Department of Transportation, Airports, State of Hawaii

(an enterprise fund of the State of Hawaii)

Financial Report
with Supplementary Information
June 30, 2023

Contents

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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 Department of Transportation, Airports, State of Hawaii (the "Airports"), an enterprise fund of the State of Hawaii, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Airports' 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 Department of Transportation, Airports, State of Hawaii as of June 30, 2023 and the changes in its financial position and its cash flows thereof for the 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. 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 Airports 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

We draw attention to Note 1, which explains that these financial statements present only the Airports and do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2023 and the changes in its financial position and, where applicable, its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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.

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.

To the Auditor
State of Hawaii

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 Airports' 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.

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 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, which 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the schedule of proportionate share of the net pension liability, schedule of employer contributions related to pensions, schedule of proportionate share of the net OPEB liability, and schedule of employer contributions related to OPEB that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Department of Transportation, Airports, State of Hawaii's basic financial statements. The other supplementary information, as identified in the table of contents (excluding certain information included in Schedules 5, 7, and 8 labeled unaudited), is presented for the purpose 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents (excluding certain information included in Schedules 5, 7, and 8 labeled unaudited) is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Auditor
State of Hawaii

Additional Information

Management is responsible for the accompanying information in Schedules 5, 7, and 8 labeled unaudited, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinion on the financial statements does not cover such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023 on our consideration of the Department of Transportation, Airports, State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Department of Transportation, Airports, State of Hawaii'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 Department of Transportation, Airports, State of Hawaii's internal control over financial reporting and compliance.

Plante & Moran, PLLC

December 22, 2023

The following management's discussion and analysis of the Department of Transportation, Airports, State of Hawaii's (the "Airports") activities and financial performance provides the reader with an introduction and overview of the financial statements of the Airports for the fiscal year ended June 30, 2023. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The Airports operates and maintains 15 airports at various locations within the State of Hawaii (the "State") as a single integrated system for management and financial purposes. Daniel K. Inouye International Airport on the Island of Oahu is the principal airport in the airports system providing facilities for interisland flights, domestic overseas flights, and international flights to destinations in the Pacific Rim. It has four runways, two of which (12,000 and 12,300 feet long) are among the nation's longest. In addition, it has the only reef runway in the nation (12,000 feet long by 200 feet wide). Kahului Airport on the Island of Maui, Hilo International Airport and Ellison Onizuka Kona International Airport at Keahole on the Island of Hawaii, and Lihue Airport on the Island of Kauai are the other major airports in the airports system, all of which provide facilities for both interisland flights and domestic overseas flights. Kahului Airport and Ellison Onizuka Kona International Airport at Keahole also provide facilities for flights to and from Canada. Ellison Onizuka Kona International Airport at Keahole also provided facilities for international flights to and from Japan. The Daniel K. Inouye International Airport accommodated 52.2 percent of total passenger traffic in the airports system during fiscal year 2023. The other four principal airports accommodated 47.0 percent of the total passenger traffic for fiscal year 2023.

The other airports in the airports system are Port Allen on the Island of Kauai, Dillingham Airfield (currently leased from the U.S. military) and Kalaeloa Airport on the Island of Oahu, Kapalua and Hana airports on the Island of Maui, Waimea-Kohala and Upolu airports on the Island of Hawaii, Lanai Airport on the Island of Lanai, and Molokai and Kalaupapa airports on the Island of Molokai. These facilities are utilized by air carriers, general aviation, and the military, with the exception of the Upolu and Port Allen airports, which are used exclusively by general aviation. The Airports assumed operations of Kalaeloa Airport (formerly, Barbers Point Naval Air Station) on the Island of Oahu as a general reliever airport for the Daniel K. Inouye International Airport on July 1, 1999. The other airports in the airports system accommodated 0.8 percent of the total passenger traffic for fiscal year 2023.

The Airports is self-sustaining. The Department of Transportation (DOT) is authorized to impose and collect rates and charges for the airports system services and properties to generate revenue to fund operating expenses. The Capital Improvements Program is primarily funded by the Airports' system revenue bonds and lease revenue certificates of participation issued by the Airports, federal grants, passenger facility charges (PFCs), customer facility charges (CFCs), and the Airports' revenue.

Overview of the Financial Statements

The Airports is accounted for as a proprietary fund and utilizes the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. The proprietary fund includes the enterprise fund type, which is used to account for the acquisition, operation, and maintenance of government facilities and services that are entirely or predominantly supported by user charges.

The Airports' financial report includes three financial statements: the statement of net position; the statement of revenue, expenses, and changes in net position; and the statement of cash flows. The financial statements are prepared in accordance with U.S. generally accepted accounting principle as promulgated by the Governmental Accounting Standards Board.

The Airports implemented the provisions of Governmental Accounting Standards Board Statement No. 87 (GASB 87), *Leases*, in fiscal year 2022. This standard improves accounting and financial reporting for leases by governments. During fiscal year 2023, leases receivable related to eligible GASB 87 leases decreased by approximately $33 million.

Activities and Highlights

For the purpose of analysis, we compare fiscal year 2023 to fiscal year 2019, since that is the last full fiscal year pre-pandemic. In fiscal year 2023, total passengers, revenue landed weights, and revenue passenger landings were (4.0) percent, 7.1 percent, and (8.4) percent, respectively, (lower) higher when compared to the corresponding levels in fiscal year 2019. However, deplaning international passengers using international arriving facilities decreased from 2,844,761 for fiscal year 2019 to 1,274,132 for fiscal year 2023, which was 44.8 percent of the fiscal year 2019 level.

The Daniel K. Inouye International Airport continues to be the dominant airport, although a portion of the market share shifted to the Kahului Airport, Ellison Onizuka Kona International Airport at Keahole, and Lihue Airport as a result of increased direct flights to such destinations.

The Airports' Net Position

	2022	2023	Change	Percent Change
Assets				
Current and other assets	$ 2,104,133,640	$ 2,136,590,205	$ 32,456,565	1.5
Capital assets	3,999,542,537	4,065,601,642	66,059,105	1.7
Total assets	6,103,676,177	6,202,191,847	98,515,670	1.6
Deferred Outflows of Resources	40,534,179	43,878,247	3,344,068	8.2
Liabilities				
Current liabilities	216,997,642	268,996,379	51,998,737	24.0
Noncurrent liabilities	2,793,508,124	2,753,869,588	(39,638,536)	(1.4)
Total liabilities	3,010,505,766	3,022,865,967	12,360,201	0.4
Deferred Inflows of Resources	556,866,393	522,246,338	(34,620,055)	(6.2)
Net Position				
Net investment in capital assets	1,832,262,733	1,783,567,539	(48,695,194)	(2.7)
Restricted	585,110,097	677,690,325	92,580,228	15.8
Unrestricted	159,465,367	239,699,925	80,234,558	50.3
Total net position	**$ 2,576,838,197**	**$ 2,700,957,789**	**$ 124,119,592**	4.8

The largest portion of the Airports' net position (66.0 percent and 71.1 percent at June 30, 2023 and 2022, respectively) represents its investment in capital assets (e.g., land, buildings and improvements, and equipment), less related indebtedness outstanding to acquire those capital assets. The Airports uses these capital assets to provide services to its passengers and visitors using the airports system; consequently, these assets are not available for future spending. Although the Airports' investment in its capital assets is reported net of related debt, the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay such liabilities.

The restricted portion of the Airports' net position (25.1 percent and 22.7 percent at June 30, 2023 and 2022, respectively) represents bond reserve funds that are subject to external restrictions on how they can be used under the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds (the "Certificate"), as well as PFCs and CFCs that can only be used for specific projects.

The largest portion of the Airports' unrestricted net position represents unrestricted cash and cash equivalents in the amount of $653.8 million and $551.8 million at June 30, 2023 and 2022, respectively. The unrestricted cash balance provides the Airports with substantial flexibility, as such unrestricted assets may be used to meet any of the Airports' ongoing operations and to fund the CIP projects.

The Airports' Changes in Net Position

	2022	2023	Change	Percent Change
Operating Revenue				
Concession fees	$ 168,701,663	$ 182,956,106	$ 14,254,443	8.4
Airport landing fees - Net	81,184,120	98,212,650	17,028,530	21.0
Aeronautical rentals - Nonexclusive joint-use premise charges	65,198,051	73,057,842	7,859,791	12.1
Aeronautical rentals - Exclusive premise charges	86,825,729	97,547,963	10,722,234	12.3
Nonaeronautical rentals	27,177,174	26,801,841	(375,333)	(1.4)
Aviation fuel tax	3,118,711	3,066,333	(52,378)	(1.7)
Miscellaneous	9,295,082	8,587,696	(707,386)	(7.6)
Total operating revenue	441,500,530	490,230,431	48,729,901	11.0
Operating Expenses				
Depreciation	167,110,609	188,204,616	21,094,007	12.6
Salaries and wages	105,989,755	108,832,079	2,842,324	2.7
Other personnel services	107,041,758	96,970,988	(10,070,770)	(9.4)
Utilities	43,593,854	51,449,851	7,855,997	18.0
Repairs and maintenance	57,577,453	60,146,656	2,569,203	4.5
State of Hawaii surcharge on gross receipts	17,040,611	17,546,712	506,101	3.0
Department of Transportation general administration expenses	11,481,991	8,513,421	(2,968,570)	(25.9)
Materials and supplies	12,540,634	11,822,603	(718,031)	(5.7)
Workers' compensation and other insurance claims	2,082,041	4,595,120	2,513,079	120.7
Insurance	3,165,187	3,478,753	313,566	9.9
Miscellaneous	2,864,526	8,618,674	5,754,148	200.9
Total operating expenses	530,488,419	560,179,473	29,691,054	5.6
Operating (Loss) Income	(88,987,889)	(69,949,042)	19,038,847	(21.4)
Nonoperating (Expense) Revenue				
Loss on disposal of assets	(4,549,232)	(859,322)	3,689,910	(81.1)
Interest income	13,272,893	47,559,036	34,286,143	258.3
Interest income - Investments in direct financing leases	1,069,277	-	(1,069,277)	(100.0)
Federal operating grants	93,763,270	46,371,777	(47,391,493)	(50.5)
Passenger facility charges	39,104,850	46,370,559	7,265,709	18.6
Rental car customer facility charges	60,076,681	68,116,965	8,040,284	13.4
Airports system revenue bonds interest expense	(63,447,931)	(67,387,083)	(3,939,152)	6.2
Special facility revenue bonds interest expense	(1,069,277)	(681,264)	388,013	(36.3)
Lease revenue certificates of participation interest expense	(7,383,693)	(6,802,101)	581,592	(7.9)
Other interest expense	(15,727,344)	(13,640,786)	2,086,558	(13.3)
Total nonoperating revenue	115,109,494	119,047,781	3,938,287	3.4
Income - Before capital contributions	26,121,605	49,098,739	22,977,134	88.0
Capital Contributions				
Federal capital grants	17,041,970	75,020,853	57,978,883	340.2
State capital contributions	685,630	-	(685,630)	(100.0)
Total capital contributions	17,727,600	75,020,853	57,293,253	323.2
Change in Net Position	43,849,205	124,119,592	80,270,387	183.1
Net Position - Beginning of year	2,532,988,992	2,576,838,197	43,849,205	1.7
Net Position - End of year	**$ 2,576,838,197**	**$ 2,700,957,789**	**$ 124,119,592**	4.8

The financial results for fiscal years 2023 and 2022 reflected income before capital contributions of $49.1 million and $26.1 million, respectively. Operating revenue increased by $48.7 million, or 11 percent, resulting from increased revenue from concessions revenue, airport landing fees, and aeronautical rentals. The increase is primarily attributable to higher domestic traffic activities that started in early 2021 and continues to grow. Total nonoperating revenue increased by $1.1 million, or 0.5 percent, mainly due to a decrease in federal operating grants offset by increases in interest income, rental car customer facility charges, and passenger facility charges.

- Income before capital contributions for fiscal year 2023 of $49.1 million compared to before capital contributions of $26.1 million for fiscal year 2022 was a result of an increase in operating and nonoperating revenue, as noted above.
- Capital contributions increased by 323.2 percent, or $57.3 million, in fiscal year 2023 due to an increase in federal capital grant revenue.
- Operating expenses before depreciation for fiscal year 2023 increased by 2.36 percent, or $8.6 million, compared to fiscal year 2022 mainly due to increases in salaries and wages, utilities, repairs and maintenance, and other miscellaneous expenses offset by decreases in other personnel services, Department of Transportation general administration expenses, and materials and supplies. Depreciation expense increased by 12.6 percent, or $21.1 million, due to capital asset additions in fiscal year 2022.

Total nonoperating expenses for fiscal year 2023 decreased by 3.0 percent, or $2.8 million, compared to fiscal year 2022 mainly due to decreases in interest expense on the airports system revenue bonds and loss on disposal of assets offset by a decrease in bond issue costs due to issuing the airports system revenue bonds Series 2020 ABC and Refunding Series 2020 D & E during the fiscal year.

As a result of the above fluctuations in revenue and expenses, net position for the Airports increased by $124.1 million during 2023.

In summary, in fiscal year 2023, the Airports generated operating income before depreciation and positive cash flows from operating activities due to the effects of recovery from COVID-19 on airport operations. The Airports continues to obtain its revenue from a diverse mix of sources. The Airports continues to monitor signatory airline requirements and adjusts rates and charges accordingly to assure financial stability and bond certificate requirements are met on a semiannual and annual basis.

Capital Acquisitions and Construction Activities

As of June 30, 2023 and 2022, the Airports had capital assets of approximately $4,065.6 million and $3,999.5 million, respectively. These amounts are net of accumulated depreciation of approximately $3,077.7 million and $2,890.4 million, respectively.

In fiscal year 2023, there were five construction bid openings totaling an estimated $40,581 million in construction contracts, with one still in the award process. The projects include Ewa and Diamond Head Concourse Roadway Improvements and Biometric Facial Recognition System at Daniel K. Inouye International Airport, Resurface Runway 2-20 at Kahului Airport, Relocate Runway 3-21 at Lihue Airport, and Renovation of Airport Control Tower at Kalaeloa Airport.

There were also many ongoing construction projects that were initiated prior to fiscal year 2023, which were under construction during the fiscal year. Major projects include Ticket Lobby Improvements, Runway 8L Widening, Phase 2, Restroom Improvements Phase 2, and Overseas Terminal Asbestos Abatement at Daniel K. Inouye International Airport; Holdroom and Gate Improvements and Inbound Baggage Handling System Improvements at Kahului Airport; and Reconstruction of Runway 3-21 at Lanai Airport.

Finally, there were three projects that were substantially completed in fiscal year 2023 that involved construction projects at airports statewide to preserve, maintain, and modernize facilities. These projects include Restroom Improvements at Overseas Terminal Phase 1 and Baggage Handling System Improvements Phase 1 at Daniel K. Inouye International Airport and USDA Inspection Building at Ellison Onizuka Kona International Airport at Keahole.

The Airports continues its mission to modernize airport facilities for safety and efficiency and enhance the passenger experience. In fiscal year 2024, several projects will be advertised for construction that improve safety and preserve terminal infrastructure. Major projects include Concrete Spall Repairs at Terminal 2 Roadways and Fire Sprinkler System Upgrade at Daniel K. Inouye International Airport, Utility System Improvements at Kalaeloa Airport, Aircraft Rescue and Fire Fighting Training Pit Replacement at Kahului Airport, Runway 17-35 Rehabilitation at Ellison Onizuka Kona International Airport at Keahole, and Apron Light Replacement at Lanai Airport.

Additional information on the Airports' capital assets can be found in Note 4 to these financial statements.

Indebtedness

The Airports System Revenue Bonds

In February 2022, the Airports completed the issuance of the Series 2022A Bonds (AMT) and the Series 2022B Bonds (Non-AMT) for a total principal amount of $262.3 million. The last maturity of the Series 2022A Bonds is scheduled on July 1, 2051.

As of June 30, 2023, $1,896.9 million of airports system revenue bonds, including related discounts and premiums, was outstanding compared to $1,908.3 as of June 30, 2022.

At June 30, 2023, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,384.9 million.

Lease Revenue Certificates of Participation

Section 36-41 of the Hawaii Revised Statutes authorizes the DOT to enter into multiyear energy performance contracts, including financing agreements, in order to implement energy conservation or alternate energy measures in state facilities. The Airports released an invitation for proposal to procure the energy saving projects (the "ESCO Project") in May 2011 and selected Johnson Controls, Inc. (JCI) in January 2012. The Airports executed a contract with JCI and issued Series 2013 Lease Revenue Certificates of Participation (COPs) with a par value of $167.7 million in December 2013. The Airports is using the net proceeds of COPs, totaling $150.2 million, to implement the ESCO Project. JCI has agreed in the contract to guarantee utility savings at approximately 91.7 percent of expected annual savings, which are expected to exceed annual debt service on COPs.

On April 13, 2016, the Airports issued Series 2016 Lease Revenue Certificates of Participation financing, which provided an additional $8.1 million for the ESCO Project.

On March 31, 2017, the Airports issued Series 2017 Lease Revenue Certificates of Participation to provide an additional $51.5 million for the ESCO Project.

As of June 30, 2023, $157.5 million of COPs was outstanding compared to $172.7 million as of June 30, 2022.

Special Facility Revenue Bonds

The State Legislature has authorized $200,000,000 of special facility revenue bonds pursuant to Section 261-52 of the Hawaii Revised Statutes. As of June 30, 2023, there were no outstanding bond obligations. The DOT expects to finance additional special facility projects from time to time for qualified entities. All special facility revenue bonds are payable solely from the revenue derived from the leasing of special facilities financed with the proceeds of special facility revenue bonds.

Additional information regarding the Airports' indebtedness can be found in Note 5 to these financial statements.

Customer Facility Charge Revenue Bonds

In July 2017, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2017A (the "2017 CFC Bonds") with a par amount of $249,805,000 to provide $250 million of construction funds for certain rental car related projects at Hawaii Airports System. The 2017 CFC Bonds are special facility bonds issued pursuant to the Indenture of Trust between the State and MUFG Union Bank, N.A. as trustee, which was assigned to Union Bank. In August 2019, the Department of Transportation issued Airports System Customer Facility Revenue Bonds, Series 2019A (the "2019 CFC Bonds") with a par amount of $194,710,000 to refund a prior loan and to provide an additional $105 million of construction funds for certain rental car related projects at Hawaii Airports System. At June 30, 2023, $403.3 million of customer facility charge revenue bonds was outstanding compared to $413.9 million as of June 30, 2022.

Credit Rating and Bond Insurance

As of June 30, 2023, there were 13 series of airports system revenue bonds outstanding in the principal amount of $1,738.2 million. Payment of principal and interest on the bonds was insured by bond insurance policies issued by the Federal Guaranty Insurance Company (FGIC) at the time of issuance of the bonds. The airports system revenue bonds are rated as follows:

Standard & Poor's Corporation	AA-
Moody's Investors Service	A1
Fitch IBCA, Inc.	A+

Economic Factors and Next Year's Budgets and Rates

The airports system generates airline revenue primarily according to the airport-airline lease agreements, generates concession revenue based on various commercial agreements, pays expenses to maintain and operate the facilities, and issues airports system revenue bonds from time to time to fund capital projects, all of which are directly or indirectly affected by the general economic conditions of the State of Hawaii, the United States, and certain foreign countries such as Japan. Changes in economic conditions may impact the financial conditions of the airports system. However, the airport-airline lease agreements have established a hybrid residual ratemaking methodology, which enables the airports system to retain net revenue if any, and to generate at least adequate revenue to meet obligations during an economic downturn, as more fully described in such agreements. The airports system establishes annual airline rates and charges before the start of a fiscal year and publishes such rate schedules at https://hidot.hawaii.gov/airports/doing-business/.

Selected events subsequent to the end of fiscal year 2023 on June 30, 2023 include the following:

- In early August 2023, a series of wildfires occurred on the island of Maui, leading to the destruction of the town of Lahaina on Maui's northwest coast, among other damages. Although the facilities at Kahului Airport have not been negatively affected, air traffic to Maui declined in the following months. In October 2023, the preliminary data showed that total enplaned passengers at Kahului Airport declined to 80 percent of the October 2019 level, or 73 percent of the October 2022 level. Systemwide enplaned passenger count remained resilient, with the October 2023 level at 98 percent of the October 2022 level.

- On December 3, 2023, Alaska Air Group, Inc. and Hawaiian Holdings, Inc. announced that they have entered into a definitive agreement under which Alaska Airlines will acquire Hawaiian Airlines, subject to regulatory approvals. The two entities accounted for a combined 51.8 percent of enplaned passengers in the fiscal year ended June 30, 2023.

Requests for Further Information

This financial report is intended to provide a general overview of the Airports' finances and demonstrate the Airports' accountability for the money it receives. If you have questions about this report or need additional information, please contact Ford N. Fuchigami, Airports Administrator, State of Hawaii, Department of Transportation, Airports at airadministrator@hawaii.gov. This report, township budgets, and other financial information are available on the Airports' website at www.hidot.hawaii.gov/airports/.

Statement of Net Position

	June 30, 2023
Assets	
Current assets:	
Cash and cash equivalents	$ 653,753,146
Receivables:	
Accounts - Net of allowance	43,602,968
Leases receivable	100,869,578
Interest	25,049,071
Claims - Federal grants	32,266,826
Due from State of Hawaii agencies	4,802,308
Aviation fuel tax	248,875
Inventories of materials and supplies at cost	271,900
Restricted assets:	
Cash and cash equivalents	279,659,758
Passenger facility charges receivable	7,467,692
Rental car customer facility charges receivable	5,496,879
Total current assets	1,153,489,001
Noncurrent assets:	
Restricted assets:	
Restricted cash and cash equivalents	376,619,816
Restricted investment securities	232,004,896
Leases receivable	372,645,238
Capital assets:	
Assets not subject to depreciation	1,120,804,047
Assets subject to depreciation - Net	2,944,797,595
Lease interest receivable	1,770,539
Right-of-use lease asset	60,715
Total noncurrent assets	5,048,702,846
Total assets	6,202,191,847
Deferred Outflows of Resources	
Deferred loss on refunding	5,205,735
Deferred pension costs	24,994,982
Deferred OPEB costs	13,677,530
Total deferred outflows of resources	43,878,247

See notes to financial statements.

Statement of Net Position (Continued)

	June 30, 2023
Liabilities	
Current liabilities:	
Due to State of Hawaii agencies	$ 55,959
Payable from unrestricted assets:	
Vouchers and contracts payable	77,593,405
Current portion of workers' compensation	4,766,092
Current portion of compensated absences	7,099,947
Accrued wages	9,080,666
Other	14,290,503
Payable from restricted assets:	
Contracts payable	34,031,896
Accrued interest	48,731,607
Current portion of airport system revenue bonds	33,650,000
Current portion of lease revenue certificates of participation	17,224,180
Current portion of customer facility charge revenue bonds	10,815,000
Security deposits	11,657,124
Total current liabilities	268,996,379
Noncurrent liabilities - Net of current portion:	
Workers compensation	4,958,201
Prepaid airport use charge fund	35,942,237
Compensated absences	7,712,684
Airport system revenue bonds	1,863,270,348
Lease revenue certificates of participation	140,250,675
Customer facility charge revenue bonds	392,485,000
Net pension liability	158,863,330
Net OPEB obligation	150,342,283
Lease liability	44,830
Total noncurrent liabilities - Net of current portion	2,753,869,588
Total liabilities	3,022,865,967
Deferred Inflows of Resources	
Deferred pension cost reductions	17,050,668
Deferred OPEB cost reductions	28,720,272
Leases	476,475,398
Total deferred inflows of resources	522,246,338
Net Position	
Net investment in capital assets	1,783,567,539
Restricted:	
Debt service requirement	449,887,394
Capital projects	227,802,931
Unrestricted	239,699,925
Total net position	**$ 2,700,957,789**

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30, 2023
Operating Revenue	
Concession fees	$ 182,956,106
Airport landing fees - Net	98,212,650
Aeronautical rentals - Nonexclusive joint-use premise charges	73,057,842
Aeronautical rentals - Exclusive premise charges	97,547,963
Nonaeronautical rentals	26,801,841
Aviation fuel tax	3,066,333
Miscellaneous	8,587,696
Total operating revenue	490,230,431
Operating Expenses	
Depreciation	188,204,616
Salaries and wages	108,832,079
Other personnel services	96,970,988
Utilities	51,449,851
Repairs and maintenance	60,146,656
State of Hawaii surcharge on gross receipts	17,546,712
Department of Transportation general administration expenses	8,513,421
Materials and supplies	11,822,603
Workers' compensation and other insurance claims	4,595,120
Insurance	3,478,753
Miscellaneous	8,618,674
Total operating expenses	560,179,473
Operating Loss	(69,949,042)
Nonoperating (Expense) Revenue	
Loss on disposal of assets	(859,322)
Interest income	47,559,036
Federal operating grants	46,371,777
Passenger facility charges	46,370,559
Rental car customer facility charges	68,116,965
Airports system revenue bonds interest expense	(67,387,083)
Special facility revenue bonds interest expense	(681,264)
Lease revenue certificates of participation interest expense	(6,802,101)
Other interest expense	(13,640,786)
Total nonoperating revenue	119,047,781
Income - Before capital contributions	49,098,739
Capital Contributions - Federal capital grants	75,020,853
Change in Net Position	124,119,592
Net Position - Beginning of year	2,576,838,197
Net Position - End of year	**$ 2,700,957,789**

See notes to financial statements.

	Year Ended June 30, 2023
Cash Flows from Operating Activities	
Receipts from customers	$ 498,867,115
Payments to suppliers	(142,760,060)
Payments to employees and fringes	(213,782,170)
Payments to State of Hawaii	(759,094)
Net cash and cash equivalents provided by operating activities	141,565,791
Cash Flows Provided by Noncapital Financing Activities - Payments from federal operating grants	48,193,310
Cash Flows from Capital and Related Financing Activities	
Receipt of capital grants	51,900,123
Proceeds from passenger facility charge and customer facility charge programs	106,215,290
Purchase of capital assets	(230,328,373)
Principal and interest paid on capital debt	(124,278,059)
Net cash and cash equivalents used in capital and related financing activities	(196,491,019)
Cash Flows from Investing Activities	
Interest received on investments	38,309,041
Purchases of investment securities	(3,461,612)
Net cash and cash equivalents provided by investing activities	34,847,429
Net Increase in Cash and Cash Equivalents	28,115,511
Cash and Cash Equivalents - Beginning of year	1,281,917,209
Cash and Cash Equivalents - End of year	**$ 1,310,032,720**
Classification of Cash and Cash Equivalents	
Cash and cash equivalents	$ 653,753,146
Restricted cash - Current	279,659,758
Restricted cash - Noncurrent	376,619,816
Total cash and cash equivalents	**$ 1,310,032,720**

	Year Ended June 30, 2023
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	$ (69,949,042)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	188,204,616
Changes in assets and liabilities:	
Receivables	8,511,595
Inventories	(23,296)
Net pension liability	(5,677,743)
Net OPEB liability	(2,953,058)
Accounts payable	22,801,021
Accrued and other liabilities	651,698
Total adjustments	211,514,833
Net cash and cash equivalents provided by operating activities	**$ 141,565,791**

Significant Noncash Transactions - Airports noncash capital and financing activities related to bonds payable included the following

Amortization of revenue bond premium	$ 10,790,620
Amortization of revenue bond discount	(1,348)
Amortization of certificates of participation premium	232,322
Amortization of deferred loss on refunding revenue bonds	782,261

Note 1 - Reporting Entity

The Department of Transportation, Airports, State of Hawaii (the "Airports") was established on July 1, 1961 to succeed the Hawaii Aeronautics Commission under the provisions of Act 1, Hawaii State Government Reorganization Act of 1959, Second Special Session Laws of Hawaii. The Airports has jurisdiction over and control of all State of Hawaii (the "State") airports and air navigation facilities and general supervision of aeronautics within the State. The Airports currently operates and maintains 15 airports located throughout the State.

The accompanying financial statements present only the activities of the Airports and are not intended to present fairly the financial position of the State or the changes in its financial position or, where applicable, its cash flows in conformity with U.S. generally accepted accounting principles.

Note 2 - Significant Accounting Policies

Basis of Accounting

An enterprise fund is established to account for an activity that is financed with debt secured solely by a pledge of net revenue from fees and charges of the activity or when laws and regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges rather than with taxes or similar revenue. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The Airports uses the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Accounting and Reporting Principles

The Airports follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Airports:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Airports classifies its investments in the State's investment pool (the "Pool") as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Airports can withdraw amounts from the Pool without penalty or notice. All other highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased are considered to be cash equivalents.

Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible accounts is based on collection history and current information regarding the creditworthiness of the tenants and others doing business with the Airports. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected. At June 30, 2023, the Airports reported an allowance of $6,668,363 related to receivables.

Note 2 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets consist of moneys and other resources, the use of which is limited because of an externally enforceable constraint. Certain proceeds of the airports system revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained separately and the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to make debt service payments, unspent bond proceeds, amounts restricted for bond reserve requirements, unspent passenger facility charges (PFCs), unspent customer facility charges (CFCs), security deposits, customer advances, and the prepaid airport use charge fund.

When both restricted and unrestricted resources are available for use, it is the policy of the Airports to use restricted resources first and then unrestricted resources as they are needed.

Capital Assets

Capital assets acquired by purchase or construction are recorded at cost. Contributed property is recorded at acquisition value as of the date of contribution. Assets are depreciated by the straight-line method over their estimated useful lives.

	Depreciable Life - Years	Capitalization Threshold
Land improvements	10 to 20	$ 100,000
Buildings	45	100,000
Building improvements	20	100,000
Machinery and equipment	10	5,000

Disposals of assets are recorded by removing the costs and related accumulated depreciation from the accounts with a resulting gain or loss.

Repairs and maintenance, minor replacements, renewals, and betterments are charged against operations for the year. Major replacements, renewals, and betterments are capitalized in the year incurred.

Investments

Investments held outside of the State Treasury pool consist of certificates of deposit, U.S. Treasury bills, and repurchase agreements. The certificates of deposit and repurchase agreements are reported at amortized cost due to the nonparticipating nature of these securities. U.S. Treasury bills are measured at fair value within the fair value hierarchy established by generally accepted accounting principles and are based on quoted prices or other observable inputs, including pricing matrices.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources are a consumption of net position by the Airports that is applicable to a future reporting period, while deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources consist of deferred losses on refunding and items related to pension items and OPEB items. Deferred inflows of resources consist of items related to the pension, OPEB, and lease items.

Deferred Loss on Refundings

Deferred loss on refundings is amortized using the effective interest method over the shorter of the remaining term of the original or refunded debt. Deferred loss on refundings is reflected in the deferred outflows of resources on the statement of net position.

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences Payable

The Airports accrues all vacation and compensatory pay at current salary rates, including additional amounts for certain salary-related expenses associated with the payment of compensated absences (such as employer payroll taxes and fringe benefits), in accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation is earned at the rate of 168 or 240 hours per calendar year, depending upon job classification. Accumulation of such vacation credits is limited to 720 or 1,056 hours at calendar year end and is convertible to pay upon termination of employment.

Sick leave accumulates at the rate of 14 or 20 hours per month of service without limit, depending on the employee's job classification, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. Accordingly, no liability for sick pay is recorded. However, an airports employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit with the Employees' Retirement System of the State of Hawaii. Accumulated sick leave at June 30, 2023 was $25,029,456.

Pensions

The Airports' contributions to the Employees' Retirement System of the State of Hawaii (ERS) are based on the current contribution rate determined by the State Department of Budget and Finance. The Airports' policy is to fund its required contribution annually.

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from the ERS' fiduciary net position have been determined on the same basis as they are reported by the ERS.

Postemployment Benefits Other Than Pensions (OPEB)

For the purpose 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 Hawaii Employer-Union Health Benefits Trust Fund (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. Investments are reported at their fair value.

Bond Original Issue Discount or Premium

Original issue discounts or premiums are amortized using the effective-interest method over the terms of the respective debt issues and are added to, or offset against, the long-term debt in the statement of net position.

Bond Issuance Costs

Bond issue costs, with the exception of bond insurance, are recognized as outflows of resources (expense) in the period when the debt is issued. Bond insurance is capitalized and amortized over the lives of the related debt issues using the effective-interest method.

Operating Revenue and Expenses

Revenue from airlines, concessions, rental cars (excluding customer facility charges), federal operating grants, and parking are reported as operating revenue. Transactions that are capital, financing, or investing related are reported as nonoperating revenue. All expenses related to operating the Airports are reported as operating expenses. Generally, interest expense and financing costs are reported as nonoperating expenses. Revenue from capital contributions is reported separately, after nonoperating revenue and expenses.

Note 2 - Significant Accounting Policies (Continued)

Passenger Facility Charges

The Federal Aviation Administration (FAA) authorized the Airports to impose a passenger facility charge of $4.50 per passenger effective September 1, 2010. The net receipts from PFCs are restricted to be used for funding FAA-approved capital projects. PFC revenue, along with the related interest income, is reported as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

The passenger facility charge is an airport user fee with restricted uses. Before collecting and using PFC revenue, a U.S. airport operator must submit a PFC application to the FAA and receive FAA authorization. Airlines collect PFC revenue from certain enplaned passengers on the airport's behalf and then remit the PFC revenue to the airport operator after deducting an administrative fee of $0.11 per collection. PFC revenue can be used only for the capital costs of the approved eligible projects, with very limited exceptions.

Rental Car Customer Facility Charge

The State Legislature authorized the Airports to impose a customer facility charge of $4.50 a day on all u-drive rentals at a state airport. The net receipts from CFCs are restricted to be used for funding approved rental car facility capital projects. CFC revenue, along with the related interest income, is reported as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

Capital Contributions

The Airports receives federal grants from the FAA and other federal agencies. Grant revenue is considered earned as the related allowable expenditures are incurred. Grants for the acquisition and/or construction of land, property, and certain types of equipment are reported in the statement of revenue, expenses, and changes in net position as capital contributions.

Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

Risk Management

The Airports is exposed to various risks of loss from torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. The Airports is self-insured for workers' compensation claims, as discussed later in these notes. Liabilities related to these losses are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

Leases

<u>Lessee</u>

At the commencement of a lease, the lease liability is measured 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 is reasonably certain to be exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Note 2 - Significant Accounting Policies (Continued)

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

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

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

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

Lessor

The Airports recognizes leases 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 are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured 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 (1) the discount rate used to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Airports uses its 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 Airports 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.

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, *Accounting Changes and Error Corrections*, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2024.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2025.

Note 3 - Cash and Investments

The State has an established policy whereby all unrestricted and certain restricted cash is required to be invested in the State's Treasury (the "investment pool") in accordance with Section 36-21, of the Hawaii Revised Statutes.

The state director of finance (the "State Director") is responsible for the safekeeping of all moneys paid into the investment pool. The State Director may invest any moneys of the State that, in the State Director's judgment, are in excess of amounts necessary for meeting the immediate requirements of the State. Legally authorized investments include obligations of or guarantees by the U.S. government, obligations of the State, federally insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally insured financial institutions.

Information relating to the State's investment pool at June 30, 2023 will be included in the Annual Comprehensive Financial Report of the State when issued.

At June 30, 2023, the amount reported as amounts held in State Treasury reflects the Airports' relative position in the State's investment pool and amounted to $1,405,473,294.

Deposits and investments are reported in the financial statements as follows:

Petty cash	$ 4,765
Amounts held in State Treasury	1,405,473,294
Certificates of deposit	74,185,332
U.S. government securities	43,316,913
Money market mutual fund	19,057,312
Total deposits and investments	$ 1,542,037,616

Amounts are reflected in the statement of net position as of June 30, 2023 as follows:

Cash and cash equivalents	$ 653,753,146
Restricted cash and cash equivalents	279,659,758
Noncurrent assets - Restricted cash and cash equivalents	376,619,816
Noncurrent assets - Restricted investment securities	232,004,896
Total	$ 1,542,037,616

The Airports' cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Airports' deposits may not be returned to it. Information relating to individual bank balances, insurance, and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Information regarding the carrying amount and corresponding bank balances of the State's investment pool and collateralization of those balances is included in the Annual Comprehensive Financial Report of the State. A portion of the bank balances is covered by federal deposit insurance, or by collateral held by the State Treasury, or by the State's fiscal agents in the name of the State. Other bank balances are held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits are exposed to custodial credit risk.

Note 3 - Cash and Investments (Continued)

For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being undercollateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60 percent of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Airports will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airports' and the State's investments are held at broker-dealer firms that are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. In addition, excess SIPC coverage is provided by the firm's insurance policies. The Airports and the State require the institutions to set aside, in safekeeping, certain types of securities to collateralize repurchase agreements. The Airports and the State monitor the market value of these securities and obtain additional collateral when appropriate.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. As a means of limiting its exposure to fair value losses arising from interest rates, the Airports follows the State's policy of limiting maturities on investments to generally not more than five years from the date of investment. The Airports' U.S. Treasury bills have maturities that range from six months to one year.

Credit Risk

The Airports follows the State's policy of limiting its investments as authorized in the Hawaii Revised Statutes. As of June 30, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
U.S. Bank - Federated government obligations fund	$ 2,283,312	Aaa-mf	Moody's
U.S. Treasury bill	16,871,843	Aaa-mf	Moody's
Total	$ 19,155,155		

Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument. At June 30, 2023, the Airports did not hold any investments with one issuer that represent more than 5 percent of total investments.

Fair Value Measurements

The Airports categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

Note 3 - Cash and Investments (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Airports' assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Airports has the following recurring fair value measurements as of June 30, 2023:

- U.S. government securities of $43,316,913 are valued using quoted marketed prices (Level 1 inputs).

Certain investments, such as the Airports' interest in the State's investment pool, are measured using net asset value per share (or its equivalent) practical expedient and are not required to be classified in the fair value hierarchy. The Airports has no unfunded commitments or restrictions on redemptions with regard to its investment in the State's investment pool.

The nonnegotiable certificates of deposit and money market mutual funds are measured at amortized cost and, therefore, are not categorized within the fair value hierarchy.

Note 4 - Capital Assets

Capital asset activity of the Airports' business-type activities was as follows:

	Balance July 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$ 333,564,645	$ -	$ -	$ -	$ 333,564,645
Land improvements	59,037,117	744	-	-	59,037,861
Construction in progress	689,555,883	(211,622,428)	251,175,826	(907,740)	728,201,541
Subtotal	1,082,157,645	(211,621,684)	251,175,826	(907,740)	1,120,804,047
Capital assets being depreciated:					
Buildings and improvements	3,485,769,345	161,402,936	-	-	3,647,172,281
Machinery and equipment	384,965,791	2,531,860	4,003,457	(906,822)	390,594,286
Land improvements	1,937,044,678	47,686,888	-	-	1,984,731,566
Subtotal	5,807,779,814	211,621,684	4,003,457	(906,822)	6,022,498,133
Accumulated depreciation:					
Buildings and improvements	1,512,495,308	-	107,037,835	-	1,619,533,143
Machinery and equipment	301,162,531	-	13,553,275	(899,001)	313,816,805
Land improvements	1,076,737,084	-	67,613,506	-	1,144,350,590
Subtotal	2,890,394,923	-	188,204,616	(899,001)	3,077,700,538
Net capital assets being depreciated	2,917,384,891	211,621,684	(184,201,159)	(7,821)	2,944,797,595
Net business-type activities capital assets	$ 3,999,542,536	$ -	$ 66,974,667	$ (915,561)	$ 4,065,601,642

Construction Commitments

At June 30, 2023, the Airports has commitments totaling $923,091,957 for construction and service contracts.

Note 5 - Long-term Debt

Long-term debt activity for the year ended June 30, 2023 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements:					
Airport system revenue bonds	$ 1,738,645,000	$ -	$ (445,000)	$ 1,738,200,000	$ 33,650,000
Airport system revenue bonds premiums	169,260,479	-	(10,790,621)	158,469,858	-
Airport system revenue bonds discounts	(45,701)	-	1,348	(44,353)	-
Airport systems customer facility charge revenue bonds	413,875,000	-	(10,575,000)	403,300,000	10,815,000
Lease revenue certificates of participation	172,678,523	-	(15,203,668)	157,474,855	17,224,180
Lease revenue certificates of participation premiums	527,165	-	(232,322)	294,843	-
Total direct borrowings and direct placements principal outstanding	2,494,940,466	-	(37,245,263)	2,457,695,203	61,689,180
Workers' compensation	6,934,962	4,998,157	(2,208,826)	9,724,293	4,766,092
Compensated absences	14,896,789	6,248,200	(6,332,358)	14,812,631	7,099,947
Prepaid airport use charge fund	2,856,249	33,085,988	-	35,942,237	-
Net OPEB liability	160,997,803	-	(10,655,520)	150,342,283	-
Net pension liability	147,601,872	11,261,458	-	158,863,330	-
Lease liability	60,711	-	(15,881)	44,830	-
Total long-term liabilities	$ 2,828,288,852	$ 55,593,803	$ (56,457,848)	$ 2,827,424,807	$ 73,555,219

The Airports System Revenue Bonds

In 1969, the director issued the Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds (the "Certificate"), under which $40,000,000 of revenue bonds was initially authorized for issuance. Subsequent issues of revenue bonds were covered by 1st through 31st supplemental certificates to the original 1969 Certificate.

Certain amendments to the Certificate contained in the 26th Supplemental Certificate took effect contemporaneously with the 27th Supplemental Certificate and delivery of the Airports System Revenue Bonds, Refunding Series of 2001. Other amendments, which required the consent of 100 percent of the bondholders, took effect as of June 30, 2004 with the issuance of the Airports System Revenue Bonds, Refunding Series of 2003.

Note 5 - Long-term Debt (Continued)

These revenue bonds are payable solely from and are collateralized solely by the revenue generated by the Airports, including all aviation fuel taxes levied. The amended Certificate established an order of priority for the appropriation, application, or expenditure of this revenue as follows:

a. To pay or provide for the payment of the costs of operation, maintenance, and repair of airport properties

b. To pay when due all bonds and interest. Payment shall be provided from the following accounts:

   1. Interest account
   2. Serial bond principal account
   3. Sinking fund account
   4. Debt service reserve account

c. To fund the major maintenance, renewal, and replacement account

d. To reimburse the State General Fund for general obligation bond requirements

e. To provide for betterments and improvements to the airports

f. To provide such special reserve funds and other special funds as created by law

g. To provide for any other purpose connected with or pertaining to the bonds or the airports authorized by law

The amended Certificate requires that the Airports impose, prescribe, and collect revenue that, together with unencumbered funds, will yield net revenue and taxes at least equal to 1.25 times the total interest, principal, and sinking fund requirements for the ensuing 12 months. The Airports is also required to maintain adequate insurance on its properties.

The outstanding airports system revenue bonds contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenue and taxes during the year are less than 125 percent of debt service coverage due in the following year and (2) a provision that if the Airports is unable to make payment, outstanding amounts are due immediately. The outstanding airports system revenue bonds contain a subjective acceleration clause that allows the bondholders to accelerate payment of the entire principal amount to become immediately due if the bondholders determine that a material adverse change has occurred.

At June 30, 2023, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2023, the revenue bond debt service reserve accounts (reported as restricted assets in the accompanying statement of net position) consisted of the following:

Debt service reserve account	$ 117,502,457
Major maintenance, renewal, and replacement account	59,804,602
Total	177,307,059
Principal and interest due on July 1	32,802,867
Total	$ 210,109,926

At June 30, 2023, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was $1,384,891,403.

The revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102 to 100 percent of principal.

Note 5 - Long-term Debt (Continued)

The following is a summary of the airports system revenue bonds issued and outstanding at June 30, 2023, excluding premiums and discounts:

Series	Original Issue Amount	Interest Rate	Final Maturity Date (July 1)	Outstanding Amount
2011, refunding	$ 300,885,000	2.00%-5.00%	2024	$ -
2015A, nonrefunding	235,135,000	4.125%-5.00%	2045	235,135,000
2015B, nonrefunding	9,125,000	4.00%	2045	9,125,000
2018A, nonrefunding	388,560,000	5.00%	2048	388,560,000
2018B, nonrefunding	26,125,000	3.00%-5.00%	2027	26,125,000
2018C, refunding	93,175,000	3.58%	2028	92,300,000
2018D, refunding	142,150,000	5.00%	2034	142,150,000
2020A, nonrefunding	113,140,000	4.00%-5.00%	2045	113,140,000
2020B, nonrefunding	165,885,000	3.48%	2050	165,885,000
2020C, nonrefunding	20,295,000	5.00%	2050	20,295,000
2020D, refunding	184,855,000	4.00%-5.00%	2039	184,855,000
2020E, refunding	98,315,000	1.392%-2.330%	2030	98,315,000
2022A, nonrefunding	209,280,000	4.00%-5.00%	2051	209,280,000
2022B, refunding	53,035,000	5.00%	2024	53,035,000
Subtotal				1,738,200,000
Add unamortized premium				158,469,858
Less unamortized discount				(44,353)
Less current portion				(33,650,000)
Total				$ 1,862,975,505

Annual debt service requirements to maturity for the airports system revenue bonds are as follows:

Years Ending	Principal	Interest	Total
2024	$ 33,650,000	$ 38,697,052	$ 72,347,052
2025	37,665,000	37,859,104	75,524,104
2026	43,410,000	37,043,965	80,453,965
2027	44,660,000	36,419,613	81,079,613
2028	46,065,000	35,718,373	81,783,373
2029-2033	257,415,000	324,433,762	581,848,762
2034-2038	299,910,000	257,344,525	557,254,525
2039-2043	333,240,000	188,108,050	521,348,050
2044-2048	376,460,000	99,633,946	476,093,946
2049-2053	265,725,000	20,871,820	286,596,820
Total	$ 1,738,200,000	$ 1,076,130,210	$ 2,814,330,210

Pledged Future Revenue

In accordance with the Certificate, the Airports has pledged future revenue net of operation, maintenance, and repair expenses and certain adjustments (net revenue and taxes available for debt service) to repay $1,738,200,000 in revenue bonds issued in 2011, 2015, 2018, 2020, and 2022 and payable through 2052. The total debt service remaining to be paid on the revenue bonds for the Airports is $2,814,330,210. In fiscal year 2023, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports was $82,709,846 and $258,355,690, respectively.

Note 5 - Long-term Debt (Continued)

Lease Revenue Certificates of Participation

The Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the Energy Performance Contract between the Airports and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports in the amount of $167,740,000 at interest rates ranging from 3.00 to 5.25 percent, payable annually, with a final maturity date of 2029.

On April 13, 2016, the Airports entered into another lease agreement with Johnson Controls, Inc., amending the Energy Performance Contract dated December 19, 2013, to finance improvements to Daniel K. Inouye International Airport's cooling infrastructure. The costs relating to the lease and installation of certain equipment to implement the third amendment to the Energy Performance Contract between the Airports and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports in the amount of $8,056,521 at an interest rate of 1.74 percent, payable annually, with a final maturity date of 2026.

On March 31, 2017, the Airports entered into another lease agreement with Johnson Controls, Inc. amending the Energy Performance Contract dated December 19, 2013 to finance improvements to the lighting infrastructure at multiple airports. The costs relating to the purchase and installation of certain equipment to implement the fourth amendment to the Energy Performance Contract between the Airports and Johnson Controls, Inc. was financed by lease revenue certificates of participation issued by the Airports in the amount of $51,473,427 at an interest rate of 2.87 percent, payable annually, with a final maturity date of 2034.

The lease revenue certificates of participation are payable from revenue derived by the Airports from the ownership and operation of the airports system and the receipts from aviation fuel taxes imposed by the State of Hawaii. The certificates of participation represent participations in equipment lease rent payments to be made by the Airports. Lease rent payments to holders of the certificates of participation are payable from revenue and aviation fuel taxes, subordinate in right of payment to the payments of debt service on bonds.

The outstanding lease revenue certificates of participation contain a provision that if the Airports is unable to make payment, outstanding amounts are due immediately. The lease revenue certificates of participation contain a subjective acceleration clause that allows the holders to accelerate payment of the entire principal amount to become immediately due if the holders determine that a material adverse change has occurred.

At June 30, 2023, the outstanding balances of the lease revenue certificates of participation and the unamortized premium are $157,474,855 and $294,843, respectively.

The schedule of lease rent payments for the lease revenue certificates of participation is as follows:

Years Ending	Principal	Interest	Total
2024	$ 17,224,180	$ 6,632,805	$ 23,856,985
2025	19,760,449	5,797,450	25,557,899
2026	20,754,604	4,826,606	25,581,210
2027	22,769,583	3,767,301	26,536,884
2028	25,411,030	2,619,075	28,030,105
2029-2033	49,078,660	3,036,778	52,115,438
2034	2,476,349	53,430	2,529,779
Total	$ 157,474,855	$ 26,733,445	$ 184,208,300

Note 5 - Long-term Debt (Continued)

Customer Facility Charge Revenue Bonds

In July 2017, the Airports issued $249,805,000 of the airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2017A) at interest rates ranging from 1.70 to 4.14 percent. The Series 2017 Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2017 Bonds and to pay certain costs of issuance relating to the Series 2017 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the rental motor vehicle customer facility charge imposed the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports' System. At June 30, 2023, the outstanding balance of the Series 2017A Bonds is $223,610,000, with a maturity of July 1, 2047.

At June 30, 2023, the amount credited to the revenue bond debt service reserve accounts was in accordance with the applicable provisions of the official statement.

In August 2019, the Airports issued $194,710,000 of the airports system customer facility charge revenue bonds (Customer Facility Charge Revenue Bonds, Series 2019A) at interest rates ranging from 1.819 to 2.733 percent. The Series 2019A Bonds are being issued for the costs of design, development and construction of consolidated rental motor vehicle facility projects at certain airports and to fund the Rolling Coverage Fund Requirement and the Debt Service Reserve Fund Requirements for the Series 2019 Bonds and to pay certain costs of issuance relating to the Series 2019 bonds. The Bonds are special limited obligations of the State, payable solely from and secured by the receipts from collection of the rental motor vehicle customer facility charge imposed the State on rental motor vehicle customers who use or benefit from rental car facilities at all airports in the Airports' System. At June 30, 2023, the outstanding balance of the Series 2019A Bonds is $179,690,000, with a maturity of July 1, 2047.

Annual debt service requirements to maturity for the customer facility charge revenue bonds are as follows:

Years Ending	Principal	Interest	Total
2024	$ 10,815,000	$ 13,538,156	$ 24,353,156
2025	11,080,000	13,271,288	24,351,288
2026	11,370,000	12,983,853	24,353,853
2027	11,680,000	12,676,756	24,356,756
2028	12,000,000	12,352,045	24,352,045
2029-2033	65,625,000	56,150,572	121,775,572
2034-2038	77,265,000	44,511,407	121,776,407
2039-2043	92,330,000	29,444,484	121,774,484
2044-2048	111,135,000	10,643,105	121,778,105
Total	$ 403,300,000	$ 205,571,666	$ 608,871,666

The official statement for the customer facility charge revenue bonds requires that the aggregate amount of customer facility charge and minimum annual requirement deficiency payments paid by the rental car facilities in each fiscal year plus the amount on deposit in the rolling coverage fund provide no less than 1.40 times the aggregate debt service on the bonds.

Note 5 - Long-term Debt (Continued)

The outstanding customer facility charge revenue bonds contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenue and taxes during the year are less than 140 percent of debt service coverage due in the following year and (2) a provision that if the Airports is unable to make payment, outstanding amounts are due immediately. The outstanding customer facility charge revenue bonds contain a subjective acceleration clause that allows the bondholders to accelerate payment of the entire principal amount to become immediately due if the bondholders determine that a material adverse change has occurred. No material adverse changes occurred during the fiscal year ended June 30, 2023.

Note 6 - Leases

The Airports lease certain building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of these leases range from 4 to 15 years for concessionaires and up to 35 years for other airport users. Leases receivable consist of agreements with others for the right to use the underlying assets and are measured at the present value of payments expected to be received during the lease term. The discount rates used vary depending on the length of the lease.

During the year ended June 30, 2023, the Airports recognized the following related to its lessor agreements:

Lease revenue	$ 182,956,106
Interest income related to its leases	15,985,149

Future principal and interest payment requirements related to the Airports' leases receivable at June 30, 2023 are as follows:

Years Ending	Principal	Interest	Total
2024	$ 100,866,640	$ 17,751,412	$ 118,618,052
2025	87,383,953	14,017,837	101,401,790
2026	73,595,851	10,544,438	84,140,289
2027	63,650,999	7,533,529	71,184,528
2028	53,356,933	5,033,635	58,390,568
2029-2033	89,140,824	6,446,877	95,587,701
2034-2038	2,657,928	573,792	3,231,720
2039-2043	824,160	352,474	1,176,634
2044-2048	984,129	225,076	1,209,205
2049-2053	1,041,501	63,503	1,105,004
Total	$ 473,502,918	$ 62,542,573	$ 536,045,491

The leases with concessionaires are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rents included in concession fees for the fiscal year ended June 30, 2023 were $154,933,147.

Concession fee revenue from the DFS Group, L.P. (DFS), which operates the in-bond (duty free) concession, accounted for approximately 19 percent of total concession fee revenue for fiscal year 2019 and approximately 2 percent for fiscal year 2023. The Airports waived the minimum annual guarantees (MAGs) for eligible concessionaires in April 2020 and reinstated the MAG requirements effective May 1, 2022, except for the in-bond concession lease that continues to receive the MAG waivers on a month-to-month basis.

Such lease agreement has been subject to rebids, extensions, and renewals over the years.

Note 6 - Leases (Continued)

Regulated Leases

The Airports is party to certain regulated leases, as defined by GASB Statement No. 87 (GASB 87). In accordance with GASB 87, the Airports does not recognize a lease receivable or a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, (e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers, and other aeronautical users).

Airports

The DOT and the airline companies serving the airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992 (the "lease agreement"). Under the lease agreement, each signatory airline has the nonexclusive right to use the facilities, equipment, improvements, and services of the airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994 and extended the expiration date to June 30, 1997 (hereafter, the "lease agreement," and the five subsequent agreements are collectively referred to as the "Lease Extension Agreement"). The Lease Extension Agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997 unless terminated by either party upon at least 60 days' prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the First Amended Lease Extension Agreement, effective January 1, 2008.

Effective January 1, 2008, under the First Amended Lease Extension Agreement, the airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airports system facilities from the signatory airlines that directly use them. The airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per square foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Nonsignatory airlines are subject to the administrative rules, which require the payment of specified amounts for landing fees; airports system support charges; and certain other rates, fees, and charges. Under the First Amended Lease Extension Agreement, the DOT agreed to amend the methodology for calculating fees and charges so that nonsignatory airline fees and charges would be 125 percent of signatory airline fees and charges.

Prepaid Airport Use Charge Fund

The Prepaid Airport Use Charge Fund (PAUCF) was established in 1994 to provide a process to transfer moneys paid to the Airports by the signatory airlines in excess of the amounts required under each lease. The PAUCF is co-terminus with the First Amended Lease Extension Agreement.

Net excess over- and underpayments for fiscal years 1996 through 2022 have been transferred to the PAUCF (see Note 13). Excess overpayments are required to be set aside as restricted, are the property of the signatory airlines, and can be spent only for purposes mutually designated by the State and the Airlines Committee of Hawaii that substantially benefit the state airport system. Underpayments may be collected from the signatory airlines through agreed-upon rate increases in subsequent periods.

Note 6 - Leases (Continued)

The Airports System Rates and Charges

Signatory and nonsignatory airlines were assessed the following airports system rates and charges:

- Airport landing fees amounted to $100,354,977 for fiscal year 2023. Airport landing fees are shown net of aviation fuel tax credits of $2,142,327 on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of $98,212,650. Airport landing fees are based on a computed rate per 1000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The interisland airport landing fees for signatory airlines are set at 51 percent for fiscal year 2023 and are scheduled to increase 1 percent annually until they reach 100 percent.
- Overseas and interisland joint-use premise charges were established to recover airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates and are recovered based on a computed rate per enplaning or deplaning passenger. Nonexclusive joint-use premise charges for terminal rentals amounted to $73,057,842 for fiscal year 2023.
- Exclusive-use premise charges amounted to $97,547,963 for fiscal year 2023 and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounting to $41,395,444 and international arrival building charges of $14,624,423. Remaining charges of $41,528,096 include other nonterminal rentals.

Future expected minimum payments from the leases with signatory airlines and other users related to land and buildings for aeronautical purposes at June 30, 2023 are as follows:

2024	$ 26,739,293
2025	21,388,873
2026	18,882,396
2027	17,342,507
2028	15,042,673
2029-2033	41,473,152
2034-2038	6,518,985
2039-2043	5,208,315
2044-2048	6,236,617
2049-2053	5,773,820
Total	$ 164,606,631

Note 7 - Passenger Facility Charges

Passenger facility charge activity for the year ended June 30, 2023 is as follows:

Restricted assets - Passenger facility charges - Beginning of year	$ 146,598,863
Passenger facility charges during the year	42,369,925
Interest earned on passenger facility charges during the year	4,000,634
Capital expenditures during the year	(17,108,554)
Restricted assets - Passenger facility charges - End of year	$ 175,860,868

Restricted assets - Passenger facility charges are presented on the statement of net position as of June 30, 2023 as follows:

Cash and cash equivalents	$ 168,397,310
Receivable	7,467,692
Payable	(4,134)
Total restricted assets - Passenger facility charges	$ 175,860,868

Note 8 - Rental Car Customer Facility Charge

Rental car customer facility charge activity for the year ended June 30, 2023 is as follows:

Restricted assets - Rental car customer facility charge - Beginning of year	$ 99,238,824
Rental car customer facility charges during the year	65,576,988
Interest earned on rental care customer facility charges during the year	2,569,977
Operating and maintenance expenditures during the year	(33,543,914)
Capital expenditures during the year	(8,494,971)
Interest paid on debt service	(24,357,432)
Restricted assets - Rental car customer facility charges - End of year	$ 100,989,472

Restricted assets - Rental car customer facility charges are presented on the statement of net position as of June 30, 2023 as follows:

Cash and cash equivalents	$ 1,894,875
Investments	95,813,586
Receivable	5,496,879
Payable	(2,215,868)
Total restricted assets - Rental car customer facility charges	$ 100,989,472

Note 9 - Pension Plan

Plan Description

All eligible employees of the Airports are required by Chapter 88, Hawaii Revised Statutes (HRS), to become members of the ERS, a cost-sharing, multiple-employer public defined benefit pension plan. The ERS provides retirement, survivor, and disability benefits with multiple benefit structures known as the contributory, hybrid, and noncontributory. All contributions, benefits, and eligibility requirements are established by Chapter 88, HRS, and can be amended by legislative action.

Employees covered by Social Security on June 30, 1984 were given the option of becoming noncontributory members or remain contributory members. All new employees hired after June 30, 1984 and before July 1, 2006 who are covered by Social Security were generally required to become noncontributory members. Qualified contributory and noncontributory members were given the option of becoming hybrid members, effective July 1, 2006, or remain in their existing class. Starting on July 1, 2006, all new employees covered by Social Security are required to be hybrid members.

Benefits Provided

The three benefit structures provide a monthly retirement allowance equal to the benefit multiplier percentage (1.25 percent or 2.00 percent), multiplied by the average final compensation (AFC), multiplied by years of credited service. The benefit multiplier decreased by 0.25 percent for new hybrid and contributory plan members hired after June 30, 2012. The AFC is the average salary earned during the five highest paid years of service, including the payment of salary in lieu of vacation, or three highest paid years of service, excluding the payment of salary in lieu of vacation, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service, excluding the payment of salary in lieu of vacation. For new members hired after June 30, 2012, the AFC is based on the five highest paid years of service, excluding the payment of salary in lieu of vacation.

For postretirement increases, every retiree's original retirement allowance is increased by 2.5 percent on each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5 percent of the original retirement allowance without a ceiling (2.5 percent of the original retirement allowance the first year, 5.0 percent the second year, 7.5 percent the third year, etc.). For new members hired after June 30, 2012, the postretirement annuity increase was decreased to 1.5 percent per year.

Note 9 - Pension Plan (Continued)

Contributions

The following summarizes the plan provisions relevant to the general employees of the respective classes:

Contributory

Police officers, firefighters, and certain other members who are not covered by Social Security first hired prior to July 1, 2012 contribute 12.2 percent of their salary and receive a retirement benefit using the benefit multiplier of 2.5 percent for qualified service, up to a maximum of 80 percent of the AFC. These members may retire at age 55 with 5 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service are for any of the qualified occupations.

Police officers, firefighters, and certain other members who are not covered by Social Security first hired after June 30, 2012 contribute 14.20 percent of their salary and receive a retirement benefit using the benefit multiplier of 2.25 percent for qualified service, up to a maximum of 80 percent of the AFC. These members may retire at age 60 with 10 years of credited service or at any age with 25 years of credited service, provided the last 5 years of credited service are for any of the qualified occupations.

All other employees in the contributory class are required to contribute 7.8 percent of their salary and are fully vested for benefits upon receiving 5 years of credited service. The Airports may also make contributions for these members. Under the contributory class, employees may retire with full benefits at age 55 with 5 years of credited service or may retire early at any age with at least 25 years of credited service and reduced benefits. The benefit multiplier is 2.0 percent for employees covered by Social Security.

New employees in the contributory class hired after June 30, 2012 are required to contribute 9.8 percent of their salary and are fully vested for benefits upon receiving 10 years of credited service. These members may retire with full benefits at age 60 with 10 years of credited service or at age 55 with 25 years of credited service with reduced benefits. The benefit multiplier is 1.75 percent for employees covered by Social Security.

Hybrid

Employees in the hybrid class are required to contribute 6.0 percent of their salary and are fully vested for benefits upon receiving 5 years of credited service. The Airports may also make contributions for these members. Employees may retire with full benefits at age 62 with 5 years of credited service or at age 55 with 30 years of credited service or at age 55 with 20 years of service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 2.0 percent.

New employees in the hybrid class hired after June 30, 2012 are required to contribute 8 percent of their salary and are fully vested for benefits upon receiving 10 years of credited service. Employees may retire with full benefits at age 65 with 10 years of credited service or at age 60 with 30 years of credited service or at age 55 with 20 years of service with reduced benefits. The benefit multiplier is 1.75 percent for employees covered by Social Security.

Noncontributory

Employees in the noncontributory class are fully vested upon receiving 10 years of credited service. The Airports is required to make all contributions for these members.

Employees may retire with full benefits at age 62 with 10 years of credited service or at age 55 with 30 years of credited service or at age 55 with 20 years of credited service with reduced benefits. The benefit multiplier used to calculate retirement benefits is 1.25 percent.

Note 9 - Pension Plan (Continued)

The ERS funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, such that the employer contributions, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. The funding method used to calculate the total employer contribution required is the entry age normal actuarial cost method.

Since July 1, 2005, employer contribution rates are a fixed percentage of compensation, including the normal cost plus amounts to pay for the unfunded actuarial accrued liability. The contribution rates for fiscal year 2022 were 41.00 percent for police officers and firefighters and 24.00 percent for all other employees. Employer rates are set by statute based on the recommendation of the ERS actuary resulting from an experience study conducted every 5 years.

The required pension contributions by the Airports for the year ended June 30, 2023 were $19,967,580. Measurement of assets and actuarial valuations are made for the ERS as a whole and are not separately computed for individual participating employers such as the Airports.

Net Pension Liability

At June 30, 2023, the Airports reported a liability of $158,863,330 for its proportionate share of the net pension liability. The net pension liability at June 30, 2023 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Airports' proportion of the net pension liability is determined by a systematic methodology, based on an estimation of covered payroll, utilized by the Department of Accounting and General Services to allocate the State’s proportion of the collective net pension liability to the various departments and agencies across the State.

At June 30, 2022, the Airports' proportion was 2.61 percent, which was an increase of 0.02 percent from its proportion measured as of June 30, 2021.

The following changes were made to the actuarial assumptions from June 30, 2021 to June 30, 2022:

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

Note 9 - Pension Plan (Continued)

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

For the year ended June 30, 2023, the Airports recognized pension expense of $14,577,380.

At June 30, 2023, the Airports 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
Difference between expected and actual experience	$ 2,928,500	$ 2,681,217
Changes in assumptions	-	5,751,561
Net difference between projected and actual earnings on pension plan investments	-	8,207,860
Changes in proportion and differences between the Airports' contributions and proportionate share of contributions	1,811,358	410,030
Airports contributions subsequent to the measurement date	20,255,124	-
Total	$ 24,994,982	$ 17,050,668

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2024	$ (3,194,925)
2025	(4,654,113)
2026	(8,626,355)
2027	4,254,946
2028	(90,363)
Total	$ (12,310,810)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions adopted by the ERS' board of trustees on August 8, 2022, based on the 2021 Experience Study for the five-year period from July 1, 2016 through June 30, 2021:

- Inflation: 2.50 percent
- Payroll growth rate: 3.50 percent
- Investment rate of return: 7.00 percent per year, compounded annual including inflation
- There were no changes to ad hoc postemployment benefits, including cost of living allowances.
- Postretirement mortality rates are based on the 2022 Public Retirees of Hawaii mortality table with full generational projections in future years. Preretirement mortality rates are based on multiples of the Pub-2010 mortality table based on the occupation of the member.

Note 9 - Pension Plan (Continued)

Discount Rate

The discount rate used to measure the net pension liability was 7.00 percent, 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.

Investment Rate of Return

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 "resampling with a replacement" that directly keys in on specific plan-level risk factors 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 nominal rates of return (real returns plus inflation) by the target asset allocation percentage. The rates of return based on the ERS' investment consultant as of June 30, 2022 are summarized in the following table:

Strategic Allocation (Risk-based Classes)	Strategic Class Weights	Long-term Expected Geometric Rate of Return
Broad growth:		
Private equity	13.50 %	11.00 %
Global equity	20.00	8.50
Low volatility equity	4.00	7.80
Global options	4.00	6.40
Credit	6.00	7.70
Core real estate	6.00	6.40
Noncore real estate	4.50	9.50
Timber/Agriculture/Infrastructure	5.00	8.30
Diversifying strategies:		
TIPS	2.00	3.30
Global macro	4.00	5.40
Reinsurance	4.00	6.40
Alternative risk premia	8.00	5.40
Long treasurys	5.00	3.80
Intermediate government	4.00	3.20
Systematic trend following	10.00	6.20

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Airports, calculated using the discount rate of 7.00 percent, as well as what the Airports' net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Airports' proportionate share of the net pension liability	$ 213,040,792	$ 158,863,330	$ 114,014,729

Note 9 - Pension Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued ERS Annual Comprehensive Financial Report (ACFR). The ERS ACFR can be obtained from http://ers.ehawaii.gov/resources/financials or from the address below:

Employees' Retirement System of the State of Hawaii
201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813

The State issues an Annual Comprehensive Financial Report that includes the required note disclosures and the required supplementary information in accordance with the provisions of GASB Statement No. 68. This report can be obtained from http://ags.hawaii.gov/accounting/annual-financial-reports/.

Note 10 - Other Postemployment Benefit Plan

Plan Description

The State provides certain health care and life insurance benefits to all qualified employees and retirees. Pursuant to Act 88, SLH 2001, the State contributions to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The EUTF issues a publicly available annual financial report that can be obtained at http://eutf.hawaii.gov.

While the EUTF is an agent multiple-employer defined benefit OPEB plan, for the purpose of the Airports' financial statements, the EUTF is reported as a cost-sharing multiple-employer plan in accordance with the requirements of GASB 75.

Benefits Provided

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with 10 years or more of credited service and 50 percent of the base monthly contribution for employees retiring with fewer than 10 years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001 and who retire with fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent 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 fewer than 10 years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50 percent of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75 percent of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100 percent 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.

Note 10 - Other Postemployment Benefit Plan (Continued)

At July 1, 2021, the State's plan members covered by benefit terms consisted of the following:

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

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the OPEB plan from the Airports were $7,798,604 for the fiscal year ended June 30, 2023. The employer is also required to make all contributions for members, which is charged to salaries, wages, and benefits expense.

Net OPEB Liability

At June 30, 2023, the Airports reported a net OPEB liability of $150,342,283 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Airports' proportion of the net OPEB liability was based on the Airports' contributions to the EUTF for the fiscal year relative to the total contributions of participating employers to the EUTF.

As of July 1, 2022, the Airports' proportion of the net OPEB liability was 1.3681 percent, which was an increase of 0.7338 percent from its proportion measured as of July 1, 2021 of 0.6343 percent.

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

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

For the year ended June 30, 2023, the Airports recognized OPEB expense of $4,845,546.

At June 30, 2023, the Airports 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
Difference between expected and actual experience	$ -	$ 24,727,772
Changes in assumptions	1,308,487	3,992,500
Net difference between projected and actual earnings on OPEB plan investments	4,570,439	-
Airports contributions to the plan subsequent to the measurement date	7,798,604	-
Total	$ 13,677,530	$ 28,720,272

Note 10 - Other Postemployment Benefit Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending June 30	Amount
2024	$ (5,572,661)
2025	(5,485,972)
2026	(5,891,281)
2027	(2,924,259)
2028	(2,967,173)
Total	$ (22,841,346)

Actuarial Assumptions

The investment rate of return was assumed to be 7.00 percent, net of OPEB plan investment expense, including inflation.

<u>Health Care Cost Trend Rates</u>

PPO* - Initial rate of 6.40 percent; declining to a rate of 4.25 percent after 22 years
HMO* - Initial rate of 6.40 percent; declining to a rate of 4.25 percent after 22 years
Part B and Base Monthly Contribution - Initial rate of 5.00 percent; declining to a rate of 4.25 percent after 22 years
Dental - 4.00 percent
Vision - 2.50 percent
Life insurance - 0.00 percent

*Blended rates for medical and prescription drug

<u>Mortality Rates</u>

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

Discount Rate

The discount rate used to measure the net OPEB liability was 7.00 percent, based on the expected rate of return on OPEB plan investments of 7.00 percent. 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. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. In July 2020, the governor's office issued the 10th Proclamation related to the COVID-19 emergency, allowing employers of the EUTF to suspend Act 268 contributions for the fiscal year ended 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 10 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

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 %	11.72 %
U.S. microcap	6.00	8.28
Global equity	27.50	6.62
Global options	5.00	4.45
Real assets	10.00	6.59
Private credit	8.00	6.38
TIPS	5.00	1.35
Long treasurys	6.00	2.32
Alternative risk premia	5.00	3.74
Trend following	10.00	4.53
Real estate	5.00	4.81

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Airports, calculated using the discount rate of 7.00 percent, as well as what the Airports' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Airports proportionate share of the net OPEB liability	$ 186,191,095	$ 150,342,283	$ 121,849,846

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Airports, calculated using the assumed health care cost trend rate, as well as what the Airports' net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Airports proportionate share of the net OPEB liability	$ 120,301,680	$ 150,342,283	$ 188,752,682

Note 10 - Other Postemployment Benefit Plan (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 revenue is 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. The EUTF's complete financial statements are available at http://eutf.hawaii.gov.

Note 11 - Transactions with Other Government Agencies

The State assesses a surcharge of 5 percent for central service expenses on all receipts of the Airports, after deducting any amounts pledged, charged, or encumbered, for the payment of bonds and interest during the year. The assessments amounted to $17,546,712 in fiscal year 2023.

The Airports is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to $8,513,421 in fiscal year 2023. During fiscal year 2023, the Airports received assessment refunds from the DOT amounting to $4,802,308, which is recorded as a receivable due from the State of Hawaii at year end. Such refunds reduced operating expenses in the accompanying statement of revenue, expenses, and changes in net position.

During fiscal year 2023, revenue received from other state agencies totaled $7,182,572, and expenditures to other state agencies totaled $22,333,628. The revenue received relates to various rental agreements that the Airports has with the State of Hawaii. The expenses paid relate to various items, including security, salary, and insurance.

At June 30, 2023, the Airports had a payable due to state agencies for $55,959.

Note 12 - Risk Management

The Airports is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Airports generally addresses these risks through commercial insurance policies. Settled claims have not exceeded this commercial coverage in any of the past three years.

Torts

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

Property and Liability Insurance

The Airports is covered by commercial general liability policies with a $750 million limit per occurrence. These commercial general liability policies have no deductible and cover bodily injuries and property damage for occurrences arising out of the ownership, operation, and maintenance of state airports.

The Airports is covered under the State of Hawaii Statewide Insurance Program for Property, Auto and Crime Insurance.

Note 12 - Risk Management (Continued)

Workers' Compensation

The State is self-insured for workers' compensation. Accordingly, the Airports are liable for all workers' compensation claims filed by its employees. Liabilities for workers' compensation claims are established if information indicates that it is probable that liabilities have been incurred and the amount of those claims can be reasonably estimated. The basis for estimating the liabilities for unpaid claims includes the effects of specific incremental claim adjustment expenses, salvage, and subrogation and other allocated or unallocated claim adjustment expenses. These liabilities include an amount for claims that have been incurred but not reported. At June 30, 2023, the workers' compensation reserve was $9,724,293, of which $4,766,092 is included in current liabilities (payable from unrestricted net assets) and $4,958,201 is included in long-term liabilities in the accompanying statement of net position. In the opinion of management, the Airports has adequately reserved for such claims.

Changes in the estimated liability for the past two fiscal years were as follows:

	2023	2022
Estimated liability - Beginning of year	$ 6,934,962	$ 6,934,962
Estimated claims incurred, including changes in estimates	3,155,742	2,127,896
Claim payments	(366,411)	(2,127,896)
Estimated liability - End of year	$ 9,724,293	$ 6,934,962

Note 13 - Contingent Liabilities

Litigation

The State is subject to a number of lawsuits arising in the ordinary course of its airport operations. While the ultimate liabilities, if any, in the disposition of these matters are presently difficult to estimate, it is management's belief that the outcomes are not likely to have a material adverse effect on the Airports' financial position. In addition, the State has not determined whether the ultimate liabilities, if any, will be imposed on the Airports. Accordingly, no provisions for any liabilities that might result have been made in the accompanying financial statements.

Arbitrage

In compliance with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, the Airports is required to calculate rebates due to the U.S. Treasury on the airports system revenue bonds issued since 1986. Rebates are calculated by bond series based on the amount by which the cumulative amount of investment income exceeds the amount that would have been earned had funds been invested at the bond yield. In the opinion of management, rebates payable as of June 30, 2023, if any, are not material to the financial statements. Accordingly, no rebates payable have been recorded in the accompanying financial statements.

Asserted Claims

In fiscal year 2023, there was an overpayment from the signatory airlines resulting in a prepaid airport use charge payable at June 30, 2023 of $35,942,237.

Other Supplementary Information

DEPARTMENT OF TRANSPORTATION, AIRPORTS
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)
Operating Revenues and Operating Expenses Other than Depreciation
Year ended June 30, 2023

			Airports					
	Totals	**Statewide**	**Daniel K. Inouye International**	**Kahului**	**Lihue**	**Ellison Onizuka Kona International at Keahole**	**Hilo International**	**All Others**
Operating revenue:								
Concession fees:								
Duty free	4,240,506	-	4,240,506	-	-	-	-	-
Retail	7,709,054	-	7,406,123	302,931	-	-	-	-
Airport parking	30,944,719	-	19,411,390	4,029,537	2,043,115	3,871,030	1,589,647	-
Car rental	108,489,749	-	28,901,417	36,635,366	19,840,388	19,830,426	2,969,672	312,480
Food and beverage	12,263,576	-	6,512,960	3,647,751	1,034,914	962,951	104,792	208
Other concessions	19,308,504	-	9,948,807	5,755,084	1,633,158	1,652,885	286,960	31,610
Total concession fees	182,956,108	-	76,421,203	50,370,669	24,551,575	26,317,292	4,951,071	344,298
Airport landing fees	98,212,650	-	60,100,428	18,904,023	7,385,716	9,171,606	2,114,829	536,048
Aeronautical Rentals:								
Nonexclusive Joint-Use Premises	73,057,842	-	56,790,827	6,461,434	3,405,230	4,227,629	2,172,722	-
Exclusive-Use Premise Charges	97,547,962	-	73,034,249	10,095,375	5,064,929	4,368,197	2,317,582	2,667,630
Non Aeronical Rentals	26,801,839	-	15,624,762	5,792,969	1,261,320	3,468,727	568,633	85,428
Aviation Fuel Tax	3,066,333	-	1,285,054	991,780	279,903	509,596	-	-
Miscellaneous	8,587,696	(458,131)	6,627,651	736,992	614,623	709,128	49,749	307,684
	490,230,430	(458,131)	289,884,174	93,353,242	42,563,296	48,772,175	12,174,586	3,941,088
Allocation of statewide miscellaneous revenues (note 1)	-	458,131	(270,079)	(87,425)	(39,860)	(45,675)	(11,401)	(3,691)
Net Operating Revenue	490,230,430	-	289,614,095	93,265,817	42,523,436	48,726,500	12,163,185	3,937,397
Operating expenses other than depreciation:								
Salaries and wages	108,832,079	3,312,142	52,736,780	15,090,597	10,924,003	8,467,398	7,734,622	10,566,537
Other personnel services	96,970,988	5,931,586	56,962,181	13,935,040	6,125,278	5,051,100	5,037,702	3,928,101
Repairs and maintenance	38,148,703	19,021,802	12,303,980	2,796,188	923,282	1,550,561	1,051,856	501,034
Utilities	51,449,849	-	35,509,324	8,939,602	2,425,434	3,650,123	(112,658)	1,038,024
Special maintenance	21,997,953	14,327,765	5,721,051	1,268,934	149,005	523,482	374	7,342
State of Hawaii surcharge on gross receipts (note 2)	17,546,712	17,546,712	-	-	-	-	-	-
Department of Transportation general administration expenses	8,513,421	8,513,421	-	-	-	-	-	-
Materials and supplies	11,822,603	2,192,299	5,012,464	2,922,435	698,503	759,116	(53,539)	291,325
Insurance	3,478,753	3,478,753	-	-	-	-	-	-
Workers' compensation and other insurance claims	4,595,119	2,818,182	916,616	330,575	34,693	110,615	257,537	126,901
Miscellaneous	86,012,780	78,946,309	3,600,945	518,375	141,804	93,319	2,528,740	183,288
	449,368,960	156,088,971	172,763,341	45,801,746	21,422,002	20,205,714	16,444,634	16,642,552
Less Bond Interest	(77,394,103)	(77,394,103)	-	-	-	-	-	-
	371,974,857	78,694,868	172,763,341	45,801,746	21,422,002	20,205,714	16,444,634	16,642,552
Allocation of statewide expenses (3)	-	(78,694,868)	46,056,823	12,403,925	5,801,458	5,472,066	4,453,498	4,507,098
Total operating expenses other than depreciation for statement of revenue, expenses and changes in net position	371,974,857	-	218,820,164	58,205,671	27,223,460	25,677,780	20,898,132	21,149,650

Notes:
(1) Statewide miscellaneous revenue is allocated to the airports based upon their respective current year miscellaneous revenue to total current year miscellaneous revenue for all airports.
(2) State of Hawaii surcharge on gross receipts consists of transfers to the State General Fund to defray central service expenses as required by HRS Section 36-28.5.
(3) Statewide expenses are allocated to the airports based upon their respective current year operating expenses to total current year operating expenses for all airports.

See accompanying independent auditors' report.

Schedule 2

DEPARTMENT OF TRANSPORTATION, AIRPORTS
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)
Calculations of Net Revenue and Taxes and Debt Service Requirement
Year ended June 30, 2023

Net revenue and taxes:		
Concession fees	$	182,956,108
Airport landing fees		98,212,650
Aeronautical rentals:		
Nonexclusive joint-use premise charges		73,057,842
Exclusive-use premise charges		97,547,962
Nonaeronautical rentals		26,801,839
Aviation fuel tax		3,066,333
Airport system support charges		-
Interest income, exclusive of interest on investments in direct financing leases and including interest		47,822,132
Federal operating grants		46,371,777
Miscellaneous		8,587,696
Subtotal		584,424,339
Deductions:		
Operating expenses other than depreciation (Schedule 1)		371,974,857
Less: operating expenses for Special Facility (note 3)		(22,897,542)
Non-cash pension and OPEB expenses (note 4)		8,630,802
Less: Operating expenses paid from major maintenance, renewal and replacement account		-
Annual reserve required on major maintenance, renewal and replacement account		-
Total deductions		357,708,117
Net revenue and taxes		226,716,222
Add funded coverage per bond certificate		29,375,614
Adjusted net revenue and taxes		256,091,836
Debt service requirement:		33,650,000
Interest (note 1)		65,928,049
Total debt service		99,578,049
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)		(16,868,203)
Total debt service requirement		82,709,846
Debt service coverage percentage		125%
Total debt service with coverage requirement		103,387,308
Excess of net revenue and taxes over debt service requirement	$	152,704,529

Notes:

(1) For purposes of calculating the debt service requirement, interest payments for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes, and amounts from the Series 2020 and 2022 bond proceeds used to pay interest on the Series 2020 and 2022 bonds until the projects funded by the Series 2020 and 2022 bonds are in service.

(2) Pursuant to the provisions in Section 6.01 of the Certificate and Hawaii Revised Statutes Section 261-5.5, the Airports Division transferred $16,868,203 of Passenger Facility Charge revenue into the Airport Revenue Fund for credit to the interest account for Passenger Facility Charge eligible debt service.

(3) Pursuant to the provisions in Article XI of the Certificate, operating expenses related to Special Facility, such as the consolidated rental car facility, are excluded from the debt service requirement calculation.

(4) Pursuant to the amendment of the definition "Costs of Operation, Maintenance and Repair" in the 32nd Supplemental Certificate, certain expenses including "any amount of pension and other post-retirement benefits expenses that exceed the amount that the Department deposits to the State funds for the proportional share related to the Undertaking" shall be excluded.

See accompanying independent auditors’ report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)
Summary of Debt Service Requirements to Maturity - Airports System Revenue Bonds
Year Ended June 30, 2023

		Annual Principal & Interest Requirements Airports System Revenue Bonds		
		Principal	Interest	Total
Year ending June 30:				
2024	$	33,650,000	76,556,155	110,206,155
2025		37,665,000	74,903,068	112,568,068
2026		43,410,000	73,463,577	116,873,577
2027		44,660,000	72,137,985	116,797,985
2028		46,065,000	70,689,602	116,754,602
2029		47,560,000	69,124,942	116,684,942
2030		49,195,000	67,303,029	116,498,029
2031		51,200,000	65,201,861	116,401,861
2032		53,395,000	62,770,215	116,165,215
2033		56,065,000	60,033,715	116,098,715
2034		58,870,000	57,160,340	116,030,340
2035		61,810,000	54,143,340	115,953,340
2036		64,900,000	51,239,065	116,139,065
2037		55,940,000	48,654,040	104,594,040
2038		58,390,000	46,147,740	104,537,740
2039		60,950,000	43,530,290	104,480,290
2040		63,625,000	40,846,440	104,471,440
2041		66,320,000	37,908,265	104,228,265
2042		69,505,000	34,648,340	104,153,340
2043		72,840,000	31,174,716	104,014,716
2044		76,450,000	27,485,466	103,935,466
2045		80,220,000	23,624,216	103,844,216
2046		84,170,000	19,580,395	103,750,395
2047		66,305,000	16,010,292	82,315,292
2048		69,315,000	12,933,579	82,248,579
2049		72,460,000	9,702,736	82,162,736
2050		75,775,000	6,623,954	82,398,954
2051		78,615,000	3,573,255	82,188,255
2052		38,875,000	971,875	39,846,875
TOTAL	$	**1,738,200,000**	**1,258,142,493**	**2,996,342,493**

See accompanying independent auditors' report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)
Debt Service Requirements to Maturity - Airports System Revenue Bonds
Year ended June 30, 2023

	New Issue 2015A 4.125% to 5.25%	New Issue 2015B 4.00%	New Issue 2018A 5.00%	New Issue 2018B 3.00% to 5.00%	Refunding Series 2018C 3.58%	Refunding Series 2018D 5.00%	Series 2020A AMT 4% to 5%	Series 2020B Taxable 3.48%	2020C Non AMT 5.00%	Refunding Series 2020D (Non Amt) 4.00% to 5.00%	Refunding Series 2020E (Taxable) 1.392% to 2.330%	Series 2022A (AMT) 4.00% to 5.00%	Refunding Series 2022B (AMT) 5.00%	Total	Interest	Total Requirements
Year Ending June 30:																
2024	-	-	-	-	465,000	-	-	-	-	-	-	-	33,185,000	33,650,000	76,556,156	110,206,156
2025	-	-	-	-	17,815,000	-		-	-	-	-	-	19,850,000	37,665,000	74,903,069	112,568,069
2026	-	-	-	8,305,000	16,805,000	-		-	-	-	18,300,000	-	-	43,410,000	73,463,578	116,873,578
2027	-	-	-	8,695,000	19,015,000	-		-	-	-	16,950,000	-	-	44,660,000	72,137,986	116,797,986
2028	-	-	-	9,125,000	18,095,000	-		-	-	1,725,000	17,120,000	-	-	46,065,000	70,689,602	116,754,602
2029	-	-	9,800,000	-	20,105,000	-		-	-	1,715,000	15,940,000	-	-	47,560,000	69,124,942	116,684,942
2030	-	-	10,750,000	-	-	20,185,000		-	-	1,980,000	16,280,000	-	-	49,195,000	67,303,029	116,498,029
2031	-	-	11,280,000	-	-	21,935,000	2,920,000	-	-	1,340,000	13,725,000	-	-	51,200,000	65,201,861	116,401,861
2032	-	-	11,840,000	-	-	23,210,000	17,110,000	-	-	1,235,000	-	-	-	53,395,000	62,770,215	116,165,215
2033	-	-	12,435,000	-	-	24,365,000	17,965,000	-	-	1,300,000	-	-	-	56,065,000	60,033,715	116,098,715
2034	-	-	13,050,000	-	-	25,590,000	18,865,000	-	-	1,365,000	-	-	-	58,870,000	57,160,340	116,030,340
2035	-	-	13,710,000	-	-	26,865,000	19,805,000	-	-	1,430,000	-	-	-	61,810,000	54,143,340	115,953,340
2036	-	-	12,205,000	-	-	-	20,795,000	-	-	31,900,000	-	-	-	64,900,000	51,239,065	116,139,065
2037	-	-	12,820,000	-	-	-	1,330,000	-	-	33,170,000	-	8,620,000	-	55,940,000	48,654,040	104,594,040
2038	-	-	13,450,000	-	-	-	1,385,000	-	-	34,505,000	-	9,050,000	-	58,390,000	46,147,740	104,537,740
2039	-	-	14,130,000	-	-	-	1,440,000	-	-	35,880,000	-	9,500,000	-	60,950,000	43,530,290	104,480,290
2040	-	-	14,840,000	-	-	-	1,500,000	-	-	37,310,000	-	9,975,000	-	63,625,000	40,846,440	104,471,440
2041	34,570,000	1,375,000	18,445,000	-	-	-	1,555,000	-	-	-	-	10,375,000	-	66,320,000	37,908,265	104,228,265
2042	36,295,000	1,430,000	19,375,000	-	-	-	1,610,000	-	-	-	-	10,795,000	-	69,505,000	34,648,340	104,153,340
2043	38,110,000	1,490,000	20,340,000	-	-	-	1,675,000	-	-	-	-	11,225,000	-	72,840,000	31,174,715	104,014,715
2044	40,020,000	1,545,000	21,355,000	-	-	-	1,745,000	-	-	-	-	11,785,000	-	76,450,000	27,485,465	103,935,465
2045	42,020,000	1,610,000	22,420,000	-	-	-	1,815,000	-	-	-	-	12,355,000	-	80,220,000	23,624,215	103,844,215
2046	44,120,000	1,675,000	23,540,000	-	-	-	1,625,000	265,000	-	-	-	12,945,000	-	84,170,000	19,580,395	103,750,395
2047	-	-	35,775,000	-	-	-	-	18,960,000	-	-	-	11,570,000	-	66,305,000	16,010,292	82,315,292
2048	-	-	37,560,000	-	-	-	-	19,620,000	-	-	-	12,135,000	-	69,315,000	12,933,579	82,248,579
2049	-	-	39,440,000	-	-	-	-	20,305,000	-	-	-	12,715,000	-	72,460,000	9,702,736	82,162,736
2050	-	-	-	-	-	-	-	62,425,000	-	-	-	13,350,000	-	75,775,000	6,623,954	82,398,954
2051	-	-	-	-	-	-	-	44,310,000	20,295,000	-	-	14,010,000	-	78,615,000	3,573,255	82,188,255
2052	-	-	-	-	-	-	-	-	-	-	-	38,875,000	-	38,875,000	971,875	39,846,875
	$ 235,135,000	9,125,000	388,560,000	26,125,000	92,300,000	142,150,000	113,140,000	165,885,000	20,295,000	184,855,000	98,315,000	209,280,000	53,035,000	1,738,200,000	1,258,142,494	2,996,342,494

See accompanying independent auditors' report.

DEPARTMENT OF TRANSPORTATION, AIRPORTS
STATE OF HAWAII
(An Enterprise Fund of the State of Hawaii)
Airports System Charges - Fiscal year 2008 Lease Extension
Year ended June 30, 2023

	Airline Activity (Unaudited)			Airports System Charges									
				Nonexclusive Joint-Use Premise Charges									
	Approved Maximum Revenue landing Weights (1,000-pound Units)	Revenue Passenger Landings	Deplaned International Passengers	Airports Landing Fees	Joint-Use Charges - Overseas Baggage	Joint-Use Charges - Overseas Holdroom	Joint-Use Charges - Overseas Baggage Make Up	Joint-Use Charges - Interisland Baggage	Joint-Use Charges - Interisland Holdroom	International Arrivals Building Charges	Preferential Use	Exclusive Use Premise Charges - Terminal Space	TOTAL
Aeko Kula, Inc.	1,073,337	-	-	2,522,342	-	-	-	-	-	-	-	111,069	2,633,410
Air Canada	194,005	1,115	-	894,364	475,934	437,048	174,606	-	-	-	-	390,350	2,372,302
Air New Zealand Ltd.	67,721	147	37,717	312,194	-	115,530	63,187	-	-	452,604	-	-	943,515
Air Pacific, Ltd.	19,406	122	12,417	89,460	-	47,915	26,411	-	-	149,004	-	-	312,789
Alaska Airlines, Inc.	1,432,658	8,659	-	6,604,551	3,481,776	1,315,849	1,037,709	-	-	-	620,048	1,585,974	14,645,906
All Nippon Airways Co., Ltd.	371,918	535	135,272	1,714,540	-	402,705	221,179	-	-	1,623,264	-	2,060,647	6,022,335
American Airlines, Inc.	1,310,562	5,029	-	6,041,692	2,950,675	2,417,146	963,588	-	-	-	-	2,091,595	14,464,697
Atlas Air Inc.	413,876	-	-	1,646,224	-	-	-	-	-	-	-	-	1,646,224
Asiana Airlines, Inc.	124,105	258	61,857	572,122	-	200,207	110,450	-	-	742,284	-	117,586	1,742,648
Continental Airlines, Inc.	34,195	127	-	111,988	75,825	138,191	-	-	-	-	-	814,516	1,140,519
Delta Air Lines, Inc.	1,524,965	5,103	460	7,030,090	3,434,881	2,903,565	1,262,328	-	-	5,520	-	4,441,267	19,077,651
Federal Express Corporation	933,480	-	-	4,303,343	-	-	-	-	-	-	-	9,421	4,312,765
Hawaiian Airlines, Inc.	10,287,294	62,083	379,985	33,403,929	-	6,881,220	278,379	15,503,600	402,977	4,445,892	8,921,299	14,124,974	83,962,270
Japan Airlines International Co., Ltd.	480,590	930	191,570	2,215,520	-	607,569	332,589	-	-	2,298,840	-	2,108,600	7,563,118
Jetstar Airways Pty Limited	94,367	222	64,101	435,032	-	235,010	129,948	-	-	769,212	-	-	1,569,202
Jin Air Co., Ltd.	-	-	-	-	-	-	-	-	-	-	-	4,593	4,593
Kalitta Air, L.L.C.	268,566	-	-	1,208,619	-	-	-	-	-	-	-	-	1,208,619
Korean Airlines Company, Ltd.	245,760	334	103,952	1,132,954	-	338,416	187,171	-	-	1,247,424	-	493,720	3,399,685
Mokulele Flight Service, Inc.	74,180	4,362	-	174,322	-	-	-	-	-	-	-	-	174,322
Northern Air Cargo, LLC	193,323	1	-	799,226	-	-	-	-	-	-	-	-	799,226
Philippine Airlines, Inc.	113,106	198	61,947	521,419	-	201,050	111,366	-	-	743,364	-	206,426	1,783,625
Qantas Airways Limited	263,213	267	70,595	1,213,412	-	241,642	133,319	-	-	847,140	-	830,686	3,266,199
Singapore Airlines, Inc.	12,650	-	-	58,317	-	-	-	-	-	-	-	-	58,317
Southern Airways Express LLC	327,016	35,936	-	768,488	-	-	-	-	-	-	-	1,976	770,464
Southwest Airlines Co.	4,630,160	28,204	-	14,177,248	9,156,907	668,124	3,012,630	-	595,118	-	2,273,508	4,448,206	34,331,741
Sun Country, Inc.	-	-	-	-	-	-	-	-	-	-	-	81,790	81,790
United Airlines, Inc.	3,381,017	9,792	117,966	15,273,119	6,777,070	4,971,409	2,668,640	-	-	1,415,592	620,048	7,441,387	39,167,263
United Parcel Service Co.	1,376,959	-	-	5,485,914	-	-	-	-	-	-	-	44,929	5,530,843
Westjet	244,470	1,342	-	1,127,007	537,864	487,043	169,385	-	-	-	-	190,120	2,511,419
Total Signatory Airlines	29,492,899	164,766	1,237,839	109,837,433	26,890,933	22,609,638	10,882,884	15,503,600	998,094	14,740,140	12,434,902	41,599,831	255,497,456
Nonsignatory Airlines	1,830,860	6,922	36,293	5,277,089	72	140,057	100,368	-	-	545,280	-	958,351	7,021,217
Total airports system charges billed	31,323,759	171,688	1,274,132	115,114,523	26,891,005	22,749,695	10,983,252	15,503,600	998,094	15,285,420	12,434,902	42,558,182	262,518,674
Signatory airlines billed				$ 109,837,433	$ 26,890,933	$ 22,609,638	$ 10,882,884	$ 15,503,600	$ 998,094	$ 14,740,140	$ 12,434,902	$ 41,599,831	$ 255,497,456
Signatory airlines requirements				95,077,888	22,496,757	15,449,660	9,210,652	12,684,299	888,638	14,079,143	12,087,340	40,437,093	222,411,468
Fiscal year 2023 overpayment				$ 14,759,546	$ 4,394,176	$ 7,159,978	$ 1,672,232	$ 2,819,301	$ 109,457	$ 660,997	$ 347,562	$ 1,162,738	$ 33,085,988

Note: Certain other aeronatical rentals revenue are not included in the airports system rates and charges under the Airport Airline Lease Agreement. Those aeronautical rentals revenue for the year ended June 30, 2023 were as follows:

Signatory Airlines	$ 18,034,325
Nonsignatory airlines	23,533,998
	$ 41,568,323

See accompanying independent auditors' report.

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS
(An Enterprise Fund of the State of Hawaii)
Approved Maximum Revenue Landing Weights and Airport Landing Fees - Signatory Airlines
Year ended June 30, 2023

	Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	$ 109,837,433	$ 5,277,089	$ 115,114,523
Less aviation fuel tax credit	(2,006,385)	(135,942)	(2,142,327)
Net airport landing fees billed	$ 107,831,048	$ 5,141,147	$ 112,972,195

See accompanying independent auditors’ report.

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS
(An Enterprise Fund of the State of Hawaii)
Approved Maximum Revenue Landing Weights and Airport Landing Fees - Signatory Airlines
Year ended June 30, 2023

	Approved Maximum Revenue Landing Weights (Unaudited) (1,000 pound units)				Daniel K. Inouye International and Hilo International Airport: Gross Airport Landing Fees					All Other Airports			
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Total Adjusted Airport Landing Fees Billed
Aeko Kula, Inc.	401,173	163,843	508,321	1,073,337	942,757	385,031	1,327,788	-	1,327,788	1,194,554	-	1,194,554	2,522,342
Air Canada	93,571	-	100,435	194,005	431,360	-	431,360	-	431,360	463,004	-	463,004	894,364
Air New Zealand Ltd.	67,721	-	-	67,721	312,194	-	312,194	-	312,194	-	-	-	312,194
Air Pacific, Ltd.	19,406	-	-	19,406	89,460	-	89,460	-	89,460	-	-	-	89,460
Alaska Airlines, Inc.	534,287	-	898,370	1,432,658	2,463,065	-	2,463,065	(201,154)	2,261,911	4,141,486	-	4,141,486	6,403,397
All Nippon Airways Co., Ltd.	371,918	-	-	371,918	1,714,540	-	1,714,540	-	1,714,540	-	-	-	1,714,540
American Airlines, Inc.	586,755	-	723,807	1,310,562	2,704,943	-	2,704,943	-	2,704,943	3,336,750	-	3,336,750	6,041,692
Atlas Air Inc.	124,105	-	-	124,105	572,122	-	572,122	-	572,122	1,074,102	-	1,074,102	1,646,224
Asiana Airlines, Inc.	182,564	-	231,312	413,876	840,147	-	840,147	-	840,147	(268,025)	-	(268,025)	572,122
Continental Airlines, Inc.	-	34,195	-	34,195	-	111,988	111,988	-	111,988	-	-	-	111,988
Delta Air Lines, Inc.	966,005	-	558,960	1,524,965	4,453,283	-	4,453,283	(141,873)	4,311,410	2,576,807	-	2,576,807	6,888,217
Federal Express Corporation	933,480	-	-	933,480	4,303,343	-	4,303,343	-	4,303,343	-	-	-	4,303,343
Hawaiian Airlines, Inc.	5,793,933	533,120	3,960,243	10,287,297	20,535,891	1,252,832	21,788,723	(1,029,664)	20,759,059	11,615,206	-	11,615,206	32,374,264
Japan Airlines International Co., Ltd.	466,950	-	13,640	480,590	2,152,640	-	2,152,640	-	2,152,640	62,880	(5,376)	57,505	2,210,144
Jetstar Airways Pty Limited	94,367	-	-	94,367	435,032	-	435,032	-	435,032	-	-	-	435,032
Kalitta Air, L.L.C.	255,526	-	13,040	268,566	1,177,975	-	1,177,975	-	1,177,975	30,644	-	30,644	1,208,619
Korean Airlines Company, Ltd.	245,760	-	-	245,760	1,132,954	-	1,132,954	-	1,132,954	-	-	-	1,132,954
Mokulele Flight Service, Inc.	18,275	1,913	53,992	74,180	42,946	4,494	47,441	(1,352)	46,088	126,881	-	126,881	172,970
Northern Air Cargo, LLC	178,575	-	14,748	193,323	818,216	-	818,216	-	818,216	(18,990)	-	(18,990)	799,226
Philippine Airlines, Inc.	113,106	-	-	113,106	521,419	-	521,419	-	521,419	-	-	-	521,419
Qantas Airways Limited	263,213	-	-	263,213	1,213,412	-	1,213,412	-	1,213,412	-	-	-	1,213,412
Singapore Airlines, Inc.	12,650	-	-	12,650	58,317	-	58,317	-	58,317	-	-	-	58,317
Southern Airways Express LLC	84,815	6,401	235,801	327,016	199,314	15,041	214,355	(10,510)	203,845	554,133	-	554,133	757,978
Southwest Airlines Co.	2,094,960	263,132	2,272,069	4,630,160	6,354,692	618,702	6,973,394	-	6,973,394	7,203,854	-	7,203,854	14,177,248
United Airlines, Inc.	1,991,344	-	1,389,673	3,381,017	9,180,095	-	9,180,095	(579,677)	8,600,417	6,093,024	(4,710)	6,088,314	14,688,731
United Parcel Service Co.	1,054,676	-	322,283	1,376,958	4,517,613	-	4,517,613	-	4,517,613	968,301	-	968,301	5,485,914
Westjet	94,761	-	149,710	244,470	436,846	-	436,846	(32,068)	404,779	690,161	-	690,161	1,094,940
TOTAL	17,043,893	1,002,602	11,446,403	29,492,899	67,604,573	2,388,088	69,992,662	(1,996,299)	67,996,362	39,844,772	(10,086)	39,834,686	107,831,048

Summary of revenue landing weights:

Overseas	19,061,910
Interisland	12,261,849
	31,323,759

Aviation fuel tax credits of $3,066,333 was paid by the users for the year ended June 30, 2023. Users can claim a credit for aviation fuel taxes paid up to six months after payment.
Aviation fuel tax of $2,142,327 was credited against airport landing fees in accordance with Article V.E. of the Airport Airline Lease agreement as follows:

Fuel Tax Credit:		
	Signatory	$ (2,006,385)
	Non-Signatory	(135,942)
		$ (2,142,327)

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2023

See accompanying independent auditors' report.

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS
(An Enterprise Fund of the State of Hawaii)
Approved Maximum Revenue Landing Weights and Airport Landing Fees - Nonsignatory Airline
Year ended June 30, 2023

	Approved Maximum Revenue Landing Weights (Unaudited) (1,000 pound units)				Daniel K. Inouye International and Hilo International Airport: Gross Airport Landing Fees					All Other Airports			
	Daniel K. Inouye International Airport	Hilo International Airport	All Other Airports	Total	Daniel K. Inouye International Airport	Hilo International Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Gross Airport Landing Fees	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	Total Adjusted Airport Landing Fees Billed
Aero Micronesia, Inc.	48,510	-	-	48,510	280,915	-	280,915	-	280,915	-	-	-	280,915
Air Service Hawaii, Inc	69,320	2,115	140,674	212,109	138,897	3,031	141,928	(90,146)	51,782	266,792	-	266,792	318,574
Air Transport Internationl LLC	214,159	-	120,054	334,213	1,411,147	-	1,411,147	(23,705)	1,387,443	399,936	-	399,936	1,787,378
Air Ventures Hawaii, LLC	660	-	9,079	9,740	561	-	-	-	-	8,643	-	8,643	8,643
Airborne Aviation Inc.	-	-	9,084	9,084	-	-	-	-	-	7,721	-	7,721	7,721
Alexair, Inc.	-	-	19,116	19,116	-	-	-	-	-	17,467	-	17,467	17,467
Aloha Helicopter Tours LLC	-	-	4,609	4,609	-	-	-	-	-	3,917	-	3,917	3,917
Aris, Inc.	-	-	44,429	44,429	-	-	-	-	-	37,765	(2,370)	35,395	35,395
Big Island Air, Inc.	4	4	179	188	4	4	8	-	8	152	-	152	159
Bradley Pacific Aviation, Inc.	96,542	4,439	237,789	338,770	194,792	8,168	202,960	-	202,960	403,064	-	403,064	606,024
Castle & Cooke Homes Hawaii, Inc.	30,522	-	-	30,522	64,009	-	64,009	-	64,009	-	-	-	64,009
Corporate Air	18,658	-	20,018	38,675	54,951	-	54,951	-	54,951	58,953	-	58,953	113,905
George'S Aviation Services, Inc.	1,043	105	497	1,645	785	89	875	(509)	366	422	-	422	788
Hawaii Pacific Aviation Inc.	3,562	-	14,010	17,572	3,027	-	3,027	(708)	2,319	11,909	(436)	11,473	13,792
Helicopter Consultants Of Maui, Inc.	14,543	12,694	53,215	80,452	12,361	10,790	23,151	-	23,151	45,233	(6,864)	38,369	61,520
Honolulu Helicopter Tours LLC	1,775	-	-	1,775	2,109	-	2,109	-	2,109	-	-	-	2,109
Honolulu Soaring Club, Inc.	-	-	772	772	-	-	-	-	-	737	-	737	737
Island Helicopters Kauai, Inc.	-	-	25,797	25,797	-	-	-	-	-	21,927	(1,217)	20,710	20,710
Jack Harter Helicopters, Inc.	-	-	14,621	14,621	-	-	-	-	-	12,428	(1,847)	10,581	10,581
K & S Helicopters, Inc.	-	4,664	12,370	17,034	-	3,964	3,964	-	3,964	10,515	(615)	9,899	13,864
Kamaka Air, Inc.	33,075	397	46,132	79,604	28,114	337	28,451	-	28,451	39,212	-	39,212	67,663
Lani Lea Sky Tours LLC	49	-	-	49	41	-	41	-	41	-	-	-	41
Makani Kai Helicopters, Ltd.	9,088	22	28	9,139	7,725	19	7,744	(25)	7,719	24	-	24	7,742
Miscellaneous	89,125	-	-	89,125	408,420	-	408,420	-	408,420	-	-	-	408,420
National Airlines - NPB	-	-	583	583	325,211	-	325,211	-	325,211	4,408	-	4,408	329,619
Niihau Helicopters, Inc.	24,805	-	-	24,805	21,084	-	21,084	-	21,084	-	-	-	21,084
Novictor Aviation, LLC	31,820	-	(2,990)	28,830	179,249	-	179,249	-	179,249	(14,382)	-	(14,382)	164,867
Omni Air International, Inc.	100	-	379	480	(70,256)	-	(70,256)	-	(70,256)	13,727	-	13,727	(56,529)
Pacific Air Charters, Incorporated	-	-	63	63	-	-	-	-	-	(54)	-	(54)	(54)
Pacific Helicopter Tours, Inc.	-	-	35,742	35,742	-	-	-	-	-	30,380	(21)	30,360	30,360
Pofolk Aviation Hawaii, Inc.	93	-	40	133	79	-	79	-	79	34	-	34	113
Resort Air, LLC	-	6,990	8,955	15,945	-	5,942	5,942	(50)	5,892	7,611	-	7,611	13,503
Safari Aviation, Inc.	-	-	10,897	10,897	-	1,134	1,134	-	1,134	10,059	-	10,059	11,194
Sunshine Helicopters, Inc.	5	5	21,082	21,091	4	4	8	-	8	17,920	(1,411)	16,508	16,516
Trans Executive Airlines Of Hawaii, Inc.	34,642	6,705	27,454	68,800	29,446	5,699	35,145	(6,018)	29,126	23,336	-	23,336	52,462
Western Aircraft Inc.	41,827	-	41,807	83,634	35,553	-	35,553	-	35,553	35,536	-	35,536	71,089
Western Globalairlines	30,283	-	-	30,283	175,480	-	175,480	-	175,480	-	-	-	175,480
Wings Over Kauai LLC	-	-	2,988	2,988	-	-	-	-	-	2,173	-	2,173	2,173
Zipair Tokyo, Inc.	79,040	-	-	79,040	457,193	-	457,193	-	457,193	-	-	-	457,193
TOTAL	873,250	38,139	919,471	1,830,861	3,760,903	39,182	3,799,524	(121,161)	3,678,363	1,477,565	(14,781)	1,462,784	5,141,147

Summary of revenue landing weights:

Overseas	953,746
Interisland	877,115
	1,830,861

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2023

See accompanying independent auditors' report.