STATE OF HAWAIʻI
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaiʻi 96813-2917

LESLIE H. KONDO
State Auditor
(808) 587-0800
lao.auditors@hawaii.gov

DEPT. COMM. NO. 374

February 6, 2023

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawaiʻi State Capitol, Room 409
Honolulu, Hawaiʻi 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawaiʻi State Capitol, Room 431
Honolulu, Hawaiʻi 96813

RE: Financial and Compliance Audit of the Stadium Authority

Dear President Kouchi and Speaker Saiki:

The audit report on the financial statements and compliance of the Stadium Authority for the fiscal year ended June 30, 2022, was issued on December 14, 2022. The Office of the Auditor retained N&K CPAs, Inc. to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

https://files.hawaii.gov/auditor/Reports/2022_Audit/Stadium2022.pdf; and

https://files.hawaii.gov/auditor/Reports/2022_Audit/Stadium_Summary_2022.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:LYK:emo

Attachment

ec/attach (Auditor's Summary only): Members of the Senate
Members of the House of Representatives
Carol Taniguchi, Senate Chief Clerk
Brian Takeshita, House Chief Clerk

Auditor’s Summary

Financial and Compliance Audit of the Stadium Authority

Financial Statements, Fiscal Year Ended June 30, 2022

PHOTO: ALOHA STADIUM

THE PRIMARY PURPOSE *of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Stadium Authority, as of and for the fiscal year ended June 30, 2022, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs.*

About the Authority

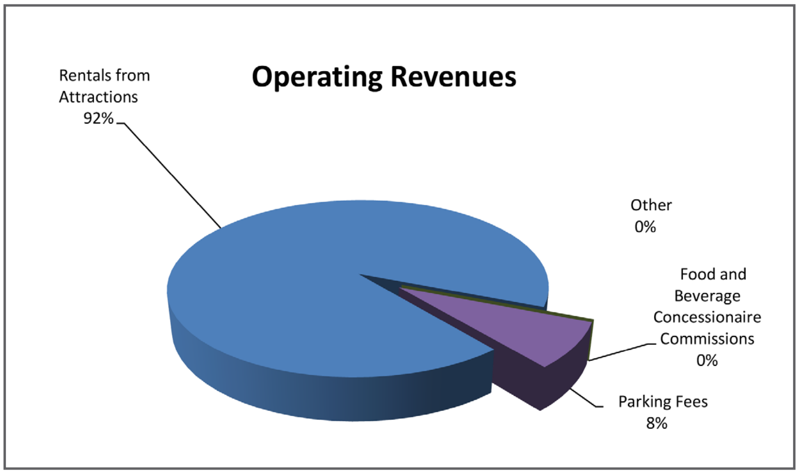
The Stadium Authority (Authority) was established in 1970 and is responsible for the operation, management, and maintenance of Aloha Stadium, located in Honolulu, Hawai‘i. The Authority functions under the direction of a nine-member board, appointed by the Governor. In addition, the president of the University of Hawai‘i and the state superintendent of education are nonvoting ex-officio members of the board. For administrative purposes, the Authority is placed within the State of Hawai‘i’s Department of Accounting and General Services.

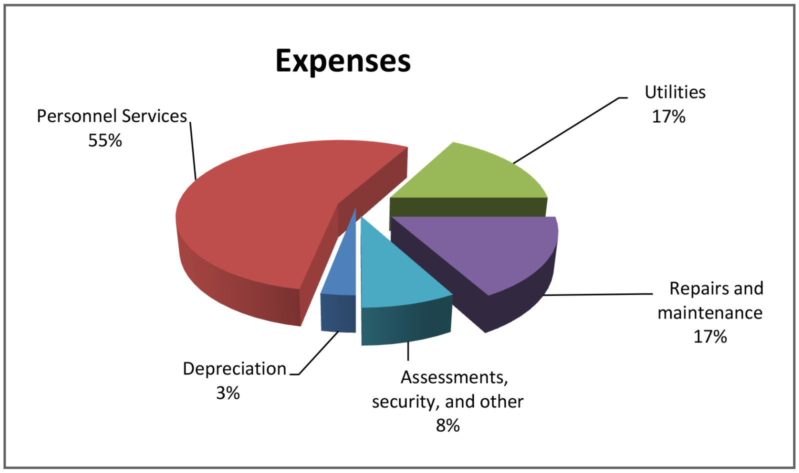
Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2022, the Authority reported total revenues of $5.1 million and total expenses of $5.8 million, resulting in a net operating loss of $700,000. Revenues consisted of $4.7 million from rentals from attractions and $400,000 in parking fees and other revenues. The Authority’s net loss was partially offset by $7.3 million in capital contributions, which represents the portion of Aloha Stadium capital improvement costs that were paid by the State of Hawai‘i. In addition, the Authority received Coronavirus State and Local Fiscal Recovery Funds of $2.3 million resulting in an increase in net position of $9 million.

Expenses consisted of (1) $200,000 for depreciation, (2) $3.2 million for personnel services, (3) $1 million for utilities, and (4) $1 million for repairs and maintenance. Additional expenses totaled $400,000 and included state central services assessments as well as security, professional services, and other costs.

As of June 30, 2022, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources, resulting in a net position of $28.6 million. Of this amount, $37.4 million was invested in capital assets and there is an unrestricted net deficit of $8.8 million. The agency reported total assets and deferred outflows of resources of $43.6 million, comprised of (1) cash of $4.9 million, (2) receivables, other assets, and deferred outflows of resources of $1.3 million, and (3) net capital assets of $37.4 million. The agency reported total liabilities and deferred inflows of resources of $15 million, comprised of (1) net pension liability of $5.7 million, (2) vacation and other retirement payables of $6.3 million, and (3) other liabilities and deferred inflows of resources of $3 million.





Auditors' Opinion

THE AUTHORITY RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. The Authority also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the auditors identified one material weakness in internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct on a timely basis. The material weakness is described on pages 62-63 of the report.

There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*.

For the complete report and financial statements visit our website at:
https://files.hawaii.gov/auditor/Reports/2022_Audit/Stadium2022.pdf

FINANCIAL AUDIT OF THE
STADIUM AUTHORITY
STATE OF HAWAII

Fiscal Year Ended June 30, 2022

Submitted by
The Auditor
State of Hawaii

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200 | HONOLULU, HAWAII 96813
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STADIUM AUTHORITY
STATE OF HAWAII

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STATE OF HAWAII

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PART I

FINANCIAL SECTION

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

999 BISHOP STREET, SUITE 2200
HONOLULU, HAWAII 96813
T (808) 524-2255 F (808) 523-2090

INDEPENDENT AUDITOR'S REPORT

To the Auditor
State of Hawaii

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Stadium Authority, State of Hawaii, as of June 30, 2022, and the changes in financial position and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note N to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 to 12 and the schedules of proportionate share of the net pension liability, pension contributions, proportionate share of the net OPEB liability, and OPEB contributions on pages 43 to 49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

N+K CPAs, INC.

Honolulu, Hawaii
December 14, 2022

Management of the Stadium Authority, State of Hawaii (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of Aloha Stadium as of and for the fiscal year ended June 30, 2022. This management's discussion and analysis is designed to assist the reader in focusing on the Authority's financial issues and activities to identify any significant changes in the Authority's financial position. The Authority encourages readers to consider the information presented here in conjunction with the financial statements taken as a whole.

Overview of the Financial Statements

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

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

Statement of Net Position

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

Statement of Revenues, Expenses, and Changes in Net Position

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

Statement of Cash Flows

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

Notes to the Financial Statements

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

Condensed Financial Information

The following are summaries from the Authority's financial statements as of and for the fiscal years ended June 30, 2022 and 2021 (in thousands):

	2022	2021 (as restated)
NET POSITION:		
Assets:		
Current assets	$ 5,230	$ 2,806
Capital assets, net	37,386	31,215
Other assets	52	31
Total assets	42,668	34,052
Deferred outflows of resources	919	1,450
Liabilities:		
Current liabilities	1,328	1,453
Noncurrent liabilities	11,994	13,847
Total liabilities	13,322	15,300
Deferred inflows of resources	1,631	522
Net position:		
Net investment in capital assets	37,386	31,215
Restricted	--	37
Unrestricted	(8,752)	(11,572)
Total net position	$ 28,634	$ 19,680
CHANGES IN NET POSITION:		
Operating revenues:		
Rentals from swap meet and attractions	$ 4,663	$ 2,595
Parking	359	73
Commissions from food and beverage concessionaire	27	34
Other	18	150
Total operating revenues	5,067	2,852
Operating expenses:		
Personnel services	(3,235)	(4,445)
Depreciation	(206)	(216)
Other	(2,310)	(1,983)
Total operating expenses	(5,751)	(6,644)
Operating loss	(684)	(3,792)
Nonoperating revenues:		
Coronavirus State and Local Fiscal Recovery Funds	2,300	--
Interest and investment income, net	17	20
	2,317	20
Income (loss) before capital contributions	1,633	(3,772)
Capital Contributions	7,321	10,083
Extraordinary item - impairment loss	--	(73,325)
Change in net position	8,954	(67,014)
Net position at beginning of year	19,680	86,694
Net position at end of year	$ 28,634	$ 19,680

Financial Analysis

Current assets increased by $2,424,000 or 86.4% from the previous fiscal year. The increase is primarily due to the increase in cash and cash equivalents of $2,428,000.

Capital assets, net increased by $6,171,000 or 19.8% from the previous fiscal year. The increase is primarily due to construction in progress on planning the new stadium and its surrounding area, more commonly and collectively referred to as the New Aloha Stadium Entertainment District (NASED).

The NASED project is based on a public-private partnership model that involves two separate but linked projects 1) real estate project 2) stadium project. Approximately $23.5 million has been expended on the NASED project.

For more information on the New Aloha Stadium Entertainment District (NASED) please visit the website at: *https://nased.hawaii.gov*.

Additional information on the Authority's capital assets can be found in Note E, Capital Assets, to financial statements.

Current liabilities decreased by $125,000 or 8.6% from the previous fiscal year. The decrease is primarily due to a decrease in accrued vacation due within one year.

Noncurrent liabilities decreased by $1,853,000 or 13.4% from the previous fiscal year. The decrease is primarily due to a decrease in net pension liability. According to the State of Hawaii Employees' Retirement System (ERS), ERS was one of only seven public pension funds nationwide with a positive fiscal year return. As a result, the pension liability decreased from prior year.

Net position increased by $8,954,000 or 45.5% from the previous fiscal year. The increase is primarily due to an increase in capital assets.

Operating revenues increased by $2,215,000 or 77.7% from the previous fiscal year. The increase is primarily due to an increase in swap meet fees. There were several factors for the increase in swap meet fees. Effective September 2021, Stadium entered into a new agreement with the swap meet management company. In this agreement, Stadium retained 100% of the buyer fees; whereas, previously the buyer fees were shared based on a predetermined percentage. Second, the State of Hawaii's COVID-19 related travel program, Hawaii Safe Travels, ended March 25, 2022 11:59 pm. Lastly, effective May 2022, there was a change in buyer admission fee. A person 12 years old and older presenting either a State of Hawaii identification card or military identification card is charged $1 per person; otherwise the buyer admission fee is $2 per person.

Operating expenses decreased by $893,000 or 13.4% from the previous fiscal year. The decrease is primarily due to a decrease in personnel services. The Authority had a reduction-in-force that concluded on February 28, 2022. 14.5 positions were eliminated. Affected employees were placed in positions within the State, retired, or discharged.

Nonoperating revenues increased by $2,297,000 or 114.9% from the previous fiscal year. The Authority anticipated to end fiscal year 2022 with a deficit. As a result, the Authority requested an emergency appropriation during the 2021 legislative session. Instead of an emergency appropriation, the 2021 State of Hawaii Legislature (Legislature) appropriated funds from the American Rescue Plan Act of 2021 (ARPA), a federal COVID-19 relief package. The Department of Budget and Finance on behalf of the Governor released $2.3 million to the Authority in fiscal year 2022 to be used to respond to the COVID-19 public health emergency or its negative economic impact.

Capital contributions decreased by $2,762,000 or 27.4% from the previous fiscal year. The decrease is due to reduced capital contributions related to the NASED project in the current year, offset by increases in capital contributions received for the maintenance of the existing stadium structure.

Other information

Act 220, Session Laws of Hawaii 2022 transfers the Stadium Authority from the Department of Accounting and General Services to the Department of Business, Economic Development, and Tourism effective July 1, 2022. In addition, the composition and count recognition of the Stadium Authority Board changes from nine members to eleven members, whose responsibility shall be to maintain, operate, and manage the stadium development district.

Request for Information

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

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

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF NET POSITION
June 30, 2022

ASSETS	
Current assets	
Cash and cash equivalents	$ 4,871,937
Receivables from concessionaire and other, net	294,637
Lease receivable	60,884
Interest receivable	2,246
Total current assets	5,229,704
Capital assets, net	37,386,049
Lease receivable - non current	20,895
Other assets	30,966
Total assets	42,667,614
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	616,929
Related to other postemployment benefits	302,370
Total deferred outflows of resources	919,299
LIABILITIES	
Current liabilities	
Vouchers payable	799,833
Accrued payroll	233,906
Accrued vacation - due within one year	115,882
Workers compensation - due within one year	2,730
Unemployment	20,240
Due to State General Fund for advances for Imprest Fund	30,000
Other	125,528
Total current liabilities	1,328,119
Net pension liability	5,653,404
Net other postemployment benefits liability	5,900,366
Accrued vacation - due in more than one year	241,968
Workers compensation - due in more than one year	120,643
Licensees’ deposits	77,154
Total liabilities	13,321,654
DEFERRED INFLOWS OF RESOURCES	
Related to pension	967,629
Related to other postemployment benefits	583,895
Related to leases	79,503
Total deferred inflows of resources	1,631,027
NET POSITION	
Net investment in capital assets	37,386,049
Unrestricted	(8,751,817)
Total net position	$ 28,634,232

See accompanying notes to the basic financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Fiscal Year Ended June 30, 2022

OPERATING REVENUES	
Rentals from swap meet and attractions	$ 4,663,171
Parking	358,262
Commissions from food and beverage concessionaire	26,927
Other	18,142
Total operating revenue	5,066,502
OPERATING EXPENSES	
Personnel services	3,234,909
Repairs and maintenance	971,714
Utilities	967,401
Security	231,510
Depreciation	206,181
Professional services	104,551
Other	52,105
Special fund assessments	(17,703)
Total operating expenses	5,750,668
Operating loss	(684,166)
NONOPERATING REVENUES	
Coronavirus State and Local Fiscal Recovery Funds	2,300,000
Interest and investment income, net	17,081
	2,317,081
Income before capital contributions	1,632,915
CAPITAL CONTRIBUTIONS	7,321,208
Change in net position	8,954,123
NET POSITION AT BEGINNING OF YEAR, as previously stated	18,628,421
RESTATEMENT	1,051,688
NET POSITION AT BEGINNING OF YEAR, as restated	19,680,109
NET POSITION AT END OF YEAR	$ 28,634,232

See accompanying notes to the basic financial statements.

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
STATEMENT OF CASH FLOWS
Fiscal Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	5,130,398
Cash paid to suppliers		(1,335,299)
Cash paid to employees		(3,678,626)
Net cash provided by operating activities		116,473
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Coronavirus State and Local Fiscal Recovery Funds		2,300,000
Net cash provided by noncapital financing activities		2,300,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and investment income		11,521
Net cash provided by investing activities		11,521
Net increase in cash and cash equivalents		2,427,994
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,443,943
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	4,871,937
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss	$	(684,166)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		206,181
Capital contributions - repairs and maintenance		947,774
Recoveries of doubtful receivables		(244)
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Receivables from concessionaires and other		66,416
Lease receivable		57,351
Deferred outflows of resources related to pension		448,188
Deferred outflows of resources related to other postemployment benefits		82,561
Vouchers payable		1,630
Accrued payroll and vacation		(270,486)
Other liabilities		(180,575)
Net other postemployment benefits liability		(241,644)
Net pension liability		(1,286,171)
Deferred inflows of resources related to pension		950,577
Deferred inflows of resources related to other postemployment benefits		78,708
Deferred inflows of resources related to leases		(59,627)
Net cash provided by operating activities	$	116,473
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:		
Capital contributions	$	7,321,208

See accompanying notes to the basic financial statements.

NOTE A - FINANCIAL REPORTING ENTITY

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(2) ***Use of Estimates*** - The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(3) ***Cash and Cash Equivalents*** - Cash and cash equivalents consists of cash on hand, cash in bank and amounts held in State Treasury.

(4) ***Receivables from Concessionaire and Other*** - Receivables are recorded at contracted or invoiced amounts. The Authority records an allowance on a specific account basis by considering a number of factors, including the length of time receivables are past due and the concessionaire's or other third party's current ability to pay its obligations to the Authority. The valuation allowance was approximately $1,990 as of June 30, 2022.

(5) ***Capital Assets*** - Capital assets purchased are recorded at cost. Contributed capital assets are recorded at estimated fair value at the date received.

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

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(7) ***Compensated Absences*** - The Authority permits employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the accompanying financial statements.

(8) ***Leases*** - *Lessee recognition and measurement*: The Authority has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual value of $25,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

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

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

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

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses the State's estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

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

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

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

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

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

The Authority leases facilities to a telecommunication company with fixed monthly payments ranging from $4,950 to $5,255 that expires in October 2023. The Authority recognized revenue, comprised of lease revenue and interest revenue, of approximately $62,900 for the fiscal year ended June 30, 2022.

(9) ***Net Position*** - Net position is reported in three categories: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position consists of funds subject to external restrictions on how they may be used. Unrestricted net position may be used to meet the Authority's ongoing obligations such as future operational expenses, replacement equipment, and personnel costs. The deficit balance in the unrestricted net position is due primarily to recording the net pension liability and the net OPEB liability for financial statement reporting purposes.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(10) ***Capital Contributions*** - The State pays for portions of construction costs related to various capital projects. The nonexchange transactions are recorded as capital contributions in the accompanying statement of revenues, expenses and changes in net position.

(11) ***Risk Management*** - The Authority is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

(12) ***Pension*** - The actuarial valuation of the Employees' Retirement System of the State of Hawaii (ERS) does not provide pension benefits information by department or agency. Accordingly, the State's policy on the accounting and reporting for pension benefits is to allocate a portion of the State's net pension liability, and any adjustment to the net pension liability, to component units and proprietary funds that are reported separately in stand-alone departmental financial statements or in the State's Annual Comprehensive Financial Report (ACFR). The State allocates annual pension expense to component units and proprietary funds based on their proportionate percentage of the State's total covered payroll.

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

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

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

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) ***New Accounting Pronouncements*** - In June 2017, the GASB issued Statement No. 87, *Leases*, to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Implementation of this Statement resulted in the recognition of a lease receivable and deferred inflow of resources of $139,130 as of June 30, 2021. The implementation of this Statement had no impact to net position as of June 30, 2021.

The GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on the Authority's financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. Management has not yet determined the effect this Statement will have on the Authority's financial statements.

NOTE C - BUDGETING

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

NOTE D - CASH AND CASH EQUIVALENTS

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

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

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

The Authority also maintains cash in bank which is held separately from cash in the State Treasury. As of June 30, 2022, the carrying amount of the total bank balance was approximately $290,400, which is insured by the Federal Deposit Insurance Corporation.

NOTE E - CAPITAL ASSETS

The changes in capital assets were as follows:

	Balance July 1, 2021 (as restated)	Additions	Deductions	Transfers	Balance June 30, 2022
Land improvements	$ 3,000,433	$ --	$ --	$ --	$ 3,000,433
Equipment, furniture and fixtures	3,801,617	--	(339,876)	(337,726)	3,124,015
	6,802,050	--	(339,876)	(337,726)	6,124,448
Less accumulated depreciation					
Land improvements	(1,699,530)	(99,988)	--	--	(1,799,518)
Equipment, furniture and fixtures	(3,567,149)	(106,193)	339,876	337,726	(2,995,740)
Total accumulated depreciation	(5,266,679)	(206,181)	339,876	337,726	(4,795,258)
Total depreciable assets, net	1,535,371	(206,181)	--	--	1,329,190
Land	11,518,621	--	--	--	11,518,621
Construction in progress	18,160,460	6,377,778	--	--	24,538,238
	$ 31,214,452	$ 6,171,597	$ --	$ --	$ 37,386,049

Depreciation expense amounted to $206,181 for the fiscal year ended June 30, 2022.

NOTE F - LONG-TERM LIABILITIES

Changes in long-term liabilities for the fiscal year ended June 30, 2022 were as follows:

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Accrued vacation	$ 598,484	$ 154,167	$ (394,801)	$ 357,850	$ 115,882
Workers compensation	325,573	52,836	(255,036)	123,373	2,730
Licensees' deposits	49,757	38,117	(10,720)	77,154	--
	$ 973,814	$ 245,120	$ (660,557)	$ 558,377	$ 118,612

NOTE G - RETIREMENT BENEFITS

Plan Description

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

NOTE G - RETIREMENT BENEFITS (Continued)

Benefits Provided

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

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

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

Noncontributory Class

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

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

Contributory Class for Members Hired prior to July 1, 2012

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

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

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

Contributory Class for Members Hired After June 30, 2012

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

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

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

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

Hybrid Class for Members Hired Prior to July 1, 2012

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

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

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

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

NOTE G - RETIREMENT BENEFITS (Continued)

Hybrid Class for Members Hired After June 30, 2012

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

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

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2022 were 41% for police officers and firefighters and 24% for all other employees. Contributions to the ERS from the Authority was $445,674 for the fiscal year ended June 30, 2022.

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

At June 30, 2022, the Authority reported a liability of $5,653,404 for its proportionate share of the State's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At the measurement date, June 30, 2021, the Authority's proportionate share of the State's net pension liability was .08%, which was equal to its proportionate share as of the measurement date, June 30, 2020.

There were no significant changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the proportionate share of the net pension liability.

For the fiscal year ended June 30, 2022, the Authority recognized pension expense of $558,269. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ (11,801)	$ (71)
Net difference between projected and actual earnings on pension plan investments	--	(942,186)
Differences between expected and actual experience	156,881	2,208
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	26,175	(27,580)
Contributions subsequent to the measurement date	445,674	--
	$ 616,929	$ (967,629)

NOTE G - RETIREMENT BENEFITS (Continued)

At June 30, 2022, the $445,674 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2022 will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Amount
2023	$ (169,097)
2024	(159,897)
2025	(191,897)
2026	(279,143)
2027	3,660
	$ (796,374)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, adopted by the ERS's Board of Trustees on August 12, 2019, based on the 2018 Experience Study for the five-year period from July 1, 2013 through June 30, 2018:

Inflation	2.50%
Payroll growth rate	3.50%
Investment rate of return	7.00% per year, including inflation

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

Post-retirement mortality rates are based on the 2019 Public Retirees of Hawaii mortality table, generational projection using the BB projection table from the year 2019 and with multipliers based on plan and group experience. Pre-retirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

NOTE G - RETIREMENT BENEFITS (Continued)

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

Strategic Allocation (Risk-Based Classes)	Target Allocation	Long-Term Expected Rate of Return	Long-Term Expected Real Rate of Return*
Broad growth	63.0%	8.00%	5.90%
Diversifying strategies	37.0%	5.10%	3.00%
Total investments	100.0%		

* Uses an expected inflation rate of 2.10%

Discount Rate

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

NOTE G - RETIREMENT BENEFITS (Continued)

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

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

	1 percent decrease (6.00%)	Current discount rate (7.00%)	1 percent increase (8.00%)
Authority's proportionate share of the net pension liability	$ 7,716,468	$ 5,653,404	$ 3,952,528

Pension Plan Fiduciary Net Position

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

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

NOTE H - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Plan Description

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

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

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

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

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

Employees Covered by Benefit Terms

At July 1, 2021, the following number of plan members of the State were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	38,534
Inactive plan members entitled to but not yet receiving benefits	7,539
Active plan members	49,700
Total plan members	95,773

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the EUTF from the Authority was $194,627 for the fiscal year ended June 30, 2022. The employer is required to make all contributions for members.

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

At June 30, 2022, the Authority reported a net OPEB liability of $5,900,366.The net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2022, the Authority’s proportionate share of the State’s net OPEB liability was 0.02%, which was a decrease of 0.05% from its proportionate share of 0.07% as of June 30, 2021.

There were no changes between the measurement date, July 1, 2021, and the reporting date, June 30, 2022, that are expected to have a significant effect on the net OPEB liability.

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

For the fiscal year ended June 30, 2022, the Authority recognized OPEB expense of $114,251. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 59,050	$ (31,602)
Net difference between projected and actual earnings on OPEB plan investments	48,693	(52,578)
Difference between expected and actual experience	--	(499,715)
Contributions subsequent to the measurement date	194,627	--
	$ 302,370	$ (583,895)

At June 30, 2022, the $194,627 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	Amount
2023	$ (111,264)
2024	(110,797)
2025	(107,985)
2026	(121,129)
2027	(24,909)
Thereafter	(68)
	$ (476,152)

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

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF Board of Trustees, on January 13, 2020, based on the experience study covering the five-year period ended June 30, 2018:

Inflation	2.50%
Salary increases	3.50% to 7.00%, including inflation
Investment rate of return	7.00%, net of investment expenses, including inflation

Healthcare Cost Trend Rates:

PPO*	Initial rate of 7.25%; declining to a rate of 4.70% after 12 years
HMO*	Initial rate of 7.25%; declining to a rate of 4.70% after 12 years
Part B & Base Monthly Contribution (BMC)	Initial rates of 5.00%; declining to a rate of 4.70% after 9 years
Dental	4.00%
Vision	2.50%
Life Insurance	0.00%

*Blended rates for medical and prescription drug.

System-specific mortality tables utilizing scale BB to project generational mortality improvement.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Private equity	12.50%	10.19%
U.S. microcap	6.00%	7.62%
U.S. equity	16.00%	6.09%
Non-U.S. equity	11.50%	7.12%
Global options	5.00%	4.33%
Real assets	10.00%	6.16%
Private credit	8.00%	5.83%
TIPS	5.00%	-0.07%
Long treasuries	6.00%	1.06%
Alternative risk premia	5.00%	1.46%
Trend following	10.00%	2.01%
Reinsurance	5.00%	4.44%
	100.00%	

Single Discount Rate

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

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

OPEB Plan Fiduciary Net Position

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

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

Changes in the Net OPEB Liability

The following table represents a schedule of changes in the Authority's proportionate share of the State's net OPEB liability. The ending balances are as of the measurement date, July 1, 2021.

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 7,726,602	$ 1,584,592	$ 6,142,010
Changes for the fiscal year:			
Service cost	48,000	--	48,000
Interest on the total OPEB liability	159,338	--	159,338
Contributions - employer	--	250,222	(250,222)
Net investment income	--	131,170	(131,170)
Difference between expected and actual experience	(67,630)	--	(67,630)
Benefit payments	(72,815)	(72,815)	--
Administrative expense	--	(67)	67
Other	--	27	(27)
Net changes	66,893	308,537	(241,644)
Ending balance	$ 7,793,495	$ 1,893,129	$ 5,900,366

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net OPEB liability	$ 7,298,439	$ 5,900,366	$ 4,797,271

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Authority's proportionate share of the net OPEB liability	$ 4,737,722	$ 5,900,366	$ 7,402,159

NOTE I - DEFERRED COMPENSATION PLAN

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

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

NOTE J - STADIUM SPECIAL ACCOUNT

Contracts with licensees of the Authority and the related ticket sales are controlled in the Stadium Special Account. This account's cash balance and liabilities to third parties, net of amounts owed to the Authority, are included in the accompanying statement of net position and amounted to $262,081 at June 30, 2022. The activity in the account is included in the accompanying statement of revenues, expenses, and changes in net position only as it relates to the Authority's rentals from attractions, expense reimbursements from users, and other miscellaneous transactions (i.e., excludes ticket sales proceeds held on behalf of the licensees).

NOTE K - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately $450,054 as of June 30, 2022.

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an Authority employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2022 totaled approximately $1,030,375.

Legal Matters

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

NOTE L - RISK MANAGEMENT

Insurance Coverage

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

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

Crime Insurance - The State also has a crime insurance policy for various types of coverages with a limit of loss of $10,000,000 per occurrence with a $500,000 deductible per occurrence, except for 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 (tort and auto) claims up to $25,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, employment liability, and employee benefits liability insurance policy in force with a $5,000,000 self-insured retention per occurrence. The annual per occurrence limit is $7,500,000 for wrongful action and $12,500,000 for Products/Completed Operations, Error & Omission and Employee Benefits Liability, and for crime loss, $10,000,000 with no aggregate limit. Losses under the deductible amount but over the Risk Management Office authority or over the aggregate limit are typically paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance - The State is insured for various types of cyber-related activities with a loss limit of $50,000,000 with a deductible of $1,000,000 per claim. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry - Data Security Standard coverage.

NOTE L - RISK MANAGEMENT (Continued)

Self-Insured Risks - The State, including the Authority, generally self-insures its automobile no-fault and workers' compensation losses.

A liability for workers' compensation is established if information indicates that a loss has been incurred as of June 30, 2022, and the amount of the loss can be reasonably estimated. The liability includes an estimate for amounts incurred but not reported and loss adjustment expenses.

NOTE M - TRANSACTIONS WITH OTHER STATE DEPARTMENTS

Special Fund Assessments - Prior to July 1, 2021, in accordance with HRS Section 36-27, the Director of Finance of the State assessed the Authority an amount equal to five percent of the Authority's special fund receipts for the purpose of defraying the prorated estimate of central service expenses of the State. In accordance with HRS Section 36-30, the Authority was also responsible for its pro rata share of the administrative expenses incurred by DAGS. Effective July 1, 2021, the Authority is exempt from the special fund assessments required by HRS Section 36-27 and HRS Section 36-30. As of June 30, 2022 the amounts payable totaled $557,926, which relate to special fund assessments incurred prior to July 1, 2021.

NOTE N - RESTATEMENT

Net position as of June 30, 2021 has been restated to recognize capital contributions for contract costs for the development of the new stadium and real estate district that were paid by the Hawaii Community Development Authority. The effect of the restatement was to increase net position and capital assets by $1,051,688 as of June 30, 2021 and increase the change in net position by $1,051,688 in the fiscal year ended June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Ten Fiscal Years *

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

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

See accompanying notes to required supplementary information.

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

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

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

See accompanying notes to required supplementary information.

NOTE A - CHANGES OF ASSUMPTIONS

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

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

- The investment return assumption decreased from 7.65% to 7.00%

- Mortality assumptions were modified to assume longer life expectancies as well as to reflect continuous mortality improvement

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

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
Last Ten Fiscal Years *

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

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

See accompanying notes to required supplementary information.

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

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

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

See accompanying notes to required supplementary information.

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS

The actuarially determined contribution for the fiscal year ended June 30, 2022 was developed in the July 1, 2019 valuation. The following summarizes the significant methods and assumptions used to determine the actuarially determined contribution for the fiscal year ended June 30, 2022:

Actuarial valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Equivalent single amortization period	23 as of June 30, 2022
Inflation rate	2.50%
Investment rate of return	7.00%
Payroll growth	3.50%
Salary increases	3.50% to 7.00% including inflation
Demographic assumptions	Based on the experience study covering the five year period ending June 30, 2018 as conducted for the ERS
Mortality	System-specific mortality tables utilizing scale BB to project generational mortality improvement
Participation rates	98% healthcare participation assumption for retirees that receive 100% of the Base Monthly Contribution (BMC). Healthcare participation rates of 25%, 65%, and 90% for retirees that receive 0%, 50%, or 75% of the BMC, respectively. 100% for life insurance and 98% for Medicare Part B
Healthcare cost trend rates	
PPO	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
HMO	Initial rate of 8.00%, declining to a rate of 4.86% after 12 years
Part B	Initial rates of 5.00%; declining to a rate of 4.70% after 11 years
Dental	Initial rate of 5.00% for first 2 years, followed by 4.00%
Vision	Initial rate of 0.00% for first 2 years, followed by 2.50%
Life Insurance	0.00%

NOTE A - SIGNIFICANT METHODS AND ASSUMPTIONS (Continued)

Prior to the fiscal year ended June 30, 2022, there were no other factors, including the use of different assumptions that significantly affected trends in the amounts reported in the schedule of changes in the net OPEB liability and related ratios or the schedule of contributions (OPEB).

SUPPLEMENTARY INFORMATION

Stadium Authority
State of Hawaii
(A Component Unit of the State of Hawaii)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Federal Expenditures
Department of the Treasury Programs			
Pass-through Executive Office of the State of Hawaii			
Coronavirus State and Local Fiscal Recovery Funds	21.027	SLRFP0134	$ 2,300,000
Total Department of the Treasury Programs			2,300,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 2,300,000

The accompanying notes are an integral part of this schedule.

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Stadium Authority, under programs of the federal government for the fiscal year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Stadium Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Stadium Authority.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

The Stadium Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

PART II

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

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

The Auditor
State of Hawaii

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Stadium Authority, State of Hawaii (the Authority), a component unit of the State of Hawaii, as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weaknesses.

Report on Compliance and Other Matters

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

Stadium Authority's Response to Finding

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

Purpose of This Report

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

N+K CPAs, INC.

Honolulu, Hawaii
December 14, 2022

PART III

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

N&K CPAs, Inc.
ACCOUNTANTS | CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Auditor
State of Hawaii

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

N+K CPAs, INC.

Honolulu, Hawaii
December 14, 2022

PART IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	✓	yes		no
Significant deficiency(ies) identified?		yes	✓	none reported
Noncompliance material to financial statements noted?		yes	✓	no

Federal Awards

Internal control over major federal programs:				
Material weakness(es) identified?		yes	✓	no
Significant deficiency(ies) identified?		yes	✓	none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		yes	✓	no

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		yes	✓	no

SECTION II - FINANCIAL STATEMENT FINDINGS

2022-001 Improve Accounting for Capital Assets and Repairs and Maintenance

Criteria:
Accounting principles generally accepted in the United States of America require costs incurred to acquire, including construction of, an asset with a useful life over one year be capitalized. Costs related to maintenance, repairs, minor replacements and renewals should be charged to operations as incurred.

Condition:

A. The Authority did not record approximately $1,006,404 in additions to capital assets that were related to contract costs incurred as of June 30, 2022 that were withheld from the contractor, that is, retainage payable.

B. The Public Works Division of the Department of Accounting and General Services, State of Hawaii, administers capital projects for the Authority, which generally includes making payments to contractors for work performed-to-date. However, during the fiscal year ended June 30, 2021, the Hawaii Community Development Authority (HCDA) paid $1,051,688 in contract costs for one of the Authority's projects related to the New Aloha Stadium Entertainment District. These contract costs were not reflected on the project expenditure reports that the Authority used to record additions to capital assets. As a result, $1,051,688 in contract costs were not recorded as capital assets as of June 30, 2021 and $1,051,688 in capital contributions were not recorded for the fiscal year ended June 30, 2021.

   HCDA was also responsible for the payment of approximately $948,000 in contract costs incurred during the fiscal year ended June 30, 2022 for another project administered by the Public Works Division. These costs were related to the monitoring of the structural integrity of the existing stadium. Management of the Authority became aware of these costs during their investigation of the condition described in the previous paragraph and recorded the expense and related capital contribution for the fiscal year ended June 30, 2022.

Cause:
Excluding contract costs withheld from the contractor as additions to capital assets was an oversight. The Authority was unaware of the contract payments made by HCDA.

Effect:
When multiple departments and agencies of the State are involved in the funding and management of capital projects, there is an increased risk of a breakdown in communication that could result in a misstatement of the Authority's financial statements.

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2022-001 Improve Accounting for Capital Assets and Repairs and Maintenance (Continued)

Recommendation:
The Authority should improve the communication with all departments and agencies of the State involved in the funding and management of the Authority's capital projects to identify all additions to capital assets.

Views of Responsible Officials and Planned Corrective Action:
Management agrees with the finding and recommendation. See Corrective Action Plan on page 65.

PART V

CORRECTIVE ACTION PLAN

Josh Green, M.D.
Governor

Chris J. Sadayasu
Director, DBEDT

Brennon Morioka
Vice Chairman, Stadium Authority

Ryan G. Andrews
Stadium Manager

Russell T. Uchida
Stadium Deputy Manager

ALOHA STADIUM

An Agency of the State of Hawaii

Schedule of Findings and Questioned Costs
Fiscal Year End June 30, 2022

2022-001: Improve Accounting for Capital Assets and Repairs and Maintenance
Management acknowledges the finding and recommendation.

Planned Corrective Action
When conducting a search for unrecorded liabilities, management recorded only the amount due to the vendor and did not record the retainage payable as well. Management will place a note in the file as a reminder to record both the amount due and retainage payable as these amounts represents costs incurred.

Management will coordinate with the Department of Business, Economic Development, and Tourism's Hawaii Community Development Authority and/or the Department of Accounting and General Services' Public Works Division regarding costs associated with the New Aloha Stadium Entertainment District project.

The Authority prepares generally accepted accounting principles (GAAP) financial statements on an annual basis. Both conditions noted above are year-end closing adjustments posted to the financial statements by management. As a result, the corrective action will be implemented in June 2023.

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