



AUDIT STANDING COMMITTEE MEETING
HAWAII TOURISM AUTHORITY
Thursday, December 12, 2018
Hawai'i Convention Center
1801 Kalākaua Avenue, Honolulu, Hawai'i 96815

MINUTES OF AUDIT STANDING COMMITTEE MEETING

- COMMITTEE MEMBERS PRESENT:** Craig Nakamura (Presiding Officer), Fred Atkins, David Arakawa
- HTA BOARD MEMBERS PRESENT:** Rick Fried
- HTA STAFF PRESENT:** Marc Togashi, Talon Kishi
- GUESTS:** Terri Fujii, Kurtis Sumida, Marc Inafuku
- LEGAL COUNSEL:** Gregg Kinkley

1. Call to Order

Presiding Officer Craig Nakamura called the meeting to order at 11:38 a.m. Mr. Togashi thanked everyone for attending the meeting. Mr. Togashi stated that HTA has been working with CW Associates with the end goal of issuing HTA's financial statements and audit report, including opinion and findings, by December 14, 2018.

2. Presentation and Discussion on Financial Statement Audit for Fiscal Year 2018

Mr. Nakamura acknowledged Terri Fujii, Kurtis Sumida and Mark Inafuku from CW Associates, a Hawai'i Certified Public Accounting Firm.

Ms. Fujii began the presentation and discussion on the Financial Statement Audit for Fiscal Year 2018 by acknowledging that the State moved the deadline for the Audit up by two weeks. Ms. Fujii stated that there are a couple of changes with the revised audit draft that were different than the draft previously received by the Audit Standing Committee. Ms. Fujii stated that pages 2 through 4 are CW Associates' independent auditor's report. She acknowledged that the opinions contained within the report are only for HTA's financial statements, separate from any other State agency. She also acknowledged the report restated the beginning net position of HTA, consistent with the requirements of the adoption of GASB Statement No. 75.

Ms. Fujii explained that the following section of the report, Management's Discussion and Analysis, is HTA's overview and story of what happened during the 2018 fiscal year. Ms. Fujii stated that Management's Discussion and Analysis is a requirement of GASB. Ms. Fujii stated that CW Associates reviewed the Management's Discussion and Analysis to ensure that the numbers are accurate. Mr. Arakawa clarified that the Management's Discussion and Analysis is contained in pages 5 through 13 of the report, and the numbers are consistent with the findings of CW Associates. Ms. Fujii replied in the affirmative.

Ms. Fujii stated that one of the changes from the previous audit draft and the current draft is that HTA's cash held went up by \$4.3 million and expenses went down by \$4.3 million. She explained that the State Department of Accounting and General Services (DAGS) cut the check before year's end, but AEG did not receive and cash the check until after the year's end. Ms. Fujii stated that the timing of when the check was deposited was confirmed with AEG, and the change in cash held and expenses are reflected throughout the report in multiple sections. Ms. Fujii also noted that there was a \$19,000 change in the report for depreciation. She stated that there were also smaller reclasses, which did not affect the net position but reclassified particular expenses to different line items for purposes of presentation.

Ms. Fujii stated for the statement of net position on page 14, there was a total assets and deferred outflows of resources reported at \$325,159,034. She stated that on page 15, showing current and long-term liabilities, there was a total of \$224,110,234, due to the State Department of Budget and Finance, and that this number would not be reflected in the next fiscal year. She added that, with HTA's net pension liability, stated as \$6,157,263, that another accounting firm calculates the total pension liability for the State, and then separates the pension liability according to each State department. Ms. Fujii stated that the total pension liability is paid out over the next thirty years, not something that needs to be paid out immediately, but may have to be funded depending on the circumstances that year.

Mr. Atkins asked where the funds are held. Mr. Togashi responded that the allocation for the pension is held on HTA's books. Mr. Togashi stated that the approximately \$6 million is earmarked in HTA's funds, and is separate from the legislature's allocation to HTA through the Tourism Special Fund. Mr. Atkins and Mr. Arakawa asked for further clarification on how the funds are used. Mr. Arakawa stated that he is uncertain on whether the \$6 million allocated for pension is merely 'on paper,' or if the funds are held in an interest-bearing account. Mr. Togashi clarified that the \$6 million is HTA's actual liability, and is reflected on the audited financial statements. Further, HTA has funds that are allocated toward that liability, and those funds are held in cash. Mr. Atkins clarified that the pension funds held by HTA are not specifically for HTA employees, but are instead held for the State and put into the State's general pension fund. Ms. Fujii responded that HTA does not specifically have \$6 million in cash on hand for its respective pension liability, but that HTA does have cash earmarked in its own bank account allocated toward the pension plan. Mr. Nakamura asked when the State calls on these funds. Ms. Fujii stated that there is a minimum every year that the State requests for the pension, in which each Department is required to give to the State. Ms. Fujii stated that every year the state Legislature determines the minimum amount that needs to go into the pension plan, but

because it is currently underfunded, the Legislature makes a 'catch-up' plan to decrease the underfunded amount.

Mr. Fried asked, for further clarification, whether HTA has \$6 million in cash earmarked specifically for the long-term pension liability. Ms. Fujii responded that it does not. Mr. Fried asked how much HTA has set aside for the pension. Mr. Togashi responded that, in order to determine the full pension liability, it involves both postemployment liability at approximately \$5.5 million, and net pension liability, at \$6 million, totaling approximately 11.5 million; of that amount, HTA currently has in its account approximately \$9 million earmarked for its long-term pension liabilities. Mr. Fried asked how much HTA is required to pay on an annual basis. Ms. Fujii stated that it depends on the State's call in that particular year, and that HTA's portion of the pension owed is also determined by the State.

Mr. Nakamura added that Mr. Togashi determined, based on the entire budget and surplus, how much money should be set aside to be put into the fund and it was presented to and approved by the Board. Mr. Togashi noted that last year HTA's liability was essentially fully funded but this year, in light of the increased liability, HTA is not fully funded and the agency will have to see where it is at the end of the year.

Mr. Togashi stated that holding the \$9 million in cash is part of HTA's stance to be prudent and proactive in ensuring that it has the ability to fund its pension liability when requested by the State. Ms. Fujii stated that, looking at HTA's current cash and cash equivalents at approximately \$97 million, it means that of that number, \$9 million is earmarked for pension liabilities, and much of the remaining fund is earmarked for HTA's contractual liabilities.

Ms. Fujii stated that page 16 of the audit report contains HTA's statement of activities. She said it shows the expenditures for the Convention Center and Tourism and Marketing Components, program revenues and all the other sources of revenue, including transient accommodations tax, to then fund the rest of HTA's expenses. Ms. Fujii stated that HTA had an increased net position since the previous fiscal year of approximately \$14 million.

Ms. Fujii said the next page is the balance sheet for governmental funds. She stated that capital assets and pension liabilities are not included in this balance sheet, and it is more reflective of HTA's current assets and liabilities. Mr. Atkins asked whether the \$72 million in the Tourism Special Fund includes HTA's emergency funds. Mr. Togashi responded that it did. Mr. Atkins asked whether the funds had been used in the past fiscal year. Mr. Togashi responded that the funds were used, but that HTA has since replenished the emergency funds. Ms. Fujii stated that the balance sheet of governmental funds should be thought of as purely HTA's operating activities, and it does not include pension liabilities or depreciation.

Mr. Atkins asked what the State does after receiving the audit. Ms. Fujii responded that the State takes the audit, as well as individual audits from other agencies.



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Mr. Atkins asked what the State does after receiving the audit. Ms. Fujii responded that the State takes the audit, as well as individual audits from other agencies.

Mr. Nakamura asked what changes there were from previous years. Ms. Fujii stated that the only change from previous years was the implementation of GASB 75. Mr. Togashi asked for the Audit Committee to make a recommendation to the Board. Mr. Atkins stated that he would like Mr. Togashi to explain to the Board HTA's long-term pension liabilities.

Mr. Nakamura requested a motion to recommend to the Board to accept the Audit Report for Fiscal Year 2018. Mr. Arakawa so moved, and Mr. Atkins seconded the motion, which was approved by all Committee members present.

3. Adjournment

Mr. Nakamura requested for a motion to adjourn the Audit Standing Committee meeting. Mr. Arakawa moved, and Mr. Atkins seconded the motion, which was approved by all Committee members present.

The Audit Standing Committee meeting adjourned at 1:22 p.m.

Respectfully submitted,



Janjeera S. Hail

Recorder