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt 2016 Bonds (as defined herein) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Tax-Exempt 2016 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. Bond Counsel is of the opinion that 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 further observes that interest on the Taxable 2016 Bonds (as defined herein) is not excludable from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" in this Official Statement.

STATE OF HAWAII

$5,300,000	$219,690,000	$119,730,000
General Obligation Refunding Bonds of 2016, Series FD	**General Obligation Refunding Bonds of 2016, Series FE**	**Taxable General Obligation Refunding Bonds of 2016, Series FF**

(Base CUSIP: 419792)

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

The General Obligation Refunding Bonds of 2016, Series FD, the General Obligation Refunding Bonds of 2016, Series FE, and the Taxable General Obligation Refunding Bonds of 2016, Series FF (individually, the "Series FD Bonds," the "Series FE Bonds," and the "Series FF Bonds," respectively, 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 Series FD Bonds bear interest payable upon final maturity at the rate set forth on the inside front cover hereof. The Series FE Bonds and the Series FF Bonds bear interest payable at the rates set forth on the inside cover pages hereof on April 1 and October 1 of each year, commencing October 1, 2016.

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

The Bonds are being issued for the purpose of refunding certain outstanding general obligation bonds of the State previously issued for public 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.

The State may issue other series of general obligation bonds on or about the same date as the Bonds. Such bonds, if any, are not offered hereby. See "INTRODUCTION – Plan of Finance" herein.

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 are offered when, as and if issued and accepted by the Underwriters listed below. The issuance of the Bonds of each series is subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the State. Certain legal matters will be passed upon for the Underwriters by their counsel, Katten Muchin Rosenman. 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 April 14, 2016.

BofA Merrill Lynch **Goldman, Sachs & Co.**

Dated: March 31, 2016

STATE OF HAWAII

$5,300,000 GENERAL OBLIGATION REFUNDING BONDS OF 2016, SERIES FD

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

Due	Principal Amount	Interest Rate	Yield	CUSIP Number (419792)†
2016	$5,300,000	5.000%	0.454%	JK3

$219,690,000 GENERAL OBLIGATION REFUNDING BONDS OF 2016, SERIES FE

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

Due	Principal Amount	Interest Rate	Yield	CUSIP Number (419792)†
2019	$17,400,000	5.000%	0.990%	JL1
2020	450,000	4.000	1.140	JM9
2020	17,840,000	5.000	1.140	JW7
2021	1,870,000	3.000	1.280	JN7
2021	17,340,000	5.000	1.280	JX5
2022	20,175,000	5.000	1.440	JP2
2023	1,480,000	4.000	1.570	JQ0
2023	19,720,000	5.000	1.570	JY3
2024	22,280,000	5.000	1.730	JR8
2025	225,000	3.000	1.840	JS6
2025	23,195,000	5.000	1.840	JZ0
2026	24,620,000	5.000	1.970	JT4
2027	25,885,000	5.000	2.060[C]	KA3
2028	200,000	4.000	2.110[C]	JV9
2028	27,010,000	5.000	2.110[C]	KB1

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[C] Yield computed to first optional redemption date of October 1, 2026 at par.

$119,730,000 TAXABLE GENERAL OBLIGATION REFUNDING BONDS OF 2016, SERIES FF
Dated: Date of Delivery
Due: October 1, as shown below

Due	Principal Amount	Interest Rate	Price	CUSIP Number (419792) †
2019	$10,905,000	1.309%	100%	KC9
2020	11,060,000	1.505	100	KD7
2021	11,255,000	1.934	100	KE5
2022	11,480,000	2.074	100	KF2
2023	11,730,000	2.255	100	KG0
2024	12,010,000	2.402	100	KH8
2025	12,310,000	2.552	100	KJ4
2026	12,635,000	2.652	100	KK1
2027	12,985,000	2.802	100	KL9
2028	13,360,000	2.902	100	KM7

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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

Orrick, Herrington & Sutcliffe 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

$5,300,000	$219,690,000	$119,730,000
General Obligation Refunding Bonds of 2016, Series FD	**General Obligation Refunding Bonds of 2016, Series FE**	**Taxable General Obligation Refunding Bonds of 2016, Series FF**

(Base CUSIP: 419792)

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 $5,300,000 aggregate principal amount of General Obligation Refunding Bonds of 2016, Series FD (the "Series FD Bonds"), its $219,690,000 aggregate principal amount of General Obligation Refunding Bonds of 2016, Series FE (the "Series FE Bonds"), and its $119,730,000 aggregate principal amount of Taxable General Obligation Refunding Bonds of 2016, Series FF (the "Series FF Bonds and, together with the Series FD Bonds and Series FE Bonds, the "Bonds"), in connection with the sale of the Bonds by the State of Hawaii. In addition, the Series FF Bonds are sometimes referred to herein as the "Taxable 2016 Bonds" and the Series FD Bonds and the Series FE Bonds are referred to collectively herein as the "Tax-Exempt 2016 Bonds."

AUTHORITY, PLAN OF FINANCE 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").

Plan of Finance

The State's plan of finance for the Bonds is through a negotiated sale by the Underwriters listed on the cover page. On or about the same date of issuance of the Bonds, the State expects to issue $525,000,000 aggregate principal amount of general obligation bonds, in two series (one taxable and one tax-exempt) for the purpose of financing, or reimbursing 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 (the "2016 New Money Bonds"). The 2016 New Money Bonds were sold by competitive sale on March 15, 2016. **The 2016 New Money Bonds are offered by way of a separate offering document and are expressly not offered hereby.**

Purpose

The proceeds from the sale of the Bonds will be used (i) to refund certain outstanding general obligation bonds previously issued for public 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 (ii) to pay costs of issuance of the Bonds. See "DEBT STRUCTURE—Outstanding Indebtedness and Debt Limit" in Appendix A.

PLAN OF REFUNDING

Upon delivery of the Bonds, the State and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), will enter into an Escrow Deposit Agreement (the "Escrow Agreement") to provide for the refunding of certain series of State of Hawaii General Obligation Bonds and General Obligation Refunding Bonds 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 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, premium, if any, and interest on the Refunded Bonds. Immediately upon the issuance and delivery of the 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 Bonds. Moneys deposited in the Escrow Fund will be invested, at the direction of the State, in noncallable direct obligations of 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 as described in APPENDIX I—"BONDS TO BE REFUNDED", 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. 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, premium, if any, 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 and/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 in respect of the Series FE Bonds and the Series FF Bonds on April 1 and October 1 of each year, commencing October 1, 2016, and in respect of the Series FD Bonds, upon the final maturity thereof (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 (including the Taxable 2016 Bonds) maturing on or after October 1, 2027 will be subject to redemption prior to their stated maturities at the option of the State at any time on and after October 1, 2026, 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 2016 Bonds are subject to redemption prior to October 1, 2026 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 2016 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 2016 Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable 2016 Bonds are to be redeemed, discounted to the date on which such Taxable 2016 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 20 basis points;

Plus, in each case, accrued interest on such Taxable 2016 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 2016 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 2016 Bonds being redeemed.

"Comparable Treasury Price" means, with respect to any date on which a Taxable 2016 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 2016 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 2016 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 2016 Bonds being redeemed; and (ii) closest to and less than the remaining term to maturity of the Taxable 2016 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 2016 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 2016 Bonds; provided that, so long as the Taxable 2016 Bonds are held in book-entry form, the selection for redemption of the Taxable 2016 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 2016 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 by lot. See APPENDIX H "BOOK-ENTRY SYSTEM."

In connection with any repayment of principal of the Taxable 2016 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 2016 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 2016 Bonds on a payment date and (b) the denominator is equal to the total original par amount of the Taxable 2016 Bonds.

It is the State's intent that redemption allocations made by DTC with respect to the Taxable 2016 Bonds be made on a pro rata pass-through distribution of principal basis as described above. However, the State cannot provide any assurance that DTC, DTC's direct and indirect participants, or any other intermediary will allocate the redemption of such Taxable 2016 Bonds on such basis.

If the Bonds are not registered in book-entry form and if fewer than all of the Taxable 2016 Bonds of the same maturity and bearing the same interest rate are to be redeemed, the Taxable 2016 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 2016 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, 2015. 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"), (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) and (iv) the Department of Taxation (as to the class action lawsuit against the State of Hawaii).

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.

The State intends to defend vigorously the claims brought against the State referred to in clause (iv) of the second paragraph under this caption, and as such claims and related proceedings are further described in APPENDIX E – "PENDING LITIGATION – Department of Taxation." 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

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), bond counsel to the State, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series FD Bonds and the Series FE Bonds (the "Tax-Exempt 2016 Bonds") Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), and the Tax-Exempt 2016 Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Bond Counsel is of the further opinion that interest on the Tax-Exempt 2016 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Tax-Exempt 2016 Bonds is less than the amount to be paid at maturity of such Tax-Exempt 2016 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Tax-Exempt 2016 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Tax-Exempt 2016 Bonds which is excluded from gross income for federal income tax purposes and State of Hawaii tax purposes. For this purpose, the issue price of a particular maturity of the Tax-Exempt 2016 Bonds is the first price at which a substantial amount of such maturity of the Tax-Exempt 2016 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Tax-Exempt 2016 Bonds accrues daily over the term to maturity of such Tax-Exempt 2016 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Tax-Exempt 2016 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Tax-Exempt 2016 Bonds. Beneficial owners of the Tax-Exempt 2016 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Tax-Exempt 2016 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Tax-Exempt 2016 Bonds in the original offering to the public at the first price at which a substantial amount of such Tax-Exempt 2016 Bonds is sold to the public.

Tax-Exempt 2016 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Tax-Exempt 2016 Bonds. The State has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Tax-Exempt 2016 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Tax-Exempt 2016 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Tax-Exempt 2016 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Tax-Exempt 2016 Bonds may adversely affect the value of, or the tax status of interest on, the Tax-Exempt 2016 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Tax-Exempt 2016 Bonds is excluded from gross income for federal income tax purposes and that the Tax-Exempt 2016 Bonds and the income therefrom are exempt from taxation by the State or any political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Tax-Exempt 2016 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt 2016 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Tax-Exempt 2016 Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Tax-Exempt 2016 Bonds. Prospective purchasers of the Tax-Exempt 2016 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Tax-Exempt 2016 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the State, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The State covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Tax-Exempt 2016 Bonds ends with the issuance of the Tax-Exempt 2016 Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the State or the beneficial owners regarding the tax-exempt status of the Tax-Exempt 2016 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the State and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the State legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Tax-Exempt 2016 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt 2016 Bonds, and may cause the State or the beneficial owners to incur significant expense.

Taxable 2016 Bonds

The following discussion summarizes certain U.S. federal tax considerations generally applicable to holders of the Series FF Bonds (the "Taxable 2016 Bonds") that acquire their Taxable 2016 Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect, and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with all U.S. federal income tax considerations applicable to categories of investors some of which may be subject to special taxing rules (regardless of whether or not such persons constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Taxable 2016 Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences or (ii) the indirect effects on persons who hold equity interests in a holder. In addition, this summary generally is limited to investors that acquire their Taxable 2016 Bonds pursuant to this offering for the issue price that is applicable to such Taxable 2016 Bonds (i.e., the price at which a substantial amount of the Taxable 2016 Bonds are sold to the public) and who will hold their Taxable 2016 Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Taxable 2016 Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable 2016 Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Taxable 2016 Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Taxable 2016 Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Taxable 2016 Bonds (including their status as U.S. Holders or Non-U.S. Holders).

U.S. Holders

Interest. In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions and assuming compliance with certain covenants, the Taxable 2016 Bonds and the income therefrom are exempt from all taxation by the State or any county or other political subdivision thereof, except inheritance, transfer, estate and certain franchise taxes. Interest on the Taxable 2016 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or accrual or receipt of interest on, the Taxable 2016 Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix G hereto.

Stated interest on the Taxable 2016 Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. Federal income tax purposes.

The Taxable 2016 Bonds are not expected to be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes because the stated redemption price at maturity of the Taxable 2016 Bonds is not expected to exceed their issue price, or because any such excess is expected to only be a de minimis amount (as determined for tax purposes).

Disposition of the Taxable 2016 Bonds. Unless a non-recognition provision of the Code applies, the sale, exchange, defeasance, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Taxable 2016 Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Taxable 2016 Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Taxable 2016 Bonds) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Taxable 2016 Bond (generally, the purchase price paid by the Taxable 2016 Bond decreased by any amortized premium). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Taxable 2016 Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Taxable 2016 Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Tax on Net Investment Income. Certain non-corporate U.S. Holders of Taxable 2016 Bonds will be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's "net investment income" (in the case of individuals) or "undistributed net investment income" (in the case of estates and certain trusts) for the relevant taxable year and (2) the excess of the U.S. Holder's "modified adjusted gross income" (in the case of individuals) or "adjusted gross income" (in the case of estates and certain trusts) for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A U.S. Holder's calculation of net investment income generally will include its interest income on the Taxable 2016 Bonds and its net gains from the disposition of the Taxable 2016 Bonds, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of this tax to your income and gains in respect of your investment in the Taxable 2016 Bonds.

Information Reporting and Backup Withholding. Payments on the Taxable 2016 Bonds generally will be subject to U.S. information reporting and "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Taxable 2016 Bonds may be subject to backup withholding at the current rate of 28% with respect to "reportable payments," which include interest paid on the Taxable

2016 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Taxable 2016 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) there has been a failure of the payee to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," payments of principal of, and interest on, any Taxable 2016 Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation, a such term is defined in the Code, which is related to the State through stock ownership and (2) a bank which acquires such Taxable 2016 Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. withholding tax provided that the beneficial owner of the Taxable 2016 Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Taxable 2016 Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "FATCA," any gain realized by a Non-U.S. Holder upon the sale, exchange, defeasance, redemption, retirement (including pursuant to an offer by the State) or other disposition of a Taxable 2016 Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the State) or other disposition and certain other conditions are met.

U.S. Federal Estate Tax. A Taxable 2016 Bond that is held by an individual who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that, at the time of such individual's death, payments of interest with respect to such Taxable 2016 Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "FATCA," under current U.S. Treasury Regulations, payment of principal and interest on any Taxable 2016 Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Taxable 2016 Bond or a financial institution holding the Taxable 2016 Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. If a financial institution, other than a financial institution that is a qualified intermediary, provides the certification, the certification must state that the financial institution has received from the beneficial owner the certification set forth in the preceding sentence, set forth the information contained in such certification, and include a copy of such certification, and an authorized representative of the financial institution must sign the certificate under penalties of perjury. A financial institution generally will not be required to furnish to the IRS the names of the beneficial owners of the Taxable 2016 Bonds that are not United States persons and copies of such owners' certifications where the financial institution is a qualified intermediary that has entered into a withholding agreement with the IRS pursuant to applicable U.S. Treasury Regulations.

In the case of payments to a foreign partnership, foreign simple trust or foreign grantor trust, other than payments to a foreign partnership, foreign simple trust or foreign grantor trust that qualifies as a withholding foreign partnership or a withholding foreign trust within the meaning of applicable U.S. Treasury Regulations and payments to a foreign partnership, foreign simple trust or foreign grantor trust that are effectively connected with the conduct of a trade or business within the United States, the partners of the foreign partnership, the beneficiaries of the foreign simple trust or the persons treated as the owners of the foreign grantor trust, as the case may be, will be required to provide the certification discussed above in order to establish an exemption from withholding and backup withholding tax requirements. The current backup withholding tax rate is 28%.

In addition, if the foreign office of a foreign "broker," as defined in applicable U.S. Treasury regulations pays the proceeds of the sale of a Taxable 2016 Bond to the seller of the Taxable 2016 Bond, backup withholding and information reporting requirements will not apply to such payments provided that such broker derives less than 50% of its gross income for certain specified periods from the conduct of a trade or business within the United States, is not a controlled foreign corporation, as such term is defined in the Code, and is not a foreign partnership (1) one or more of the partners of which, at any time during its tax year, are U.S. persons (as defined in U.S. Treasury Regulations Section 1.1441-1(c)(2)) or (2) which, at any time during its tax year, is engaged in the conduct of a trade or business within the United States. Moreover, the payment by a foreign office of other brokers of the proceeds of the sale of a Taxable 2016 Bond will not be subject to backup withholding unless the payer has actual knowledge that the payee is a U.S. person. Principal and interest so paid by the U.S. office of a custodian, nominee or agent, or the payment by the U.S. Office of a broker of the proceeds of a sale of a Taxable 2016 Bond, is subject to backup withholding requirements unless the beneficial owner provides the nominee, custodian, agent or broker with an appropriate certification as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

FATCA. Sections 1471 through 1474 of the Code, impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of U.S. source interest (including OID) and sales proceeds of debt obligations held by or through a foreign entity. Withholding under FATCA generally will apply to (i) payments of U.S. source interest (including OID) made after June 30, 2014, (ii) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (iii) certain foreign "pass-thru" payments no earlier than January 1, 2017, but exempt from withholding any payments made on and proceeds realized from the disposition of obligations that are outstanding on July 1, 2014 and are not substantially modified after that date, which exemption should exclude the Taxable 2016 Bonds from the withholding provisions of FATCA. Prospective investors should nonetheless consult their own tax advisors regarding FATCA and its effect on them.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe 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.

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 "AA," "Aa2" and "AA," 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 and Goldman, Sachs & Co. (collectively, the "Underwriters") have agreed to purchase the Bonds at an aggregate purchase price of $396,404,300.90, which is equal to the principal amount of the Bonds, plus original issue premium, less an aggregate underwriting discount of $298,028.20, which includes approximately $94,653.20 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.

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 such 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, they 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 Public Financial Management, Inc. (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. The State made a self-report filing under the Securities and Exchange Commission Division of Enforcement's Municipalities Continuing Disclosure Cooperation Initiative program in November 2014. This filing was made in connection with the State's not including its unaudited financial statements in annual report filings when audited financial statements were not available at the time of such filings. 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 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 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, 2015, 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 unmodified 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.

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, 2015 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, 2015, 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 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, 2013, 2014 and 2015 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 March 1, 2016 and on the Bonds giving effect to the issuance of the Bonds, after exclusions therefrom permitted by the Constitution, is $707,019,204 in the fiscal year ending June 30, 2017. 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 January 31, 2016, the amount of authorized but unissued general obligation bonds (including the Series FD Bonds, the Series FE Bonds and the Series FF Bonds) is $2,919,290,055. Such amount does not include general obligation refunding bonds such as the 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. 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 reflect 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 reflect 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 has been introduced for the 2016 Legislature to re-appropriate the $10 million for deposit into the EBRF in fiscal year 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 fiscal year 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.

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 January 1, 2017, 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 award was issued in December 2015 for the period July 1, 2015 through June 30, 2017 and is subject to Legislative approval. The award provides for 4% across-the-board increases July 1, 2015 and July 1, 2016 and a $2,500 lump sum payment in the second year of the contract.

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.

Unit 14 (State law enforcement officers and State and county ocean safety and water safety officers). Act 137, Session Laws of Hawaii 2013, authorized a fourteenth bargaining unit. These employees were formerly members of bargaining units 3 and 4 and now have an initial contract. An arbitration award was issued on February 22, 2016 for the period February 22, 2016 through June 30, 2017. The award provides for the same increase as bargaining units 3 and 4 for the first year of the contract (catch-up step movements on July 1, 2015 ($1,500 lump sum for those not eligible for a step movement). The second year of the agreement provides for a restructuring of the salary schedule (equivalent to an approximate 12% increase), and a 4% across-the-board increase effective July 1, 2016 and continuation of a slightly modified step movement plan. Other significant terms include a new standard-of-conduct differential. The second year of the agreement is subject to funding by the Legislature.

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 Governmental 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, 2015 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, 2016.

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 unfunded AAL as of July 1, 2015 is $9,065.9 million. The corresponding ARC for the fiscal years ending June 30, 2017 and 2018 are $744.2 million and $770.3 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, 2017 and 2018 are $360.6 million and $399.0 million, respectively.

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 $376.7 million as of December 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

Fiscal Years 2014 – 2019

Fiscal Year	ARC	Benefit Payment*	UAAL Prefunding Balance	Act 268 Prefunding Requirement %	Act 268 Prefunding Requirement $	Total Prefunding Contribution **
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	744,248,000	360,606,000	383,642,000	60%	230,185,000	245,812,000
2018	770,297,000	398,968,000	371,329,000	80%	297,063,000	399,073,000
2019*	811,313,000	436,139,000	375,174,000	100%	375,174,000	412,730,000

*Gabriel Roeder Smith & Company projections
**Fiscal years 2014 and 2015 are actual, 2016 and 2017 are appropriated and 2018 and 2019 are projected and included in the State's General Fund Financial Plan.

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.

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 90th Annual Actuarial Valuation for the Year Ended June 30, 2015 (the "2015 Valuation Report"), which is the most recent valuation report of the System. The information presented in the 2015 Valuation Report was based on actuarial assumptions adopted by the System's Board of Trustees in January 2011 with the exception of the investment return assumption which was set to 7.65% effective with the June 30, 2015 valuation. 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 2015 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 requires 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 implemented GASB 68 beginning with the fiscal year ending June 30, 2015. Like most public employers, the State reflected pension liabilities directly on its Statement of Net Position, which resulted in a reduction in the State's reported net assets. As allowed under GASB 68 the State is reporting its GASB 68 disclosure items one year in arrears (June 30, 2014 information is reported as of June 30, 2015). The amount of the ERS net pension liability (as of June 30, 2014) 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's 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, 2015, the contributory plan covered 6,169 active employees or 9.2% of all active members of the System, the noncontributory plan covered approximately 16,023 active employees or 23.8%, and the Hybrid Plan covered 45,118 active members or 67.0%. 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, 2015, the System's membership comprised approximately 67,310 active employees, 7,413 inactive vested members and 44,283 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**	**March 31, 2015**
Active	66,226	67,206	67,310
Inactive, vested	7,312	8,105	7,413
Retirees and beneficiaries	41,812	43,087	44,283
Total	**115,350**	**118,398**	**119,006**

Funded Status

Since the adoption of GASB 67 in fiscal year 2014 by the ERS and GASB 68 in fiscal year 2015 by all of its participating employers, including the State, the System's actuary has prepared two separate annual actuarial valuation reports, one of which provides the disclosures required by GASB 67 and 68 that are incorporated into the financial statements of the ERS and its participating employers. In addition, the actuary has provided an annual valuation report based on the provisions of Chapter 88 of the Hawaii Revised Statutes, as amended, and the actuarial assumptions adopted by the ERS Board of Trustees. This report determines whether current employer contribution rates are adequate to ensure that the UAAL can be funded over a period not exceeding 30 years, describes the financial condition of ERS and analyzes changes in ERS's condition. The information presented in this section is derived from the 2015 Valuation Report, presenting the actuarial condition of the ERS as of June 30, 2015.

Based on the 2015 Valuation Report, the System's funded status has decreased compared to the prior year. The increase can be attributed to the lowering of the investment return assumption to 7.65%. Without the change in assumptions, the funded status would have increased due to liability experience gains. The unfunded actuarial accrued liability (the "UAAL") as of June 30, 2015 was \$8.78 billion. The State estimates its share of the UAAL is 50% as an expense of the General Fund, 20% is to be paid from non-general funds of the State, and the remaining 30% 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 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 were gradually increased, 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, 2015.

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, 2015 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, 2015 was 11.66% of payroll, which was 11.87% of payroll less than the total contributions required by law (17.89% from employers plus 5.64% in the aggregate from employees). Since only 6.02% of the employers' 17.89% contribution is required to meet the normal cost (5.64% comes from the employee contribution), it is intended that the remaining 11.87% 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.

The following table shows the valuation results as of June 30, 2015 plus a 30-year open group projection of ERS' assets and liabilities. The projection assumes no actuarial gains or losses in the actuarial liabilities or the actuarial value of assets. In addition, the projection reflects the changes made to the future employer contribution rates as well as changes to the benefits and member contribution rates of employees hired after June 30, 2012.

Projection Results Based on June 30, 2015 Actuarial Valuation†

Valuation as of June 30,	Employer Contribution Rate for Fiscal Year Following Valuation Date	Compensation (in Millions)	Employer Contributions (in Millions)	Actuarial Accrued Liability (AAL, in Millions)	Actuarial Value of Assets (AVA, in Millions)	Unfunded Actuarial Accrued Liability (UAAL, in Millions)	Funded Ratio
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2015	17.89%	$ 4,171.4	$ 746	$ 23,238	$ 14,464	$ 8,775	62.2%
2016	17.89%	4,263.9	763	24,142	15,226	8,916	63.1%
2017	17.89%	4,371.9	782	25,085	16,037	9,048	63.9%
2018	17.89%	4,489.1	803	26,023	16,856	9,167	64.8%
2019	17.89%	4,616.3	826	26,953	17,684	9,269	65.6%
2020	17.89%	4,752.4	850	27,878	18,526	9,353	66.5%
2021	17.89%	4,896.3	876	28,797	19,383	9,414	67.3%
2022	17.89%	5,048.5	903	29,708	20,258	9,450	68.2%
2023	17.89%	5,210.4	932	30,613	21,155	9,458	69.1%
2024	17.88%	5,380.7	962	31,512	22,078	9,433	70.1%
2025	17.88%	5,560.0	994	32,405	23,032	9,373	71.1%
2026	17.88%	5,747.6	1,027	33,292	24,020	9,272	72.1%
2027	17.87%	5,944.2	1,062	34,172	25,046	9,126	73.3%
2028	17.87%	6,150.4	1,099	35,047	26,116	8,931	74.5%
2029	17.87%	6,367.2	1,138	35,917	27,238	8,679	75.8%
2030	17.87%	6,594.1	1,178	36,786	28,420	8,366	77.3%
2031	17.87%	6,831.7	1,221	37,654	29,670	7,984	78.8%
2032	17.86%	7,079.9	1,265	38,524	30,997	7,526	80.5%
2033	17.86%	7,339.3	1,311	39,397	32,412	6,986	82.3%
2034	17.86%	7,611.4	1,360	40,279	33,925	6,354	84.2%
2035	17.87%	7,896.3	1,411	41,173	35,552	5,621	86.3%
2036	17.87%	8,193.4	1,464	42,082	37,305	4,777	88.6%
2037	17.87%	8,504.4	1,520	43,013	39,200	3,813	91.1%
2038	17.87%	8,830.4	1,578	43,969	41,253	2,715	93.8%
2039	17.87%	9,171.0	1,639	44,956	43,483	1,473	96.7%
2040	17.87%	9,526.7	1,703	45,980	45,908	72	99.8%
2041	17.88%	9,897.4	1,769	47,047	48,550	(1,503)	103.2%
2042	17.88%	10,284.2	1,839	48,163	51,429	(3,266)	106.8%
2043	17.88%	10,687.3	1,911	49,333	54,569	(5,236)	110.6%
2044	17.88%	11,107.5	1,986	50,565	57,994	(7,429)	114.7%

Source: 2015 Valuation Report.

† Projection assumes all assumptions exactly met, including a 7.65% annual return on the current actuarial value of assets.

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 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 2015 Valuation Report. The impact of the first year of the phased-in reduction of the investment yield rate from 7.75% to 7.50%, was reflected with the June 30, 2015 Valuation Report. The impact of lowering the investment return assumption from 7.75% to 7.65% was an increase in the unfunded liabilities of the System of approximately $261 million. The remaining phase-in is 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 the summer of 2016. The impact of the future lowering of the investment return assumption and possible new demographic assumptions cannot be determined at this time.

The actual investment returns of the System for fiscal years 2006 through 2015 shown below are market returns, net of investment and administrative expenses.

Fiscal Year	Percentage
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%
2015	4.23%

Source: Report on Investment Activity for the ERS prepared by Callan Associates, Inc. (2006), and Pension Consulting Alliance, Inc. (2007 to 2015), 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)
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%
2015***	14,463.7	23,238.4	8,774.7	62.2%	4,171.4	210.4%

Source: The 2015 Valuation Report.
*Assumption changes and new Hybrid Plan effective June 30, 2006.
**Figures reflect assumption changes effective June 30, 2011.
***Reflects change in investment return assumption effective June 30, 2015.

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 $14.5 billion as of June 30, 2015. Actuarial certification of assets as of June 30, 2013 was $12.7 billion and as of June 30, 2014 was $13.6 billion, and as of June 30, 2015 was $14.5 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 ratio 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)
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%
2015	14,463.7	14,505.5	100.3%	62.2%	62.4%

Source: The 2006-2015 Valuation Reports.

As of June 30, 2015, the UAAL of the System was $8.77 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 is allocated to each participating employer including the State. The amount of the ERS net pension liability that was allocated to the State is $5.8 billion (as of June 30, 2014), 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 2014 and 2015:

NORMAL COST

	June 30,					
	2014			2015		
	Police and Firefighters	Other Employees	All Employees	Police and Firefighters	Other Employees	All Employees
Normal cost as % of payroll	19.47%	9.92%	10.96%	20.39%	10.53%	11.66%
Employee contribution rate	12.30%	4.58%	5.42%	12.35%	4.77%	5.64%
Effective employer normal cost rate	7.17%	5.34%	5.54%	8.04%	5.76%	6.02%

Source: The 2015 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,	Actual Contribution
2006*	423,446
2007	454,494
2008	488,770
2009	578,635
2010	547,613
2011	534,858
2012	548,353
2013	581,447
2014	653,128
2015**	717,793

Source: The 2014-2015 Valuation Reports.
* Effective July 1, 2005, the required contributions are based on contribution rates and not specific dollar amounts.
** Effective July 1, 2015, the GASB annual required contribution under GASB 25 and 27 no longer applies.

Asset Allocation

The following table shows the target and actual asset allocation of the System as of June 30, 2015:

ASSET ALLOCATION
(as of June 30, 2015)

	Actual Allocation		Target Allocation		Allocation
Asset Type	**Amount ($mm)**	**Percentage**	**Amount ($mm)**	**Percentage**	**Difference**
Domestic Equity	$5,137.0	35.6%	$4,822.9	33.4%	2.2%
Non-US Equity	3,394.6	23.5%	3,753.6	26.0%	-2.5%
Fixed Income	2,609.5	18.1%	2,887.4	20.0%	-1.9%
Real Estate	922.3	6.4%	922.3	6.4%	0.0%
Private Equity	688.4	4.8%	688.4	4.8%	0.0%
Real Return	640.5	4.4%	640.5	4.4%	0.0%
Covered Calls	853.5	5.9%	721.9	5.0%	0.9%
Other	191.3	1.3%	0.0	0.0%	1.3%
Total	**$14,437.0**	**100.0%**	**$14,437.0**	**100.0%**	

Source: Valuations provided by BNY Mellon – 2015; values unaudited.

The above table represents the historical asset class policy as of June 30, 2015. 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") First Quarter 2016 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 2016 is 4.1 percent. In real terms (adjusting for inflation), DBEDT estimates that the 2016 State's GDP growth to be 2.3 percent over that of the previous year. DBEDT calculates that the State's GDP has diversified from 67% to 83% in non-tourism sectors from 1988 to 2015.

State of the Economy

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

In the fourth quarter of 2015, the total number of visitors arriving by air to Hawaii increased 88,030 or 4.3 percent. Due to slightly shorter lengths of stay, the daily visitor census increased 3.2 percent in the quarter. Since visitors spent less on a daily basis during the fourth quarter of 2015, the total spending by visitors arriving by air increased only 1.1 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 and the value of private building permits both decreased. In the fourth quarter of 2015, government contracts awarded decreased $93.0 million, the permit value for private construction decreased $27.2 million, but the State CIP expenditures increased $108.3 million. The construction sector added 3,800 jobs compared with the same quarter of 2014. According to the most recent data available, current construction put-in-place increased $545.8 million or 32.8 percent in the third quarter of 2015 compared with the same quarter of 2014. Construction-put-in-place is based on excise tax data.

In the fourth quarter of 2015, State general fund tax revenues were up $19.1 million or 1.4 percent over the same period of 2014. State general excise tax revenue increased $16.6 million or 2.2 percent in the fourth quarter of 2015 compared to the same quarter in 2014. In 2015, State general fund tax revenues increased $462.9 million or 8.4 percent, and the state general excise tax revenue increased $161.7 million or 5.4 percent, compared with the previous year.

Labor market conditions were positive. Since the fourth quarter of 2010, Hawaii's jobs increased for the 21th consecutive quarter. In the fourth quarter of 2015 Hawaii’s civilian non-agricultural wage and salary jobs averaged 645,700 jobs, an increase of 13,700 jobs or 2.2 percent from the same quarter of 2014.

The job increase in the fourth quarter of 2015 was mainly due to job increases in the private sector. In this quarter, the private sector added about 13,600 non-agricultural jobs compared to the fourth quarter of 2014. Jobs increased the most in Natural Resources, Mining and Construction, adding 3,800 jobs or 12.0 percent. This was followed by Health Care and Social Assistance, adding 2,200 jobs or 3.3 percent, Food Services and Drinking Places, adding 2,100 jobs or 3.4 percent, Other Services, adding 2,000 jobs or 7.6 percent, Transportation, Warehousing, and Utilities, adding 1,400 jobs or 4.7 percent, and Retail Trade, adding 1,100 jobs or 1.5 percent in the quarter. In this quarter, only Educational Services lost 300 jobs, Accommodation lost 300 jobs, and Manufacturing lost 100 jobs compared to the same quarter of 2014. The three levels of government added 100 jobs or 0.1 percent in the fourth quarter of 2015. The Federal Government lost 100 jobs or 0.3 percent; the State Government added 300 jobs or 0.4 percent, while the Local Government jobs was unchanged compared to the fourth 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 third quarter of 2015 increased $3,128.6 million or 4.8 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 third quarter of 2015 was due to increases in all major components of personal income. In dollar terms, the largest increases occurred in wages and salaries, followed by dividends, interest, and rent, personal current transfer receipts, proprietors' income, and supplements to wages and salaries. In the first three quarters of 2015, total annualized personal income was $68,044.2 million, an increase of 4.7 percent from the same period of last year.

Consumer prices in Honolulu increased 1.3 percent in the second 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 increased 0.3 percent in the second half of 2015. In 2014, the Honolulu CPI-U increased 1.4 percent from the previous year. In the second half of 2015, the Honolulu CPI-U increased the most in Medical Care (10.6 percent), followed by Food and Beverages (4.4 percent), Other Goods and Services (3.8 percent), Education and Communication (3.0 percent), Recreation (2.8 percent), and Housing (0.9 percent). The price of Transportation and Apparel decreased 8.0 percent and 2.0 percent, respectively, compared to the second half of 2014.

According to the most recent data available, in the second quarter of 2015, total annualized nominal GDP increased $3,619.0 million or 4.8 percent from the second quarter of 2014. In the first half of 2015, total annualized nominal GDP increased $3,410.5 million or 4.5 percent from the same period of 2014. In the second quarter of 2015, total annualized real GDP (in chained 2009 dollar) increased $1,464.0 million or 2.1 percent from the second quarter of 2014. In the first half of 2015, total annualized real GDP increased $1,184.5 million or 1.7 percent from the same period of 2014.

Outlook for the Economy

Hawaii's economy is expected to continue positive growth for the rest of 2016 and into 2017. 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 February 2016 Blue Chip Economic Consensus Forecasts, U.S. real GDP is expected to increase by 2.1 percent in 2016, 0.5 of a percentage point lower than the 2.6 percent growth rate projected in the November 2015 forecast. For 2017 the consensus forecast predicts an overall 2.4 percent growth in U.S. real GDP.

According to the February 2016 Blue Chip Economic Consensus Forecast, real GDP growth for Japan is now expected to increase 1.0 percent in 2016, 0.1 of a percentage point lower than the growth rate projected in the November 2015 forecast. For 2017, the consensus forecast now expects an overall 0.7 percent growth rate for Japanese real GDP.

For the local economy, DBEDT expects that visitor expenditures will grow at lower rates than projected in the previous forecast. For GDP growth, the current forecast was about the same as the previous forecast.

Overall, Hawaii's economy, as measured by real GDP, is projected to show a 2.3 percent increase in 2016, same as the growth rate forecasted last quarter. The real GDP growth forecast in 2017 is 2.4 percent, also same as the growth rate forecasted last quarter.

Hawaii's unemployment rate is projected to be 3.5 percent in 2016, 0.2 of a percentage point lower than the previous forecast. The unemployment rate in 2017 is now projected to be 3.3 percent, 0.2 of a percentage point lower than the previous forecast.

Visitor arrivals are expected to increase 1.9 percent in 2016, 0.2 of a percentage point above the previous forecast. The forecast for visitor days in 2016 decreased 0.1 of a percentage point to 1.7 percent. The forecast for visitor expenditure growth in 2016 was revised downward to 2.4 percent, from 3.5 percent growth projected in the previous forecast. For 2017, the growth rate of visitor arrivals, visitor days, and visitor expenditures are now expected to be 1.9 percent, 1.9 percent, and 3.9 percent, respectively.

The projection for the non-agricultural wage and salary job growth rate in 2016 is 1.3 percent, 0.1 of a percentage point above the previous forecast. In 2017, jobs are projected to increase 1.2 percent, 0.2 of a percentage point above the previous forecast.

The Honolulu Consumer Price Index (CPI) is now expected to increase 2.0 percent in 2016, 0.3 of a percentage point below the previous forecast. In 2017, the CPI is projected to increase 2.2 percent, also 0.3 of a percentage point below the previous forecast.

Personal income in current dollars is now expected to increase 4.8 percent in 2016, same as the previous forecast. Real personal income is currently projected to grow 3.0 percent in 2016, same as the previous forecast. In 2017, current-dollar personal income and real personal income are expected to increase 5.0 percent and 3.1 percent, respectively.

Beyond 2017, the economy is expected to continue its expansion path, with job growth projected to be 1.1 percent in 2018 and 2019. Visitor arrivals are expected to increase 1.8 percent in both 2018 and 2019. Visitor expenditures are expected to increase 4.1 percent in 2018 and 2019. Real personal income is projected to increase 3.0 percent in 2018 and 2019. Hawaii's real GDP growth is expected to increase 2.4 percent in 2018 and 2.2 percent in 2019. The unemployment rate is expected to decrease to 3.1 percent in 2018 and 2019.

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

Table 1

SELECTED ECONOMIC ACTIVITIES: STATE

SERIES	4th QUARTER 2014	4th QUARTER 2015	4th QUARTER % CHANGE YEAR AGO	YEAR-TO-DATE 2014	YEAR-TO-DATE 2015	YEAR-TO-DATE % CHANGE YEAR AGO
Civilian labor force, NSA (persons) 1/	669,750	680,550	1.6	668,200	676,300	1.2
Civilian employed, NSA	643,050	658,800	2.4	639,050	651,350	1.9
Civilian unemployed, NSA	26,700	21,700	-18.7	29,150	25,000	-14.2
Unemployment rate, NSA (%) 1/ 2/	4.0	3.2	-0.8	4.4	3.7	-0.7
Total wage and salary jobs, NSA	639,000	652,700	2.1	632,300	641,300	1.4
Total non-agric. wage & salary jobs	632,000	645,700	2.2	625,300	634,800	1.5
Nat. Resources, Mining, Constr.	31,600	35,400	12.0	31,600	33,400	5.7
Manufacturing	13,700	13,600	-0.7	13,700	13,500	-1.5
Wholesale Trade	18,000	18,000	0.0	17,700	18,100	2.3
Retail Trade	71,500	72,600	1.5	69,700	71,400	2.4
Transp., Warehousing, Util.	30,000	31,400	4.7	30,000	30,900	3.0
Information	8,700	8,700	0.0	8,500	8,400	-1.2
Financial Activities	27,600	28,100	1.8	27,400	27,900	1.8
Professional & Business Services	83,900	84,300	0.5	82,300	83,600	1.6
Educational Services	14,200	13,900	-2.1	14,200	14,000	-1.4
Health Care & Social Assistance	65,800	68,000	3.3	64,800	66,700	2.9
Arts, Entertainment & Recreation	12,300	12,600	2.4	12,100	12,600	4.1
Accommodation	39,400	39,100	-0.8	39,300	39,000	-0.8
Food Services & Drinking Places	62,300	64,400	3.4	61,900	63,500	2.6
Other Services	26,200	28,200	7.6	26,500	27,300	3.0
Government	127,000	127,100	0.1	125,600	124,700	-0.7
Federal	33,300	33,200	-0.3	33,200	32,700	-1.5
State	74,900	75,200	0.4	73,600	73,100	-0.7
Local	18,800	18,800	0.0	18,800	18,900	0.5
Agriculture wage and salary jobs	7,000	7,000	0.0	7,000	6,500	-7.1
State general fund revenues ($1,000)	1,412,748	1,431,883	1.4	5,535,709	5,998,652	8.4
General excise and use tax revenues	737,774	754,374	2.2	2,979,776	3,141,489	5.4
Income-individual	499,814	498,417	-0.3	1,820,693	2,054,065	12.8
Declaration estimated taxes	64,723	58,458	-9.7	449,385	543,718	21.0
Payment with returns	25,735	32,035	24.5	154,526	188,765	22.2
Withholding tax on wages	439,693	442,604	0.7	1,683,842	1,756,887	4.3
Refunds ('-' indicates relative to State)	-30,337	-34,648	14.2	-467,060	-435,272	-6.8
Transient accommodations tax	90,476	96,087	6.2	408,141	435,025	6.6
Honolulu County Surcharge 3/	64,255	(NA)	(NA)	241,583	(NA)	(NA)
Private Building Permits ($1,000)	960,605	933,431	-2.8	3,315,078	3,963,607	19.6
Residential	299,347	417,805	39.6	985,938	1,651,336	67.5
Commercial & industrial	249,158	94,395	-62.1	498,536	702,920	41.0
Additions & alterations	412,101	421,230	2.2	1,830,604	1,609,350	-12.1
Visitor Days - by air	18,761,539	19,364,776	3.2	74,982,915	77,727,767	3.7
Domestic visitor days - by air	13,570,449	14,043,478	3.5	54,854,993	56,676,259	3.3
International visitor days - by air	5,191,090	5,321,298	2.5	20,127,921	21,051,508	4.6
Visitor arrivals by air - by air	2,031,752	2,119,781	4.3	8,183,671	8,533,978	4.3
Domestic flight visitors - by air	1,337,232	1,407,528	5.3	5,473,388	5,762,371	5.3
International flight visitors - by air	694,520	712,253	2.6	2,710,283	2,771,607	2.3
Visitor expend. - arrivals by air ($1,000)	3,765,536	3,805,582	1.1	14,778,473	15,118,936	2.3
Hotel occupancy rates (%) 2/	75.0	(NA)	(NA)	77.1	(NA)	(NA)

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
2014 TO 2019

Economic Indicators	2014	2015	2016	2017	2018	2019
	(Actual)		(Forecast)			
Total population (thousands)	1,420	1,432	1,443	1,455	1,468	1,481
Visitor arrivals (thousands) 1/	8,308	8,649	8,818	8,985	9,143	9,305
Visitor days (thousands) 1/	75,646	78,281	79,637	81,177	82,629	84,108
Visitor expenditures (million dollars) 1/	14,943	15,282	15,645	16,262	16,935	17,633
Honolulu CPI-U (1982-84=100)	257.6	260.2	265.4	271.2	277.4	284.1
Personal income (million dollars) 2/	65,348	68,419	71,703	75,289	79,053	83,006
Real personal income (millions of 2009$) 3/	52,346	54,231	55,857	57,610	59,367	61,124
Non-agricultural wage & salary jobs (thousands)	625.3	634.8	643.1	650.8	657.9	665.2
Civilian unemployment rate 4/	4.4	3.7	3.5	3.3	3.1	3.1
Gross domestic product (million dollars) 5/	76,171	79,637	82,935	86,199	89,945	93,670
Real gross domestic product (millions of 2009$) 5/	69,436	70,825	72,454	74,193	75,973	77,645
Gross domestic product deflator (2009=100) 5/	109.7	112.4	114.5	116.2	118.4	120.6
Annual Percentage Change						
Total population	0.8	0.8	0.8	0.8	0.9	0.9
Visitor arrivals 1/	1.6	4.1	1.9	1.9	1.8	1.8
Visitor days 1/	0.9	3.5	1.7	1.9	1.8	1.8
Visitor expenditures 1/	2.9	2.3	2.4	3.9	4.1	4.1
Honolulu CPI-U	1.4	1.0	2.0	2.2	2.3	2.4
Personal income 2/	4.7	4.7	4.8	5.0	5.0	5.0
Real personal income 3/	2.8	3.6	3.0	3.1	3.0	3.0
Non-agricultural wage & salary jobs	1.1	1.5	1.3	1.2	1.1	1.1
Civilian unemployment rate 4/	-0.4	-0.7	-0.2	-0.2	-0.2	0.0
Gross domestic product 5/	2.7	4.5	4.1	3.9	4.3	4.1
Real gross domestic product 5/	0.4	2.0	2.3	2.4	2.4	2.2
Gross domestic product deflator (2009=100) 5/	2.3	2.5	1.8	1.5	1.9	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/ The 2015 values are estimated based on actual values in the first three quarters of 2015.

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

4/ Absolute change from previous year.

5/ 2015 and later years are estimated by DBEDT, data for earlier years from U.S. Bureau of Economic Analysis.

Source: Hawaii State Department of Business, Economic Development & Tourism, February 5, 2016.

Labor Force and Jobs

Hawaii's labor market conditions continued to improve in the fourth quarter of 2015. Since the civilian labor force increased less than the civilian employment, the civilian unemployment rate decreased 0.8 of a percentage point in the quarter. For the 21th consecutive quarter, civilian non-agricultural wage and salary jobs increased.

In the fourth quarter of 2015, the civilian labor force averaged 680,550 people, an increase of 10,800 people or 1.6 percent from the same quarter of 2014. In 2015, the civilian labor force increased 8,100 people or 1.2 percent from previous year.

Civilian employment totaled 658,800 people in the fourth quarter of 2015, an increase of 15,750 people or 2.4 percent compared to the same quarter of 2014. This is the 13th quarterly increase. In 2015, average civilian employment increased 12,350 people or 1.9 percent from the previous year.

In the fourth quarter of 2015, the number of civilian unemployed averaged 21,700, a decrease of 5,000 people or 18.7 percent from the same quarter of 2014. In 2015, the number of unemployed decreased 4,150 people or 14.2 percent from the previous year.

The unemployment rate (not seasonally adjusted) decreased from 4.0 percent in the fourth quarter of 2014 to 3.2 percent in the fourth quarter of 2015. In 2015, the unemployment rate decreased 0.7 of a percentage point from the previous year.

In the fourth quarter of 2015, Hawaii's civilian non-agricultural wage and salary jobs averaged 645,700 jobs, an increase of 13,700 jobs or 2.2 percent from the same quarter of 2014. This is the 21th consecutive quarterly increase in non-agricultural wage and salary jobs after ten consecutive quarterly decreases in jobs since the second quarter of 2008. In 2015, average non-agricultural wage and salary jobs increased 1.5 percent or 9,500 jobs from the previous year.

The job increase in the fourth quarter of 2015 was mainly due to a job increase in the private sector. In this quarter, the private sector added about 13,600 non-agricultural jobs compared to the fourth quarter of 2014. Jobs increased the most in Natural Resources, Mining and Construction, adding 3,800 jobs or 12.0 percent. This was followed by Health Care and Social Assistance, adding 2,200 jobs or 3.3 percent, Food Services and Drinking Places, adding 2,100 jobs or 3.4 percent, Other Services, adding 2,000 jobs or 7.6 percent, Transportation, Warehousing, and Utilities, adding 1,400 jobs or 4.7 percent, and Retail Trade, adding 1,100 jobs or 1.5 percent in the quarter. For the private sector, in the fourth quarter of 2015, Educational Services lost 300 jobs, Accommodation lost 300 jobs, and the Manufacturing sector lost 100 jobs compared to the same quarter of 2014.

The three levels of government added 100 jobs or 0.1 percent in the fourth quarter of 2015 compared to the same quarter of 2014. The Federal Government lost 100 jobs or 0.3 percent; the State Government added 300 jobs or 0.4 percent, while the Local Government jobs was unchanged compared to the fourth 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 11.7 percent in the fourth quarter of 2015 compared to the same quarter of 2014. In 2015, the initial liable claims for unemployment decreased 9.2 percent from the previous year.

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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	676,300	1.2	651,350	1.9	3.7

Source: Hawaii State Department of Labor and Industrial Relations.

Income and Prices

Hawaii's total personal income increased during the third 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 dividends, interest, and rent, personal current transfer receipts, proprietors' income, and supplements to wages and salaries.

In the third quarter of 2015, total nominal annualized personal income (i.e. not adjusted for inflation) increased $3,128.6 million or 4.8 percent from the third quarter of 2014. In the first three quarters of 2015, total annualized personal income was $68,044.2 million, an increase of 4.7 percent from the same period of 2014.

In the third quarter of 2015, wages and salaries increased $1,696.6 million or 5.1 percent from the third quarter of 2014. This was the 21st consecutive quarterly year-over-year increase since the third quarter of 2010. In the first three quarters of 2015, wages and salaries increased 4.7 percent from the same period of 2014.

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 $328.2 million or 3.5 percent in the third quarter of 2015 from the same quarter of 2014. In the first three quarters of 2015, supplements to wages and salaries increased 2.8 percent from the same period of 2014.

Proprietors' income increased $334.9 million or 7.5 percent in the third quarter of 2015 over that of 2014. In the first three quarters of 2015, proprietors' income was up 7.9 percent from the same period of 2014.

Dividends, interest, and rent increased $630.5 million or 4.6 percent in the third quarter of 2015 from the same quarter of 2014. In the first three quarters of 2015, income in this category was up 4.0 percent from the same period of 2014.

The annualized personal current transfer receipts grew by $343.6 million or 3.2 percent in the third quarter of 2015 from the same quarter of 2014. In the first three quarters of 2015, personal current transfer receipts increased 4.7 percent from the same period of 2014.

Contributions to government social insurance, which is subtracted from total personal income, increased $205.1 million or 3.8 percent in the third quarter of 2015, compared to the third quarter of 2014. In the first three quarters of 2015, contributions to government social insurance increased 2.5 percent from the same period of 2014.

In the third quarter of 2015, total non-farm private sector annualized earnings increased $2,037.4 million or 6.4 percent from the third quarter of 2014. In dollar terms, the largest increase occurred in construction, followed by health care and social assistance, accommodation and food services, transportation and warehousing, real estate and rental and leasing, and administrative and waste management services. During the third quarter of 2015, total government earnings increased $270.9 million or 1.8 percent from the same quarter of 2014. Earnings from the federal government increased $91.9 million or 1.1 percent. Earnings from the state and local governments increased $179.0 million or 2.8 percent in the quarter.

In the second half of 2015, Honolulu's Consumer Price Index for Urban Consumers (CPI-U) increased 1.3 percent from the same period in 2014. This is in contrast to the 0.3 percent increase for the U.S. average CPI-U and is slightly lower than the 2014 Honolulu CPI-U increase of 1.4 percent from the previous year. In the second half of 2015, the Honolulu CPI-U increased the most in Medical Care (10.6 percent), followed by Food and Beverages (4.4 percent), Other Goods and Services (3.8 percent), Education and Communication (3.0 percent), Recreation (2.8 percent), and Housing (0.9 percent). The price of Transportation and Apparel decreased 8.0 percent and 2.0 percent, respectively, compared to the second half of 2014.

According to the most recent data available, in the second quarter of 2015, total annualized nominal GDP increased $3,619.0 million or 4.8 percent from the second quarter of 2014. In the first half of 2015, total annualized nominal GDP increased $3,410.5 million or 4.5 percent from the same period of 2014. In the second quarter of 2015, total annualized real GDP (in chained 2009 dollar) increased $1,464.0 million or 2.1 percent from the second quarter of 2014. In the first half of 2015, total annualized real GDP increased $1,184.5 million or 1.7 percent from the same period 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.)

						Percentage change		
						Third Quarter 2015		YTD 2015
Series	*Third Quarter 2014*	*Second Quarter 2015*	*Third Quarter 2015*	*YTD 2014*	*YTD 2015*	*Third Quarter 2014*	*Second Quarter 2015*	*YTD 2014*
PERSONAL INCOME	65,790,744	68,035,410	68,919,388	65,004,692	68,044,163	4.8	1.3	4.7
Earnings By Place of Work	46,962,656	48,657,865	49,322,339	46,512,359	48,665,242	5.0	1.4	4.6
Wage and salary disbursements	33,010,072	34,228,377	34,706,634	32,678,192	34,222,519	5.1	1.4	4.7
Wages and salaries	9,509,764	9,743,147	9,838,003	9,481,204	9,747,070	3.5	1.0	2.8
Emp'er contrib. for emp'ee pension & ins. funds	6,822,348	7,001,964	7,065,906	6,762,572	7,005,405	3.6	0.9	3.6
Employer contrib. for gov't social ins.	2,687,416	2,741,183	2,772,097	2,718,632	2,741,665	3.2	1.1	0.8
Proprietors' income	4,442,820	4,686,341	4,777,702	4,352,963	4,695,653	7.5	1.9	7.9
Farm proprietors' income	-13,612	20,444	29,916	-4,408	23,033	(2/)	(2/)	(2/)
Nonfarm proprietors' income	4,456,432	4,665,897	4,747,786	4,357,371	4,672,620	6.5	1.8	7.2
Dividends, interest, and rent	13,601,560	14,071,809	14,232,059	13,506,184	14,040,215	4.6	1.1	4.0
plus: Personal current transfer receipts	10,639,324	10,862,086	10,982,914	10,407,221	10,895,406	3.2	1.1	4.7
Social Security benefits	3,625,784	3,775,228	3,798,996	3,599,973	3,771,106	4.8	0.6	4.8
Medicare benefits	2,089,012	2,141,890	2,167,593	2,067,839	2,143,862	3.8	1.2	3.7
Medicaid 1/	2,174,724	2,050,866	2,105,770	2,001,208	2,076,307	-3.2	2.7	3.8
State unempl. ins. comp.	167,576	146,433	135,015	182,092	148,544	-19.4	-7.8	-18.4
All other personal current transfer receipts	2,582,228	2,747,669	2,775,540	2,556,109	2,755,587	7.5	1.0	7.8
Less: Contributions for gov't social ins.	5,412,796	5,556,350	5,617,924	5,421,072	5,556,699	3.8	1.1	2.5
Personal contributions for gov't social ins.	2,725,380	2,815,167	2,845,827	2,702,440	2,815,034	4.4	1.1	4.2
Employer contributions for gov't social ins.	2,687,416	2,741,183	2,772,097	2,718,632	2,741,665	3.2	1.1	0.8
Earnings By Industry	46,962,656	48,657,865	49,322,339	46,512,359	48,665,242	5.0	1.4	4.6
Farm Earnings	296,440	336,337	347,802	300,491	338,937	17.3	3.4	12.8
Nonfarm Earnings	46,666,216	48,321,528	48,974,537	46,211,868	48,326,305	4.9	1.4	4.6
Private earnings	31,925,496	33,394,198	33,962,913	31,605,871	33,373,919	6.4	1.7	5.6
Forestry, fishing, & related activities	71,624	82,304	86,959	70,145	83,075	21.4	5.7	18.4
Mining	37,128	41,367	41,730	37,591	42,916	12.4	0.9	14.2
Utilities	579,956	607,432	613,249	564,431	609,013	5.7	1.0	7.9
Construction	3,415,624	3,757,029	3,919,569	3,337,984	3,772,138	14.8	4.3	13.0
Manufacturing	869,976	876,123	885,091	848,919	880,075	1.7	1.0	3.7
Durable goods	264,860	277,385	275,534	263,640	276,972	4.0	-0.7	5.1
Nondurable goods	605,116	598,738	609,557	585,279	603,103	0.7	1.8	3.0
Wholesale trade	1,297,288	1,318,163	1,322,154	1,272,121	1,311,755	1.9	0.3	3.1
Retail trade	2,812,636	2,867,436	2,926,129	2,797,048	2,877,524	4.0	2.0	2.9
Transportation and warehousing	1,745,264	1,842,474	1,875,994	1,759,263	1,860,098	7.5	1.8	5.7
Information	716,608	765,362	760,993	716,573	747,108	6.2	-0.6	4.3
Finance and insurance	1,368,872	1,459,196	1,480,371	1,348,299	1,452,232	8.1	1.5	7.7
Real estate and rental and leasing	1,658,340	1,751,711	1,788,054	1,630,568	1,757,437	7.8	2.1	7.8
Prof., scientific, & technical services	2,648,008	2,696,524	2,708,791	2,642,125	2,682,550	2.3	0.5	1.5
Management of companies and enterprises	822,440	867,717	877,117	814,211	840,184	6.6	1.1	3.2
Admin. & waste management services	2,201,508	2,283,911	2,318,264	2,161,657	2,284,998	5.3	1.5	5.7
Educational services	753,232	773,237	770,048	749,955	769,161	2.2	-0.4	2.6
Health care and social assistance	4,496,824	4,715,698	4,801,041	4,467,996	4,722,741	6.8	1.8	5.7
Arts, entertainment, and recreation	497,368	499,815	517,504	495,063	496,039	4.0	3.5	0.2
Accommodation and food services	4,125,164	4,327,638	4,381,019	4,102,215	4,320,852	6.2	1.2	5.3
Other services, except public admin.	1,807,636	1,861,061	1,888,836	1,789,708	1,864,023	4.5	1.5	4.2
Government and government enterprises	14,740,720	14,927,330	15,011,624	14,605,997	14,952,386	1.8	0.6	2.4
Federal	8,372,176	8,441,152	8,464,060	8,319,752	8,440,999	1.1	0.3	1.5
Federal, civilian	3,465,700	3,540,160	3,548,367	3,450,116	3,534,786	2.4	0.2	2.5
Military	4,906,476	4,900,992	4,915,693	4,869,636	4,906,214	0.2	0.3	0.8
State and local	6,368,544	6,486,178	6,547,564	6,286,245	6,511,386	2.8	0.9	3.6

1/ 2015Q1 to 2015Q2 revised from previous *QSER*.
2/ Percentage change involving negative values not meaningful.
Source: U.S. Department of Commerce, Bureau of Economic Analysis, State Quarterly Personal Income, December 21, 2015 <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=3> accessed December 21, 2015.

Table 5

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

YEAR	ANNUAL AVERAGE	% CHANGE
2005	46,111	7.0
2006	49,617	7.6
2007	52,659	6.1
2008	55,478	5.4
2009	55,340	-0.2
2010	56,732	2.5
2011	59,179	4.3
2012	61,984	4.7
2013	62,437	0.7
2014	65,348	4.7
2015 1/	68,044	4.7

1/ First 3 quarters
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
2015	237.017	260.165	267.041	276.047	108.893	216.756	378.876	121.840	147.869	478.634
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
H2	237.769	262.482	270.472	277.714	107.845	216.223	392.998	123.261	149.332	483.535
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
2015	0.1	1.0	4.3	0.9	-2.0	-8.3	7.7	1.9	3.1	4.5
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
H2	0.3	1.3	4.4	0.9	-2.0	-8.0	10.6	2.8	3.0	3.8

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>

Tourism

Visitor arrivals continue to be strong with both domestic and international visitor arrivals increasing in the fourth 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 less on a daily basis during the fourth quarter of 2015, total visitor spending increased less 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 88,030 or 4.3 percent in the fourth quarter of 2015, compared to the same quarter of 2014. The total average daily census was up 6,557 or 3.2 percent in the quarter. In 2015, total visitor arrivals by air increased 350,307 or 4.3 percent, while the average daily census increased 7,520 or 3.7 percent from the previous year.

In the fourth quarter of 2015, total visitor arrivals on domestic flights increased 70,297 or 5.3 percent compared to the same quarter of 2014. In 2015, domestic arrivals were up 288,983 or 5.3 percent from the previous year.

Arrivals on international flights increased 17,733 or 2.6 percent in the fourth quarter of 2015 compared to the fourth quarter of 2014. In 2015, international arrivals were up 61,324 or 2.3 percent from the previous year.

In terms of major market areas, from the fourth quarter of 2014 to the same period of 2015, arrivals from the U.S. West increased 47,067 or 5.7 percent, arrivals from the U.S. East increased 26,292 or 6.7 percent, and arrivals from Japan increased 5,323 or 1.4 percent. In 2015, arrivals from U.S. West were up 231,795 or 7.1 percent; arrivals from the U.S. East were up 53,779 or 3.1 percent; and Japanese arrivals were down 12,532 or 0.8 percent from the previous year.

While visitor arrivals have increased, the length of stay per visitor has decreased slightly. 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 3.2 percent or 6,557 visitors per day in the fourth quarter of 2015 over the same quarter of 2014. The domestic average daily census increased 3.5 percent or 5,142 visitors per day, while the international average daily census increased 2.5 percent or 1,415 visitors per day. In 2015, the domestic average daily census increased 4,990 or 3.3 percent; and the international average daily census increased 2,530 or 4.6 percent from the previous year.

Nominal visitor expenditures by air totaled $3,805.6 million in the fourth quarter of 2015, up 1.1 percent or $40.0 million from the same quarter of 2014. In 2015, visitor expenditures increased $340.5 million or 2.3 percent compared with the previous year.

Total airline capacity, as measured by the number of available seats flown to Hawaii, increased 3.7 percent or 105,451 seats in the fourth quarter of 2015, domestic seats increased 5.2 percent or 99,454 seats; international seats increased 0.7 percent or 5,997 seats, compared to the same quarter of 2014. In 2015, the number of total available seats increased 5.7 percent or 638,470 seats from the previous year.

According to the most recent data available, in the third quarter of 2015, the statewide hotel occupancy rate averaged 79.9 percent, 1.2 percentage points higher than that of the same quarter of 2014. In the first three quarters of 2015, the statewide hotel occupancy rate averaged 79.4 percent, 2.2 percentage points higher than that of the same period of 2014.

Table 7

VISITOR ARRIVALS BY AIR

Average Length of Stay, Visitor Days, Average Daily Census

	2012	2013	2014	2015	% Change 2012-2013	% Change 2013-2014	% Change 2014-2015
Total Arrivals							
Total	7,867,143	8,003,474	8,183,671	8,533,978	1.7	2.3	4.3
Domestic	5,403,025	5,405,300	5,473,388	5,762,371	0.0	1.3	5.3
International	2,464,118	2,598,174	2,710,283	2,771,607	5.4	4.3	2.3
Average Length of Stay							
Total	9.3	9.3	9.2	9.1	-0.9	-1.0	-0.6
Domestic	10.1	10.1	10.0	9.8	0.2	-0.5	-1.9
International	7.8	7.5	7.4	7.6	-2.8	-1.5	2.3
Visitor Days							
Total	73,462,636	74,049,772	74,982,915	77,727,767	0.8	1.3	3.7
Domestic	54,343,793	54,462,717	54,854,993	56,676,259	0.2	0.7	3.3
International	19,118,843	19,587,054	20,127,921	21,051,508	2.4	2.8	4.6
Average Daily Census							
Total	201,267	202,876	205,433	212,953	0.8	1.3	3.7
Domestic	148,887	149,213	150,288	155,277	0.2	0.7	3.3
International	52,380	53,663	55,145	57,675	2.4	2.8	4.6

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	79.6
2007	77.5	72.0	78.6	72.0	75.0
2008	78.8	68.8	70.5	63.8	70.5
2009	66.9	63.7	67.3	63.5	65.3
2010	70.8	67.3	75.2	69.5	70.7
2011	76.7	68.6	76.1	71.9	73.3
2012	80.4	73.8	78.9	74.5	76.9
2013	82.1	74.2	77.8	72.3	76.6
2014(1)	81.0	74.0	78.7	75.0	77.1
2015(1)	80.3	77.9	79.9	Year-to-Date	79.4

NA Not available.

The 2nd, 3rd, and 4th Quarter averages are computed by Hawaii State Department of Business, Economic Development & Tourism from 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 and Hospitality Advisors LLC.

Construction and Real Estate

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

Construction has been one of the steady contributors to job growth in Hawaii over the past few years. In the fourth quarter of 2015, the construction sector added 3,800 jobs or 12.0 percent compared with the same quarter of 2014. In 2015, the construction sector added 1,800 jobs or 5.7 percent from the previous year. 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 second quarter of 2011 quarter-over-quarter construction job growth was negative in all quarters.

In the fourth quarter of 2015, the private building authorizations in the state decreased $27.2 million or 2.8 percent, compared with the fourth quarter of 2014. In 2015, private building authorizations for the state increased $648.5 million or 19.6 percent compared with the previous year.

In the fourth quarter of 2015, private building authorizations in Honolulu increased $86.4 million or 14.7 percent, compared with the fourth quarter of 2014. In 2015, private building authorizations in Honolulu increased $364.8 million or 17.6 percent compared with the previous year.

In the fourth quarter of 2015, private building authorizations in Hawaii County decreased $56.9 million or 25.2 percent, compared with the fourth quarter of 2014. In 2015, private building authorizations in Hawaii County decreased $7.6 million or 1.1 percent compared with the previous year.

In the fourth quarter of 2015, private building authorizations in Maui decreased $47.5 million or 40.7 percent, compared with the fourth quarter of 2014. In 2015, private building authorizations in Maui increased $287.9 million or 64.9 percent compared with the previous year.

In the fourth quarter of 2015, private building authorizations (residential only) in Kauai decreased $9.1 million or 28.1 percent, compared with the fourth quarter of 2014. In 2015, private building authorizations in Kauai increased $3.5 million or 3.4 percent compared with the previous year.

Government contracts awarded decreased $93.0 million or 36.5 percent in the fourth quarter of 2015 compared to the same quarter of 2014. In 2015, government contracts awarded increased $458.0 million or 41.8 percent compared with the previous year. State government CIP expenditures increased $108.3 million or 43.5 percent in the fourth quarter of 2015. In 2015, CIP expenditures decreased $12.8 million or 1.0 percent from the previous year.

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 2015, Honolulu's median price for single family resales was $700,000, an increase of $25,000 or 3.7 percent from the previous year. The median price for condominium units was $360,000, an increase of $10,000 or 2.9 percent from the previous year. In the fourth quarter of 2015, the number of single-family unit resales was up 6.1 percent, and the number of condominium unit resales was up 2.9 percent compared with the fourth quarter of 2014. In 2015, the number of single-family unit resales was up 5.2 percent, and condominium unit resales was up 4.5 percent compared with the previous year.

In the fourth quarter of 2015, single-family unit resales increased 21.1 percent, and condominium unit resales decreased 2.8 percent in Maui County compared to the same quarter of 2014.

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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
2015		(NA)	3,963.6	1,651.3	702.9	1,609.4	1,554.6
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.	1,995.3	840.4	412.7	113.9	313.7	680.8
	3 Qtr.	2,212.3	892.2	338.3	111.0	442.9	487.1
	4 Qtr.	(NA)	933.4	417.8	94.4	421.2	161.7
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
2015		(NA)	19.6	67.5	41.0	-12.1	41.8
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.	12.9	4.2	35.1	41.2	-25.3	133.7
	3 Qtr.	32.8	13.0	46.8	50.3	-8.8	23.4
	4 Qtr.	(NA)	-2.8	39.6	-62.1	2.2	-36.5

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] Includes hotels.

[3] Kauai data for November consist of residential data only.

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
2015		3,963,607	2,436,954	689,454	105,707	731,491
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
	3 Qtr.	892,195	588,188	167,353	29,136	107,517
	4 Qtr.	933,431	672,024	168,720	23,430	69,256
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
2015		19.6	17.6	-1.1	3.4	64.9
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
	3 Qtr.	13.0	8.1	20.5	9.9	33.9
	4 Qtr.	-2.8	14.7	-25.2	-28.1	-40.7

[1] Kauai County data for November consist of residential data only.

Source: County building departments.

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 $8.3 billion in 2014, up 1.7 percent from the previous year. The total COE of combined military and civilian federal employees in Hawaii accounted for about 19.7 percent of Hawaii's total COE in 2014. Between 2004 and 2014, the annual average compounded growth rate for COE was 4.0 percent for civilian and 4.5 percent for military personnel in Hawaii. The military personnel accounted for 58.5 percent of the total Federal COE in 2014. The federal government accounted for about 12.6 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 three quarters of 2015 increased 1.5 percent over the same period of 2014. In 2014, the earnings of federal government employees increased 1.7 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, 2014 and 2015 amounted to, 18.8 million short tons, 19.0 million short tons, 19.8 million short tons, 20.4 million short tons and 20.9 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, 6,565 in fiscal year 2014 and 6,275 in fiscal year 2015. 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, 11.2 million short tons in fiscal year 2014 and 11.2 million short tons in fiscal year 2015. 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 (formerly 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 2015, total passenger counts increased from 32,590,478 to 33,608,998 due to higher overseas traffic. Aircraft operations increased to 1,024,807 from 977,326 in fiscal year 2015 and 2014, respectively, primarily due to added flights. Total airline and concession revenues have grown over the past seven (7) years, to $332 million in fiscal year 2015 (or $66 million since fiscal year 2009) mainly due to increases from signatory airlines, rental car, and parking revenues.

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 concurred 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 4,321.791 linear miles of public highways, streets and roads administered by the Department of Transportation and the counties. An additional 117.64 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, 2015.

Motor Vehicle Registration

Calendar Year	Passenger Vehicles	Ambulances & Hearses	Buses	Trucks	Motorcycles & Scooters	Trailers	Total
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
2015	1,001,879	108	2,465	196,420	32,831	27,820	1,261,343

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 2015-2016 school year, system enrollment decreased from a total of 180,807 in the 2014-2015 school year to a projected total of 180,375 in 290 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 2015, 55,756 students attended the University of Hawaii System, 18,865 of them on the Manoa campus.

For the fall of 2016, it is projected that 56,095 will attend the University of Hawaii System, 19,147 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, 2015 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, 2015, 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		$ 5,893,685,000
Less excludable reimbursable general obligation bonds [1]		
Highways	$ 4,255,093	
Harbors	29,331,737	
University of Hawaii	379,686	
Parking facilities	33,378	
Hawaiian Home Lands	36,422	
Subtotal excludable reimbursable general obligation bonds	$ 34,036,315	
Less all general obligation bonds maturing in the current year	$ 311,069,577	$ 345,105,892
Net general obligation bonds outstanding		$ 5,548,579,108

Footnotes on following page.

REVENUE BOND INDEBTEDNESS [2]

As of July 1, 2015

Revenue bonds outstanding:		
Airports:		
Airports system	$ 842,700,142	
Airports special facility	28,100,000	$ 870,800,142
Housing:		
Single family mortgage purchase	60,593,840	
Multifamily	232,600,503	293,194,343
Harbors:		
Revenue		328,035,000
Highway:		
Revenue		421,530,000
University of Hawaii:		
Revenue		578,585,000
Hawaiian Home Lands		38,300,000
Hawaii Health Systems Corporation (Maui Regional Health Care System)		18,854,894
Department of Business, Economic Development and Tourism		145,517,817
Total revenue bonds outstanding		$ 2,694,817,196

SPECIAL PURPOSE REVENUE BOND INDEBTEDNESS [3]

As of July 1, 2015

Special Purpose Revenue Bonds outstanding:	
Health care facilities	$ 823,505,000
Utilities serving the general public	462,000,000
Industrial enterprises	8,562,500
Not for profit secondary schools, colleges and university serving the general public	100,980,000
Total special purpose revenue bonds outstanding	$1,395,047,500

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, 2015, the State has issued additional general obligation bonds, and has redeemed and retired other general obligation bonds. As of March 1, 2016, and not taking into account the anticipated issuance of the Bonds, the State had a total of $5,891,070,000 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, 2015. The greatest amount of principal and interest payable in any fiscal year on outstanding general obligation indebtedness as of July 1, 2015, after exclusions permitted by the Constitution, is $680,985,413 in the fiscal year ending June 30, 2017, which is within the July 1, 2015 debt limit of $1,164,508,724.

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	**2012-2013**	**2013-2014**	**2014-2015**
Total General Fund revenues exclusive of grants from the federal government	$6,234,438,652	$6,096,208,295	$6,576,706,486
Less:			
Receipts in reimbursement of any indebtedness that is excluded in computing the total outstanding indebtedness of the State Agencies	8,429,886	7,618,992	7,379,294
Net General Fund revenues	$6,226,008,766	$6,088,589,303	$6,569,327,192
Sum of net General Fund revenues for preceding three fiscal years	$18,883,925,261		
Average of preceding three fiscal years	$6,294,641,754		
18½% of average net General Fund revenues of the three preceding years ended June 30, 2012, 2013 and 2014	$1,164,508,724		

NOTE: This Summary Statement is based on the July 1, 2015 statement of indebtedness. See "DEBT STRUCTURE — Outstanding Indebtedness and Debt Limit" in Appendix A.

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GENERAL OBLIGATION BONDS OUTSTANDING

AS OF JULY 1, 2015

	Principal Amount	Balance	% of Total
Reimbursable General Obligation Bonds [1]			
From State Special Funds for			
Highways	$ 4,255,093		
Commercial Harbors	$ 29,331,737		
Small Boat Harbors [2]	$ 1,828,581		
Hawaiian Home Lands	$ 36,422		
University of Hawaii	$ 379,686		
Parking Facilities	$ 33,377		
Waiahole Water System [2]	$ 6,162,251		
Convention Center [2]	$ 207,205,289		
Total for Special Funds	$ 249,232,436		
Total Reimbursable General Obligation Bonds		$249,232,436	4.23%
Non Reimbursable General Obligation Bonds From State General Funds for various purposes	$5,644,452,564		
Total Non-reimbursable General Obligation Bonds..		5,644,452,564	95.77%
Total General Obligation Bonds Issued and Outstanding		5,893,685,000	100.00%

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 March 1, 2016, 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[1]
As of March 1, 2016

							Debt Service on the Bonds and 2016 New Money Bonds[4]			
Fiscal Year Ending June 30	Total Remaining Principal Amount[2]	Total Principal Payable	Total Interest Payable	Total Debt Service Payable	Less Amounts Reimbursable to General Fund[3]	Net Debt Service Payable	Total Principal Payable	Total Interest Payable	Less: Refunded Bond Debt Service[5]	Total Debt Service[6]
2016	$5,891,070,000	$ 94,830,000.00	$ 77,887,126.32	$172,717,126.32	$27,750,910.30	$144,966,216.02	$ 5,300,000.00	$ 34,597.22	$7,771,131.88	$142,529,681.36
2017	5,796,240,000	429,165,000.00	262,697,935.00	691,862,935.00	32,728,342.84	659,134,592.16	4,890,000.00	32,779,715.35	16,941,226.26	679,863,081.25
2018	5,367,075,000	406,510,000.00	245,544,529.10	652,054,529.10	31,485,094.25	620,569,434.85	4,925,000.00	33,958,873.86	16,941,226.26	642,512,082.45
2019	4,960,565,000	423,105,000.00	228,486,297.02	651,591,297.02	30,417,120.96	621,174,176.06	23,455,000.00	33,897,311.36	16,941,226.26	661,585,261.16
2020	4,537,460,000	396,395,000.00	208,102,658.03	604,497,658.03	30,417,931.13	574,079,726.90	52,745,000.00	32,398,826.13	43,463,976.26	615,759,576.77
2021	4,141,065,000	350,470,000.00	189,748,971.88	540,218,971.88	30,420,400.74	509,798,571.14	54,845,000.00	30,301,063.40	43,462,386.26	551,482,248.28
2022	3,790,595,000	369,525,000.00	172,948,732.38	542,473,732.38	30,417,895.69	512,055,836.69	51,840,000.00	28,084,751.05	43,455,718.76	548,524,868.98
2023	3,421,070,000	368,445,000.00	155,628,431.91	524,073,431.91	30,417,213.37	493,656,218.54	54,140,000.00	25,822,192.60	43,455,218.76	530,163,192.38
2024	3,052,625,000	377,465,000.00	137,953,892.26	515,418,892.26	30,417,892.91	485,000,999.35	56,540,000.00	23,419,664.25	43,448,418.76	521,512,244.84
2025	2,675,160,000	355,690,000.00	120,289,501.55	475,979,501.55	30,422,683.04	445,556,818.51	59,075,000.00	20,883,068.40	43,446,775.00	482,068,111.91
2026	2,319,470,000	349,175,000.00	104,064,067.63	453,239,067.63	30,424,388.21	422,814,679.42	61,755,000.00	18,202,252.70	43,473,531.25	459,298,400.87
2027	1,970,295,000	315,990,000.00	86,755,565.38	402,745,565.38	28,145,958.22	374,599,607.16	64,275,000.00	15,637,887.00	43,418,800.00	411,093,694.16
2028	1,654,305,000	303,215,000.00	71,902,513.82	375,117,513.82	1,365,184.48	373,752,329.34	67,240,000.00	12,674,802.05	43,419,825.00	410,247,306.39
2029	1,351,090,000	284,630,000.00	57,502,962.16	342,132,962.16	428,555.84	341,704,406.32	70,075,000.00	9,837,853.60	43,410,387.50	378,206,872.42
2030	1,066,460,000	249,400,000.00	43,885,283.04	293,285,283.04	429,269.65	292,856,013.39	30,685,000.00	7,784,550.00	0.00	331,325,563.39
2031	817,060,000	214,985,000.00	31,647,041.52	246,632,041.52	430,068.12	246,201,973.40	31,910,000.00	6,557,150.00	0.00	284,669,123.40
2032	602,075,000	224,925,000.00	21,619,614.64	246,544,614.64	430,933.07	246,113,681.57	33,190,000.00	5,280,750.00	0.00	284,584,431.57
2033	377,150,000	161,295,000.00	12,915,732.64	174,210,732.64	431,788.12	173,778,944.52	34,140,000.00	4,285,050.00	0.00	212,203,994.52
2034	215,855,000	126,740,000.00	6,540,926.27	133,280,926.27	334,833.60	132,946,092.67	35,165,000.00	3,260,850.00	0.00	171,371,942.67
2035	89,115,000	70,170,000.00	2,230,818.01	72,400,818.01	218,970.58	72,181,847.43	36,220,000.00	2,205,900.00	0.00	110,607,747.43
2036	18,945,000	18,945,000.00	376,415.00	19,321,415.00	0.00	19,321,415.00	37,310,000.00	1,119,300.00	0.00	57,750,715.00
TOTAL	$54,114,745,000	$5,891,070,000.00	$2,238,729,015.56	$8,129,799,015.56	$367,535,435.12	$7,762,263,580.44	$869,720,000.00	$348,426,408.97	$493,049,848.21	$8,487,360,141.20

1 Totals reflect rounding.
2 Remaining principal amount, as of commencement of fiscal year, of all general obligation bonded indebtedness of the State that was outstanding as of March 1, 2016.
3 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 $27,750,910 amount reimbursable to the General Fund in the Fiscal Year ending June 30, 2016, only $957,440 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.
4 As of the expected date of delivery thereof.
5 Reflects debt service payable on the Refunded Bonds.
6 Approximate. Reflects bond debt service on all outstanding general obligation bonded indebtedness of the State of Hawaii as of March 1, 2016, plus debt service on the Bonds and the 2016 New Money Bonds as of their expected date of delivery, taking into account the refunding of certain general obligation bonds to be refunded by the Bonds. See "INTRODUCTION – Plan of Finance" in the forepart of this Official Statement.

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
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
2015	1,432	5,963,928	35	5,963,893	4,165

[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 January 31, 2016, 2% of the State's investment portfolio and cash in banks consisted of repurchase agreements with banks, 39% consisted of time certificates with banks, 45% consisted of U.S. Federal Agency and Government Sponsored Entity Securities, 7% consisted of U.S. Treasury securities, and 7% 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%. As of December 31, 2015, the first half of the current fiscal year, the General Fund realized $4.2 million of interest.

SELECTED FINANCIAL STATEMENTS

The following is the balance sheet of the General Fund ending each June 30 from 2011 to 2015. 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, 2015, 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)

	2011	2012	2013	2014	2015
ASSETS:					
Cash	$ 106,420	$ 238,623	$ 76,050	$ 114,395	$ 203,687
Advances to other funds	-	-	-	-	-
Due from other funds	138,352	133,005	120,748	213,063	327,382
Due from Component Units	102,304	29,300	23,800	21,800	35,200
Receivables:					
Taxes	356,975	441,549	461,846	463,187	524,236
Notes	2,906	2,187	1,440	1,470	1,433
Other	10,050	14,047	8,763	8,125	8,025
Total receivables	369,931	457,783	472,049	472,782	533,694
Investments	169,838	286,913	1,102,679	842,394	920,042
Other Assets	37,144	15,060	932	18,778	16,051
TOTAL ASSETS	$ 923,989	$1,160,684	$1,796,258	$1,683,212	$2,036,056
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Vouchers payable	$ 100,685	$ 115,379	$ 105,252	$ 101,042	$ 162,667
Other accrued liabilities	219,554	213,900	250,459	231,422	243,289
Due to other funds	109	64	63	35	35
Due to Component Units	1,261	1,563	1,601	1,514	1,546
Unearned revenue	45,334	22,340	13,610	13,536	39,224
Total liabilities	366,943	353,246	370,985	347,549	446,761
FUND BALANCES:					
Assigned	210,164	236,779	271,020	256,483	205,242
Unassigned	346,882	570,659	1,154,253	1,079,180	1,384,053
*Total fund balances	557,046	807,438	1,425,273	1,335,663	1,589,295
TOTAL LIABILITIES AND FUND BALANCES	$ 923,989	$ 1,160,684	$ 1,796,258	$ 1,683,212	$ 2,036,056

* 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)

	2010-2011	% of Total	2011-2012	% of Total	2012-2013	% of Total	2013-2014	% of Total	2014-2015	% of Total
REVENUES:										
General excise tax	$ 2,507,980	50.89	$ 2,774,636	52.32	$ 2,991,792	51.73	$ 2,816,346	50.12	$ 3,021,418	50.36
Income tax-corporation	44,143	0.90	81,179	1.53	95,060	1.64	85,940	1.53	64,953	1.08
Income tax-individual	1,429,045	29.00	1,552,233	29.27	1,709,349	29.55	1,755,023	31.23	1,982,374	33.04
Service companies tax	117,940	2.39	150,528	2.84	163,930	2.83	166,179	2.96	163,481	2.72
Liquor licenses and taxes	48,053	0.98	48,854	0.92	48,961	0.85	48,305	0.86	50,281	0.84
Tobacco licenses and taxes	106,137	2.15	102,853	1.94	94,180	1.63	77,659	1.38	82,829	1.38
Insurance premiums tax	139,090	2.82	117,617	2.22	131,906	2.28	137,179	2.44	145,672	2.43
Rental motor/tour vehicle surcharge tax	0	0.00	61,430	1.16	4,519	0.08	1	0.00	1	0.00
Inheritance and estate tax	6,900	0.14	14,124	0.27	14,886	0.26	14,789	0.26	12,071	0.20
Franchise tax	31,682	0.64	5,229	0.10	20,673	0.36	36,983	0.66	17,930	0.30
Environmental response tax	13,995	0.28	15,776	0.30	15,537	0.27	17,356	0.31	14,833	0.25
Transient accommodations tax *	59,839	1.21	137,529	2.59	185,377	3.20	188,721	3.36	202,345	3.37
Conveyance tax	22,706	0.46	17,899	0.34	21,148	0.37	27,592	0.49	11,635	0.19
Total Taxes	4,527,510	91.86	5,079,887	95.80	5,497,318	95.05	5,372,073	95.60	5,769,823	96.16
Charges for current services and other revenues	400,594	8.14	223,724	4.20	286,686	4.95	247,072	4.40	230,381	3.84
TOTAL REVENUES	$ 4,928,104	100.00	$ 5,303,611	100.00	$ 5,784,004	100.00	$ 5,619,145	100.00	$ 6,000,204	100.00
EXPENDITURES:										
General government	$ 353,124	8.50	$ 369,664	7.99	$ 322,464	6.95	$ 425,549	8.43	$ 440,602	8.37
Public safety	259,086	6.24	316,863	6.85	291,855	6.29	377,408	7.48	343,368	6.52
Conservation of natural resources	28,119	0.68	26,290	0.57	28,260	0.61	34,132	0.68	42,706	0.81
Health	461,894	11.12	484,543	10.48	521,592	11.24	559,981	11.09	587,358	11.15
Welfare	761,208	18.32	1,019,919	22.05	1,102,912	23.77	992,675	19.67	1,092,243	20.74
Education:										
Higher	502,424	12.09	535,457	11.58	518,486	11.17	563,764	11.17	600,015	11.39
Lower and others	1,699,828	40.91	1,782,369	38.54	1,746,939	37.65	1,965,499	38.94	2,047,653	38.88
Culture-recreation	38,682	0.93	39,144	0.85	38,979	0.84	43,567	0.86	43,770	0.83
Urban redevelopment and housing	82	0.00	108	0.00	294	0.00	10,005	0.20	11,764	0.22
Economic development & assistance	43,755	1.05	24,141	0.52	25,876	0.56	32,992	0.65	28,889	0.55
Other	6,722	0.16	26,250	0.57	42,621	0.92	42,013	0.83	28,082	0.54
TOTAL EXPENDITURES	$ 4,154,924	100.00	$ 4,624,748	100.00	$ 4,640,278	100.00	$ 5,047,585	100.00	$ 5,266,450	100.00
OTHER FINANCING SOURCES (USES):										
Transfers in	$ 126,695	-	$ 53,497	-	$ 77,451	-	$ 65,648	-	$ 138,955	-
Transfers out	(413,652)	-	(591,053)	-	(696,818)	-	(818,488)	-	(750,264)	-
Other	37,889	-	109,085	-	93,476	-	91,670	-	131,187	-
TOTAL OTHER FINANCING SOURCES (USES)	$ (249,068)	-	$ (428,471)	-	$ (525,891)	-	$ (661,170)	-	$ (480,122)	-

* Pursuant to Chapter 237D, HRS, a 9.25 percent Transient Accommodations Tax (TAT) is assessed and distributed to various counties and special funds of the State, with excess revenues deposited into the State general fund. The counties and their respective allocations are: city and county of Honolulu 44.1 percent, Maui county 22.8 percent, Hawaii county 18.6 percent, and Kauai county 14.5 percent, with provisions as stated in section 237D-6.5(b)(3), HRS. 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 amended the provision that revenues in excess of $33 million deposited to the convention center enterprise fund in any calendar year be deposited to the State 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 million to the convention center enterprise special fund, $82 million to the tourism special fund and $93 million to the counties, and made permanent the TAT rate of 9.25 percent. Act 81, SLH 2014, allocated $3 million TAT revenues collected 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. Act 117, SLH 2015, allocated $3 million TAT revenues collected to the special land and development fund to finance beach restoration and conservation and other activities, to take effect July 1, 2016. Act 121, SLH 2015, beginning July 1, 2015, amended the TAT revenue distribution to the Turtle Bay conservation easement special fund from $3 million to $1.5 million annually for the reimbursement to the State general fund of debt service on reimbursable general obligation bonds.

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.

In January 2016, the Council raised its growth rate for fiscal year 2016 from 6.0% to 6.7% and maintained its September 2015 forecasts for fiscal years 2017 through 2021. The Council revised its projections partly because payment (of about $29 million) for the online travel companies had been received with the remaining $10 million expected sometime later this fiscal year.

In March 2016, the Council maintained its January 2016 forecasts for fiscal years 2016 and 2019 through 2021. However, the Council lowered its growth forecast for fiscal years 2017 and 2018 from 5.5% to 5.0% in each year. The Council's revised projections were in part reflective of their concerns about possible renewed global economic uncertainty, historical patterns of economic cycles, geopolitical events, and other possible causes of a new recession.

The Council's next meeting is scheduled for May 24, 2016, at which time the Council may revise its current projections, which may or may not have a significant impact on the General Fund Financial Plan. 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 2015, and estimates for fiscal years 2016 through 2021. 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.

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MULTI-YEAR FINANCIAL SUMMARY
GENERAL FUND
FISCAL YEARS 2015 – 2021[1]

(in millions of dollars)

	Actual FY 15	Estimated FY 16	Estimated FY 17	Estimated FY 18	Estimated FY 19	Estimated FY 20	Estimated FY 21
REVENUES:							
Executive Branch:							
Tax revenues [2,3]	5,734.5	6,119.4	6,425.4	6,746.6	7,084.0	7,402.7	7,735.9
Nontax revenues [2,3]	807.4	838.1	720.1	689.5	708.2	727.3	747.7
Judicial Branch revenues [2,3]	34.8	35.4	36.0	36.6	37.4	38.1	38.8
Other revenues [4]	--	40.0	76.3	73.3	73.3	60.3	47.3
TOTAL REVENUES	6,576.7	7,032.9	7,257.7	7,546.1	7,902.9	8,228.4	8,569.6
EXPENDITURES							
Executive Branch:							
Operating [5]	6,189.2	6,545.8	7,140.7	7,305.1	7,520.2	7,683.9	7,809.0
CIP	--	--	14.3	14.3	14.3	14.3	14.3
Specific appropriations/CB [6]	260.9	170.2	346.6	127.0	127.0	152.4	152.4
Other expenditures/adjustments	--	25.6	66.6	69.0	69.0	69.0	69.0
Sub-total - Exec Branch	6,450.1	6,741.6	7,568.2	7,515.4	7,730.5	7,919.7	8,044.8
Legislative Branch	37.7	38.1	39.4	39.4	39.4	39.4	39.4
Judicial Branch	154.9	158.2	164.5	164.5	164.5	164.5	164.5
OHA	2.7	3.2	3.2	3.2	3.2	3.2	3.2
Counties	--	0.4	0.4	0.4	0.4	0.4	0.4
Lapses	(231.9)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)	(80.0)
TOTAL EXPENDITURES	6,413.4	6,861.6	7,695.7	7,642.9	7,858.0	8,047.2	8,172.3
REV. OVER (UNDER) EXPEND.	163.3	171.3	(438.0)	(96.8)	44.8	181.3	397.4
CARRY-OVER BALANCE (DEFICIT)							
Beginning	664.8	828.1	999.5	561.5	464.6	509.5	690.7
Ending	828.1	999.5	561.5	464.6	509.5	690.7	1,088.1

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 preliminary actual FY 2015 revenue collections as reported by the Department of Accounting and General Services.*

3 *Reflects FY 2016 - 2021 Council on Revenues' March 2016 projections.*

4 *Reflects other revenue sources and adjustments: reimbursement of OPEB costs from non-general funds.*

5 *Reflects estimated FY 2017 Supplemental Budget costs including updates, funds to accelerate phase-in to reach 100% OPEB prefunding by FY 2017.*

6 *Reflects specific appropriations from 2012-2015 Legislature and Administrative proposals submitted to the 2016 Legislature (which includes additional funds for EBRF in FY 2016 and FY 2017.*

Note: Reflects the FY 2017 Supplemental Budget as submitted to the 2016 Legislature. Totals reflect 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, February 2016.

The preceding General Fund financial plan is based on revised revenue projections reported by the Council on Revenues on January 11, 2016, 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 year 2017 Executive Supplemental 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 supplemental budgets for the fiscal year 2017 for the Executive and Judicial Branches and the Office of Hawaiian Affairs will 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 year ended 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' March 14, 2016 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* 2014-2015	Estimated 2015-2016	Estimated 2016-2017
General Excise and Use Tax	$2,992,707	$3,197,573	$3,367,004
Income Tax—Individual	1,987,752	2,085,500	2,166,124
Income Tax—Corporation	52,319	82,683	86,450
Public Service Company Tax	163,481	167,469	172,260
Tax on Insurance Premiums	145,679	150,576	156,335
Tobacco Tax & Licenses	82,829	87,198	90,874
Liquor Tax & Permits	50,281	50,532	50,923
Tax on Banks & Other Financial Corp.	17,930	10,595	20,122
Inheritance and Estate Tax	12,071	12,232	12,422
Conveyance Tax	11,534	32,869	34,518
Transient Accommodation Tax	202,970	225,906	252,067
Miscellaneous Taxes	15,588	16,262	16,266
TOTAL	$5,735,141	$6,119,395	$6,425,365
GROWTH RATE	6.79%	6.70%	5.00%

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

* Unaudited. The State's cash basis statements are not directly comparable with the State's audited financial statements, which are accrual basis.

Sources: Actual collections are from Tax Research and Planning reports. Estimates are from the Council on Revenues' report of March 14, 2016, and line item projections prepared by the Department of Taxation.

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Actual Collections and Distributions

Set forth below is an unaudited statement of State tax collections and distributions for July through October of fiscal years 2015 and 2016 as reported by the State Director of Taxation. The collections from all sources for July through October of fiscal year 2016, which will end in June 2016, have amounted to $2.4 billion. This represents a 6.2% increase from the same period in the previous fiscal year.

	July through October	
	2015-2016	**2014-2015**
State Tax Collections—Source of Revenue	(Thousands of Dollars)	
Banks/Financial Corporations [1]	$6,497	$9,567
Conveyances [1]	16,142	27,770
Employment Security Contributions	46,054	55,925
Fuel	70,499	63,814
General Excise License and Registration Fees	177	179
General Excise and Use [2]	1,076,475	1,008,981
Honolulu County Surcharge [3]	87,986	71,844
Income—Corporations:		
Declaration of Estimated Taxes	45,830	38,033
Payment with Returns	22,619	4,175
Refunds	-8,436	-16,054
Income—Individuals [1]:		
Declaration of Estimated Taxes	139,054	110,479
Payment with Returns	33,835	27,919
Withholding tax on Wages	578,481	557,868
Refunds	-74,098	-59,464
Inheritance and Estate	2,003	3,384
Insurance Premiums	44,439	49,575
Liquor and Permits	16,552	16,482
Motor Vehicle Tax/Fees, Etc. [4]	60,698	59,250
Public Service Companies	53,639	52,914
Tobacco and Licenses [1]	41,277	46,447
Transient Accommodations Fees/Time Share Occupation Fees	4	4
Transient Accommodations Tax/Time Share Occupation Tax [1]	148,295	137,424
All Other [5]	4	114
TOTAL	$2,408,025	$2,266,630

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.

	July through October	
	2015-2016	2014-2015
State Tax Collections—Distribution	(Thousands of Dollars)	
State General Fund	$2,053,090	$1,852,025
State Highway Fund	94,208	87,919
State Airport Fund	1,247	1,533
Boating Special Fund	604	538
Environmental Fund	423	403
Cigarette Stamp Administrative Fund	74	84
Cigarette Stamp Enforcement Fund	574	645
Compliance Resolution Fund	0	0
Election Campaign Fund	0	0
Employment Security Fund	46,054	55,925
Rental Housing Fund	8,071	13,885
Natural Area Reserve Fund	0	6,943
Convention Center Enterprise Fund	8,833	11,000
Land Conservation Fund	1,614	2,777
Tourism Special Fund	27,333	27,333
School Minor Repairs and Maintenance Fund	6	4
Public Libraries Fund	5	4
Domestic Violence/Child Abuse Neglect Funds	12	9
Cancer Research Fund	4,766	5,363
Trauma System Fund	2,678	4,021
Emergency Medical Service Fund	2,979	3,352
Community Health Centers Fund	2,979	3,352
Energy Security Fund	1,268	1,209
Energy Systems Development Fund	845	806
Agricultural Development & Food Security Fund	1,268	1,209
Hawaii Hurricane Relief Fund	0	55,500
Turtle Bay Conservation Easement Fund	500	0
Subtotal	$2,259,432	$2,135,839
Honolulu County Surcharge	$87,986	$71,844
Distributions to Counties*:		
Fuel Tax	$26,274	$24,613
Transient Accommodations Tax	34,333	34,333
Counties Total	$60,607	$58,947
TOTAL	$2,408,025	$2,266,630

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

*Refers to distributions received by the Counties from the specified taxes.

Source: State Department of Taxation, Tax Research and Planning Office.

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 nine 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
2015	17.89	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. The funding period in 2015 remained unchanged due to the offsetting impact from experience gains and the liability increase as a result of the lowering of the investment return assumption to 7.65% by the Board of Trustees effective with the June 30, 2015 valuation.

Summary of Actuarial Certification Statement

The summary of the actuarial certification of the Employees' Retirement System as of June 30, 2014 and 2015 is set forth below:

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII
Summary of Actuarial Certification as of June 30, 2014 and 2015
(Includes all counties)

ASSETS	2014	2015
Total current assets	$13,641,755,300	$14,463,670,277
Present value of future employee contributions	1,800,553,136	1,932,961,666
Present value of future employer normal cost contributions	1,703,379,872	1,868,722,677
Unfunded actuarial accrued liability	8,578,342,247	8,774,725,109
Present value of future employer Early Incentive Retirement Program contribution	N/A	N/A
TOTAL ASSETS	$25,724,030,555	$27,040,079,729
LIABILITIES		
Present value of benefits to current pensioners and beneficiaries	11,672,987,746	12,321,791,648
Present value of future benefits to active employees and inactive members	14,051,042,809	14,718,288,081
TOTAL LIABILITIES	$25,724,030,555	$27,040,079,729

Source: Gabriel, Roeder, Smith & Company.

As of June 30, 2015, the unfunded actuarial accrued liability (under the entry age normal actuarial cost method) of the System amounted to approximately $8.775 billion. The System's funded ratios — assets divided by the actuarial accrued liability — increased during fiscal year 2015 as shown below:

FUNDED RATIOS

June 30, 2014	June 30, 2015
61.4%	62.2%

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PART II
GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE STATE OF HAWAII AS OF JUNE 30, 2015
AND INDEPENDENT AUDITORS' REPORT

Following is the State of Hawaii Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 ("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, 2015

DOUGLAS MURDOCK
COMPTROLLER

HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2015

DOUGLAS MURDOCK
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

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PART I: INTRODUCTORY SECTION

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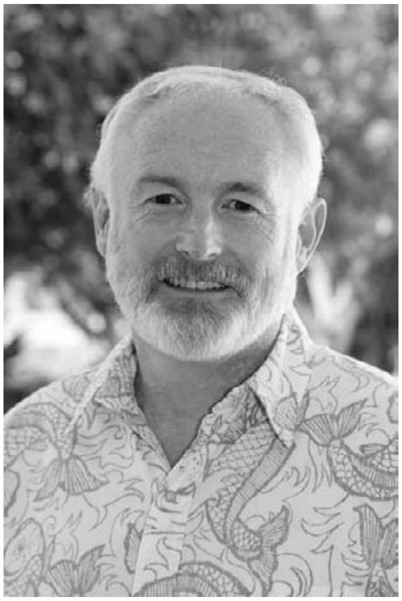
State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2015



Douglas Murdock
Comptroller

Audrey Hidano
Deputy Comptroller

Governor	**David Y. Ige**
Director of Finance	**Wesley K. Machida**
Director of Taxation	**Maria E. Zielinski**
Comptroller	**Douglas Murdock**
Deputy Comptroller	**Audrey Hidano**

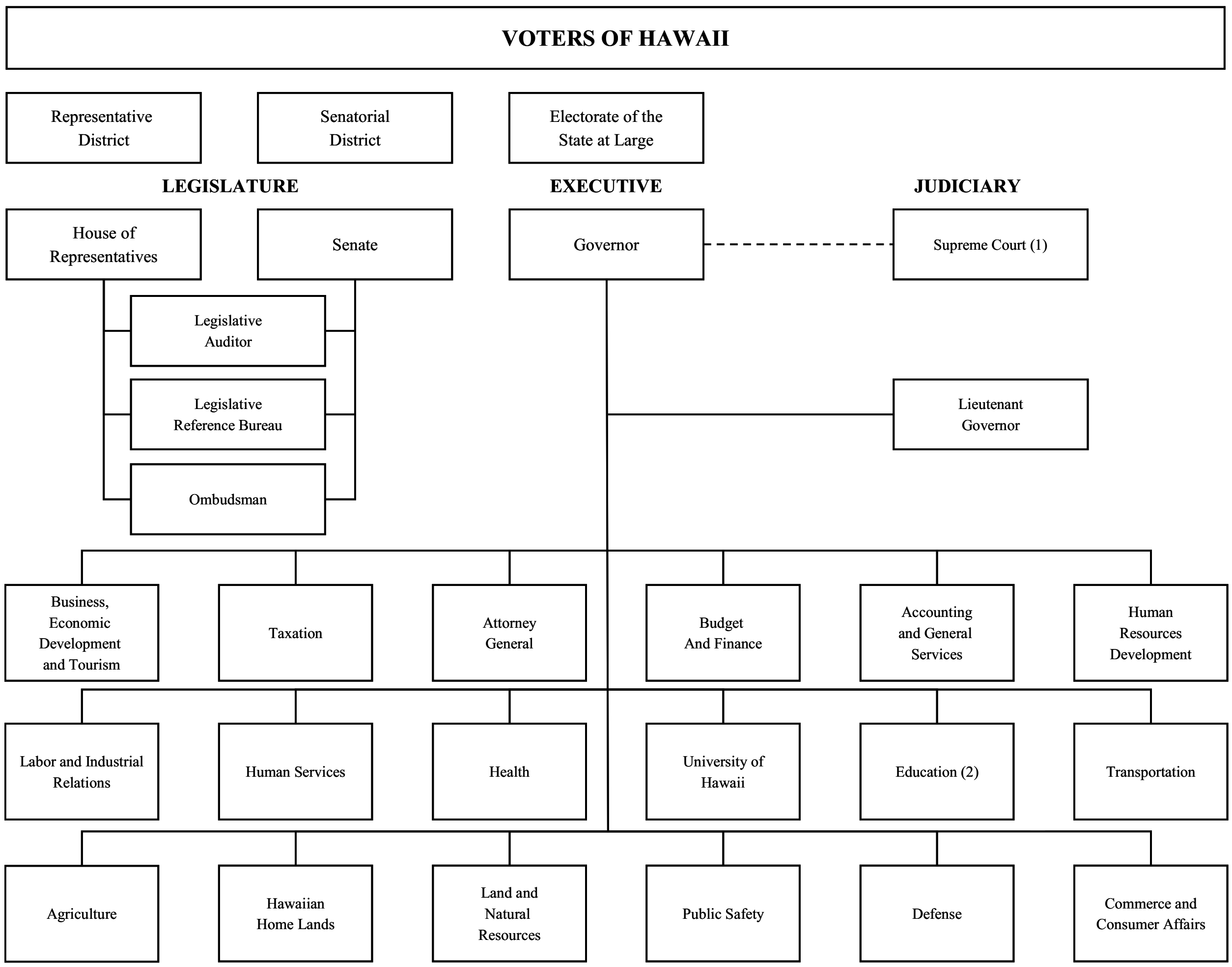
Notes:

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, 2015



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

DAVID Y. IGE
GOVERNOR

DOUGLAS MURDOCK
Comptroller

AUDREY HIDANO
Deputy Comptroller

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

December 30, 2015

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, 2015. 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 2015 Hawaii's economic indicators for the tourism industry, tax revenues, the construction industry, and unemployment were mostly positive. State general fund tax revenues, visitor arrivals and expenditures, wage and salary jobs, personal income, government contracts awarded, and private building permits all increased, with only State construction in progress expenditures decreasing.

Labor

Since the fourth quarter of 2010, Hawaii's jobs increased for the 20th consecutive quarter. During the first nine months of 2015, Hawaii's total civilian employment averaged 648,850 persons, an increase of 11,150 persons or 1.7% over the same period in 2014. The number of wage and salary jobs was up 7,400 to 637,500 for an increase of 1.2%. Job increases were most notable in retail trade (1,700), health care and social assistance (1,700), professional and business services (1,600) and food services and drinking places (1,500). A few sectors experienced declines including state government (800), federal government (500) and accommodation (300). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 3.9% for the first nine months of 2015, compared to 4.5% for the same period in 2014.

Taxes

The State General Fund tax revenues increased $444.2 million, or 10.8%, during the first nine months of 2015 compared to the same period in 2014. Among its components, net individual income tax collections increased $234.8 million or 17.8%, general excise and use tax (GET) collections increased $145.1 million or 6.5%, transient accommodations tax (TAT) collections were up $21.3 million or 6.7%, and net corporate income tax revenues increased $21.1 million or 45.1%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased $5.7 billion, or 4.4% in the first half of 2015 compared to the same period in 2014. Among its components, the fastest growth was seen in wages and salaries which increased $2.6 billion or 4.0%, personal current transfer receipts which increased $1.1 billion or 5.5%, and dividends, interest, and rent which increased $1.0 billion or 3.6%. Contributions for government social insurance, which are subtracted from personal income, increased by 1.4%.

Prices

Honolulu's consumer price index (CPI) increased 0.7% for the first half of 2015 compared to the same period in 2014, higher than the 0.1% United States (U.S.) average CPI-U decrease. The Honolulu increase was primarily due to increases in other goods and services (5.3%), medical care (4.8%), food and beverages (4.2%), and education and communication (3.1%). Prices also increased for housing (1.0%) and recreation (0.9%). The price decreased for transportation and apparel (8.6% and 2.1% respectively).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2015, total visitor arrivals by air increased 262,000 or 4.3% compared to the same period of 2014. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 5.3% while international arrivals increased 2.2%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 3.8% in the first nine months of 2015 compared to the same period of 2014 and total visitor spending increased $294.5 million or 2.7% over the same period. Statewide hotel occupancy rate averaged 79.1% in the first half of 2015, 1.6% higher than the average rate during the same period of 2014.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. In the first nine months of 2015, the construction sector added 1,100 jobs or 3.5% from the same period of 2014. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the current construction job market is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

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 2015 and into 2016. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2015 Blue Chip Economic Consensus Forecasts expects real GDP growth in 2016 to increase 2.6% for the U.S. and 1.1% for Japan.

For 2016, the growth rate of visitor arrivals, visitor days and visitor expenditures are expected to be 1.7%, 1.8% and 3.5%, respectively.

DBEDT projects total non-agricultural wage and salary jobs to increase 1.2% in 2016. Real Personal Income is expected to increase 3.0% in 2016 with real GDP projected to increase 2.3% in the same period.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.3% in 2016. The State GDP deflator is forecast to grow 1.6% in 2016.

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 (Act 134, SLH 2013), and as amended by the Supplemental Appropriations Act of 2014 (Act 122, SLH 2014), 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 is composed of State and county employees, relocating individuals from two existing collective bargaining units into the new Bargaining Unit 14. An arbitration hearing was held in November 2015 and an arbitration award subject to Legislative approval is expected in January 2016 for the initial collective bargaining agreement for this new unit.

Of the other 13 collective bargaining units, 12 include State employees. All 12 units have collective bargaining agreements 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, 2015. 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, 2014. 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,

DOUGLAS MURDOCK
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, 2014

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, 2015, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 30–110) 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%	76%
Aggregate Discretely Presented Component Units	27%	38%
Fiduciary Funds	64%	6%

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, 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, and the Hawaii Health Systems Corporation contain an emphasis-of-matter paragraph relating to the adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–27), budgetary comparison information (pages 113–116 and 126–132), Schedule of the Proportionate Share of the Net Pension Liability (page 117), Schedule of Contributions (page 118), and Schedules of Funding Progress (page 119) 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 (pages 122–125 and 133–137), introductory section (pages 1–8) and statistical section (pages 140–173) 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 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 2015, the State adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 30, 2015, 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 30, 2015

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, 2015. 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

Implementation of GASB Statement Nos. 68 and 71

During fiscal year 2015, the State implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The adoption of Statement Nos. 68 and 71 has no impact on the State's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, adoption has resulted in the restatement of the State's fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability in accordance with the provisions of Statement No. 68 and contributions after the measurement date in accordance with Statement No. 71.

Net position as of July 1, 2014 was decreased by $4,024,656,000 to $645,611,000 reflecting the retrospective effect of adoption.

Net pension liability of $4,047,882,000, deferred outflow of resources related to pensions of $504,356,000, and deferred inflows of resources of $473,909,000 were reported as of June 30, 2015. For the fiscal year ended June 30, 2015, the State recognized pension expense of $438,288,000. Refer to Note 11 for more information regarding the State's pension.

Government-Wide Highlights

The assets of the State exceeded its liabilities at June 30, 2015 by $888.8 million (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative $6.4 billion, a decrease of $4.3 billion from the previous year. Net position of governmental activities and business-type activities decreased by $3.9 billion and increased by $130.8 million, respectively, due to implementation of Statement Nos. 68 and 71, in addition to current year activity. The combined decrease to the State was $3.8 billion from the prior fiscal year.

Fund Highlights

At June 30, 2015, the State's Governmental Funds reported combined ending fund balances of $2.5 billion, an increase of $484.9 million from the prior fiscal year. Of this amount, $1.6 billion, or 63.7%, of total fund balances was in the General Fund, and the remaining $907.2 million represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position of $4.0 billion at June 30, 2015, an increase of $266.2 million during the fiscal year.

Liabilities

The State's liabilities increased due primarily to the adoption of Statement Nos. 68 and 71 during the current fiscal year to $18.6 billion, an increase of $5.0 billion. During fiscal 2015, the State issued General Obligation Refunding bonds in the amount of $209.0 million to advance refund $416.9 million of previously issued outstanding General Obligation bonds and $199.8 million in taxable General Obligation Refunding bonds for financing capital projects. In addition, the State issued $575.0 million in General Obligation bonds and $25.0 million in taxable General Obligation bonds. During fiscal 2015, the State issued Revenue Bonds in the amount of $60.3 million to refund previously issued outstanding Revenue Bonds, $150.0 million to provide funds for environmentally beneficial projects and $103.4 million for financing capital projects.

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 $3.7 billion, an increase of $284.3 million for the fiscal year ended June 30, 2015.

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 supplementary information required by GASB and 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, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator 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 52–110 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information other than management's discussion and analysis, which contains budget-to-actual schedules for the State's General and Med-Quest Special Revenue Funds as well as accompanying notes. This section also includes a Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Schedules of Funding Progress.

The combining financial statements referred to earlier are presented in the required supplementary information (RSI) immediately following the required supplemental information other than management's discussion and analysis. These combining statements provide details about the nonmajor Governmental, Proprietary and Fiduciary Funds. The total columns of these combining financial statements carry to the applicable fund financial statements.

The statistical section containing information regarding financial trends, revenue capacity and debt capacity, as well as demographic, economic and operating information follows immediately after the RSI.

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 $888.8 million as of June 30, 2015, and net position decreased $3.8 billion, or 81.0% from June 30, 2014 balances as previously reported. The net position of the governmental activities decreased by $3.9 billion, or 486.1%, and business-type activities had an increase of $130.8 million, or 3.4%. In addition to the fiscal year 2015 activity, net position was affected by the retrospective implementation of Statement Nos. 68 and 71. The following table was derived from the Government-Wide Statement of Net Position.

Summary Schedule of Net Position
June 30, 2015 and 2014
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	$ 4,218,887	$ 3,522,709	$ 2,923,501	$ 2,978,774	$ 7,142,388	$ 6,501,483
Capital assets, net	9,176,892	8,978,930	2,989,332	2,671,775	12,166,224	11,650,705
Total assets	$ 13,395,779	$ 12,501,639	$ 5,912,833	$ 5,650,549	$ 19,308,612	$ 18,152,188
Deferred outflows of resources						
Deferred loss on refunding	$ 97,768	$ 96,843	$ 7,839	$ 9,334	$ 105,607	$ 106,177
Deferred outflows on net pension liability	485,333	-	19,023	-	504,356	-
Total deferred outflows of resources	$ 583,101	$ 96,843	$ 26,862	$ 9,334	$ 609,963	$ 106,177
Liabilities						
Long-term liabilities	$ 15,144,447	$ 10,001,076	$ 1,720,396	$ 1,610,731	$ 16,864,843	$ 11,611,807
Other liabilities	1,483,387	1,792,573	207,592	183,718	1,690,979	1,976,291
Total liabilities	$ 16,627,834	$ 11,793,649	$ 1,927,988	$ 1,794,449	$ 18,555,822	$ 13,588,098
Deferred inflows of resources						
Deferred inflows on net pension liability	$ 458,463	$ -	$ 15,446	$ -	$ 473,909	$ -
Total deferred inflows of resources	$ 458,463	$ -	$ 15,446	$ -	$ 473,909	$ -
Net position						
Net investment in capital assets	$ 2,826,649	$ 2,772,220	$ 1,773,613	$ 1,653,902	$ 4,600,262	$ 4,426,122
Restricted	1,445,824	1,128,678	1,227,441	1,160,551	2,673,265	2,289,229
Unrestricted	(7,379,890)	(3,096,065)	995,207	1,050,981	(6,384,683)	(2,045,084)
Total net position	$ (3,107,417)	$ 804,833	$ 3,996,261	$ 3,865,434	$ 888,844	$ 4,670,267

Analysis of Net Position

By far, the largest portion of the State's net position ($4.6 billion or 517.6%) 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 ($2.7 billion or 300.8%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative $6.4 billion or negative 718.3% represents unrestricted net position.

At June 30, 2015, 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 $3.6 billion and pension liability of $3.9 billion.

Changes in Net Position

The State's net position increased by $243.2 million, or 37.7%, during the fiscal year ended June 30, 2015. Approximately 56.8% 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 14.9% 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, public safety, and highways.

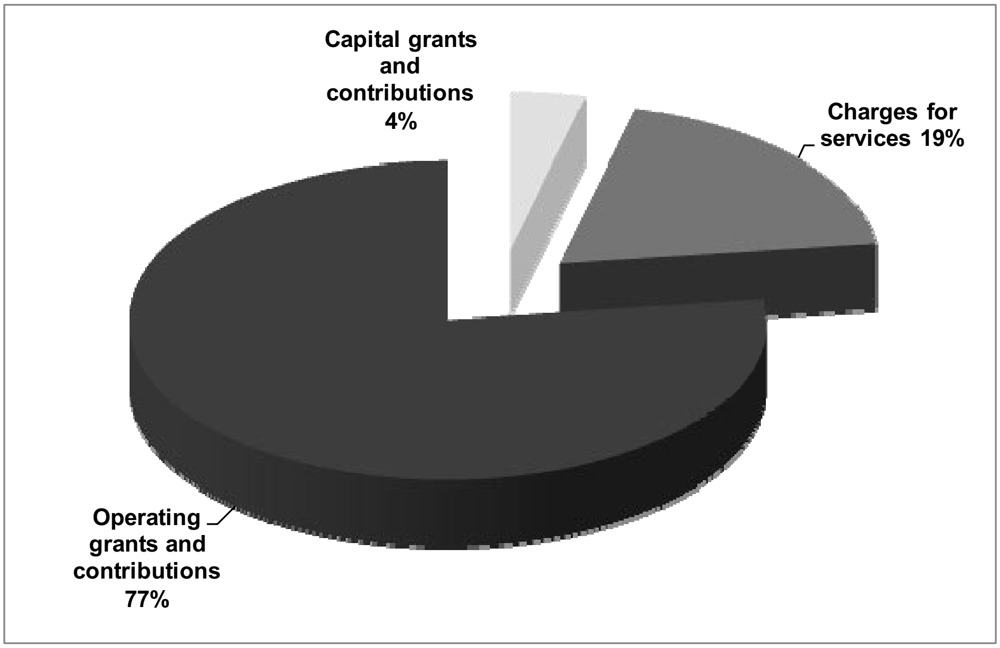
The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014
(Amounts in thousands)

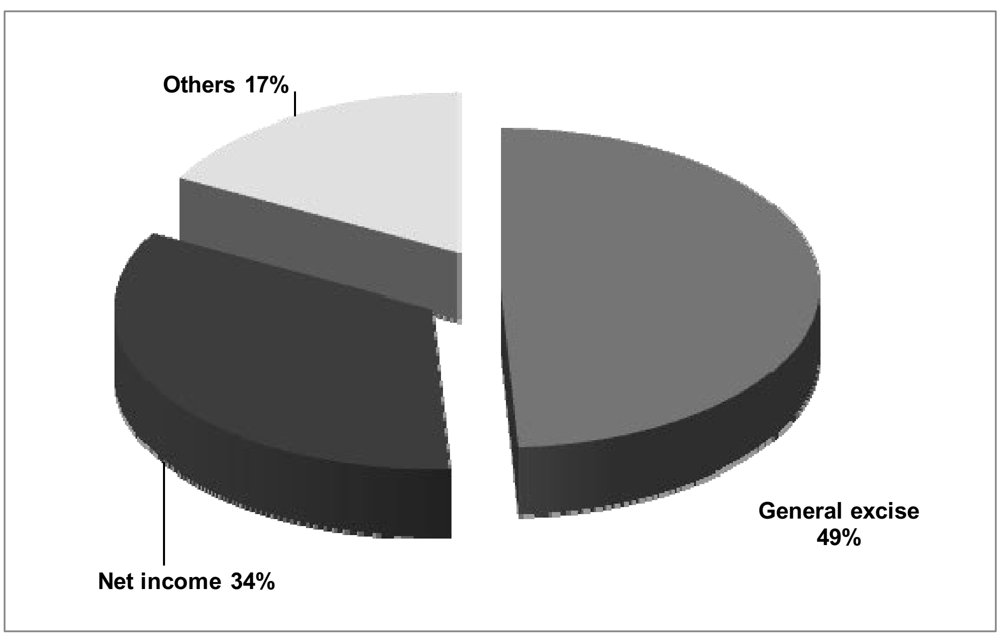
	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	$ 699,561	$ 641,341	$ 912,716	$ 961,967	$ 1,612,277	$ 1,603,308
Operating grants and contributions	2,809,460	2,660,770	-	-	2,809,460	2,660,770
Capital grants and contributions	139,977	97,290	72,140	98,628	212,117	195,918
General revenues						
Taxes	6,134,818	5,698,560	-	-	6,134,818	5,698,560
Investment income and other	16,024	13,163	17,567	12,805	33,591	25,968
Total revenues	9,799,840	9,111,124	1,002,423	1,073,400	10,802,263	10,184,524
Expenses						
General government	595,278	567,941	-	-	595,278	567,941
Public safety	504,343	533,727	-	-	504,343	533,727
Highways	426,142	554,039	-	-	426,142	554,039
Conservation of natural resources	89,176	101,587	-	-	89,176	101,587
Health	871,563	849,493	-	-	871,563	849,493
Welfare	3,196,602	2,879,813	-	-	3,196,602	2,879,813
Lower education	2,729,789	2,685,037	-	-	2,729,789	2,685,037
Higher education	761,837	693,292	-	-	761,837	693,292
Other education	21,664	21,766	-	-	21,664	21,766
Culture and recreation	84,265	104,303	-	-	84,265	104,303
Urban redevelopment and housing	115,653	137,160	-	-	115,653	137,160
Economic development and assistance	179,485	166,455	-	-	179,485	166,455
Interest expense	247,059	239,760	-	-	247,059	239,760
Airports	-	-	350,041	346,699	350,041	346,699
Harbors	-	-	87,031	89,327	87,031	89,327
Unemployment compensation	-	-	186,893	244,947	186,893	244,947
Nonmajor proprietary fund	-	-	112,209	87,031	112,209	87,031
Total expenses	9,822,856	9,534,373	736,174	768,004	10,559,030	10,302,377
Change in net position	(23,016)	(423,249)	266,249	305,396	243,233	(117,853)
Net position						
Beginning of year, as previously reported	804,833	1,228,082	3,865,434	3,560,038	4,670,267	4,788,120
Adjustment for change in accounting principle	(3,889,234)	-	(135,422)	-	(4,024,656)	-
Beginning of year, as restated	(3,084,401)	1,228,082	3,730,012	3,560,038	645,611	4,788,120
End of year	$ (3,107,417)	$ 804,833	$ 3,996,261	$ 3,865,434	$ 888,844	$ 4,670,267

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

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2015



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2015



Analysis of Changes in Net Position

The State's net position increased by $243.2 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 $23.0 million offset by increases in net position of Unemployment Compensation Fund of $62.7 million, Airports of $127.5 million, Harbors of $37.9 million, and Nonmajor Proprietary Funds of $38.1 million.

Governmental Activities

Governmental activities decreased the State's net position by $23.0 million. The elements of this decrease are reflected below:

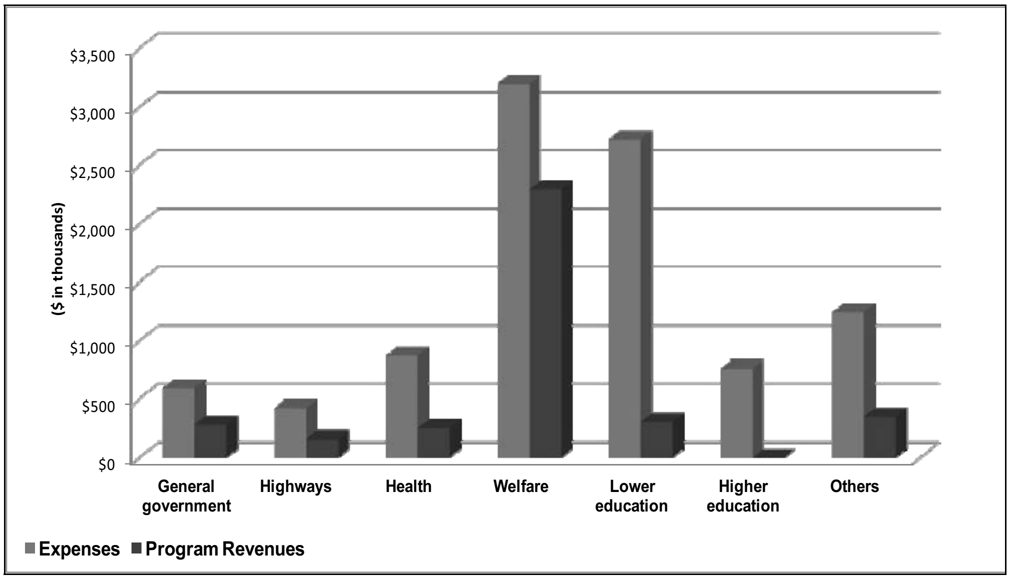
	Governmental Activities (Amounts in thousands)	
	2015	**2014**
General revenues		
Taxes	$ 6,134,818	$ 5,698,560
Interest and investment income and other	16,024	13,163
Total general revenues	6,150,842	5,711,723
Expenses, net of program revenues		
General government	310,796	313,079
Public safety	395,423	423,136
Highways	266,363	354,953
Conservation of natural resources	(1,459)	14,412
Health	618,597	593,900
Welfare	903,414	876,936
Lower education	2,423,324	2,341,385
Higher education	761,837	693,292
Other education	21,664	21,766
Culture and recreation	70,274	87,011
Urban redevelopment and housing	67,994	96,056
Economic development and assistance	88,572	79,286
Interest expense	247,059	239,760
Total governmental activities expenses, net of program revenues	6,173,858	6,134,972
Decrease in governmental activities net position	$ (23,016)	$ (423,249)

Tax revenues increased by $436.3 million, or 7.7%, from the previous fiscal year. The increase was primarily due to increase in general excise taxes of $205.1 million and corporations and individuals net income taxes of $232.1 million due to growth in the State economy.

Lower education net expenses increased $81.9 million or 3.5%. This change is primarily due to the decrease in revenues for the school based budgeting and instructional support programs.

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:

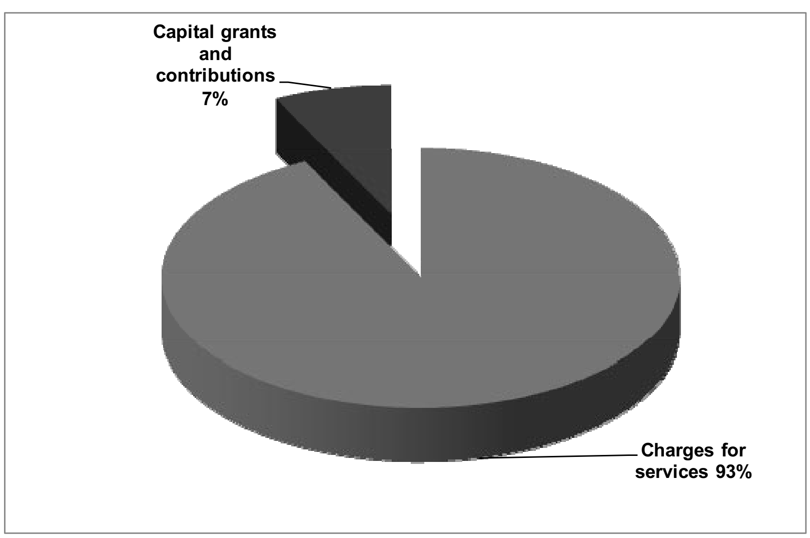
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2015



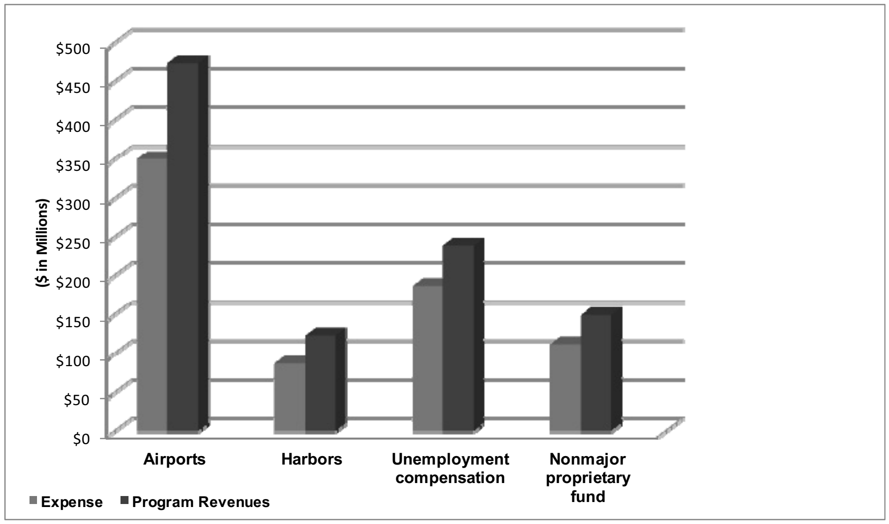
Business-Type Activities

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, 2015



Expenses and Program Revenues – Business-Type Activities
Fiscal Year Ended June 30, 2015



Business-type activities increased the State's net position by $266.2 million in fiscal 2015, compared to an increase of $305.4 million in fiscal 2014. Key elements of this increase are as follows:

- Airport's net position increased $127.5 million compared to an increase of $125.9 million in the prior fiscal year. Charges for current services increased by $30.0 million primarily due to the increase in landing fees, aeronautical revenues and concession revenues from an increase in passenger traffic. Operating and capital grants and contributions decreased $26.1 million mainly due to the decrease in federal capital grants.

- Harbor's net position increased $37.9 million in fiscal 2015 compared to an increase of $32.4 million in fiscal 2014. Charges for current services increased by $2.2 million, while expenses decreased $2.3 million.

- The Unemployment Compensation Fund's net position increased $62.7 million compared to an increase of $116.0 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of $58.1 million offset by a decrease in unemployment tax revenues of $114.2 million.

- The Nonmajor Proprietary Fund's net position increased $38.1 million in fiscal 2015 compared to an increase of $31.1 million in fiscal 2014.

- Key elements of the State's business-type activities for the fiscal years ended June 30, 2015 and 2014 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Airports	$ 434,489	$ 404,442	$ 38,239	$ 64,303	$ 472,728	$ 468,745	$ 350,041	$ 346,699	$ 122,687	$ 122,046
Harbors	123,209	121,038	284	-	123,493	121,038	87,031	89,327	36,462	31,711
Unemployment compensation	239,375	353,546	-	-	239,375	353,546	186,893	244,947	52,482	108,599
Nonmajor proprietary funds	115,643	82,941	33,617	34,325	149,260	117,266	112,209	87,031	37,051	30,235
Total	$ 912,716	$ 961,967	$ 72,140	$ 98,628	$ 984,856	$ 1,060,595	$ 736,174	$ 768,004	$ 248,682	$ 292,591

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 $2.5 billion. Of this amount, $25.4 million is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional $449.3 million has been committed to specific purposes. An additional $1.2 billion has been assigned to specific purposes by management. The unassigned fund balance was $807.1 million at fiscal year end. This amount includes a deficit of a negative unrestricted fund balance of $538.7 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 $1.6 billion compared to $1.3 billion in fiscal 2014. This increase is mainly attributed to the increase in tax revenues. The fund balance of the State's Capital Projects Fund increased $6.9 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 $643.0 million and is reflected on the balance sheet as Due to Component Units. The fund balance of the Med-Quest Special Fund decreased $9.7 million and other Nonmajor Governmental Funds increased $234.1 million.

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 $127.5 million, Harbors had an increase in net position of $37.9 million, the Unemployment Compensation Fund had an increase in net position of $62.7 million, and the Nonmajor Proprietary Funds had an increase in net position of $38.1 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 $166.3 million, or 2.6%, more than the final budget. The positive variance was attributed to higher tax revenues of $70.1 million and non-tax revenues of $96.2 million. Individual income taxes collected was $100.4 million more than what was projected offset by lower collections in corporate income and franchise taxes of $24.0 million and $23.6 million, respectively. The increase in other revenues was mainly comprised of reimbursements to the General Fund by the Medquest program which totaled $78.9 million in fiscal 2015 compared to $10.7 million in fiscal 2014. $21.8 million of the $31.3 million positive variance in charges for current services was related to assessments for health fund premiums charged to non-general funded programs.

The difference between the final budget and actual expenditures on a budgetary basis was $266.9 million. The large positive variance in general government of $162.8 million was mostly due to $69.4 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans.

Also contributing to the positive variance was $42.0 million in savings due to debt restructuring and $18.3 million of appropriations made to the State Legislature that can be carried over to the next fiscal year. As in previous years, the positive variance in lower education resulted when the Department of Education carried over $45.9 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. Spending restrictions of $37.7 million imposed on all executive branch departments resulted in positive variances across all functions of government

Capital Asset and Debt Administration

The State's capital assets for its governmental and business-type activities as of June 30, 2015, amounted to $12.2 billion (net of accumulated depreciation of $10.9 billion), an increase of $515.5 million from fiscal 2014. The increase is due to an increase in governmental activities assets of $628.5 million and in business-type assets of $424.7 million offset by increases in governmental activities and business-type activities accumulated depreciation of $430.6 million and $107.1 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2015, included the following:

- $282.9 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- $171.0 million for various construction, maintenance and renovation projects at various University of Hawaii campuses.
- $40.4 million for various health and safety renovation projects at state community hospitals.
- $26.0 million for renovations and improvements to federal and state low income housing projects.
- $30.0 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 $8.4 billion. Of this amount, $6.5 billion comprises debt backed by the full faith and credit of the State and $1.9 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, 2015 and 2014
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	$ 6,503,281	$ 5,784,139	$ 29,332	$ 31,176	$ 6,532,613	$ 5,815,315
Revenue bonds	666,202	412,725	1,218,943	1,278,137	1,885,145	1,690,862
Total	$ 7,169,483	$ 6,196,864	$ 1,248,275	$ 1,309,313	$ 8,417,758	$ 7,506,177

The State's total long-term debt increased by $911.6 million, or 12.1%, 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, 2015, 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, 2015 was $470.6 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 2015 was $789.0 million and its OPEB contributions were $393.4 million, resulting in an increase in the net OPEB obligation of $395.6 million. The total net OPEB obligation balance at fiscal year-end increased to $4.7 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 and 2015, the state made additional payments in the amount of $100 million and $117 million, respectively.

Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for November 2015 was 3.2% while the seasonally adjusted national unemployment rate was 5.0%. One year ago, the State's seasonally adjusted unemployment rate stood at 4.0% while the seasonally adjusted national unemployment rate was 5.8%.

The Council of Revenues in September 2015 revised the State's General Fund tax revenue growth rate for fiscal year 2016 from 2.7% to 6.0% and also adjusted the revenue growth rate for fiscal year 2017 to 5.5%.

Cumulative general fund tax revenues for the first five months of fiscal 2015 was $2.5 billion, an increase of $213.7 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 4.9%.

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 2016.

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, 2015
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 692,851	$ 1,386,755	$ 2,079,606	$ 545,406
Receivables				
Taxes	524,236	58,185	582,421	-
Accounts and accrued interest, net	-	36,135	36,135	197,924
Notes, loans, mortgages and contributions, net	72,874	450,583	523,457	594,301
Federal government	164,480	6,865	171,345	2,284
Premiums	-	85,368	85,368	-
Drug rebate	35,536	-	35,536	-
Other, net	38,026	12,791	50,817	11,175
Total receivables	835,152	649,927	1,485,079	805,684
Internal balances	1,617	(1,617)	-	-
Due from component units	288,637	-	288,637	-
Due from primary government	-	-	-	653,683
Investments	2,369,290	12,643	2,381,933	974,266
Inventories				
Materials and supplies	-	257	257	30,175
Developments in progress and dwelling units	-	-	-	10,483
Total inventories	-	257	257	40,658
Restricted assets	-	853,060	853,060	160,920
Other assets				
Prepaid expenses	5,211	5,414	10,625	15,960
Other	26,129	17,062	43,191	20,921
Total other assets	31,340	22,476	53,816	36,881
Capital assets				
Land and land improvements	2,267,218	1,887,240	4,154,458	509,702
Infrastructure	9,333,014	-	9,333,014	218,690
Construction in progress	1,050,026	824,834	1,874,860	321,344
Buildings, improvements and equipment	4,944,853	2,613,974	7,558,827	4,510,984
Intangible assets – software	113,457	-	113,457	-
Accumulated depreciation and amortization	(8,531,676)	(2,336,716)	(10,868,392)	(2,361,649)
Total capital assets, net	9,176,892	2,989,332	12,166,224	3,199,071
Total assets	13,395,779	5,912,833	19,308,612	6,416,569
Deferred outflows of resources				
Deferred loss on refunding	97,768	7,839	105,607	5,754
Deferred outflows on net pension liability	485,333	19,023	504,356	207,928
Total deferred outflows of resources	$ 583,101	$ 26,862	$ 609,963	$ 213,682

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

State of Hawaii
Statement of Net Position
June 30, 2015
(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Vouchers and contracts payable	$ 352,212	$ 41,324	$ 393,536	$ 164,361
Other accrued liabilities	358,728	118,032	476,760	101,418
Due to component units	653,683	-	653,683	-
Due to primary government	-	-	-	288,637
Due to federal government	30,987	-	30,987	-
Unearned revenue	-	4,278	4,278	49,460
Premiums payable	-	43,958	43,958	-
Other	87,777	-	87,777	16,430
Long-term liabilities				
Due within one year				
Payable from restricted assts – revenue bonds payable, net	-	50,190	50,190	-
Prepaid airport use charge fund	-	4,000	4,000	-
General obligation (GO) bonds payable	483,696	1,932	485,628	-
Notes, mortgages and installment contracts payable	-	-	-	1,726
Accrued vacation and retirement benefits payable	78,605	4,380	82,985	49,005
Revenue bonds payable, net	48,765	-	48,765	36,313
Reserve for losses and loss adjustment costs	28,361	1,272	29,633	9,151
Capital lease obligations	6,984	-	6,984	9,484
Due more than one year				
Prepaid airport use charge fund	-	9,245	9,245	-
GO bonds payable	6,019,585	27,400	6,046,985	-
Notes, mortgages and installment contracts payable	-	-	-	63,401
Accrued vacation and retirement benefits payable	141,268	9,386	150,654	67,775
Revenue bonds payable, net	617,437	1,168,753	1,786,190	845,279
Reserve for losses and loss adjustment costs	121,815	3,373	125,188	20,140
Capital lease obligations	89,191	-	89,191	14,455
Lease revenue certificates of participation	-	172,864	172,864	-
Unearned revenue	-	-	-	21,713
Estimated future costs of land sold	-	-	-	37,540
Loan payable	-	34,910	34,910	-
Net pension liability	3,910,574	137,308	4,047,882	1,710,443
Other postemployment benefit liability	3,597,751	95,383	3,693,134	1,015,084
Other	415	-	415	50,740
Total liabilities	16,627,834	1,927,988	18,555,822	4,572,555
Deferred inflows of resources				
Deferred inflows on net pension liability	458,463	15,446	473,909	222,698
Total deferred inflows of resources	458,463	15,446	473,909	222,698
Net position				
Net investment in capital assets	2,826,649	1,773,613	4,600,262	2,311,648
Restricted for				
Capital maintenance projects	201,250	-	201,250	-
Health and welfare	157,844	-	157,844	-
Natural resources	138,897	-	138,897	-
Native Hawaiian programs	319,622	-	319,622	-
Education	147,043	-	147,043	-
Regulatory and economic development	264,795	-	264,795	-
Administrative support	178,395	-	178,395	-
Other purposes	37,943	-	37,943	-
Bond requirements and other	35	1,227,441	1,227,476	1,059,482
Unrestricted	(7,379,890)	995,207	(6,384,683)	(1,536,132)
Total net position	$ (3,107,417)	$ 3,996,261	$ 888,844	$ 1,834,998

State of Hawaii
Statement of Activities
Year Ended June 30, 2015
(Amounts in thousands)

		Program Revenues			Net Revenue (Expense) and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Units
Primary government								
Governmental activities								
General government	$ 595,278	$ 248,915	$ 35,567	$ -	$ (310,796)	$ -	$ (310,796)	
Public safety	504,343	49,188	59,732	-	(395,423)	-	(395,423)	
Highways	426,142	11,727	8,075	139,977	(266,363)	-	(266,363)	
Conservation of natural resources	89,176	57,118	33,517	-	1,459	-	1,459	
Health	871,563	136,547	116,419	-	(618,597)	-	(618,597)	
Welfare	3,196,602	89,450	2,203,738	-	(903,414)	-	(903,414)	
Lower education	2,729,789	46,965	259,500	-	(2,423,324)	-	(2,423,324)	
Higher education	761,837	-	-	-	(761,837)	-	(761,837)	
Other education	21,664	-	-	-	(21,664)	-	(21,664)	
Culture and recreation	84,265	8,704	5,287	-	(70,274)	-	(70,274)	
Urban redevelopment and housing	115,653	22,197	25,462	-	(67,994)	-	(67,994)	
Economic development and assistance	179,485	28,750	62,163	-	(88,572)	-	(88,572)	
Interest expense	247,059	-	-	-	(247,059)	-	(247,059)	
Total governmental activities	9,822,856	699,561	2,809,460	139,977	(6,173,858)	-	(6,173,858)	
Business-type activities								
Airports	350,041	434,489	-	38,239	-	122,687	122,687	
Harbors	87,031	123,209	-	284	-	36,462	36,462	
Unemployment compensation	186,893	239,375	-	-	-	52,482	52,482	
Nonmajor proprietary funds	112,209	115,643	-	33,617	-	37,051	37,051	
Total business-type activities	736,174	912,716	-	72,140	-	248,682	248,682	
Total primary government	$ 10,559,030	$ 1,612,277	$ 2,809,460	$ 212,117	(6,173,858)	248,682	(5,925,176)	
Component units								
University of Hawaii	$ 1,653,892	$ 400,543	$ 452,404	$ -				$ (800,945)
Hawaii Housing Finance and Development Corporation	46,582	74,092	9,465	-				36,975
Hawaii Public Housing Authority	141,525	19,906	80,031	10,877				(30,711)
Hawaii Health Systems Corporation	765,578	620,538	2,261	48,163				(94,616)
Hawaii Tourism Authority	106,189	6,367	-	-				(99,822)
Hawaii Community Development Authority	9,610	9,929	-	-				319
Hawaii Hurricane Relief Fund	5	-	-	-				(5)
Total component units	$ 2,723,381	$ 1,131,375	$ 544,161	$ 59,040				(988,805)
General revenues								
Taxes								
General excise tax					3,021,418	-	3,021,418	-
Net income tax – corporations and individuals					2,073,015	-	2,073,015	-
Public service companies tax					163,481	-	163,481	-
Transient accommodations tax					202,345	-	202,345	115,000
Tobacco and liquor tax					165,137	-	165,137	-
Liquid fuel tax					88,449	-	88,449	-
Tax on premiums of insurance companies					147,767	-	147,767	-
Vehicle weight and registration tax					125,113	-	125,113	-
Rental motor/tour vehicle surcharge tax					51,941	-	51,941	-
Franchise tax					19,930	-	19,930	-
Other tax					76,222	-	76,222	-
Interest and investment income					16,024	17,567	33,591	8,032
Payments from the primary government, net					-	-	-	980,204
Gifts and subsidies					-	-	-	45,409
Other					-	-	-	(8,754)
Total general revenues					6,150,842	17,567	6,168,409	1,139,891
Change in net position					(23,016)	266,249	243,233	151,086
Net position								
Beginning of year, as previously reported					804,833	3,865,434	4,670,267	3,413,846
Adjustment for change in accounting principle					(3,889,234)	(135,422)	(4,024,656)	(1,729,934)
Beginning of year, as restated					(3,084,401)	3,730,012	645,611	1,683,912
End of year					$ (3,107,417)	$ 3,996,261	$ 888,844	$ 1,834,998

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, 2015
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 203,687	$ 33,855	$ 12,923	$ 442,386	$ 692,851
Receivables					
Taxes	524,236	-	-	-	524,236
Notes and loans, net of allowance for doubtful accounts of $44,489	1,433	-	-	71,441	72,874
Federal government	-	-	164,480	-	164,480
Drug rebate	-	-	35,536	-	35,536
Medical assistance	-	-	2,801	-	2,801
Other	8,025	-	-	-	8,025
Due from other funds	327,382	-	-	35	327,417
Due from proprietary funds	20	1,597	-	-	1,617
Due from component units	35,200	-	-	-	35,200
Investments	920,042	264,069	58,872	1,126,307	2,369,290
Other assets	16,031	-	-	-	16,031
Total assets	$ 2,036,056	$ 299,521	$ 274,612	$ 1,640,169	$ 4,250,358
Liabilities and Fund Balances					
Liabilities					
Vouchers and contracts payable	$ 162,667	$ 105,223	$ 2,789	$ 81,533	$ 352,212
Other accrued liabilities	243,289	-	79,269	36,481	359,039
Due to federal government	-	-	-	30,987	30,987
Due to other funds	35	89,900	191,793	45,689	327,417
Due to component units	1,546	643,040	-	-	644,586
Unearned revenue	39,224	-	-	-	39,224
Payable from restricted assets					
Matured bonds and interest payable	-	-	-	415	415
Total liabilities	446,761	838,163	273,851	195,105	1,753,880
Fund balances					
Restricted	-	-	-	25,370	25,370
Committed	-	-	-	449,290	449,290
Assigned	205,242	-	761	1,008,742	1,214,745
Unassigned	1,384,053	(538,642)	-	(38,338)	807,073
Total fund balances	1,589,295	(538,642)	761	1,445,064	2,496,478
Total liabilities and fund balances	$ 2,036,056	$ 299,521	$ 274,612	$ 1,640,169	$ 4,250,358

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, 2015
(Amounts in thousands)

Total fund balance – Governmental funds	$ 2,496,478
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	2,267,218
Infrastructure	9,333,014
Construction in progress	1,050,026
Buildings, improvements and equipment	4,944,853
Intangible assets – software	113,457
Accumulated depreciation and amortization	(8,531,676)
	9,176,892
Accrued interest and other payables are not recognized in governmental funds.	(87,776)
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.	335,480
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	(6,503,281)
Accrued vacation payable	(219,873)
Revenue bonds payable	(666,202)
Reserve for losses and loss adjustment costs	(150,176)
Other postemployment benefit liability	(3,597,751)
Net pension liability	(3,910,574)
Long-term transactions with component units	(9,097)
Capital lease obligations	(96,175)
	(15,153,129)
Deferred outflows of resources benefit future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred loss on refunding	97,768
Deferred outflows on net pension liability	485,333
	583,101
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of deferred inflows on the net pension liability.	(458,463)
Net position of governmental activities	$ (3,107,417)

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, 2015
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
General excise tax	$ 3,021,418	$ -	$ -	$ -	$ 3,021,418
Net income tax – corporations and individuals	2,047,327	-	-	-	2,047,327
Public service companies tax	163,481	-	-	-	163,481
Transient accommodations tax	202,345	-	-	-	202,345
Tobacco and liquor tax	133,110	-	-	32,027	165,137
Liquid fuel tax	-	-	-	88,449	88,449
Tax on premiums of insurance companies	145,672	-	-	2,095	147,767
Vehicle weight and registration tax	-	-	-	125,113	125,113
Rental motor/vehicle surcharge tax	1	-	-	51,940	51,941
Franchise tax	17,930	-	-	2,000	19,930
Other	38,539	-	-	37,683	76,222
Total taxes	5,769,823	-	-	339,307	6,109,130
Interest and investment income	7,531	-	-	8,493	16,024
Charges for current services	135,168	-	-	249,212	384,380
Intergovernmental	14,192	-	1,338,883	1,450,914	2,803,989
Rentals	176	-	-	30,951	31,127
Fines, forfeitures and penalties	22,874	-	-	14,327	37,201
Licenses and fees	1,091	-	-	41,372	42,463
Revenues from private sources	3,389	-	57,664	60,313	121,366
Other	45,960	-	54,920	90,592	191,472
Total revenues	6,000,204	-	1,451,467	2,285,481	9,737,152
Expenditures					
Current					
General government	440,602	73,412	-	59,806	573,820
Public safety	343,368	17,024	-	124,568	484,960
Highways	-	219,434	-	236,129	455,563
Conservation of natural resources	42,706	36,359	-	66,451	145,516
Health	587,358	62,731	-	205,708	855,797
Welfare	1,092,243	2,787	1,389,180	708,597	3,192,807
Lower education	2,040,751	188,123	-	390,282	2,619,156
Higher education	600,015	161,822	-	-	761,837
Other education	6,902	-	-	14,762	21,664
Culture and recreation	43,770	12,686	-	40,220	96,676
Urban redevelopment and housing	11,764	358	-	59,262	71,384
Economic development and assistance	28,889	47,071	-	100,959	176,919
Housing	20,835	27,730	-	-	48,565
Other	7,247	-	-	7,932	15,179
Debt service	-	-	-	734,315	734,315
Total expenditures	5,266,450	849,537	1,389,180	2,748,991	10,254,158
Excess (deficiency) of revenues over (under) expenditures	733,754	(849,537)	62,287	(463,510)	(517,006)
Other financing sources (uses)					
Issuance of GO and refunding GO bonds – par	-	600,000	-	408,775	1,008,775
Issuance of GO and refunding GO bonds – premium	131,187	-	-	41,893	173,080
Issuance of revenue and refunding revenue bonds – par	-	103,375	-	210,305	313,680
Issuance of revenue and refunding revenue bonds – premium	-	17,309	-	5,865	23,174
Payment to refunded bond escrow agent	-	-	-	(516,839)	(516,839)
Transfers in	138,955	166,863	8,060	857,394	1,171,272
Transfers out	(750,264)	(31,150)	(80,052)	(309,806)	(1,171,272)
Total other financing sources (uses)	(480,122)	856,397	(71,992)	697,587	1,001,870
Net change in fund balances	253,632	6,860	(9,705)	234,077	484,864
Fund balances					
Beginning of year	1,335,663	(545,502)	10,466	1,210,987	2,011,614
End of year	$ 1,589,295	$ (538,642)	$ 761	$ 1,445,064	$ 2,496,478

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, 2015
(Amounts in thousands)

Total net change in fund balances – Governmental funds	$ 484,864
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	657,372
Depreciation expense	(459,410)
Excess of capital outlay over depreciation expense	197,962
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 and revenue bonds issued.	(1,476,793)
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	924,281
Capital lease additions, net	6,447
Total long-term debt repayment	930,728
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.	25,688
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	(270,438)
Change in accrued vacation payable	6,925
Change in reserve for losses and loss adjustment costs	(3,056)
Change in accrued interest on bonds payable	(7,389)
Change in accrued interest on capital leases	(1,746)
Amortization of bond premium and deferred amount on refunding	84,710
Net pension activity	5,529
Total	(185,465)
Change in net position of governmental activities	$ (23,016)

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

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2015
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	$ 550,385	$ 204,477	$ 435,534	$ 196,359	$ 1,386,755
Investments	-	-	-	12,643	12,643
Restricted assets – cash and short-term investments	75,689	34,250	-	-	109,939
Receivables					
Taxes	395	-	57,790	-	58,185
Accounts and accrued interest, net of allowance for doubtful accounts of $5,196	24,495	10,886	-	754	36,135
Promissory note receivable, net of allowance for doubtful accounts of $3,786	-	-	-	35,060	35,060
Federal government	6,563	-	-	302	6,865
Premiums	-	-	-	85,368	85,368
Other	2,570	489	-	9,732	12,791
Materials and supplies inventory	194	63	-	-	257
Prepaid expenses and other assets	-	22	-	5,392	5,414
Total current assets	660,291	250,187	493,324	345,610	1,749,412
Noncurrent assets					
Capital assets					
Land and land improvements	1,352,308	534,932	-	-	1,887,240
Construction in progress	726,750	98,084	-	-	824,834
Buildings and improvements	1,833,970	457,530	-	-	2,291,500
Equipment	290,858	19,109	-	12,507	322,474
	4,203,886	1,109,655	-	12,507	5,326,048
Less: Accumulated depreciation	(1,998,093)	(329,165)	-	(9,458)	(2,336,716)
Net capital assets	2,205,793	780,490	-	3,049	2,989,332
Promissory note receivable	-	-	-	415,523	415,523
Restricted assets – net direct financing leases	21,878	-	-	-	21,878
Restricted assets – cash and cash equivalents	424,896	164,633	-	-	589,529
Restricted assets – investments	131,714	-	-	-	131,714
Other	9,624	-	-	7,438	17,062
Total noncurrent assets	2,793,905	945,123	-	426,010	4,165,038
Total assets	3,454,196	1,195,310	493,324	771,620	5,914,450
Deferred outflows of resources					
Deferred loss on refunding	3,949	3,890	-	-	7,839
Deferred outflows on net pension liability	15,203	2,743	-	1,077	19,023
Total deferred outflows of resources	$ 19,152	$ 6,633	$ -	$ 1,077	$ 26,862

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

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2015
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	$ 29,220	$ 6,666	$ 4,338	$ 1,100	$ 41,324
Payable from restricted assets – contracts payable, accrued interest and other	69,851	24,321	-	-	94,172
Other accrued liabilities	16,605	-	-	2,797	19,402
Due to primary government	-	1,617	-	-	1,617
Benefit claims payable	-	-	-	4,458	4,458
Prepaid airport use charge fund	4,000	-	-	-	4,000
Unearned revenue	4,278	-	-	-	4,278
General obligation bonds payable, current portion	-	1,932	-	-	1,932
Reserve for losses and loss adjustment costs	1,201	71	-	-	1,272
Accrued vacation, current portion	3,483	675	-	222	4,380
Payable from restricted assets – revenue bond payable	35,725	14,465	-	-	50,190
Premiums payable	-	-	-	43,958	43,958
Total current liabilities	164,363	49,747	4,338	52,535	270,983
Noncurrent liabilities					
General obligation bonds payable	-	27,400	-	-	27,400
Accrued vacation	7,255	1,558	-	573	9,386
Revenue bonds payable, net of unamortized bond premium and bond discount	844,990	323,763	-	-	1,168,753
Reserve for losses and loss adjustment cost	3,061	312	-	-	3,373
Lease revenue certificates of participation	172,864	-	-	-	172,864
Loans payable	34,910	-	-	-	34,910
Net pension liability	108,698	21,595	-	7,015	137,308
Other postemployment benefit liability	75,430	15,292	-	4,661	95,383
Prepaid airport use charge fund	9,245	-	-	-	9,245
Total long-term liabilities	1,256,453	389,920	-	12,249	1,658,622
Total liabilities	1,420,816	439,667	4,338	64,784	1,929,605
Deferred inflows of resources					
Deferred inflows on net pension liability	11,831	2,520	-	1,095	15,446
Total deferred inflows of resources	11,831	2,520	-	1,095	15,446
Net position					
Net investment in capital assets	1,241,986	528,581	-	3,046	1,773,613
Restricted for bond requirements and other	510,518	73,587	-	643,336	1,227,441
Unrestricted	288,197	157,588	488,986	60,436	995,207
Net position	$ 2,040,701	$ 759,756	$ 488,986	$ 706,818	$ 3,996,261

State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2015
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	$ 148,835	$ -	$ -	$ -	$ 148,835
Unemployment compensation	-	-	239,375	-	239,375
Aviation fuel tax	4,455	-	-	-	4,455
Airport use charges	59,659	-	-	-	59,659
Rentals	112,670	23,413	-	-	136,083
Services and others	-	98,435	-	-	98,435
Administrative fees	-	-	-	3,434	3,434
Premium revenue – self insurance	-	-	-	73,141	73,141
Increase in premium reserves	-	-	-	36,527	36,527
Other	6,320	1,361	-	2,541	10,222
Total operating revenues	331,939	123,209	239,375	115,643	810,166
Operating expenses					
Personnel services	142,661	17,687	-	7,138	167,486
Depreciation and amortization	88,434	23,336	-	1,570	113,340
Repairs and maintenance	45,665	2,243	-	122	48,030
Airports operations	46,907	-	-	-	46,907
Harbors operations	-	18,541	-	-	18,541
Fireboat operations	-	33	-	-	33
General administration	17,646	8,301	-	4,624	30,571
Unemployment compensation	-	-	186,893	-	186,893
Claims	-	-	-	78,890	78,890
Other	675	-	-	19,865	20,540
Total operating expenses	341,988	70,141	186,893	112,209	711,231
Operating income (loss)	(10,049)	53,068	52,482	3,434	98,935
Nonoperating revenues (expenses)					
Interest and investment income	4,819	1,454	10,235	1,059	17,567
Interest expense	(24,071)	(16,890)	-	-	(40,961)
Federal grants	1,558	-	-	-	1,558
Gain (loss) on disposal of capital assets	(2,482)	-	-	-	(2,482)
Rental car customer and passenger facility charges	103,154	-	-	-	103,154
Debt service support charges	18,500	-	-	-	18,500
Other	(604)	-	-	-	(604)
Total nonoperating revenues (expenses)	100,874	(15,436)	10,235	1,059	96,732
Income before capital contributions	90,825	37,632	62,717	4,493	195,667
Capital contributions	36,681	284	-	33,617	70,582
Change in net position	127,506	37,916	62,717	38,110	266,249
Net position					
Beginning of year, as previously reported	2,020,599	743,291	426,269	675,275	3,865,434
Adjustment for change in accounting principle	(107,404)	(21,451)	-	(6,567)	(135,422)
Beginning of year, as restated	1,913,195	721,840	426,269	668,708	3,730,012
End of year	$ 2,040,701	$ 759,756	$ 488,986	$ 706,818	$ 3,996,261

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, 2015
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	$ 331,688	$ 121,800	$ -	$ -	$ 453,488
Cash received from taxes	-	-	240,464	-	240,464
Cash received from employees for premiums and benefits	-	-	-	522,997	522,997
Cash paid to suppliers	(171,586)	(28,342)	-	(6,717)	(206,645)
Cash paid to employees	(64,545)	(15,713)	-	(3,937)	(84,195)
Cash paid for unemployment compensation	-	-	(183,915)	-	(183,915)
Cash paid for premiums and benefits payable	-	-	-	(536,452)	(536,452)
Other cash receipts	-	-	9,702	-	9,702
Net cash provided by (used in) operating activities	95,557	77,745	66,251	(24,109)	215,444
Cash flows from noncapital financing activities					
State capital contributions	-	-	-	4,025	4,025
Proceeds from federal operating grants	-	-	-	29,174	29,174
Net cash provided by noncapital financing activities	-	-	-	33,199	33,199
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(276,502)	(52,844)	-	-	(329,346)
Repayment of general obligation and revenue bonds principal	(34,210)	(15,349)	-	-	(49,559)
Interest paid on bonds	(42,013)	(19,181)	-	-	(61,194)
Interest paid on loan payable	(442)	-	-	-	(442)
Net proceeds from loan payable	34,910	-	-	-	34,910
Proceeds from passenger facility charges program	36,939	-	-	-	36,939
Proceeds from rental car customer facility charges program	64,367	-	-	-	64,367
Payments for rental car customer facility charges program	(44,458)	-	-	-	(44,458)
Payments for passenger facility charges program	(26,801)	-	-	-	(26,801)
Interest paid on lease revenue certificates of participation	(9,316)	-	-	-	(9,316)
Payments – other	(602)	-	-	-	(602)
Purchase of equipment	-	-	-	(500)	(500)
Proceeds from federal, state, and capital grants and contributions	41,629	285	-	-	41,914
Net cash used in capital and related financing activities	(256,499)	(87,089)	-	(500)	(344,088)
Cash flows from investing activities					
Purchase of investments	(193,786)	-	-	(5,852)	(199,638)
Principal repayments on notes receivable	-	-	-	33,517	33,517
Disbursement of note receivable proceeds	-	-	-	(75,045)	(75,045)
Interest income from notes receivable	-	-	-	2,436	2,436
Administrative loan fees	-	-	-	3,395	3,395
Proceeds from sales and maturities of investments	309,032	-	-	-	309,032
Interest from and change in fair value of investments	3,035	1,178	10,236	1,002	15,451
Net cash provided by (used in) investing activities	118,281	1,178	10,236	(40,547)	89,148
Net increase (decrease) in cash and cash equivalents	(42,661)	(8,166)	76,487	(31,957)	(6,297)
Cash and short-term investments, including restricted amounts					
Beginning of year	1,093,631	411,526	359,047	228,316	2,092,520
End of year	$ 1,050,970	$ 403,360	$ 435,534	$ 196,359	$ 2,086,223

(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, 2015
(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)	$ (10,049)	$ 53,068	$ 52,482	$ 3,434	$ 98,935
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Provision for uncollectible accounts	-	625	-	-	625
Depreciation and amortization	88,434	23,336	-	1,570	113,340
Bad debt recovery	99	-	-	-	99
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	4,654	-	-	-	4,654
Premium reserves held by insurance companies	-	-	-	(35,170)	(35,170)
Principal forgiveness of loans	-	-	-	10,606	10,606
Interest income from loans	-	-	-	(2,371)	(2,371)
Administrative loan fees	-	-	-	(3,434)	(3,434)
Pension expense	-	-	-	592	592
Changes in assets, deferred outflows, liabilities and deferred inflows					
Receivables	(8,428)	(1,753)	10,791	(4,822)	(4,212)
Prepaid and other expenses	-	852	-	7	859
Net deferred outflows/inflows of resources related to pensions	-	(224)	-	(605)	(829)
Vouchers and contracts payable	8,208	105	2,978	337	11,628
Net pension liability	(2,079)	144	-	56	(1,879)
Other postemployment benefit liability	10,842	2,116	-	897	13,855
Other accrued liabilities	8,533	(524)	-	4,285	12,294
Prepaid airport use charge fund	(1,092)	-	-	-	(1,092)
Unearned revenue	(3,565)	-	-	-	(3,565)
Benefit claims payable	-	-	-	509	509
Net cash provided by (used in) operating activities	$ 95,557	$ 77,745	$ 66,251	$ (24,109)	$ 215,444
Supplemental information					
Noncash investing, capital, and financing activities					
Amortization of bond discount, bond premium and loss on refunding	$ (2,684)	$ (105)	$ -	$ -	$ (2,789)
Interest payments relating to special facility revenue bonds	1,722	-	-	-	1,722
Principal payments on special facility revenue bonds	7,405	-	-	-	7,405
Amortization of certificates of participation premium	(907)	-	-	-	(907)
Amounts included in contracts payable for the acquisition of capital assets	42,410	-	-	-	42,410
Interest capitalized in capital assets	24,318	-	-	-	24,318
Net book value of capital asset write-offs	2,482	-	-	-	2,482
Decrease in airports use charge fund for transfer to Airports to offset signatory airline requirement	18,500	-	-	-	18,500
Amortization of deferred outflows of resources related to pension contributions	3,171	-	-	-	3,171

(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, 2015
(Amounts in thousands)

	Agency Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	$ 181,211	$ 86,464
Receivables – taxes	47,694	-
Investments	515,480	757,270
Other assets, primarily due from individuals, businesses and counties	108,790	-
Total	853,175	843,734
Liabilities and Net Position		
Liabilities		
Vouchers payable	61,719	-
Due to individuals, businesses and counties	791,456	-
Other accrued liabilities	-	214
Total liabilities	853,175	214
Net position held in trust for OPEB benefits	$ -	$ 843,520

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, 2015
(Amounts in thousands)

Additions	
Employer contributions	$ 199,790
Investment earnings	18,422
	218,212
Deductions	
Administrative expenses	760
Net increase in fiduciary net position	217,452
Net position	
Beginning of year	626,068
End of year	$ 843,520

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

State of Hawaii
Component Units
Statement of Net Position
June 30, 2015
(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	$ 89,811	$ 209,636	$ 67,384	$ 86,485
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of $68,826	88,302	20,999	283	87,214
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $1,161	16,221	15,445	-	-
Federal government	-	-	2,284	-
Other, net of allowance for doubtful accounts of $136	-	2,208	95	7,567
Due from primary government	235	16,270	129,548	86,296
Investments	285,241	30	-	7,225
Inventories – materials and supplies	11,765	-	535	17,875
Prepaid expenses and other assets	13,252	422	2,249	-
Total current assets	504,827	265,010	202,378	292,662
Restricted assets				
Cash and cash equivalents	-	57,492	-	6,141
Investments	-	86,256	-	-
Deposits, funded reserves and other	-	472	-	-
Total restricted assets	-	144,220	-	6,141
Capital assets				
Land and land improvements	166,609	43,228	25,340	7,771
Infrastructure	174,376	-	-	-
Construction in progress	249,788	-	33,990	32,120
Buildings, improvements and equipment	2,790,391	165,152	617,052	697,241
Less: Accumulated depreciation	(1,312,473)	(117,087)	(367,246)	(373,822)
Total capital assets, net	2,068,691	91,293	309,136	363,310
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of $6,698	48,155	488,763	8,717	-
Due from primary government	398,761	8,110	-	-
Inventories – developments in progress and dwelling units	-	10,483	-	-
Investments	477,243	6,140	-	-
Other assets	19,541	-	-	1,010
Total other assets	943,700	513,496	8,717	1,010
Total assets	3,517,218	1,014,019	520,231	663,123
Deferred outflows of resources				
Deferred loss on refunding	5,251	503	-	-
Deferred outflows on net pension liability	134,848	793	3,137	68,293
Total deferred outflows of resources	$ 140,099	$ 1,296	$ 3,137	$ 68,293

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
$ 70,533	$ 19,195	$ 2,362	$ 545,406
-	464	662	197,924
-	-	-	31,666
-	-	-	2,284
1,305	-	-	11,175
-	14,463	-	246,812
-	-	181,857	474,353
-	-	-	30,175
36	1	-	15,960
71,874	34,123	184,881	1,555,755
10,559	-	-	74,192
-	-	-	86,256
-	-	-	472
10,559	-	-	160,920
131,497	135,257	-	509,702
-	44,314	-	218,690
2,525	2,921	-	321,344
215,985	25,163	-	4,510,984
(133,339)	(57,682)	-	(2,361,649)
216,668	149,973	-	3,199,071
-	17,000	-	562,635
-	-	-	406,871
-	-	-	10,483
16,530	-	-	499,913
-	370	-	20,921
16,530	17,370	-	1,500,823
315,631	201,466	184,881	6,416,569
-	-	-	5,754
554	303	-	207,928
$ 554	$ 303	$ -	$ 213,682

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2015
(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	$ 56,702	$ 616	$ 4,289	$ 92,488
Other accrued liabilities	91,413	6,937	2,781	-
Due to primary government	11,999	-	-	-
Unearned revenue	48,361	476	380	-
Notes, mortgages and installation contracts payable	-	68	-	1,658
Accrued vacation and retirement benefits payable	29,222	-	-	19,533
Revenue bonds payable, net	17,115	19,198	-	-
Reserve for losses and loss adjustment costs	5,586	-	-	3,565
Capital lease obligations	-	-	-	9,484
Other liabilities	9,649	-	1,373	1,550
Total current liabilities	270,047	27,295	8,823	128,278
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	17,000	5,397	-	41,004
Accrued vacation and retirement benefits payable	44,618	-	-	22,603
Revenue bonds payable, net	564,442	280,837	-	-
Reserve for losses and loss adjustment costs	9,926	-	-	10,214
Capital lease obligations	-	-	-	14,455
Due to primary government	195	-	-	13,300
Unearned revenue	-	21,713	-	-
Estimated future cost of land sold	-	37,540	-	-
Net pension liability	1,089,882	6,554	23,356	583,997
Other postemployment benefit liability	650,805	4,085	18,039	338,249
Other liabilities	16,819	1,935	1,550	21,178
Total noncurrent liabilities	2,393,687	358,061	42,945	1,045,000
Total liabilities	2,663,734	385,356	51,768	1,173,278
Deferred inflows of resources				
Deferred inflows on net pension liability	151,162	767	2,903	67,154
Total deferred inflows of resources	151,162	767	2,903	67,154
Net position				
Net investment in capital assets	1,503,902	34,622	309,136	304,553
Restricted	880,637	131,269	2,600	4,133
Unrestricted	(1,542,118)	463,301	156,961	(817,702)
Total net position	$ 842,421	$ 629,192	$ 468,697	$ (509,016)

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
$ 9,418	$ 848	$ -	$ 164,361
131	156	-	101,418
30,517	-	-	42,516
-	243	-	49,460
-	-	-	1,726
126	124	-	49,005
-	-	-	36,313
-	-	-	9,151
-	-	-	9,484
-	1,418	2,440	16,430
40,192	2,789	2,440	479,864
-	-	-	63,401
291	263	-	67,775
-	-	-	845,279
-	-	-	20,140
-	-	-	14,455
232,626	-	-	246,121
-	-	-	21,713
-	-	-	37,540
4,239	2,415	-	1,710,443
2,154	1,752	-	1,015,084
-	9,258	-	50,740
239,310	13,688	-	4,092,691
279,502	16,477	2,440	4,572,555
493	219	-	222,698
493	219	-	222,698
9,462	149,973	-	2,311,648
26,728	14,115	-	1,059,482
-	20,985	182,441	(1,536,132)
$ 36,190	$ 185,073	$ 182,441	$ 1,834,998

(concluded)

State of Hawaii
Component Units
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	$ 1,653,892	$ 46,582	$ 141,525	$ 765,578
Program revenues				
Charges for services	400,543	74,092	19,906	620,538
Operating grants and contributions	452,404	9,465	80,031	2,261
Capital grants and contributions	-	-	10,877	48,163
Total program revenues	852,947	83,557	110,814	670,962
Net program revenues (expenses)	(800,945)	36,975	(30,711)	(94,616)
General revenues (expenses)				
Interest and investment income	4,659	-	-	169
Transient accommodations tax	-	-	-	-
Payments from State, net	765,528	7,863	25,558	118,440
Gifts and subsidies	31,870	-	13,539	-
Other	(7,425)	-	549	(1,881)
Net general revenues	794,632	7,863	39,646	116,728
Change in net position	(6,313)	44,838	8,935	22,112
Net position				
Beginning of year, as previously reported	1,961,526	590,850	483,003	49,679
Adjustment for change in accounting principle	(1,112,792)	(6,496)	(23,241)	(580,807)
Beginning of year, as restated	848,734	584,354	459,762	(531,128)
End of year	$ 842,421	$ 629,192	$ 468,697	$ (509,016)

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
$ 106,189	$ 9,610	$ 5	$ 2,723,381
6,367	9,929	-	1,131,375
-	-	-	544,161
-	-	-	59,040
6,367	9,929	-	1,734,576
(99,822)	319	(5)	(988,805)
390	74	2,740	8,032
115,000	-	-	115,000
200	9,555	53,060	980,204
-	-	-	45,409
3	-	-	(8,754)
115,593	9,629	55,800	1,139,891
15,771	9,948	55,795	151,086
24,617	177,525	126,646	3,413,846
(4,198)	(2,400)	-	(1,729,934)
20,419	175,125	126,646	1,683,912
$ 36,190	$ 185,073	$ 182,441	$ 1,834,998

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 for the State's discretely presented Component Units. They are reported in a separate column to emphasize their legal separation from the State. The discretely presented Component Units are:

University of Hawaii – The University of Hawaii (UH) is Hawaii's sole public higher education system. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH.

The UH is comprised of ten campuses with approximately 60,000 students and 10,000 faculty and staff. The UH provides a broad range of 385 degree (baccalaureate to post-doctoral level) programs, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui and Kauai, the 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 houses more than a hundred centers with a research, instruction, or public service purpose. The UH is also engaged in instructional 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.

The UH Board of Regents is appointed by the Governor of the State of Hawaii. The UH is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The UH's complete financial statements are available online at: http://www.hawaii.edu.

Hawaii Housing Finance and Development Corporation – The Hawaii Housing Finance and Development Corporation (HHFDC) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HHFDC is a corporate body placed within the Department of Business Economic Development and Tourism (DBEDT) for administrative purposes. The HHFDC's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land, and expedited land use approvals.

The HHFDC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHFDC is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The HHFDC's complete financial statements are available online at: http://www.dbedt.hawaii.gov/hhfdc.

Hawaii Public Housing Authority – The Hawaii Public Housing Authority (HPHA) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The 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.

The HPHA's Board of Directors is appointed by the Governor of the State of Hawaii. The HPHA is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The HPHA's complete financial statements are available online at: http://www.hpha.hawaii.gov.

Hawaii Health Systems Corporation – Act 262, SLH 1996, transferred all facilities previously under the Department of Health – Division of Community Hospitals to the Hawaii Health System Corporation (HHSC). The HHSC is administratively attached to the Department of Health. Its mission is to provide and enhance accessible and comprehensive healthcare services that are quality-driven, customer-focused, and cost-effective. It 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

The HHSC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHSC is a public body corporate and politic and an instrumentality and agency of the State of Hawaii that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The HHSC's complete financial statements are available online at: http://www.hhsc.org.

Hawaii Tourism Authority – The Hawaii Tourism Authority (HTA) was established by Act 156, SLH 1998. The HTA is administratively attached to DBEDT. The HTA is responsible for developing and implementing 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.

Effective July 2002, in accordance with Executive Order No. 3817, the HTA assumed control and management of the Hawaii Convention Center (Center). Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA's Board of Directors is appointed by the Governor of the State of Hawaii. The HTA is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HTA's complete financial statements may be obtained from the Hawaii Tourism Authority, 1801 Kalakaua Avenue, Honolulu, Hawaii 96815.

Hawaii Community Development Authority – The Hawaii Community Development Authority (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 the urban areas of the State of Hawaii. The HCDA was established as a body corporate and a public instrumentality of the State and is administratively attached to DBEDT. The HCDA has three Community Development Districts: Kakaʻako, Kalaeloa, and Heʻeia.

The HCDA's Board of Directors is appointed by the Governor of the State of Hawaii. The HCDA is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HCDA's complete financial statements may be obtained from the Hawaii Community Development Authority, 547 Queen Street, Honolulu, Hawaii 96813.

Hawaii Hurricane Relief Fund – The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to, and operates in accordance with HRS Chapter 431P. The HHRF was established as a public body and a body corporate and politic and is administratively attached to the Department of Commerce and Consumer Affairs.

The HHRF was primarily organized to provide residential and commercial hurricane property insurance coverage to Hawaii consumers in situations where insurance companies will not underwrite such business in the State. Due to the increase in availability of hurricane insurance coverage from the private sector, the HHRF ceased writing policies effective December 1, 2000. Although the HHRF ceased writing policies, it was determined that the HHRF should not be dissolved as it may need to reenter the insurance market in the future.

In the event of dissolution of the HHRF, the net monies within the hurricane reserve trust fund shall revert to the State General Fund after any payments on behalf of licensed property and casualty insurers or the State that are required to be made pursuant to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks.

The HHRF's Board of Directors is appointed by the Governor of the State of Hawaii. The HHRF is financially accountable, poses a financial burden or benefit to the State, and is therefore included as a discretely presented Component Unit. Information for obtaining the HHRF's complete financial statements may be obtained from the Department of Commerce and Consumer Affairs, 335 Merchant Street, 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 included in 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 discretely presented 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. The financial statements of the Other Post-Employment Benefit (OPEB) Trust Fund are reported as a fiduciary fund using the economic resource measurement focus and the accrual basis of accounting. 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 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.

- **OPEB Trust Fund** – This 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 following:

- 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, equipment, and computer software, 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 fair 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, 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 includes 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, *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, 2015:

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for					
Welfare	$ -	$ -	$ -	$ 25,335	$ 25,335
Debt service	-	-	-	35	35
	-	-	-	25,370	25,370
Committed to					
General government	-	-	-	39,952	39,952
Public safety	-	-	-	39,441	39,441
Conservation of natural resources	-	-	-	97,270	97,270
Health	-	-	-	168,340	168,340
Welfare	-	-	-	1,748	1,748
Culture and recreation	-	-	-	2,320	2,320
Urban development and housing	-	-	-	72,456	72,456
Economic development	-	-	-	27,763	27,763
	-	-	-	449,290	449,290
Assigned to					
General government	20,265	-	-	133,195	153,460
Public safety	10,811	-	-	48,839	59,650
Highways	-	-	-	201,250	201,250
Conservation of natural resources	8,631	-	-	45,424	54,055
Health	57,370	-	-	-	57,370
Welfare	30,452	-	761	-	31,213
Education	71,235	-	-	145,878	217,113
Culture and recreation	3,376	-	-	8,636	12,012
Urban development and housing	583	-	-	247,165	247,748
Economic development	2,519	-	-	178,355	180,874
	205,242	-	761	1,008,742	1,214,745
Unassigned	1,384,053	(538,642)	-	(38,338)	807,073
Total	$ 1,589,295	$ (538,642)	$ 761	$ 1,445,064	$ 2,496,478

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

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 administration's opinion is 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 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 Nos. 68 & 71
During fiscal year 2015, the State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* **–** *an amendment of GASB Statement No*. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* **–** *an amendment of GASB Statement No. 68.* Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government 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 employer, 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.

Statement No. 68 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 – an amendment of GASB Statement No. 25 and No. 27*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statement Nos. 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 71 is required to be implemented simultaneously with Statement No. 68 and 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 adoption of Statement Nos. 68 and 71 has no impact on the State's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, adoption has resulted in the restatement of the State's fiscal year 2014 government-wide financial statements to reflect the reporting of a net pension liability in accordance with the provisions of Statement No. 68 and deferred outflows of resources related to pensions in accordance with Statement No. 71. Net pension liability for governmental activities and business type activities of $4,296,634,000 and $150,840,000, respectively, and deferred outflows of resources related to pensions for governmental activities and business type activities of $319,827,000 and $11,301,000, respectively, were reported as of July 1, 2014. Refer to Note 11 for more information regarding the State's pension.

GASB Statement No. 69
The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which became 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. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 72
The GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Statement will also enhance fair value application guidance and disclosure. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 73
The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement establishes accounting and financial reporting requirements by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, and for the assets accumulated for purposes of providing those pensions. The requirements of this Statement that address accounting and reporting by employers and government nonemployer contributing entities for pensions are effective for reporting periods beginning after June 15, 2016. The requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions

are effective for reporting periods beginning after June 15, 2015. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 74
The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended. The Statement addresses the financial reports of defined benefit other post-employment benefit plans that are administered through trusts that meet specified criteria. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 75
The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The Statement will require governments to report a liability on the face of the financial statements for the other post-employment benefits that they provide. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 76
The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The Statement reduces generally accepted accounting principles (GAAP) to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 77
The GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires governments that enter into tax abatement agreements to disclose information about the nature and magnitude of the tax abatements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The State is currently evaluating the impact that Statement No. 77 will have on its financial statements.

GASB Statement No. 78
The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension that meet certain requirements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The State is currently evaluating the impact that Statement No. 78 will have on its financial statements.

GASB Statement No. 79
The GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses how certain state and local government external investment pools – and participants in those pools – may measure and report their investments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26 and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement is not expected to have a material effect on the State's 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, 2015, was $2,079,606,000 and $853,060,000, respectively, for the Primary Government and unrestricted cash for the Fiduciary Funds as of June 30, 2015, was $267,675,000.

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 $2,238,408,000 at June 30, 2015. The entire amount 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 $435,459,000 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 HRS. As of June 30, 2015, 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, 2015 (amounts expressed in thousands).

		Maturity (in years)		
	Fair Value	**Less than 1**	**1–5**	**>5**
Investments – Primary government				
Certificates of deposit	$ 805,558	$ 779,202	$ 26,356	$ -
U.S. government securities	1,445,267	611,840	833,422	5
Repurchase agreements	118,465	103,815	14,650	-
	2,369,290	$ 1,494,857	$ 874,428	$ 5
Mutual funds	12,643			
Total investments	$ 2,381,933			
Investments – Fiduciary funds				
Certificates of deposit	$ 133,146	$ 128,790	$ 4,356	$ -
U.S. government securities	238,879	101,127	137,751	1
Repurchase agreements	19,580	17,159	2,421	-
	391,605	$ 247,076	$ 144,528	$ 1
Mutual funds	881,145			
Total investments	$ 1,272,750			

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, 2015, 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, 2014	Additions	Deductions	Balance at June 30, 2015
Capital assets not being depreciated				
Land and land improvements	$ 2,236,891	$ 30,327	$ -	$ 2,267,218
Construction in progress	927,901	488,982	(366,857)	1,050,026
Total capital assets not being depreciated	3,164,792	519,309	(366,857)	3,317,244
Capital assets being depreciated				
Infrastructure	9,153,284	179,730	-	9,333,014
Buildings and improvements	4,205,670	236,158	(9,544)	4,432,284
Equipment	472,989	63,490	(23,910)	512,569
Intangible assets – software	83,289	30,168	-	113,457
Total capital assets being depreciated	13,915,232	509,546	(33,454)	14,391,324
Less: Accumulated depreciation and amortization				
Infrastructure	(5,433,584)	(223,521)	438	(5,656,667)
Buildings and improvements	(2,319,630)	(160,784)	5,962	(2,474,452)
Equipment	(341,931)	(54,080)	22,428	(373,583)
Intangible assets – software	(5,949)	(21,025)	-	(26,974)
Total accumulated depreciation and amortization	(8,101,094)	(459,410)	28,828	(8,531,676)
Total capital assets	$ 8,978,930	$ 569,445	$ (371,483)	$ 9,176,892

	Business-type Activities			
	Balance at July 1, 2014	Additions	Deductions	Balance at June 30, 2015
Capital assets not being depreciated				
Land and land improvements	$ 625,937	$ 2,718	$ (1)	$ 628,654
Construction in progress	564,863	428,721	(168,750)	824,834
Total capital assets not being depreciated	1,190,800	431,439	(168,751)	1,453,488
Capital assets being depreciated				
Land and improvements	1,234,206	24,549	(169)	1,258,586
Buildings and improvements	2,164,677	128,059	(1,236)	2,291,500
Equipment	311,672	16,868	(6,066)	322,474
Total capital assets being depreciated	3,710,555	169,476	(7,471)	3,872,560
Less: Accumulated depreciation				
Land and improvements	(815,305)	(32,547)	122	(847,730)
Buildings and improvements	(1,199,471)	(60,864)	244	(1,260,091)
Equipment	(214,804)	(19,791)	5,700	(228,895)
Total accumulated depreciation	(2,229,580)	(113,202)	6,066	(2,336,716)
Total capital assets	$ 2,671,775	$ 487,713	$ (170,156)	$ 2,989,332

Depreciation expense for the fiscal year ended June 30, 2015, was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities		
Highways	$	206,289
Lower education		82,935
Urban redevelopment and housing		23,080
Public safety		20,153
General government		53,853
Conservation of natural resources		17,146
Welfare		23,008
Health		6,208
Economic development and assistance		23,274
Culture and recreation		3,464
Total depreciation expense – governmental activities	$	459,410
Business-type activities		
Airports	$	88,434
Harbors		23,198
EUTF		1,365
DWTLF		194
WPCF		11
Total depreciation expense – business-type activities	$	113,202

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 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 EJ, EK and EL, issued November 21, 2013, and Series ER, issued November 25, 2014, contain call provisions. Stated interest rates range from 0.18% to 6.5%.

On November 25, 2014, the State issued $575,000,000 of general obligation bonds of 2014 Series EO, $209,015,000 of general obligation refunding bonds of 2014 Series EP, $25,000,000 of taxable general obligation bonds of 2014, Series EQ, and $199,760,000 of taxable general obligation refunding bonds of 2014, Series ER and ES. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bonds within Series EQ and ES are subject to optional redemption, and the bonds within Series EO and EP that mature on or after August 1, 2024 are subject to optional redemption.

Refunding Series EP, ER and ES have interest rates of 0.18% to 5.0% and were used to advance refund $416,860,000 of certain general obligation bonds previously issued. The net proceeds of $450,668,000 (including premiums of $41,893,000) related to the issuance of Series EP, ER and ES 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 DF, DG, DI, DJ, DK and DN. 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 12 years by $47,932,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $31,346,000.

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, 2015, $868,825,000 of bonds outstanding is considered defeased. At June 30, 2015, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	$ 5,234,635
Noncallable	758,625
Total general obligation bonds outstanding	5,993,260
Add: unamortized bond premium	539,353
Less: Amount recorded as a liability of proprietary funds – Harbors	(29,332)
Amount recorded in the governmental activities of the primary government	$ 6,503,281

A summary of general obligation bonds outstanding by series as of June 30, 2015, 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, 2015–2016	$ 150,000	$ 16,660
DF	June 15, 2005	3.625%–5.000%	July 1, 2015–2016	225,000	11,640
DG	June 15, 2005	5.000%	July 1, 2015	722,575	87,995
DI	March 23, 2006	4.000%–5.000%	March 1, 2016–2026	350,000	36,135
DJ	April 12, 2007	3.800%–5.000%	April 1, 2016–2026	350,000	88,065
DK	May 20, 2008	4.000%–5.000%	May 1, 2016–2028	375,000	244,160
DL	May 20, 2008	3.500%–5.000%	May 1, 2016–2018	29,010	13,290
DN	December 16, 2008	4.250%–5.500%	August 1, 2015–2028	100,000	87,035
DO	December 16, 2008	3.500%–5.000%	August 1, 2015–2018	101,825	55,185
DP	December 16, 2008	5.430%–5.680%	August 1, 2015–2016	26,000	9,555
DQ	June 23, 2009	3.600%–5.000%	June 1, 2016–2029	500,000	409,715
DR	June 23, 2009	3.000%–5.000%	June 1, 2016–2019	225,410	135,350
DS	November 5, 2009	0.200%–1.450%	September 15, 2015–2024	32,000	29,160
DT	November 24, 2009	2.500%–5.000%	November 1, 2015–2019	204,140	173,885
DX	February 18, 2010	3.380%–5.530%	February 1, 2016–2030	500,000	477,595
DY	February 18, 2010	3.000%–5.000%	February 1, 2016–2020	221,625	188,525
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
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
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	575,000
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	209,015
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	25,000
ER	November 25, 2014	0.180%	August 1, 2015	5,880	5,880
ES	November 25, 2014	0.731%–1.231%	August 1, 2016–2017	193,880	193,880
					$ 5,993,260

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 general obligation bond premium activity for fiscal year 2015 is as follows (amounts expressed in thousands):

Balance – July 1, 2014	$ 492,651
GO bond series EO, EP, EQ, ER and ES	131,187
Defeased bond series DF, DG, DI, DJ, DK and DN	(16,058)
Current-year amortization	(68,427)
Balance – June 30, 2015	$ 539,353

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
2016	$ 412,213	$ 278,339	$ 690,552
2017	429,507	253,670	683,177
2018	406,888	236,469	643,357
2019	412,607	220,497	633,104
2020	385,958	200,139	586,097
2021–2025	1,763,194	744,107	2,507,301
2026–2030	1,439,726	342,193	1,781,919
2031–2035	713,835	62,661	776,496
	$ 5,963,928	$ 2,338,075	$ 8,302,003

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
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	2,337	1,044	3,381
2021–2025	13,536	3,368	16,904
2026–2030	5,154	400	5,554
	$ 29,332	$ 10,030	$ 39,362

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, 2015 was $470,575,000.

At June 30, 2015, general obligation bonds authorized but unissued were approximately $2,439,190,000.

5. Revenue Bonds Payable

Governmental Activities

Revenue bonds are payable from and collateralized by each Departments' revenues generated from certain capital improvement projects. On November 13, 2014, the DBEDT issued $150,000,000 in State of Hawaii Green Energy Market Securitization Bonds of 2014, Series A, to provide funds for environmentally beneficial projects. The Series A is comprised of Tranche A-1 for $50,000,000 and Tranche A-2 for $100,000,000. Interest rate for Tranche A-1 is 1.467%, with bonds payable semi-annually beginning July 1, 2015 through 2020. Interest rate for Tranche A-2 is 3.242%, with bonds payable semi-annually beginning July 1, 2020 through January 1, 2029. Both tranches have a final maturity date which is two years later than the scheduled final payment date to allow for any final true-ups for balances owed.

On August 14, 2014, the Department of Transportation – Highways Division (Highways) issued $103,375,000 in State of Hawaii Highway Revenue Bonds of 2014, Series A, with interest rates ranging from 2.0% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually January 1, 2015 through 2034.

On August 14, 2014, Highways issued $32,285,000 in State of Hawaii Highway Revenue Bonds of 2014, Series B, with interest rates ranging from 3.0% to 5.0% to advance refund $36,195,000 of certain highway revenue bonds previously issued. The bonds are payable annually January 1, 2017 through 2026.

On August 14, 2014, Highways issued $28,020,000 in State of Hawaii Highway Revenue Bonds of 2014, Series C, with interest rates ranging from 0.4% to 1.6% to advance refund $26,435,000 of certain highway revenue bonds previously issued. The bonds are payable annually January 1, 2016 through 2018.

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 final payment date for the bonds was July 1, 2015.

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 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 the State's revenue bonds issued and outstanding at June 30, 2015 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
1998	July 1, 1998	5.500%	July 1, 2017–2018	$ 94,920	$ 27,580
2005 A	March 15, 2005	3.75%–5.00%	July 1, 2015	60,000	2,770
2005 B	March 15, 2005	5.00%–5.25%	July 1, 2015–2021	123,915	46,140
2008	December 17, 2008	4.75%–6.00%	January 1, 2016–2029	125,175	99,775
2011A	December 15, 2011	1.00%–5.00%	January 1, 2016–2032	112,270	100,490
2011B	December 15, 2011	4.00%	January 1, 2023	5,095	5,095
2014A	August 14, 2014	2.00%–5.00%	January 1, 2016–2034	103,375	101,075
2014B	August 14, 2014	3.00%–5.00%	January 1, 2017–2026	32,285	32,285
2014C	August 14, 2014	0.40%–1.60%	January 1, 2016–2018	28,020	27,600
DHHL					
2009	April 2, 2009	4.00%–6.00%	April 1, 2016–2039	42,500	38,300
DBEDT					
2014A-A1	November 13, 2014	1.467%	July 1, 2022	50,000	50,000
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	100,000
					631,110
Add: Unamortized bond premium					35,092
					$ 666,202

A summary of the revenue bond premium activity for fiscal year 2015 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance – July 1, 2014	$ 15,472
Current-year additions	23,151
Defeased bonds	(1,702)
Current-year amortization	(1,829)
Balance – June 30, 2015	$ 35,092

Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	$ 44,862	$ 27,244	$ 72,106
2017	46,052	25,472	71,524
2018	47,431	24,028	71,459
2019	49,476	22,070	71,546
2020	36,674	20,329	57,003
2021–2025	176,392	78,677	255,069
2026–2030	163,023	38,646	201,669
2031–2035	56,765	10,053	66,818
2036–2039	10,435	1,611	12,046
	$ 631,110	$ 248,130	$ 879,240

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, 2015 (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	$ 477,780
2010B, refunding	3.00%–5.00%	2020	166,000	121,950
2011, refunding	2.00%–5.00%	2024	300,885	243,785
			$ 945,865	843,515
Add: Unamortized premium				15,475
				858,990
Less: Current portion				(35,725)
Noncurrent portion				$ 823,265

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 $21,725,000 at June 30, 2015.

The following is a summary of pertinent information on the Airports special facility revenue bonds at June 30, 2015:

- **$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). During the year ended June 30, 2015, the bonds were called in full on May 18, 2015. The bonds were 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, 2015 consisted of $21,725,000, and is classified as noncurrent.

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 ranging from 102% to 100% of face value.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2015 (amounts expressed in thousands):

				Current			
	Final Redemption Date	Interest Rates	Original Amount of Issue	Principal Due July 1, 2015	Due January 1, 2016	Total	Noncurrent
Year of Issue							
2004	January 1, 2024	2.50%–6.00%	$ 52,030	$ -	$ 1,580	$ 1,580	$ 16,195
2006	January 1, 2031	4.00%–5.25%	96,570	-	3,085	3,085	71,625
2007	July 1, 2027	4.25%–5.50%	51,645	2,000	-	2,000	34,000
2010	July 1, 2040	3.00%–5.75%	201,390	6,680	-	6,680	179,940
2013	July 1, 2029	3.25%	23,615	825	-	825	21,610
			$ 425,250	$ 9,505	$ 4,665	14,170	323,370
Add: Unamortized premium						295	393
						$ 14,465	$ 323,763

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):

	Principal	Interest	Total
Fiscal Year			
2016	$ 49,895	$ 59,312	$ 109,207
2017	52,155	57,008	109,163
2018	54,545	54,610	109,155
2019	57,135	52,001	109,136
2020	59,745	49,354	109,099
2021–2025	332,670	200,373	533,043
2026–2030	196,440	129,724	326,164
2031–2035	173,875	81,159	255,034
2036–2040	215,180	31,951	247,131
2041	11,140	313	11,453
	$ 1,202,780	$ 715,805	$ 1,918,585

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the twelve-month and six-month periods, respectively, preceding the date on which the payments are due.

Revenue Bonds Authorized, but Unissued
At June 30, 2015, revenue bonds authorized, but unissued, were approximately $5,320,885,000.

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, 2015 amounted to approximately $1,395,048,000. At June 30, 2015, special purpose revenue bonds of $1,218,555,000 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, 2015.

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, 2014 As Restated	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General obligation bonds payable	$ 5,784,139	$ 1,008,775	$ (828,986)	$ 5,963,928	$ 412,213
Revenue bonds payable	412,725	313,680	(95,295)	631,110	44,862
Add: Unamortized premium	508,123	154,339	(88,017)	574,445	70,258
Total bonds payable	6,704,987	1,476,794	(1,012,298)	7,169,483	527,333
Accrued vacation payable	226,798	99,657	(106,582)	219,873	78,605
Reserve for losses and loss adjustment costs	147,120	32,092	(29,036)	150,176	28,361
Net pension liability	4,296,634	392,230	(778,290)	3,910,574	-
Other postemployment benefit liability	3,327,313	583,908	(313,470)	3,597,751	-
Capital lease obligations	102,622	-	(6,447)	96,175	6,984
Total	$ 14,805,474	$ 2,584,681	$ (2,246,123)	$ 15,144,032	$ 641,283

	Business-type Activities				
	Balance July 1, 2014 As Restated	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General obligation bonds payable, net	$ 31,176	$ -	$ (1,844)	$ 29,332	$ 1,932
Revenue bonds payable	1,257,900	-	(55,120)	1,202,780	49,895
Add: Unamortized premium, net	20,237	-	(4,074)	16,163	295
Total bonds payable	1,309,313	-	(61,038)	1,248,275	52,122
Accrued vacation and retirement benefits payable	13,104	7,178	(6,516)	13,766	4,380
Reserve for losses and loss adjustment costs	4,829	1,467	(1,651)	4,645	1,272
Net pension liability	150,840	13,215	(26,747)	137,308	-
Other postemployment benefit liability	81,530	21,065	(7,212)	95,383	-
Lease revenue certificates of participation	173,771	-	(907)	172,864	-
Prepaid airport use charge fund	28,184	4,654	(19,593)	13,245	4,000
Loan payable	-	34,910	-	34,910	-
Total	$ 1,761,571	$ 82,489	$ (123,664)	$ 1,720,396	$ 61,774

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, 2015.

7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2015 (amounts expressed in thousands):

	Due From	Due To
Governmental Funds		
General Fund		
Special Revenue Funds	$ 45,689	$ -
Capital Projects Fund	89,900	-
Med-Quest Special Revenue Fund	191,793	-
Proprietary Fund	20	-
Debt Service Fund	-	35
	327,402	35
Capital Projects Fund		
General Fund	-	89,900
Proprietary Fund	1,597	-
	1,597	89,900
Med-Quest Special Revenue Fund		
General Fund	-	191,793
Nonmajor Governmental Funds		
General Fund	35	45,689
Proprietary Fund		
Harbors	-	1,617
	$ 329,034	$ 329,034

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, 2015, transfers by fund were as follows (amounts expressed in thousands):

	Transfers In	Transfers Out
Governmental Funds		
General Fund – Nonmajor Governmental Funds	$ 138,955	$ 750,264
Capital Projects Fund – Nonmajor Governmental Funds	166,863	31,150
Med-Quest Special Revenue Fund		
General Fund	3,790	78,861
Nonmajor Governmental Funds	4,270	1,191
	8,060	80,052
Nonmajor Governmental Funds		
General Fund	746,473	60,094
Capital Projects Fund	31,150	166,863
Med-Quest Special Revenue Fund	1,192	4,270
Other Nonmajor Governmental Funds	78,579	78,579
	857,394	309,806
	$ 1,171,272	$ 1,171,272

The General Fund transferred approximately $675,201,000 to the Nonmajor Governmental Funds for debt service payments and approximately $75,063,000 to subsidize various Special Revenue Funds' programs. Approximately $166,863,000 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 2025. Future minimum lease commitments for noncancelable operating leases as of June 30, 2015, were as follows (amounts expressed in thousands):

Fiscal Year	
2016	$ 15,920
2017	12,775
2018	9,594
2019	7,013
2020	4,195
2021–2025	4,098
Total future minimum lease payments	$ 53,595

Rent expenditures for operating leases for the fiscal year ended June 30, 2015 amounted to approximately $35,570,000.

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 DAGS 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 ten 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	Principal	Interest	Total
2016	$ 6,984	$ 4,782	$ 11,766
2017	7,542	4,556	12,098
2018	8,591	3,952	12,543
2019	5,181	3,279	8,460
2020	5,720	3,043	8,763
2021–2025	24,095	11,780	35,875
2026–2030	26,331	5,781	32,112
2031–2034	11,731	695	12,426
Total future minimum lease payments	$ 96,175	$ 37,868	$ 134,043

Capital assets acquired under these capital leases are as follows (amounts expressed 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, 2015, the outstanding balance of the lease revenue COPS and the unamortized premium were $167,740,000 and $5,124,000, respectively. Future lease rent payments for the lease revenue COPS as of June 30, 2015 are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
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	7,690	7,465	15,155
2021–2025	60,515	29,580	90,095
2026–2029	82,625	8,925	91,550
	$ 167,740	$ 78,431	$ 246,171

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 years 1996 through 2015 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 $4,455,000 for fiscal year 2015.

Airports — System Rates and Charges
Signatory and nonsignatory airlines were assessed the following rates and charges:

- Landing fees amounted to approximately $63,805,000 for fiscal year 2015. Airport landing fees are shown net of aviation fuel tax credits of $4,146,000 for fiscal year 2015, on the statement of revenues, expenses and changes in net position, which resulted in net airport landing fees of $59,659,000 for fiscal year 2015. 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 43% of the Airports landing fees for overseas flights for fiscal year 2015 and are scheduled to increase 1% annually until it reaches 100%.

- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately $55,591,000 for fiscal year 2015. 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 $42,076,000 for fiscal year 2015, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately $21,290,000 for fiscal year 2015.

- Airports system support charges amounted to $31,000 for fiscal year 2015, and were established to recover all remaining residual costs of the Airports system. Airports system support charges were established by Administrative Rules for nonsignatory airlines. Those rates 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 system interisland support charges for nonsignatory airlines are set at 32% of Airports system support charges for overseas flights.

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, 2015 was approximately $37,578,000.

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 $90,000 at June 30, 2015 is due as follows: $9,000 in 2016, $9,000 in 2017, $9,000 in 2018, and $63,000 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 22% of total concession fees revenues for the fiscal year ended June 30, 2015.

DFS was awarded a ten-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.

Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides (a) for the period from June 1, 2017 through May 31, 2019, $40 million, (b) for the period of June 1, 2019 through May 31, 2020, $47.5 million, (c) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee (MAG) rent or percentage rent) for the previous year, (d) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (e) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, (f) for the period from June 1, 2023 through May 31, 2027, the same as the MAG rent for the period of June 1, 2022 through May 31, 2023. The percentage fee for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales. Percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and the concession fee for items that are “High Price/Low Margin Merchandise” shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay $27.9 million for improvements to the Central Waiting Lobby Building at Honolulu International.

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) MAG 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 MAG rent was $12 million. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the MAG rent for the period April 1, 2015 through March 31, 2016 be $12 million and for each subsequent year, the MAG 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), a blended component unit of the State, is an 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 which grants a leasehold interest to the ATDC of 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 of the Aloha Tower complex, 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 was 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 Harbors by ATDC as of June 30, 2015 was approximately $3,761,000.

Subsequent to the year ended June 30, 2015, 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 retroactively abate rent under the lease between the ATDC and HLRP for the period 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 Harbors in an amount of 50% of the difference between the total revenues and total operating expense of ATDC for the fiscal year, representing a loss of approximately $388,000 to Harbors in fiscal year 2015.

The successor memorandum of understanding also amended the punchlist obligations owed to Harbors, which had a total value of $3,500,000, depending upon when actual payments are made 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 Harbors 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 five to ten 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, 2015 amounted to $23,413,000 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, 2015 (amounts expressed in thousands):

	Proprietary Funds		
	Airports	**Harbors**	**Total**
Fiscal Year			
2016	$ 87,425	$ 7,291	$ 94,716
2017	61,359	5,959	67,318
2018	62,585	5,673	68,258
2019	61,683	5,122	66,805
2020	58,094	5,098	63,192
2021–2025	56,271	25,608	81,879
2026–2030	36,297	24,587	60,884
2031–2035	1,384	19,972	21,356
2036–2040	445	12,725	13,170
2041–2045	6	9,813	9,819
2046–2050	-	3,687	3,687
2051–2055	-	2,599	2,599
2056–2059	-	1,445	1,445
	$ 425,549	$ 129,579	$ 555,128

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, 2015, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	$ 35,847
Less: Amount representing interest	(15,123)
	20,724
Cash with trustee and other	1,154
	$ 21,878

Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2015, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2016	$ 1,222
2017	1,222
2018	1,222
2019	1,222
2020	1,222
2021–2025	6,110
2026–2028	24,780
	$ 37,000

10. Significant Transactions With Component Units

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC include approximately $9,098,000 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, 2015, the full amount was not yet repaid to the State. The amount due to the State of $34,123,000 at June 30, 2015 includes the $14,000,000 advance plus $20,123,000 of cash advances that was assumed by HHSC.

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 Convention Center Authority (CCA) and Budget and Finance, respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253, SLH 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. The payment plan is not directly related to the actual debt service on the general obligation bonds issued to finance the Hawaii Convention Center. 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, 2015, the outstanding principal and aggregate interest amounts required to be reimbursed by HTA were $207,205,000 and $109,946,000, 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
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	18,630	7,798	26,428
2021–2025	111,330	20,817	132,147
2026–2030	12,690	40,175	52,865
	$ 207,205	$ 109,946	$ 317,151

For the year ended June 30, 2015, 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 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, 2015, interest and dividends earned and earmarked for transfer into the State General Fund amounted to $2,440,000.

In 2011, Act 62, SLH 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. 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 did not issue any revenue bonds as of June 30, 2015.

In 2013, Act 266, SLH 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

Pension Plan

Plan Description
All eligible employees of the State and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS' website: http://www.ers.ehawaii.gov.

Benefits Provided
The ERS provides retirement, disability and death benefits that are covered by the provisions of the noncontributory, contributory and hybrid retirement plans. The three plans provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory class members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5% the second year, 7.5% the third year, etc.). For members hired after June 30, 2012, the post-retirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

<u>Noncontributory Class</u>

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

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

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

Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension.

<u>Contributory Class for Employees Hired prior to July 1, 2012</u>

- *<u>Retirement Benefits</u>* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

  Police officers and firefighters' retirement benefits are determined as 2.5% of average final compensation for each year of service up to a maximum of 80%. Police officers and firefighters with five years of credited service are eligible to retire at age 55.

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

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

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

<u>Contributory Class for Employees Hired After June 30, 2012</u>

- *<u>Retirement Benefits</u>* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

  Judges and elected officers' retirement benefits are determined as 3.0% of average final compensation multiplied by the years of credited service up to a maximum of 75%. Judges and elected officers with ten years of credited service are eligible to retire at age 60.

Police officers and firefighters' retirement benefits are determined as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police officers and firefighters with ten years of credited service are eligible to retire at age 60.

- *Disability and Death Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 3% of average final compensation for each year of service for judges and elected officers and 1.75% of average final compensation for each year of services for police officers and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

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

Hybrid Class for Employees Hired Prior to July 1, 2012

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

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

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

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

Hybrid Class for Employees Hired After June 30, 2012

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

- *Disability and Death Benefits* – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 120%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary or if less than ten years of service, return of the member's contributions and accrued interest.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2015 were 24.00% for police officers and firefighters and 16.50% for all other employees. Contributions to the pension plan from the State were $350,350,000 for the fiscal year ended June 30, 2015.

The employer is required to make all contributions for noncontributory members. For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary and police officers and firefighters are required to contribute 12.2% of their salary. For contributory class employees hired after June 30, 2012, judges and elected officials are required to contribute 9.8% of their salary and police officers and firefighters are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

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

At June 30, 2015, the State reported a liability of approximately $4.0 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2014, the State's proportion was 58.4835% which was an increase of 0.8459% from its proportion measured as of June 30, 2013.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the year ended June 30, 2015, the State recognized pension expense of approximately $438,288,000. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 51,071	$ (1,151)
Net difference between projected and actual earnings on pension plan investments	-	(472,758)
Changes in proportion and differences between State contributions and proportionate share of contributions	7,352	-
State contributions subsequent to the measurement date	445,933	-
Total	$ 504,356	$ (473,909)

The $445,933,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ending June 30,	
2016	$ (122,715)
2017	(122,715)
2018	(122,715)
2019	(122,715)
2020	10,640
	$ (480,220)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth rate	3.5%
Investment rate of return	7.75% per year, compounded annual including inflation

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA.

Post-retirement mortality rates are based on Client Specific Tables and the 1994 US Group Annuity Mortality Statistic Tables for police officers and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates their experience studies every five years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.0%	8.50%
International equity	26.0%	9.00%
Total fixed-income	20.0%	3.10%
Real estate	7.0% *	8.50%
Private equity	7.0% *	11.80%
Real return	5.0% *	6.10%
Covered calls	5.0%	7.70%
Total investments	100.0%	

* The real estate, private equity and real return targets will be the percentage actually invested up to 7.0%, 7.0% and 5.0%, respectively, of the total fund. Changes in the real estate, private equity and real return targets will be offset by an equal percentage change in the large cap domestic equity target.

Discount Rate

The discount rate used to measure the net pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. There has been no change in the discount rate since the prior measurement date.

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

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate (amounts expressed in thousands):

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
State's proportionate share of the net pension liability	$ 5,144,453	$ 4,047,882	$ 2,968,816

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

At June 30, 2015, the amount payable to the ERS was $14,937,000.

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 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 P.O. 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 ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For 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 ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For 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, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement 43 establishes accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB) other than pensions. Statement 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 Statement 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, *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 2015, the State contributed $117,400,000 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 Statement 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, 2015 (amounts expressed in thousands):

	EUTF	UH
Annual required contribution	$ 614,251	$ 103,438
Interest on net OPEB obligation	261,341	40,544
Adjustment to annual required contribution	(199,651)	(30,973)
Annual OPEB cost	675,941	113,009
Contributions made	(352,000)	(41,400)
Increase in net OPEB obligation	323,941	71,609
Net OPEB obligation		
Beginning of year	3,733,472	579,196
End of year	$ 4,057,413	$ 650,805
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	0.0%	0.0%
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 2015 and the preceding years were as follows (amounts expressed in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
EUTF	June 30, 2015	$ 675,941	52.1%	$ 4,057,413
	June 30, 2014	650,816	52.0%	3,733,472
	June 30, 2013	867,567	27.2%	3,420,854
UH	June 30, 2015	$ 113,009	36.6%	$ 650,805
	June 30, 2014	106,832	39.3%	579,196
	June 30, 2013	142,602	29.2%	514,364

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 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, 2015, the active contracts for medical, prescription drug, dental, vision, supplemental medical drug, and life insurance were extended through June 30, 2016.

The Governor signed into law Act 226, SLH 2013 that among other things, prohibited mandatory mail order. The EUTF voluntarily implemented Act 226 on October 1, 2013 for active employees and 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, 2015, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds		
Highways	$	5,116
Agriculture		6,164
Natural Resources		1,886
All other		83
	$	13,249

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, 2015, accumulated sick leave was approximately $1,138,857,000.

Intergovernmental Expenditures
In accordance with Act 174, SLH 2014, HRS Section 237D-6.5, transient accommodation tax revenues collected are to be distributed to the counties as follows: $103,000,000 for fiscal year 2014-2015, $103,000,000 for fiscal year 2015–2016, and $93,000,000 for each fiscal year thereafter.

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, 2015.

Proprietary Fund Type — Enterprise Funds

Construction and Service Contracts
At June 30, 2015, the Enterprise Funds had commitments of approximately $502,766,000 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, 2015, 2014 and 2013 approximated $5,322,000, $20,344,000 and $17,790,000, 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 $47,229,000 during the fiscal year ended June 30, 2015. As of June 30, 2015, the State expects to receive $27,200,000 for the first six months of fiscal 2016.

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 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.* Resolution of all 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
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.

On January 14, 2015, Plaintiffs filed a motion for summary judgment to compute the damages of members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu. 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 (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 was remanded to the circuit court for further proceedings.

On November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law, and Order, which declared and ordered (1) the State has failed to provide sufficient funds to DHHL for its administrative and operating budget in violation of the State's constitutional duty, (2) the State must fulfill its constitutional duty by appropriating sufficient general funds to DHHL for its administrative and operating budget so that DHHL does not need to use or rely on revenue from general leases, and (3) although what is "sufficient" will change over the years, the sufficient sums that the legislature is constitutionally obligated to appropriate in general funds for DHHL's administrative and operating budget (not including significant repairs) is more than $28 million for fiscal year 2015–2016. The circuit court also ruled that prior to 2012, DHHL breached its trust duties by failing to take all reasonable efforts, including filing suit, to obtain all the funding it needs for its administrative and operating budget, and shall prospectively fulfill its constitutional duties and trust responsibilities and are enjoined from violating these obligations.

On December 21, 2015, after judgment was entered, the State filed a motion for reconsideration or to alter or amend the judgment and order. A decision on that motion is pending. 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.

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 Amended 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. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing was completed in September 2015.

State Defendants intend to continue to rigorously defend against Plaintiffs' claims in this lawsuit. Resolution of the Plaintiffs' claims in their favor could have a material adverse effect on the State's financial condition.

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 Plaintiffs' attorney. Subsequently, the Circuit Court granted Plaintiffs' motion for the award of prejudgment interest. The State appealed this decision to the Intermediate Court of Appeals on June 15, 2015.

Tax Foundation Claim on Rail SurchargeTax

The Tax Foundation of Hawaii has sued the State alleging that the 10% deduction from the county surcharge revenues to reimburse the State for the cost of assessment and collection of the tax is unconstitutional. The lawsuit seeks a refund of amounts that exceed the actual cost of collection to either the plaintiff or the City and County of Honolulu.

The State is vigorously contesting this matter and has moved to dismiss the lawsuit on standing and other grounds.

Continuing Disclosure Certificates

The State entered into continuing disclosure certificates (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. The State regularly updates its financial information, which may involve updating financial and operating data.

A failure by the State to comply with the certificates will not constitute an event of default of the bonds, although any bondholder or beneficial owner may bring action to compel the State to comply with its obligations under the certificate. Such a failure may adversely affect the transferability and liquidity of the bonds and their market price.

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 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 under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)
Liability claims under $10,000 and automobile claims under $15,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, 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, 2015, 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, 2015 and 2014 (amounts expressed in thousands):

	2015	2014
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	$ 147,120	$ 155,138
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	32,721	35,050
Change in provision for insured events of prior fiscal years	(629)	1,593
Total incurred losses and loss adjustment costs	32,092	36,643
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(9,604)	(24,333)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(19,432)	(20,328)
Total payments	(29,036)	(44,661)
Unpaid losses and loss adjustment costs		
End of the fiscal year	$ 150,176	$ 147,120

14. Subsequent Events

General Obligation Bonds
On October 29, 2015, the State issued $190,000,000 in General Obligation Bonds of 2015, Series ET, $35,000,000 in General Obligation Bonds of 2015, Series EU, $8,700,000 in General Obligation Refunding Bonds of 2015, Series EV, $34,950,000 in General Obligation Refunding Bonds of 2015, Series EW, $25,035,000 in General Obligation Refunding Bonds of 2015, Series EX, $212,120,000 General Obligation Refunding Bonds of 2015, Series EY, $215,590,000 General Obligation Refunding Bonds of 2015, Series EZ, and $25,000,000 Taxable General Obligation Bonds of 2015, Series FA. Series ET and FA were issued for the purpose of financing or reimbursing the State 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. Series EU was 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 refunding bonds were issued for the purpose of refunding certain outstanding general obligation bonds of the State previously issued for such purposes.

Department of Transportation – Highways Division
On July 8, 2015, Highways executed an energy savings performance contract that provides for the installation of energy conservation measures (ECM) at selected Highway locations. The contractor executed a guarantee of the energy cost savings that should result from these ECMs. The project costs for this contract are funded by a tax-exempt lease bearing an annual interest rate of 2.63%. Payments for this lease are deferred for a two-year period matching the period to construct or to install the ECMs.

Department of Transportation – Harbors Division
On September 17, 2015, Harbors executed an energy savings performance contract that provides for the installation of ECM at selected Harbors locations. The contractor executed a guarantee of the energy cost savings that should result from these ECMs. The project costs for this contract are funded by a tax-exempt lease bearing an annual interest rate of 2.74%. Payments for this lease are deferred for a two-year period matching the period to construct or to install the ECMs.

Department of Transportation – Airports Division
On November 18, 2015, Airports issued State of Hawaii Airports System Revenue Bonds, consisting of $235,135,000 Series 2015A (AMT) and $9,125,000 Series 2015B (Non-AMT). The borrowing rates range from 4.0% to 5.0% annually. The bonds were issued for the purpose of funding the costs of capital improvement projects at certain facilities of the State's Airports System.

University of Hawaii
The University issued $166,285,000 of Board of Regents of the University of Hawaii – University Revenue Bonds, consisting of $8,575,000 Taxable Series 2015A, $47,010,000 Series 2015B (Refunding), $17,585,000 Taxable Series 2015C (Refunding), $25,715,000 Taxable Series 2015D (Refunding), and $67,400,000 Series 2015E (Forward Delivery Refunding). All Series 2015 bonds were issued on September 24, 2015, with the exception of the Series 2015E which will be issued on April 20, 2016. The bonds were issued for the purpose of financing the costs of University projects and refunding previously issued bonds. The University projects include the UH Mānoa Law School Expansion and Modernization Project and the UH Hilo College of Pharmacy Project. The coupon rates for the Series 2015 bonds range from 0.8% to 5.0%.

Hawaii Employer-Union Health Benefits Trust Fund
Effective July 1, 2015, the EUTF changed custodians from Bank of Hawaii with Bank of New York Mellon as subcustodian to Northern Trust.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT’S DISCUSSION AND ANALYSIS

State of Hawaii
Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)

State of Hawaii
General Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2015
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	$ 3,234,785	$ 2,983,927	$ 2,992,707	$ 8,780
Net income tax				
Corporations	78,514	76,307	52,319	(23,988)
Individuals	2,021,939	1,887,339	1,987,733	100,394
Inheritance and estate tax	15,427	15,008	12,071	(2,937)
Liquor permits and tax	50,075	48,600	50,281	1,681
Public service companies tax	174,932	170,690	163,481	(7,209)
Tobacco tax	83,897	77,390	82,829	5,439
Tax on premiums of insurance companies	134,000	142,000	145,672	3,672
Franchise tax (banks and other financial institutions)	23,456	41,553	17,930	(23,623)
Transient accommodations tax	197,230	193,314	202,970	9,656
Other taxes, primarily conveyances tax	38,675	28,208	26,469	(1,739)
Total taxes	6,052,930	5,664,336	5,734,462	70,126
Non-taxes				
Interest and investment income	4,935	5,066	7,531	2,465
Charges for current services	249,223	253,191	284,520	31,329
Intergovernmental	12,860	12,177	14,192	2,015
Rentals	714	243	175	(68)
Fines, forfeitures and penalties	22,935	23,159	22,874	(285)
Licenses and fees	1,012	1,020	1,091	71
Revenues from private sources	2,501	2,504	3,388	884
Debt service requirements	34,517	34,517	24,591	(9,926)
Other	226,388	353,109	422,821	69,712
Total non-taxes	555,085	684,986	781,183	96,197
Total revenues	6,608,015	6,349,322	6,515,645	166,323
Expenditures				
General government	2,612,176	2,525,475	2,362,663	162,812
Public safety	252,287	267,628	264,681	2,947
Conservation of natural resources	37,413	41,715	31,643	10,072
Health	408,115	421,456	411,337	10,119
Hospitals	101,940	116,940	116,940	-
Welfare	1,174,695	1,183,547	1,163,815	19,732
Lower education	1,480,083	1,552,689	1,503,470	49,219
Higher education	409,656	418,558	413,149	5,409
Other education	5,984	6,027	5,616	411
Culture and recreation	41,889	44,097	42,478	1,619
Economic development and assistance	25,002	27,145	24,184	2,961
Housing	23,146	23,175	22,582	593
Other	9,633	16,886	15,877	1,009
Total expenditures	6,582,019	6,645,338	6,378,435	266,903
Excess (deficiency) of revenues over (under) expenditures	25,996	(296,016)	137,210	433,226
Other financing sources – Transfers in	37,274	59,150	61,060	1,910
Excess (deficiency) of revenues and other sources over (under) expenditures	$ 63,270	$ (236,866)	$ 198,270	$ 435,136

State of Hawaii
Med-Quest Special Revenue Fund
Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2015
(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues – non-taxes				
Intergovernmental	$ 43,704	$ -	$ 738	$ 738
Revenues from private sources	-	-	57,664	57,664
Other	39,985	4,583	8,360	3,777
Total revenues – non-taxes	83,689	4,583	66,762	62,179
Expenditures				
Welfare	80,932	80,932	66,100	14,832
Total expenditures	80,932	80,932	66,100	14,832
(Deficiency) excess of revenues (under) over expenditures	$ 2,757	$ (76,349)	$ 662	$ 77,011

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 (Act 134, SLH 2013), and as amended by the Supplemental Appropriations Act of 2014 (Act 122, SLH 2014), 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 and executive supplemental 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 budgets in the accompanying General Fund and Special Revenue Fund Schedules of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represent 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 detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2015, there were no expenditures in excess of appropriations in the individual funds.

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 are made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund and Special Revenue Fund are presented in the General Fund and Special Revenue Fund schedules 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.

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2015 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess of revenues and other sources over expenditures – actual (budgetary basis)	$ 137,210	$ 662
Transfers	541,182	70,932
Excess of revenues over expenditures – actual (budgetary basis)	678,392	71,594
Reserve for encumbrances at fiscal year end*	313,270	-
Expenditures for liquidation of prior fiscal year encumbrances	(330,704)	(91,432)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(2,743)	138,790
Tax refunds payable	(2,753)	-
Accrued liabilities	30,277	(119,778)
Accrued revenues	48,015	63,113
Excess of revenues over expenditures - GAAP basis	$ 733,754	$ 62,287

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii
Schedule of the Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*
(Amounts in millions)

	2015	2014
State's proportion of the net pension liability	58.483%	57.638%
State's proportionate share of the net pension liability	$ 4,689	$ 5,148
State's covered-employee payroll	$ 2,424	$ 2,341
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.4%	219.9%
Plan fiduciary net position as a percentage of total net pension liability	63.9%	58.0%

* Information for 2006–2013 is unavailable.

State of Hawaii
Schedule of Contributions
Last Ten Fiscal Years*
(Amounts in millions)

	2015	2014
Statutorily required contribution	$ 401	$ 430
Contributions in relation to the contractually required contribution	410	383
Contribution deficiency (excess)	$ (9)	$ 47
State's covered-employee payroll	$ 2,424	$ 2,341
Contributions as a percentage of covered-employee payroll	16.9%	16.4%

* Information for 2006–2013 is unavailable.

(Amounts in Millions)

Postemployment Benefits Other Than Pensions

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, 2015
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Assets						
Cash and cash equivalents	$ 41,706	$ 22,937	$ 32,252	$ 14,620	$ 56,281	$ 149,436
Notes and loans receivable, net	-	20,204	-	-	-	-
Due from other funds	-	-	-	-	-	-
Investments	189,995	104,490	146,926	66,606	114,459	28,154
Total assets	$ 231,701	$ 147,631	$ 179,178	$ 81,226	$ 170,740	$ 177,590
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	$ 25,002	$ 3,935	$ 18,931	$ 6,196	$ 12,244	$ 1,180
Other accrued liabilities	5,449	2,647	5,852	353	11,453	918
Due to federal government	-	-	-	30,987	-	-
Due to other funds	-	2,152	-	41,000	-	-
Payable from restricted assets – Matured bonds and interest payable	-	-	-	-	-	-
Total liabilities	30,451	8,734	24,783	78,536	23,697	2,098
Fund balances						
Restricted	-	-	-	25,335	-	-
Committed	-	97,270	168,340	1,748	-	10,172
Assigned	201,250	41,627	-	-	147,043	165,320
Unassigned	-	-	(13,945)	(24,393)	-	-
Total fund balances	201,250	138,897	154,395	2,690	147,043	175,492
Total liabilities and fund balances	$ 231,701	$ 147,631	$ 179,178	$ 81,226	$ 170,740	$ 177,590

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
$ 6,268	$ 10,992	$ 52,202	$ 46,773	$ 8,504	$ 441,971	$ 415	$ 442,386
-	-	51,237	-	-	71,441	-	71,441
-	-	-	-	-	-	35	35
28,552	50,075	221,711	136,593	38,746	1,126,307	-	1,126,307
$ 34,820	$ 61,067	$ 325,150	$ 183,366	$ 47,250	$ 1,639,719	$ 450	$ 1,640,169
$ 2,610	$ 238	$ 5,037	$ 2,306	$ 3,854	$ 81,533	$ -	$ 81,533
1,584	2,152	492	2,665	2,916	36,481	-	36,481
-	-	-	-	-	30,987	-	30,987
-	-	-	-	2,537	45,689	-	45,689
-	-	-	-	-	-	415	415
4,194	2,390	5,529	4,971	9,307	194,690	415	195,105
-	-	-	-	-	25,335	35	25,370
17,591	39,441	72,456	42,272	-	449,290	-	449,290
13,035	19,236	247,165	136,123	37,943	1,008,742	-	1,008,742
-	-	-	-	-	(38,338)	-	(38,338)
30,626	58,677	319,621	178,395	37,943	1,445,029	35	1,445,064
$ 34,820	$ 61,067	$ 325,150	$ 183,366	$ 47,250	$ 1,639,719	$ 450	$ 1,640,169

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Revenues						
Taxes						
Franchise tax	$ -	$ -	$ -	$ -	$ -	$ -
Tobacco and liquor taxes	-	-	29,989	-	-	-
Liquid fuel tax	86,583	239	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Vehicle weight and registration tax	120,579	-	4,534	-	-	-
Rental motor/tour vehicle surcharge tax	51,940	-	-	-	-	-
Other	-	31,621	1,236	-	-	3,708
Total taxes	259,102	31,860	35,759	-	-	3,708
Interest and investment income	1,194	941	405	7	97	152
Charges for current services	5,036	26,547	43,242	346	39,540	5,515
Intergovernmental	190,480	23,554	109,832	730,134	245,075	18,153
Rentals	-	8,475	-	-	397	1,346
Fines, forfeitures and penalties	4,778	118	1,843	-	-	-
Licenses and fees	1,913	601	1,846	111	527	-
Revenues from private sources	-	397	46,913	34	7,933	-
Other	36,840	5,192	1,812	532	15,461	300
Total revenues	499,343	97,685	241,652	731,164	309,030	29,174
Expenditures						
Current						
General government	-	4,598	222	-	-	-
Public safety	-	1,877	-	-	-	-
Highways	235,610	85	-	-	-	-
Conservation of natural resources	-	66,114	-	-	-	-
Health	-	-	205,708	-	-	-
Welfare	-	-	-	692,257	-	-
Lower education	-	-	-	-	383,512	-
Other education	-	-	-	14,762	-	-
Culture and recreation	-	8,824	-	-	4,226	-
Urban redevelopment and housing	-	-	-	2,083	-	-
Economic development and assistance	-	6,589	-	-	-	34,597
Other	225	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	235,835	88,087	205,930	709,102	387,738	34,597
Excess (deficiency) of revenues over (under) expenditures	263,508	9,598	35,722	22,062	(78,708)	(5,423)
Other financing sources (uses)						
Issuance of GO and refunding GO bonds – par	-	-	-	-	-	-
Issuance of GO and refunding GO bonds – premium	-	-	-	-	-	-
Issuance of revenue and refunding revenue bonds – par	-	-	-	-	-	150,000
Issuance of revenue and refunding revenue bonds – premium	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	151	1,655	1,234	574	71,303	20
Transfers out	(226,342)	(961)	(24,050)	(22,807)	-	-
Total other financing sources (uses)	(226,191)	694	(22,816)	(22,233)	71,303	150,020
Net change in fund balances	37,317	10,292	12,906	(171)	(7,405)	144,597
Fund balances						
Beginning of year	163,933	128,605	141,489	2,861	154,448	30,895
End of year	$ 201,250	$ 138,897	$ 154,395	$ 2,690	$ 147,043	$ 175,492

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
-	-	-	2,038	-	32,027	-	32,027
-	-	-	-	1,627	88,449	-	88,449
-	2,095	-	-	-	2,095	-	2,095
-	-	-	-	-	125,113	-	125,113
-	-	-	-	-	51,940	-	51,940
1,118	-	-	-	-	37,683	-	37,683
1,118	4,095	-	2,038	1,627	339,307	-	339,307
117	237	4,740	509	94	8,493	-	8,493
18,655	21,212	3,196	59,917	26,006	249,212	-	249,212
41,827	1,308	14,132	20,881	55,538	1,450,914	-	1,450,914
-	-	15,996	981	3,756	30,951	-	30,951
1,507	3,457	-	245	2,379	14,327	-	14,327
-	15,215	-	20,727	432	41,372	-	41,372
-	-	3,000	1,680	356	60,313	-	60,313
1,883	317	11,330	11,643	5,282	90,592	-	90,592
65,107	45,841	52,394	118,621	95,470	2,285,481	-	2,285,481
-	-	-	37,744	17,242	59,806	-	59,806
3,815	41,861	-	14,591	62,424	124,568	-	124,568
-	-	362	72	-	236,129	-	236,129
-	-	-	337	-	66,451	-	66,451
-	-	-	-	-	205,708	-	205,708
-	-	-	14,769	1,571	708,597	-	708,597
-	-	-	6,770	-	390,282	-	390,282
-	-	-	-	-	14,762	-	14,762
-	-	-	11,227	15,943	40,220	-	40,220
-	-	57,179	-	-	59,262	-	59,262
59,026	-	-	42	705	100,959	-	100,959
-	-	-	7,519	188	7,932	-	7,932
-	-	-	-	-	-	734,315	734,315
62,841	41,861	57,541	93,071	98,073	2,014,676	734,315	2,748,991
2,266	3,980	(5,147)	25,550	(2,603)	270,805	(734,315)	(463,510)
-	-	-	-	-	-	408,775	408,775
-	-	-	-	-	-	41,893	41,893
-	-	-	-	-	150,000	60,305	210,305
-	-	-	-	-	-	5,865	5,865
-	-	-	-	-	-	(516,839)	(516,839)
-	3,918	29,383	7,648	7,192	123,078	734,316	857,394
(196)	(2,900)	(3,054)	(26,363)	(3,133)	(309,806)	-	(309,806)
(196)	1,018	26,329	(18,715)	4,059	(36,728)	734,315	697,587
2,070	4,998	21,182	6,835	1,456	234,077	-	234,077
28,556	53,679	298,439	171,560	36,487	1,210,952	35	1,210,987
$ 30,626	$ 58,677	$ 319,621	$ 178,395	$ 37,943	$ 1,445,029	$ 35	$ 1,445,064

State of Hawaii
Nonmajor Special Revenue Funds
Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2015
(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	$ 84,706	$ 86,583	$ 1,877	$ 250	$ 239	$ (11)
Vehicle registration fee tax	43,141	44,487	1,346	-	-	-
State vehicle weight tax	75,762	76,092	330	-	-	-
Rental/tour vehicle surcharge tax	49,031	51,940	2,909	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	17,600	27,913	10,313
Environmental response tax	-	-	-	3,900	3,708	(192)
Transient accommodations tax	-	-	-	2,100	-	(2,100)
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	252,640	259,102	6,462	23,850	31,860	8,010
Non-taxes						
Interest and investment income	502	1,193	691	1,068	929	(139)
Charges for current services	35,979	5,036	(30,943)	28,727	26,081	(2,646)
Intergovernmental	50,000	36,999	(13,001)	1	72	71
Rentals	1,000	-	(1,000)	7,808	8,475	667
Fines, forfeitures and penalties	1,987	4,778	2,791	68	118	50
Licenses and fees	2,053	1,913	(140)	754	601	(153)
Revenues from private sources	-	-	-	-	1	1
Other	59	28,137	28,078	2,769	5,049	2,280
Total non-taxes	91,580	78,056	(13,524)	41,195	41,326	131
Total revenues	344,220	337,158	(7,062)	65,045	73,186	8,141
Expenditures						
General government	-	-	-	5,188	5,069	119
Public safety	-	-	-	1,159	695	464
Highways	301,642	273,766	27,876	-	-	-
Conservation of natural resources	-	-	-	77,725	62,110	15,615
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	8,337	5,745	2,592
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	1,830	225	1,605	-	-	-
Total expenditures	303,472	273,991	29,481	92,409	73,619	18,790
Excess (deficiency) of revenues over (under) expenditures	$ 40,748	$ 63,167	$ 22,419	$ (27,364)	$ (433)	$ 26,931

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)
$ -	$ -	$ -	$ -	$ -	$ -
5,345	4,534	(811)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,510	29,989	(1,521)	-	-	-
-	-	-	-	-	-
1,290	1,236	(54)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38,145	35,759	(2,386)	-	-	-
54	405	351	-	6	6
81,663	86,608	4,945	-	346	346
1,074	1,717	643	240	736	496
-	-	-	-	-	-
1,607	1,838	231	-	-	-
1,371	1,846	475	406	111	(295)
49,950	46,913	(3,037)	-	34	34
315	811	496	-	-	-
136,034	140,138	4,104	646	1,233	587
174,179	175,897	1,718	646	1,233	587
268	228	40	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
221,477	174,482	46,995	-	-	-
-	-	-	2,874	1,124	1,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
221,745	174,710	47,035	2,874	1,124	1,750
$ (47,566)	$ 1,187	$ 48,753	$ (2,228)	$ 109	$ 2,337

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2015
(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	-	-	-	3,900	3,708	(192)
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	3,900	3,708	(192)
Non-taxes						
Interest and investment income	48	82	34	39	99	60
Charges for current services	37,977	33,955	(4,022)	7,087	5,515	(1,572)
Intergovernmental	31,833	11,960	(19,873)	4,527	1,326	(3,201)
Rentals	40	397	357	1,518	1,283	(235)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	694	527	(167)	-	-	-
Revenues from private sources	187	276	89	250	-	(250)
Other	2,023	10,401	8,378	7	289,753	289,746
Total non-taxes	72,802	57,598	(15,204)	13,428	297,976	284,548
Total revenues	72,802	57,598	(15,204)	17,328	301,684	284,356
Expenditures						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	104,302	54,676	49,626	-	-	-
Culture and recreation	3,125	3,078	47	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	201,918	160,341	41,577
Other	-	-	-	-	-	-
Total expenditures	107,427	57,754	49,673	203,018	160,341	42,677
Excess (deficiency) of revenues over (under) expenditures	$ (34,625)	$ (156)	$ 34,469	$ (185,690)	$ 141,343	$ 327,033

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)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,200	1,118	(82)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	1,900	2,094	194
1,200	1,118	(82)	3,900	4,094	194
50	103	53	158	237	79
19,375	16,653	(2,722)	21,272	21,212	(60)
-	893	893	-	777	777
-	-	-	-	-	-
200	1,505	1,305	785	3,457	2,672
-	-	-	14,505	15,215	710
-	-	-	-	-	-
-	1,599	1,599	3,781	4,236	455
19,625	20,753	1,128	40,501	45,134	4,633
20,825	21,871	1,046	44,401	49,228	4,827
-	-	-	-	-	-
2,925	1,820	1,105	52,231	42,476	9,755
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
35,935	20,167	15,768	-	-	-
-	-	-	-	-	-
38,860	21,987	16,873	52,231	42,476	9,755
$ (18,035)	$ (116)	$ 17,919	$ (7,830)	$ 6,752	$ 14,582

(continued)

State of Hawaii
Nonmajor Special Revenue Funds
Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)
Year Ended June 30, 2015
(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	2,038	(14)
Conveyances tax	-	-	-	-	-	-
Environmental response tax	-	-	-	-	-	-
Transient accommodations tax	-	-	-	-	-	-
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	-	-	-	2,052	2,038	(14)
Non-taxes						
Interest and investment income	125	166	41	227	498	271
Charges for current services	1	12	11	74,143	62,126	(12,017)
Intergovernmental	-	-	-	59	(13)	(72)
Rentals	10,014	15,016	5,002	6,235	6,481	246
Fines, forfeitures and penalties	-	-	-	280	245	(35)
Licenses and fees	-	-	-	20,306	20,727	421
Revenues from private sources	-	3,000	3,000	1,651	1,680	29
Other	4,200	7,533	3,333	13,536	12,466	(1,070)
Total non-taxes	14,340	25,727	11,387	116,437	104,210	(12,227)
Total revenues	14,340	25,727	11,387	118,489	106,248	(12,241)
Expenditures						
General government	-	-	-	117,088	52,759	64,329
Public safety	-	-	-	11,327	10,999	328
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	285	-	285
Health	-	-	-	-	-	-
Welfare	-	-	-	588	366	222
Lower education	-	-	-	7,000	6,743	257
Culture and recreation	-	-	-	13,675	11,431	2,244
Urban redevelopment and housing	22,531	11,843	10,688	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	-	-	-	18,338	6,262	12,076
Total expenditures	22,531	11,843	10,688	168,301	88,560	79,741
Excess (deficiency) of revenues over (under) expenditures	$ (8,191)	$ 13,884	$ 22,075	$ (49,812)	$ 17,688	$ 67,500

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)
	$ -	$ -	$ -	$ 84,956	$ 86,822	$ 1,866
	-	-	-	48,486	49,021	535
	-	-	-	75,762	76,092	330
	-	-	-	49,031	51,940	2,909
	-	-	-	1,200	1,118	(82)
	-	-	-	33,562	32,027	(1,535)
	-	-	-	17,600	27,913	10,313
	-	-	-	9,090	8,652	(438)
	-	-	-	2,100	-	(2,100)
	-	-	-	2,000	2,000	-
	-	-	-	1,900	2,094	194
	-	-	-	325,687	337,679	11,992
	47	55	8	2,318	3,773	1,455
	9,353	15,842	6,489	315,577	273,386	(42,191)
	1,123	1,729	606	88,857	56,196	(32,661)
	-	-	-	26,615	31,652	5,037
	3,118	2,343	(775)	8,045	14,284	6,239
	566	432	(134)	40,655	41,372	717
	35	34	(1)	52,073	51,938	(135)
	7,828	9,192	1,364	34,518	369,177	334,659
	22,070	29,627	7,557	568,658	841,778	273,120
	22,070	29,627	7,557	894,345	1,179,457	285,112
	19,950	16,718	3,232	142,494	74,774	67,720
	19,704	12,531	7,173	88,446	68,521	19,925
	-	-	-	301,642	273,766	27,876
	-	-	-	78,010	62,110	15,900
	-	-	-	221,477	174,482	46,995
	1,550	1,546	4	5,012	3,036	1,976
	-	-	-	111,302	61,419	49,883
	17,475	14,691	2,784	42,612	34,945	7,667
	-	-	-	22,531	11,843	10,688
	-	-	-	237,853	180,508	57,345
	-	-	-	20,168	6,487	13,681
	58,679	45,486	13,193	1,271,547	951,891	319,656
	$ (36,609)	$ (15,859)	$ 20,750	$ (377,202)	$ 227,566	$ 604,768

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2015
(Amounts in thousands)

Excess of revenues over expenditures – actual (budgetary basis)	$	227,566
Reserve for encumbrance at year end*		198,499
Expenditures for liquidation of prior fiscal year encumbrances		(492,487)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds		135,283
Transfers		230,313
Accrued liabilities		(496,138)
Accrued revenues		467,769
Excess of revenues over expenditures – GAAP basis	$	270,805

*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, 2015
(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	$ 5,992	$ 143,385	$ 46,982	$ 196,359
Investments	12,643	-	-	12,643
Receivables				
Accounts and accrued interest	-	585	169	754
Promissory note receivable	-	27,318	7,742	35,060
Federal government	-	16	286	302
Premiums	85,368	-	-	85,368
Other	8,728	290	714	9,732
Prepaid expenses and other assets	5,392	-	-	5,392
Total current assets	118,123	171,594	55,893	345,610
Capital assets – equipment	10,013	85	2,409	12,507
Less: Accumulated depreciation	(7,885)	(73)	(1,500)	(9,458)
Net capital assets	2,128	12	909	3,049
Promissory note receivable	-	307,240	108,283	415,523
Other	-	7,438	-	7,438
Total noncurrent assets	2,128	314,690	109,192	426,010
Total assets	120,251	486,284	165,085	771,620
Deferred outflows of resources				
Deferred outflows on net pension liability	541	262	274	1,077
Total deferred outflows of resources	$ 541	$ 262	$ 274	$ 1,077
Liabilities				
Current liabilities				
Vouchers and contracts payable	$ 547	$ 171	$ 382	$ 1,100
Other accrued liabilities	2,797	-	-	2,797
Benefits claims payable	4,458	-	-	4,458
Accrued vacation, current portion	89	90	43	222
Premiums payable	43,958	-	-	43,958
Total current liabilities	51,849	261	425	52,535
Noncurrent liabilities				
Accrued vacation	209	205	159	573
Net pension liability	3,279	2,393	1,343	7,015
Other postemployment benefit liability	2,509	1,407	745	4,661
Total liabilities	57,846	4,266	2,672	64,784
Deferred inflows of resources				
Deferred inflows on net pension liability	383	55	657	1,095
Total deferred inflows of resources	383	55	657	1,095
Net position				
Net investment in capital assets	2,127	11	908	3,046
Restricted for bond requirements and other	-	482,214	161,122	643,336
Unrestricted	60,436	-	-	60,436
Total net position	$ 62,563	$ 482,225	$ 162,030	$ 706,818

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, 2015
(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	$ -	$ 1,142	$ 2,292	$ 3,434
Premium revenue – self insurance	73,141	-	-	73,141
Increase in premium reserves	36,527	-	-	36,527
Other	170	2,040	331	2,541
Total operating revenues	109,838	3,182	2,623	115,643
Operating expenses				
Personnel services	3,799	1,846	1,493	7,138
Depreciation	1,365	11	194	1,570
Repairs and maintenance	31	-	91	122
General administration	2,375	271	1,978	4,624
Claims	78,890	-	-	78,890
Other	8,944	6,147	4,774	19,865
Total operating expenses	95,404	8,275	8,530	112,209
Operating income (loss)	14,434	(5,093)	(5,907)	3,434
Nonoperating revenues				
Interest and investment income	225	591	243	1,059
Gain (loss) before capital contributions	14,659	(4,502)	(5,664)	4,493
Capital contributions	-	12,581	21,036	33,617
Change in net position	14,659	8,079	15,372	38,110
Net position				
Beginning of year, as previously reported	51,129	476,502	147,644	675,275
Adjustment for change in accounting principle	(3,225)	(2,356)	(986)	(6,567)
Beginning of year, as restated	47,904	474,146	146,658	668,708
End of year	$ 62,563	$ 482,225	$ 162,030	$ 706,818

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, 2015
(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 premiums and benefits	$ 522,997	$ -	$ -	$ 522,997
Cash paid to suppliers	(4,240)	(196)	(2,281)	(6,717)
Cash paid to employees	(809)	(1,684)	(1,444)	(3,937)
Cash paid for premiums and benefits payable	(536,452)	-	-	(536,452)
Net cash used in operating activities	(18,504)	(1,880)	(3,725)	(24,109)
Cash flows from capital financing activities				
Purchase of equipment	(57)	-	(443)	(500)
Cash flows from noncapital financing activities				
State capital contributions	-	2,200	1,825	4,025
Proceeds from federal operating grants	-	10,194	18,980	29,174
Net cash provided by noncapital financing activities	-	12,394	20,805	33,199
Cash flows from investing activities				
Purchase of investments	(5,852)	-	-	(5,852)
Principal repayments on notes receivable	-	27,042	6,475	33,517
Disbursement of notes receivable proceeds	-	(26,669)	(48,376)	(75,045)
Interest income from notes receivable	-	2,118	318	2,436
Administrative loan fees	-	1,154	2,241	3,395
Interest from and change in fair value of investments	225	533	244	1,002
Net cash provided by (used in) investing activities	(5,627)	4,178	(39,098)	(40,547)
Net increase (decrease) in cash and cash equivalents	(24,188)	14,692	(22,461)	(31,957)
Cash and cash equivalents, including restricted amounts				
Beginning of year	30,180	128,693	69,443	228,316
End of year	$ 5,992	$ 143,385	$ 46,982	$ 196,359
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	$ 14,434	$ (5,093)	$ (5,907)	$ 3,434
Adjustments to reconcile operating income (loss) to net cash used in operating activities				
Depreciation	1,365	11	194	1,570
Premium reserves held by insurance companies	(35,170)	-	-	(35,170)
Principal forgiveness of loan	-	6,359	4,247	10,606
Interest income from loans	-	(2,040)	(331)	(2,371)
Administrative loan fees	-	(1,142)	(2,292)	(3,434)
Pension expense	-	85	507	592
Change in assets, deferred outflows, liabilities and deferred inflows				
Receivables	(4,799)	21	(44)	(4,822)
Prepaid and other expenses	7	-	-	7
Net deferred outflows/inflows of resources related to pensions	(157)	(255)	(193)	(605)
Vouchers and contracts payable	411	31	(105)	337
Net pension liability	56	-	-	56
Other post employment benefits liability	609	143	145	897
Other accrued liabilities	4,231	-	54	4,285
Benefits claim payable	509	-	-	509
Net cash used in operating activities	$ (18,504)	$ (1,880)	$ (3,725)	$ (24,109)

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, 2015
(Amounts in thousands)

	Agency Funds			Total
	Tax Collections	Custodial	Other	Agency Funds
Assets				
Cash and cash equivalents	$ 9,275	$ 157,081	$ 14,855	$ 181,211
Receivables – taxes	-	-	47,694	47,694
Investments	42,256	407,191	66,033	515,480
Other assets, primarily due from individuals, businesses and counties	10,085	98,705	-	108,790
Total assets	$ 61,616	$ 662,977	$ 128,582	$ 853,175
Liabilities				
Vouchers payable	$ 61,616	$ 5	$ 98	$ 61,719
Due to individuals, businesses and counties	-	662,972	128,484	791,456
Total liabilities	$ 61,616	$ 662,977	$ 128,582	$ 853,175

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, 2015
(Amounts in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Tax collections				
Assets				
Cash and cash equivalents	$ 4,836	$ 8,132,224	$ (8,127,785)	$ 9,275
Due from individuals, businesses and counties	18,653	8,123,657	(8,132,225)	10,085
Investments	35,463	42,256	(35,463)	42,256
Total assets	$ 58,952	$ 16,298,137	$ (16,295,473)	$ 61,616
Liabilities				
Vouchers payable	$ 58,952	$ 61,616	$ (58,952)	$ 61,616
Total liabilities	$ 58,952	$ 61,616	$ (58,952)	$ 61,616
Custodial				
Assets				
Cash and cash equivalents	$ 223,561	$ 4,463,577	$ (4,530,057)	$ 157,081
Due from individuals, businesses and counties	73,614	418,335	(393,244)	98,705
Investments	317,948	378,781	(289,538)	407,191
Total assets	$ 615,123	$ 5,260,693	$ (5,212,839)	$ 662,977
Liabilities				
Vouchers payable	$ -	$ 5	$ -	$ 5
Due to individuals, businesses and counties	615,123	4,505,674	(4,457,825)	662,972
Total liabilities	$ 615,123	$ 4,505,679	$ (4,457,825)	$ 662,977
Other				
Assets				
Cash and cash equivalents	$ 10,706	$ 43,099	$ (38,950)	$ 14,855
Receivables	41,694	47,694	(41,694)	47,694
Investments	76,370	66,033	(76,370)	66,033
Total assets	$ 128,770	$ 156,826	$ (157,014)	$ 128,582
Liabilities				
Vouchers payable	$ 1,660	$ 98	$ (1,660)	$ 98
Due to individuals, businesses and counties	127,110	49,100	(47,726)	128,484
Total liabilities	$ 128,770	$ 49,198	$ (49,386)	$ 128,582
Total – All agency funds				
Assets				
Cash and cash equivalents	$ 239,103	$ 12,638,900	$ (12,696,792)	$ 181,211
Receivables	41,694	47,694	(41,694)	47,694
Due from individuals, businesses and counties	92,267	8,541,992	(8,525,469)	108,790
Investments	429,781	487,070	(401,371)	515,480
Total assets	$ 802,845	$ 21,715,656	$ (21,665,326)	$ 853,175
Liabilities				
Vouchers payable	$ 60,612	$ 61,719	$ (60,612)	$ 61,719
Due to individuals, businesses and counties	742,233	4,554,774	(4,505,551)	791,456
Total liabilities	$ 802,845	$ 4,616,493	$ (4,566,163)	$ 853,175

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

PART III: STATISTICAL SECTION

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.

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, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Governmental activities					
Net investment in capital assets	$ 2,826,649	$ 2,772,220	$ 2,863,379	$ 2,794,481	$ 3,326,245
Restricted	1,445,824	1,128,678	1,051,548	930,294	917,730
Unrestricted	(7,379,890)	(3,096,065)	(2,669,391)	(2,394,874)	(2,384,187)
Total governmental activities net position	$ (3,107,417)	$ 804,833	$ 1,245,536	$ 1,329,901	$ 1,859,788
Business-type activities					
Net investment in capital assets	$ 1,773,613	$ 1,653,902	$ 1,599,483	$ 1,560,267	$ 1,476,136
Restricted	1,227,441	1,160,551	1,068,146	966,042	956,894
Unrestricted	995,207	1,050,981	899,740	649,583	579,383
Total business-type activities net position	$ 3,996,261	$ 3,865,434	$ 3,567,369	$ 3,175,892	$ 3,012,413
Primary government					
Net investment in capital assets	$ 4,600,262	$ 4,426,122	$ 4,462,862	$ 4,354,748	$ 4,802,381
Restricted	2,673,265	2,289,229	2,119,694	1,896,336	1,874,624
Unrestricted	(6,384,683)	(2,045,084)	(1,769,651)	(1,745,291)	(1,804,804)
Total primary government net position	$ 888,844	$ 4,670,267	$ 4,812,905	$ 4,505,793	$ 4,872,201

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statement Nos. 68 and 71.

2010	2009	2008	2007	2006
$ 3,118,606	$ 3,298,144	$ 3,987,244	$ 3,597,174	$ 3,709,504
655,238	641,031	909,877	569,006	1,285,902
(1,306,716)	(471,543)	121,480	1,578,412	1,267,569
$ 2,467,128	$ 3,467,632	$ 5,018,601	$ 5,744,592	$ 6,262,975
$ 1,469,676	$ 1,527,018	$ 1,458,305	$ 1,278,608	$ 1,272,249
922,846	782,569	730,061	655,055	217,478
493,163	597,624	1,013,447	1,304,586	1,150,363
$ 2,885,685	$ 2,907,211	$ 3,201,813	$ 3,238,249	$ 2,640,090
$ 4,588,282	$ 4,825,162	$ 5,445,549	$ 4,875,782	$ 4,981,753
1,578,084	1,423,600	1,639,938	1,224,061	1,503,380
(813,553)	126,081	1,134,927	2,882,998	2,417,932
$ 5,352,813	$ 6,374,843	$ 8,220,414	$ 8,982,841	$ 8,903,065

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30, 2015	2014	2013	2012	2011
Expenses					
Governmental activities					
General government	$ 595,278	$ 567,941	$ 531,839	$ 552,788	$ 535,434
Public safety	504,343	533,727	451,946	502,002	471,459
Highways	426,142	554,039	490,091	516,924	450,548
Conservation of natural resources	89,176	101,587	52,208	96,349	89,021
Health	871,563	849,493	813,190	773,288	816,525
Welfare	3,196,602	2,879,813	2,798,053	2,464,582	2,553,829
Lower education	2,729,789	2,685,037	2,592,125	2,598,444	2,545,980
Higher education	761,837	693,292	654,611	672,716	707,381
Other education	21,664	21,766	20,086	16,753	14,018
Culture and recreation	84,265	104,303	94,679	111,628	108,697
Urban redevelopment and housing	115,653	137,160	173,677	23,888	66,144
Economic development and assistance	179,485	166,455	172,602	209,460	238,315
Interest expense	247,059	239,760	241,677	243,938	239,836
Total governmental activities expenses	9,822,856	9,534,373	9,086,784	8,782,760	8,837,187
Business-type activities					
Airports	350,041	346,699	366,918	353,541	354,368
Harbors	87,031	89,327	90,548	84,826	80,355
Unemployment compensation	186,893	244,947	336,931	468,610	561,548
Nonmajor proprietary funds	112,209	87,031	66,119	169,166	250,346
Total business-type activities expenses	736,174	768,004	860,516	1,076,143	1,246,617
Total primary government expenses	$ 10,559,030	$ 10,302,377	$ 9,947,300	$ 9,858,903	$ 10,083,804
Program revenues					
Governmental activities					
Charges for services					
General government	$ 248,915	$ 223,066	$ 267,081	$ 266,878	$ 270,078
Health	136,547	130,338	56,963	32,339	46,215
Other	314,099	287,937	170,603	121,928	112,479
Operating grants and contributions	2,809,460	2,660,770	2,589,537	2,370,437	2,837,464
Capital grants and contributions	139,977	97,290	96,184	97,322	132,825
Total governmental activities program revenues	3,648,998	3,399,401	3,180,368	2,888,904	3,399,061
Business-type activities					
Charges for services					
Airports	434,489	404,442	431,708	343,279	387,484
Unemployment compensation	239,375	353,546	507,096	533,963	535,243
Others	238,852	203,979	215,243	272,317	341,707
Capital grants and contributions	72,140	98,628	64,313	85,899	75,324
Total business-type activities program revenues	984,856	1,060,595	1,218,360	1,235,458	1,339,758
Total primary government program revenues	$ 4,633,854	$ 4,459,996	$ 4,398,728	$ 4,124,362	$ 4,738,819
Net (expense) revenue					
Governmental activities	$ (6,173,858)	$ (6,134,972)	$ (5,906,416)	$ (5,893,856)	$ (5,438,126)
Business-type activities	248,682	292,591	357,844	159,315	93,141
Total primary government net expenses	$ (5,925,176)	$ (5,842,381)	$ (5,548,572)	$ (5,734,541)	$ (5,344,985)

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statement Nos. 68 and 71.

2010	2009	2008	2007	2006
$ 421,327	$ 564,356	$ 548,439	$ 541,889	$ 455,008
538,110	464,897	414,463	378,409	336,362
466,322	487,391	490,754	385,267	646,336
81,561	119,705	74,411	68,745	76,490
858,476	843,826	895,413	833,669	690,265
2,348,190	2,140,202	1,877,188	1,773,505	1,709,526
2,616,768	2,656,592	2,385,056	2,288,641	2,151,891
700,335	878,126	815,116	759,777	678,338
14,034	29,935	23,206	21,127	19,183
108,247	106,583	107,676	92,444	98,121
101,505	145,710	187,861	73,991	87,789
209,611	158,808	157,421	148,164	215,578
210,243	127,576	140,032	118,708	172,673
8,674,729	8,723,707	8,117,036	7,484,336	7,337,560
336,127	347,089	354,554	329,942	292,086
68,291	124,611	80,344	76,830	61,408
686,141	437,553	159,098	112,411	105,786
256,205	38,672	22,619	4,871	2,587
1,346,764	947,925	616,615	524,054	461,867
$ 10,021,493	$ 9,671,632	$ 8,733,651	$ 8,008,390	$ 7,799,427
$ 231,629	$ 206,431	$ 203,336	$ 168,877	$ 136,113
98,547	99,788	102,032	98,681	132,360
111,295	119,126	101,390	110,942	131,143
2,598,141	2,260,551	1,887,298	1,820,886	1,726,217
144,445	145,771	130,643	75,697	279,323
3,184,057	2,831,667	2,424,699	2,275,083	2,405,156
324,577	290,464	266,820	256,843	251,678
486,476	169,976	87,486	138,070	181,146
344,889	84,692	95,013	93,650	86,360
98,099	103,195	81,967	148,597	81,145
1,254,041	648,327	531,286	637,160	600,329
$ 4,438,098	$ 3,479,994	$ 2,955,985	$ 2,912,243	$ 3,005,485
$ (5,490,672)	$ (5,892,040)	$ (5,692,337)	$ (5,209,253)	$ (4,932,404)
(92,723)	(299,598)	(85,329)	113,106	138,462
$ (5,583,395)	$ (6,191,638)	$ (5,777,666)	$ (5,096,147)	$ (4,793,942)

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	$ 3,021,418	$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980
Net income tax – corporations and individuals	2,073,015	1,840,890	1,795,683	1,633,085	1,477,624
Public service companies tax	163,481	166,179	163,930	150,528	117,940
Transient accommodations tax	202,345	188,721	186,377	138,529	60,839
Tobacco and liquor tax	165,137	155,990	161,066	170,824	173,851
Liquid fuel tax	88,449	88,707	87,645	88,842	91,265
Tax on premiums of insurance companies	147,767	139,074	133,585	119,472	140,586
Vehicle weight and registration tax	125,113	124,686	121,605	98,187	59,476
Rental motor/tour vehicle surcharge tax	51,941	42,853	52,112	106,417	43,892
Franchise tax	19,930	38,983	22,673	7,229	33,682
Other tax	76,222	96,131	80,081	70,873	67,799
Interest and investment income	16,024	13,163	25,502	5,347	55,852
Other	-	-	-	-	-
Total governmental activities	6,150,842	5,711,723	5,822,051	5,363,969	4,830,786
Business-type activities					
Interest and investment income	17,567	12,805	14,633	4,164	33,587
Other	-	-	19,000	-	-
Total business-type activities	17,567	12,805	33,633	4,164	33,587
Total primary government	$ 6,168,409	$ 5,724,528	$ 5,855,684	$ 5,368,133	$ 4,864,373
Changes in net position					
Governmental activities	$ (23,016)	$ (423,249)	$ (84,365)	$ (529,887)	$ (607,340)
Business-type activities	266,249	305,396	391,477	163,479	126,728
Total primary government	$ 243,233	$ (117,853)	$ 307,112	$ (366,408)	$ (480,612)

Note: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statement Nos. 68 and 71.

2010	2009	2008	2007	2006
$ 2,279,310	$ 2,410,756	$ 2,597,121	$ 2,659,339	$ 2,359,316
1,408,965	1,366,576	1,634,117	1,620,452	1,675,131
157,661	126,069	127,481	124,017	120,678
32,635	14,408	17,756	7,382	124,133
149,596	135,388	134,886	131,813	134,216
82,780	88,006	90,123	87,179	84,719
105,848	95,181	96,332	96,385	89,778
58,659	59,392	60,842	59,422	56,101
40,401	39,751	49,196	49,479	45,885
20,666	28,075	20,213	19,012	18,324
32,165	19,215	26,149	27,523	46,850
124,516	(42,051)	112,024	102,295	99,546
(3,034)	305	106	-	-
4,490,168	4,341,071	4,966,346	4,984,298	4,854,677
68,950	4,639	48,893	82,046	40,122
-	-	-	-	-
68,950	4,639	48,893	82,046	40,122
$ 4,559,118	$ 4,345,710	$ 5,015,239	$ 5,066,344	$ 4,894,799
$ (1,000,504)	$ (1,550,969)	$ (725,991)	$ (224,955)	$ (77,727)
(23,773)	(294,959)	(36,436)	195,152	178,584
$ (1,024,277)	$ (1,845,928)	$ (762,427)	$ (29,803)	$ 100,857

(concluded)

State of Hawaii
Financial Trends Information
Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	**2014**	**2013**	**2012**	**2011**
General Fund					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A	N/A
Total General Fund	N/A	N/A	N/A	N/A	N/A
All other governmental funds					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, reported in					
Capital projects fund	N/A	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	N/A	N/A	N/A	N/A	N/A
General Fund (under GASB 54)					
Assigned fund balance	$ 205,242	$ 256,483	$ 271,020	$ 236,779	$ 210,164
Unassigned fund balance	1,384,053	1,079,180	1,154,253	570,659	346,882
Total General Fund	$ 1,589,295	$ 1,335,663	$ 1,425,273	$ 807,438	$ 557,046
All other governmental funds (under GASB 54)					
Restricted fund balance	$ 25,370	$ 27,145	$ 21,854	$ 109	$ 21,582
Committed fund balance	449,290	497,932	486,240	518,374	600,125
Assigned fund balance	1,009,503	739,279	612,762	532,466	339,337
Unassigned fund balance	(576,980)	(588,405)	(611,097)	(408,575)	(766,665)
Total all other governmental funds	$ 907,183	$ 675,951	$ 509,759	$ 642,374	$ 194,379

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

2010	2009	2008	2007	2006
$ 243,485	$ 272,557	$ 406,884	$ 414,899	$ 249,581
(210,551)	(87,537)	567,474	881,311	1,013,988
$ 32,934	$ 185,020	$ 974,358	$ 1,296,210	$ 1,263,569
$ 2,275,968	$ 2,801,012	$ 2,344,961	$ 1,643,345	$ 1,851,194
(1,651,855)	(2,019,696)	(1,788,357)	(1,111,924)	(878,164)
293,625	255,844	410,265	556,963	637,664
$ 917,738	$ 1,037,160	$ 966,869	$ 1,088,384	$ 1,610,694
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, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Revenues					
Taxes					
General excise tax	$ 3,021,418	$ 2,816,346	$ 2,991,792	$ 2,774,636	$ 2,507,980
Net income tax – corporations and individuals	2,047,327	1,840,963	1,804,409	1,633,412	1,473,188
Public service companies tax	163,481	166,179	163,930	150,528	117,940
Transient accommodations tax	202,345	188,721	186,377	138,529	60,839
Tobacco and liquor tax	165,137	155,990	161,066	170,824	173,851
Liquid fuel tax	88,449	88,707	87,645	88,842	91,265
Tax on premiums of insurance companies	147,767	139,074	133,585	119,472	140,586
Vehicle weight and registration tax	125,113	124,686	121,605	98,187	59,476
Rental motor/tour vehicle surcharge tax	51,941	42,853	52,112	106,417	43,892
Franchise tax	19,930	38,983	22,673	7,229	33,682
Other	76,222	96,131	80,079	70,873	67,799
Total taxes	6,109,130	5,698,633	5,805,273	5,358,949	4,770,498
Interest and investment income (loss)	16,024	13,163	25,502	5,347	55,854
Charges for current services	384,380	363,791	369,269	337,765	348,108
Intergovernmental	2,803,989	2,650,876	2,372,480	2,238,639	2,567,266
Rentals	31,127	31,846	28,633	25,421	23,319
Fines, forfeitures and penalties	37,201	33,087	36,802	35,083	34,712
Licenses and fees	42,463	47,209	46,839	46,390	41,557
Revenues from private sources	121,366	112,916	104,670	65,085	54,857
Other	191,472	173,483	235,516	152,091	343,318
Total revenues	9,737,152	9,125,004	9,024,984	8,264,770	8,239,489
Expenditures					
Current					
General government	573,820	543,129	408,538	487,596	487,848
Public safety	484,960	519,954	432,024	454,957	423,716
Highways	455,563	403,559	418,991	414,629	376,780
Conservation of natural resources	145,516	108,703	92,601	98,428	93,600
Health	855,797	828,088	779,755	729,841	757,482
Welfare	3,192,807	2,945,370	2,773,241	2,443,936	2,526,743
Lower education	2,619,156	2,603,774	2,358,763	2,330,130	2,208,303
Higher education	761,837	693,292	654,611	672,716	707,380
Other education	21,664	21,766	20,086	16,753	14,018
Culture and recreation	96,676	107,846	107,940	109,974	117,306
Urban redevelopment and housing	71,384	65,228	66,243	48,484	73,789
Economic development and assistance	176,919	158,379	157,468	147,445	158,104
Housing	48,565	63,683	112,614	46,133	61,352
Other	15,179	29,818	32,716	12,108	12,223
Debt service					
Principal	444,791	458,983	399,382	313,721	191,244
Interest and others	289,524	278,315	288,267	274,039	266,737
Total expenditures	10,254,158	9,829,887	9,103,240	8,600,890	8,476,625
Excess of expenditures over revenues	(517,006)	(704,883)	(78,256)	(336,120)	(237,136)
Other financing sources (uses)					
Proceeds from borrowing and refunding	1,518,709	948,190	1,066,848	1,600,308	-
Payments to escrow agent	(516,839)	(185,560)	(503,372)	(565,801)	-
Transfers in	1,171,272	1,066,780	1,033,917	950,717	921,433
Transfers out	(1,171,272)	(1,066,780)	(1,033,917)	(950,717)	(921,433)
Other	-	18,835	-	-	37,889
Total other financing sources	1,001,870	781,465	563,476	1,034,507	37,889
Net change in fund balances	$ 484,864	$ 76,582	$ 485,220	$ 698,387	$ (199,247)

2010	2009	2008	2007	2006
$ 2,279,310	$ 2,410,756	$ 2,597,121	$ 2,632,485	$ 2,359,316
1,408,965	1,373,893	1,637,265	1,618,570	1,664,331
157,661	126,069	127,481	124,017	120,678
32,635	14,408	17,756	7,382	124,133
149,596	135,388	134,886	131,813	134,216
82,780	88,006	90,123	87,179	84,719
105,848	95,181	96,332	96,385	89,778
58,659	59,392	60,842	59,422	56,101
40,401	39,751	49,196	49,479	48,092
20,666	28,075	20,213	2,000	18,324
32,165	19,215	26,149	44,535	46,850
4,368,686	4,390,134	4,857,364	4,853,267	4,746,538
124,518	(42,051)	115,247	122,606	82,013
364,893	357,078	341,371	318,235	343,424
2,432,369	2,090,058	1,807,376	1,727,895	1,601,005
19,712	21,107	20,152	21,639	32,493
35,982	33,888	32,618	28,488	26,827
36,641	33,324	31,731	30,837	29,364
57,850	63,401	59,508	39,401	39,647
182,367	246,369	131,291	127,444	128,283
7,623,018	7,193,308	7,396,658	7,269,812	7,029,594
436,290	597,210	537,541	458,236	493,301
457,058	435,414	411,152	376,032	322,578
442,971	442,421	406,795	337,862	267,213
88,873	120,693	103,596	107,578	86,628
801,923	798,026	863,914	832,333	685,679
2,315,726	2,119,481	1,857,473	1,770,707	1,709,810
2,325,066	2,454,668	2,201,901	2,305,280	1,984,129
700,335	878,127	815,116	759,777	678,338
14,033	29,912	23,206	20,122	19,183
108,536	107,302	110,404	92,574	87,478
115,796	179,819	255,783	170,614	60,725
166,320	169,547	149,075	147,146	215,559
24,153	1,909	-	-	-
4,460	1,175	5,880	7,248	4,634
179,624	204,604	231,478	271,010	247,935
248,551	197,118	247,257	231,723	199,642
8,429,715	8,737,426	8,220,571	7,888,242	7,062,832
(806,697)	(1,544,118)	(823,913)	(618,430)	(33,238)
1,150,482	1,174,768	445,687	395,303	367,585
(619,708)	(349,697)	(29,510)	-	-
721,810	761,393	803,456	796,195	499,655
(721,810)	(761,393)	(803,456)	(796,195)	(499,655)
4,415	-	-	-	-
535,189	825,071	416,177	395,303	367,585
$ (271,508)	$ (719,047)	$ (407,736)	$ (223,127)	$ 334,347

State of Hawaii
Revenue Capacity Information
Personal Income by Industry
Ten Years Ended June 30, 2015
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Farm earnings	$ 318	$ 349	$ 243	$ 288	$ 288
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities and other	76	66	60	60	42
Mining	41	37	39	35	33
Construction	3,542	3,328	3,236	3,046	2,843
Manufacturing – durable and nondurable goods	878	833	804	767	768
Subtotal goods – producing industries	4,537	4,264	4,139	3,908	3,686
Service-producing industries					
Transportation, communication and utilities	2,424	2,316	2,178	1,889	1,783
Trade	4,130	4,089	3,929	3,768	3,666
Information	718	711	692	645	711
Finance, insurance and real estate	3,110	3,267	2,752	2,329	2,081
Service	17,608	17,126	16,423	15,438	15,075
State and local government	6,426	6,089	5,873	5,425	5,327
Federal government	8,400	8,139	8,507	10,094	9,531
Subtotal service-producing industries	42,816	41,737	40,354	39,588	38,174
Total nonfarm wage and salary worker	47,353	46,001	44,493	43,496	41,860
Other (1)	19,092	18,270	18,473	16,144	15,981
Total personal income	$ 66,763	$ 64,620	$ 63,209	$ 59,928	$ 58,129
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.

2010	2009	2008	2007	2006
$ 250	$ 232	$ 220	$ 213	$ 210
45	36	47	42	53
51	44	45	55	53
2,598	2,714	3,271	3,188	3,004
766	807	874	1,003	1,000
3,460	3,601	4,237	4,288	4,110
1,718	1,714	1,826	1,926	1,831
3,651	3,636	3,817	3,654	3,540
732	657	711	759	758
2,014	2,044	2,126	2,311	2,367
14,901	14,514	14,723	13,611	13,013
5,609	5,609	5,372	5,023	4,747
9,252	9,077	8,258	7,745	7,249
37,877	37,251	36,833	35,029	33,505
41,337	40,852	41,070	39,317	37,615
14,661	13,329	12,891	10,601	9,514
$ 56,248	$ 54,413	$ 54,181	$ 50,131	$ 47,339
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, 2015

	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
2015	11.00% + $16,379	$ 200,000	11.00% + $32,757	$ 400,000	11.00% + $24,568	$ 300,000
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

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, 2015
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Taxable sales by activities					
Retailing	$ 29,987	$ 31,152	$ 29,636	$ 29,095	$ 25,887
Services	13,361	13,795	12,985	12,696	11,944
Contracting	7,322	7,046	7,547	6,253	5,687
Hotel rentals	4,328	4,279	3,871	3,431	3,024
All other rentals	6,544	6,472	6,377	6,154	5,999
All other (4%)	5,486	5,683	5,337	5,160	4,825
Subtotal	67,028	68,427	65,753	62,789	57,366
Producing	321	436	399	401	370
Manufacturing	716	1,876	639	681	698
Wholesaling	14,294	14,675	14,430	14,442	13,121
Use (0.5%)	7,127	6,489	8,867	8,005	6,669
Services (intermediary)	716	1,096	628	653	577
Insurance solicitors	489	485	464	477	480
Subtotal	23,663	25,057	25,427	24,659	21,915
Total all activities	$ 90,691	$ 93,484	$ 91,180	$ 87,448	$ 79,281

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.

2010	2009	2008	2007	2006
$ 23,919	$ 24,318	$ 26,183	$ 25,509	$ 24,812
11,154	11,059	11,073	11,205	10,314
5,864	7,631	7,863	7,904	6,545
2,606	2,812	3,321	3,480	3,251
5,778	6,094	5,818	5,814	5,445
4,360	4,375	5,238	5,606	5,245
53,681	56,289	59,496	59,518	55,612
340	405	457	482	589
704	809	761	818	720
12,207	12,502	13,746	13,558	12,963
6,430	6,883	7,215	7,742	7,125
572	611	649	718	563
502	535	544	617	551
20,755	21,745	23,372	23,935	22,511
$ 74,436	$ 78,034	$ 82,868	$ 83,453	$ 78,123

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry
Ten Years Ended June 30, 2015
(Amounts in thousands)

Fiscal Year Ended June 30,

	2015		2014		2013		2012		2011	
	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	$ 1,199,488	39.4%	$ 1,246,061	43.3%	$ 1,185,446	40.3%	$ 1,163,805	43.1%	$ 1,035,465	41.5%
Services	534,442	17.5%	551,784	19.2%	519,419	17.6%	507,864	18.8%	477,753	19.3%
Contracting	292,874	9.6%	281,839	9.8%	301,875	10.3%	250,122	9.3%	227,497	9.1%
Theater, amusement, etc.	15,955	0.5%	15,619	0.5%	15,986	0.5%	15,776	0.6%	14,945	0.6%
Interest	1	0.0%	3	0.0%	3	0.0%	4	0.0%	74	0.0%
Commissions	45,619	1.5%	45,125	1.6%	42,064	1.4%	38,848	1.4%	36,574	1.5%
Hotel rentals	173,100	5.7%	171,162	5.9%	154,837	5.3%	137,222	5.1%	120,954	4.8%
All other rentals	261,743	8.6%	258,886	9.0%	255,074	8.7%	246,151	9.1%	239,944	9.6%
Use (4%)	39,884	1.3%	40,277	1.4%	41,015	1.4%	41,797	1.6%	37,316	1.5%
All other (4%)	118,014	3.9%	126,306	4.4%	114,396	3.9%	109,989	4.1%	104,073	4.2%
Pineapple canning	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Producing	1,605	0.1%	2,181	0.1%	1,997	0.1%	2,004	0.1%	1,850	0.1%
Manufacturing	3,581	0.1%	9,380	0.3%	3,194	0.1%	3,402	0.1%	3,488	0.1%
Wholesaling	71,471	2.3%	73,373	2.5%	72,149	2.4%	72,210	2.7%	65,608	2.6%
Use (0.5%)	35,634	1.2%	32,446	1.1%	44,337	1.5%	40,026	1.5%	33,347	1.3%
Services (Intermediary)	3,578	0.1%	5,480	0.2%	3,139	0.1%	3,265	0.1%	2,886	0.1%
Insurance solicitors	733	0.0%	728	0.0%	697	0.0%	716	0.0%	721	0.0%
Unallocated collections	250,484	8.2%	19,893	0.7%	188,859	6.4%	64,750	2.4%	93,312	3.7%
Total	$ 3,048,206	100.0%	$ 2,880,543	100.0%	$ 2,944,487	100.0%	$ 2,697,951	100.0%	$ 2,495,807	100.0%

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

Note: Information for number of filers is not available

2010		2009		2008		2007		2006	
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
$ 956,761	41.3%	$ 972,728	40.1%	$ 1,047,340	40.0%	$ 1,020,357	39.9%	$ 992,472	42.1%
446,142	19.3%	442,356	18.3%	442,909	17.0%	448,202	17.5%	412,576	17.5%
234,562	10.1%	305,241	12.6%	314,538	12.0%	316,142	12.4%	261,804	11.1%
13,378	0.6%	13,557	0.6%	13,998	0.5%	13,588	0.5%	12,791	0.5%
191	0.0%	339	0.0%	7,963	0.3%	13,818	0.5%	8,937	0.4%
33,024	1.4%	35,230	1.5%	42,500	1.6%	52,101	2.0%	55,306	2.4%
104,260	4.5%	112,484	4.6%	132,841	5.1%	139,186	5.5%	130,048	5.5%
231,123	10.0%	243,762	10.1%	232,718	8.9%	232,539	9.1%	217,799	9.3%
34,484	1.5%	34,088	1.4%	39,034	1.5%	37,548	1.5%	38,144	1.6%
93,327	4.0%	91,761	3.8%	106,040	4.0%	107,196	4.2%	94,636	4.0%
-	0.0%	-	0.0%	-	0.0%	76	0.0%	35	0.0%
1,697	0.1%	2,023	0.1%	2,286	0.1%	2,336	0.1%	2,908	0.1%
3,517	0.2%	4,045	0.2%	3,804	0.1%	4,091	0.2%	3,598	0.2%
61,036	2.6%	62,509	2.6%	68,730	2.6%	67,790	2.7%	64,814	2.8%
32,152	1.4%	34,415	1.4%	36,073	1.4%	38,712	1.5%	35,623	1.5%
2,862	0.1%	3,054	0.1%	3,242	0.1%	3,592	0.1%	2,813	0.1%
753	0.0%	803	0.0%	815	0.0%	925	0.0%	827	0.0%
67,165	2.9%	61,855	2.6%	123,953	4.8%	57,563	2.3%	20,186	0.9%
$ 2,316,434	100.0%	$ 2,420,250	100.0%	$ 2,618,784	100.0%	$ 2,555,762	100.0%	$ 2,355,317	100.0%

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type
Ten Years Ended June 30, 2015
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Governmental activities					
General obligation bonds	$ 5,963,928	$ 5,784,139	$ 5,534,921	$ 5,475,348	$ 4,987,544
Revenue bonds	631,110	412,725	441,150	468,180	378,625
Capital leases	96,175	102,622	89,879	95,340	100,520
Total governmental activities	6,691,213	6,299,486	6,065,950	6,038,868	5,466,689
Business-type activities					
General obligation bonds	29,332	31,176	32,934	34,611	36,221
Revenue bonds	1,218,943	1,278,137	1,326,112	1,370,314	1,410,624
Lease revenue certificates of participation	172,864	173,771	-	-	-
Total business-type activities	1,421,139	1,483,084	1,359,046	1,404,925	1,446,845
Total primary government	$ 8,112,352	$ 7,782,570	$ 7,424,996	$ 7,443,793	$ 6,913,534
Hawaii total personal income	$ 66,763,000	$ 64,620,000	$ 63,209,000	$ 59,928,000	$ 58,129,000
Debt as a percentage of personal income	12.2%	12.0%	11.7%	12.4%	11.9%
Hawaii population	1,432	1,420	1,404	1,392	1,375
Amount of debt per capita	$ 5,665	$ 5,481	$ 5,288	$ 5,348	$ 5,028

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.

2010	2009	2008	2007	2006
$ 5,157,198	$ 4,779,666	$ 4,408,572	$ 4,079,714	$ 4,322,964
400,215	420,605	268,425	283,310	306,255
64,385	71,685	75,480	79,090	58,035
5,621,798	5,271,956	4,752,477	4,442,114	4,687,254
37,362	38,329	38,357	37	137
1,248,680	861,423	861,141	939,349	883,823
-	-	-	-	-
1,286,042	899,752	899,498	939,386	883,960
$ 6,907,840	$ 6,171,708	$ 5,651,975	$ 5,381,500	$ 5,571,214
$ 56,248,000	$ 54,413,000	$ 54,181,000	$ 50,131,000	$ 47,339,000
12.3%	11.3%	10.4%	10.7%	11.8%
1,300	1,295	1,287	1,299	1,285
$ 5,314	$ 4,766	$ 4,392	$ 4,143	$ 4,336

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding
Ten Years Ended June 30, 2015
(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
2015	$ 90,691,000	1,432	$ 5,963,928	$ 35	$ 5,963,893	6.6%	$ 4,165
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	22,002	4,386,570	5.3%	3,408
2007	83,453,000	1,276	4,079,714	21,704	4,058,010	5.2%	3,180
2006	78,123,000	1,285	4,322,694	7,226	4,315,738	5.9%	3,359

(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, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	**2014**	**2013**	**2012**	**2011**
Average general fund revenues of the three preceding fiscal years	$ 6,294,642	$ 5,987,800	$ 5,659,152	$ 5,197,547	$ 4,992,943
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	1,164,509	1,107,743	1,046,943	961,546	923,694
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ended June 30, 2012)	(693,934)	(693,677)	(693,592)	(667,041)	(618,711)
Legal debt margin	$ 470,575	$ 414,066	$ 353,351	$ 294,505	$ 304,983
Legal debt margin as a percentage of the debt limit	40.4%	37.4%	33.8%	30.6%	33.0%

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

2010	2009	2008	2007	2006
$ 5,032,973	$ 5,126,782	$ 5,083,126	$ 4,832,700	$ 4,423,191
18.5%	18.5%	18.5%	18.5%	18.5%
931,100	948,455	940,378	894,050	818,290
(610,255)	(563,266)	(540,348)	(550,696)	(533,810)
$ 320,845	$ 385,189	$ 400,030	$ 343,354	$ 284,480
34.5%	40.6%	42.5%	38.4%	34.8%

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue bonds – Airports										
Gross revenue (1)	$ 355,948	$ 341,155	$ 385,841	$ 319,542	$ 322,639	$ 295,087	$ 288,583	$ 307,418	$ 286,838	$ 267,927
Less: Operating expenses (2)	253,581	246,982	244,328	230,224	218,290	214,208	233,896	239,667	211,119	171,990
Net available revenue	102,367	94,173	141,513	89,318	104,349	80,879	54,687	67,751	75,719	95,937
Debt services										
Principal	35,725	34,210	40,305	30,579	25,370	23,615	22,310	21,140	32,250	30,565
Interest (3)	41,671	23,414	40,705	34,440	35,319	21,300	17,453	26,076	10,868	11,557
Total debt services	77,396	57,624	81,010	65,019	60,689	44,915	39,763	47,216	43,118	42,122
Coverage (4)	132%	163%	175%	137%	172%	180%	138%	143%	176%	228%
Revenue bonds – Harbors										
Gross revenue (5)	$ 124,663	$ 122,379	$ 114,640	$ 104,678	$ 88,018	$ 74,155	$ 80,896	$ 96,256	$ 97,414	$ 89,402
Less: Operating expenses (6)	43,132	43,837	44,048	41,202	37,650	36,930	47,814	49,229	42,967	35,140
Net available revenue	81,531	78,542	70,592	63,476	50,368	37,225	33,082	47,027	54,447	54,262
Debt services	31,176	31,528	31,531	27,770	27,965	23,226	23,167	24,290	25,364	19,265
Coverage (4)	262%	249%	224%	229%	180%	160%	143%	194%	215%	282%
Revenue bonds – Highways										
Gross revenue	N/A	$ 255,431	$ 256,102	$ 232,543	$ 197,142	$ 184,852	$ 189,498	$ 213,378	$ 210,989	$ 204,287
Less: Operating expenses	N/A	205,872	184,696	173,811	165,857	179,400	189,987	184,097	172,167	172,633
Net available revenue	N/A	49,559	71,406	58,732	31,285	5,452	(489)	29,281	38,822	31,654
Debt services										
Principal	31,890	28,825	27,170	22,465	21,570	20,535	16,150	15,495	14,885	14,295
Interest	19,402	19,036	20,245	18,906	17,195	18,028	15,823	12,930	12,988	14,096
Total debt services	51,292	47,861	47,415	41,371	38,765	38,563	31,973	28,425	27,873	28,391
Coverage (7)	N/A	104%	151%	142%	81%	14%	-2%	103%	139%	111%
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	$ 15,230	$ 15,763	$ 12,585	$ 12,078	$ 12,036	$ 11,939	$ -	$ -	$ -	$ 10,289
Less: Operating expenses	-	-	-	-	-	-	-	-	-	6,321
Net available revenue	15,230	15,763	12,585	12,078	12,036	11,939	-	-	-	3,968
Debt services										
Principal	775	740	710	680	655	640	-	-	-	1,250
Interest	2,237	2,270	2,301	2,328	2,254	2,370	-	-	-	391
Total debt services	3,012	3,010	3,011	3,008	2,909	3,010	-	-	-	1,641
Coverage (4)	506%	524%	418%	402%	414%	397%	0%	0%	0%	242%

(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) For purposes of calculating the debt service requirement, interest payment 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 2008, Airports deposited $10,000,000 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 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 fiscals 2015 and 2014, Airports transferred $18,500,000 and $19,000,000, respectively, 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."

(4) Revenue bond indentures require a minimum debt service coverage percentage of 125%.

(5) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.

(6) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.

(7) 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.
DHHL Audited Financial Statements and Schedules of the State of Hawaii, Department of Hawaiian Home Lands.

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Population (in thousands)										
State	1,432	1,420	1,404	1,392	1,375	1,300	1,298	1,287	1,276	1,285
Percentage change	0.85%	1.14%	0.85%	1.22%	5.77%	0.15%	0.46%	0.54%	1.09%	1.50%
National	321,419	318,857	316,129	313,914	311,592	308,746	307,007	304,375	301,580	285,593
Percentage change	0.80%	0.86%	0.70%	0.74%	0.92%	0.57%	0.86%	0.93%	1.00%	0.96%
Total personal income (in millions)										
State	$ 66,763	$ 64,620	$ 63,209	$ 59,928	$ 58,129	$ 56,248	$ 54,413	$ 54,181	$ 50,131	$ 47,339
Percentage change	3.32%	2.23%	5.19%	3.00%	3.34%	3.37%	0.43%	8.08%	5.90%	7.32%
National	$ 14,991,944	$ 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
Percentage change	3.97%	3.71%	5.42%	3.49%	1.29%	4.28%	(1.72%)	2.91%	5.54%	7.44%
Per capita personal income (in thousands)										
State	$ 46,622	$ 45,507	$ 45,021	$ 43,052	$ 42,276	$ 43,268	$ 42,018	$ 42,099	$ 39,073	$ 37,013
Percentage change	2.45%	1.08%	4.37%	1.80%	(2.29%)	2.97%	(0.19%)	7.74%	5.57%	6.40%
National	$ 46,643	$ 45,224	$ 43,984	$ 41,892	$ 40,731	$ 40,584	$ 39,138	$ 40,166	$ 39,392	$ 37,698
Percentage change	3.14%	2.82%	4.75%	2.77%	0.36%	3.69%	(2.56%)	1.96%	4.49%	6.42%
Resident civilian labor force and employment										
Civilian labor force employed	645,092	624,638	615,546	615,333	591,329	587,304	594,500	620,000	623,150	622,300
Unemployed	27,729	30,142	33,913	43,321	39,941	41,600	43,250	26,000	17,000	15,800
Unemployment rate	4.10%	4.60%	5.20%	6.60%	6.30%	6.60%	6.80%	4.00%	2.70%	2.50%

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, 2015 and June 30, 2006

2015			2006		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
AHR Hospitality Partners, Inc.	3,000	0.4%	Aloha Airgroup Inc.	3,375	0.5%
Bank of Hawaii Corp	2,161	0.3%	Hawaii Pacific Health	5,500	0.9%
Hawaii Pacific Health	6,441	1.0%	Hawaiian Airlines	3,300	0.5%
Hawaiian Electric Industries, Inc.	3,965	0.6%	Hawaiian Electric Industries, Inc.	3,383	0.5%
Hawaiian Holdings, Inc.	5,379	0.8%	Kaiser Permanente Medical Care Program	3,969	0.6%
Kaiser Permanente Hawaii	4,314	0.6%	Kyo-ya Co., Ltd	3,807	0.6%
Kamehameha Schools	2,391	0.4%	Marriott International	5,835	0.9%
Kyo-ya Hotels & Resorts LP	3,006	0.4%	McDonald's Restaurants of Hawaii	3,775	0.6%
Outrigger Enterprises Inc.	3,757	0.6%	NCL America	3,515	0.6%
The Queen's Health Systems	6,942	1.0%	The Queen's Health Systems	4,351	0.7%

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 2015 – 673,000 and for fiscal year 2006 – 631,000.

Listed alphabetically.

State of Hawaii
Demographic and Economic Information
State Employees by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	4,571	4,572	4,419	4,394	4,381	4,381	4,752	4,720	4,523	4,638
Public safety	3,197	3,175	2,981	2,903	2,864	2,880	3,089	3,011	2,889	2,881
Transportation	2,295	2,254	2,275	2,202	2,160	2,158	2,290	2,229	2,222	2,287
Conservation of natural resources	1,007	1,007	972	929	941	983	1,146	1,126	1,041	1,040
Health	6,731	6,813	7,136	6,919	6,876	6,863	7,266	6,730	6,909	6,906
Welfare	1,927	1,941	1,940	1,800	1,788	1,848	2,404	2,312	2,242	2,386
Lower education	21,707	21,797	21,976	22,065	21,917	22,090	22,675	22,620	23,521	22,771
Higher education	8,802	9,080	8,978	8,795	8,687	8,732	9,066	8,705	8,619	8,375
Other education	488	492	-	454	473	482	516	518	509	523
Urban redevelopment and housing	123	127	116	127	130	146	154	150	147	136
Economic development and assistance	761	759	781	815	816	835	1,141	865	850	864
Total	51,609	52,017	51,574	51,403	51,033	51,398	54,499	52,986	53,472	52,807

Source: State of Hawaii, Department of Human Resources Development.

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
General government					
Tax Commission					
Total individual net income returns	715,706	737,205	612,373	703,262	747,237
Number of individual net income returns filed electronically	509,409	483,817	397,178	430,421	388,463
Percentage of individual net income returns transmitted electronically	71.18%	65.63%	64.86%	61.20%	51.99%
Public safety					
Inmate population					
In-state facilities	4,683	4,456	4,438	4,396	4,423
Out-of-state facilities	1,341	1,363	1,415	1,677	1,667
Total	6,024	5,819	5,853	6,073	6,090
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	52	51	53	53	53
Health					
Environmental health					
Air quality sites monitored	14	13	14	12	14
Water quality stations	161	173	173	193	201
Revolving loan funds	159	149	133	120	109
Mental health					
Adult consumers served	8,282	10,408	10,728	11,062	11,194
Individuals with developmental disabilities served	2,705	2,615	2,599	2,558	2,438
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	8,102	8,927	10,075	10,300	10,014
Average time on assistance	17.5	N/A	14.6	13.5	13.0
Monthly benefits paid for the month of July (in millions)	$ 3.60	$ 4.10	$ 5.47	$ 6.42	$ 6.17
General assistance					
Individuals per month	5,699	5,598	5,687	5,633	5,298
Food stamp program					
Number of persons participating	191,918	193,565	187,062	172,676	154,496
Number of households participating	96,502	98,440	94,649	86,418	77,133
Benefits issued (in millions)	$ 49.90	$ 43.39	$ 40.33	$ 37.18	$ 33.42
Medicaid programs					
Med-Quest enrollment	332,197	325,510	292,423	287,902	272,218

2010	2009	2008	2007	2006
665,057	682,178	678,305	667,297	602,375
322,515	308,366	271,212	231,154	196,959
48.49%	45.20%	39.98%	34.64%	32.70%
4,047	3,928	6,014	6,045	6,251
1,940	2,077	2,014	2,009	1,844
5,987	6,005	8,028	8,054	8,095
53	53	53	53	53
13	14	14	16	16
290	349	271	363	363
107	102	90	73	65
14,633	15,772	15,586	13,545	12,245
2,661	2,879	2,821	3,360	2,300
9,448	8,661	8,358	8,381	9,837
15.0	14.0	13.0	16.0	15.0
$ 5.29	$ 3.46	$ 4.75	$ 4.60	$ 5.09
5,068	5,014	4,458	3,955	3,917
133,043	109,268	93,956	88,847	88,967
66,885	54,925	47,545	45,026	46,285
$ 28.74	$ 20.22	$ 14.64	$ 12.89	$ 12.49
259,307	235,203	211,105	202,126	203,345

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Lower education					
Number of schools	289	288	286	286	287
Number of students	182,384	185,273	183,251	181,213	178,208
Staff					
Classroom teachers	11,663	11,781	11,632	11,458	11,046
Librarians	173	185	192	199	204
Counselors	623	625	629	627	618
Administrators	914	833	823	806	734
Other support staff	9,052	9,014	8,987	8,975	8,408
Total	22,425	22,438	22,263	22,065	21,010
Higher education					
Enrollment					
Number of credit students	55,756	57,052	58,941	60,295	60,330
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	4,830	5,158	4,097	3,638	3,324
Bachelor's degrees	4,599	4,408	4,236	4,055	3,796
Master's degrees/Professional diploma	1,035	1,179	1,095	1,287	1,269
Doctor's degrees/First Professional	579	467	508	494	496
Other	61	66	65	154	103
Total	11,104	11,278	10,001	9,628	8,988
Degrees by campus/college					
University of Hawaii at Manoa	4,923	4,949	4,737	4,767	4,675
University of Hawaii at Hilo	905	806	809	915	731
University of Hawaii at West Oahu	439	352	349	301	255
Hawaii Community College	569	669	552	452	405
Honolulu Community College	725	683	551	565	559
Kapiolani Community College	1,335	1,513	1,193	987	851
Kauai Community College	264	203	216	196	208
Leeward Community College	1,000	1,090	770	721	657
Maui Community College	575	660	601	560	482
Windward Community College	369	353	223	164	165
Total	11,104	11,278	10,001	9,628	8,988

N/A Not available.

Note: Migration to new registration system at the UH Community Colleges, UH at 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.

2010	2009	2008	2007	2006
286	289	287	286	285
178,649	177,871	178,369	179,234	181,406
11,262	11,294	11,396	11,270	11,226
225	249	257	272	292
646	660	660	670	671
728	747	773	746	706
8,607	8,654	8,566	8,103	8,164
21,468	21,604	21,652	21,061	21,059
60,090	57,945	53,526	50,454	49,990
3,025	2,785	2,660	2,710	2,637
3,593	3,705	3,698	3,586	3,639
1,216	1,185	1,269	1,219	1,320
351	354	369	320	321
106	55	-	-	-
8,291	8,084	7,996	7,835	7,917
4,414	4,496	4,566	4,313	4,401
601	614	588	592	614
242	221	180	217	265
426	386	346	311	339
486	504	520	537	515
783	702	685	757	641
162	163	139	135	114
608	503	475	514	533
416	364	367	336	360
153	131	130	123	135
8,291	8,084	7,996	7,835	7,917

(concluded)

State of Hawaii
Operating Information
Capital Assets Statistics by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
Department of Accounting and										
General Services	79	78	74	74	74	74	74	72	71	10
Buildings	650	650	608	600	592	582	602	571	553	581
Vehicles										
Department of the Attorney General										
Buildings	6	6	5	5	5	5	5	5	5	5
Vehicles	3	3	3	3	3	3	3	2	1	1
The Judiciary										
Buildings	19	19	19	18	18	18	18	17	17	17
Vehicles	18	18	18	18	17	16	15	13	14	15
Other departments										
Buildings	23	23	22	24	24	24	23	23	23	21
Vehicles	3	4	4	4	4	4	4	5	6	6
Public Safety										
Department of Public Safety										
Buildings and correction facilities	77	75	74	74	74	73	72	71	71	71
Vehicles	306	279	274	277	278	277	262	260	245	241
Department of Defense										
Buildings	99	98	98	97	97	96	96	96	100	98
Vehicles	96	128	118	112	81	79	79	79	84	77
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	2,477	2,488	N/A	N/A	N/A	2,497	2,479	2,478	2,466	2,433
Highway bridges	752	752	N/A	N/A	N/A	752	752	752	752	752
Buildings	39	37	36	36	34	34	34	29	26	26
Vehicles	971	982	984	951	958	968	963	949	932	918

N/A Not available

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles – State of Hawaii, Department of Transportation.
Land Area and Highway Bridges – State of Hawaii, Data Book 2014.

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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	97	96	94	93	95	95	95	74	76	75
Vehicles	824	785	788	756	758	732	731	706	681	597
Department of Agriculture										
Buildings	33	32	32	32	32	32	32	32	31	27
Vehicles	164	166	167	170	176	186	186	184	166	167
Health										
Department of Health										
Buildings	74	74	74	74	74	74	72	71	75	69
Vehicles	230	227	238	252	259	280	284	295	292	283
Welfare										
Department of Human Services										
Buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	104	116	110	107	111	111	117	128	126	134
Lower education										
Department of Education										
Buildings	8	8	8	8	8	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	38	38	38	34	34	34	34	34	34	34
Vehicles	29	25	27	28	27	28	28	30	31	33
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	18	18	18	18	18	18	17	16	18	15
Vehicles	36	33	37	33	34	34	34	33	30	29
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	32	32	32	33	33	33	33	32	27	30
Vehicles	32	28	30	32	33	34	34	39	37	36
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	2

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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 “dam and reservoir owner” means any person who has a right to, title to, or an interest in, a dam, a reservoir, or the property upon which a dam, a reservoir, or appurtenant work is located or proposed to be located.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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; provided that the bonds are issued for and the proceeds are used to offer loans to assist dam and reservoir owners to improve their facilities to protect public safety and provide significant benefits to the general public as important water sources,

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, dam and reservoir owners, or agricultural enterprises, 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.

APPENDIX D

GENERAL OBLIGATION FUNDED DEBT OF THE STATE OF HAWAII

As of March 1, 2016

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	Amount Due	Outstanding Principal
December 1, 1996	$150,000,000, Series CM, non-callable	6.500%	December 1, 2016	8,330,000.00	$8,330,000.00
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	$35,435,000.00
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	75,000.00	
		4.250%	May 1, 2019	130,000.00	
		5.000%	May 1, 2019	210,000.00	
		4.100%	May 1, 2020	195,000.00	
		5.000%	May 1, 2020	235,000.00	
		4.200%	May 1, 2021	65,000.00	
		5.000%	May 1, 2021	385,000.00	
		4.250%	May 1, 2022	50,000.00	
		5.000%	May 1, 2022	420,000.00	
		4.300%	May 1, 2023	75,000.00	
		5.000%	May 1, 2023	415,000.00	
		4.375%	May 1, 2024	35,000.00	
		5.000%	May 1, 2024	480,000.00	
		4.400%	May 1, 2025	50,000.00	
		5.000%	May 1, 2025	490,000.00	
		4.400%	May 1, 2026	1,900,000.00	
		5.000%	May 1, 2026	17,950,000.00	
		4.500%	May 1, 2027	65,000.00	
		5.000%	May 1, 2027	530,000.00	
		4.500%	May 1, 2028	115,000.00	
		5.000%	May 1, 2028	510,000.00	$74,170,000.00
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
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	1,825,000.00	
		5.000%	August 1, 2020	1,920,000.00	
		5.000%	August 1, 2021	2,015,000.00	
		5.000%	August 1, 2022	2,120,000.00	
		5.000%	August 1, 2023	2,225,000.00	
		5.125%	August 1, 2024	2,340,000.00	
		5.250%	August 1, 2025	2,465,000.00	
		5.500%	August 1, 2026	7,720,000.00	
		5.500%	August 1, 2027	2,750,000.00	
		5.500%	August 1, 2028	2,905,000.00	$42,990,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
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	11,495,000.00	
		3.750%	June 1, 2021	665,000.00	
		5.000%	June 1, 2021	8,710,000.00	
		4.000%	June 1, 2022	475,000.00	
		5.000%	June 1, 2022	11,665,000.00	
		4.000%	June 1, 2023	2,105,000.00	
		5.000%	June 1, 2023	9,880,000.00	
		4.125%	June 1, 2024	640,000.00	
		5.000%	June 1, 2024	10,195,000.00	
		5.000%	June 1, 2025	14,365,000.00	
		5.000%	June 1, 2026	36,405,000.00	
		5.000%	June 1, 2027	13,025,000.00	
		5.000%	June 1, 2028	17,540,000.00	
		4.500%	June 1, 2029	2,650,000.00	
		5.000%	June 1, 2029	14,875,000.00	$223,810,000.00
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
November 24, 2009	$204,140,000, Series DT, non-callable	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	$142,300,000.00

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
February 18, 2010	$500,000,000, Series DX, BABs, callable (Optional Make-Whole Redemptions)	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	$454,515,000.00
February 18, 2010	$221,625,000, Series DY, non-callable	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	$154,025,000.00
December 7, 2011	$800,000,000, Series DZ, callable	5.000%	December 1, 2016	32,910,000.00	
		5.000%	December 1, 2017	32,730,000.00	
		5.000%	December 1, 2018	37,035,000.00	
		5.000%	December 1, 2019	38,535,000.00	
		5.000%	December 1, 2020	40,935,000.00	
		5.000%	December 1, 2021	43,030,000.00	
		5.000%	December 1, 2022	27,240,000.00	
		5.000%	December 1, 2023	21,610,000.00	
		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	49,035,000.00	
		3.750%	December 1, 2027	3,635,000.00	
		5.000%	December 1, 2027	53,560,000.00	
		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	$745,600,000.00
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

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
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	
		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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		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	
		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	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		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
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, 2017	97,415,000.00	$193,880,000.00
October 29, 2015	$190,000,000, Series ET, callable	4.000%	October 1, 2018	7,360,000.00	
		5.000%	October 1, 2019	7,700,000.00	
		2.000%	October 1, 2020	7,975,000.00	
		4.000%	October 1, 2021	8,220,000.00	
		4.000%	October 1, 2022	8,555,000.00	
		3.000%	October 1, 2023	8,860,000.00	
		5.000%	October 1, 2024	9,220,000.00	
		5.000%	October 1, 2025	9,695,000.00	
		4.000%	October 1, 2026	10,140,000.00	
		4.000%	October 1, 2027	10,555,000.00	
		3.000%	October 1, 2028	5,000,000.00	
		5.000%	October 1, 2028	5,990,000.00	
		3.000%	October 1, 2029	11,385,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		5.000%	October 1, 2030	11,850,000.00	
		5.000%	October 1, 2031	12,460,000.00	
		3.250%	October 1, 2032	12,980,000.00	
		4.000%	October 1, 2033	13,460,000.00	
		4.000%	October 1, 2034	14,010,000.00	
		4.000%	October 1, 2035	14,585,000.00	$190,000,000.00
October 29, 2015	$35,000,000, Series EU, Green Bonds, callable	2.000%	October 1, 2018	1,535,000.00	
		3.000%	October 1, 2019	1,570,000.00	
		2.000%	October 1, 2020	1,610,000.00	
		3.000%	October 1, 2021	1,650,000.00	
		2.000%	October 1, 2022	1,695,000.00	
		3.000%	October 1, 2023	1,735,000.00	
		2.000%	October 1, 2024	1,780,000.00	
		3.000%	October 1, 2025	1,825,000.00	
		2.500%	October 1, 2026	1,875,000.00	
		3.000%	October 1, 2027	1,930,000.00	
		3.000%	October 1, 2028	1,985,000.00	
		3.000%	October 1, 2029	2,050,000.00	
		3.125%	October 1, 2030	2,110,000.00	
		3.250%	October 1, 2031	2,180,000.00	
		3.250%	October 1, 2032	2,250,000.00	
		3.250%	October 1, 2033	2,325,000.00	
		3.375%	October 1, 2034	2,405,000.00	
		3.500%	October 1, 2035	2,490,000.00	$35,000,000.00
October 29, 2015	$8,700,000, Series EV, (refunding), callable	2.000%	October 1, 2016	8,700,000.00	$8,700,000.00
October 29, 2015	$34,950,000, Series EW, (refunding), callable	5.000%	October 1, 2018	34,950,000.00	$34,950,000.00
October 29, 2015	$25,035,000, Series EX, (refunding), callable	4.000%	October 1, 2019	3,245,000.00	
		4.000%	October 1, 2020	3,375,000.00	
		2.000%	October 1, 2021	3,480,000.00	
		3.000%	October 1, 2022	3,565,000.00	
		3.000%	October 1, 2023	3,675,000.00	
		3.000%	October 1, 2024	3,790,000.00	
		3.000%	October 1, 2025	3,905,000.00	$25,035,000.00
October 29, 2015	$212,120,000, Series EY, (refunding), callable	5.000%	October 1, 2020	22,110,000.00	
		5.000%	October 1, 2021	23,245,000.00	
		5.000%	October 1, 2022	24,440,000.00	
		5.000%	October 1, 2023	25,690,000.00	
		5.000%	October 1, 2024	27,010,000.00	
		5.000%	October 1, 2025	28,395,000.00	
		5.000%	October 1, 2026	29,850,000.00	
		5.000%	October 1, 2027	31,380,000.00	$212,120,000.00
October 29, 2015	$215,590,000, Series EZ, (refunding), callable	5.000%	October 1, 2019	17,040,000.00	
		5.000%	October 1, 2020	17,910,000.00	
		5.000%	October 1, 2021	18,830,000.00	
		5.000%	October 1, 2022	19,795,000.00	
		5.000%	October 1, 2023	20,810,000.00	
		5.000%	October 1, 2024	21,880,000.00	
		5.000%	October 1, 2025	23,000,000.00	
		5.000%	October 1, 2026	24,180,000.00	
		5.000%	October 1, 2027	25,420,000.00	
		5.000%	October 1, 2028	26,725,000.00	$215,590,000.00
October 29, 2015	$25,000,000, Series FA, taxable, callable, Make-Whole Optional Redemption	1.330%	October 1, 2018	1,065,000.00	
		3.000%	October 1, 2019	1,090,000.00	
		1.950%	October 1, 2020	1,115,000.00	
		2.270%	October 1, 2021	1,140,000.00	
		2.530%	October 1, 2022	1,170,000.00	
		2.680%	October 1, 2023	1,200,000.00	
		4.000%	October 1, 2024	1,240,000.00	
		3.050%	October 1, 2025	1,285,000.00	
		3.150%	October 1, 2026	1,325,000.00	
		3.350%	October 1, 2027	1,370,000.00	

Date of Issue	Original Principal and Description	Rate of Interest	Outstanding Maturity Dates	Amount Due	Outstanding Principal
		3.500%	October 1, 2028	1,415,000.00	
		3.650%	October 1, 2029	1,465,000.00	
		3.750%	October 1, 2030	1,520,000.00	
		3.950%	October 1, 2031	1,580,000.00	
		4.050%	October 1, 2032	1,645,000.00	
		4.180%	October 1, 2033	1,715,000.00	
		4.300%	October 1, 2034	1,790,000.00	
		4.400%	October 1, 2035	1,870,000.00	$25,000,000.00
Total of all State of Hawaii general obligation bonds and general obligation refunding bonds issued and outstanding					$5,891,070,000.00

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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." The case was remanded to the circuit court for further proceedings.

A trial in circuit court was held, and, on November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law and Order. That Order declared and ordered the following: 1) the State of Hawai'i has failed to provide sufficient funds to the Department of Hawaiian Home Lands for its administrative and operating budget in violation of the State's constitutional duty to do so under article XII, section 1 of the Hawai`i Constitution; 2) the State of Hawai`i must fulfill its constitutional duty by appropriating sufficient general funds to the Department of Hawaiian Home Lands for its administrative and operating budget so that the Department does not need to use or rely on revenue directly or indirectly from general leases to pay for these expenses; 3) although what is "sufficient" will change over the years, the sufficient sums that the legislature is constitutionally obligated to appropriate in general funds for DHHL's administrative and operating budget (not including significant repairs) is more than $28 million for fiscal year 2015-16. The Court also ruled that 4) prior to 2012, the DHHL Defendants breached their trust duties by failing to take all reasonable efforts – including filing suit – to obtain all the funding it needs for its administrative and operating budget, and 5) the defendants shall prospectively fulfill their constitutional duties and trust responsibilities; they are enjoined from violating these obligations. (The circuit court also ordered that plaintiffs could collect their costs from the State of Hawaii. The Clerk taxed costs in the amount of $12,117.66. State Defendants filed a motion to reduce those costs, which motion is pending.) After judgment was entered, the State Defendants filed a motion for reconsideration or to alter or amend the judgment and order on December 21, 2015. A decision on that motion 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 on the appeal and cross-appeal was completed in October 2015 and the case is now awaiting argument at the Hawaii Supreme Court.

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.

Department of Taxation

On October 21, 2015, the Tax Foundation of the State of Hawaii filed a class action lawsuit against the State of Hawaii seeking a judicial determination that the ten percent withheld from the County Surcharge on State General Excise Tax under section 248-2.6(a), Hawaii Revised Statutes is unconstitutional because it exceeds the actual cost for the state to assess, collect and distribute the County Surcharge to the City and County of Honolulu. *See Tax Foundation of the State of Hawaii v. State of Hawaii*, Case No. 15-1-2020-10 (1st Cir.). Since 2007, the Department of Budget and Finance has transferred $176.2 million from County Surcharge Proceeds into the General Fund (thru September 30, 2015). The State has filed a motion to dismiss the lawsuit arguing that the plaintiff lacks standing to assert these claims and that Hawaii law prohibits declaratory relief in tax controversies.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$5,300,000 **General Obligation** **Refunding Bonds of 2016,** **Series FD**	**$219,690,000** **General Obligation** **Refunding Bonds of 2016,** **Series FE**	**$119,730,000** **Taxable General Obligation** **Refunding Bonds of 2016,** **Series FF**

(Base CUSIP: 419792)

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 $5,300,000 aggregate principal amount of General Obligation Refunding Bonds of 2016, Series FD, its $219,690,000 aggregate principal amount of General Obligation Refunding Bonds of 2016, Series FE, and its $119,730,000 aggregate principal amount of General Obligation Refunding Bonds of 2016, Series FF (collectively, the "Bonds"). The Series FD Bonds and the Series FE Bonds are herein referred to as the "Tax-Exempt 2016 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.

"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, 2016, 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 March 31, 2016, 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 Tax-Exempt 2016 Bonds or other material events affecting the tax-exempt status of the Tax-Exempt 2016 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
	State of Hawaii General Obligation Refunding Bonds of 2016, Series FD
	State of Hawaii General Obligation Refunding Bonds of 2016, Series FE
	Taxable State of Hawaii General Obligation Refunding Bonds of 2016, Series FF
Date of Issuance:	April ___, 2016

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 April ___, 2016. [The State anticipates that the Annual Report will be filed by __________.]

Dated:

STATE OF HAWAII

By: ____

Name: ____

Title: ____

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

____________, 2016

State of Hawaii
Honolulu, Hawaii

State of Hawaii
General Obligation Refunding Bonds of 2016, Series FD,
General Obligation Refunding Bonds of 2016, Series FE and
Taxable General Obligation Refunding Bonds of 2016, Series FF
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the State of Hawaii (the "State") in connection with the issuance of $5,300,000 aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2016, Series FD (the "Series FD Bonds"), $219,690,000 aggregate principal amount of State of Hawaii General Obligation Refunding Bonds of 2016, Series FE (the "Series FE Bonds") and $119,730,000 aggregate principal amount of State of Hawaii Taxable General Obligation Refunding Bonds of 2016, Series FF (the "Series FF Bonds" and, together with the Series FD Bonds and the Series FE Bonds, the "Bonds"), pursuant to a Certificate of the Director of Finance of the State dated as of March 31, 2016 (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 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 court 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. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. 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 assure that future actions, omissions or events will not cause interest on the Series FD Bonds and the Series FE Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Certificate and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, 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, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. 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 constitute valid and binding limited obligations of the State.

2. The Certificate has been duly executed and delivered by the Director of Finance and constitutes the valid and binding obligation of the State.

3. Interest and principal payments on the Bonds are a first charge on the general fund of the State to the punctual payment of which the full faith and credit of the State are pledged.

4. Interest on the Series FD Bonds and the Series FE Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Series FD Bonds and the Series FE Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We further observe that interest on the Series FF Bonds is not excludable from gross income for federal income tax purposes. 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. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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.

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*
General Obligation Bonds of 2008, Series DK	195,000	5/1/2020	4.100	5/1/2018	100	419792HB5
	235,000	5/1/2020	5.000	5/1/2018	100	419792HC3
	65,000	5/1/2021	4.200	5/1/2018	100	419792EB8
	385,000	5/1/2021	5.000	5/1/2018	100	419792EC6
	50,000	5/1/2022	4.250	5/1/2018	100	419792ED4
	420,000	5/1/2022	5.000	5/1/2018	100	419792EE2
	75,000	5/1/2023	4.300	5/1/2018	100	419792EF9
	415,000	5/1/2023	5.000	5/1/2018	100	419792HD1
	35,000	5/1/2024	4.375	5/1/2018	100	419792HE9
	480,000	5/1/2024	5.000	5/1/2018	100	419792HF6
	50,000	5/1/2025	4.400	5/1/2018	100	419792EG7
	490,000	5/1/2025	5.000	5/1/2018	100	419792EH5
	1,900,000	5/1/2026	4.400	5/1/2018	100	419787BB1
	17,950,000	5/1/2026	5.000	5/1/2018	100	419792EJ1
	65,000	5/1/2027	4.500	5/1/2018	100	419792EK8
	530,000	5/1/2027	5.000	5/1/2018	100	419792HG4
	115,000	5/1/2028	4.500	5/1/2018	100	419792EL6
	510,000	5/1/2028	5.000	5/1/2018	100	419792EM4
General Obligation Bonds of 2008, Series DN	1,920,000	8/1/2020	5.000	8/1/2018	100	419792EX0
	2,015,000	8/1/2021	5.000	8/1/2018	100	419792EY8
	2,120,000	8/1/2022	5.000	8/1/2018	100	419792EZ5
	2,225,000	8/1/2023	5.000	8/1/2018	100	419792HK5
	2,340,000	8/1/2024	5.125	8/1/2018	100	419792FA9
	2,465,000	8/1/2025	5.250	8/1/2018	100	419792FB7
	7,720,000	8/1/2026	5.500	8/1/2018	100	419787DC7
	2,750,000	8/1/2027	5.500	8/1/2018	100	419792FC5
	2,905,000	8/1/2028	5.500	8/1/2018	100	419792FD3
General Obligation Bonds of 2009, Series DQ	895,000	6/1/2020	3.600	6/1/2019	100	419787EZ5
	6,000,000	6/1/2020	5.000	6/1/2019	100	419792FS0
	665,000	6/1/2021	3.750	6/1/2019	100	419792FT8
	8,710,000	6/1/2021	5.000	6/1/2019	100	419792FU5
	475,000	6/1/2022	4.000	6/1/2019	100	419787FD3
	11,665,000	6/1/2022	5.000	6/1/2019	100	419792FV3
	2,105,000	6/1/2023	4.000	6/1/2019	100	419787FF8
	9,880,000	6/1/2023	5.000	6/1/2019	100	419792FW1
	640,000	6/1/2024	4.125	6/1/2019	100	419792FX9
	10,195,000	6/1/2024	5.000	6/1/2019	100	419792FY7
	14,365,000	6/1/2025	5.000	6/1/2019	100	419792FZ4
	13,400,000	6/1/2026	5.000	6/1/2019	100	419787FL5
	13,025,000	6/1/2027	5.000	6/1/2019	100	419792GA8
	17,540,000	6/1/2028	5.000	6/1/2019	100	419792GB6
	14,875,000	6/1/2029	5.000	6/1/2019	100	419792GD2
	2,650,000	6/1/2029	4.500	6/1/2019	100	419792GC4

Refunded Bonds	Principal Amount ($)	Stated Maturity	Interest Rate (%)	Redemption Date	Redemption Price (%)	CUSIP*
General Obligation Bonds of 2011, Series DZ						
	19,690,000	12/1/2019	5.000	-	-	419792GP5
	16,575,000	12/1/2020	5.000	-	-	419791F29
	15,060,000	12/1/2021	5.000	-	-	419791F37
	16,610,000	12/1/2022	5.000	12/1/2021	100	419792GQ3
	19,230,000	12/1/2023	5.000	12/1/2021	100	419792GR1
	17,145,000	12/1/2024	5.000	12/1/2021	100	419791F60
	16,665,000	12/1/2026	5.000	12/1/2021	100	419792GS9
	18,950,000	12/1/2027	5.000	12/1/2021	100	419792GT7
	21,500,000	12/1/2028	5.000	12/1/2021	100	419791G28

STATE OF HAWAII • General Obligation Refunding Bonds of 2016, Series FD and Series FE and Taxable General Obligation Refunding Bonds of 2016, Series FF

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