
Department of Transportation, Airports,
State of Hawaii

(an enterprise fund of the State of Hawaii)

Financial Report
with Supplementary Information
June 30, 2024

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Independent Auditor's Report

To the Auditor and the Department of
Transportation Director
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, 2024 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, 2024 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, 2024 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.

To the Auditor and the Department of
Transportation Director
State of Hawaii

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the 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.

To the Auditor and the Department of
Transportation Director
State of Hawaii

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 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 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.

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 November 22, 2024 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.



November 22, 2024

Department of Transportation, Airports, State of Hawaii

Management's Discussion and Analysis

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, 2024. 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 operate and maintain 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. Kahului Airport on the Island of Maui, 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 that provide interisland and domestic overseas flights. Kahului Airport and Ellison Onizuka Kona International Airport at Keahole also provide facilities for flights to and from Canada. Hilo International Airport currently provides facilities for interisland flights. The Daniel K. Inouye International Airport accommodated 56.5 percent of total passenger traffic in the airport system during fiscal year 2024. The other 4 principal airports accommodated 42.6 percent of the total passenger traffic for fiscal year 2024.

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 0.9 percent of the total passenger traffic for fiscal year 2024.

The Airports are 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' cash.

Overview of the Financial Statements

The Airports are 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 2024, leases receivable related to eligible GASB 87 leases decreased by approximately \$90 million.

Department of Transportation, Airports, State of Hawaii

Management's Discussion and Analysis (Continued)

Activities and Highlights

For the purpose of analysis, we compare fiscal year 2024 to fiscal year 2019, since that is the last full fiscal year pre-pandemic. In fiscal year 2024, 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 1,733,668 for fiscal year 2024, which was 60.9 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

	<u>2023</u>	<u>2024</u>	<u>Change</u>	<u>Percent Change</u>
Assets				
Current and other assets	\$ 2,136,646,164	\$ 2,003,110,995	\$ (133,535,169)	(6.2)
Capital assets	<u>4,065,601,642</u>	<u>4,182,509,266</u>	<u>116,907,624</u>	2.9
Total assets	6,202,247,806	6,185,620,261	(16,627,545)	(0.3)
Deferred Outflows of Resources	43,878,247	56,815,832	12,937,585	29.5
Liabilities				
Current liabilities	269,052,338	297,857,573	28,805,235	10.7
Noncurrent liabilities	<u>2,753,869,588</u>	<u>2,667,862,072</u>	<u>(86,007,516)</u>	(3.1)
Total liabilities	3,022,921,926	2,965,719,645	(57,202,281)	(1.9)
Deferred Inflows of Resources	<u>522,246,338</u>	<u>427,958,638</u>	<u>(94,287,700)</u>	(18.1)
Net Position				
Net investment in capital assets	1,783,567,539	1,806,653,524	23,085,985	1.3
Restricted	677,690,325	760,342,876	82,652,551	12.2
Unrestricted	<u>239,699,925</u>	<u>281,761,410</u>	<u>42,061,485</u>	17.5
Total net position	<u>\$ 2,700,957,789</u>	<u>\$ 2,848,757,810</u>	<u>\$ 147,800,021</u>	5.5

The largest portion of the Airports' net position (63.4 percent and 66.0 percent at June 30, 2024 and 2023, 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 use 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 their 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 (26.7 percent and 25.1 percent at June 30, 2024 and 2023, 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 \$601.9 million and \$653.8 million at June 30, 2024 and 2023, 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.

Department of Transportation, Airports, State of Hawaii

Management's Discussion and Analysis (Continued)

The Airports' Changes in Net Position

	2023	2024	Change	Percent Change
Operating Revenue				
Concession fees	\$ 182,956,106	\$ 157,200,688	\$ (25,755,418)	(14.1)
Airport landing fees - Net	98,212,650	126,187,581	27,974,931	28.5
Aeronautical rentals - Nonexclusive joint-use premise charges	87,682,265	138,384,523	50,702,258	57.8
Aeronautical rentals - Exclusive premise charges	82,923,540	101,526,292	18,602,752	22.4
Nonaeronautical rentals	26,801,841	31,362,577	4,560,736	17.0
Aviation fuel tax	3,066,333	2,623,798	(442,535)	(14.4)
Miscellaneous	8,587,696	9,351,618	763,922	8.9
Total operating revenue	490,230,431	566,637,077	76,406,646	15.6
Operating Expenses				
Depreciation	188,204,616	184,227,270	(3,977,346)	(2.1)
Salaries and wages	108,832,079	130,192,822	21,360,743	19.6
Other personnel services	96,970,988	111,068,617	14,097,629	14.5
Utilities	51,449,851	51,406,590	(43,261)	(0.1)
Repairs and maintenance	60,146,656	80,967,542	20,820,886	34.6
State of Hawaii surcharge on gross receipts Department of Transportation general administration expenses	8,513,421	8,870,514	357,093	4.2
Materials and supplies	11,822,603	11,355,033	(467,570)	(4.0)
Workers' compensation and other insurance claims	4,595,120	4,627,884	32,764	0.7
Insurance	3,478,753	5,151,757	1,673,004	48.1
Miscellaneous	8,618,674	18,166,515	9,547,841	110.8
Total operating expenses	560,179,473	624,102,883	63,923,410	11.4
Operating Loss	(69,949,042)	(57,465,806)	12,483,236	(17.8)
Nonoperating (Expense) Revenue				
Loss on disposal of assets	(859,322)	(39,276)	820,046	(95.4)
Interest income	47,559,036	70,227,495	22,668,459	47.7
Federal operating grants	46,371,777	15,627,919	(30,743,858)	(66.3)
Passenger facility charges	46,370,559	45,306,387	(1,064,172)	(2.3)
Rental car customer facility charges	68,116,965	67,082,352	(1,034,613)	(1.5)
Airports system revenue bonds interest expense	(67,387,083)	(66,765,391)	621,692	(0.9)
Special facility revenue bonds interest expense	(681,264)	(4,712)	676,552	(99.3)
Lease revenue certificates of participation interest expense	(6,802,101)	(6,110,103)	691,998	(10.2)
Other interest expense	(13,640,786)	(13,447,061)	193,725	(1.4)
Total nonoperating revenue	119,047,781	111,877,610	(7,170,171)	(6.0)
Income - Before capital contributions	49,098,739	54,411,804	5,313,065	10.8
Capital Contributions - Federal capital grants	75,020,853	93,388,217	18,367,364	24.5
Change in Net Position	124,119,592	147,800,021	23,680,429	19.1
Net Position - Beginning of year	2,576,838,197	2,700,957,789	124,119,592	4.8
Net Position - End of year	\$ 2,700,957,789	\$ 2,848,757,810	\$ 147,800,021	5.5

Department of Transportation, Airports, State of Hawaii

Management's Discussion and Analysis (Continued)

The financial results for fiscal years 2024 and 2023 reflected income before capital contributions of \$54.4 million and \$49.1 million, respectively. Operating revenue increased by \$76.4 million, or 16 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 decreased by \$7.2 million, or 6.0 percent, mainly due to a decrease in federal operating grants related to COVID-19.

- Income before capital contributions for fiscal year 2024 of \$54.4 million compared to before capital contributions of \$49.1 million for fiscal year 2023 was a result of an increase in operating revenue.
- Capital contributions increased by 24.5 percent, or \$18.4 million, in fiscal year 2024 due to an increase in federal capital grant revenue.
- Operating expenses before depreciation for fiscal year 2024 increased by 18.3 percent, or \$67.9 million, compared to fiscal year 2023 mainly due to increases in salaries and wages, utilities, repairs and maintenance, and other miscellaneous expenses offset by decreases in other personnel services, repairs and maintenance, and other miscellaneous expenses. Depreciation expense decreased by 2.1 percent, or \$4.0 million.

Total nonoperating expenses for fiscal year 2024 increased by 6.0 percent, or \$7.2 million, compared to fiscal year 2023 mainly due to increases in interest expense on the airports system revenue bonds and loss on disposal of assets.

As a result of the above fluctuations in revenue and expenses, net position for the Airports increased by \$147.8 million during 2024.

In summary, in fiscal year 2024, 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 continue to obtain its revenue from a diverse mix of sources. The Airports continue 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, 2024 and 2023, the Airports had capital assets of approximately \$4,182.5 million and \$4,065.6 million, respectively. These amounts are net of accumulated depreciation of approximately \$3,258.7 million and \$3,077.7 million, respectively.

In fiscal year 2024, there were 10 construction bid openings totaling an estimated \$193 million in construction contracts, with 1 still in the award process, and 1 rejected bid. The projects include Concrete Spall Repairs at Terminal 2 Roadways and Aircraft Rescue and Fire Fighting (ARFF) Station 2 Truck Shelter at Daniel K. Inouye International Airport, ARFF Training Facility Replacement, ARFF Truck Shelter, Fire Alarm System Upgrade, and South Transportation Security Administration Checkpoint at Kahului Airport, Runway 17-35 Rehabilitation, Renovation of Wastewater Treatment Plant and Fire Alarm System Upgrade at Ellison Onizuka Kona International Airport at Keahole, and Airport Fire Alarm System Upgrade at Hilo International Airport.

There were also many ongoing construction projects that were initiated prior to fiscal year 2024, which were under construction during the fiscal year. Major projects include Runway 8L Widening, Phase 2, Runway and Taxiway Shoulder Rehabilitation, Ticket Lobby Renovations, and Restroom Improvements, Phase 2 at Daniel K. Inouye International Airport, Holdroom and Gate Improvements at Kahului Airport, and Taxiway and Runway Lighting Replacement at Hilo International Airport.

Finally, there were three projects that were substantially completed in fiscal year 2024 that involved construction projects at airports statewide to preserve, maintain, and modernize facilities. These projects include Biometric Facial Recognition System at Daniel K. Inouye International Airport, New Pass and ID Office and Conference Room at Kahului Airport, and Reconstruction of Runway 3-21 at Lanai Airport.

Department of Transportation, Airports, State of Hawaii

Management's Discussion and Analysis (Continued)

The Airports continue their mission to modernize airport facilities for safety and efficiency and enhance the passenger experience. In fiscal year 2025, 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 the 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, 2024, \$1,853.3 million of airports system revenue bonds, including related discounts and premiums, was outstanding compared to \$1,896.7 million as of June 30, 2023.

At June 30, 2024, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was \$1,880.9 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 are 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, 2024, \$140.3 million of COPs was outstanding compared to \$157.5 million as of June 30, 2023.

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, 2024, 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 the financial statements.

Department of Transportation, Airports, State of Hawaii

Management's Discussion and Analysis (Continued)

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 MUFJ 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, 2024, \$392.5 million of customer facility charge revenue bonds was outstanding compared to \$403.3 million as of June 30, 2023.

Credit Rating and Bond Insurance

As of June 30, 2024, there were 13 series of airports system revenue bonds outstanding in the principal amount of \$1,704.6 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 2024 on June 30, 2024 include the following:

- On September 18, 2024, Alaska Air Group, Inc. announced that it completed the acquisition of Hawaii Holding, Inc. and started to secure a single operating certificate from the Federal Aviation Administration.

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/.

Department of Transportation, Airports, State of Hawaii

Statement of Net Position

June 30, 2024

Assets

Current assets:

Cash and cash equivalents	\$ 601,910,694
Receivables:	
Accounts - Net of allowance	51,223,921
Leases receivable	87,528,346
Interest	25,345,387
Claims - Federal grants	22,128,872
Aviation fuel tax	209,163
Inventories of materials and supplies at cost	483,587
Restricted assets:	
Cash and cash equivalents	314,111,182
Passenger facility charges receivable	8,272,730
Rental car customer facility charges receivable	9,173,268
Total current assets	<u>1,120,387,150</u>

Noncurrent assets:

Restricted assets:	
Restricted cash and cash equivalents	335,749,323
Restricted investment securities	251,895,456
Leases receivable	293,294,059
Capital assets:	
Assets not subject to depreciation	1,311,217,308
Assets subject to depreciation - Net	2,871,291,958
Lease interest receivable	1,718,922
Right-of-use lease asset	66,085
Total noncurrent assets	<u>5,065,233,111</u>

Total assets 6,185,620,261

Deferred Outflows of Resources

Deferred loss on refunding	4,422,090
Deferred pension costs	28,926,068
Deferred OPEB costs	23,467,674
Total deferred outflows of resources	<u>56,815,832</u>

Department of Transportation, Airports, State of Hawaii

Statement of Net Position (Continued)

June 30, 2024

Liabilities

Current liabilities:

Payable from unrestricted assets:

Vouchers and contracts payable	\$ 47,208,703
Current portion of workers' compensation	6,102,764
Current portion of compensated absences	8,320,091
Accrued wages	19,245,061
Other	13,727,186

Payable from restricted assets:

Contracts payable	75,934,319
Accrued interest	47,420,576
Current portion of airport system revenue bonds	37,665,000
Current portion of lease revenue certificates of participation	19,760,448
Current portion of customer facility charge revenue bonds	11,080,000
Security deposits	11,393,425

Total current liabilities 297,857,573

Noncurrent liabilities - Net of current portion:

Workers compensation	6,349,316
Prepaid airport use charge fund	17,231,164
Compensated absences	8,895,919
Airport system revenue bonds	1,815,690,617
Lease revenue certificates of participation	120,490,227
Customer facility charge revenue bonds	381,405,000
Net pension liability	168,533,071
Net OPEB obligation	149,221,999
Lease liability	44,759

Total noncurrent liabilities - Net of current portion 2,667,862,072

Total liabilities 2,965,719,645

Deferred Inflows of Resources

Deferred pension cost reductions	7,691,225
Deferred OPEB cost reductions	25,093,107
Leases	395,174,306

Total deferred inflows of resources 427,958,638

Net Position

Net investment in capital assets	1,806,653,524
Restricted:	
Debt service requirement	486,144,431
Capital projects	274,198,445
Unrestricted	281,761,410

Total net position \$ 2,848,757,810

Department of Transportation, Airports, State of Hawaii

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2024

Operating Revenue

Concession fees	\$ 157,200,688
Airport landing fees - Net	126,187,581
Aeronautical rentals - Nonexclusive joint-use premise charges	138,384,523
Aeronautical rentals - Exclusive premise charges	101,526,292
Nonaeronautical rentals	31,362,577
Aviation fuel tax	2,623,798
Miscellaneous	9,351,618
	<hr/>
Total operating revenue	566,637,077

Operating Expenses

Depreciation	184,227,270
Salaries and wages	130,192,822
Other personnel services	111,068,617
Utilities	51,406,590
Repairs and maintenance	80,967,542
State of Hawaii surcharge on gross receipts	18,068,339
Department of Transportation general administration expenses	8,870,514
Materials and supplies	11,355,033
Workers' compensation and other insurance claims	4,627,884
Insurance	5,151,757
Miscellaneous	18,166,515
	<hr/>
Total operating expenses	624,102,883

Operating Loss

(57,465,806)

Nonoperating (Expense) Revenue

Loss on disposal of assets	(39,276)
Interest income	70,227,495
Federal operating grants	15,627,919
Passenger facility charges	45,306,387
Rental car customer facility charges	67,082,352
Airports system revenue bonds interest expense	(66,765,391)
Special facility revenue bonds interest expense	(4,712)
Lease revenue certificates of participation interest expense	(6,110,103)
Other interest expense	(13,447,061)
	<hr/>
Total nonoperating revenue	111,877,610

Income - Before capital contributions

54,411,804

Capital Contributions - Federal capital grants

93,388,217

Change in Net Position

147,800,021

Net Position - Beginning of year

2,700,957,789

Net Position - End of year

\$ 2,848,757,810

Department of Transportation, Airports, State of Hawaii

Statement of Cash Flows

Year Ended June 30, 2024

Cash Flows from Operating Activities

Receipts from customers	\$ 570,462,033
Payments to suppliers	(208,808,938)
Payments to employees and fringes	(244,124,259)
Payments from State of Hawaii	4,842,244

Net cash and cash equivalents provided by operating activities 122,371,080

Cash Flows Provided by Noncapital Financing Activities - Payments from federal operating grants

15,914,304

Cash Flows from Capital and Related Financing Activities

Receipt of capital grants	103,239,786
Proceeds from passenger facility charge and customer facility charge programs	95,499,884
Purchase of capital assets	(299,327,675)
Principal and interest paid on capital debt	(158,458,564)

Net cash and cash equivalents used in capital and related financing activities (259,046,569)

Cash Flows from Investing Activities

Interest received on investments	82,390,224
Purchases of investment securities	(19,890,560)

Net cash and cash equivalents provided by investing activities 62,499,664

Net Decrease in Cash and Cash Equivalents

(58,261,521)

Cash and Cash Equivalents - Beginning of year

1,310,032,720

Cash and Cash Equivalents - End of year

\$ 1,251,771,199

Classification of Cash and Cash Equivalents

Cash and cash equivalents	\$ 601,910,694
Restricted cash - Current	314,111,182
Restricted cash - Noncurrent	335,749,323

Total cash and cash equivalents \$ 1,251,771,199

Department of Transportation, Airports, State of Hawaii

Statement of Cash Flows (Continued)

Year Ended June 30, 2024

Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (57,465,806)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	184,227,270
Changes in assets and liabilities:	
Receivables	8,612,386
Inventories	(211,687)
Accounts payable	(9,928,257)
Net pension liability	(3,620,793)
Net OPEB liability	(14,537,594)
Accrued and other liabilities	15,295,561
Total adjustments	<u>179,836,886</u>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 122,371,080</u></u>

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

Amortization of revenue bond premium	\$ 9,737,865
Amortization of revenue bond discount	(1,414)
Amortization of certificates of participation premium	178,280
Amortization of deferred loss on refunding revenue bonds	783,646

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 have 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 operate and maintain 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 use 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 follow 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, 2024, the Airports reported an allowance of \$19,099,525 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 accrue 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, 2024 was \$32,238,189.

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 receive 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 are 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 are 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

Lessee

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 use 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 use 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 are reasonably certain to exercise.

The Airports monitor changes in circumstances that would require a remeasurement of their 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 recognize 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 use their 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 are 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. 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 2 - Significant Accounting Policies (Continued)

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Airports' financial statements for the year ending June 30, 2026.

Note 3 - Cash and Investments

The State has an established policy where 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, 2024 will be included in the Annual Comprehensive Financial Report of the State when issued.

At June 30, 2024, the amount reported as amounts held in State Treasury reflects the Airports' relative position in the State's investment pool and amounted to \$1,366,465,764.

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

Petty cash	\$ 4,765
Amounts held in State Treasury	1,366,465,764
Certificates of deposit	5,700,000
U.S. government securities	128,803,294
Money market mutual fund	<u>2,692,832</u>
Total deposits and investments	<u>\$ 1,503,666,655</u>

June 30, 2024

Note 3 - Cash and Investments (Continued)

Amounts are reflected in the statement of net position as of June 30, 2024 as follows:

Cash and cash equivalents	\$ 601,910,694
Restricted cash and cash equivalents	314,111,182
Noncurrent assets - Restricted cash and cash equivalents	335,749,323
Noncurrent assets - Restricted investment securities	<u>251,895,456</u>
Total	<u>\$ 1,503,666,655</u>

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.

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 their 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.

Note 3 - Cash and Investments (Continued)

Credit Risk

The Airports follow the State’s policy of limiting their investments as authorized in the Hawaii Revised Statutes. The State’s general investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers’ acceptances, and money market funds maintaining a Triple-A rating. As of June 30, 2024, 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	\$ 2,692,832	AAA-mmf	Fitch

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, 2024, 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.

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 have the following recurring fair value measurements as of June 30, 2024:

- U.S. government securities of \$128,803,294 are valued using quoted market 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 have 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.

June 30, 2024

Note 4 - Capital Assets

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

	Balance July 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 333,564,645	\$ -	\$ -	\$ -	\$ 333,564,645
Land improvements	59,037,861	-	-	-	59,037,861
Construction in progress	728,201,541	(107,228,517)	297,656,551	(14,773)	918,614,802
Subtotal	1,120,804,047	(107,228,517)	297,656,551	(14,773)	1,311,217,308
Capital assets being depreciated:					
Buildings and improvements	3,647,172,281	33,170,449	-	-	3,680,342,730
Machinery and equipment	390,594,286	-	3,583,919	(3,247,399)	390,930,806
Land improvements	1,984,731,566	74,058,068	-	-	2,058,789,634
Subtotal	6,022,498,133	107,228,517	3,583,919	(3,247,399)	6,130,063,170
Accumulated depreciation:					
Buildings and improvements	1,619,533,143	-	104,945,145	-	1,724,478,288
Machinery and equipment	313,816,805	-	12,205,346	(3,156,596)	322,865,555
Land improvements	1,144,350,590	-	67,076,779	-	1,211,427,369
Subtotal	3,077,700,538	-	184,227,270	(3,156,596)	3,258,771,212
Net capital assets being depreciated	2,944,797,595	107,228,517	(180,643,351)	(90,803)	2,871,291,958
Net business-type activities capital assets	<u>\$ 4,065,601,642</u>	<u>\$ -</u>	<u>\$ 117,013,200</u>	<u>\$ (105,576)</u>	<u>\$ 4,182,509,266</u>

Construction Commitments

At June 30, 2024, the Airports have commitments totaling \$607,921,630 for construction and service contracts.

Note 5 - Long-term Debt

Long-term debt activity for the year ended June 30, 2024 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	\$ 1,738,200,000	\$ -	\$ (33,650,000)	\$ 1,704,550,000	\$ 37,665,000
Airport system revenue bonds premiums	158,469,858	-	(9,737,865)	148,731,993	-
Airport system revenue bonds discounts	(44,353)	-	1,414	(42,939)	-
Airport systems customer facility charge revenue bonds	403,300,000	-	(10,815,000)	392,485,000	11,080,000
Lease revenue certificates of participation	157,474,855	-	(17,224,180)	140,250,675	19,760,448
Lease revenue certificates of participation premiums	294,843	-	(178,280)	116,563	-
Total direct borrowings and direct placements principal outstanding	2,457,695,203	-	(71,603,911)	2,386,091,292	68,505,448
Workers' compensation	9,724,293	7,493,879	(4,766,092)	12,452,080	6,102,764
Compensated absences	14,812,631	9,503,326	(7,099,947)	17,216,010	8,320,091
Prepaid airport use charge fund	35,942,237	-	(18,711,073)	17,231,164	-
Net OPEB liability	150,342,283	-	(1,220,284)	149,121,999	-
Net pension liability	158,863,330	9,669,741	-	168,533,071	-
Lease liability	60,711	21,981	(15,881)	66,811	22,052
Total long-term liabilities	\$ 2,827,440,688	\$ 26,688,927	\$ (103,417,188)	\$ 2,750,712,427	\$ 82,950,355

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.

June 30, 2024

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:

- To pay or provide for the payment of the costs of operation, maintenance, and repair of airport properties
- To pay when due all bonds and interest. Payment shall be provided from the following accounts:
 - Interest account
 - Serial bond principal account
 - Sinking fund account
 - Debt service reserve account
- To fund the major maintenance, renewal, and replacement account
- To reimburse the State General Fund for general obligation bond requirements
- To provide for betterments and improvements to the airports
- To provide such special reserve funds and other special funds as created by law
- 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 are 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 are 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, 2024, the amount credited to the revenue bond debt service reserve accounts was in accordance with applicable provisions of the Certificate.

At June 30, 2024, 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	<u>56,241,327</u>
Total	173,743,784
Principal and interest due on July 1	<u>75,524,104</u>
Total	<u><u>\$ 249,267,888</u></u>

At June 30, 2024, the balance of legislatively approved and appropriated but unissued airports system revenue bonds was \$1,880,967,597.

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.

June 30, 2024

Note 5 - Long-term Debt (Continued)

The following is a summary of the airports system revenue bonds issued and outstanding at June 30, 2024, excluding premiums and discounts:

Series	Original Issue Amount	Interest Rate	Final Maturity Date (July 1)	Outstanding Amount
2015A, nonrefunding	\$ 235,135,000	3.85% - 4.20%	2045	\$ 235,135,000
2015B, nonrefunding	9,125,000	4.02%	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	91,835,000
2018D, refunding	142,150,000	5.00%	2034	142,150,000
2020A, nonrefunding	113,140,000	4.00% - 5.00%	2040	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	19,850,000
Subtotal				1,704,550,000
Add unamortized premium				148,731,993
Less unamortized discount				(42,939)
Less current portion				(37,665,000)
Total				<u>\$ 1,815,574,054</u>

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

Years Ending	Principal	Interest	Total
2025	\$ 37,665,000	\$ 74,903,069	\$ 112,568,069
2026	43,410,000	73,463,578	116,873,578
2027	44,660,000	72,137,986	116,797,986
2028	46,065,000	70,689,602	116,754,602
2029	47,560,000	69,124,942	116,684,942
2030-2034	268,725,000	312,469,159	581,194,159
2035-2039	301,990,000	243,714,475	545,704,475
2040-2044	348,740,000	172,063,225	520,803,225
2045-2049	372,470,000	81,851,217	454,321,217
2050-2052	193,265,000	11,169,084	204,434,084
Total	<u>\$ 1,704,550,000</u>	<u>\$ 1,181,586,337</u>	<u>\$ 2,886,136,337</u>

Pledged Future Revenue

In accordance with the Certificate, the Airports have pledged future revenue net of operation, maintenance, and repair expenses and certain adjustments (net revenue and taxes available for debt service) to repay \$1,704,550,000 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 \$2,886,136,337. In fiscal year 2024, total debt service paid, exclusive of amounts refunded, and net revenue and taxes available for debt service for the Airports was \$89,562,758 and \$266,082,206, 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 are 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, 2024, the outstanding balances of the lease revenue certificates of participation and the unamortized premium are \$140,250,675 and \$116,563, respectively.

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

Years Ending	Principal	Interest	Total
2025	\$ 19,760,448	\$ 5,797,450	\$ 25,557,898
2026	20,754,604	4,826,606	25,581,210
2027	22,769,584	3,767,301	26,536,885
2028	25,411,030	2,619,075	28,030,105
2029	28,458,186	1,360,045	29,818,231
2030-2034	23,096,823	1,730,163	24,826,986
Total	<u>\$ 140,250,675</u>	<u>\$ 20,100,640</u>	<u>\$ 160,351,315</u>

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, 2024, the outstanding balance of the Series 2017A Bonds is \$217,990,000, with a maturity of July 1, 2047.

At June 30, 2024, 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, 2024, the outstanding balance of the Series 2019A Bonds is \$174,495,000, with a maturity of July 1, 2047.

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

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	12,350,000	12,006,989	24,356,989
2030 - 2034	67,695,000	54,083,023	121,778,023
2035 - 2039	79,985,000	41,788,758	121,773,758
2040 - 2044	95,795,000	25,977,308	121,772,308
2045 - 2048	90,530,000	6,893,490	97,423,490
Total	<u>\$ 392,485,000</u>	<u>\$ 192,033,510</u>	<u>\$ 584,518,510</u>

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 are 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, 2024.

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, 2024, the Airports recognized the following related to its lessor agreements:

Lease revenue	\$ 157,200,688
Interest income related to its leases	17,849,303

Future principal and interest payment requirements related to the Airports' leases receivable at June 30, 2024 are as follows:

Years Ending	Principal	Interest	Total
2025	\$ 87,528,346	\$ 15,382,823	\$ 102,911,169
2026	79,158,051	11,487,198	90,645,249
2027	72,862,425	7,801,151	80,663,576
2028	37,206,223	5,286,191	42,492,414
2029	26,166,801	3,971,931	30,138,732
2030-2034	56,111,037	8,837,758	64,948,795
2035-2039	10,782,402	3,957,929	14,740,331
2040-2044	7,048,999	1,449,172	8,498,171
2045-2049	1,965,799	638,323	2,604,122
2050-2054	1,992,322	179,621	2,171,943
Total	<u>\$ 380,822,405</u>	<u>\$ 58,992,097</u>	<u>\$ 439,814,502</u>

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, 2024 were approximately \$47,100,000.

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 3 percent, net of bad debt expense, for fiscal year 2024. 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 whose MAG was reinstated after January 1, 2024.

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 2023 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 \$128,047,784 for fiscal year 2024. Airport landing fees are shown net of aviation fuel tax credits of \$1,860,203 on the statement of revenue, expenses, and changes in net position, which resulted in net airport landing fees of \$126,187,581. 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 2024 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 \$138,384,523 for fiscal year 2024.
- Exclusive-use premise charges amounted to \$101,526,292 for fiscal year 2024 and are computed using a fixed rate per square footage per year. Included in exclusive-use premise charges are terminal rentals amounting to \$75,099,858. Remaining charges 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, 2024 are as follows:

2025	\$	23,030,449
2026		20,526,502
2027		18,986,614
2028		16,603,060
2029		13,614,138
2030-2034		31,599,450
2035-2039		6,251,089
2040-2044		5,339,315
2045-2049		6,407,178
2050-2054		<u>4,282,819</u>
Total	\$	<u>146,640,614</u>

Note 7 - Passenger Facility Charges

Passenger facility charge activity for the year ended June 30, 2024 is as follows:

Restricted assets - Passenger facility charges - Beginning of year	\$	175,860,868
Passenger facility charges during the year		37,993,659
Interest earned on passenger facility charges during the year		7,312,728
Capital expenditures during the year		<u>(20,756,430)</u>
Restricted assets - Passenger facility charges - End of year	\$	<u>200,410,825</u>

Restricted assets - Passenger facility charges are presented on the statement of net position as of June 30, 2024 as follows:

Cash and cash equivalents	\$	192,096,911
Receivable		8,272,730
Other reconciling items		<u>41,184</u>
Total restricted assets - Passenger facility charges	\$	<u>200,410,825</u>

June 30, 2024

Note 8 - Rental Car Customer Facility Charge

Rental car customer facility charge activity for the year ended June 30, 2024 is as follows:

Restricted assets - Rental car customer facility charge - Beginning of year	\$ 100,989,472
Rental car customer facility charges during the year	61,987,829
Interest earned on rental care customer facility charges during the year	5,094,523
Operating and maintenance expenditures during the year	(23,676,954)
Capital expenditures during the year	(1,514,604)
Interest paid on debt service	<u>(24,353,156)</u>
Restricted assets - Rental car customer facility charges - End of year	<u>\$ 118,527,110</u>

Restricted assets - Rental car customer facility charges are presented on the statement of net position as of June 30, 2024 as follows:

Cash and cash equivalents	\$ 1,963,953
Investments	109,942,194
Receivable	9,173,268
Payable	<u>(2,552,305)</u>
Total restricted assets - Rental car customer facility charges	<u>\$ 118,527,110</u>

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, 2024 were \$21,867,103. 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, 2024, the Airports reported a liability of \$168,533,071 for its proportionate share of the net pension liability. The net pension liability at June 30, 2024 was measured as of June 30, 2023, 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, 2023, the Airports' proportion was 2.56 percent, which was a decrease of 0.05 percent from its proportion measured as of June 30, 2022.

There were no changes in actuarial assumptions as of June 30, 2022 to June 30, 2023. There were no changes between the measurement date, June 30, 2023, and the reporting date, June 30, 2024, that are expected to have a significant effect on the proportionate share of the net pension liability

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

For the year ended June 30, 2024, the Airports recognized pension expense of \$18,246,316.

At June 30, 2024, 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	\$ 3,472,628	\$ 1,970,711
Changes in assumptions	-	5,374,943
Net difference between projected and actual earnings on pension plan investments	2,289,193	-
Changes in proportion and differences between the Airports' contributions and proportionate share of contributions	1,297,144	345,571
Airports contributions subsequent to the measurement date	21,867,103	-
Total	<u>\$ 28,926,068</u>	<u>\$ 7,691,225</u>

Note 9 - Pension Plan (Continued)

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
2025	\$ 170,837
2026	714,896
2027	(1,049,137)
2028	(454,160)
2029	(14,696)
Total	<u>\$ (632,260)</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 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.

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.

June 30, 2024

Note 9 - Pension Plan (Continued)

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, 2023 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 %	10.00 %
Global equity	20.00	7.90
Low volatility equity	4.00	7.10
Global options	4.00	5.80
Credit	6.00	8.00
Core real estate	6.00	6.00
Noncore real estate	4.50	7.90
Timber/Agriculture/Infrastructure	5.00	7.20
Diversifying strategies:		
TIPS	2.00	3.20
Global macro	4.00	6.00
Reinsurance	4.00	7.00
Alternative risk premia	8.00	5.00
Long treasuries	5.00	3.80
Intermediate government	4.00	3.20
Systematic trend following	10.00	4.70

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	\$ 224,367,562	\$ 168,533,071	\$ 122,292,502

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.hawaii.gov/resources/financials> or from the address below:

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

Note 9 - Pension Plan (Continued)

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.

At July 1, 2023, the State's plan members covered by benefit terms consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	40,136
Inactive plan members entitled to but not yet receiving benefits	7,520
Active plan members	<u>48,709</u>
Total plan members	<u><u>96,365</u></u>

Contributions

Contributions are governed by HRS Chapter 87A and may be amended through legislation. Employer contributions to the OPEB plan from the Airports were \$17,134,412 for the fiscal year ended June 30, 2024. The employer is also required to make all contributions for members, which is charged to salaries, wages, and benefits expense.

Note 10 - Other Postemployment Benefit Plan (Continued)

Net OPEB Liability

At June 30, 2024, the Airports reported a net OPEB liability of \$149,221,999 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of July 1, 2023, 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, 2023, the Airports' proportion of the net OPEB liability was 0.9290 percent, which was a decrease of 0.4391 percent from its proportion measured as of July 1, 2022 of 1.3681 percent.

There were no changes between the measurement date, July 1, 2023, and the reporting date, June 30, 2024, 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, 2024, the Airports recognized OPEB expense of \$2,596,818.

At June 30, 2024, 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	\$ -	\$ 21,627,740
Changes in assumptions	1,021,227	3,465,367
Net difference between projected and actual earnings on OPEB plan investments	5,312,035	-
Airports contributions to the plan subsequent to the measurement date	17,134,412	-
Total	<u>\$ 23,467,674</u>	<u>\$ 25,093,107</u>

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
2025	\$ (5,940,286)
2026	(6,391,218)
2027	(3,090,217)
2028	(3,137,963)
2029	(185,385)
Thereafter	(14,776)
Total	<u>\$ (18,759,845)</u>

Actuarial Assumptions

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions adopted by the EUTF's board of trustees on January 9, 2023, based on the experience study covering the five-year period ended June 30, 2022 as conducted for the ERS:

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

Note 10 - Other Postemployment Benefit Plan (Continued)

Health Care Cost Trend Rates

PPO* - Initial rate of 6.30 percent; declining to a rate of 4.25 percent after 21 years
 HMO* - Initial rate of 6.30 percent; declining to a rate of 4.25 percent after 21 years
 Part B and Base Monthly Contribution - Initial rate of 5.00 percent; declining to a rate of 4.25 percent after 21 years
 Dental - 4.00 percent
 Vision - 2.50 percent
 Life insurance - 0.00 percent

*Blended rates for medical and prescription drug

Mortality Rates

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. Therefore, the long-term expected rate of return on the EUTF's investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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	15.00 %	10.00 %
U.S. microcap	3.00	8.70
Global equity	27.50	7.60
Global options	-	4.90
Real assets	12.00	4.30
Private credit	10.00	7.80
TIPS	5.00	2.00
Long treasurys	5.50	2.40
Reinsurance	5.00	3.40
Alternative risk	5.00	3.30
Trend following	10.00	2.10
Tail risk	2.00	(1.10)

Note 10 - Other Postemployment Benefit Plan (Continued)

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	\$ 186,599,476	\$ 149,221,999	\$ 119,388,420

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	\$ 115,855,725	\$ 149,221,999	\$ 191,929,665

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 \$18,068,339 in fiscal year 2024.

The Airports is assessed a percentage of the cost of the general administration expenses of the DOT. The assessments amounted to \$8,870,514 in fiscal year 2024.

During fiscal year 2024, revenue received from other state agencies totaled \$7,365,694, and expenditures to other state agencies totaled \$23,639,457. 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.

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 address these risks through commercial insurance policies. Settled claims have not exceeded this commercial coverage in any of the past three years.

Torts

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

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, 2024, the workers' compensation reserve was \$12,452,080, of which \$6,102,764 is included in current liabilities (payable from unrestricted net assets) and \$6,349,316 is included in long-term liabilities in the accompanying statement of net position. In the opinion of management, the Airports have adequately reserved for such claims.

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

	2024	2023
Estimated liability - Beginning of year	\$ 9,724,293	\$ 6,934,962
Estimated claims incurred, including changes in estimates	2,986,900	3,155,742
Claim payments	(259,113)	(366,411)
Estimated liability - End of year	<u>\$ 12,452,080</u>	<u>\$ 9,724,293</u>

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.

June 30, 2024

Note 13 - Contingent Liabilities (Continued)

Arbitrage

In compliance with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, the Airports are 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, 2024, 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 2024, there was an overpayment from the signatory airlines resulting in a prepaid airport use charge payable at June 30, 2024 of \$17,231,164.

Temporary Hazard Pay

The State entered into multiple settlement agreements regarding the Temporary Hazard Pay (THP) with unions for periods covering dates in March 2020 through March 2022, for those employees who performed essential functions during the COVID-19 pandemic. Total accrued payroll and fringe benefits as of June 30, 2024 related to temporary hazard pay for Airports' employees was \$8,372,940.

Act 049, SLH 2024 provided emergency appropriations for public employment cost items and cost adjustments for employees of certain collective bargaining units. Effective July 1, 2024, the State appropriated a total of \$458.8 million as a result of a negotiated settlement for employees who met certain requirements during the COVID-19 pandemic.

As of the date of the issuance of these financial statements, the State continues to negotiate with the remaining unions, and it was not practical to estimate the total liability owed to eligible Airports employees.

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, 2024

	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	18,140,275	-	18,140,275					
Retail	8,557,915	-	8,254,984	302,931				
Airport parking	31,739,751	-	18,511,541	6,068,067	2,446,674	3,000,834	1,712,636	
Car rental	75,905,970	-	19,256,608	22,728,972	15,054,905	16,251,717	2,378,300	235,467
Food and beverage	7,085,955	-	5,073,660	554,130	324,683	1,058,744	74,738	
Other concessions	15,770,823	-	9,573,487	5,009,011	1,131,974	189,166	(162,105)	29,290
Total concession fees	<u>157,200,689</u>	<u>-</u>	<u>78,810,555</u>	<u>34,663,111</u>	<u>18,958,236</u>	<u>20,500,460</u>	<u>4,003,570</u>	<u>264,757</u>
Airport landing fees	126,187,581		82,127,580	20,031,729	8,983,915	11,525,779	2,857,016	661,563
Aeronautical Rentals:								
Nonexclusive Joint-Use Premises	138,384,523	-	118,340,653	6,896,319	4,422,324	6,413,156	2,312,071	-
Exclusive-Use Premise Charges	101,526,292	-	71,866,466	12,901,903	6,098,369	5,399,236	2,442,495	2,817,822
Non Aeronical Rentals	31,362,577	-	22,211,664	4,538,072	1,295,516	3,081,228	340,742	110,801
Aviation Fuel Tax	2,623,798	-	1,306,149	664,120	228,467	425,062	-	-
Miscellaneous	9,351,618	1,067,813	5,639,902	550,514	794,724	846,313	113,245	339,107
	<u>566,637,078</u>	<u>1,067,813</u>	<u>380,302,969</u>	<u>80,245,770</u>	<u>40,781,550</u>	<u>48,191,234</u>	<u>12,069,138</u>	<u>4,194,051</u>
Allocation of statewide miscellaneous revenues (note 1)		(1,067,813)	717,751	151,449	76,968	90,952	22,778	7,915
Net Operating Revenue	<u><u>566,637,078</u></u>	<u><u>-</u></u>	<u><u>381,020,720</u></u>	<u><u>80,397,219</u></u>	<u><u>40,858,517</u></u>	<u><u>48,282,186</u></u>	<u><u>12,091,917</u></u>	<u><u>4,201,966</u></u>
Operating expenses other than depreciation:								
Salaries and wages	130,192,822	2,685,568	61,247,748	19,578,582	13,586,572	11,313,467	9,504,735	12,276,150
Other personnel services	111,068,617	8,954,708	65,816,660	14,217,823	6,201,620	6,097,939	5,691,386	4,088,481
Repairs and maintenance	61,909,920	19,813,587	31,099,448	4,378,280	3,502,387	1,074,586	1,534,448	507,184
Utilities	51,406,590	311	34,519,961	8,355,076	2,466,017	3,630,054	1,614,023	821,149
Special maintenance	19,057,622	15,666,153	2,909,730	(362,270)	253,483	518,391	19,199	52,937
State of Hawaii surcharge on gross receipts (note 2)	18,068,339	18,068,339	-	-	-	-	-	-
Department of Transportation general administration expenses	8,870,514	8,870,514	-	-	-	-	-	-
Materials and supplies	11,355,033	1,138,767	5,569,838	2,220,665	735,521	772,393	623,693	294,156
Insurance	5,151,757	5,151,757	-	-	-	-	-	-
Workers' compensation and other insurance claims	4,627,885	2,756,087	1,069,074	224,617	35,244	167,326	131,750	243,786
Miscellaneous	93,884,721	77,462,341	15,327,844	292,830	167,143	316,004	178,493	140,067
	<u>515,593,819</u>	<u>160,568,131</u>	<u>217,560,303</u>	<u>48,905,604</u>	<u>26,947,985</u>	<u>23,890,160</u>	<u>19,297,726</u>	<u>18,423,909</u>
Less Bond Interest	(75,718,206)	(75,718,206)	-	-	-	-	-	-
	<u>439,875,613</u>	<u>84,849,925</u>	<u>217,560,303</u>	<u>48,905,604</u>	<u>26,947,985</u>	<u>23,890,160</u>	<u>19,297,726</u>	<u>18,423,909</u>
Allocation of statewide expenses (3)	-	(84,849,925)	51,996,168	11,688,272	6,440,476	5,709,667	4,612,090	4,403,251
Total operating expenses other than depreciation for statement of revenue, expenses and changes in net position	<u><u>439,875,613</u></u>	<u><u>-</u></u>	<u><u>269,556,472</u></u>	<u><u>60,593,876</u></u>	<u><u>33,388,462</u></u>	<u><u>29,599,827</u></u>	<u><u>23,909,816</u></u>	<u><u>22,827,161</u></u>

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.

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, 2024

Net revenue and taxes:

Concession fees	\$ 157,200,688
Airport landing fees	126,187,581
Aeronautical rentals:	
Nonexclusive joint-use premise charges	138,384,523
Exclusive-use premise charges	101,526,292
Nonaeronautical rentals	31,362,577
Aviation fuel tax	2,623,798
Airport system support charges	-
Interest income, exclusive of interest on investments in direct financing leases and including interest income of \$ 2,449,296 on capital improvement projects	69,537,175
Federal operating grants	3,871,312
Miscellaneous	9,351,618
Subtotal	<u>640,045,564</u>
Deductions:	
Operating expense other than depreciation (Schedule 1)	439,875,613
Less: operating expenses for Special Facility (note 3)	(23,737,537)
Non-cash pension and OPEB expenses (note 4)	18,158,356
Less: Operating expenses paid from major maintenance, renewal and replacement account	(1,297)
Annual reserve required on major maintenance, renewal and replacement account	3,392,570
Total deductions	<u>437,687,705</u>
Net revenue and taxes	202,357,859
Add funded coverage per bond certificate	29,375,614
Adjusted net revenue and taxes	<u>231,733,473</u>
Debt service requirement:	37,665,000
Interest (note 1)	72,520,984
Total debt service	<u>110,185,984</u>
Less funds deposited into the Airport Revenue Fund for credit to interest account (note 2)	(20,623,226)
Total debt service requirement	89,562,758
Debt service coverage percentage	125%
Total debt service with coverage requirement	<u>111,953,447</u>
Excess of net revenue and taxes over debt service requirement	<u>\$ 119,780,026</u>

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 2022 bond proceeds used to pay interest on the Series 2022 bonds until the projects funded by the Series 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 \$20,623,226 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, 2024

<u>Annual Principal & Interest Requirements</u>				
<u>Airports System Revenue Bonds</u>				
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:				
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	\$	<u>1,704,550,000</u>	<u>1,181,586,338</u>	<u>2,886,136,338</u>

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, 2024

Year Ending June 30:	New Issue	New Issue	New Issue	New Issue	Refunding	Refunding	Series 2020A	Series 2020B	Series 2020C	Series 2020D	Refunding	Refunding	Series 2022A	Refunding	Total	Interest	Total Requirements
	2015A 4.125% to 5.25%	2015B 4.00%	2018A 5.00%	2018B 3.00% to 5.00%	Series 2018C 3.58%	Series 2018D 5.00%	4% to 5%	3.48%	5.00%	4.00% to 5.00%	Series 2020E (Taxable) 1.392% to 2.330%	Series 2022A (AMT) 4.00% to 5.00%	Series 2022B (AMT) 5.00%				
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	-	-	-	-	-	17,120,000	-	-	-	46,065,000	70,689,602	116,754,602
2029	-	-	9,800,000	-	20,105,000	-	-	-	-	1,725,000	17,120,000	-	-	-	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	15,940,000	-	-	-	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	91,835,000	142,150,000	113,140,000	165,885,000	20,295,000	184,855,000	98,315,000	209,280,000	19,850,000	1,704,550,000	1,181,586,338	2,886,136,338	

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, 2024**

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	International Arrivals Building Charges	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	Preferential Use	Exclusive Use Premises Charges- Terminal Space	TOTAL	
AEKO KULA, INC.	1,237,029			\$ 3,166,794							\$ 130,489	\$ 3,297,283	
AIR CANADA	163,124	974		\$ 802,571	\$ 541,784	\$ 358,570	\$ 196,857				\$ 582,329	\$ 2,482,111	
AIR NEW ZEALAND LTD.	66,854	157	33,862	\$ 328,922	\$ 587,506	\$ 104,082	\$ 71,721					\$ 1,092,231	
AIR PACIFIC, LTD.	23,990	157	16,020	\$ 118,029	\$ 277,947	\$ 50,817	\$ 35,017				\$ 2,480,865	\$ 2,962,675	
ALASKA AIRLINES, INC.	1,505,276	7151		\$ 7,405,958	\$ 4,528,004	\$ 292,338	\$ 1,399,832	\$ 37	\$ 150	\$ 1,055,268	\$ (280,199)	\$ 14,401,388	
ALL NIPPON AIRWAYS CO., LTD.	719,654	1022	277,362	\$ 3,540,697	\$ 4,812,231	\$ 803,267	\$ 550,409				\$ 2,630,282	\$ 12,336,886	
AMERICAN AIRLINES, INC.	1,164,723	5160		\$ 5,721,549	\$ 2,985,432	\$ 2,070,176	\$ 972,472				\$ 2,632,145	\$ 14,381,775	
ATLAS AIR INC.	300,939	9		\$ 1,208,446								\$ 1,208,446	
ASIANA AIRLINES, INC.	120,642	196	66,166	\$ 593,560	\$ 1,147,980	\$ 189,585	\$ 130,639				\$ 150,091	\$ 2,211,854	
CHINA AIRLINES	456			\$ 2,245								\$ 2,245	
CONTINENTAL AIRLINES, INC.	0										\$ 799,828	\$ 799,828	
DELTA AIR LINES, INC.	1,638,035	6,282	42,425	\$ 8,059,131	\$ 736,074	\$ 4,288,470	\$ 2,883,501	\$ 1,609,426			\$ 5,586,498	\$ 23,163,100	
FEDERAL EXPRESS CORPORATION	852,325			\$ 4,193,439							\$ 10,561	\$ 4,204,000	
HAWAIIAN AIRLINES, INC.	10,463,162	70,087	538,148	\$ 36,658,984	\$ 9,336,868	\$ 6,115,496	\$ 626,099	\$ 17,425,503	\$ 100,436	\$ 10,976,860	\$ 17,333,426	\$ 98,573,673	
JAPAN AIRLINES INTERNATIONAL CO., LTD.	565,070	1,551	282,323	\$ 2,780,144	\$ 4,898,304	\$ 846,983	\$ 578,373				\$ 2,690,728	\$ 11,794,533	
JETSTAR AIRWAYS PTY LIMITED	100,291	261	73,840	\$ 493,431	\$ 1,281,124	\$ 234,740	\$ 161,754					\$ 2,171,049	
KALITTA AIR, L.L.C.	291,257			\$ 1,402,210								\$ 1,402,210	
KOREAN AIRLINES COMPANY, LTD.	221,925	367	101,630	\$ 1,091,871	\$ 1,763,281	\$ 285,258	\$ 196,565				\$ 611,129	\$ 3,948,103	
NORTHERN AIR CARGO, LLC	164,630			\$ 809,980								\$ 809,980	
PHILIPPINE AIRLINES, INC.	109,592	261	68,736	\$ 539,193	\$ 1,192,570	\$ 191,814	\$ 132,175				\$ 249,609	\$ 2,305,360	
QANTAS AIRWAYS LIMITED	227,050	203	61,675	\$ 1,117,086	\$ 1,070,061	\$ 177,526	\$ 122,329				\$ 1,053,765	\$ 3,540,768	
SINGAPORE AIRLINES, INC.	255,875			\$ 1,258,905								\$ 1,258,905	
SOUTHERN AIRWAYS EXPRESS LLC	358,079	37,341		\$ 916,681							\$ 1,464	\$ 918,145	
SOUTHWEST AIRLINES CO.	4,694,433	31,011		\$ 15,220,887	\$ 10,003,469	\$ 109,845	\$ 3,089,768		\$ 338,290	\$ 3,118,190	\$ 5,443,123	\$ 37,323,572	
SUN COUNTRY, INC.	0			\$ -							\$ 60,900	\$ 60,900	
UNITED AIRLINES, INC.	3,093,721	8,607	116,224	\$ 15,221,106	\$ 2,016,486	\$ 7,758,702	\$ 5,458,230	\$ 2,880,471			\$ 8,983,187	\$ 42,318,182	
UNITED PARCEL SERVICE CO.	1,453,789			\$ 6,143,065							\$ 52,314	\$ 6,195,379	
WESTJET	248,707	1,464		\$ 1,223,637	\$ 678,739	\$ 469,147	\$ 213,555				\$ 236,616	\$ 2,821,695	
TOTAL SIGNATORY AIRLINES	30,040,628	172,261	1,678,411	\$ 120,018,520	\$ 29,120,431	\$ 30,784,599	\$ 20,641,378	\$ 12,967,461	\$ 17,425,540	\$ 438,877	\$ 15,150,318	\$ 51,439,151	\$ 297,986,276
TOTAL NON-SIGNATORY AIRLINES	1,720,254	80,023	55,257	\$ 4,940,499	\$ 1,167,140	\$ 12,085	\$ 211,896	\$ 172,399		\$ -	\$ 1,178,841	\$ 7,682,860	
TOTAL AIRPORT SYSTEM CHARGES BILLED	31,760,882	252,284	1,733,668	\$ 124,959,019	\$ 30,287,570	\$ 30,796,685	\$ 20,853,274	\$ 13,139,860	\$ 17,425,540	\$ 438,877	\$ 15,150,318	\$ 52,617,992	\$ 305,669,135
Signatory Airlines billed				\$ 120,018,520	\$ 29,120,431	\$ 30,784,599	\$ 20,641,378	\$ 12,967,461	\$ 17,425,540	\$ 438,877	\$ 15,563,683	\$ 52,226,496	\$ 299,186,986
Signatory Airlines requirements				\$ 123,107,285	\$ 34,403,111	\$ 32,781,929	\$ 21,034,839	\$ 12,459,199	\$ 18,821,329	\$ 581,945	\$ 17,152,016	\$ 57,556,407	\$ 317,898,060
Fiscal year 2024 underpayment				\$ (3,088,765)	\$ (5,282,680)	\$ (1,997,330)	\$ (393,461)	\$ 508,262	\$ (1,395,789)	\$ (143,068)	\$ (1,588,333)	\$ (5,329,910)	\$ (18,711,074)

Note: Certain other aeronautical 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, 2024 were as follows:

Signatory Airlines	\$ 18,034,325
Non-signatory Airlines	\$ 23,533,998
	<u>\$ 41,568,323</u>

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, 2024

	Signatory airlines	Nonsignatory airlines	Total
Gross airport landing fees billed	\$ 120,018,520	\$ 4,940,499	\$ 124,959,019
Less aviation fuel tax credit	(1,815,881)	(44,323)	(1,860,203)
Net airport landing fees billed	<u>\$ 118,202,639</u>	<u>\$ 4,896,176</u>	<u>\$ 123,098,816</u>

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, 2024

Carrier	Approved Maximum Revenue Landing Weights (unaudited) (1,000 pound units)				Daniel K. Inouye International Airport & Kona International Airport					All Other Airports			Total Adjusted Airport Landing Fees Billed		
	Daniel K. Inouye International Airport		Kona International Airport		Daniel K. Inouye International Airport			Kona International Airport		Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	All Other Airports		Aviation Fuel Tax Credit	Adjusted Airport Landing Fees
	International	International	All Other Airports	Total	International	International	Total	International	International						
AEO KULA, INC.	412,378	194,219	630,432	1,237,029	\$1,055,687.68	\$497,200.64	\$1,552,888.32				\$1,552,888.32		\$1,613,905.92	\$3,166,794.24	
AIR CANADA	101,487	16,197	45,440	163,124	\$499,315.56	\$79,688.26	\$579,003.82				\$579,003.82	\$223,566.77	\$223,566.77	\$802,570.59	
AIR NEW ZEALAND LTD.	66,854		0	66,854	\$328,921.68		\$328,921.68				\$328,921.68	\$0.00	\$0.00	\$328,921.68	
AIR PACIFIC, LTD.	23,990		0	23,990	\$118,028.85		\$118,028.85				\$118,028.85	\$0.01	\$0.01	\$118,028.86	
ALASKA AIRLINES, INC.	681,714	327,272	496,290	1,505,276	\$3,354,030.91	\$1,610,175.80	\$4,964,206.71	(\$267,097.30)			\$4,697,109.41	\$2,441,751.24	\$2,441,751.24	\$7,138,860.65	
ALL NIPPON AIRWAYS CO., LTD.	719,654		0	719,654	\$3,540,696.98		\$3,540,696.98				\$3,540,696.98	\$0.00	\$0.00	\$3,540,696.98	
AMERICAN AIRLINES, INC.	562,276	131,129	471,318	1,164,723	\$2,766,399.26	\$645,155.17	\$3,411,554.43	(\$51,716.29)			\$3,359,838.14	\$2,309,994.63	\$2,309,994.63	\$5,669,832.77	
ATLAS AIR INC.	69,637	116,300	115,002	300,939	\$341,844.68	\$572,196.00	\$914,040.68				\$914,040.68	\$294,405.12	\$294,405.12	\$1,208,445.80	
ASIANA AIRLINES, INC.	120,642		0	120,642	\$593,559.66		\$593,559.66				\$593,559.66	\$0.00	\$0.00	\$593,559.66	
CHINA AIRLINES	456		0	456	\$2,245.25		\$2,245.25				\$2,245.25	\$0.00	\$0.00	\$2,245.25	
CONTINENTAL AIRLINES, INC.			0	0	\$0.00		\$0.00				\$0.00	\$0.00	\$0.00	\$0.00	
DELTA AIR LINES, INC.	1,189,531	128,058	320,446	1,638,035	\$5,852,492.38	\$630,045.66	\$6,482,538.04	(\$122,600.05)			\$6,359,937.99	\$1,576,593.04	\$1,576,593.04	\$7,936,531.03	
FEDERAL EXPRESS CORPORATION	852,325		0	852,325	\$4,193,439.00		\$4,193,439.00				\$4,193,439.00	\$0.00	\$0.00	\$4,193,439.00	
HAWAIIAN AIRLINES, INC.	6,040,030	923,570	3,499,562	10,463,162	\$23,146,997.96	\$2,579,223.74	\$25,726,221.70	(\$1,199,148.65)			\$24,527,073.05	\$10,932,762.49	\$10,932,762.49	\$35,459,835.54	
JAPAN AIRLINES INTERNATIONAL CO., LTD.	556,700	8,370	0	565,070	\$2,738,964.00	\$41,180.40	\$2,780,144.40	(\$3,632.76)			\$2,776,511.64	\$0.00	\$0.00	\$2,776,511.64	
JETSTAR AIRWAYS PTY LIMITED	100,291		0	100,291	\$493,431.29		\$493,431.29				\$493,431.29	\$0.00	\$0.00	\$493,431.29	
KALITTA AIR, L.L.C.	278,217	13,040	0	291,257	\$1,368,827.64	\$33,382.40	\$1,402,210.04				\$1,402,210.04	\$0.00	\$0.00	\$1,402,210.04	
KOREAN AIRLINES COMPANY, LTD.	221,925		0	221,925	\$1,091,871.00		\$1,091,871.00				\$1,091,871.00	\$0.00	\$0.00	\$1,091,871.00	
MOKULELE FLIGHT SERVICE, INC.			0	0	\$0.00		\$0.00				\$0.00	\$0.00	\$0.00	\$0.00	
NORTHERN AIR CARGO, LLC	164,630		0	164,630	\$809,979.60		\$809,979.60				\$809,979.60	\$0.00	\$0.00	\$809,979.60	
PHILIPPINE AIRLINES, INC.	109,592		0	109,592	\$539,192.64		\$539,192.64				\$539,192.64	\$0.00	\$0.00	\$539,192.64	
QANTAS AIRWAYS LIMITED	227,050		0	227,050	\$1,117,086.00		\$1,117,086.00				\$1,117,086.00	\$0.00	\$0.00	\$1,117,086.00	
SINGAPORE AIRLINES, INC.	255,875		0	255,875	\$1,258,905.00		\$1,258,905.00				\$1,258,905.00	\$0.00	\$0.00	\$1,258,905.00	
SOUTHERN AIRWAYS EXPRESS LLC	99,156	11,138	247,785	358,079	\$253,839.36	\$28,513.28	\$282,352.64	(\$12,058.10)			\$270,294.54	\$634,328.32	\$634,328.32	\$904,622.86	
SOUTHWEST AIRLINES CO.	2,235,725	546,567	1,912,141	4,694,433	\$7,339,468.40	\$1,744,301.42	\$9,083,769.82				\$9,083,769.82	\$6,137,117.25	\$6,137,117.25	\$15,220,887.07	
UNITED AIRLINES, INC.	1,978,324	410,667	704,730	3,093,721	\$9,733,354.56	\$2,020,483.60	\$11,753,838.16	(\$153,259.15)			\$11,600,579.01	\$3,467,267.67	\$3,467,267.67	\$15,067,846.68	
UNITED PARCEL SERVICE CO.	1,116,304	159,815	177,670	1,453,789	\$5,079,069.36	\$412,203.84	\$5,491,273.20	(\$6,368.47)			\$5,484,904.73	\$651,791.36	\$651,791.36	\$6,136,696.09	
WESTJET	107,226	21,008	120,473	248,707	\$527,553.40	\$103,361.32	\$630,914.72				\$630,914.72	\$592,722.24	\$592,722.24	\$1,223,636.96	
TOTAL:	18,291,989	3,007,350	8,741,289	30,040,628	\$ 78,145,202.10	10,997,111.53	89,142,313.63	\$ (1,815,880.77)	\$	87,326,432.86	\$	30,876,206.06	\$	118,202,638.92	
Overseas (Sig and NonSig)			Landed Wgt	19,195,260											
interisland (Sig and NonSig)			Landed Wgt	12,565,622											
				<u>31,760,882</u>											
Fuel Tax Credit:			Signatory	\$ (1,815,880.77)											
			Non-Signatory	(44,322.63)											
				<u>\$ (1,860,203.40)</u>											

Note: The above schedule presents airport landing fees billed to signatory airlines for the year ended June 30, 2024. 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 Airlines
Year ended June 30, 2024

Carrier	Approved Maximum Revenue Landing Weights (unaudited) (1,000 pound units)			Airport Landing Fees						Total Adjusted Airport Landing Fees Billed		
	Daniel K. Inouye International Airport & Kahului Airport			Daniel K. Inouye International Airport & Kahului Airport			All Other Airports					
	International Airport	Kahului Airport	All Other Airports	International Airport	Kahului Airport	Total	Aviation Fuel Tax Credit	Adjusted Airport Landing Fees	All Other Airports		Aviation Fuel Tax Credit	Adjusted Airport Landing Fees
AERO MICRONESIA, INC.	69,930		0	\$ 427,074.90		\$ 427,074.90		\$ 427,074.90	\$ -	\$ -	\$ 427,074.90	
AIR PREMIIA INC.	16,150		0	\$ 99,322.50		\$ 99,322.50		\$ 99,322.50	\$ -	\$ -	\$ 99,322.50	
AIR SERVICE HAWAII, INC	45,247	31,782	(0)	\$ 99,789.64	\$ 66,693.52	\$ 166,483.16	\$ -	\$ 166,483.16	\$ 129,994.83	\$ 129,994.83	\$ 296,477.99	
AIR TRANSPORT INTERNATIONAL LLC	344,951		0	\$ 1,926,219.77		\$ 1,926,219.77	\$ (29,756.34)	\$ 1,896,463.43	\$ 359,191.58	\$ 359,191.58	\$ 2,255,655.01	
AIR VENTURES HAWAII, LLC	74		0	\$ 63.24		\$ 63.24		\$ 63.24	\$ 9,177.24	\$ 9,177.24	\$ 9,240.48	
AIRBORNE AVIATION INC.			0			\$ -		\$ -	\$ 12,497.55	\$ 12,497.55	\$ 12,497.55	
ALEXAIR, INC.		10,015	0		\$ 7,294.21	\$ 7,294.21		\$ 7,294.21	\$ -	\$ -	\$ 7,294.21	
ALOHA HELICOPTER TOURS LLC			0			\$ -		\$ -	\$ 4,332.41	\$ 4,332.41	\$ 4,332.41	
ARIS, INC.		19,099	(0)		\$ 16,233.96	\$ 16,233.96	\$ (1,580.94)	\$ 14,653.02	\$ 8,185.84	\$ 8,185.84	\$ 22,838.86	
BIG ISLAND AIR, INC.			0			\$ -		\$ -	\$ -	\$ -	\$ -	
BRADLEY PACIFIC AVIATION, INC.	78,726	58,402	(0)	\$ 179,309.99	\$ 120,832.51	\$ 300,142.50		\$ 300,142.50	\$ 205,176.07	\$ 205,176.07	\$ 505,318.57	
CASTLE & COOKE HOMES HAWAII, INC.	28,454		0	\$ 64,539.52		\$ 64,539.52		\$ 64,539.52	\$ -	\$ -	\$ 64,539.52	
CORPORATE AIR	20,978		0	\$ 66,742.85		\$ 66,742.85		\$ 66,742.85	\$ 69,277.55	\$ 69,277.55	\$ 136,020.40	
GOJUMP HAWAII, LLC			0			\$ -		\$ -	\$ 23,582.43	\$ 23,582.43	\$ 23,582.43	
GEORGE'S AVIATION SERVICES, INC.			0			\$ -		\$ -	\$ -	\$ -	\$ -	
HAWAII HELICOPTERS LLC	94	187	0	\$ 79.56	\$ 159.12	\$ 238.68		\$ 238.68	\$ 153.00	\$ 153.00	\$ 391.68	
HAWAII PACIFIC AVIATION INC.	2,213		(0)	\$ 1,880.88		\$ 1,880.88		\$ 1,880.88	\$ 10,883.71	\$ 10,883.71	\$ 12,764.59	
HELICOPTER CONSULTANTS OF MAUI, INC.	15,544	15,390	(0)	\$ 13,211.97	\$ 13,081.08	\$ 26,293.05	\$ (4,930.73)	\$ 21,362.32	\$ 32,759.12	\$ 32,759.12	\$ 54,121.44	
HONOLULU HELICOPTER TOURS LLC	2,910		(0)	\$ 2,473.31		\$ 2,473.31		\$ 2,473.31	\$ (600.59)	\$ (600.59)	\$ 1,872.72	
HONOLULU SOARING CLUB, INC.			0			\$ -		\$ -	\$ 769.41	\$ 769.41	\$ 769.41	
ISLAND HELICOPTERS KAUAI, INC.			0			\$ -		\$ -	\$ 18,246.84	\$ 18,246.84	\$ 18,246.84	
JACK HARTER HELICOPTERS, INC.			0			\$ -	\$ 954.96	\$ 954.96	\$ 10,834.82	\$ (2,435.08)	\$ 8,399.74	\$ 9,354.70
K & S HELICOPTERS, INC.		653	0		\$ 555.05	\$ 555.05		\$ 555.05	\$ 6,921.55	\$ 6,921.55	\$ 7,476.60	
KAMAKA AIR, INC.	33,172	8,789	(0)	\$ 41,960	\$ 7,470.48	\$ 35,666.34		\$ 35,666.34	\$ 33,724.77	\$ 33,724.77	\$ 69,391.11	
LANI LEA SKY TOURS LLC	41		(0)	\$ 34.68		\$ 34.68		\$ 34.68	\$ -	\$ -	\$ 34.68	
MAKANI KAI HELICOPTERS, LTD.	6,386		0	\$ 5,428.10		\$ 5,428.10		\$ 5,428.10	\$ 61.88	\$ 61.88	\$ 5,489.98	
MISCELLANEOUS	2,634		0	\$ 14,669.76		\$ 14,669.76		\$ 14,669.76	\$ -	\$ -	\$ 14,669.76	
MN AIRLINES LLC	2,341		(0)	\$ 11,259.25		\$ 11,259.25		\$ 11,259.25	\$ -	\$ -	\$ 11,259.25	
NATIONAL AIRLINES - NPB	66,504		0	\$ 7,429.17		\$ 7,429.17		\$ 7,429.17	\$ -	\$ -	\$ 7,429.17	
NIIHAU HELICOPTERS, INC.			0			\$ -		\$ -	\$ 373.08	\$ 373.08	\$ 373.08	
NOVICTOR AVIATION, LLC	21,415		0	\$ 18,202.93		\$ 18,202.93		\$ 18,202.93	\$ -	\$ -	\$ 18,202.93	
OMNI AIR INTERNATIONAL, INC.	11,160	(470)	0	\$ 86,890.90	\$ (977.60)	\$ 85,913.30		\$ 85,913.30	\$ -	\$ -	\$ 85,913.30	
PACIFIC AIR CHARTERS, INCORPORATED			0			\$ -		\$ -	\$ -	\$ -	\$ -	
PACIFIC HELICOPTER TOURS, INC.			0			\$ -		\$ -	\$ -	\$ -	\$ -	
POFOLK AVIATION HAWAII, INC.			0			\$ -		\$ -	\$ 18,877.33	\$ 18,877.33	\$ 18,877.33	
RESORT AIR, LLC	1,306		0	\$ 1,110.21		\$ 1,110.21		\$ 1,110.21	\$ 180.05	\$ 180.05	\$ 1,290.26	
SAFARI AVIATION, INC.			0			\$ -		\$ -	\$ 15,071.01	\$ 15,071.01	\$ 15,071.01	
SUNSHINE HELICOPTERS, INC.		4,697	0		\$ 3,992.11	\$ 3,992.11		\$ 3,992.11	\$ 8,836.60	\$ (1,806.42)	\$ 7,030.18	\$ 11,022.29
TRANS EXECUTIVE AIRLINES OF HAWAII, INC.DI	30,535	4,904	0	\$ 25,954.36	\$ 4,168.00	\$ 30,122.36	\$ (4,768.08)	\$ 25,354.28	\$ 17,503.23	\$ 17,503.23	\$ 42,857.51	
WESTERN AIRCRAFT INC.	47,673	149	0	\$ 47,822	\$ 40,522.29	\$ 126.52		\$ 40,648.81	\$ 38,280.46	\$ 38,280.46	\$ 78,929.27	
WESTERN GLOBALAIRLINES	8,657		0	\$ 52,862.43		\$ 52,862.43		\$ 52,862.43	\$ (200.00)	\$ (200.00)	\$ 52,662.43	
WINGS OVER KAUAI LLC			0			\$ -		\$ -	\$ 2,774.40	\$ 2,774.40	\$ 2,774.40	
ZIPAIR TOKYO, INC.	80,180		0	\$ 490,735.80		\$ 490,735.80		\$ 490,735.80	\$ -	\$ -	\$ 490,735.80	
TOTAL:	937,274	153,595	0	\$ 3,664,003.87	\$ 239,628.96	\$ 3,903,632.83	\$ (40,081.13)	\$ 3,863,551.70	\$ 1,036,866.17	\$ (4,241.50)	\$ 1,032,624.67	\$ 4,896,176.37

Overseas Landed Weight: 953,746
 Interisland Landed Weight: 877,115
 Total Landed Weight: 1,830,861

Note: The above schedule presents airport landing fees billed to nonsignatory airlines for the year ended June 30, 2024. See accompanying independent auditors' report.